

# Partner Prosper Propagate

As catalysts of the green energy movement, promoting and developing renewable energy sources is our aspiration, the vision we strive to fulfil with each and every step we take. Unhindered by challenges and using them as opportunities, we are fostering partnerships, propagating our business internationally and building on our successes to prosper.



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# ABOUT VIDULLANKA PLC

# Vision

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



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

# Values

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



Vidullanka PLC, a pioneer of the renewable energy industry in Sri Lanka, helped champion the cause of green energy, through investment in hydro power and other forms of renewable energy sources. The company was established as a BOI venture in 1997 and is among the first of its kind to specialise in the design and construction of mini hydro power projects and commissioned its first plant in 2001. For the past 20 years, the company's capacity has steadily grown and presently is at 26MW with a total energy supply exceeding 100GWh annually to the national grids. Leveraging on this success the company recently commissioned the 3.3MW Dehiyathakandiya Dendro Power Project and is scheduled to commence the construction of the 6.5MW Bukinda Small Hydro Power Plant, continuing its steps toward growth and diversification.

Vidullanka has the distinction of being the first renewable energy company listed on the Colombo Stock Exchange in 2005 and rated A - (SL) since 2015 by ICRA Lanka Limited, subsidiary of ICRA Limited, a Group Company of Moody's Investors Services.

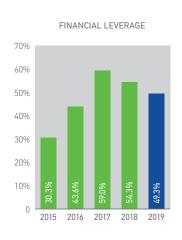
Vidullanka is constantly recognized for its excellence, justified not only by its financial performance but also by the highest grounds of professionalism and ethics it upholds and value that it creates for planet earth and people. In 2018, the company had the distinction of winning the Silver Award at the Presidential Environmental (National Green) Awards for its commitment to environmental well-being. Moreover, Vidullanka PLC received awards at the Taiki Akimoto 5S competition conducted by Japan-Sri Lanka Technical and Cultural Association for the ninth consecutive year. The company was also awarded Runners-Up in the Infrastructure and Utilities category at the National Business Excellence Awards organised by the National Chamber of Commerce of Sri Lanka.

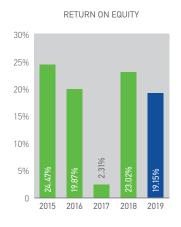
Vidullanka PLC continues to grow in terms of its financial performance, generation capacity, asset base, resources and technical excellence. As a responsible corporate citizen, the company is committed to sustainability and is also well supported by the management's strategic vision and the concern for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

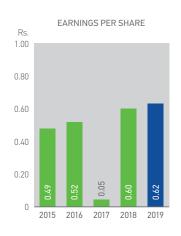
# FINANCIAL HIGHLIGHTS

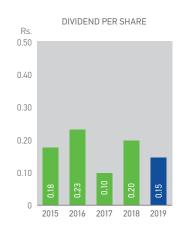
As at 31 March	2019	2018	2017
Group Revenue (Rs. mn)	1,282.0	974.8	534.8
Gross Profits (Rs. mn)	980.4	726.4	391.1
Profit After Tax (Rs. mn)	527.3	509.2	41.7
Output (GWh)	108.0	92.6	48.5
Net Profit Margin	41.1%	52.2%	7.8%
ROE	19.2%	23.0%	2.3%
Earning per Share (Rs.)	0.62	0.60	0.05
Dividend per Share (Rs.)	0.15	0.20	0.10
Net Asset Value per Share (Rs.)	3.24	2.66	2.41
Current Ratio (No. of times)	1.11	0.48	0.53
Equity Asset Ratio (No. of times)	2.10	2.40	2.60
Asset Turnover Ratio (No. of times)	0.22	0.18	0.11
Gearing Ratio	49.3%	54.3%	59.0%

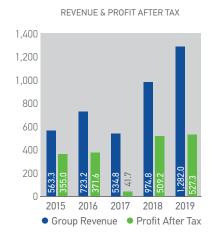














+31.5%

**INCREASE IN TURNOVER** 



**DIVIDEND DISTRIBUTION** 



**CREDIT RATING** 



161.8<sub>Rs. mn</sub>

**ECONOMIC VALUE ADDITION** 



**DIVIDEND PAYOUT RATIO** 



**NET ASSET VALUE PER SHARE** 

# NON FINANCIAL HIGHLIGHTS



**TOTAL POWER GENERATION** 



**ELECTRICITY DELIVERED IN SRI LANKA** 



28.7<sub>GWh</sub>

**ELECTRICITY DELIVERED IN UGANDA** 



68,040<sub>tco,e</sub>

**EMISSION REDUCTION** 



**NO OF EMPLOYEES** 

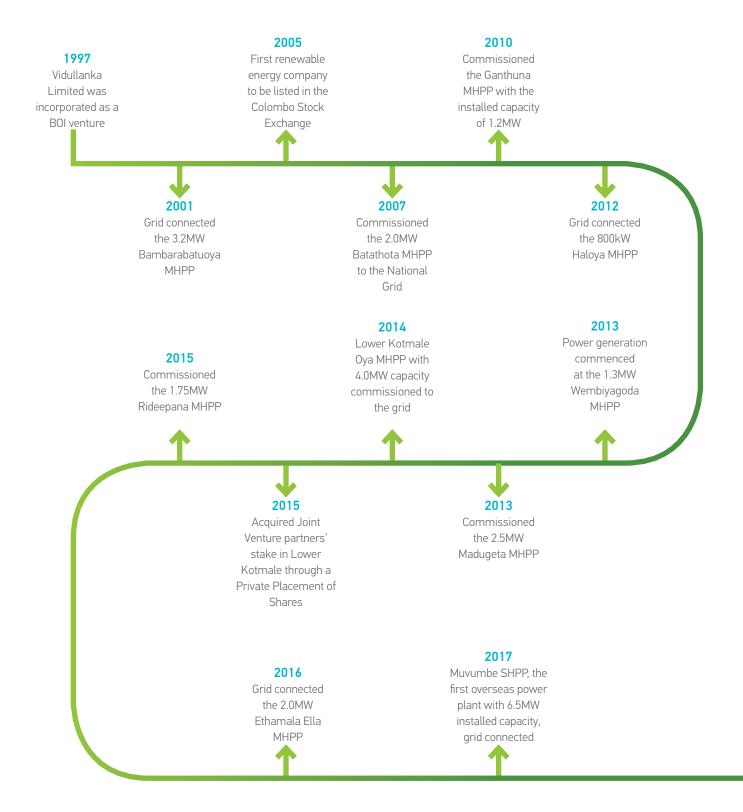


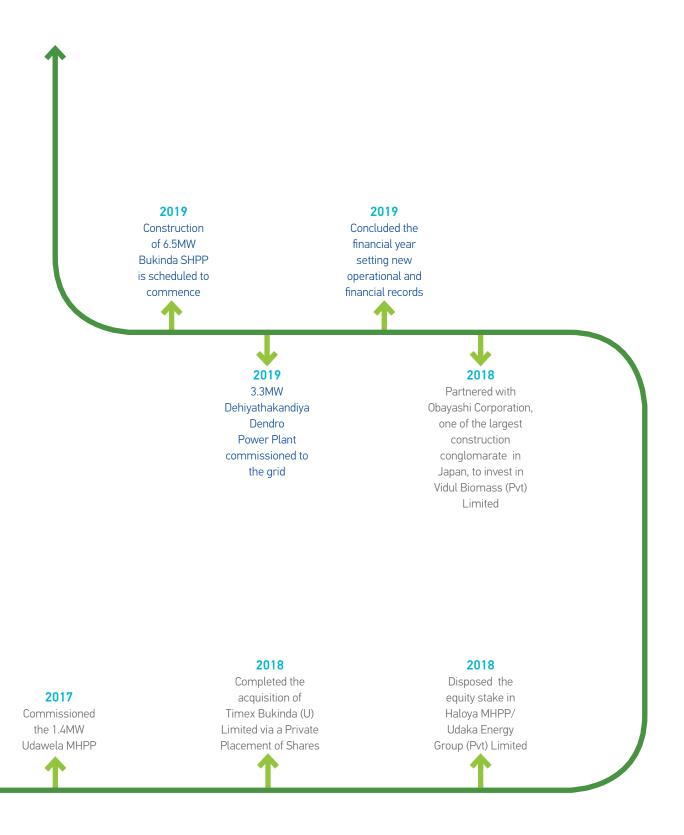
**EXECUTIVE TRAINING HOURS** 





# **KEY MILESTONES**





# **OUR PLANT PORTFOLIO**

						Projects in Operation
	Bambarabatuoya MHPP	Batathota MHPP	Ganthuna MHPP	Wembiyagoda MHPP	Madugeta MHPP	
	TI C	D			14/1-1	
	The first project	Batathota MHPP	A joint venture with	Silver Award	Whilst the power	
	by Vidullanka PLC	continued to	RenewGen (Pvt)	Winner at	generation is nourish	
	commissioned	demonstrate	Limited, the power	Presidential	by the Sinharaja Fore	est
	in June 2001,	exceptional	plant continues	Environment	and the Dellawa	
	which marked the	performance	to generate	Awards 2018,	proposed forest	
	beginning of the	in terms of	electricity despite	the power plant	reserve, the power	
	Vidul Group.	operational	fighting the severe	is benefiting from	plant continues its	
		efficiency and	deforestation in	the higher rainfall	reforestation initiativ	
		plant factor.	the region through its reforestation initiatives.	in the region.	further safeguarding natural habitat.	the
	•••••	•••••	•••••	•••••	•••••	
PROJECT COMPANY	Vidullanka PLC	Vidullanka PLC	Gurugoda Hydro (Pvt) Limited	Walagamba Balashakthi (Pvt) Limited	Vidul Madugeta (Pvt) Limited	
	•••••	•••••	•••••	•••••	•••••	
INSTALLED CAPACITY	3.2 MW	2.0 MW	1.2 MW	1.3 MW	2.5 MW	
	•••••	•••••	•••••	•••••	••••••	
LOCATION	Ratnapura	Ratnapura	Kegalle	Ratnapura	Galle	
	•••••	•••••	•••••	•••••	•••••	
PROJECT COST	US\$ 3.4 mn	US\$ 2.5 mn	US\$ 1.6 mn	US\$ 2.0 mn	US\$ 4.4 mn	
	•••••	•••••	•••••	•••••	•••••	
RIVER	Kalu Ganga	Kuru Ganga	Gurugoda Oya	Koswathu Ganga	Gin Ganga	
	•••••	•••••	•••••	•••••	•••••	
CATCHMENT AREA	76 km²	64 km²	5 km²	77 km²	179 km²	
	•••••	•••••	•••••	•••••	•••••	
PLANT FACTOR	44%	58%	38%	40%	46%	
	•••••	•••••	•••••	•••••	•••••	
DESIGNED ANNUAL ENERGY	12.3 GWh	10.3 GWh	4.0 GWh	4.5 GWh	<b>10.1 GWh</b>	
	•••••	•••••	•••••	•••••	••••••	
GROSS HEAD	47 m	41.6 m	220 m	22.5 m	15 m	
	•••••	•••••	•••••	•••••	•••••	
CHANNEL LENGTH	2,850 m	1,700 m	220 m	440 m	660 m	
PENSTOCK LENGTH	•••••	•••••	•••••	•••••	••••••	
	150 m	140 m	560 m	40 m	-	
TURBINE	Francis Turbines (4*800kW)	Francis Turbines (2*800kW+1*400kW)	Pelton Turbines (2*600kW)	Francis Turbines (2*650kW)	Kaplan Turbines (2*1,250kW)	
STATUS	Commissioned on 1st June 2001 and the SPPA to be renewed.	Commissioned on 6th March 2007	Commissioned on 26th March 2010	Commissioned on 19th March 2013	Commissioned on 1st November 2013	



## CHAIRMAN'S MESSAGE

It is my great privilege and pleasure to meet our valued shareholders at the 23rd Annual General Meeting of Vidullanka PLC and to present the Annual Report of the company for the financial year ended 31st March 2019.

The year 2018/19 was another prosperous year for our company as we recorded a Profit After Tax of Rs. 527.3mn, which is consistent with prior year performances. Further, the company marks the year as a year of consolidation and diversification of its generation portfolio.

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

Energy demand worldwide grew by 4.0% in 2018, the fastest rate since 2010 and renewables and nuclear power has met the bulk of the increase in power demand. However, global energy demand is expected to grow slowly beyond 2030, despite substantial population expansion and economic growth due to improved energy efficiency supported by the greater incorporation of renewable energy into the energy mix.

In 2018, global renewable power capacity increased by about the same amount as last year (+171GW or 7.9%). Solar and wind largely accounted for the growth in capacity with 94GW and 49GW respectively, which is 84% of new capacity added. Hydro power remained as the most significant energy source, although its capacity has increased only by 21GW. Even though Asia accounted for 61% of new capacity with a growth of 11.4%, growth was fastest in the Oceania region with a 17.7% growth during 2018. Capacity growth in Africa was 8.4% and ranks third just behind Asia. During the year under review, hydro power expansion continued to slow with only China adding a significant amount of capacity (+8.5GW). Asia continued to dominate the global solar capacity expansion with a 64GW increase.

The company is at a critical juncture of its endeavours to transform itself from being a local power developer to a multinational renewable energy developer. The company is in the process of forming strong partnerships and collaborations with renewable energy-focused international funds and investment banks, capitalizing on its reputation in Sri Lanka as well as in Uganda.

While the growth of renewables has been impressive during 2018, the transition to low carbon energy production will require more countries and regions to not only switch to expanding renewable capacity but also start to retire or convert more of their existing fossil fuel use. Countries like China have taken the initiative to reduce their dependence on polluting energy sources and transitioning towards cleaner energy initiatives.

#### The Sri Lankan Economy

The Sri Lankan economy posted a sluggish growth of 3.2% during the year 2018, in comparison to 3.4% growth recorded in the previous year. The growth was mainly driven by the services sector expanding by 4.7% and recovery in the agricultural sector, which recorded a growth of 4.8%. The industrial sector slowed down significantly to 0.9% during the year, mainly as a result of the contraction in the construction industry. However, manufacturing, electricity, water and waste treatment activities have positively contributed to the expansion in industrial operations.

Despite the sharp depreciation of the rupee against major currencies and the introduction of the price formula for domestic petroleum price adjustments, both headline and core inflation remained stable at low single digit levels during the year.

#### The Power and Energy Industry

The country's energy needs are expected to grow with urbanization, increasing economic activity and planned megaprojects, such as the Port City, Industrial Zones and the Western Region Megapolis project. However, the overdependence on petroleum oil to meet higher energy demand have led to recent increases in energy bills in the country and have shifted the regulator's focus towards promoting the use of the abundant renewable energy sources in the country, such as solar and wind power.

Electricity generation continued to expand during 2018, supported by significant growth in hydro power generation. Total electricity generation increased by 4.0% in 2018 compared to the previous year. The higher level of rainfall in catchment areas during the year significantly increased the share of hydro power generation and reduced the country's reliance on thermal power. It is noteworthy to mention that with the increased power generation from mini hydro and solar power plants, the share of electricity generated from non-conventional renewable energy (NCRE) sources has gone over 11% of the total electricity generated during 2018.

The government continued to increase the capacity of renewable energy generation in

the country, to enhance sustainability in the energy sector. The Moragahakanda hydro power project, which is the last phase of the Mahaweli project, was commissioned during 2018, adding a further 25MW generating capacity to the national grid. The Uma Oya and Moragolla hydro power projects which are under construction are expected to add 150.2MW to the national grid shortly. The Uma Oya project, which was launched under Iranian Government funding, is reportedly being delayed due to public protest, continuing leaks and US trade sanctions on Iran. The proposed hydro power projects, 35MW Broadlands, 15MW Thalpitigala and 20MW Seethawaka will also add additional capacity to the national grid. In addition, construction of a 100MW wind park had started in November 2018 in the Mannar Island and is expected to be connected to the grid in 2020.

Meanwhile, the Sri Lanka Sustainable Energy Authority (SLSEA) has planned to construct a solar power park in Siyambalanduwa in the Moneragala district and a solar-wind hybrid park in Pooneryn. The 'Soorya Bala Sangramaya' programme, which was launched in collaboration with the Ministry of Power and Renewable Energy, the SLSEA, the Ceylon Electricity Board and the Lanka Electricity Company (Private) Limited, continued during 2018 encouraging both public and private sector investments in rooftop solar power generation. 177MW of rooftop solar had been connected so far under the 'Soorya Piyasa' schemes involving 20,000 people and it is expected to add 200MW of solar electricity to the national grid by 2020 and 1,000MW by 2025 through this intervention.

#### **Company Performance**

The financial year 2018/19 had been yet another good year, setting new performance records. The group reported a Profit After Tax of Rs. 527.3mn and a Comprehensive Income of Rs. 595.4mn compared to Rs. 509.2mn and Rs. 575.4mn respectively in the previous financial year.

It is also noteworthy that the group has recorded a consolidated turnover exceeding Rs. 1bn for the first time which is a 31.5% increase over the last reporting period. While the local power generating segment primarily contributed to the group's performance, overseas power generation has delivered resounding performance in line with the previous financial year.

The group consolidated its energy portfolio with disposal of the equity stake held in Udaka Energy Group (Pvt) Limited, which ownes and operates the Haloya MHPP with an installed capacity of 800kW, for a consideration of Rs. 15.5mn in November 2018. Following the sale of the Udaka Energy, which was the smallest capacity power plant in the Vidul group, the company aims to build and operate relatively larger capacity power plants in Sri Lanka and overseas.

Further, the company has disposed 49% of equity stake in Vidul Biomass (Pvt) Limited to OC Energy Lanka (Pvt) Limited, a wholly owned subsidiary of the Japanese construction giant, the Obayashi Corporation, forming a joint venture to develop its 3.3MW Dehiyathakandiya Dendro power project. The investment in Vidul Biomass (Pvt) Limited is the first of its kind for the Japanese conglomerate in Sri Lanka and the new investor is also expected to infuse their expertise into this segment.

During the year under review, the company offered its valued shareholders an interim dividend amounting to a total distribution of Rs. 125.67mn.

#### Sustainability

Vidullanka PLC, as a renewable energy developer and operator, is having a truly positive impact on delivering a better world for the younger generation tomorrow. The company incorporates sustainability and social responsibility as its core values across the value chain. The group

has created numerous employment opportunities for the rural populace in Sri Lanka as well as in Uganda, helping to uplift the living standards of the communities around. The group has also actively undertaken a reforestation programme targeting to increase forest coverage in the catchment areas by planting and sustaining valuable trees in partnership with the local community and schools.

The company believes in building great work relationships in pursuit of creating sustainable value; hence it considers the employees as the key resource in its past successes and in achieving future endeavours.

It is also noteworthy that the green energy generated by the company accounted for an emission reduction of 68,040 metric tons of carbon dioxide equivalent.

#### Strategic Outlook

The company is at a critical juncture of its endeavours to transform itself from being a local power developer to a multinational renewable energy developer. The company is in the process of forming strong partnerships and collaborations with renewable energy-focused international funds and investment banks, capitalizing on its reputation in Sri Lanka as well as in Uganda.

The company has relied on incremental addition of new capacity as the organic growth strategy in the past. However, the new partnerships and collaborations in the pipeline are envisaged to bring in enhanced capacity to the company to help venture into the development of larger capacity power plants, competing for international tenders for project developments as well as EPC contracts in sub-Saharan Africa.

In its continuing quest for capacity addition, the company is set to commence the construction of the 6.5MW Bukinda SHPP in Uganda, following the

## CHAIRMAN'S MESSAGE

successful commissioning of the 3.3MW Dehiyathakandiya Dendro power plant.

While investment in the Dendro power plant is set to provide a reasonable degree of diversification to the energy portfolio along with the geographical diversification arising from investments in Africa, the company is also exploring the possibilities of investment in solar power plants in Sri Lanka.

Contrary to the global drive towards renewable energy, bureaucratic red tape by the approving authorities in Sri Lanka have adversely affected investments in new renewable energy projects. This has led to marking the year 2018 as the year with the least number of renewable power projects commissioned to the national grid, other than rooftop solar projects. Some arbitrary decisions taken by the authorities have landed some developers in court against such authorities, thus resulting in a lot of time, energy and funds being spent unproductively. Such uncertainties have led to many private sector investors suspending investments into the sector, which is a massive loss to the country as a whole.

#### Acknowledgement

I would like to take this opportunity to express my gratitude to the members of Vidullanka, especially the Board of Directors for the support extended to implement the overall direction and strategy of the business; to the Chief Executive Officer – Mr. Riyaz M. Sangani, for the astute leadership provided in driving the company on its path to success; to the management and the staff for their relentless commitment and dedication that has contributed to the growth of both operational and financial performance and; to our business partners for the trust placed in us.

Thank you to our outgoing Board members; Dr. A.A.M. Haroon, Mr. M. Zulficar Ghouse and Ms. B.R.I. Sangani, for the excellent service, rendered to the company throughout the years. I also heartily welcome Mr. Rizvi Zaheed and Ms. Deepthie Wickramasuriya to the Board of Directors of Vidullanka PLC. I'm confident that the group stands to benefit immensely from the wealth of knowledge and expertise of the incoming directors.

I congratulate the staff of Wembiyagoda MHPP for securing the Japan-Sri Lanka Technical and Cultural Association 5S Award and the Silver Award at Presidential Environment Awards for the year 2018. The company was also awarded Runner-up position in the National Business Excellence Awards under the Infrastructure and Utilities segment, hosted by the National Chamber of Commerce in 2018.

I further congratulate the team on the timely commissioning of the Dehiyathakandiya Dendro power plant and trust that this area will continue to grow consistently.

Last but not least, I would like to acknowledge and thank all our shareholders for the confidence placed in us. I am glad that we were able to fulfill a request by the shareholders by arranging a shareholders' visit to the Wembiyagoda SHPP during 2018. Moving forward, we will continue to preserve your interests as we continue to grow in the realm of the expanding renewable energy industry.

(Sgd.) Osman Kassim *Chairman* 

18th June 2019

# **CEO'S REVIEW**

The company commenced the year with eleven power plants in operation and the construction of the first Dendro power plant on going. Vidullanka continued to operate its local and overseas power plants aiming at optimising operational efficiency and less down time. Furthermore, the company also focused on forming partnerships internationally in pursuit of becoming a truly multinational entity with a strong foothold in a number of countries.

In meeting the company's strategic priorities, the company established a noteworthy alliance with the Obayashi Corporation, a construction conglomerate based in Japan. The Obayashi Corporation joined forces with Vidullanka through its wholly owned subsidiary OC Energy Lanka (Pvt) Limited to jointly invest in the development of the Dehiyathakandiya Dendro power plant.

#### THE STRATEGY

The company continued to add more generation capacity to its energy portfolio. The company commissioned the Dehiyathakandiya Dendro power plant to the national grid soon after the year end, having implemented it through an EPC contract. The investment marks a key departure from hydro based power generation to other renewable energy sources. Unlike hydro power plants, the decision to implement the project through a fully wrapped turnkey EPC contract proved to be a prudent decision given the complexities of the power plant design and use of relatively new technology in the power plant design.

Vidullanka had been a major developer of small hydro power plants with installed capacities ranging from 800kW to 4MW in its local energy portfolio. Muvumbe SHPP in Uganda is presently the largest in the portfolio contributing 6.5MW. The company has recognized the need for consolidation of resources as a strategic priority to further enhance the operational efficiencies and to capitalize on the emerging opportunities internationally.

Whilst most of the opportunities present in Africa and elsewhere are for power projects with larger capacities, the financial strength of the company and its Sri Lankan funding partners alone are not sufficient to pursue such opportunities. Hence the company considers consolidation of local resources as well as establishing international

partnerships would help the company in moving forward. This would ultimately result in giving the most needed financial strength as well as open doors for meaningful business relationships with international development banks and financing institutions.

The company divested its equity stake in Udaka Energy Group (Pvt) Limited, which owns and operates the 800kW Haloya MHPP in Badulla. Haloya MHPP was the smallest power plant in the plant portfolio and consistently underperformed compared with the rest of the power plants.

In meeting the company's strategic priorities, the company established a noteworthy alliance with the Obayashi Corporation, a construction conglomerate based in Japan. The Obayashi Corporation joined forces with Vidullanka through its wholly owned subsidiary OC Energy Lanka (Pvt) Limited to jointly invest in the development of the Dehiyathakandiya Dendro power plant. The partnership with Obayashi is promising in areas of investments in new Dendro power plants, establishing sustainable supply chain for fuel wood, R&D activities relating to efficiency improvements and developing high yielding energy crops.

Moreover, the company is in the final phase of establishing a partnership with an international energy fund focussed on developing renewable energy in Africa. Vidullanka's existing presence and excellent track record in the continent has provided a unique edge in establishing mutually beneficial business partnerships. The company aims to acquire emerging opportunities in the continent through such partnerships.

#### THE PERFORMANCE

The company recorded yet another successful year with a Profit After Tax of Rs. 527.3mn and a Comprehensive Income of Rs. 595.4mn. The profit recorded for the financial year is marked as the highest profit reported for any given financial year by the company. It is also notable that the company achieved a turnover of Rs. 1,282mn recording a year on year growth of 31.5%.

It is also noteworthy that the operational performance of the power plants supplemented the reduction in other income.

The power plants continued to add sustainably generated electricity to the national grid of Sri Lanka and Uganda. The group added 108.0GWh of electrical energy during the year in comparison to 92.6GWh during the previous financial year.

ICRA Lanka Limited, a group entity of Moody's investor services reaffirmed the entity rating of A-(SL) for the fifth

# **CEO'S REVIEW**

consecutive year with a stable outlook, in testament to the robust financial performance of the Vidullanka group.

#### THE BUSINESS CASE

Vidullanka operates in an industry which does not permit significant differentiation from peer companies in terms of technology used and delivers a homogenous output. While the Sri Lankan renewable energy market is crowded with investments from high net worth individuals and families and corporates from other industries seeking to acquire a long term steady cash generating asset, companies such as Vidullanka are fully dedicated to build, own and operate renewable energy projects.

Vidullanka strives to stand out by way of operational excellence including minimum down time, continuous improvements, in-grown innovation, improved productivity etc. In addition to the above, it is also remarkable that the company is keeping up on its track record of continuous capacity addition, which drives the company forward with highly talented technical staff onboard. Vidullanka's cadre includes senior engineers and technical experts who have decades of experience in identifying, evaluating, designing, constructing and operating hydro power plants. Extensive training and development programmes conducted aiming at improving the technical and soft skills of the workforce have helped the company experiment with newer technologies whilst leaders emerging among the employees spearheading innovation and change.

It is also noteworthy that Vidullanka has completed 10 years of continuous capacity addition growing in multi-folds witnessed by the growth in the annual output and profitability. In addition to the power generated by Muvumbe SHPP in Uganda, the addition of Dehiyathakandiya Dendro power plant to the generation portfolio effectively reduced the group's reliance on electricity generated by local hydro power plants.

The renewable energy industry is one of the few industries in which its own prosperity and environmental sustainability are positively correlated. Vidullanka has continued its endeavours in enhancing the forest cover in the catchment areas of the power plants. This includes the tree planting programmes undertaken under the "Vidu Saviya – Ratata Sewanak" initiative

#### SUSTAINABILITY CHARGE

The renewable energy industry is one of the few industries in which its own prosperity and environmental sustainability are positively correlated. Vidullanka has continued its endeavours in enhancing the forest cover in the catchment areas of the power plants. This includes the tree planting programmes undertaken under the "Vidu Saviya – Ratata Sewanak", for which the company joined hands with a number of leading corporates as well as environmental conservation groups.

In addition to the above, the "Vidu Saviya – Daruwanta Diriyak" initiative continued its worthy endeavours of supporting local students and schools through welfare and infrastructure development. In addition, the company complies with the due regulations and rectifies any deviations immediately without any further dues.

Due to the intertwined nature of sustainability and the success of the business operations, the company aims to take leadership in promoting social and environmental sustainability in the rural environment. Vidullanka is proud of its ability to positively contribute toward national good causes such as increased forest cover and achieving higher energy independency.

#### THE CHALLENGES

Ever since 2010, Vidullanka PLC had ensured the commissioning of at least one project every year and continuously had projects in the pipeline that would come into construction one after the other. However, interruptions to the already saturated industry on political grounds over the past few years have driven away many investors from investing in Sri Lanka's renewable energy industry. Similarly, Vidullanka also had faced many unexpected challenges in realising those projects in the pipeline. This has led the company to recognize substantial impairment losses, factoring in the lower level of confidence in materialising the pipeline projects.

Presently, the company does not have any hydro projects under construction or planned to commence construction in the immediate future in Sri Lanka. Conversely, the company has shifted its focus to overseas investments and is set to commence the construction of the 6.5MW Bukinda SHPP during the first quarter of the FY 2019/20. Whilst opportunities exist for investment in solar in Sri Lanka, the competition triggered purely based on price without giving adequate weightage to the technical challenges and depreciation of the rupee during the latter part of 2018 have resulted in such opportunities becoming far less attractive.

Despite the challenges, Vidullanka is poised to invest in developing renewable energy sources, including hydro, Dendro and solar in Sri Lanka and also overseas. The company envisages building a diverse pool of renewable energy portfolios with power plants spread across countries and continents generating power using multiple sources of renewable energy.

#### **GOING FORWARD**

The Vidullanka Board was reconstituted with the addition of two veteran professionals with vast experience ranging from agribusiness to FMCG and freight to insurance. The Vidul Plantation (Pvt) Limited, which is in the process setting up the supply chain for the fuel wood used at the Dendro power plant in Dehiyathakandiya is being directly advised by Mr. Rizvi Zaheed, who has numerous years of experience in related industries. The business and risk management aspects are being further scrutinized by Ms. Deepthie Wickramasuriya, who has decades long experience in general business management, finance and treasury activities.

The Board and the management are confident about the prospects of the company despite the challenges faced locally, in obtaining necessary approvals for cross boarder investments and finding appropriate funding partners. As a strategic priority, the company is focussing on establishing key partnerships and alliances overseas that would enhance the company's capabilities to compete for greater opportunities.

#### **ACKNOWLEDGEMENTS**

I would like to thank the three outgoing directors, namely, Dr. A.A.M. Haroon, Ms. B.R.I. Sangani and Mr. M. Zulficar Ghouse for their long standing service to the company. I also would like to welcome the new members, Mr. Rizvi Zaheed and Ms. Deepthie Wickramasuriya, to the Board of Directors. As detailed above, the company stands to benefit from their wealth of knowledge and experience in the local and international arena.

I would like to thank the team at Vidullanka, who is passionate about making a positive contribution to the people and planet whilst generating adequate financial returns to the shareholders. The company also won number of recognitions during the year

including the Silver Award at Presidential Environmental Awards, Merit Award at the Taiki Akimoto 5S competition conducted by Japan-Sri Lanka Technical & Cultural Association and Runners-Up in the Infrastructure and Utilities category at the National Business Excellence Awards conducted by the National Chamber of Commerce of Sri Lanka. Our operations in Uganda won the recognition from the Uganda Revenue Authority for positive contribution toward local upliftment through tax contributions.

Finally, I would like to thank the shareholders, who have placed trust in the leadership at Vidullanka in achieving greater heights through a sustainable business model that is beneficial to the nation, its people and economy and planet earth as a whole.

(Sgd.) Riyaz M. Sangani CFO

18th June 2019

# **BOARD OF DIRECTORS**

#### **OSMAN KASSIM**

Chairman

Founder Chairman of the Expolanka Group, Mr. Osman Kassim is an entrepreneur with vast experience in the fields of management and strategy. He counts over 40 years of senior management experience both internationally and locally in diverse business sectors. Mr. Kassim is also very well versed in Islamic Banking and Insurance and was instrumental in introducing the concept of Islamic finance into Sri Lanka.

Currently he is the Chairman of Amana Bank PLC and Vidullanka PLC. He holds directorships in Aberdeen Holdings (Pvt) Limited, Ex-Pack Corrugated Cartons (Pvt) Limited, Crescentrating (Pvt) Limited – Singapore and Amana Takaful PLC. Mr. Kassim has expanded his directorships in Islamic finance companies overseas, including Amana Takaful Maldives Limited and Maldives Islamic Bank as well.

He holds an Honorary Doctorate from the Staffordshire University in recognition of his achievements as both a global entrepreneur and visionary educationalist.

#### **RIYAZ M. SANGANI**

Chief Executive Officer

Mr. Riyaz Sangani is the visionary leader and one of the founders of Vidullanka PLC, who has over 20 years of senior management experience. In addition to serving on the Boards of all the companies of the Vidullanka group, he serves on the Boards' of a number of companies in different spheres of business.

Mr. Sangani holds a Bachelor's degree from the University of Colombo and an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He is also a Fellow Member of the Chartered Institute of Management Accountants (CIMA), UK.

Mr. Sangani is the former President of the Small Hydro Power Developers Association from 2015-2017. He is also an Ex-officio member of the Board of Management of the Sri Lanka Sustainable Energy Authority and an advisory committee member for Public Utilities Commission of Sri Lanka and Export Development Board of Sri Lanka. In addition, Mr. Riyaz Sangani is a committee member of the Ceylon Chamber of Commerce representing the small hydro power industry.

#### **RANJAN MATHER**

Non-Executive Director

Mr. Ranjan Mather is one of the Founders of Vidullanka PLC and has been a Director of Vidullanka PLC from the inception.

Mr. Mather is a renowned businessman with interests in renewable energy, textile and fast food industries and holds over 25 years of experience in senior management positions in diverse business sectors. He also serves on the boards of several other companies, including Chinese Dragon Cafe (Pvt) Limited and Bhoruka Power Lanka (Pvt) Limited.

Mr. Mather is a Non-Executive Director of Vidullanka PLC.

#### 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 and 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) Limited, under its umbrella, comes the leading players in Poultry and Agriculture, Commodity Trading, Airline, Tea Exports, UPS courier Agency and the largest Corrugated Carton Manufacturing and Solar Energy companies.

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 40 companies including Bio Extracts (Pvt) Limited; the pioneer in Sri Lanka and the largest in black seed extraction company in South East Asia, Roar Digital (Pvt) Limited; a digital media company with presence in the Asian Region, Ruhunu Farms (Pvt) Limited; a state of the Art

Poultry Farm and also Expack Corrugated Cartons (Pvt) Limited; the market leaders in corrugated cartons.

He also holds directorships in Fits Aviation (Pvt) Limited, Lanka Commodity Holdings (Pvt) Limited, HiEnergy Services (Pvt) Limited, Expoceylon Pharmaceuticals (Pvt) Limited, Expoteas Ceylon (Pvt) Limited, Lanka Commodity Trading (Pvt) Limited, Aberdeen Produce (Pvt) Limited, Solar Universe (Pvt) Limited, Colombo Realty (Pvt) Limited, Classic Enterprises (Pvt) Limited, Neptune Recyclers (Pvt) Limited, Tropical Exotics (Pvt) Limited and Silver Wings (Pvt) Limited, Classic Papers (Pvt) Limited, to name a few.

He is a pioneer in commodity trading in Sri Lanka, who has offices in Dubai, USA, Madagascar, Vietnam and Comoros Island and is also actively involved in trading, import and export of agricultural products. He is also an Executive Council Member of the Sri Lanka-Pakistan Business Council.

He serves the Board as a Non-Executive Director.

#### SHAHID M. SANGANI

Non-Executive Director

An Attorney-at-Law at the Supreme Court of Sri Lanka by profession, Mr. Shahid Sangani serves as the Managing Director of Lanka Equities (Pvt) Limited, Dynawash Limited and Co-Energi (Pvt) Limited. He has 30 years of senior management experience in diverse businesses ranging from Apparel, Jewellery, Renewable Energy and Trading.

Further, he holds directorships on the boards of Autus Chemicals (Pvt) Limited, Diamond Cutters Sales (Pvt) Limited and Trade First (Pvt) Limited.

Mr. Shahid Sangani served as the CEO of Kenanga Investment Corp Limited (2010-2012), the Sri Lankan Investment Banking unit of the K& N Kenenga Holdings Berhad, a listed investment company in Malaysia. Further, he served as the Chief Operating Officer (COO) of the World Memon Organization (WMO), a UK registered Charity and Social Organization of the Worldwide Memon Community from 2012 to 2018.

He serves the Board of Vidullanka PLC as a Non-Executive Director.

# **BOARD OF DIRECTORS**

#### **SIDATH FERNANDO**

Independent Non-Executive Director

Mr. Sidath Fernando is a successful entrepreneur in Sri Lanka with business interests in sectors including Manufacturing, Real Estate, Property Management and Information Communications Technology. Mr. Fernando is the Principal Shareholder and Chairman of V.D.P. Fernando Co. Limited, a family owned business established in 1958 and Managing Partner of the Crystal Holding (Pvt) Limited.

Mr. Fernando has extensive experience in the Real Estate and Property Development businesses. He has been quite successful in both developing and managing large scale commercial and retail outlets in Colombo.

He has served as a Director of Sri Lanka Telecom during 2008 and also served as the Director of Sky Network (Pvt) Limited, SLT Manpower Solutions (Pvt) Limited and People's Leasing and Finance PLC. Overall, Mr. Fernando has more than 25 years of hands-on experience in business management, finance, manufacturing and marketing gained whilst managing his own Small and Medium Enterprises.

He had been a committee member of Chamber of Young Entrepreneurs in Sri Lanka and also a Rotarian at the Rotary Club of Colombo.

He serves the Board of Vidullanka PLC as an Independent Non-Executive Director since 2012.

#### C. F. FUHRER

Non-Executive Director

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

#### **RIZVI ZAHEED**

Independent Non-Executive Director

Mr. Rizvi Zaheed is the Executive Director of Hayleys Consumer Products Limited, former Managing Director of Hayleys Agriculture Holdings Limited. He has over 30 years' of senior management experience in the agricultural and corporate sector in Sri Lanka. During his tenor at Hayleys, he represented the company on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC) and he also served as the Chairman of the Agriculture and Livestock Steering Committee and as Vice Chairman of the Imports Section of Ceylon Chamber of Commerce.

He currently serves as the Co-chair of the Biotechnology Cluster of the Coordinating Secretariat for Technology and Innovation (COSTI) and as Chairman of the National Industry Biotechnology Association. He is also a member of the University Grants Commission Standing Committee on Agriculture and Livestock, the Food and Beverage Advisory Committee of the Sri Lanka Export Development Board and a member of the main committee of the Ceylon Chamber of Commerce.

Mr. Zaheed is currently the Vice Chairman of CSR Sri Lanka (Guarantee) Limited, an NGO formed and represented solely by the private sector companies with the aim of engaging the wider Corporate Community in addressing national priorities and facilitate necessary resources to bridge the gap between ad hoc CSR projects and creating sustainable value.

He holds a Bachelor's degree from the University of Kelaniya and an MBA from the University of Colombo. Mr. Zaheed is also a member of the Industrial Society, UK and Swedish Institute of Management, Sweden and a JCI International senator.

Mr. Rizvi Zaheed was appointed to the Board of Vidullanka PLC on 31st July 2018 and serves as an Independent Non-Executive Director.

#### **SUJENDRA MATHER**

Non-Executive Director

Mr. Sujendra Mather is currently co-head of Investment Banking at Asia Securities Advisors (Pvt) Limited. Prior to this, he was a co-founder and Managing Director of YSP Advisors (Pvt) Limited, a leading boutique Investment Banking firm in Sri Lanka. Previously, Mr. Sujendra has had over 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, Financial Services, Manufacturing, Real Estate, Hospitality, Infrastructure, Technology and Mining sectors. He has acted both as a key strategic advisor to CEOs and entrepreneurs as well as a principal investor throughout his career.

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

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

He serves the Board of Vidullanka PLC as a Non-Executive Director and as the alternative Director to Mr. Ranjan Mather and Mr. C. F. Fuhrer.

#### **DEEPTHIE WICKRAMASURIYA**

Independent Non-Executive Director

Appointed to the Board of Vidullanka PLC on 1st January 2019, Ms. Deepthie Wickramasuriya serves the Board of Vidullanka PLC as an Independent Non-Executive Director.

She also serves as the Director – Business Process Management at Expolanka Freight (Pvt) Limited; (EFL). Prior to joining EFL, she was the Head of Business Systems and Services of AHL Business Solutions (Pvt) Limited, a subsidiary of Carson Cumberbatch PLC. She was the Head of Treasury, Risk and Governance at Aviva Global Services.

She has also held senior management positions in many established organizations including Galle Face Hotel, Lanka Equities, Flour Mills of Fiji PLC, AMW etc. and has over 35 years' of experience in the fields of finance and treasury management in many industries both locally and overseas. Also, she has successfully led many special projects relating to organizational strategy, operations, risks and governance including migration of many jobs in both accounting and non-accounting fields from the United Kingdom to Sri Lanka and India. She was a member of the project team that handled the transition of General Practitioners practices to Fund Holding units in Oxfordshire, UK.

She is a board member of the Chitrasena Vajira Dance Foundation, the oldest and most prestigious school of traditional dance in Sri Lanka and held the position of Vice President of Sri Lanka Army Medical Corps Seva Vanitha Unit from 2012-2015.

Ms. Deepthie is an MBA holder from the Post-Graduate Institute of Management (PIM), University of Sri Jayewardenepura, Sri Lanka and also a Fellow Member of the Chartered Institute of Management Accountants (CIMA), UK.





#### **OPERATING ENVIRONMENT**

The year in review has been a year of building strategic partnerships and strong financial performance. This report provides an overview of the external environment that shapes business trends and then delves into the financial and operational highlights of the company with regard to the financial year of 2018/19.

#### Sri Lankan Economy

The vulnerability of the Sri Lankan economy to global and domestic disturbances became increasingly visible in 2018, with a modest expansion in real economic activity amidst a low inflation environment during the year. The GDP growth was recorded at 3.2 % in 2018 compared to 3.4 % in the previous year driven by services and agriculture sectors.

The agricultural sector, which recorded negative growth rates consecutively over the past two years resulting from adverse weather conditions, recorded a growth of 4.8%. The growth of the industrial sector slowed down significantly to 0.9% compared to the growth of 4.1% a year earlier, mainly as a result of the contraction in construction and mining activities. However, manufacturing, electricity, water and waste treatment contributed to continue the positive growth trend of the industry sector during the year. The services sector expanded by 4.7% during the year and was mainly driven by financial services, wholesale and retail trade, information and communication services etc. However, public administration and programming and broadcasting activities recorded a contraction, which has dampened the service sector growth.

Although the Sri Lankan economy grew moderately, a marginal increase in unemployment rate and a decline in the labour force participation rate were observed during the year.



The overall average cost of electricity at the selling point reduced to Rs. 19.13 per kWh in 2018 in comparison to Rs. 20.06 per kWh in 2017. Although the average cost of electricity at the selling point fell during the year, it remained above the overall average tariff, indicating the need for the addition of cost effective energy sources whilst retiring more expensive thermal power plants.

The external sector of the economy was volatile during the year due to both global and domestic factors. The tightening of the US monetary policy in 2018 has created capital outflows from emerging market economies and increased pressure on exchange rates of twin deficit economies. As a result, the Sri Lankan rupee faced a sharp depreciation during the period under review and subsequently, it depicted moderate recovery following the implementation of tight monetary and fiscal measures by the government. The external sector of the economy was also affected by political instability during the year.

In spite of the sharp depreciation of the rupee and the introduction of the pricing formula for domestic petroleum price

adjustments, headline and core inflation remained well anchored in low single-digit level, supported by proactive monetary policy measures, improved internal supply conditions and also due to subdued aggregate demand conditions.

Moreover, the Colombo Stock Exchange recorded yet another year of poor performance due to adverse developments on domestic and global fronts, which affected investor sentiments.

#### Sri Lankan Power and Energy Industry

"Energy" is one of the most important factor for the development of any nation. Development of the power and energy sector is directly linked with the development of the country. Sri Lanka is the only country in South Asia that has reached a grid connectivity of 99.3% and 100% electricity accessibility, which is commendable by South Asian standards.

The total electricity generation recorded a 4% growth in 2018 compared to 3.7% in 2017. The total installed power generation capacity of the country stood at 4,085MW consisting of 1,391MW of hydro, 1,220MW of fuel, 900MW of coal and 573MW of Non-Conventional Renewable Energy (NCRE) sources such as mini hydro, wind, biomass and solar. The Ceylon Electricity Board (CEB) accounted for 75.6% of the total energy generation in the country, while the Independent Power Producers (IPPs) generated the remainder.

The increased rainfall in the catchment areas during the year contributed to the increased share of power generation from hydro sources. It also contributed to increase in electricity generation through NCRE sources by 17.3%. Fuel oil and coal power generation declined during the same period which was substituted by increased hydro power generation.

The overall average cost of electricity at the selling point reduced to Rs. 19.13 per kWh in 2018 in comparison to Rs. 20.06 per kWh in 2017. Although the average cost of electricity at the selling point fell during the year, it remained above the overall average tariff, indicating the need for the addition of cost effective energy sources whilst retiring more expensive thermal power plants.

The Public Utilities Commission of Sri Lanka (PUCSL) has approved the CEB's base case Least Cost Long-Term Generation Expansion Plan (LCLTGEP) for 2018-2037 in June 2018. According to the newly-approved LCLTGEP, 2,700MW of coal power, 1,500MW of natural gas, 1,389MW of solar, 1,205MW of wind, 842MW of major hydro, 320MW of furnace oil based power, 215MW of mini hydro, 105MW of gas turbines and 85MW of biomass will be added to the power generating capacity of the country within the next 20 year period.

The "Soorya Bala Sangramaya", which was introduced to convert one million households to solar energy generation roof top plants, continued in 2018 as well. Accordingly, 65MW was connected to the national grid in 2018 and a further 70MW is expected to be added to the grid by the end of 2019. The country has so far built 177MW of rooftop solar as a part of the plan to build 1,000MW of solar capacity by 2025. The "Rivi Bala Savi" concessionary loan scheme to support households that establish solar power units on their rooftop also continued during the year.

Additionally, in the year 2018 numerous measures were taken in the energy sector to improve the efficiency of energy and demand management. For the purpose of saving energy, a LED Lamp Distribution Programme called "Shakthi" has been launched by the Sri Lanka Sustainable Energy Authority (SLSEA) during the year. Under this scheme, 10 million LEDs (9W) will be disseminated among 3.9 million households, which will reduce the peak demand by 304MW, saving 432GWh whilst reducing carbon emission by 297,907 tCO<sub>2</sub>e annually.

#### **ORGANIZATIONAL PROFILE**

#### **Organizational Structure**

Vidullanka group has adopted a dynamic cross-functional organizational structure establishing tightly knit links between power plant operations, engineering services, business development and support services. The flexible workforce and supportive culture also support a highly integrated and relatively flat organization structure.

#### The Company

Incorporated in 1997, as a BOI venture, Vidullanka began its commercial operations in 2001, with the commissioning of the 3.2MW Bambarabatuoya MHPP to the national grid and continued with the commissioning of 2.0MW Batathota MHPP, in 2007. The company was the first renewable energy company to be listed

on the Colombo Stock Exchange in 2005. Subsequently, the company was reregistered under the Companies Act No. 07 of 2007 and bears the registration number PQ 83. Vidullanka developed and operates several renewable energy power plants in Sri Lanka through its subsidiaries and joint venture companies. The group also owns and operates 6.5MW Muvumbe SHPP in Uganda through its subsidiary Muvumbe Hydro (U) Limited and is in the process of starting the development of the 6.5MW Bukinda SHPP in the same nation.

#### **Subsidiaries**

#### Vidul Engineering Limited

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

#### Walagamba Balashakthi (Pvt) Limited

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

#### Rideepana Hydro (Pvt) Limited

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

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

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

#### Muvumbe Hydro (U) Limited

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

#### Udawela Hydro (Pvt) Limited

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

#### Timex Bukinda Hydro (U) Limited

The latest acquisition by Vidullanka PLC, the Timex Bukinda Hydro (U) Limited owns the right and required approvals to develop the Bukinda SHPP with an installed capacity of 6.5MW in Western Uganda. The investment in the construction of the proposed power plant is set to begin during mid 2019.

#### Vidul Plantation (Pvt) Limited

A fully owned subsidiary of Vidullanka PLC, the Vidul Plantation (Pvt) Limited is focused on establishing a sustainable *gliricidia* plantation in Eastern Sri Lanka through its own plantations and out grower schemes. The preliminary objective of the undertaking is to establish a sustainable fuel wood supply to the Dehiyathakandiya Dendro power plant owned and operated by its sister company, Vidul Biomass (Pvt) Limited.

#### Joint Ventures and Associates

#### Vidul Madugeta (Pvt) Limited

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

#### Gurugoda Hydro (Pvt) Limited

The Hirdaramani group joined forces with Vidullanka PLC to develop the 1.2MW Ganthuna MHPP in 2009. Subsequently, the holding by the joint venture partner

was consolidated with Esna Power (Pvt) Limited, which is presently known as RenewGen (Pvt) Limited.

#### Vidul Biomass (Pvt) Limited

A joint venture investment with OC Energy Lanka (Pvt) Limited, the Vidul Biomass (Pvt) Limited grid connected the 3.3MW Dehiyathakandiya Dendro power plant on 30th May 2019. Vidullanka PLC owns 51% of the equity stake in the company.

#### Nilwala Vidulibala Company (Pvt) Limited

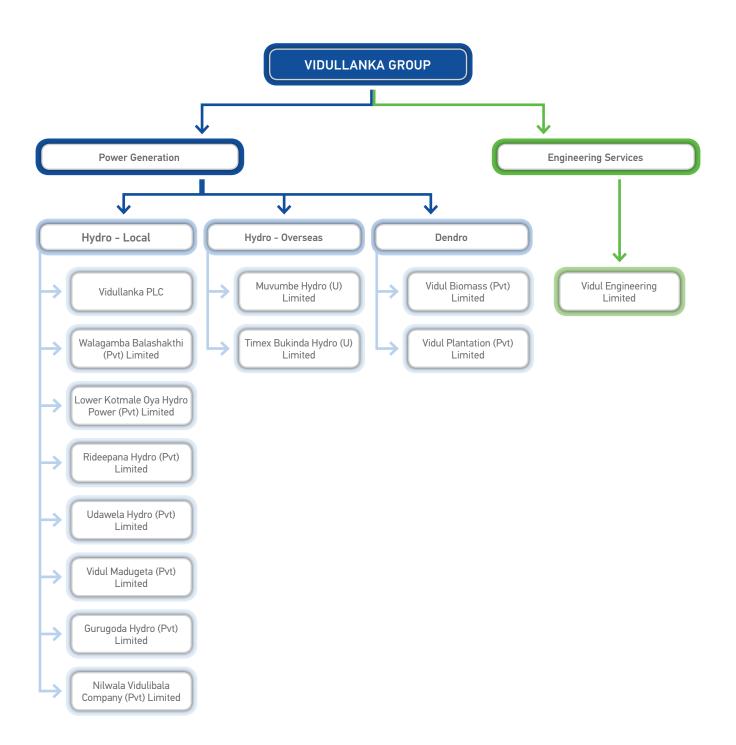
Nilwala is an associate of Vidullanka PLC with a 26.3% equity stake, the company developed and operates Ethamala Ella MHPP with an installed capacity of 2.0MW.

#### **Operational Matrix**

Vidullanka group operates under four strategic business units such as Hydro Local, Hydro Overseas, Engineering Services and Dendro. Dedicated engineers have been allocated for the clusters of hydro power plants and further engineering services are rendered through the head office in Colombo. Given the dynamic and challenging nature of the operations, the operations in Uganda are managed directly from the head office in Colombo with expert assistance sourced from both Uganda and Sri Lanka.



The latest acquisition by Vidullanka PLC, the Timex Bukinda Hydro (U) Limited owns the right and required approvals to develop the Bukinda SHPP with an installed capacity of 6.5MW in Western Uganda. The investment in the construction of the proposed power plant is set to begin during mid 2019.



#### **FINANCIAL REVIEW**

Vidullanka PLC reported a consolidated Profit After Tax of Rs. 527.3mn and a comprehensive income of Rs. 595.4mn for the financial year 2018/19 in comparison to Rs. 509.2mn and Rs. 575.4mn during the previous financial year. The gross revenue generated by the group records a 31.5% year-on-year increase to Rs. 1,282mn.

The group reports a gross profit margin of 76.4% and a net profit margin of 41.1%. The group reported a 9% reduction of administrative cost despite the expansion of the operations and growth in the revenue generated, the finance cost incurred by the group increased by 13.8% to Rs. 295mn.

The increase in revenue and the resultant increase in the gross profit supplemented the reduction in the other income recorded during the financial year. The reduction in other income is mainly due to the receipt of ten percent of the GETFit premium payment during the year in comparison to the receipt of fifty percent of the premium payment during last year. According to

the terms of the GETFit program, the Muvumbe project received fifty percent of the subsidy payment immediately following the successful commissioning of the power plant and the remaining fifty percent will be paid over the next five years of operations.

Consequently, the group reported a earning per share of Rs. 0.62 and a net book value of Rs. 3.24. This represents a return on equity of 19.2% and a return of assets of 15.8% for the financial year 2018//19.

The group also reports an improved financial leverage of 49.3% compared against the 54.3% reported last year. The group short term maturity profile indicates an improvement with commitment during the following year reducing to Rs. 548.5mn compared against the Rs. 904mn during the previous financial year.

The ICRA Lanka Limited, a group entity of the Moody's financial services reaffirmed the entity rating of Vidullanka PLC as A-(SL) with stable outlook for the year 2019.

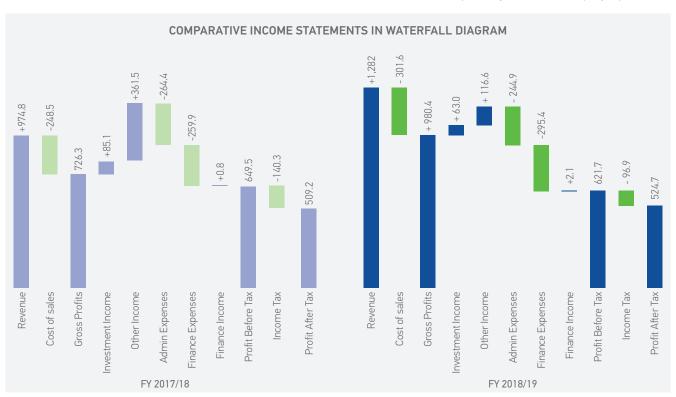
#### Vidullanka PLC

Vidullanka PLC, as a holding company in the group and the owner and operator of two mini hydro power plants, namely Bambarabatuoya MHPP and Batathota MHPP reported a Profit After Tax of Rs. 21.7mn for the financial year 2018/19 in comparison to the Rs. 224.9mn reported during the previous financial year. The company reported an increase on revenue and gross profit by 11.5% and 14.5% respectively. However, the company has reported a significant reduction of other income amounting to Rs. 118mn during the financial year 2018/19 from Rs. 324mn, which includes the reduction of dividends received from the group companies to Rs 47.5mn from Rs. 247.6mn during the previous financial year.

#### **Subsidiaries**

#### Vidul Engineering Limited

The company reports Rs. 20mn of revenue during the year. Given the lesser investment taking place in Sri Lanka's renewable energy sector, which Vidul Engineering primarily serves, the company reported



a loss of Rs. 0.97mn during the year with compared to the last year reported profit of Rs. 0.47mn.

#### Walagamba Balashakthi (Pvt) Limited

The company which owns and operates the 1.3MW Wembiyagoda MHPP reported a revenue of Rs. 79.8mn and a Profit After Tax of Rs. 34.3mn during the year of 2018/19 compared to the revenue of Rs. 79.6mn and Profit After Tax of Rs. 37.6mn reported in 2017/18.

#### Rideepana Hydro (Pvt) Limited

The company reported a substantial increase in power generation during the year 2018/19, which resulted in the revenue of Rs.113.2mn and a Profit After Tax of Rs.68.6mn compared against the revenue and Profit After Tax of Rs.74.8mn and Rs.27.4mn reported respectively during the previous financial year.

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

The subsidiary generated revenue of Rs. 292mn and reported a Profit After Tax of Rs. 195.5mn for the financial year 2018/19. This indicates a 28% and 55% increase over the comparative period.

#### Udawela Hydro (Pvt) Limited

The company having completed a full year of commercial operation, reported a revenue of Rs. 68.8mn and a Profit After Tax of Rs. 19.2mn in the financial year 2018/2019.

#### Muvumbe Hydro (U) Limited

Having completed the second year of commercial operation, the power plant generated 28.7GWh of electricity. The company is also the recipient of the first annual premium payment from the GETFit programme during the year. Accordingly, the company reported a Profit After Tax of Rs. 205.4mn.

#### Timex Bukinda Hydro (U) limited

Vidullanka PLC concluded the acquisition of the Timex Bukinda Hydro (U) Limited, on 6th July 2018 via a Private Placement of shares. Whilst the company does not have any commercial operation, the construction of the Bukinda SHPP is scheduled to commence during the first quarter of the financial year 2019/20.

#### Vidul Plantation (Pvt) Limited

In its very first year of commercial operations, the company reported a loss of Rs. 5.6mn from a revenue of Rs. 1.8mn. During the period the company sold 435 metric tons of sustainably grown *Gliricidia* fuel wood to the Vidul Biomass (Pvt) Limited.

#### **Joint Ventures and Associates**

#### Vidul Madugeta (Pvt) Limited

A joint venture with RenewGen (Pvt) Limited, Vidul Madugeta reported a Profit After Tax of Rs. 81.9mn from the revenue of Rs. 155.2mn generated from the sale of electricity from the Madugeta MHPP.

#### Gurugoda Hydro (Pvt) Limited

Another joint venture with RenewGen (Pvt) Limited, the Gurugoda Hydro (Pvt) Limited owns and operates Ganthuna MHPP. The power plant generated a revenue of Rs. 24.7mn and reported a Profit After Tax of Rs. 2.2mn.

#### Nilwala Vidulibala Company (Pvt) Limited

An associate company of Vidullanka PLC with 26.3% equity interest, Nilwala Vidulibala Company (Pvt) Limited generated a revenue of Rs. 152.6mn and reported a Profit After Tax of Rs. 83.1mn for the financial year 2018/19.

#### Segmental Performance

The local power generation segment reported a Profit After Tax of Rs. 322.8mn from a consolidated revenue of Rs. 800.4mn. The overseas power generation segment, presently comprised only of Muvumbe Hydro (U) Limited reported a revenue of Rs. 461.4mn and a Profit After Tax of Rs. 205.4mn. The Engineering and Consultancy services segment reported a loss of Rs. 0.97mn from the revenue Rs. 20mn generated.



The ICRA Lanka Limited, a group entity of the Moody's financial services reaffirmed the entity rating of Vidullanka PLC as A-(SL) with stable outlook for the year 2019.

#### **BUSINESS VALUE CREATION**

The business value creation model recognizes the value created through an organization's business model, which takes inputs from the capitals and transforms them through leadership, business strategies, activities and interactions to produce outputs and outcomes that over the short, medium and long term create value for the organization, its stakeholders, society and the environment.

Vidullanka generates value using inputs such as finance, human resources, environmental, social and intellectual capital and is enhanced through proper leadership, corporate strategy and code of conduct, risk management and internal controls.

Vidullanka has become a pioneer in the renewable energy industry with a track record of continuously developing renewable energy sources. The company has a team of engineers with specialized knowledge and decades of experience in the industry. Vidullanka's continuous reinvestments into the sector have placed the company in a growth trajectory in terms of capacity addition and annual power generation. In line with the new value proposition, Vidullanka PLC believes in creating value for People and Planet while earning Profits to generate value for the shareholders.

The sole contributor to the energy generation of Vidullanka PLC during the year, hydro power generation utilizes a design popularly known as the "run of the river" as opposed to the large scale hydro power projects which uses a large dam structure to retain water, which ultimately inundates a large extent of fertile land. The run of the river technology diverts an appropriate amount of water stream using a structure called weir, which is essentially a small scale dam built within the banks of the river which does not cause the water level to rise beyond the riverbanks.

The diverted water is carried to the powerhouse through channels and pipes, which is ultimately directed to turn the turbine wheels generating electricity. This technology is considered to be the most environmentally friendly and supports local flora and fauna when implemented with necessary measures.

The group generated 108GWh of electrical energy during the financial year 2018/19, which is an increase of 17% compared to the previous financial year. It's noteworthy that 28.7GWh of the generated electricity was supplied to the national grid of Uganda, while the remaining 79.3GWh of electricity generation was supplied to the national grid of Sri Lanka.

The power generation through indigenous sources, including hydro power generation, helps countries to save outflow of foreign currency by way of avoided electricity generation through fossil fuels. Whilst Sri Lanka has attained a near 100% electrification with the per capita electricity consumption of 650kWh per annum, Uganda is in the phase of investing in new generation capacity to the grid, extending the transmission lines network, strengthening the distribution network reliability etc. It's noteworthy that the supply of electricity from Muvumbe SHPP has become a crucial resource in uplifting the living standards of the local populace, of which less than 26% has access to power with per capita consumption of 215kWh per annum. to the investments made and employment opportunities created to the rural populace, the group also contribute the respective economies by way of taxes.

The group has employed a highly skilled and professional workforce comprising of disciplines including electrical, mechanical and civil engineering, environmental and social science, finance, human resource and business management in Sri Lanka as well as in Uganda. The employees are empowered through continuous professional development and training programmes and

through the innovative work culture, which it has fostered over the period.

In addition, Vidullanka creates value through empowering the skilled and unskilled staff, training and development activities and social welfare through CSR activities benefiting the local populace.

The recruitment process is conducted taking into consideration the work requirements in place in Sri Lanka as well as overseas. The employees with the required skills are extended with challenging opportunities internally, which allow the employees to perform exceptionally.

As a public listed company in Colombo Stock Exchange, Vidullanka is fortunate to have more than 1,400 Shareholders with diverse background and different extents of ownership. The company continued its tradition of ensuring a reasonable dividend payout whilst retaining the adequate amount of profits for re-investment and growth. In addition, during the year under review the company was able to facilitate a shareholders visit to the Wembiyagoda MHPP and helped to improve their understanding on the dynamics of renewable power generation.

The employees are empowered through continuous professional development and training programmes and through the innovative work culture, which it has fostered over the period.

#### **VALUE CREATION MODEL**

#### EXTERNAL ENVIRONMENT Opportunities & Threats **INPUTS** SOCIAL & **FINANCE HUMAN PHYSICAL** INTELLECTUAL **RELATIONSHIP** CAPITAL **CAPITAL** CAPITAL **CAPITAL** · Shareholders' **CAPITAL** Board of Directors Plant & Machinery In-House Funds Community & Non Executive Rs. 2,753 mn Rs. 3,915mn Innovation Schools in the Cadre - 134 Other Physical • Debt Capital R&D **Project Localities** Executive Cadre Assets Rs. 135.5mn Rs. 2,672 mn Expert Knowledge Vidu Saviya CSR Initiatives INTERNAL ENVIRONMENT **BUSINESS PROCESSES** Growth through Investment Plant Operations & Power Engineering, Procurement & in Capacity Addition, Generation Construction Management Acqusitions & Partnerships Vision, Mission & Objectives | Strategy & Leadership | Governance Principles | Risk Management Framework | Organizational Culture | Best Practices | Support Services **OUTPUTS & OUTCOMES** SHAREHOLDERS **BANKS & NBFIs CUSTOMERS GOVERNMENTS EMPLOYEES** COMMUNITY **ENVIRONMENT** Salary & Other Benefits Rs.171.3mn · Finance Cost Power Generated Taxes Paid · Benefits from "Vidu "Vidu Saviya - Revenue Saviya – Gamata Eliyak" social Rs. 1,282mn • PAT Rs. 527.3mn Rs. 295.4mn 108.0GWh • Installed Capacity Rs.24.3mn • Investment in Ratata Sewanak" reforestation • DPS Rs. 0.15 26MW T&D Activities welfare initiatives program 2,447 infrastructure Avoided Cost by Technical - 306 facilities Rs.60.0mn · Benefits from trees planted & substituting more expensive power "Vidu Saviya – Daruwanta Diriyak • EVA Rs.161.8mn hours sustained Soft skill - 42 Carbon Emission plants (LKA) Rs. 126.0mn savings 68,040 tCO<sub>2</sub>e hours scholarship program Uplifting rural social & Work satisfaction, Sustained A- rated loan infrastructure dividend yield Positive facilities • Supporting portfolio with Improved living motivation impact on the Improved and investment lesser risk standard of the and career progress for employees performance to social welfare planet Earth & rating for the the talented consumers . Sustainability shareholders students in need

#### **Growth Strategy**

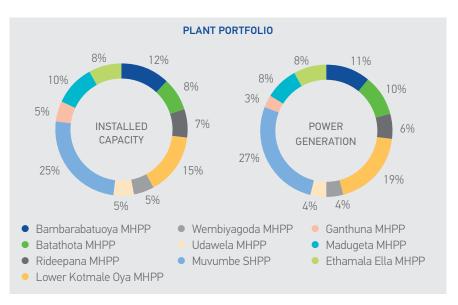
Vidullanka PLC has grown from being a single project operator to a holding company with investments in a number of renewable energy power projects in Sri Lanka and overseas. It has identified the new capacity addition as the key performance driver leading to growth of the company, thereby invested in identification, evaluation and development of power projects in Sri Lanka as well as overseas. As a learning organization, the company continues to develop projects every year, whilst retaining the best in class engineering expertise in house.

Although the primary growth destination for the company had been Sri Lanka, the saturation in the local market and increased red tapes have resulted in the company venturing into developing projects overseas. Presently, Vidullanka owns and operates one power plant in Uganda and the second power plant, Bukinda SHPP with 6.5MW installed capacity is scheduled to commence construction during the new financial year. It's noteworthy that the power projects developed overseas are relatively large in terms of the capacities than the projects developed by the group in Sri Lanka.

Whilst there are ample opportunities overseas, especially in sub-Saharan Africa and East Asia, the company has directed its efforts toward developing small to medium capacity hydro power projects in sub-Saharan Africa and extending development services and EPC solutions to the other developers.

Having understood the requirement for substantial capital and resource requirements to accomplish such development activities, the company has perused the forming of collaborative partnerships with renewable energy focused international funds and investment banks. This would enable the company to spearhead itself from a local power developer to a multinational renewable





In continuing its endeavours, Vidullanka seeks to build a portfolio of power plants that are well diversified in terms of renewable sources as well as the geographical regions. energy developer with much needed capabilities. The new partnerships and collaborations will lead to increased capacity in terms of development of larger capacity power plants, securing international tenders for project development and EPC contracts in the sub-Saharan Africa.

In addtion to the growth endeavours in hydro power development, Vidullanka achieved an important milestone by commissioning the 3.3MW Dehiyathakandiya Dendro power plant on 30th May 2019, two months after the end of the financial year 2018/19. Despite the setbacks and delays in finalising the project design specifications and increased cost, the company successfully commissioned the power plant, marking a much needed diversification into the group plant portfolio.

A joint venture partnership was established with OC Energy Lanka (Pvt) Limited, a wholly owned subsidiary of the Japanese construction conglomerate, Obayashi Corporation, to continue the development of Dehiyathakandiya Dendro power plant. This is regarded as an important step by Vidullanka in increasing its presence in development of other renewable energy sources and to peruse the related development activities.

In addition, the company is also exploring the possibilities of investment in solar

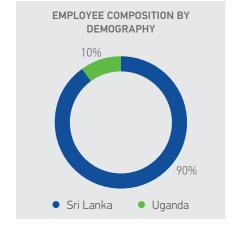
power plants in Sri Lanka. In continuing its endeavours, Vidullanka seeks to build a portfolio of power plants that are well diversified in terms of renewable sources as well as the geographical regions.

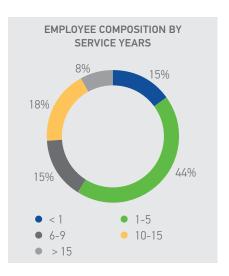
#### **HUMAN CAPITAL**

#### **Knowledge and Expertise**

A competent workforce is the core of any successful company. Similarly, the human resources of Vidullanka PLC is the real force behind Vidullanka's success. Vidullanka is comprised of a highly skilled team of civil, mechanical and electrical Engineers, as well as environmental and social specialists who are competent in identifying and evaluating the viability of potential locations as well as design, construction and operation of power plants, which has enabled Vidullanka to deliver remarkable results over the years of operation. The engineering team is skillful in aspects of project and construction management, conducting feasibilities of renewable energy projects etc. The civil, mechanical and electrical engineering teams together form the backbone of smooth operations with the use of modern concepts such as automation, remote monitoring and so on, being implemented across the group power plants.

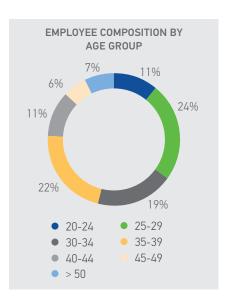
Vidullanka's recruitment and selection process is developed with a focus to attract and retain the most appropriate fit for







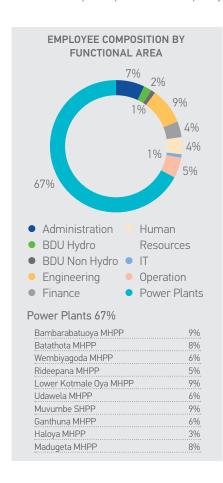
CEO of Vidullanka
PLC, Mr. Riyaz
Sangani exchanges
the agreement signed
with Mr. Yoichi Yoshida,
General Manager – In
charge, New Business
Department, Technology
Business Development
Division of Obayashi
Corporation in the
presence of Mr. Chamil
Silva, CEO of Vidul
Biomass (Pvt) Ltd.

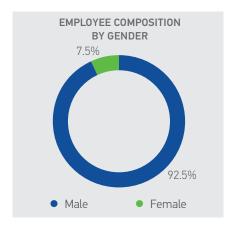


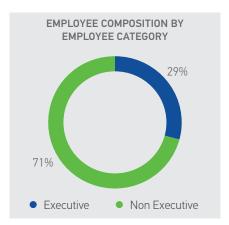
the company with the best competencies. Vidullanka has maintained healthy attrition level among industry peers which helped to build up a workforce that has become the core strength of the company. The company has also offered exciting career prospects for talented employees. Moreover, the company has established an innovative culture that facilitates the identification, recognition and implementation of innovative ideas conceptualised by the employees.



The group comprised of 188 employees including 19 in Uganda as at the end of the financial year. This includes highly skilled staff in the fields of civil, mechanical and electrical engineering, social and environmental science, legal, human resource and finance. The employment of females in the power plants is limited purely







due to the social barriers and individual career preferences. Majority of the staff employed at the power plants are males whilst the head office comprised of a significant number of female employees.

During the year, the company built a state of the art office premises is for the engineering team within the serene environment of Batathota MHPP in Kuruwita. The newly built office premises equipped the modern engineering facilities relating to the industry.



The state of the art office premises built for the engineering team within the serene environment of Batathota MHPP in Kuruwita.

#### **Equal Employment Opportunity Policy**

Vidullanka promotes equality and equal treatment for everyone at the workplace regardless of their race, gender, faith, material status or any other civil rights. The team at Vidullanka is comprised of people from various religious, cultural, educational, family and linguistic backgrounds making their work life more diverse and enjoyable.

The recruitment process is developed to be void of any such biases and the selection process is carried out purely based on the match between candidates' profiles and job descriptions.

Female representation is considerably low due to the nature of the business and career preferences. It's noteworthy that a significant increase of female representation in the executive cadre have taken place during the last financial year.

#### Remuneration and Benefits

The company has taken into consideration the importance of monetary and non monetary rewards in designing remuneration packages in order to meet employee expectations. The company also ensures the remuneration offered is competitive and attractive in comparison to

industry peers, which would in turn benefit the company by way of retention of the core talent in-house. In addition to the monthly stipend, the employees are offered with a number of other benefits, such as annual and performance bonus payments, annual awards and recognition for best performing employees, recognition for own initiatives and innovation, insurance covers extending to the employees and their families, accommodations and traveling allowances, distress and performance based loans, training and development programs, staff welfare activities etc.

Due to the strong value the company has placed in developing and retaining the best talent in-house, which indeed provides competitive edge to the company in the international arena, the company has incurred a total of Rs. 171.3mn in personal and related cost in comparison to Rs. 136.6mn incurred during the previous financial year.

The compensation strategy is formulated in a way that there is a balance between the internal and external equity for the employees as well as a method of sharing the company's success among the employees, while ensuring that each of their commitments is perceived and remunerated on a fair basis. In addition, compensation packages are formulated considering industry benchmarks and best practices.

The company is also operating an employee share option scheme as an effective strategy to gain participation of the employees in the growth of the company and to ensure retention.

### Work Life Balance

Companies across the world have taken transformative measures in ensuring that employees enjoy a great extent of work life balance, which in turn is known to benefit immensely by way of employee motivation, productivity, satisfaction and retention.

The key initiative implemented during the



previous year; flexible working hours, have contributed positively given the challenges employees face in managing the personal life whilst engaging positively in official duties. In addition to the flexible working hours, the company also undertakes many activities targeted to enhance the employee work life balance including the annual gettogether, sports activities, skill development programmes, 5S training programmes etc.

Since the human capital is our key strength, we ensure the measurement of real efforts of the employees through a robust performance management system. Employees' performance evaluation is carried out bi-annually based on well established procedures and targets. Annual targets are set by the management in consultation with the respective employees, whilst the midyear evaluations are focused on realigning any deviations caused by external factors, the yearend evaluation is focused on assessing the employee performance against the set targets and also to recognize the exceptional undertakings by the employees. The company also celebrates the performers under executive and non executive categories with number of awards, such as



# MANAGEMENT DISCUSSION AND ANALYSIS

gold and silver award for best performing employees, rising star award; recognizing the most promising new recruit, innovator and integrity awards; recognizing the excellence in respective areas, safety award; recognizing the power plant with zero work place accidents etc.

During the Executive Awards Ceremony 2018, the company recognised two employees with gold awards, three employees with silver awards and one employee with a rising star award. The Non-Executive Awards Ceremony 2018, recognised 21 employees in the categories of gold, silver and rising star and teams were recognized with productivity, talent and safety awards.

In addition to the performance based awards, the long serving employees were also recognised with certificates and accolades. Further, the performance appraisal is also considered to be one of the key sources of training need identification, where the respective manager identifies the skill gaps during the process, which translated into training sessions if deemed necessary.

### **Training and Development**

As an aspiring international renewable energy player, Vidullanka has placed great importance in developing necessary skills and competencies through offering industry leading technical training sessions. Further, training sessions have been conducted covering behavioural aspects such as leadership, emotional intelligence and personality development. Whilst the technical sessions are conducted department wise or for selected employees, soft skill trainings are conducted at the group level either externally or through group sessions.

During the year under review, companywide training sessions were conducted covering Kaizen and 5S concepts in order to motivate the staff in continuing the 5S practices and advancing toward establishing the Kaizen work environment. The company also held an inter-plants 5S completion from which the best performers were forwarded toward participating at National level Taiki Akimoto 5S competition and Nagaaki Yamamoto Kaizen competition conducted by the Japan-Sri Lanka Technical and Cultural Association.

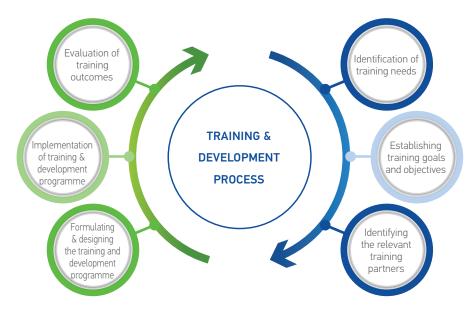
The company has established a training and development process taking into consideration the following objectives,

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

During the year under review, Vidullanka was able to deliver 306 hours of technical development sessions and 42 hours of soft skill development sessions to the executive cadre.

### Health and Safety

Vidullanka operates in an environment prone to natural disaster and machinery failures. Striving for a zero accident work place, Vidullanka places a great effort in making the working environment safe for all of its employees. The company makes an investment in providing best in class safety equipments for all engineers and staff in all power plants. In addition, safety regulations have been displayed inside of the working places to ensure a healthy and safe work environment for all the employees. The company also strictly adheres to standard operating procedures relating to the work place safety. Moreover, 5S and Kaizen concepts practiced at the power plants and head office have helped the company to enhance the work place efficiency and safety. Safety audits are conducted as an internal audit function to identify the areas that need further improvements.



Vidullanka recorded zero accidents at all its plants and head office during 2018/19 and recognized the team at Rideepana MHPP with Golden Helmet during the recent award ceremony for their exceptional safety records.



### **Grievance Handling**

In recognizing the importance of a collaborative and team-based work environment to ensure smooth functioning of all the affairs of the company, it has established a fair and objective grievance handling procedure to provide employees with a systematic and legitimate avenue to raise their grievances; it also creates a safe working environment where employees can seek redress in a specified manner, without fear of repercussions. It can also help to uncover any unacceptable or unlawful practices within the organisation.

While a number of factors can lead to grievances including individual differences, economic factors, work environment, supervision, changes to the existing practices, etc., the early identification of the source of the objection is regarded as the most essential step in effectively managing the grievances in the context of the organisation. It also helps to mitigate the impact of complaints on employee morale and productivity and maintain workplace harmony.

While the management ensures an open door policy in listening to employee grievances, it places great efforts in identifying the source and nature of the complaints reported. While critical grievances are managed through

immediate solutions, other grievances are handled through a number of measures, including improvements to the policies and procedures, grievance retention etc., whichever is deemed fit.

The effective management of grievances has helped the company to foster a workforce with a strong spirit of teamwork and completed another year with improved productivity and workplace harmony.

### **SUSTAINABILITY**

### Social Sustainability

Employees of Vidullanka, who are the precious resource of the company, are treated with dignity and respect. The group generated 188 direct employments on permanent basis and employs youth from the surrounding villages on a casual basis as and when requirements arise at the power plants. Also, several indirect employment opportunities are generated through development activities, including construction contracts and the acquisition of skilled services.

"Vidu Saviya", the flagship community initiative by Vidullanka PLC commenced in 2011, has expanded over the period from providing financial assistance to needy

students to initiatives focused on social welfare and environmental protection.

Vidullanka continues to provide financial scholarships to students from the project localities who excelled in academics or performed exceptionally in athletics through its "Vidu Saviya – Daruwanta Diriyak" programme. The initiative continues to support 17 aspiring students from the families of employees and the local populace.

"Vidu Saviya – Gamata Eliyak" is the initiative focused toward improving social welfare and infrastructure development in the project localities and livelihood of the villagers. Most of the power plants are located in less developed areas and in some instances lack basic facilities. The infrastructure development activities carried out during the last financial year include,

- Renovation of Maldeniya Hospital (Dressing & Injection Room), Kotmale
- Ongoing financial assistance to construct Medagama Gammadda Road in Kotmale
- Financial assistance to village societies for development activities, youth welfare initiatives etc.



# MANAGEMENT DISCUSSION AND ANALYSIS

### **Environmental Sustainability**

Vidullanka has a strong belief in conservation of the environment as the environmental wellbeing and the wellbeing of the renewable energy industry are intertwined. All of the hydro power plants developed by Vidullanka are based on run of the river methodology. Unlike the large hydro power plant concept, the mini hydro power projects which are based on the run of the river methodology does not require mass water storage and is considered to be more environmentally friendly among the hydro power project models.

Vidullanka prides itself of being one of the few listed companies to have a positive carbon footprint on the environment. It is noteworthy that the power generated from the power plants operated by Vidullanka group has resulted in an avoided carbon emission equivalent over  $68,000 \ \rm tons \ CO_2$  during the year.

Apart from supplying environmentally friendly electricity, Vidullanka PLC has also taken steps to embed green initiatives into





Location		Plant Type					Total
	Kum- buk	Naa	Mee	Maho- gany	Medicinal plants	Fruit plants	Plants
Bambarabatuoya MHPP	114		64				178
Batathota MHPP	140	30	80		40	124	414
Ganthuna MHPP	75			298			373
Madugeta MHPP		50				213	263
Wembiyagoda MHPP	205			30		22	257
Lower Kotmale MHPP		4				21	25
Rideepana MHPP	30			50	40	10	130
Udawela MHPP				50	40	10	100
Ethamala Ella MHPP	705						705
Grand Total	1,269	84	144	428	120	400	2,445

its corporate culture. The management is striving to create a paperless work environment within the organisation and the company staff is encouraged to use the intranet and cloud services for information sharing to cut down the paper usage.

Another initiative under the "Vidu Saviya" Programme, "Vidu Saviya – Ratata Sewanak" commenced in 2018, with an ambitious target to add 100,000 plants to the forest cover of Sri Lanka. The main purpose of this programme is for the conservation, protection and improvement of the catchment areas, hence improving the biodiversity of the environment and ensuring sustainability of the ecosystem. The

company also joined hands with 11 schools in the regions and conducted continuous awareness programmes among children and community, focused on the importance of sustained efforts on reforestation, selection of appropriate plants and planting and retaining methods. The programme aims to add 10,000 trees per power plant, covering nine power plants in operation in Sri Lanka. Further, 10,000 trees are to be planted through the corporate head office in partnership with other corporate bodies and conservation groups.

As a starting point of this initiative, the company has aimed to have 20,000 surviving trees by the end of 2020 with the



Power Plant	Electricity Gen	erated in GWh	Avoided Carbon Emission	
	2017/18	2018/19	tCO <sub>2</sub> e	tCO <sub>2</sub> e
Bambarabatuoya MHPP	11.60	11.50	7,308	7,245
Batathota MHPP	11.60	11.20	7,308	7,056
Wembiyagoda MHPP	5.00	4.90	3,150	3,087
Rideepana MHPP	4.20	6.40	2,646	4,032
Lower Kotmale Oya MHPP	15.70	20.00	9,891	12,600
Udawela MHPP	0.80	4.00	504	2,520
Muvumbe SHPP	23.80	28.70	14,994	18,081
Ganthuna MHPP	2.90	3.30	1,827	2,079
Haloya MHPP (up to disposal)	1.00	0.60	630	378
Madugeta MHPP	8.20	8.70	5,166	5,481
Ethamala Ella MHPP	7.80	8.70	4,914	5,481
Total	92.60	108.00	58,338	68,040

involvement of the project staff and the regional offices of the Department of Forest Conservation. So far 2,445 trees including Kumbuk, Mahogany, Naa etc., have been planted and actively are being monitored.

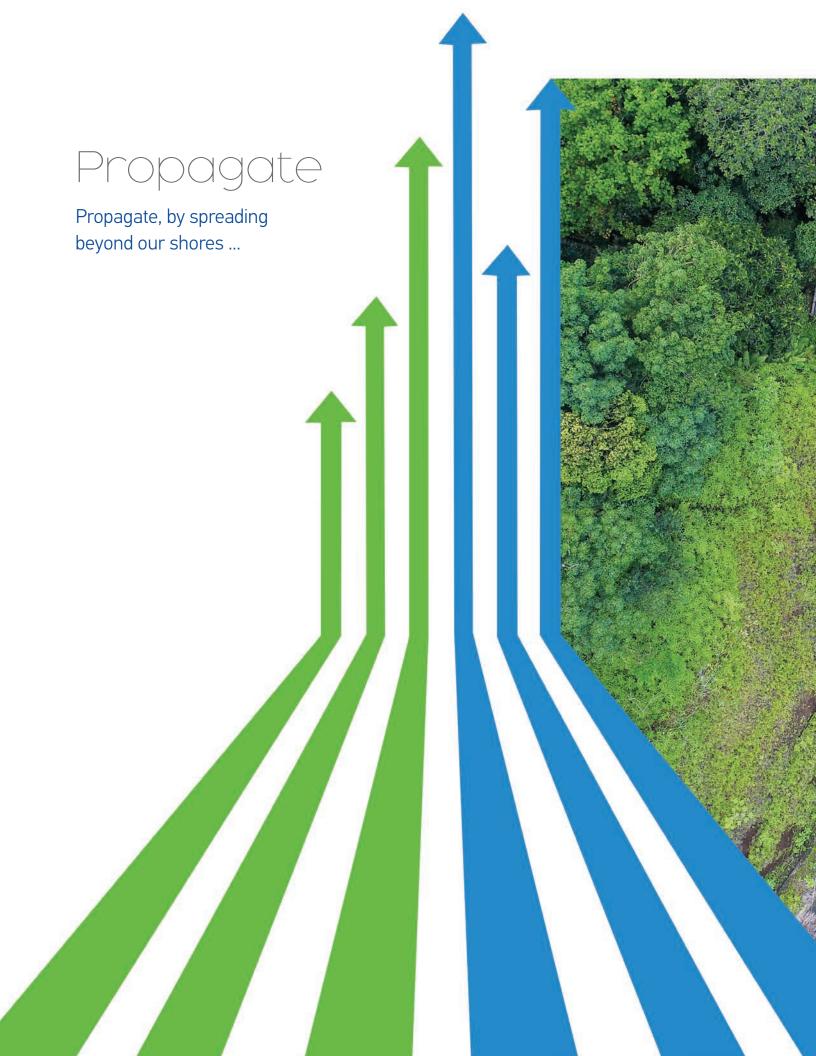
Further to support "Vidu Saviya – Ratata Sewanak", the company has established its own plant nurseries. The company has started its first nursery in Wembiyagoda with 400 plants and the second at Udawela, Badulla with another 500 plants. Vidullanka aims to establish nine plant nurseries in each of the nine power plants around the country with the capacity of 5,000 plants per power plant to achieve the target of planting 100,000 trees in Sri Lanka.

### Achievements

The year 2018 had been a remarkable year with Vidullanka winning a number of accolades. The company had the distinction of winning the Silver Award at the Presidential Environmental Awards for its commitment to environmental well-being. Moreover, Vidullanka has won the Sector award in the Taiki Akimoto 5S competition and also won a certificate of compliance in the Nagaaki Yamamoto KAIZEN competition conducted by Japan-Sri Lanka Technical & Cultural Association.

The company was also awarded Runners-Up under the Infrastructure and Utilities segment at the National Business Excellence Awards by the National Chamber of Commerce for 2018.

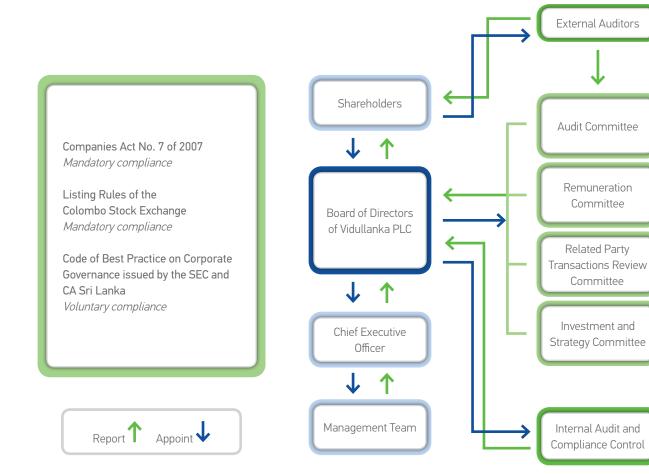






### CORPORATE GOVERNANCE

### INTRODUCTION



Corporate Governance is the system and processes by which companies are supervised, directed and controlled as well as the way directors discharge their fiduciary duties to shareholders and other stakeholders of a company. A company which applies the core principles of good corporate governance, namely fairness, accountability, responsibility and transparency, will usually outperform other companies and will be able to attract investors, whose support can help to finance further growth.

The above corporate governance framework provides an overview of the corporate governance structures, principles, policies and practices in Vidullanka PLC. This framework has

been designed to comply with regulatory requirements and takes note of the voluntary Code of Best Practice.

The Board of Directors of Vidullanka PLC believes in upholding the values of responsible corporate governance and has accordingly shaped the company policies and practices with transparency and integrity and with due regard to the interests of all its stakeholders to deliver the long-term success of the organisation.

### **THE BOARD**

Being the apex governing body of the organisation, the Board is committed to the maintenance of good corporate governance practices and procedures by incorporating integrity and transparency in all its operations.

In Vidullanka PLC, the Board of Directors is responsible for ensuring that appropriate internal controls and systems are in place to capitalize on the opportunities and reduce the impact of threats that arise in the environment and also be accountable to provide quality information to shareholders and other stakeholders with the aim of managing conflicts of interest, integrity and transparency related issues.

The company's board is comprised of 10 directors including one executive director and nine non-executive directors, of which three are independent non-executive directors. During the financial year, the following changes took place in the Board of Directors; Mr. Rizvi Zaheed, an Independent Non-Executive Director,

has been appointed to the Board with effect from 31st July 2018 following the resignation of the two Independent Non-Executive Directors, Dr. A.A.M. Haroon and Ms. B.R.I. Sangani. Further, Ms. Deepthie Wickramasuriya who is also an Independent Non-Executive Director, has been appointed to the Board with effect from 01st January 2019 upon the resignation of the Independent Non-Executive Director, Mr. M. Zulficar Ghouse.

The profiles of the Board of Directors are set out on pages 18 to 21 of this Annual Report. The Directors believes that the current board has a range of skills and experience that are relevant to the company both in the present and a future.

The Board meets with the objective of determining future direction and reviewing the current operational and financial performance of the business. During the FY

2018/19, there were three Board Meetings and 11 Board Sub-Committee Meetings and the attendance of which are tabulated below.

All directors of Vidullanka PLC strive to ensure adequate time and attention is getting paid to affairs of the company and on discharging these responsibilities, the senior management provides the board with relevant, timely and accurate information. Some of the major roles and functions of the Vidullanka Board are as follows.

- Deciding the long term strategic direction of the company along with its long term objectives and directions.
- Creation of sustainable stakeholder value in the long run by overseeing the overall operations of the company.
- Analysing and approving the annual business plan while ensuring that sufficient resources are in place to achieve the given objectives.

- Ensuring that robust system, procedures and internal controls are in place while complying with the statutory and non-statutory requirements.
- Delegating and monitoring the authority to subcommittees and to the senior management.

In order to ensure that the Board remains effective stewards of the company, all Directors have direct access to the advice and services of the Company secretary, Managers and Secretaries (Pvt) Limited, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Further, Vidullanka PLC has ensured that new directors receive induction training on joining the board and every director receive appropriate training to remain up-to-date on any changes to the regulations.

Name of Directors	Directorship Status	Board Meetings	Audit Committee Meetings	Investment and Strategy Committee Meetings	Remuneration Committee Meetings	Related Party Transaction Committee Meetings
Mr. Osman Kassim	Chairman	3/3	N/A	6/7	N/A	N/A
Mr. Riyaz M. Sangani	Chief Executive Officer	3/3	2/2	7/7	1/1	1/1
Mr. Shahid M. Sangani	Non-Executive Director	3/3	2/2	N/A	N/A	N/A
Mr. Ranjan Mather	Non-Executive Director	3/3	N/A	7/7	1/1	N/A
Mr. Satter Kassim	Non-Executive Director	2/3	N/A	N/A	N/A	N/A
Mr. C.F. Fuhrer	Non-Executive Director	3/3	N/A	N/A	N/A	N/A
Dr. A.A.M. Haroon (Resigned w.e.f. 30th July 2018)	Independent Non-Executive Director	0/3	N/A	1/7	N/A	N/A
Mr. M. Zulficar Ghouse (Resigned w.e.f. 31st December 2018)	Independent Non-Executive Director	1/3	1/2	3/7	N/A	N/A
Mrs. B.R.I. Sangani (Resigned w.e.f. 30th July 2018)	Independent Non-Executive Director	0/3	N/A	N/A	N/A	0/1
Mr. Sidath Fernando	Independent Non-Executive Director	2/3	1/2	N/A	1/1	1/1
Mr. Sujendra Mather	Non-Executive Director and alternate Director to Mr. Ranjan Mather & Mr. C.F. Fuhrer	3/3	N/A	N/A	N/A	1/1
Mr. Rizvi Zaheed (Appointed w.e.f. 31st July 2018)	Independent Non-Executive Director	2/3	N/A	5/7	1/1	N/A
Ms. Deepthie Wickramasuriya (Appointed w.e.f. 01st January 2019)	Independent Non-Executive Director	2/3	1/2	N/A	N/A	0/1

# CORPORATE GOVERNANCE

The positions of the Chairman and the Chief Executive Officer of Vidullanka PLC are held by two different Directors, Mr. Osman Kassim and Mr. Riyaz M. Sangani respectively, in order to establish a clear separation of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business so that no single individual has unfettered powers.

Vidullanka's Board is comprised of one-third of Non-Executive Directors, who are independent of the management and free from any other business relationships and would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. During the year under review, each of the Non-Executive Directors has made a declaration on their status of independence under Rule 7.10.2 (b) of the Listing Rules. Three Non-Executive Directors, whose declarations are in compliance with the code, have been declared as Independent Non-Executive Directors.

### **BOARD COMMITTEES**

Vidullanka PLC has established four Board subcommittees, namely Audit Committee, Remuneration Committee, Investment and Strategy Committee and Related Party Transaction Review Committee, composed of board members with specified duties. These committees met regularly over the year to help the Board to discharge its responsibilities in the areas of financial reporting, internal control and risk management, remuneration and incentive schemes, investment strategies and related party activities and Governance and the attendance at these meetings is given on page 41.

to the above committees, the Board establishes committees as appropriate to address specific issues. During the year, a board nomination committee was formed to assist the Board on new appointments or reappointments of Directors. The Nomination committee of Vidullanka PLC is headed by the Board Chairman. The other members

of the committee include the CEO and Mr. Ranjan Mather, a Non-Executive Director who met as required to review and make recommendations to the Board on matters of appointment and re-appointment of Directors and to review the appropriate size, composition, skills and experience of the Board in order to achieve business objectives.

### **Audit Committee**

As at 31st March 2019, the Audit Committee of Vidullanka PLC is composed of three members, including the Chairman of the committee, Ms. Deepthie Wickramasuriya who is an Independent Non-Executive Director as well as a fellow member of the CIMA, UK and an MBA holder from the PIM, USJP and two Non-Executive Directors, Mr. Sidath Fernando and Mr. Shahid M. Sangani, of whom one is independent.

Until his resignation from the board on 31st December 2018, Mr. M. Zulficar Ghouse, an Independent Non-Executive Director, served as the Chairman of the committee and thereafter Ms. Deepthie Wickramasuriya was appointed as a member and the Chairman of the committee on 01st January 2019.

The Committee met twice during the year with the participation of the majority of the members along with the Chief Executive Officer and the senior management of the company attending by way of invitation.

The primary purpose of the Audit Committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. Further, the Audit Committee overlooked the overall finance and internal control aspects of the organization with the aim of improving transparency and integrity of the financial reporting process throughout the company.

### **Investment and Strategy Committee**

The Investment and Strategy Committee has an important governance responsibility for effectively managing the investment portfolio of the Group, including those concerning the Group's strategic asset allocation and asset liability management, through strategy formulation to expand and diversify the business in a manner which helps to maximize and protect the shareholder wealth.

Following the changes in Directorate, the investment and strategy committee was also reconstituted and it presently comprises of the Chairman of the Board, Chief Executive Officer, an Independent Director, Mr. Rizvi Zaheed and a Non-Executive Director, Mr. Ranjan Mather. The Investment and Strategy Committee held seven meetings during the year with the participation of majority of the members.

### **Remuneration Committee**

The Remuneration Committee of Vidullanka PLC is a three-member committee exclusively made up of Non-Executive Directors of whom two are independent. The Committee Chairman, Mr. Ranjan Mather, along with his committee members, Mr. Rizvi Zaheed and Mr. Sidath Fernando, met once during the year with the participation of all the members.

The committee is tasked with assisting the Board in establishing a formal and transparent procedure for setting policy on the remuneration of Directors and senior management and to make recommendation to the Board on the remuneration packages of individual Executive Directors and senior management as well as on the remuneration of Independent Non-Executive Directors by reference to the Company's operation results, individual performance and prevailing market rate. The committee meetings were also attended by the Chief Executive Officer to discuss the performance of the senior management and to make recommendations.

# Related Party Transaction Review Committee

The Related Party Transaction Review Committee was established by the Board adopting the Code of Best Practice on Related Party Transactions issued by the Security and Exchange Commission of Sri Lanka which was subsequently incorporated into the Listing Rules of the Colombo Stock Exchange.

The committee comprises three Non-Executive Directors, Mr. Sidath Fernando (Chairman), Ms. Deepthie Wickramasuriya and Mr. Suiendra Mather, of whom two are Independent Directors. Further in compliance with the requirements of the Listing Rules, the Chairman of the committee is an Independent Director. During the FY 2018/19, the committee had one meeting and the purpose of this committee is to review in advance all proposed Related Party Transactions (other than those transactions exempted from the Listing Rules) and where necessary seek further information in advising the Board on the best course of actions.

The detailed terms of reference of the above committees are available in the Board Committees section of the Annual Report.

### **COMPLIANCE MANAGEMENT**

The Board of Directors of Vidullanka PLC places a great deal of importance on operating the company in compliance with applicable Laws and Regulations in countries where they operate, to prevent misconduct, avoid liability risks and to protect the company's reputation. During the reporting period, different departments of the organization have addressed different types of compliance requirements on behalf of the Board of Directors.

Accounting and financial reporting requirements by the Central Bank of Sri Lanka, Securities and Exchange Commission, Colombo Stock Exchange and the Inland Revenue are being taken

care of by the Finance department, whilst the compliance with the labour and work place related regulations are monitored and adopted by the Human Resources department of the company.

A compliance checklist is circulated as a part of the monthly management reports, at the end of each month to the senior management. This helps them to periodically monitor and report compliance risk and take the corrective actions as needed. Additionally, the Board is presented with periodic compliance statements to ensure continuous compliance and control of the group.

From time to time, the Audit Committee of the Board also makes suggestions and recommendations that focus on improving regulatory compliance. Periodic self-assessments and internal audits are performed more frequently and Standard Operating Procedures have been established covering both Finance and Accounting functions as per the recommendation by the Audit Committee, which assists in streamlining the business operations and improving internal controls.

The power plant operations of the company are regulated through internally developed framework of best practices and workplace health and safety mandates. Number of measures such as internal controls, periodic audits, live monitoring systems and chain of responsibility are in place to deal with critical aspects of a plant's operation.

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

As company's operations are directly linked to the environment and the use of natural resources, Vidullanka has to place a great attention on the regulations set out by several authorities, including the

Central Environmental Authority, Mahaweli Authority and local government bodies of the relevant regions.

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

Vidullanka makes all the efforts in our capacity to comply with all the rules and regulations that are applicable on us while adopting with the changes in the legal framework and other changes in the environment which may result in identifying new opportunities and taking proactive measures for the upcoming threats.

### **RISK MANAGEMENT**

Vidullanka considers risk management to be an important element of a successful business operation since it provides opportunities for maintaining confidence among customers, shareholders, authorities and other stakeholders.

Capital intensive investments made by the group in developing the renewable energy projects locally as well as overseas require calculated steps in making such decisions considering the severity and likelihood.

Whilst the Head of departments are responsible for identifying risks through various sources and checklist of risk triggers, the company collectively and proactively addresses the identified risks which the company is exposed to. The Audit committee periodically reviews the risk profile and the risk management measures in place and advices on any appropriate actions required.

# **CORPORATE GOVERNANCE**

### **CORPORATE GOVERNANCE COMPLIANCE**

Listing 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
7.10.2 (a) Independent Directors	2 or 1/3 of Non-Executive Directors, whichever is higher should be independent.	Yes	page 42.
7.10.2 (b) Independent Directors	Each Non-Executive Director should submit a declaration of independence or non-independence.	Yes	Profile of Directors on page 18.
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 Danast of the Danas of
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.	N/A	Annual Report of the Board of Directors on the affairs of the company is given on page 58.
7.10.3 (c) Disclosures regarding Directors	A brief resume of each director should be included in the annual report.	Yes	Profile of Directors on page 18.
7.10.3 (d) Disclosures regarding Directors	Upon appointment of a new director to the board a brief resume of each director should be provided to the CSE.	Yes	
Remuneration Committee	ee		
7.10.5 Remuneration Committee	A listed company shall have a Remuneration Committee.	Yes	
7.10.5 (a) Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, majority of whom shall be independent.	Yes	Report of the Remuneration Committee is given on page 64.
7.10.5 (b) Functions of the Committee	The Remuneration Committee shall recommend the remuneration of CEO and the Executive Directors.	Yes	
7.10.5 (c) Disclosure in the annual report relating to the Remuneration Committee	The annual report should set out the names of the directors comprising the Remuneration Committee, a statement of the remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Yes	Report of the Remuneration Committee given on page 64 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 Note 25.5 on page 110.

Listing Rule	Requirement	Compliance	Explanatory Notes
Audit Committee			
7.10.6 Audit Committee	The company shall have an Audit Committee.	Yes	
7.10.6 (a) Composition of the	Shall comprise of Non-Executive Directors, majority of whom shall be independent.	Yes	Report of the Audit Committee is given on page 63.
Audit Committee	The CEO and CFO shall attend Audit Committee meetings.	Yes	
	The Chairman of the Audit Committee or one member of the committee should be a member of a Professional Accountancy Body.	Yes	The Chairman of the Audit Committee is a Fellow Member of CIMA (UK).
7.10.6 (b) Functions of the Committee	Oversee of the preparation, presentation and adequacy of disclosures in the Financial Statement, in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS).	Yes	
	Oversee compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Yes	
	Oversee the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Financial Reporting Standards.	Yes	Report of the Audit Committee is given on page 63.
	Assessment of the independence and performance of the External Auditors.	Yes	
	Make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Yes	
7.10.6 (c) Disclosure in the	Names of the Directors comprising the Audit Committee.	Yes	
Annual Report relating to the Audit Committee	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Yes	Report of the Audit Committee is given on page 63.
	The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions.	Yes	

# **CORPORATE GOVERNANCE**

Listing Rule	Requirement	Compliance	Explanatory Notes
Related Party Transaction	us Committee		
9.2 Related Party Transaction Review Committee (RPTRC)	The Board shall appoint/have a RPTRC.	Yes	Annual Report of the Board of Directors is presented on page 58.
9.2.1 Review of Related Party Transaction	The committee shall review all the Related Party Transactions other than the transactions specified under section 9.5 of the listing rule.	Yes	
9.2.2 Composition of the committee	The committee shall comprise of Non-Executive Directors and Independent Non-Executive Directors.  An Independent Non-Executive Director shall function as the chairman of the committee.	Yes	Report on RPTRC is presented on page 65.
9.2.4 Committee Meetings	The committee shall meet at least once a calendar quarter. All meetings should be properly documented and the meeting minutes should be communicated to the Board.	No	The committee met once during the year under review.
9.2.5 Information Gathering and Approval	The committee shall ensure they have enough knowledge/expertise to assess all the aspects of the transactions.	Yes	
	The committee may seek expert advice where necessary to better evaluate the related party transactions.		
9.1.1 (a) Non-recurring related party transactions	Obtain shareholder approval if transaction value is more than 1/3 of the total assets of the entity or the aggregate of the value of 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	Obtain shareholder approval by way of a special resolution for transactions other than the transactions specified under section 9.5 of the listing rule.	N/A	
9.1.2 (a) Recurring Related Party Transactions	Obtain shareholder approval if Related Party Transaction or the aggregate of the transaction with the same related party during the period exceeding the 1/3 of the group consolidated revenue	N/A	Report on RPTRC is presented on page 65.
	and Transaction/s not of the ordinary course of business and on the opinion of the Related Party Transactions Review Committee, are on favorable terms than those generally available to the general public.		

Listing Rule	Requirement	Compliance	Explanatory Notes
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 to entering into the transaction or shall be conditional to shareholder approval.	N/A	
9.3 Disclosures relating to the Related Party	The Board shall make immediate disclosures to the CSE, where necessary.	Yes	Report on RPTRC is presented on page 65.
Transactions	Annual Report shall contain a report from the RPTRC.	Yes	
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Yes	A negative statement indicating there were no any material related party transaction within the year under review is included in the report on RPTRC presented on page 65.

### **RISK MANAGEMENT**

In an ever more connected world in the information era, the need for an effective and robust risk management mechanism is felt through the corporate world to enable survival and growth in challenging environment.

In the context of a corporate citizen, the activities leading to the achievement of the corporate vision, mission, goals and objectives requires assuming calculated risks, taking into consideration the environmental as well as operational factors.

An effective risk management process allows the company to identify and better understand the strengths, weaknesses, opportunities, market disruptive events and threats in the context of changes in the macro environmental factors. It allows planning for success by identifying and establishing the internal and external risks, evaluating against the risk appetite and risk taking capacity of the company. Thereby, appropriate risk mitigation strategies are incorporated into effective strategic plans. An effective risk management process is vital for the health and success of the organization in avoiding surprise losses and disruptions.

As a pioneer in the Sri Lanka renewable energy industry, Vidullanka PLC has developed business interests both in Sri Lanka as well as in Uganda. Further inroads are being explored including the development of other sources of renewable energy and new investment destinations. As a renewable energy operator, it is very important to establish corporate risk management practices and systems to ensure sustainability of the company by addressing the risks impacting to economic performance, labour practices, social responsibility and corporate image as those risk management procedures leads to value creation for the company. As a group and a listed entity, Vidullanka PLC has developed and deployed a robust risk management process, which ensures that all the risk elements are promptly identified, assessed and well managed.

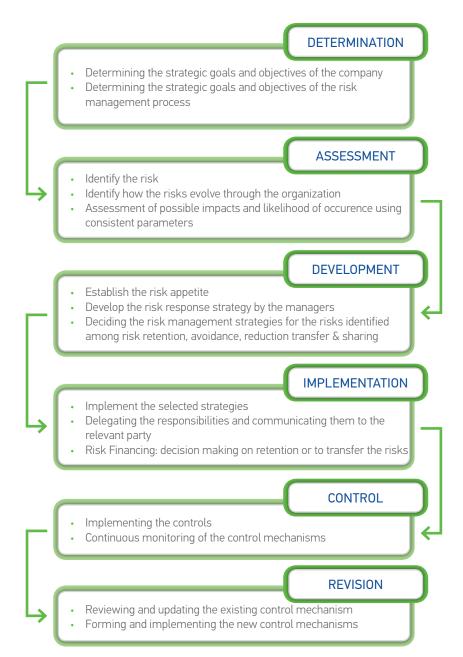
### **Risk Management Process**

The risk management process illustrates the recurring process through which the company identifies, assesses and mitigates various types and sources of risks.

Below discussed are few of the key risks faced by the group in carrying out the day to day business operations as well as in venturing into new business opportunities.

### **Business Risk**

This identifies the inherent risk factors faced by the group by being an investor, developer and operator in the renewable energy sphere. Adverse exposure to such business risk factors can affect the overall performance of the group, thus leading to lower profitability and growth prospects.



### Weather Risk

The primary risk factor that affects each and every entity in the renewable energy industry is the weather as any adverse changes can lead to serious impact on power generation, thereby leading to reduced profitability or even losses. Whilst increased research has paved ways to better understand the changing nature of the weather patterns over the period, the impact of such changes also have become more severe, categorizing weather risk as a high priority and high impact risk for a company in the renewable energy industry.

Improved understanding on the impact of weather over power plants based on different sources of renewable energy helps the company to plan for risk mitigation through diversifying the energy portfolio based on sources as well as geographical locations. The geographically diversified energy portfolio of the group is further strengthened with the ongoing addition of Dendro power plant in Sri Lanka as well as the planned additions of hydro power plants in sub Saharan Africa., the inclusion of a solar power plant into the portfolio is also being considered as an effective strategy in creating a natural hedge over the weather risk.

The group addresses the probable catastrophic impacts such as floods, earthquakes and landslides through appropriate risk management measures such as securing adequate insurance coverage and taking preventive measures, including incorporating required design parameters into the initial construction of the power plants.

### **Country Risk**

to the general economic, political and business risk of operating in an industry globally, the country risk defines the unique factors that impact the risk profile of operating in a specific country. Vidullanka as a company headquartered in Sri Lanka, has investments and operations in Uganda as well as projects in pipeline in several other countries. Precautionary measures are in place for safeguarding the existing investments, including agreements with the government of Uganda that provides protection from extreme political initiatives such as expropriation and restriction on repatriation of funds. Any projects that are in pipeline may become unviable given the changes in the local environment.

Whilst the company undertakes a detailed country study prior to engaging in project development in new countries, it also continues the monitoring and assessment of latest developments with the assistance from experts and publicly available data; thereby determining the changes in the risk associated. In instances where, the country risk is deemed to be significant. given the risk appetite of the company, a number of risk management measures such as discontinuing or disposing existing operations at the preliminary stages, establishing local or international partnership with higher lobbying power etc. were undertaken.

### Foreign Exchange Risk

Exchange risk involves loss of value of assets and receipts or increase of liabilities when the transactions are denominated in a different currency than the reporting currency. Vidullanka group has exposure to currency risk as it has investments and transactions taking place in Uganda through its existing subsidiaries. Moreover, most of the machineries installed at the projects are sourced through transactions denominated in United States Dollars.

Whilst the use of United States Dollar denominated borrowings have exposed the company to currency risk, the United States Dollar denominated feed in tariff in Uganda protects the group from currency risk associated with the Uganda Shilling creating a natural hedge. However, the transactions entered in foreign currencies are exposed to exchange risk on a strong Dollar environment.

The foreign currency exposure resulting from the continued efforts in developing power projects overseas have increased substantially over the period. The company has taken required measures such as proper assessment of country risk and conducting prefeasibility studies with spending cap prior to assume substantial expense in terms of development activities. Despite all the efforts to mitigate such exposures, the company may get impacted given the adverse changes to the macro economic conditions of the host countries.

### Legal and Regulatory Risk

Being a group with operations in multiple countries, Vidullanka PLC is obliged to comply with local and foreign regulatory requirements in the countries in which it operates. Compliance to the legal and regulatory framework is embedded throughout the business process of the company. Vidullanka PLC being a listed entity in the Colombo Stock Exchange adheres to the listing rules and the corporate governance best practices stipulated through various sources.

The audit committee oversees the status of compliance with the existing laws and regulations including payment of income and other forms of taxation. The committee further ensures that the company adopts any new changes to the legal and regulatory environment and advises the board on any remedial actions required. The committee also secures expert consultation services in complying with the tax, legal and regulatory aspects of foreign countries in which the company is operating.

With regard to the project implementation, which is subject to strict conditions imposed by number of approving authorizes, the company ensures compliance through regular documentation of compliance requirements by conducting periodic and spot audits as well as voluntary reporting to the relevant authorities.

# **RISK MANAGEMENT**

The company fulfills all reporting and governance rules and regulations by publishing relevant documents, quarterly performance reports and annual reports whilst continuing to protect its stakeholders' interests.

### **Counterparty Credit Risk**

The counterparty credit risk involves uncertainty over the realisation or loss of value in realisation of receivable arising from economic transactions. Historically, Vidullanka's transactions were dependent on Ceylon Electricity Board (CEB), the monopoly off taker in Sri Lanka. Following the commissioning of Muvumbe SHPP in 2017, the dependency on CEB shifted between CEB and Uganda Electricity Transmission Company Limited (UETCL).

Whilst power purchasing agreements secure the position of the company's receivables, the group has secured additional comforts in Uganda, including an implementation agreement with the relevant ministry and an unconditional irrevocable guarantee supporting the timely payments from UETCL.

Counterparty risk is one key risk that the company assesses when exploring new project development opportunities. Vidullanka formulates its expansion strategy into new countries in line with the presence of world renowned institutions in such countries

### Stakeholder Risk

Stakeholder expectations management is one of the key area of concern for any company. Vidullanka interacts with a number of stakeholders in developing and operating power plants. Having operations in multiple locations across Sri Lanka and Uganda; it is imperative to understand the expectations of the stakeholders from the locality and meet such expectations on reasonable grounds to ensure smooth operations of the power plants.

The company is focused on mitigating the risks associated with stakeholders through various mechanisms. It undertakes stakeholder analysis in identifying the different groups of stakeholders in terms of interest and power that they have over the affairs of the company. The risk management strategies are devised base on the stakeholder profiles identified and risk is mitigated accordingly.

### **Operational Risk**

This risk is created when economic and operational activities cannot be successfully carried out within a relevant time frame. This can happen due to machinery break downs, employee termination, scarcity of resources, natural disasters and inadequate internal processes etc. The operations department regularly reviews and monitors the conditions of the machineries and situations of the natural disasters to minimise the risks and decides preventive actions for each site.

Top management is responsible to prepare strategies and set goals based on the risks that company face. The Heads of each department are tasked with leading the employees for risk management and has the accountability to report to the Board of Directors. The audit committee manages risks by reviewing group risk profile and reducing the impact of those risks through appropriate measures. Compliance programmes, IT system governance, internal investigations and risk communication are important strategies adopted by the company to mitigate the risk.

Whilst Board is the ultimate body responsible for the firm's risk management, the audit committee assists the Board by reviewing the company's risk management framework and reports its findings and recommendation to the Board. The audit committee places significant attention on managing this risk because all operations and the progress have been dependent on the risk attitude of the company.

Further, we have established internal controls relating to operations that help to identify and detect the operational risk. The company has also put in place a continuous monitoring system for each plant to identify failures, breakdowns and any other material affairs. Vidullanka PLC recognizes the need for the active involvement of employees and the management in detecting and managing the risk at very early stages.

### Identified Risks and Mitigation Strategies taken by the company

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
Macro Economic and Political Er	nvironment				<u> </u>
Economic Risk The likelihood of an investment getting affected by adverse macro economic conditions, including government regulations, exchange rates and political in 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 debtor's failure to repay a loan or receivable or to meet a contractual obligation.	Low	Vidullanka sells electricity to CEB in Sri Lanka and UETCL in Uganda. The transactions are governed by the Power Purchase Agreements signed. Both entities are backed by the respective states, 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 obligations.	Medium	The company closely monitors changes in the macroeconomic environment, changes in weather conditions 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
Interest Rate Risk  Adverse impact on profitability of the Company due to the interest rate fluctuations during the period.	Low	The company maintains a debt portfolio which composed of fixed rate facilities and facilities with variable rates, minimizing the risk of negative variation of interest rates.	Yes	Adopted	Yes
Exchange Rate Risk The risk of losses due to the fluctuation of exchange rates. This further brings in translation and transaction exposure to the business.	Medium	The company constantly monitors the movement in exchange rates and takes adequate measures as detailed in the risk management report.	Yes	Adopted	Yes

# **RISK MANAGEMENT**

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
Environment and Health and Saf	ety				
Health and Safety Risk The risk of employees getting exposed to hazards while working in the power plant construction site and during the operation.	Medium	The power plant employees are provided with the required safety equipment during both construction and operation. Training is given to them periodically and plant operating instructions are in place incorporating workplace safety measures. The company strives for a zero accident work place.	Yes	Adopted	Yes
Environmental Risk The risk of imposing actual and potential threats of adverse impacts on the environment and inhabitants effluents and resource depletion arising from the organization's activities.	Medium	The company employs environmental officers and seeks external consultants' advices in times of need. It's also undertakes extensive environmental impact assessments before the initiation of projects and prior to the start of construction.  The company also adopts IFC performance standards for the studies and development of its overseas project.	Yes	Adopted	Yes
Disaster Risk The risks of potential adverse effects on continuing operations and the profitability due to the occurrences of disasters.	Medium	The company has undertaken measures to mitigate the impact of such disasters such as designing and reinforcing the project structures with higher tolerance level with regard to events like extreme floods, earth slips and earthquakes.  Further loss mitigation measures such as insurance covers also in place.	Yes	Adopted	Yes
Epidemic Risk The impact of operations of the company due to the breakout of epidemics in the regions	Medium	The company assesses the likelihood of such occurrences especially considering its operations overseas and takes necessary measures.  Considering the possible severity of such event, company has ensured required measures in place, including defining such epidemics as force major event in all key agreements and insurance endorsements.	Yes	Adopted	Yes

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 and technological diversification as the key mitigation strategy and presently operates hydro power plants in various regions in Sri Lanka and in Uganda.  Start of the operations of Dendro power plant also considered to reduce the exposure of the group to the weather risk. Whilst investment in Bukinda SHPP, which is located in a different region of Uganda set of reduce the impact of weather on performance, the company also exploring the possibilities of developing a solar power plant.	Yes	Adopted	Yes
Reputation of the Organization					
Public Relations Risk This is the risk of losing the reputation and the conflict with the members of the society.	Low	The Company adopts comprehensive and interactive mechanisms in public relations. The Company also consults the key stakeholders in its decisions which may have direct impact on them.  Operations department is involved in extensive CSR activities to share the benefits of sustainable energy generation and conducts awareness programs on best practices such as 5S and Kaizen among the local communities.	Yes	Adopted	Yes
Stakeholder Risk The risk occurs when the company fails to reasonably satisfy its stakeholders' expectations.	Medium	The Company identifies the expectations of the stakeholders and these expectations are fulfilled based on the level of importance in the affairs of the Company. Since the power projects are located in remote villages, the Company always ensures due care in the welfare of the villages, especially in the areas of education, social welfare and infrastructure development.	Yes	Adopted	Yes

# **RISK MANAGEMENT**

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
Operations and Internal Resource	es				
Operational Risk The risk arising from organization's internal activities. The risk of loss resulting from inadequate internal processes, people and systems, or from external events.	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.  System reviews and audits are conducted to identify any failures of the operations.	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
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.	Yes	Adopted	Yes
Regulatory Environment					
Regulatory and Legal Risk The risk of changes in laws and regulations with material impact on business operations and viability of Investments.	Medium	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

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
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	Although the company has sufficient inhouse engineering expertise, it has identified the need for global partnerships as a strategic priority, in competing for opportunities present overseas, especially in sub-Saharan Africa.  Company is in the process of forming partnerships and collaborations with renewable energy focused international funds to enable the company to compete for such opportunities.	Yes	Adopted	Yes
Country and 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 also considered.	Yes	Adopted	Yes

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors are pleased to submit their report together with the Auditor's Report and Financial Statements for the year ended 31st March 2019, to be presented at the 23rd 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 electricity and transmit to feed the national grid from the Bambarabatuoya Mini Hydro Power Plant (MHPP) and Batathota MHPP in Banagoda and Kuruwita respectively.

### Principal Activity of the Subsidiaries

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

Walagamba Balashakthi (Pvt) Limited's principal activity is to generate electricity through its Wembiyagoda (MHPP) located in Kalawana, Ratnapura and transmit to the national grid. The power plant was commissioned to the national grid on 29th March 2013.

The principal activity of Rideepana Hydro (Private) Limited is to produce electricity and transmit to feed the national grid from its Rideepana MHPP in Badulla. The Rideepana MHPP was commissioned to the national grid on 15th May 2015.

The principal activity of Lower Kotmale Oya Hydro Power (Private) Limited is to produce electricity and transmit to feed the national grid from its Lower Kotmale MHPP in Kotmale, Nuwaraeliya.

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

The principal activity of Muvumbe Hydro (U) Limited is to produce electricity and transmit to the national grid of Uganda from the Muvumbe Small Hydro Power Plant (SHPP) in Kabale District of Republic of Uganda. The power plant commenced the commercial operation on 15th March 2017.

The principal activity of the Vidul Plantation (Pvt) Limited is to engage in agribusiness relating to fuel wood supply to the Dendro power plants including Dehiyathakandiya Dendro power plant operated by Vidul Biomass (Pvt) limited through its own fuelwood plantations and out-grower schemes.

The principal activity of Timex Bukinda Hydro (U) Limited is to produce electricity and transmit to the national grid of Uganda from the proposed Bukinda SHPP in Kigadi District of Republic of Uganda.

### Principal Activity of the Joint Venture and Associates

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

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

The principal activity of the Vidul Biomass (Private) Limited is to produce electricity and transmit to feed the national grid. The Dehiyathakandiya Dendro power plant was under construction as of 31st March 2019 and commissioned to the national grid on 30th May 2019.

The principal business activity of Nilwala Vidulibala Company (Pvt) Limited is to produce electricity and transmit to the national grid from the Ethalama Ella MHPP. The project was commissioned to the national grid on 30th September 2016.

### **Material Business Transactions**

During the year under review company issued 15,916,296 shares by way of a Private Placement of shares to Timex Garments (Pvt) Limited at a per share value of Rs. 4.83. This has resulted in an increase of stated capital by Rs. 75.3mn.

Vidullanka PLC has disposed 49% of the equity stake held in Vidul Biomass (Pvt) Limited to OC Energy Lanka (Pvt) Limited at a consideration of Rs. 62.9mn on 28th September 2018. Even though Vidullanka PLC retained majority shareholding of the company, the agreement between Vidullanka PLC and OC Energy Lanka (Private) Limited allows for joint management of the affairs of the Vidul Biomass (Pvt) Limited and therefore the company is recognized as a joint venture.

Vidullanka PLC has also diposed the equity stake held in Udaka Energy Group (Pvt) Limited to Midland Energy (Pvt) Limited at a consideration of Rs. 15.5mn on 9th November 2018 which resulted in a loss of Rs. 22.9mn to the Group.

The company is due to undertake the investment in Timex Bukinda Hydro (U) Limited in developing the Bukinda SHPP with an installed capacity of 6.5MW with an estimated total investment of US\$ 13.6mn, of which US\$ 10mn to be funded through debt arrangements and the US\$ 3.6mn to be financed through equity investment from Vidullanka PLC.

### FINANCIAL STATEMENTS

The financial statements prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007 are given on page 72 of this annual report.

### **Independent Auditor's Report**

The Auditor's Report on the financial statements is given on page 69 of this report.

### **Accounting Policies**

The Accounting Policies adopted in preparation of the financial statements is given on page 76 to 116. There were no changes in Accounting Policies adopted by the Company during the year under review.

### Financial Results / Profit and Appropriations

The Group recorded a Profit After Tax of Rs. 527,318,164 of which Rs. 513,612,052 is attributed to the equity shareholders. During the year under review, the Company distributed an interim dividend of Rs 0.15 per share amounting to Rs. 125,667,820.

### Property, Plant & Equipment

During the year under review the Group invested a sum of Rs. 906,906,051 (2018 – Rs. 581,193,552) in property, plant and equipment of which Rs. 55,237,410 (2018 – Rs. 358,115,555) is in plant & machinery, Rs. 5,038,845 (2018 – Rs. 3,955,425) is in Computer and other equipment and Rs. 1,595,267 (2018 – Rs. 2,343,086) is in Furniture and fixtures. Further Rs. 3,610,385 (2018 – Rs. 2,039,864) is invested in office equipment, Rs. 11,569,706 (2018 – Rs. 8,227,830) in Motor Vehicles and Rs. 829,854,438 (2018 – Rs. 204,002,493) in Power plants Work – in – progress. No investments made Freehold Land (2018 – Rs. 2,509,300). In addition, the group invested Rs. 17,044,899 (2018 – Rs. 7,167,269) in biological assets.

Further, the acquisition of Timex Bukinda Hydro (U) Limited has resulted in addition of Rs. 99,755,774 to the group Propterty Plant & equipments of which Rs. 71,147,466 in capital work in progress, Rs. 21,828,583 in plant and machinery and Rs. 6,779,725 in freehold land.

In addition, the disposal of stake in Vidul Biomass (Pvt) Limited and resultant derecognition as subsidiary and recognization as Joint venture resulted in transfer of Rs. 1,022,686,251 from the Group Property Plant and equipment of which Rs. 634,682 of Office Furniture and Fittings, Rs. 115,000 of Office Equipment, Rs. 1,672,166 of Computers and Computer Equipment and Motor Vehciles of Rs. 12,115,595. The remaining Rs. 1,008,148,808 accounts for Power Plant Work-in-Progress.

The exchange rate differences caused a total increase of Rs. 237,809,722 in the group property plant and equipment.

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 4 in 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 91.

### **Impairments**

The details relating to the impairment provisions given in Note 6 to the financial statements on page 96.

### Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 66 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 42.

### Dividend

Company paid one interim dividend of Rs. 0.15 per share amounting to Rs. 125,667,820 during the financial year.

### Reserves

The Reserves and Accumulated Profits as at 31st March 2019 amount to Rs. 1,192,078,259 vs Rs. 810,201,685 as at 31st March 2018. 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. 1,417,908,484. The movements are shown in the Statement of Changes in Equity in the financial statements.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Post Balance Sheet Events

There have been no material events occurred 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 108, 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;

Ms. Deepthie Wickramasuriya (Chairperson) (Appointed w.e.f. 01st January 2019)

Mr. Shahid Sangani

Mr. Sidath Fernando

Mr. M. Zulficar Ghouse (Resigned w.e.f 31st December 2018)

The report of the Audit Committee on page 63 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 (Chairperson)

Mr. Rizvi Zaheed (Appointed w.e.f 01st January 2019)

Mr. Sidath Fernando

Mr. M. Zulficar Ghouse (Resigned w.e.f 31st December 2018)

The report of the Remuneration committee on page 64 contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive, Non – Executive Directors and other key management personals during the financial year are given in Note 25.5 on page 110 in the financial statements.

### **Investment and Strategy Committee**

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

Mr. Osman Kassim (Chairperson)

Mr. Ranjan Mather

Mr. Riyaz M.Sangani

Mr. Rizvi Zaheed (Appointed w.e.f 31st July 2019)

Dr. A.A.M. Haroon (Resigned w.e.f 30th July 2018)

Mr. M. Zulficar Ghouse (Resigned w.e.f 31st December 2018)

The report of the Investment and Strategy Committee on the strategic direction and the investment policy is given on page 62.

# Related Party Transaction Review Committee

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

Mr. Sidath Fernando (Chairperson)

Mr. Sujendra Mather

Ms. Deepthie Wickramasuriya (Appointed w.e.f 01st January 2019)

Ms. B.R.I. Sangani (Resigned w.e.f 30th July 2018)

The report of the Related Party Transactions Review Committee is given on page 65.

### **Investor Information and Shareholdings**

The investor information is given on page 117

### Major Shareholders

Details of twenty largest shareholders of the company and percentage held by each of them are disclosed in page 117.

### **Directors**

The Directors of the Company as at 31st March 2019 and their brief profiles are given on page 18 in this report.

Mr. Ranjan Mather retire by rotation in terms of section 211 of the Companies Act No. 07 of 2007.

The following Directors were appointed to the Board subsequent to the last Annual General Meeting.

Mr. Rizvi Zaheed – w.e.f. 31st July 2018 Ms. Deepthie Wickramasuriya - w.e.f. 01st January 2019 The following Directors tendered their resignations during the year 2018/2019.

Dr. A.A.M. Haroon – w. e. f. 30th July 2018

Ms. B.R.I. Sangani – w. e. f. 30th July 2018

Mr. M.Z.Ghouse – w. e. f. 31st December 2018

### **Independence of Directors**

In accordance with Rule 7.10.3 of Colombo Stock Exchange Rules on Corporate Governance ('CSECG Rules'), Mr. Osman Kassim, Mr. Shahid M. Sangani, Mr. Ranjan Mather, Mr. C.F. Fuhrer, Mr. Sidath Fernando, Mr. Sattar Kassim, Mr. Sujendra Mather, Mr. Rizvi Zaheed, Ms. Deepthie Wickramasuriya who are Non-Executive Directors of the Company have submitted a signed and dated declarations to the Board of their Independence.

### Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31st March of 2018 and 2019 were as follows:

	No of Ordinery Shares	
Director	As at 31.03.2019	As at 31.03.2018
Mr. Osman Kassim	65,217,391	-
Mr. Osman Kassim / Mrs. K. Kassim	10,442,641	10,442,641
Mr. Riyaz M. Sangani	103,720,253	93,352,000
Mr. Shahid M. Sangani	4,227,569	4,227,569
Dr. A. A. M. Haroon (Resigned)	N/A	-
Mr. S. Ranjan Mather	18,871,875	8,250,000
Mr. M. Zulficar Ghouse (Resigned)	N/A	4,163,999
Mr. C. F. Fuhrer	1,098,398	1,098,398
Ms. B. R. I. Sangani (Resigned)	N/A	5,752,417
Mr. Sidath Fernando	5,000,000	4,950,000
Mr. Sattar Kassim	73,637,368	73,637,368
Mr. Sujendra Mather	19,827,892	19,827,892
Mr. Rizvi Zaheed	-	N/A
Ms. Deepthie Wickramasuriya	_	N/A

### **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 on interest in the Company other than those disclosed above.

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

### **Going Concern**

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

### Notice of Meeting

The Annual General Meeting will be held at 11.15am on 24th July 2019 at Bougainvillea Ballroom, Galadari Hotel, Colombo 01.

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

For and on behalf of the Board,

(Sgd.) Osman Kassim Chairman

(Sgd.) Riyaz Sangani Managing Director

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

Vidullanka PLC 18th June 2019 Colombo

# **BOARD COMMITTEES**

The Board subcommittees play pivotal role in supporting the Board in discharging its fiduciary duties toward the stakeholders of the company. Four board subcommittees have been established by Vidullanka PLC and delegated relevant functions and responsibilities to assist the Board in making informed decisions whilst adhering to the best corporate governance practices and ethics. These subcommittees focus on different specialized areas including audit and internal control, remuneration and benefits, related party transactions and investment and strategy.

### **INVESTMENT AND STRATEGY COMMITTEE**

### Dear Shareholder.

The Investment and Strategy Committee is vested with the responsibility of critically reviewing investment proposals to ensure informed investment decisions are made to maximize the shareholder wealth whilst safeguarding the interest of the company and its stakeholders. The committee considers the long term stability and market protection when evaluating the investments and recommends any remedial actions to be undertaken with regard to the underperforming investments. In addition, the committee periodically monitors and verifies the compliance of the business and investment decisions with the investment policies and procedures in place.

The committee consists of the following members and is headed by the Chairman of the company.

Mr. Osman Kassim (NED) – Committee Chairman

Mr. Ranjan Mather (NED)

Mr. Riyaz M. Sangani (CEO)

Mr. Rizvi Zaheed (INED) (Appointed w.e.f 01st July 2019)

Dr. A. A. M. Haroon (Resigned w.e.f 30th July 2018)

Mr. M. Zulficar Ghouse (Resigned w.e.f 31st December 2018)

Key considerations of the committee during the financial year under review include the deliberation of the disposal of equity stake in Vidul Biomass (Pvt) Limited to OC Energy Lanka (Pvt) Limited forming a key partnership and the disposal of the equity stake in Udaka Energy group (Pvt) Limited which owned and operated the Haloya MHPP.

Other considerations include proposed investment in Timex Bukinda Hydro (U) Limited for the development of Bukinda SHPP in Uganda, strategies to consolidate the overseas investments and forging strong partnerships internationally to hold of new opportunities in the renewable energy industry.

# In the year 2018/19, the committee focused on,

- Local investment opportunities based on the political, environmental and competitive sources.
- 2. Performance of the investments in existing projects.
- Evaluation of new investments in foreign countries considering the climate and regulatory requirements.
- 4. Capital structure and gearing level of the group before financing the funds for such investments.
- Critically evaluating the probable investment destinations for availability of renewable energy sources, conducive economic, investment and political environment and associated risk and return profiles.

The committee held seven meetings during the financial year with the participation of the majority of committee members.

(Sgd.)
Osman Kassim
Chairman – Investment and Strategy
Committee

### **AUDIT COMMITTEE**

### Dear Shareholder,

Report on the affairs of the Audit Committee during the financial year 2018/19.

During the financial year 2018/19, the audit committee has focused on the strengthening the effectiveness of the internal controls, compliance of internal audit functions and reviewed the report of the External Auditor Messer, Ernst & Young, Chartered Accountants.

### The Audit committee comprised of following Non Executive Directors,

Ms. Deepthie Wickramasuriya (INED) – Chairperson (Appointed w.e.f 01st Jan 2019)

Mr. M. Zulficar Ghouse (INED) (Resigned w.e.f 31st Dec 2018)

Mr. Sidath Fernando (INED)

Mr. Shahid M. Sangani (NED)

The Audit committee demonstrates the required level of competencies and the composition of the committee also meets the requirements set out in the Listing rules of the Colombo Stock Exchange and the criterion set out as corporate governance best practices. (Profile of the committee members given in page 18)

### Role of the Committee

The committee mainly focuses on overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with the Sri Lanka Accounting Standards, Companies Act, Listing Rules of the Colombo Stock Exchange and other relevant reporting regulations. The committee also ensured adequate internal controls and risk management practices have been in place to safeguard the company and its stakeholders in the event of adversities. In addition, the committee periodically reviews the other business functions including significant transactions and business risk.

The committee held two meetings with the participation of the majority of committee members. Mr. Riyaz M. Sangani (CEO) and the senior management attended the meetings by invitation.

Duties and responsibilities carried out by the committee during the year,

- 1. Reviewed monthly management reports and advised to enhance the overall performance.
- 2. Reviewed the internal risk management and control mechanisms in place and advised on improvements required.
- 3. Special attention was paid to the impact of depreciating rupee against the existing and committed investments overseas as well as the other committed or contingent liabilities denominated in foreign currencies.
- 4. Reviewed the key business proposals and monitored the impact to the operations.
- 5. Reviewed and discussed key audit findings and advised the management on the corrective measures to be implemented.
- 6. Reviewed the guarterly and year-end financial statements of the group to ensure compliance.
- 7. Assessed the material transactions taken place and future plans to identify the impact on liquidity and gearing level.
- 8. Evaluated the timelines of internal and external audit and advised the management to meet such deadlines.

- Reviewed the other sections of annual report to be included relating to the regulatory filings and mandatory requirements.
- Discussed with the external auditors regarding the audit planning and management responsibilities.
- 11. Assessed the performance and independence of the external auditors of the group.

### **Independent Auditors**

The shareholders of the company reappointed Messer, Ernst & Young, Chartered Accountants, 201, De Saram Place, Colombo 10 as the external auditor of all the group companies except for Muvumbe Hydro (U) Limited and Timex Bukinda Hydro (U) Limited. The Muvumbe Hydro (U) Limited is audited by Messer, KPMG, Kampala, Uganda and Timex Bukinda Hydro (U) Limited is audited by Kazibwe Kenneth and Steven, Kampala, Uganda.

The Audit Committee recommends the reappointment of Messer, Ernst & Young, Chartered Accountants as the group external auditors for the financial year 2019/20 having reviewed and found satisfactory of their extent and quality of work, terms of engagement and remuneration range. In addition, the Audit Committee further recommends the change of auditors of Muvumbe Hydro (U) Limited and Timex Bukinda Hydro (U) Limited.

I hereby confirmed that the Committee received and used relevant periodic information regularly assisting the committee in fulfilling its duties and responsibilities.

(Sgd.) Deepthie Wickramasuriya Chairperson – Audit Committee

# **BOARD COMMITTEES**

### **REMUNERATION COMMITTEE**

### Dear Shareholder,

The Remuneration Committee is vested with the responsibility of ensuring the remuneration policy is aligned with the industry best practices and designed to retain talent and foster a performance based reward culture. The policy ensures that the rewards are market competitive and flexible based on the executive talents and performance.

The Committee is also responsible for evaluating compensation arrangements for the executive directors and key management personnel. In addition, the committee reviewed the performance of the key management personals and their succession planning was also done by the committee.

The Remuneration committee is comprised of following Non-Executive Directors as members. In order to be compliance with corporate governance best practices the committee comprised of three Non-Executive Directors among which two directors are independent.

Mr. Ranjan Mather (NED) – Committee Chairman

Mr. Sidath Fernando (INED)

Mr. M. Zulficar Ghouse (INED) (Resigned w.e.f 31st Dec 2018)

Mr. Rizvi Zaheed (INED) (Appointed w.e.f 01st Jan 2019)

The committee having reviewed the annual performance of the group, recommended annual and performance based bonus payments. During the financial year, the committee reviewed and oversaw the granting of the share options under the Employee Share Option Scheme. The committee held one meeting during the financial year under review.

(Sgd.) Ranjan Mather Chairman – Remuneration Committee

### RELATED PARTY TRANSACTION REVIEW COMMITTEE

### Dear Shareholder,

The report is based on the activities of the Related Party (RP) Transaction Review Committee for the period 2018/19.

The Related Party Transactions Review Committee assists the board in objectively reviewing the transactions proposed and entered by the Vidullanka PLC and the group companies with the related parties, thereby ensuring such transactions are conducted at arm's length basis, by adhering to the section 9 of the Colombo Stock Exchange Listing Rules.

In accordance with the Listing Rule 9.2.2 the committee consists of Non -Executive Directors of whom the majority is independent.

Mr. Sidath Fernando (INED) – Committee Chairman

Mr. Sujendra Mather (NED)

Ms. Deepthie Wickramasuriya (INED) (Appointed w.e.f 01st Jan 2019)

Ms. B. R. I. Sangani (INED) (Resigned w.e.f 30th July 2018)

# Following are the key duties and responsibilities vested to the Related Party Transaction Review Committee by the Board of Vidullanka PLC

- 1. Review and approve in advance all the non recurring intercompany and related party transactions occurred during the year.
- 2. Review and ratify the recurring intercompany transactions within the group, suggest changes to the transactions where necessary.
- 3. Review and approve any material changes to the ongoing related party transactions that were previously approved by the committee.
- 4. Review the effectiveness of the internal controls relating to the related party transactions and ensure compliance with the policies and procedures.
- 5. Seek required information from the management and source external expertise if required to better understand and asses the implications of the related party transactions.
- 6. Review the interim and annual financial statements to ensure related party disclosures have been made accurately.
- 7. Check the appropriate management approvals before the transactions taken place.
- 8. Identify and advise the board on the scenarios that requires shareholder approval.
- 9. Recommend to the board on disclosures need to be made in the annual report.

The committee having reviewed the related party transactions and balances summarized in the notes 7, 11 and 25 of the financial statements, declared that the company has not entered into any non recurrent related party transactions which in aggregate value exceed 10% of the equity or 5% of the total assets whichever is lower as per the latest Audited Financial Statements and the company has not entered into recurrent related party transactions which in aggregate value exceeds 10% of the gross consolidated revenue/income as per the latest Audited Financial Statements.

The Related Party Transaction Review Committee conducted a meeting during the year 2018/19 with the participation of majority of the committee members.

(Sgd.)

Sidath Fernando

Chairman – Related Party Transaction Review Committee

# 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,

- 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 safe guarded and internal controls, are in place with a view to the prevention and detection of fraud and error.
- 5. The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider to be appropriate for the purpose of enabling them to give their audit report.

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

### **Compliance Report**

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

By order of the Board of Vidullanka PLC,

(Sgd.)
Managers & Secretaries (Pvt) Limited
Secretaries

# FINANCIAL REPORTS

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### INDEPENDENT AUDITOR'S REPORT



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

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ev.com

### TO THE SHAREHOLDERS OF VIDULLANKA PLC

### Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Vidullanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

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

WRH Fernando FCA FCMA MPD Cooray FCA FCMA RN de Saram ACA FCMA Ms. N A De Silva FCA Ws. Y A De Silva FCA WKBS P Fernando FCA FCMA Ms. KRM Fernando FCA ACMA Ms. LKHL Fonseka FCA APA Gunasekera FCA FCMA A Herath FCA DK Hulangamuwa FCA FCMA LLB (Lond) HMA Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V KN Sajeewani FCA N M Sulaiman ACA ACMA BE Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# INDEPENDENT AUDITOR'S REPORT

### Key audit matter

### How our audit addressed the key audit matter

### Annual impairment of Goodwill

The financial statements, include Goodwill on consolidation amounting to Rs. 248,999,594 which is subject to an annual impairment test using significant estimates as disclosed in Note 5.2.1 to the financial statements. Therefore, we have determined this to be a Key audit matter.

Our audit procedures included the following procedures amongst others.

- We involved our internal specialists to assist us, in assessing the appropriateness of the models and reasonableness of estimates used by the management.
- We also assessed the adequacy of the related disclosures in Note 5.2.1 to the financial Statements.

### Other Information included in the 2019 Annual Report

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

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

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

# Responsibilities of the management and those charged with governance

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

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

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

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

18 June 2019 Colombo

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## STATEMENT OF FINANCIAL POSITION

		Group Company				
		2019	2018	2019	2018	
As at 31 March	Notes	Rs.	Rs.	Rs.	Rs.	
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	4	4,116,382,099	4,057,474,026	459,794,276	470,191,379	
Mature Bearer Biological Assets	4.1.8	25,607,709	9.806.425			
Investments in Subsidiaries	5.1	20,007,707	7,000,420	951,167,461	804,408,461	
Investment in Joint Ventures and Associate	5.2.2	537,798,194	319.172.245	387.045.434	171,037,412	
Other Project Investments	6	92.715.919	112.928.877	91.047.169	112.928.877	
Goodwill	5.2.1	248,999,594	215,879,383	71,047,107	-	
Deferred Tax Asset	10.3	437.545	202.060	_	_	
Deterred tax / Bact	10.0	5.021.941.060	4.715.463.016	1.889.054.340	1,558,566,129	
		3,021,741,000	4,710,400,010	1,007,004,040	1,000,000,127	
Current Assets						
Inventories		19,223,619	17,632,700	4,994,018	4,589,912	
Trade and Other Receivables	7	507,802,191	462,113,344	436,528,976	607,765,202	
Other Financial Assets	5.3	-	2,500,000	-	2,500,000	
Cash and Bank Balances	20	240,310,787	105,616,266	28,940,347	36,687,715	
		767,336,597	587,862,310	470,463,341	651,542,829	
Total Assets		5,789,277,657	5,303,325,326	2,359,517,681	2,210,108,958	
EQUITY AND LIABILITIES						
Capital and Reserves						
Stated Capital	8	1,417,908,484	1,342,608,484	1,417,908,484	1,342,608,484	
Retained Earnings		1,192,078,259	810,201,685	34,566,059	141,306,450	
Other Components of Equity		101,794,975	31,462,897	-	_	
Equity attributable to Equity Holders of the Parent		2,711,781,718	2,184,273,066	1,452,474,543	1,483,914,934	
Non Controlling Interest		41,587,769	27,882,261	-	_	
Total Equity		2,753,369,487	2,212,155,327	1,452,474,543	1,483,914,934	
Niew Common Liebillate						
Non-Current Liabilities Financing and Lease [ljara] Payables	9	2,124,251,574	1.728.356.326	659,734,095	92,900,163	
Defined Benefit Liability	12	27,524,488	22.674.659	23,503,282	19,333,793	
Deferred Tax Liability	10.2			23,303,282	4,230,918	
Deferred Tax Liability	10.2	192,446,454 2,344,222,516	112,760,799 1,863,791,784	683,237,377	116,464,874	
		2,344,222,310	1,003,771,704	003,237,377	110,404,074	
Current Liabilities						
Trade and Other Payables	11	138,155,658	322,115,380	149,801,156	128,451,950	
Financing and Lease [ljara] Payables	9	548,516,926	901,094,898	74,004,605	481,185,886	
Income Tax Liabilities	/	5,013,070	4,167,937		91,314	
INCOME TOX Elabitates		691,685,654	1,227,378,215	223,805,761	609,729,150	
Total Equity and Liabilities		5,789,277,657	5,303,325,326	2,359,517,681	2,210,108,958	
Net Asset Value Per Share (Rs.)		3.24	2.66	1.73	1.81	

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

(Sgd.) Mafaz Ansar Head of Finance & Treasury

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

(Sgd.)(Sgd.)Riyaz M SanganiDeepthie WickramasuriyaDirectorDirector

The accounting policies and notes on pages 76 through 116 form an integral part of these financial statements.

18 June 2019 Colombo

## STATEMENT OF COMPREHENSIVE INCOME

			Group	Company		
		2019	2018	2019	2018	
Year ended 31 March	Notes	Rs.	Rs.	Rs.	Rs.	
	4.0	4 004 05 / 4 / /	07/00000	044044050	040 /54 00/	
Revenue	13	1,281,956,166	974,838,204	244,866,953	219,471,224	
Cost of Sales		(301,555,104)	(248,468,907)	(50,443,665)	(49,198,588	
Gross Profit		980,401,062	726,369,297	194,423,288	170,272,636	
Other Income and Gains / (Losses)	17	116,567,320	361,477,278	118,185,541	324,609,567	
Investment Income from Joint Ventures & Associates	5.2.3	62,975,199	85,108,584	-	_	
Administrative Expenses		(242,367,402)	(264,396,094)	(199,444,924)	(204,661,984	
Finance Cost	15	(295,440,813)	(259,911,483)	(92,148,304)	(75,836,387	
Finance Income	16	2,076,753	842,277	1,971,297	720,962	
Profit/(Loss) Before Tax	14	624,212,119	649,489,859	22,986,898	215,104,794	
Income Tax (Expense) / Reverse	10	(96,893,955)	(140,270,085)	(1,266,579)	9,759,702	
Profit/(Loss) for the Year		527,318,164	509,219,774	21,720,319	224,864,496	
Other Comprehensive Income (OCI)						
Other Comprehensive Income Not to be						
Reclassified to Profit or Loss in Subsequent Per	iod					
Net Actuarial Gain/(Loss) on Defined Benefit Plan	12	(645.021)	(631,935)	(340,570)	(2,152,628	
Income Tax on Other Comprehensive Income	12	108.950	316,523	47.680	301,368	
·						
Other Comprehensive Income to be Reclassified to						
Profit or Loss in Subsequent Period						
Exchange differences on translation of foreign operation.	S	70,332,078	66,613,347	-	-	
Share of other comprehensive income of						
equity accounted investees (net of tax)	5.2.3	(1,716,095)	(83,075)	_	_	
Other Comprehensive Income for the Year, Net of Tax		68,079,912	66,214,860	(292,890)	(1,851,260	
Total Comprehensive Income for the Year, Net of Tax		595,398,076	575,434,634	21,427,429	223,013,236	
Profit attributable to :		540 (40 050	405 005 040	04 500 040	001011101	
Equity Holders of the Parent		513,612,052	495,035,210	21,720,319	224,864,496	
Non-Controlling Interests		13,706,112	14,184,564	-	-	
		527,318,164	509,219,774	21,720,319	224,864,496	
Total Comprehensive Income attributable to :						
Equity Holders of the Parent		581,692,568	561,250,415	21,427,429	223,013,236	
Non-Controlling Interests		13,705,508	14,184,219			
		595,398,076	575,434,634	21,427,429	223,013,236	
5 D. Cl D. :	10	2.12	0.40	2.22	0.00	
Earnings Per Share - Basic	18	0.62	0.60	0.03	0.27	
Dividend Per Share		-	-	0.15	0.20	

The accounting policies and notes on pages 76 through 116 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

		Stated Capital	Retained Earnings	Foreign Currency Translation Reserve	Non Controlling Interest	Total
Group	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2017		1,267,893,105	569,026,544	(35,150,450)	5,820,869	1,807,590,068
Profit for the year		-	495,035,210	_	14,184,562	509,219,772
Other Comprehensive Income		_	(398,486)	66,613,347	_	66,214,861
Total Comprehensive Income for the year		-	494,636,724	66,613,347	14,184,562	575,434,633
Acquisition of Stake		_	(21,843,908)	_	21,843,908	-
Capitalization of Reserves		74,715,379	(74,715,379)	_	_	_
Dividend paid during the year	19	_	(156,902,296)	_	(13,967,077)	(170,869,373)
Balance as at 31 March 2018		1,342,608,484	810,201,685	31,462,897	27,882,261	2,212,155,327
Adjustment on Initial Application of SLFRS 9		_	(3,816,096)	_	_	(3,816,096)
Restated Opening Balance as at 01 April 2018		1,342,608,484	806,385,589	31,462,897	27,882,261	2,208,339,231
Profit for the year		_	513,612,052	_	13,706,112	527,318,164
Other Comprehensive Income		_	(2,251,562)	70,332,078	(604)	68,079,912
Total Comprehensive Income for the year		-	511,360,490	70,332,078	13,705,508	595,398,076
Share Issue		75,300,000	_	_	_	75,300,000
Dividend paid during the year	19	_	(125,667,820)	_	_	(125,667,820)
Balance as at 31 March 2019		1,417,908,484	1,192,078,259	101,794,975	41,587,769	2,753,369,487

		Stated	Retained	
		Capital	Earnings	Total
Company	Note	Rs.	Rs.	Rs.
Balance as at 31 March 2017		1,267,893,105	149,900,900	1,417,794,005
Profit for the year		-	224,864,496	224,864,496
Other Comprehensive Income		-	(1,841,271)	(1,841,271)
Total Comprehensive Income for the year		-	223,023,225	223,023,225
Capitalization of Reserves		74,715,379	(74,715,379)	-
Dividend paid during the year	19	_	(156,902,296)	(156,902,296)
Balance as at 31 March 2018		1,342,608,484	141,306,450	1,483,914,934
Adjustment on Initial Application of SLFRS 9		-	(2,500,000)	(2,500,000)
Restated Opening Balance as at 01 April 2018		1,342,608,484	138,806,450	1,481,414,934
Profit for the year		-	21,720,319	21,720,319
Other Comprehensive Income		-	(292,890)	(292,890)
Total Comprehensive Income for the year		-	21,427,429	21,427,429
Share Issue		75,300,000	-	75,300,000
Dividend paid during the year	19	_	(125,667,820)	(125,667,820)
Balance as at 31 March 2019		1,417,908,484	34,566,059	1,452,474,543

The accounting policies and notes on pages 76 through 116 form an integral part of these financial statements.

## **STATEMENT OF CASH FLOWS**

				Company	
		2019	2018	2019	2018
Year ended 31 March	Notes	Rs.	Rs.	Rs.	Rs.
Operating Activities					
Profit/(Loss) Before Tax		624,212,119	649,489,859	22,986,898	215,104,794
Adjustments for		,,	,,		
Depreciation	4	149,982,744	134,724,161	24,470,006	25,188,568
(Profit) /Loss on Disposal of Property, Plant and Equipmer		28.738	298,493	28.738	298,493
(Profit) / Loss on Share Disposal		-	3.489.242	-	3,489,242
Expenses on Defined Benefit Plan	12	5,189,922	5,940,884	4,238,419	3,951,236
Dividend Income	17	-	-	(47,512,500)	(247,635,521)
Impairment / Write off of other projects	6.1	13,750,000	31,611,319	13,750,000	31,611,319
(Profit) / Loss from Share repurchase	011	-	-	-	(68,679,710)
(Capital Gain)/ Loss on Disposal of					(00,077,710,
Subsidiaries and Joint Ventures		(43,627,679)		(69,830,708)	
Share of Profits from Joint Ventures & Associates	5.2.3	(62,975,199)	(85,108,584)	(07,030,700)	_
Finance Income	16	(2,076,753)	(842,277)	(1,971,297)	(720,962
	15				
Finance Cost	10	295,440,813	259,911,483	92,148,304	75,836,387
Operating Profit Before Working Capital Changes		979,924,706	999,514,579	38,307,860	38,443,845
(Increase) / Decrease in Inventories		(1 E00 010)	(/ 020 0E/)	(/0/ 107)	E/1 /20
(		(1,590,919)	(4,829,056)	(404,107)	561,438
(Increase) / Decrease in Trade & Other Receivables		(20,388,847)	(207,296,427)	51,335,661	(333,435,867)
Increase / (Decrease) in Other Payables		(228,355,151)	70,731,859	(23,046,224)	65,602,215
Transfer of expenses from other project investment					
to relevant project companies		-	8,005,751	-	8,005,751
Cash Generated from / (Used in) Operations		729,589,790	866,126,706	66,193,191	(220,822,617)
		(054.0.(0.5.(0)	(0=0.4.40.=40)	(/= /00 0==)	
Finance Cost paid		(251,949,749)	(258,149,743)	(47,682,957)	(74,074,647)
Defined Benefit Plan Cost paid	12	(409,500)	(5,212,725)	(409,500)	(4,850,325)
Income Tax paid		(24,261,660)	(1,051,069)	-	-
Capital Gain Tax paid		(5,449,816)	-	(5,449,816)	-
Net Cash from / (Used in) Operating Activities		447,519,065	601,713,169	12,650,918	(299,747,589)
Louis Alonia Analis dalis s					
Investing Activities		((0.00 / 月1 /)	///0.000 /F/\	(1 / 155 500)	(0.000 F10)
Acquisition of Property, Plant and Equipment		(60,006,714)	(669,398,456)	(14,175,598)	(3,320,719)
Proceeds from sale of Property Plant and Equipment		-	500,000	-	500,000
Proceeds from Disposal of Stake		74,415,573	78,409,367	74,415,573	217,480,375
Investment in New Projects		(18,837,042)	(18,026,608)	(17,168,292)	(18,026,608)
Net Investment on Other Financial assets		-	147,658,447	-	147,658,447
Finance Income received		2,076,753	842,277	1,971,297	720,962
Investment in Subsidiaries		-	-	(71,459,000)	-
Investment in Joint Ventures		(75,531,107)	-	(75,479,597)	-
Dividend received		17,512,061	28,770,625	47,512,500	247,635,521
Net Cash Flows from / (Used in) Investing Activities		(60,370,476)	(431,244,347)	(54,383,117)	592,647,979
Financing Activities					
Dividend Payments		(125,667,820)	(170,869,371)	(125,667,820)	(156,902,296)
Principal Payment Under Ijara Facilities / (Finance Leases)	9	(9,916,987)	(2,909,622)	(3,031,154)	(1,232,020)
Principal Payment Under Murabaha Facilities		(44,003,178)	(19,978,986)	(44,003,178)	(19,978,986)
Principal Payment Under Diminishing Musharakah Facilities		(500,198,066)	(200,102,715)	_	(25,000,003)
Principal Payment Under Wakala Facilities		(113,000,008)	(39,999,996)	(110,000,008)	(39,999,996)
Principal Payment Under Short term Facilities	9	(790,917,717)	(517,695,699)	(790,917,717)	(517,695,699)
Proceeds from Ijara Facilities	9	20,215,000	3,700,000	14,550,000	_
Proceeds from Wakala Facilities		5,000,000	_	_	-
Proceeds from Diminishing Musharakah Facilities		912,980,000	304,579,324	700,000,000	-
Proceeds from Short term Facilities	9	393,054,708	497,249,632	393,054,708	497,249,632
Net Cash Flows from / (Used in) Financing Activities	,	(252,454,068)	(146,027,433)	33,984,831	(263,559,368)
		(===, /0 1,000/	( , . = , , , ,	,,	(===,00,,000)
Net Increase / (Decrease) in Cash and Cash Equivalents		134,694,521	24,441,391	(7,747,368)	29,341,019
Cash and Cash Equivalents at the Beginning of the year		105,616,266	81,174,875	36,687,715	7,346,696

The accounting policies and notes on pages 76 through 116 form an integral part of these 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 2019 comprise the Company and its Subsidiaries (together referred as the "Group").

### Subsidiaries

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

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

Rideepana Hydro (Pvt) Limited, a company incorporated in Sri Lanka under the Companies Act No. 07 of 2007. The registered office of the subsidiary is located at Level 04, Access Towers, No 278, Union Place, Colombo 02. Vidullanka PLC owns 95% of the equity stake in the project company.

Muvumbe Hydro (U) Limited is a subsidiary of Vidulllanka 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 3rd Floor Unicalo House. Plot 11, Archer Road, Kololo P. O. Box 4846, Kampala. Vidullanka PLC owns 95% of the equity share in the company.

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

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

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

Timex Bukinda Hydro (U) Limited is a subsidiary of Vidulllanka PLC, incorporated as a limited liability company in the Republic of Uganda under the Companies Act No 110 of 2012. The registered office of Timex Bukinda Hydro (U) Ltd is located at 3rd Floor Unicalo House. Plot 11, Archer Road, Kololo. P. O. Box 4846, Kampala.

### Joint Ventures

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

Joint Venture	Holding %	Joint Venture Partner
Gurugoda Hydro (Pvt) Ltd	50%	RenewGen (Pvt) Ltd
Vidul Madugeta (Pvt) Ltd	50%	RenewGen (Pvt) Ltd
Vidul Biomass (Pvt) Ltd	51%	OC Energy Lanka (Pvt) Ltd

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

### Associate

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

# 1.2 Principal Activities and Nature of Operations

### Company

The principal activity of the company is to produce electrical energy and transmit to feed the national grid. For this purpose the company has constructed two hydro power plants at Bambarabatuoya, Balangoda 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 March 2007.

### **Subsidiaries**

The principal activity of Vidul Engineering Limited is the provision of construction and engineering services related to renewable energy plants and related 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 Lower Kotmale Oya Hydro Power (Pvt) Ltd is to produce electrical energy and transmit to feed the national grid from its Kotmale mini hydro power plant in Kotmale. The Kotmale mini hydro power plant was commissioned to the national grid on 25 June 2014 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 principal activity of the Vidul Plantation (Pvt) Limited is engage in agribusiness relating to the supply of fuel wood to the Biomass power plant operated by Vidul Biomass (Pvt) Ltd, in Dehiyathakandiya.

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. The Udawela mini hydro power plant was commissioned to the national grid on 29th December 2017.

The principal activity of Timex Bukinda Hydro (U) Limited is to produce electrical energy and transmit to the national grid from the Bukinda small hydro power plant in Kagadi District of the Republic of Uganda.

### 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 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.

The principal activity of Vidul Biomass (Pvt) Ltd is to produce electrical energy and transmit to feed the national grid for this purpose company has commenced the construction of biomass power plant at Dehiyathakandiya.

### Associate

2.1

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

### 1.3 Date of Authorization for Issue

The Consolidated Financial Statements of Vidullanka PLC, for the year ended 31 March 2019 was authorized for issue in accordance with a resolution of the Board of Directors on 18 June 2019.

# 2. BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

**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 New accounting standards, interpretations and amendments adopted by the group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the

preparation of the Group's annual financial statements in the previous financial year, except for the adoption of new standards effective as of 1 April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018 /19, but do not have an impact on the financial statements of the Group.

## 2.1.3.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11,
Construction Contracts, LKAS 18, Revenue
and related interpretations and it applies
to all revenue arising from contracts with
customers, unless those contracts are
in the scope of other standards. The new
Standard establishes a five-step model to
account for revenue arising from contracts
with customers. Under SLFRS 15, revenue
is recognised at an amount that reflects the
consideration to which an entity expects
to be entitled in exchange for transferring
goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's financial statements.

### 2.1.3.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted SLFRS 9 using the full retrospective method of adoption, with the initial application date of 1 April 2018. The Group has taken an exception not to restate comparative information for prior periods with respect to classification and measurement requirements.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

### Classification and measurement

Except for trade receivables, under SLFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under SLFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The new classification and measurement of the Group's debt financial assets are as follows:

Debt instruments at amortised cost are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables. (These financial assets were classified as loans and receivables under LKAS 39 in the previous financial statements).

Equity investments in non-listed companies previously classified as Available-for-sale(AFS) financial assets are now classified and measured as Financial assets at fair value through profit or loss. As of 1 of April 2018, the Group assessed its Financial assets at fair value through profit or loss and the resulting fair value loss has been adjusted in the opening balance of retained earnings at 1 of April 2018.

No any other classification changes were identified due to the adoption of SLFRS 9.

The accounting for the Group's financial liabilities remains largely the same as it was under LKAS 39.

### Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

Upon adoption of SLFRS 09 the group recognised an impairment on the Group's Trade receivables of Rs. 1.3 Mn which resulted in a decrease in Retained earnings of Rs. 1.3 Mn as at 1 April 2018.

# 2.1.4 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.

### 2.1.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

### 2.1.6 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.

### 2.1.7 Comparative Information

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

The comparative amounts presented, have not been restated due to the adoption of SLFRS 09 and SLFRS 15, as specified in Note 2.1.3.

# 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 noncontrolling interest in the acquiree.

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

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

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

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

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

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

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

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

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

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

The statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when

applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

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

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

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

In the separate financial statements, investments in joint ventures and associates are accounted at cost.

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

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

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

After the expiration of the aforesaid concessionary tax rate the profits and income of the enterprises shall for any year of assessment be changed at the rate specified in the Inland Revenue Act.

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

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

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

### **Deferred Taxation**

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

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

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

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

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

### 2.3.5 Borrowing Costs

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

### 2.3.6 Inventories

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

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

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

# 2.3.7 Financial Instruments – Initial Recognition and Subsequent Measurement

### 2.3.7.1 Financial Assets

### Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the Solely Payment of Principal and Interest (SPPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income statement.

The Group's financial assets include cash and cash equivalents, short-term investments and trade and other receivables.

### Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

## a) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Assets at amortized cost comprise of trade and other receivables, amounts due from related parties, and deposits.

# b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through OCI.

## c) Financial assets at fair value throughOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

However, the Group does not have any Financial assets at fair value through OCI.

# d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for

trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognised in the statement of profit or loss.

Financial Assets at fair value through profit or loss comprise of equity investments in non-listed companies.

### De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset and the Group has transferred substantially all the risks and rewards of the ownership.

### Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual

cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

# 2.3.7.2 Financial Liabilities Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

### Subsequent Measurement

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

### Financing and Lease [Ijara] Payables

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

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

### De-recognition

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

### Fair value of Financial Instruments

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

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

### 2.3.8 Cash and Cash Equivalents

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

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

### 2.3.9 Property, Plant and Equipment

### a) Recognition and Measurement

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

### b) Depreciation

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

Office Furniture	10 Years
Office Equipment	02 to 05 Years
Plant and Machinery	05 to 40 Years
Computer and Computer Equipment	04 Years
Vehicles	05 Years

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

### 2.3.10 Mature Bearer Biological Asset

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

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

### 2.3.11 Leases

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

## 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 pretax 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 recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligations.

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 interest rate) unless collectibles are doubtful.

### c) Rendering of Services

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

### d) Dividend Income

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

### e) Other Income

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

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

### 2.4.2 Expenditure Recognition

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

### 2.4.3 Segment Reporting

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

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

### 2.4.4 Net Asset Per Share

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

### 2.4.5 Earnings 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 2019

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

### a) SLFRS 16 Leases

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

### 4. PROPERTY, PLANT AND EQUIPMENT

### 4.1 GROUP

	Balance			Transferred to			Balance
	As at	Additions/		Equity Accounted	Transfers/	Exchange	As at
	01.04.2018	Transfers	Acquisitions	Investees	Disposals	Differences	31.03.2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4.1.1 Gross Carrying Amounts							
Freehold Land	58,126,553	-	6,779,725	-	_	765,684	65,671,962
Office Furniture and Fittings	13,026,048	1,595,267	_	(634,682)	=	246,646	14,233,279
Office Equipment	17,581,016	3,610,385	-	(115,000)	-	494,555	21,570,956
Computers and Computer Equipment	22,269,088	5,038,845	-	(1,672,166)	(156,441)	552,068	26,031,394
Plant and Machinery	4,215,288,614	55,237,410	21,828,583	=	(2,003,661)	227,054,926	4,517,405,872
Motor Vehicles	34,822,218	8,104,706	-	(1,206,780)	(233,780)	827,693	42,314,057
	4,361,113,537	73,586,613	28,608,308	(3,628,628)	(2,393,882)	229,941,572	4,687,227,520
On Finance Lease							
Motor Vehicle	22,334,887	3,465,000	_	(10,908,815)			14,891,072
INOTOL VEHICLE	22,334,887	3,465,000		(10,708,815)			14,871,072
Total Value of Depreciable Assets	4,383,448,424	77,051,613	28,608,308	(14,537,443)	(2,393,882)	229,941,572	4,702,118,592
Total value of Depreciable Assets	4,303,440,424	77,031,013	20,000,300	(14,557,445)	(2,373,002)	227,741,372	4,702,110,372
	Balance	Incurred		Transferred to			Balance
	As at	During the		Equity Accounted	Transfers/	Exchange	As at
	01.04.2018	Year	Acquisitions	Investees	Disposals	Differences	31.03.2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4.1.2 In the Course of Constru Power Plant Work-in-Progress	204,002,493	829,854,438	71,147,466	(1,008,148,808)	(8,188,695)	7,868,150	96,535,044
T. 10 0 : WI	204,002,493	829,854,438	71,147,466	(1,008,148,808)	(8,188,695)	7,868,150	96,535,044
Total Gross Carrying Value	4,587,450,917	906,906,051	99,755,774	(1,022,686,251)	(10,582,577)	237,809,722	4,798,653,636
	Balance	Charge		Transferred to			Balance
	As at	for the year/		Equity Accounted	Transfers/	Exchange	As at
	01.04.2018	Transfers	Acquisitions	Investees	Disposals	Differences	31.03.2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4.1.3 Depreciation							
At Cost							
Office Furniture and Fittings	7,206,384	1,484,656		(184,880)		65,251	8,571,411
Office Equipment	10,766,835	2,542,461		(38,486)	_	193,399	13,464,209
Computers and Computer Equipment		3,164,915		(706,594)	(38,259)	240,694	18,366,916
Plant and Machinery	461,422,571	131,583,027		(700,374)	(186,943)	9,486,787	602,305,442
Motor Vehicles	27,280,790	6,930,661	_	(25,141)	(233,780)	482,673	34,435,203
INOTOL VEHICLES	522,382,740	145,705,720		(955,101)	(458,982)	10,468,804	677,143,181
	322,302,740	143,703,720		(755,101)	(430,702)	10,400,004	077,143,101
On Finance Lease							
Motor Vehicle	7,594,151	3,033,409	-	(5,499,204)	-	-	5,128,356
	7,594,151	3,033,409	-	(5,499,204)	-	-	5,128,356
Total Depreciation	529,976,891	148,739,129	-	(6,454,305)	(458,982)	10,468,804	682,271,537

	2019	2018
Year ended 31 March	Rs.	Rs.
4.1.4 Net Book Values		
At Cost		
Freehold Land	65,671,962	58,126,553
Office Furniture and Fittings	5,661,868	5,819,663
Office Equipment	8,106,747	6,814,181
Computers and Computer Equipment	7,664,478	6,562,928
Plant and Machinery	3,915,100,430	3,753,866,043
Motor Vehicles	7,878,854	7,541,429
	4,010,084,339	3,838,730,797
On Finance Lease		
Motor Vehicles	9,762,716	14,740,736
	9,762,716	14,740,736
In the Course of Construction		
Power Plant Work-in-Progress	96,535,044	204,002,493
	96,535,044	204,002,493
Total Comming Associated Dynamouty Dignet and Equipment	/ 11/ 202 000	/ 057 /7/ 00/
Total Carrying Amount of Property, Plant and Equipment	4,116,382,099	4,057,474,026

- 4.1.5 The carrying value of property, plant and equipment held under finance leases and Ijarah at 31 March 2019 was Rs. 9,762,716/(2018 Rs. 14,740,736/-) .During the year the group acquired property plant and equipment aggregate value of Rs. 77,051,613/(2018 Rs. 669,398,456/-). From the acquisition of Timex Bukinda (U) Ltd, group acquired property plant and equipment aggregate value of Rs. 99,755,774/-.
- **4.1.6** Property, plant and equipment includes fully depreciated assets that are still in use having a gross carrying amount of Rs. 66,004,805/- and in (2018 Rs. 42,885,633/-).
- **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 Kotmale and Badulla.

	Balance			Balance
	As at	Additions/	Transfers/	As at
	01.04.2018	Transfers	Disposals	31.03.2019
	Rs.	Rs.	Rs.	Rs.
4.1.8 MATURE BEARER BIOLOGICAL ASSETS				
Gross Carrying Amounts				
Gliricidia fuel wood plantation	11,576,929	17,044,899	-	28,621,828
	11,576,929	17,044,899	-	28,621,828
	Balance			Balance
	As at	Charge	Transfers/	As at
	01.04.2018	for the Year	Disposals	31.03.2019
	Rs.	Rs.	Rs.	Rs.
Depreciation				
Gliricidia fuel wood plantation	1,770,504	1,243,615	-	3,014,119
Total Depreciation	1,770,504	1,243,615	-	3,014,119
			2019	2018
			Rs.	Rs.
Net Book Values				
At Cost				
Written Down Value			25,607,709	9,806,425
4.2 COMPANY				
	Balance			Balance
	As at	Additions/	Transfers/	As at
	01.04.2018	Transfers	Disposals	31.03.2019
	Rs.	Rs.	Rs.	Rs.
4.2.1 Gross Carrying Amounts				
At Cost				
Freehold Land	27,839,175	_	_	27,839,175
Office Furniture and Fittings	9,034,552	579,648	_	9,614,200
Office Equipment	11,384,399	1,667,221	_	13,051,620
Computers and Computer Equipment	11,394,353	3,262,276	(125,240)	14,531,389
Plant and Machinery	638,433,296	8,666,453	-	647,099,749
Motor Vehicles	22,548,639		_	22,548,639
	720,634,413	14,175,598	(125,240)	734,684,772
On Finance Lease				
Motor Vehicle	7,458,075	_	_	7,458,075
- Total verificie	7,458,075			7,458,075
Total Gross Carrying Value	728,092,488	14,175,598	(125,240)	7,430,673
Total 01000 outlying value	, 20,0 , 2,400	1-,175,570	(120,240)	7-2,142,047

457,464,557

2,329,719

2,329,719

459,794,276

466,367,199

3,824,180

3,824,180

470,191,379

## NOTES TO THE FINANCIAL STATEMENTS

	Balance			Balance
	As at	Charge	Transfers/	As at
	01.04.2018	for the Year	Disposals	31.03.2019
	Rs.	Rs.	Rs.	Rs.
4.2.2 Depreciation				
At Cost				
Office Furniture and Fittings	5,826,545	701,507	_	6,528,052
Office equipment	8,475,315	1,250,691	_	9,726,006
Computers and Computer Equipment	9,573,816	1,049,288	(22,545)	10,600,559
Plant and Machinery	210,355,709	17,479,420	-	227,835,129
Motor Vehicle	20,035,830	2,494,639	_	22,530,469
	254,267,215	22,975,545	(22,545)	277,220,215
On Finance Lease				
Motor Vehicle	3,633,895	1,494,461	-	5,128,356
	3,633,895	1,494,461	-	5,128,356
Total Depreciation	257,901,110	24,470,006	(22,545)	282,348,571
			2019	2018
			Rs.	Rs.
4.2.3 Net Book Values				
At Cost				
Freehold Land			27,839,175	27,839,175
Office Furniture and Fittings			3,086,148	3,208,007
Office Equipment			3,325,614	2,909,084
Computers and Computer Equipment			3,930,830	1,820,537
Plant and Machinery			419,264,620	428,077,587
Motor Vehicles			18,170	2,512,809

- **4.2.4** The carrying value of Property, Plant and Equipment held under finance leases and Ijarah at 31 March 2019 was Rs. 2,329,719/- (2018 Rs. 3,824,180/-) During the year the company acquired property plant and equipment aggregate value of Rs. 14,175,598/- (2018 Rs. 3,320,719/-)
- **4.2.5** Property, plant and equipment includes fully depreciated assets that are still in use having a gross carrying amount of Rs. 48,190,134/- (2018 Rs. 28,363,207/-).

On Finance Lease Motor Vehicles

Total Carrying Amount of Property, Plant and Equipment

**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

### 5.1 Investments in Subsidiaries (Company)

**Group and Company** 

Year ended 31 March	Relationship	2019 Holding Percentage	2018 Holding Percentage	2019 Cost Rs.	2018 Cost Rs.
Non Quoted					
Vidul Engineering Ltd	Subsidiary	100%	100%	26,700,080	26,700,080
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	100%	100%	36,000,000	36,000,000
Rideepana Hydro (Pvt) Ltd	Subsidiary	95%	95%	62,500,000	62,500,000
Muvumbe Hydro (U) Ltd	Subsidiary	95%	95%	400,912,327	400,912,327
Timex Bukinda Hydro (U) Ltd*	Subsidiary	100%	_	146,860,000	_
Vidul Biomass (Pvt) Ltd**	JV/Subsidiary	51%	100%	_	101,000
Vidul Plantation (Pvt) Ltd	Subsidiary	100%	100%	10	10
Lower Kotmale Oya Hydro Power (Pvt) Ltd	Subsidiary	100%	100%	258,195,044	258,195,044
Udawela Hydro (Pvt) Ltd	Subsidiary	100%	100%	20,000,000	20,000,000
				951,167,461	804,408,461

<sup>\*</sup> Vidullanka PLC acquired 100% equity stake in Timex Bukinda Hydro (U) Ltd from Timex Garments (Pvt) Limited on 6 June 2018 via the issuance of shares through a private placement for the acquisition of the 6.5 MW mini-hydro project in Uganda.

### 5.1.1 Material Partially Owned Subsidiaries

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

### 5.2 Investments in Joint Ventures and Associates

		2019 Holding	2018 Holding	2019 Cost	2018 Cost
	Relationship	Percentage	Percentage	Rs.	Rs.
Non Quoted					
Gurugoda Hydro (Pvt) Ltd	Joint Venture	50%	50%	31,412,412	31,412,412
Udaka Energy Group (Pvt) Ltd*	Joint Venture	_	50%	_	5,000,000
Vidul Madugeta (Pvt) Ltd	Joint Venture	50%	50%	90,000,000	90,000,000
Vidul Biomass (Pvt) Ltd	JV/Subsidiary	51%	100%	221,008,022	-
Nilwala Vidulibala Company (Pvt) Ltd	Associate	26.3%	26.3%	44,625,000	44,625,000
				387,045,434	171,037,412

<sup>\*</sup> Vidullanka PLC has disposed the equity stake held in Udaka Energy Group (Pvt) Ltd to Midland Energy (Pvt) Ltd at a consideration of Rs. 15.5mn on 9th November 2018.

<sup>\*\*</sup> Vidullanka PLC has disposed 49% equity stake in Vidul Biomass (Pvt) Limited to OC Energy Lanka (Pvt) Limited, forming the joint venture to develop 3.3 MW Dehiyathakandiaya Dendro power project as per the agreement dated 28 September 2018, signed between Vidullanka PLC and OC Energy Lanka (Pvt) Limited, Although Vidullanka PLC retained majority shareholding of the company, the agreement between Vidullanka PLC and OC Energy Lanka (Pvt) Ltd allows for joint management of the affairs of the Vidul Biomass (Pvt) Ltd and hence the company is recognised as a Joint venture.

		Group		
	2019	2018		
Year ended 31 March	Rs.	Rs.		
5.2.1 Goodwill				
Goodwill From Walagamba Balashakthi (Pvt) Ltd	11,999,960	11,999,960		
Goodwill From Rideepana Hydro (Pvt) Ltd	42,499,000	42,499,000		
Goodwill From Muvumbe Hydro (U) Ltd	582,129	582,129		
Goodwill From Lower Kotmale Oya Hydro Power (Pvt) Ltd	160,798,294	160,798,294		
Goodwill From Timex Bukinda Hydro (U) Ltd	33,120,211	_		
	248,999,594	215,879,383		

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

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

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

### Discount rate

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

### Period covered & Tariff

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

SUBSIDIARY	REMAINING YEARS	TARIFF SCHEME APPLICABLE
Walagamba Balashakthi (Pvt) Ltd	13 years	2009 Three tier Tariff
Rideepana Hydro (Pvt) Ltd	16 years	2012 Three tier Tariff
Muvumbe Hydro (U) Ltd	18 years	Rs 15.88 (US \$ 0.0941)
Lower Kotmale Oya Hydro Power (Pvt) Ltd	15 years	2010 Three tier Tariff
Timex Bukinda Hydro (U) Ltd	20 Years From the date of Commissioning	Rs 15.87 ( US \$ 0.094)

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

### **Gross margins**

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

### 5. INVESTMENTS (CONTD...)

### Acquisition of Subsidiaries

On 6th June 2018 Vidullanka PLC acquired 100% equity stake in Timex Bukinda Hydro (U) Ltd.

The fair value of assets acquired and liabilities assumed are as follows,

	Timex Bukinda Hydro (U) Ltd
Year ended 31 March 2019	Rs.
Property Plant and Equipment	99,755,774
Cash and Bank Balance	3,509,174
Other Receivables	7,715,024
Liabilities	(111,576,865)
Net identifiable assets and liabilities	(596,893)
Goodwill Acquired	33,120,211
	32,523,318
Satisfied by	
Issue of Shares by way of Private Placement	32,523,318

The remaining value of the private placement of shares was utilised to retire the advances made by Timex Garments Pvt Ltd to Timex Bukinda Hydro (U) Ltd amounting to USD 270,299 (Rs. 42,776,682)

	Group	
	2019	2018
Year ended 31 March	Rs.	Rs.
5.2.2 Investment in Joint Ventures & Associates (Group) Share of Net Asset Value from Joint Ventures & Associates		
Investment in Gurugoda Hydro (Pvt) Ltd	53,885,923	52,776,207
Investment in Udaka Energy Group (Pvt) Ltd	_	35,385,967
Investment in Vidul Madugeta (Pvt) Ltd	193,677,549	167,341,650
Investment in Nilwala Vidulibala Company (Pvt) Ltd	81,091,920	63,668,421
Investment in Vidul Biomass (Pvt) Ltd	209,142,802	_
Total Investment in Joint Ventures & Associates	537,798,194	319,172,245

	Group		
	2019	2018	
Year ended 31 March	Rs.	Rs.	
5.2.3 Share of Comprehensive Income from Joint Ventures & Associates			
Gurugoda Hydro (Pvt) Ltd	1,109,716	15,784,311	
Udaka Energy Group (Pvt) Ltd	3,105,567	(270,977)	
Vidul Madugeta (Pvt) Ltd	39,385,899	51,712,191	
Nilwala Vidulibala Company (Pvt) Ltd	21,885,560	17,799,984	
Vidul Biomass (Pvt) Ltd	(4,227,638)	_	
Total Share of Comprehensive Income from Joint Ventures & Associates	61,259,104	85,025,509	

		Group		
	2019	2018		
Year ended 31 March	Rs.	Rs.		
5.2.4 Movement in Investment in Joint Ventures & Associates during the Period				
Balance as at the beginning of the reporting period	319,172,245	327,305,102		
Share of Total Comprehensive Income	61,259,104	85,025,508		
Dividends received	(17,512,061)	(28,770,625)		
Share Repurchase	-	(64,387,740)		
Acquisition of Stake in the Joint Venture	213,370,440	_		
Transfer / Disposal of Stake in the Joint Venture	(38,491,534)	_		
Balance as at the end of the reporting period	537,798,194	319,172,245		

5.2.5 The Group has a 50% interest in Gurugoda Hydro (Pvt) Ltd and Vidul Madugeta (Pvt) Ltd and 51% in Vidul biomass (Pvt) Ltd.

The Group's interest in those companies are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the joint ventures, based on their SLFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below as at 31 March 2019. Nilwala Vidulibala Company (Pvt) Ltd is an associate entity of Vidullanka PLC with 26.3% stake.

Year ended 31 March 2019	Gurugoda Hydro (Pvt) Ltd Rs.	Udaka Energy Group (Pvt) Ltd Rs.	Vidul Madugeta (Pvt) Ltd Rs.	Nilwala Vidulibala Company (Pvt) Ltd Rs.	Vidul Biomass (Pvt) Ltd Rs.
Current assets	9,958,953	_	30,632,442	72,261,314	229,018,964
Non-current assets	129,493,665	_	499,010,998	329,001,739	1,016,241,858
Current liabilities	(15,765,431)	_	(58,946,900)	(38,956,538)	(810,690,341)
Non-current liabilities	(29,290,166)	=	(83,341,540)	(136,489,084)	(5,809,870)
Equity	94,397,021	_	387,355,000	225,817,431	428,760,611
Equity proportionate	47,198,511	-	193,677,500	59,389,984	218,667,912
Goodwill or other adjustments	6,687,412	_	50	21,701,936	(9,525,110)
Group carrying amount of the Investments	53,885,923	_	193,677,550	81,091,920	209,142,802
Year ended 31 March 2019	Gurugoda Hydro (Pvt) Ltd Rs.	Udaka Energy Group (Pvt) Ltd Rs.	Vidul Madugeta (Pvt) Ltd Rs.	Nilwala Vidulibala Company (Pvt) Ltd Rs.	Vidul Biomass (Pvt) Ltd Rs.
Summarised statement of profit or loss for the year ended 31 March 2019					
Revenue	24,719,124	15,522,858	155,244,544	152,655,736	_
Cost of Sales	(18,643,156)	(6,669,966)	(36,067,675)	(40,304,247)	(1,800,359)
Administrative Expenses	(745,939)	(74,231)	(132,792)	(9,260,000)	(7,448,364)
Finance Cost	(2,223,546)	(2,565,291)	(21,205,787)	(27,857,228)	(351,499)
Other Income	325,040	47,112	828,052	8,302,190	3,962,284
Profit Before Tax	3,431,523	6,260,482	98,666,342	83,536,451	(5,637,938)
Income Tax Expense	(1,210,773)	(49,347)	(17,953,045)	(379,065)	(1,313,725)
Profit for the year	2,220,750	6,211,135	80,713,297	83,157,386	(6,951,663)
Total comprehensive income for the year	2,219,431	6,211,135	80,691,332	83,215,058	(10,280,612)
Group's share of profit/(loss) for the year	1,109,716	3,105,567	39,385,899	21,885,560	(4,227,638)

### 5. INVESTMENTS (CONTD...)

	Gurugoda Hydro (Pvt) Ltd	Vidul Madugeta (Pvt) Ltd	Nilwala Vidulibala Company (Pvt) Ltd	Vidul Biomass (Pvt) Ltd
Year ended 31 March	Rs.	Rs.	Rs.	Rs.
Summarised Financial Information for the year ended 31 March	2019			
Cash and Cash Equivalent	3,651,313	4,643,665	21,456,043	34,317,393
Current Financial Liabilities (Excludes Trade & Other Payables)	12,000,004	54,026,619	33,793,199	1,942,962
Non Current Financial Liabilities	28,299,994	75,004,579	136,108,944	5,809,870
Depreciation	6,034,377	16,919,649	10,311,803	1,989,267
Finance Income	325,040	828,052	1,348,030	4,691,877
Finance Expenses	2,223,546	21,205,787	27,857,228	351,499
Income Tax Expenses	1,210,773	17,953,045	379,065	1,313,725

### 5.3 Other Financial Assets

	2019	2018	2019	2018
	Number of	Number of		
Year ended 31 March	shares	shares	Rs.	Rs.
5.3.1 Financial Assets at fair value through profit or loss				
Non Quoted				
Investment in Shares - ADL Capital Ltd	250,000	250,000	-	2,500,000
			-	2,500,000

As of 1 of April 2018, the Company assessed its Financial assets at fair value through profit or loss and the resulting fair value loss has been adjusted in the opening balance of retained earnings at 1 of April 2018. There are no change in the fair value assessed on 1 April 2018 with the fair value as of 31 March 2019.

### 6. OTHER PROJECT INVESTMENTS

		Group	Company	
	2019	2018	2019	2018
Summary	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the Year	139,720,495	134,519,339	139,720,495	134,519,339
Projects Costs incurred during the Year	18,837,042	18,026,608	17,168,292	18,026,608
Less: Transfers to Project Companies	_	(8,005,751)	_	(8,005,751)
Other Transfers	(25,300,000)	-	(25,300,000)	_
Written off	(9,860,887)	(4,819,701)	(9,860,887)	(4,819,701)
Impairment Provision	(30,680,731)	(26,791,618)	(30,680,731)	(26,791,618)
Balance as at the end of the Year	92,715,919	112,928,877	91,047,169	112,928,877

The company assessed the recoverability of the investments made on development of new projects by the company. Having identified that the recoverability of some of the projects investments made have diminished significantly due to the changes in the environment, the company provided a general impairment provision of Rs. 40,541,618/- of which Rs. 9,860,887/- was written off as unrealizable.

### 6.1 Impairment of other project investments

	Group			Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
As at 01 April 2018	26,791,618	1,681,460	26,791,618	1,681,460	
Charge for the year	13,750,000	29,929,859	13,750,000	29,929,859	
Write off	(9,860,887)	(4,819,701)	(9,860,887)	(4,819,701)	
As at 31 March 2019	30,680,731	26,791,618	30,680,731	26,791,618	

### 7. TRADE AND OTHER RECEIVABLES

		Group		Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
Trade Receivables	352,949,855	292,845,354	187,288,011	97,212,720	
Other Receivables	50,152,590	64,622,185	34,503,926	12,642,463	
Advances and Prepayment	101,805,620	48,260,003	43,335,206	26,692,164	
Amounts Due from Related Parties (Note 7.1)	907,941	53,597,313	169,539,686	468,429,366	
Loans to Company Officers (Note 7.2)	1,986,185	2,788,489	1,862,147	2,788,489	
	507,802,191	462,113,344	436,528,976	607,765,202	

### 7.1 Amounts Due from Related Parties

			Company		
		2019	2018	2019	2018
Year ended 31 March	Relationship	Rs.	Rs.	Rs.	Rs.
Vidul Engineering Ltd	Subsidiary	-	-	4,335,279	-
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	_	_	_	14,400,541
Rideepana Hydro (Pvt) Ltd	Subsidiary	_	_	13,736,476	71,783,835
Lower Kotmale Oya Hydro Power (Pvt) Ltd	Subsidiary	_	_	_	68,511,175
Vidul Plantation (Pvt) Ltd	Subsidiary	_	_	42,926,034	12,096,842
Muvumbe Hydro (U) Ltd	Subsidiary	_	_	_	153,200
Udawela Hydro (Pvt ) Ltd	Subsidiary	_	_	107,806,810	103,011,755
Vidul Biomass (Pvt) Ltd	JV/Subsidiary	449,205	_	276,351	145,476,915
Gurugoda Hydro (Pvt) Ltd	Joint Venture	_	23,085,351	_	23,015,923
Udaka Energy Group (Pvt) Ltd	Joint Venture	_	11,084,321	_	10,936,693
Vidul Madugeta (Pvt) Ltd	Joint Venture	-	19,427,641	-	19,042,486
Nilwala Vidulibala Company (Pvt) Ltd	Associate	458,736	_	458,736	_
		907,941	53,597,313	169,539,686	468,429,366

		Group		
	2019	2018	2019	2018
Year ended 31 March	Rs.	Rs.	Rs.	Rs.
7.2 Loans to Company Officers				
Balance as at the beginning of the Year	2,788,489	6,889,702	2,788,489	6,439,303
Loans Granted/Transferred during the Year	1,822,675	730,962	1,278,475	730,962
Less: Repayments	(3,006,869)	(5,051,398)	(2,480,243)	(4,600,999)
Effective Interest Rate Adjustment	381,890	219,223	275,426	219,223
Balance as at the end of the Year	1,986,185	2,788,489	1,862,147	2,788,489

### 8. STATED CAPITAL

### 8.1 Fully paid Ordinary Shares

	Group			Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
Balance as at 1 April	1,342,608,484	1,267,893,105	1,342,608,484	1,267,893,105	
Issue of Ordinary Shares	75,300,000	74,715,379	75,300,000	74,715,379	
Balance as at 31 March	1,417,908,484	1,342,608,484	1,417,908,484	1,342,608,484	

### 8.2 Movement in Number of Ordinary Shares

	Group			Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
Balance as at 1 April	821,869,169	747,153,790	821,869,169	747,153,790	
Issue of Ordinary Shares during the year	15,916,296	74,715,379	15,916,296	74,715,379	
Balance as at 31 March	837,785,465	821,869,169	837,785,465	821,869,169	

The shares of the Company are listed at 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.	2019 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2018 Total Rs.
ljara Facilities/ Finance Leases (9.1.1)	4,997,491	13,760,607	18,758,098	3,546,175	4,913,910	8,460,085
Murabaha Facilities (9.1.2)	-	-	-	21,961,852	22,041,326	44,003,178
Diminishing Musharakah Facilities (9.1.3)	521,519,435	2,110,490,967	2,632,010,402	417,723,866	1,631,401,078	2,049,124,944
Wakala Facilities (9.1.4)	2,000,000	_	2,000,000	39,999,996	70,000,012	110,000,008
Short Term Working Capital Facilities (9.1.5)	20,000,000	_	20,000,000	417,863,009	-	417,863,009
	548,516,926	2,124,251,574	2,672,768,500	901,094,898	1,728,356,326	2,629,451,224

9. FINANCING AND LEASE [IJAR.	ARA] PAYABLES - (INTEREST BEARING LOANS AND BORROWINGS) (CONTD				
		As at 01.04.2018 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2019 Rs.
9.1.1 Ijara Facilities (Finance Leases)					
Amana Bank PLC		-	2,200,000	(288,366)	1,911,634
Hatton National Bank PLC		3,657,654	-	(549,890)	3,107,764
Commercial Bank of Ceylon PLC		4,802,431	18,015,000	(9,078,731)	13,738,700
		8,460,085	20,215,000	(9,916,987)	18,758,098
Gross Liability		10,306,043			24,076,363
Finance Charges allocated to future periods		(1,845,958)			(5,318,265)
Net Liability		8,460,085			18,758,098
		As at	Facilities		As at
		01.04.2018	Obtained	Repayments	31.03.2019
		Rs.	Rs.	Rs.	Rs.
9.1.2 Murabaha Facilities					
Amana Bank PLC		44,003,178	-	(44,003,178)	-
		44,003,178	-	(44,003,178)	-
Gross Liability		48,304,282			
Finance Charges allocated to future periods		(4,301,104)			
Net Liability		44,003,178			_
THE ELECTRICAL PROPERTY.		44,000,170			
	As at 01.04.2018	Facilities Obtained	Exchange Differences	Repayments	As at 31.03.2019
	Rs.	Rs.	Rs.	Rs.	Rs.
9.1.3 Diminishing Mushrakah					
Amana Bank PLC		21,000,000			21,000,000
MCB Bank Ltd	368,671,609	31,980,000		(84,600,988)	316,050,621
National Development Bank PLC	344,437,554	700,000,000		(100,810,960)	943,626,594
Syndicated Facility	0,-07,00-	7.00,000,000		(100,010,700)	740,020,074
(Bank of Ceylon & Hattan National Bank PLC)	1,289,452,064	_	170,103,524	(250,847,401)	1,208,708,187
Seylan Bank PLC		160,000,000	-	(17,375,000)	142,625,000
Hatton National Bank PLC	46,563,717	_	_	(46,563,717)	-
	2,049,124,944	912,980,000	170,103,524	(500,198,066)	2,632,010,402
Gross Liability	2,509,924,836				3,192,674,247
Finance Charges allocated to future periods	(460,799,892)				(560,663,845)
Net Liability	2,049,124,944				2,632,010,402

	As at 01.04.2018 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2019 Rs.
9.1.4 Wakala Facilities				
Bank of Ceylon	110,000,008	_	(110,000,008)	-
Hatton National Bank PLC	=	5,000,000	(3,000,000)	2,000,000
	110,000,008	5,000,000	(113,000,008)	2,000,000
Gross Liability	129,388,847			2,052,590
Finance Charges allocated to future periods	(19,388,839)			(52,590)
Net Liability	110,000,008			2,000,000
	∆s at	Facilities		Δs at

	As at 01.04.2018 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2019 Rs.
9.1.5 Short Term Working Capital Facilities				
Amana - Candor Shariah Fund	93,363,009	30,954,708	(124,317,717)	_
Commercial Papers	191,000,000	67,000,000	(238,000,000)	20,000,000
Hatton National Bank PLC	94,000,000	106,000,000	(200,000,000)	-
Amana Bank PLC	30,000,000	176,600,000	(206,600,000)	-
ADL Comtrust	9,500,000	12,500,000	(22,000,000)	-
	417,863,009	393,054,708	(790,917,717)	20,000,000

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2019 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2018 Total Rs.
9.2 Company						
Ijara Facilities ( Finance Leases ) (9.2.1)	4,004,605	9,734,095	13,738,700	1,361,029	858,825	2,219,854
Murabaha Facilities (9.2.2)	-	-	-	21,961,852	22,041,326	44,003,178
Diminishing Musharakah Facility (9.2.3)	50,000,000	650,000,000	700,000,000	_	_	_
Wakala Facilities (9.2.4)	_	-	-	39,999,996	70,000,012	110,000,008
Short Term Working Capital Facilities (9.2.5)	20,000,000	-	20,000,000	417,863,009	_	417,863,009
	74,004,605	659,734,095	733,738,700	481,185,886	92,900,163	574,086,049

	As at 01.04.2018 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2019 Rs.
9.2.1 Ijara Facilities (Finance Leases)				
Commercial Bank of Ceylon PLC	2,219,854	14,550,000	(3,031,154)	13,738,700
	2,219,854	14,550,000	(3,031,154)	13,738,700
Gross Liability	2,409,445			17,413,895
Finance Charges allocated to future periods	(189,591)			(3,675,195)
Net Liability	2,219,854			13,738,700

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

	As at 01.04.2018 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2019 Rs.
9.2.2 Murabaha Facilities				
Amana Bank PLC	44,003,178	_	(44,003,178)	_
Arriand Burier Le	44,003,178	-	(44,003,178)	-
Gross Liability	48,304,282			-
Finance Charges allocated to future periods	(4,301,104)			-
Net Liability	44,003,178			-
9.2.3 Diminishing Mushrakah Facilities				
National Development Bank PLC	_	700,000,000	_	700,000,000
	-	700,000,000	-	700,000,000
Gross Liability	-			1,227,681,233
Finance Charges allocated to future periods	-			(527,681,233)
Net Liability	-			700,000,000
9.2.4 Wakala Facilities				
Bank of Ceylon	110,000,008	-	(110,000,008)	-
	110,000,008	-	(110,000,008)	-
Gross Liability	129,388,839			-
Finance Charges allocated to future periods	(19,388,831)			-
Net Liability	110,000,008			-
9.2.5 Short Term Working Capital Facilities				
Amana - Candor Shariah Fund	93,363,009	30,954,708	(124,317,717)	-
Commercial Papers	191,000,000	67,000,000	(238,000,000)	20,000,000
Hatton National Bank PLC	94,000,000	106,000,000	(200,000,000)	-
Amana Bank PLC	30,000,000	176,600,000	(206,600,000)	_
ADL Comtrust	9,500,000	12,500,000	(22,000,000)	-
	417,863,009	393,054,708	(790,917,717)	20,000,000

### 10. INCOME TAX

The major components of income tax expense for the year ended 31 March 2019 are as follows:

	Group			Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
Current Income Tax					
Current Tax Expense on Ordinary Activities for the year	28,354,486	43,132,674	-	91,316	
Capital Gain Tax paid for the year	5,449,816	_	5,449,816	_	
(Over)/Under provision of current taxes in respect of prior years	170,347	(287,582)	_	(287,582)	
	33,974,649	42,845,092	5,449,816	(196,266)	
Deferred Income Tax					
Deferred Taxation Charge/(Reversal)	62,919,306	97,424,993	(4,183,237)	(9,563,436)	
	62,919,306	97,424,993	(4,183,237)	(9,563,436)	
Income Tax expense reported in the Income Statement	96,893,955	140,270,085	1,266,579	(9,759,702)	

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

Tax on profit from trade or Business				
Accounting profit before income tax	624,212,119	649,489,859	22,986,898	215,104,794
At the statutory income tax rate of 10 % ( 2018 : 10% )	83,232,853	30,362,790	-	25,812,575
At the statutory income tax rate of 28 % ( 2018 : 28 % )	(21,188)	121,223	-	_
At the statutory income tax rate of 30 % ( 2018 : 30% )	89,037,862	-	-	-
Tax effect of Disallowable Expenses	46,478,761	1,412,797	7,875,800	4,944,105
Tax effect of Aggregate Allowable Items	(111,083,027)	(994,140)	(17,545,505)	(1,467,717)
Tax Effect of Income Exempt from Tax	(79,290,775)	(26,022,625)	-	(38,374,137)
WHT on Overseas Dividend	-	38,252,629	-	_
At the effective income tax rate of 14% (2018: 12%)	28,354,486	43,132,674	(9,669,705)	(9,085,173)
At the Interest Income tax rate of 28 $\%$ ( 2018 : 28 $\%$ )	-	-	-	140,487
Capital Gain Tax	5,449,816	-	5,449,816	-
(Over)/ Under Provision of Income Tax in respect of Prior Years	170,346	(287,582)	-	(287,582)
Deferred Taxation Charge/(Reversal)	62,919,307	97,424,993	(4,183,237)	(9,563,436)
Deduction of previous year Tax loss	-	-	-	(49,170)
	96,893,955	140,270,085	1,266,579	(9,759,702)
Effective Tax Rate (%)	16%	22%	6%	-5%

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

### 10.2 Group - Deferred Tax Liabilities

		atement of ncial Position		Statement of Comprehensive Income	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
Deferred Tax Liability					
Capital allowances for tax purposes	214,499,192	138,186,545	76,312,647	115,276,516	
Capital allowances for tax purposes	214,499,192	138,186,545	70,312,047	113,270,310	
	,,,				
Deferred Tax Assets					
Defined Benefit Plans	(3,405,496)	(2,800,626)	(495,920)	(314,472)	
Tax Losses brought forward	(18,647,242)	(22,625,119)	3,977,878	(16,155,213)	
	(22,052,738)	(25,425,746)			
Exchange translation adjustments			(16,702,299)	(1,238,931)	
Deferred Tax Charge for OCI			(108,950)	(257,369)	
Deferred Tax (Reversal) / Charge			63,092,306	97,567,899	
Net Deferred Tax Liability/(Asset)	192,446,454	112,760,799			
10.3 Group - Deferred Tax Asset					
•					
Deferred Tax Liability	2/ 202	110.055	(05.05.()	110.000	
Capital allowances for tax purposes	34,299 34,299	119,375 119,375	(85,076)	119,375	
	54,277	117,373			
Deferred Tax Assets					
Defined Benefit Plans	(471,844)	(321,435)	(87,922)	(262,281)	
Tax Losses brought forward	-	-	-	_	
	(471,844)	(321,435)			
Deferred Tax Charge for OCI			(62,487)	(59,154	
Deferred Tax (Reversal) / Charge			(172,998)	(142,906)	
Net Deferred Tax Liability/(Asset)	(437,545)	(202,060)			
10 / Company Deformed Toy Linkilia.					
10.4 Company - Deferred Tax Liability					
Deferred Tax Liability	01 000 001	05 000 /10	(0 (51 500)	0 /5 / 150	
Capital allowances for tax purposes	21,937,701	25,389,410	(3,451,709)	2,654,153	
	21,937,701	25,389,410			
Defined Benefit Plans	(3,290,459)	(2,706,731)	(583,728)	(537,101)	
Tax Losses brought forward	(18,647,242)	(18,451,761)	(195,480)	(11,981,855	
	(21,937,701)	(21,158,492)			
Deferred Tax Charge for OCI			47,680	301,368	
Deferred Tax (Reversal) / Charge			(4,183,237)	(9,563,436)	
Net Deferred Tax Liability/(Asset)	_	4,230,918			

The Company has not recognised deferred tax assets amounting to Rs. 1,352,950 and Rs. 4,295,302 over the brought forward tax losses and impairment of other project investments respectively.

### 11. TRADE AND OTHER PAYABLES

		Group Company			Company
		2019	2018	2019	2018
Year ended 31 March		Rs.	Rs.	Rs.	Rs.
Amounts Due to Related Parties (11.1)		13,215,835	176,071	61,105,007	2,646,382
Sundry Creditors including Accrued Expense	S	72,400,986	315,696,680	36,157,312	119,562,938
Finance Cost Payables		44,395,429	_	44,395,429	_
Financial Guarantees		8,143,408	6,242,629	8,143,408	6,242,630
		138,155,658	322,115,380	149,801,156	128,451,950
11.1 Amount Due to Related Parties					
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	_	-	30,838,659	-
Vidul Engineering Ltd	Subsidiary	-	-	-	2,313,208
Lower Kotmale Oya Hydro Power (Pvt) Ltd	Subsidiary	-	-	30,266,348	-
Nilwala Vidulibala Company (Pvt) Ltd	Associate	_	176,071	_	333,174
Vidul Biomass (Pvt) Ltd	Joint Venture	13,215,835	=	_	_
		13,215,835	176,071	61,105,007	2,646,382

### 12. DEFINED BENEFIT LIABILITY

	Group			Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
Balance as at the beginning of the year	22,674,659	21,946,500	19,333,793	18,080,258	
Disposal of Subsidiary	(575,614)	-			
Expenses on Defined Benefit Plan (12.1)	5,189,922	5,308,968	4,238,419	4,134,954	
Net Actuarial (Gain)/ Loss recognized during the year	645,021	631,916	340,570	2,152,628	
Payment during the year	(409,500)	(5,212,725)	(409,500)	(4,850,325)	
Inter-Company transfers during the year	_	_	_	(183,721)	
Balance as at the end of the year	27,524,488	22,674,659	23,503,282	19,333,793	
12.1 Expenses on Defined Benefit Plan					
Current Service Cost	2,759,025	2,510,788	2,111,702	2,281,808	
Interest Cost on Defined Benefit Liability	2,430,897	2,798,179	2,126,717	1,853,146	
	5,189,922	5,308,967	4,238,419	4,134,954	
12.2 Principal Assumptions					
Discount Rate	11.0%	11.0%	11.0%	11.0%	
Salary increment	8.0%	8.0%	8.0%	8.0%	
Retirement age	55	55	55	55	
Mortality	A 1967/70	A 1967/70	A 1967/70	A 1967/70	
	Morality Table	Morality Table	Morality Table	Morality Table	

An actuarial valuation of the gratuity fund was carried out as at 31 March 2019 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. DEFINED BENEFIT LIABILITY (CONTD...)

### 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.

		Group		C	Company Sensitivity Effect on	
Increase/Decrease in Discount Rate	Increase /Decrease	Sens	Sensitivity Effect on			
	Salary Increment	Employment Benefit Obligation		Employmer	nt Benefit Obligation	
		2019	2018	2019	2018	
Year ended 31 March		Rs.	Rs.	Rs.	Rs.	
(+1%)		(1,763,992)	(1,253,324)	(1,215,047)	(1,036,880)	
(-1%)		1,951,282	1,385,482	1,333,343	1,141,077	
	(+1%)	1,956,278	1,274,653	1,322,757	1,134,390	
	(-1%)	(1,796,176)	(1,386,987)	(1,225,072)	(1,047,651)	

### 13. REVENUE

		Group		
	2019	2018	2019	2018
Year ended 31 March	Rs.	Rs.	Rs.	Rs.
Power Generation - Local	800,418,316	616,250,928	244,866,953	219,471,224
Power Generation - Overseas	461,485,175	339,272,119	_	_
Engineering Consultancy and Project Management	20,052,675	19,315,157	_	_
	1,281,956,166	974,838,204	244,866,953	219,471,224

### 14. PROFIT / (LOSS) BEFORE TAX

Stated after Charging

		Group		
	2019	2018	2019	2018
Year ended 31 March	Rs.	Rs.	Rs.	Rs.
Included in Cost of Sales				
Depreciation	138,706,770	125,085,130	17,804,385	17,520,415
Defined Benefit Plan Costs - Gratuity	1,134,565	1,758,717	822,837	876,041
Included in Administrative Expenses				
Depreciation	11,275,975	9,639,030	6,665,622	7,668,153
Staff Costs (Include the following Costs)	102,609,753	75,349,765	93,501,006	62,205,994
Defined Benefit Plan Costs - Gratuity	3,779,096	3,550,250	3,415,582	3,258,913
Defined Contribution Plan Costs - EPF and ETF	9,298,407	11,286,271	8,510,346	9,338,196
Auditors' Remunerations - Audit fees	2,207,247	1,292,100	541,294	489,312
Impairment/Written off of Other Projects Investments	13,750,000	29,929,859	13,750,000	29,929,859

### 15. FINANCE COST

		Group		Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
	005 //0 040	050.044.400	00.4.40.00.4	FF 00 / 00F	
Mark-up on Ijara, Murabaha, Musharakah Facilities & Staff Loans	295,440,813	259,911,483	92,148,304	75,836,387	
	295,440,813	259,911,483	92,148,304	75,836,387	
16. FINANCE INCOME					
Profit from Mudarabah Savings Accounts	1,801,327	623,054	1,695,871	501,739	
Finance Income - Staff Loans	275,426	219,223	275,426	219,223	
	2,076,753	842,277	1,971,297	720,962	
17. OTHER INCOME AND GAINS/(LOSSES)					
Dividend received	-	-	47,512,500	247,635,521	
Profit on Disposal of Property, Plant and Equipment	(28,738)	(298,493)	(28,738)	(298,493)	
Capital Gain/ (Loss) on Quoted Share Disposal	_	7,871,194	_	7,871,194	
Capital Gain/ (Loss) on Disposal of Subsidiaries and Joint Ventures	43,627,679	-	69,830,708	-	
Profit / (Loss) from Sale of Project Stake	_	(12,883,315)	-	(12,883,315)	
Profit / (Loss) from Share Repurchase	_	_	_	68,679,710	
Other Income*	72,097,308	353,182,942	_	_	
Gain/(Loss) in Exchange Rate fluctuations	871,071	13,604,950	871,071	13,604,950	
	116,567,320	361,477,278	118,185,541	324,609,567	

<sup>\*</sup>Other Income Includes receipt of GETFiT grant amounting to Rs. 71,045,543/- by Muvumbe Hydro (U) Ltd.

### 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	
Year ended 31 March	2019	2018	2019	2018	
Amounts Used as Numerator  Net Profit/(Loss) Attributable to Ordinary Shareholders of the parent for Basic Earnings per Share (Rs.)	513,612,052	495,035,210	21,720,319	224,864,496	
Number of Ordinary Shares Used as Denominator Weighted Average Number of Ordinary Shares in Issue	834,863,844	821,869,169	834,863,844	821,869,169	
Earning Per Share	0.62	0.60	0.03	0.27	

### 19. DIVIDEND PAID AND PROPOSED

Year ended 31 March	2019 Rs.	2018 Rs.
Declared and paid during the year		
1st Interim Dividend - 2018/19 Rs. 0.15 (2017/18 Rs. 0.10)	125,667,820	74,715,379
2nd Interim Dividend - 2018/19 Nil (2017/18 Rs. 0.10)	-	82,186,917
	125,667,820	156,902,296

### 20. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

	Group			Company	
	2019	2018	2019	2018	
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	
Favourable Cash and Cash Equivalents Balance					
Cash and Bank Balances	240,310,787	105,616,266	28,940,347	36,687,715	
Total Cash and Cash Equivalents For the					
Purpose of Cash Flow Statement	240,310,787	105,616,266	28,940,347	36,687,715	

### 21. SEGMENT INFORMATION

	Power Generation - Local		Power Generation - Overseas		Engineering Consultancy and Gr Project Management - Local			Group
	2019	2018	2019	2018	2019	2018	2019	2018
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Segmental Revenue	800,418,316	616,250,928	461,485,175	339,272,119	20,052,675	19,315,157	1,281,956,166	974,838,204
Segmental Results								
Depreciation	(88,453,682)	(82,656,763)	(58,694,618)	(50,107,188)	(2,834,444)	(1,960,210)	(149,982,744)	(134,724,160)
Finance Cost	(181,363,935)	(157,506,794)	(113,234,993)	(102,148,393)	(841,885)	(256,295)	(295,440,813)	(259,911,483)
Finance Income	1,987,027	788,356	-	-	89,726	53,921	2,076,753	842,277
Profit share of Investment income from								
Joint Ventures & Associates	62,975,199	85,108,584	-	-	-	-	62,975,199	85,108,584
Profit/(Loss) before Tax	328,607,976	163,053,040	295,790,715	486,181,038	(186,571)	255,781	624,212,119	649,489,859
Income Tax Expense	(5,812,425)	(36,428,929)	(90,298,862)	(103,795,711)	(782,668)	(45,445)	(96,893,955)	(140,270,085)
Profit / (Loss) for the Year	322,795,551	126,624,111	205,491,852	382,385,327	(969,239)	210,336	527,318,164	509,219,774
	0.050.400.500		4 050 400 445	==	40.404.004			. =
Non-Current Assets	3,050,123,589	3,051,330,850	1,958,692,665	1,655,894,161	13,124,806	8,238,004	5,021,941,060	4,715,463,016
Current Assets	419,001,102	332,390,959	329,590,197	236,776,912	18,745,298	18,694,440	767,336,597	587,862,310
Total Assets	3,469,124,691	3,383,721,809	2,288,282,862	1,892,671,073	31,870,104	26,932,444	5,789,277,657	5,303,325,326
Non-Current Liabilities	1,180,087,990	678,060,600	1,158,422,856	1,181,475,436	5,711,670	4,255,748	2,344,222,516	1,863,791,784
Current Liabilities	389,573,975	953,747,366	294,178,631	269,782,226	7,933,048	3,848,622	691,685,654	1,227,378,215
Total Liabilities	1,569,661,965	1,631,807,966	1,452,601,487	1,451,257,662	13,644,718	8,104,370	3,035,908,170	3,091,169,999

#### 22. COMMITMENTS & CONTINGENCIES

#### 22.1 Capital Expenditure Commitments

During the year there were no capital commitment contracts entered into by the group .

#### 22.2 Corporate Guarantees

Company with	Relationship Vidullanka PLC	Amount of Guarantee provided by the Vidullanka PLC	Amount of Loan Obtained by Relevant Company	Loan Outstanding as at 31 March 2019	Loan Outstanding as at 31 March 2018
	Cl: .l:	/10 000 000	/10 000 000	2/2/2/55/	2///27 52/
Lower Kotmale Oya Hydro Power (Pvt) Ltd	Subsidiary	610,000,000	610,000,000	243,626,554	344,437,534
Rideepana Hydro (Pvt) Ltd	Subsidiary	284,000,000	284,000,000	127,360,826	173,673,854
Muvumbe Hydro (U) Ltd	Subsidiary	1,291,915,000	1,208,707,698	1,208,707,698	1,289,452,064
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	120,000,000	160,000,000	142,625,000	46,463,737
Udawela Hydro (Pvt) Ltd	Subsidiary	293,000,000	232,000,000	188,689,795	194,997,755
Vidul Madugeta (Pvt) Ltd	Joint Venture	160,000,000	320,000,000	125,764,363	176,016,552
Vidul Biomass (Pvt) Ltd	Joint Venture	950,000,000	_	_	-
Udaka Energy Group (Pvt) Ltd	Joint Venture	_	_	_	43,175,347
Gurugoda Hydro (Pvt) Ltd	Joint Venture	40,000,000	40,000,000	36,299,998	_

#### 23. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

	•	Carrying Amount of Pledged Assets			
	2019	2018	Included under		
Nature of Liability	Rs.	Rs.	Assets		
23.1 Company					
Charge over Leased Assets on Finance Lease Liabilities	2,329,719	3,824,180	Property, Plant and Equipment		
Murabhaha & Diminishing Musharakah (Trade &Term Loan)	447,103,795	455,916,762	Property, Plant and Equipment		
Total Carrying Value of Assets Pledged	449,433,514	459,740,942			
23.2 Group					
Charge over Leased Assets on Finance Lease Liabilities	9,762,716	14,740,736	Property, Plant and Equipment		
Murabhaha & Diminishing Musharakah (Trade &Term Loan)	3,980,772,392	3,811,992,596	Property, Plant and Equipment		
Total Carrying Value of Assets Pledged	3,990,535,108	3,826,733,332			

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

#### 25. RELATED PARTY DISCLOSURE

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

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

Company	Relationship	Nature of Transactions	2019 Rs.	2018 Rs.
\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	C. I. aidia			
Walagamba Balashakthi ( Pvt ) Ltd (WMB)	Subsidiary	Expenses incurred by VLL on behalf of WMB	5,726,690	5,856,721
		Repurchase of Shares	3,720,070	45,000,000
		Settlement & Fund Transfer		43,000,000
		by WMB	(76,765,890)	(23,136,776)
		Fund Transfers from VLL	-	5,485,000
		Dividend from WMB	25,800,000	2,100,000
Rideepana Hydro (Pvt) Ltd (RHPL)	Subsidiary	Expenses incurred by VLL		
Mueepana nyuro (r vi) Etu (Mili E)	Subsidially	on behalf of RHPL	4,665,249	5,289,529
		Fund Transfers from VLL	4,005,247	26,250,000
		Settlement by RHPL	(62,712,308)	(1,540,368)
Vidul Engineering Ltd (VEL)	Subsidiary	Expenses incurred by VLL		
		on behalf of VEL	8,427,510	15,640,937
		Expenses incurred by VEL		
		on behalf of VLL	(11,427,516)	(22,495,522)
		Settlements by VEL	-	(6,200,000)
		Fund transfer from VLL	9,648,568	9,675,000
Vidul Madugeta (Pvt) Ltd (VMPL)	Joint Venture	Expenses incurred by VLL		
		on behalf of VMPL	6,439,711	6,255,918
		Repurchase of Shares	_	27,000,000
		Settlements by VMPL	(36,705,197)	(14,863,694)
		Dividends from VMPL	11,223,000	22,680,000
Gurugoda Hydro (Pvt) Ltd (GHPL)	Joint Venture	Expenses incurred by VLL		
		on behalf of GHPL	5,379,742	5,474,304
		Settlement by GHPL	(28,395,665)	(12,626,894)
		Repurchase of Shares	-	30,000,000
		Dividends from GHPL	-	6,090,625
Udaka Energy Group (Pvt) Ltd (UEGL)	Joint Venture	Expenses incurred by VLL		
	John Contains	on behalf of UEGL	3,844,939	4,445,797
		Fund transfer from VLL	21,000,000	
		Settlement by UEGL	(35,929,259)	(2,422,734)
Lower Kotmale Oya Hydro	Subsidiary	Expenses incurred by VLL		
Power (Pvt ) Ltd (LKM)	Jubalulal y	on behalf of LKM	7,612,128	6,537,486
1 01101 (1 10 / Ltd (L1111)		Funds Transfers to LKM	7,012,120	26,730,000
		Repurchase of Shares	_	108,070,000
		Settlements by LKM	(111,889,651)	(85,253,174)
		Fund Transfers From VLL	5,500,000	
			-,,	

Company	Relationship	Nature of Transactions	2019 Rs.	2018 Rs.
Muvumbe Hydro (U) Ltd (MVB)	Subsidiary	Settlement by MVB	(153,200)	-
-		Dividends from MVB	_	216,764,896
Udawela Hydro (Pvt) Ltd (UDW)	Subsidiary	Funds Transfers to UDW	4,560,000	80,000,000
		Expenses incurred by VLL		
		on behalf of UDW	2,537,615	7,414,266
		Settlement by UDW	(2,302,578)	(3,524,809)
Vidul Biomass (Pvt) Ltd (VBL)	JV/Subsidiary	Funds Transfers to VBL	86,745,373	85,785,423
vidut biorriass (i vt) Ltd (vbL)	J V / Subsidial y	Expenses incurred by VLL	00,743,373	03,703,423
		on behalf of VBL	946,198	14,976,672
		Expenses incurred by VEL	740,170	14,770,072
		on behalf of VBL	172,853	_
-		Settlement by VBL	(11,935,623)	(2,747,832)
		Issue of Shares	(220,956,512)	
Vidul Plantations (Pvt) Ltd (VPL)	Subsidiary	Expenses incurred by VLL		
vidat i talitations (i vi) Eta (vi E)	Substatuty	on behalf of VPL	1,479,192	193,890
		Funds Transfers to VPL	29,350,000	2,237,846
Timex Bukinda Hydro (U) Ltd	Subsidiary	Issue of Shares	146,860,000	
Nilwala Vidulibala Company (Pvt) Ltd (NVC )	Associate	Expenses incurred by VLL on behalf of NVC &		
		Fund transfers VLL	15,358,723	3,261,120
		Settlement & Fund Transfer by NVC	(15,031,439)	(30,651,003)

#### 25.2 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on relevant commercial terms. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

#### 25.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue /Income as per 31 March 2019 audited financial statements

#### 25.4 Non-recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2019 audited financial statements

#### 25. RELATED PARTY DISCLOSURE (CONTD...)

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

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

Key Management Personnel Compensation	2019 Rs.	2018 Rs.
Chart tarms Faralausa Dan efter	22 020 000	/0.200.000
Short term Employee Benefits	33,030,000	49,300,000
Post Employment benefits	2,680,500	3,405,000
Other benefits paid by the company	-	21,843,908
	35,710,500	74,548,908
Other transactions - Dividend Payment	53,032,704	69,161,220

#### 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:

		Company						
	Car	rying Amount		Fair Value				
	2019	2018	2019	2018				
Year ended 31 March	Rs.	Rs.	Rs.	Rs.				
Financial Assets								
Other Financial Assets	-	2,500,000	-	2,500,000				
Trade and Other Receivables	393,193,770	586,615,632	393,193,770	586,615,632				
Cash and Bank Balances	28,940,347	36,687,715	28,940,347	36,687,715				
Total	422,134,117	625,803,347	422,134,117	625,803,347				
Financial Liabilities								
Financing and Lease [Ijara] Payables	733,738,700	574,086,048	798,998,722	574,086,048				
Trade and Other Payables	149,801,156	128,451,950	149,801,156	128,451,950				
Total	883,539,856	702,537,998	948,799,878	702,537,998				

	Group						
	Car	rying Amount		Fair Value			
	2019	2018	2019	2018			
Year ended 31 March	Rs.	Rs.	Rs.	Rs.			
Financial Assets							
Other Financial Assets	-	2,500,000	-	2,500,000			
Trade and Other Receivables	405,996,571	413,853,341	405,996,571	413,853,341			
Cash and Bank Balances	240,310,787	105,616,266	240,310,787	105,616,266			
Total	646,307,358	521,969,607	646,307,358	521,969,607			
Financial Liabilities							
Financing and Lease [Ijara] Payables	2,672,768,500	2,629,451,224	2,732,320,885	2,629,451,224			
Trade and Other Payables	138,155,658	322,115,380	138,155,658	322,115,380			
Total	2,810,924,158	2,951,566,604	2,870,476,543	2,951,566,604			

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:

#### 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.

#### 26. FAIR VALUE DISCLOSURE (CONTD..)

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

As at 31 March 2019		Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Other Financial Assets	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	

As at 31 March 2018		Group			Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Other Financial Assets	-	-	2,500,000	2,500,000	-	-	2,500,000	2,500,000
	-	-	2,500,000	2,500,000	-	-	2,500,000	2,500,000

During the reporting period ended 31 March 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

#### 27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

#### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group'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

#### 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	
Italis	Folitis	Rs.	Rs.	
2019	100	+/-15.09 mn	-	
2018	100	+/- 21.1 mn	+/- 1.8 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 two power plants 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 and 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 & Timex Bukinda Hydro (U) Ltd are based on USD, the Group is subject to significant translation gain or loss arising from converting the USD to the LKR.

#### Foreign Currency Sensitivity

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

		Group		
LKR	Effect on profit	Effect on profit		
Depreciation	before tax	before tax		
against USD	2019	2018		
	Rs.	Rs.		
(+1%)	2.9 mn	2.3 mn		
(-1%)	(2.9 mn)	(2.3 mn)		

#### 28.1.3 Commodity Price Risk

The Group is principally engaged in generating electricity using renewable energy sources i.e: 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. 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 Years	Total
As at 31 March 2019	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Other Financial Assets	-	-	-	-	-	-
Trade and Other Receivables	393,193,770	_	_	-	-	393,193,770
Cash and Bank Balances	28,940,347	_	_	_	_	28,940,347
Total	422,134,117	-	-	-	-	422,134,117
Financial Liabilities						
Financing and Lease [ljara] Payables	22,225,019	69,347,560	289,161,712	172,742,645	712,251,941	1,265,728,877
Trade and Other Payables	149,801,156	_	_	-	_	149,801,156
Total	172,026,175	69,347,560	289,161,712	172,742,645	712,251,941	1,415,530,033

	Less than 3	4 to 12	2 – 3	4 – 5	>5 Years	
Company	Months	Months	Years	Years	Years	Total
As at 31 March 2018	Rs.	Rs.	Rs.	Rs.	Rs.	Rs
Financial Assets						
Other Financial Assets	2,500,000	_	_	-	-	2,500,000
Trade and Other Receivables	586,615,632	-	-	-	-	586,615,632
Cash and Bank Balances	36,687,715	_	=	_	_	36,687,715
Total	625,803,347	-	-	-	-	625,803,347
Financial Liabilities						
Financing and Lease [Ijara] Payables	460,861,021	58,215,962	102,066,433	-	-	621,143,416
Trade and Other Payables	128,451,950	_	_	_	_	128,451,950
Total	589,312,971	58,215,962	102,066,433	-	-	749,595,366
	Less than 3	4 to 12	2 – 3	4 – 5	>5 Years	
Group	Months	Months	Years	Years	Years	Total
As at 31 March 2019	Rs.	Rs.	Rs.	Rs.	Rs.	Rs
Financial Assets						
Other Financial Assets	_	_	_	_	_	_
Trade and Other Receivables	405,996,571	_	_	_	_	405,996,571
Cash and Bank Balances	240,310,787	_	_	_	_	240,310,787
Total	646,307,358	-	-	-	-	646,307,358
Financial Liabilities						
Financing and Lease [ljara] Payables	170,704,955	471,957,874	1,281,622,391	842,676,578	733,693,289	3,500,655,087
Trade and Other Payables	138,155,658	-	-	-	-	138,155,658
Total	308,860,613	471,957,874	1,281,622,391	842,676,578	733,693,289	3,638,810,745
	Less than 3	4 to 12	2 – 3	4 – 5	>5 Years	
Group	Months	Months	Years	Years	Years	Total
As at 31 March 2018	Rs.	Rs.	Rs.	Rs.	Rs.	Rs
Financial Assets						
Other Financial Assets	2,500,000	_	_	_	_	2,500,000
Trade and Other Receivables	413,853,341		_			413,853,341
Cash and Bank Balances	105,616,266					105,616,266
Total	521,969,607	-	-	-		521,969,607
Financial Liabilities						
Interest –Bearing Loans and Borrowings	583,448,346	417,956,599	965,454,748	562,603,572	340,162,579	2,869,625,844
Trade and Other Payables	322,115,380	417,700,077	700,404,748	J0Z,0U3,37Z	340,102,379	322,115,380
,		/17 05/ 500	0/5/5/7/0	- E/2/02 E72	2/0 1/2 570	
Total	905,563,726	417,956,599	965,454,748	562,603,572	340,162,579	3,191,741,224

#### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD...)

#### 28.4 Capital management

Capital includes equity attributable to the equity holders of the parent and NCI. 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 2019 and 31 March 2018.

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				
	2019	2018	2019	2018		
As at 31 March	Rs.	Rs.	Rs.	Rs.		
Interest – Bearing Loans and Borrowings	2,672,768,500	2,629,451,224	733,738,700	574,086,048		
Equity	2,753,369,487	2,212,155,327	1,452,474,543	1,483,914,934		
Equity & Interest – Bearing Loans and Borrowings	5,426,137,987	4,841,606,551	2,186,213,243	2,058,000,982		
Gearing Ratio	49.3%	54.3%	33.6%	27.9%		

## **INVESTOR INFORMATION**

#### **MARKET CAPITALIZATION**

The market capitalization of the Company remained at Rs. 3,686,256,046/- as of 31 March 2019, compared to Rs. 3,862,785,094/- as of 31 March 2018.

#### **DIVIDEND PAYOUT RATIO**

The company declared an interim dividends of Rs.0.15 representing a total distribution to the shareholders amounting to Rs. 125,667,820/-. This represents a dividend payout of 24% during financial year 2018/19 compared to dividend payout of 32.4% during the previous financial year.

#### PRICE TO BOOK VALUE

The price to book ratio of the group as at 31 March 2019 was 1.36 compared to 1.79 reported as of 31 March 2018

#### SHAREHOLDER ANALYSIS

Highest and Lowest Share prices for last five financial years

Financial Year	Highest price per share	Lowest price per share	Closing price per share
FY 2018/19	5.00	4.10	4.40
FY 2017/18 (Capitalisation of reserves at the ratio of 1:10)	5.90	4.60	4.70
FY 2016/17	6.20	5.00	5.20
FY 2015/16 (Capitalisation of reserves at the ratio of 1:2)	11.00	5.80	6.00
FY 2014/15	7.00	3.50	6.70

#### Twenty Largest Shareholders of Vidullanka PLC

		2019		2018
Name	Shares	%	Shares	%
1 Belmont Agents Ltd	128,087,789	15.3%	123,755,000	15.1%
2 Wembley Spirit Ltd	108,943,372	13.0%	108,943,372	13.3%
3 Mr. Riyaz M. Sangani	103,720,253	12.4%	93,352,000	11.4%
4 Mr. Sattar Kassim	73,637,368	8.8%	73,637,368	9.0%
5 Mr. Osman Kassim	65,217,391	7.8%	_	_
6 Aberdeen Holdings (Pvt) Ltd	54,929,961	6.6%	123,289,840	15.0%
7 Mrs. R.L Mather	42,225,000	5.0%	42,225,000	5.1%
8 ABC International Ltd	28,719,973	3.4%	28,719,973	3.5%
9 Mrs. Yumna Kunimoto	25,275,451	3.0%	25,275,451	3.1%
10 Mr. M.S Mohideen	20,992,898	2.5%	20,942,898	2.5%
11 Mr. Sujendra Mather	19,827,892	2.4%	19,827,892	2.4%
12 Mr. Ranjan Mather	18,871,875	2.3%	8,250,000	1.0%
13 Dynawash Ltd	17,966,598	2.1%	17,966,598	2.2%
14 Jaywise (Construction) (Pvt) Ltd	14,094,251	1.7%	14,094,151	1.7%
15 Timex Garments (Pvt) Ltd	13,868,546	1.7%	_	_
16 Mr. R.B Barmecha	11,880,003	1.4%	11,880,003	1.4%
17 Mrs. Z.M Sangani	11,767,741	1.4%	18,963,654	2.3%
18 Mrs. D.Z Kathawala	11,353,546	1.4%	16,837,250	2.0%
19 Mr. Osman Kassim / Mrs. K.Kassim	10,442,641	1.2%	10,442,641	1.3%
20 Vanguard Industries (Pvt) Ltd	7,606,012	0.9%	7,606,012	0.9%
- Mrs. B.R.I Sangani	_	_	5,752,417	0.7%
- Mr. Sidath Fernando	_	-	4,950,000	0.6%
Top 20 Shareholders	789,428,561	94.2%	776,711,520	94.5%

# **INVESTOR INFORMATION**

#### Shareholding Classification: Local & Foreign

	Local Shareholding			Fo	Foreign Shareholding			Total Shareholding		
-	No of			No of			No of			
	share	No of		share	No of		share	No of		
Range	holders	Shares	%	holders	Shares	%	holders	Shares	%	
1 - 1,000 Shares	733	163,315	0.02%	4	2,284	0.00%	737	165,599	0.02%	
1,001 - 10,000 Shares	458	1,650,639	0.20%	3	8,255	0.00%	461	1,658,894	0.20%	
10,001 - 100,000 Shares	188	5,807,044	0.69%	4	171,471	0.02%	192	5,978,515	0.71%	
100,001 - 1,000,000 Shares	37	12,393,298	1.48%	1	165,000	0.02%	38	12,558,298	1.50%	
Over 1,000,001 shares	29	514,112,322	61.37%	6	303,311,837	36.20%	35	817,424,159	97.57%	
Total	1445	534,126,618	63.75%	18	303,658,847	36.25%	1463	837,785,465	100.00%	

#### Shareholding Classification : Entities & Individuals

	Individuals				Entities		Total		
_	No of			No of			No of		
	share	No of		share	No of		share	No of	
Range	holders	Shares	%	holders	Shares	%	holders	Shares	%
1 - 1,000 Shares	720	158,673	0.02%	17	6,926	0.00%	737	165,599	0.02%
1,001 - 10,000 Shares	442	1,601,443	0.19%	19	57,451	0.01%	461	1,658,894	0.20%
10,001 - 100,000 Shares	179	5,442,995	0.65%	13	535,520	0.06%	192	5,978,515	0.71%
100,001 - 1,000,000 Shares	31	10,099,380	1.21%	7	2,458,918	0.29%	38	12,558,298	1.50%
Over 1,000,001 shares	21	324,800,109	38.77%	14	492,624,050	58.80%	35	817,424,159	97.57%
Total	1393	342,102,600	40.83%	70	495,682,865	59.17%	1463	837,785,465	100.00%

#### **PUBLIC SHAREHOLDING**

Issued Sha	re Capital		837,785,465
Less:			
1. Parent	, subsidiary, associate entities or any subsidiaries or associates of its parent entity		-
2. Directo	ors of the entity, spouses & their close family members		
Mr.	Osman Kassim	65,217,391	
Mr.	Osman Kassim / Ms K Kassim	10,442,641	
Mr.	Riyaz M. Sangani	103,720,253	
Mr.	Shahid M. Sangani	4,227,569	
Mr.	S. Ranjan Mather	18,871,875	
Mr.	S. S. V. Fernando	5,000,000	
Mr.	Sattar Kassim	73,637,368	
Mr.	C. F. Fuhrer	1,098,398	
Mr.	Sujendra Mather	19,827,892	
Mrs	s. S. R. Sangani	418,934	
Mrs	s. S. S. Sangani	2,819,955	
Mrs	s. R. L. Mather	42,225,000	
Mrs	s Z.M Sangani	11,767,741	(359,275,017)
3. Chief E	executive Officer and his close family members		-
4. Key m	anagement Personnel and their close family members		-
5. Any pa	arty acting in concert with the parties set out in 1,2,3 & 4		
6. Shares	s that have been allotted to employees, whereby the shares of the Entity are, directly or		
indired	tly controlled by the management or the majority shareholder of the Entity.		-
7. Shares	s that are in a locked account with the CDS due to statutory or		
regula	tory requirement other than the shareholders exempted under (8) below.		-
8. Entitie	s, Single shareholders or Single shareholders jointly or		
	ılly holding 10% or more		
	mont Agents Limited	128,087,789	
We	mbley Spirit Limited	108,943,372	(237,031,161)
Public Shar	eholding		241,479,287
Public Hold	ing - %		28.8%
Public Hold	ing - No of Shareholders		1,448
Non Public	Shareholding		596,306,178
Non Public	Shareholding - %		71.2%
Non Public	Holding - No of Shareholders		15
Existing Flo	pated adjusted Market Capitalization		1,168,646,325
Option for (	Compliance - Option 5 of 7.13.1 (a) of the Listing Rules		

# **FIVE YEAR SUMMARY**

1000 (in '000 otherwise stated)

	2019	2018	2017	2016	2015
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4,116,382	4,057,474	3,519,594	2,267,305	1,151,869
Investment in Joint Ventures	537,798	319,172	327,305	313,587	391,574
Other Project Investments	92,716	112,929	134,519	79,022	118,528
Goodwill	249,000	215,879	215,879	215,879	55,081
Other assets			26,045	10,008	3,541
	5,021,941	4,715,463	4,200,839	2,875,794	1,717,051
Current Assets	767,337	587,862	504,205	633,211	518,846
Total Assets	5,789,278	5,303,325	4,705,043	3,509,005	2,235,897
Equity & Liabilities					
Total Equity	2,753,369	2,212,155	1,807,590	1,870,400	1,450,452
Total Loans and Borrowings	2,672,769	2,629,451	2,604,609	1,448,370	630,915
Total Capital Employed	5,426,138	4,841,606	4,412,199	3,318,770	2,081,367
Other Liabilities	363,139	461,719	292,844	190,235	154,530
Total Equity Liabilities	5,789,278	5,303,325	4,705,043	3,509,005	2,235,897
Operating Results					
Group Revenue	1,281,956	974,838	534,754	723,224	563,348
Gross Profits	980,401	726,369	391,062	601,700	434,822
Operating Profits	917,576	908,559	199,934	479,792	429,741
Profit Before Tax	624,212	649,490	40,715	392,464	388,304
Profit After Tax	527,318	509,220	41,677	371,591	354,997
Cook governed from Operating Activities	//7 E10	/01 712	200 / 77	220.072	200.022
Cash generated from Operating Activities  Cash utilized in Investing Activities	447,519 60,370	601,713 431,244	299,477 1,392,648	228,043 305,623	280,923 382,577
Cash utilized in investing Activities	00,370	431,244	1,372,040	303,623	302,377
New Capacity Added (MW)	_	1.40	6.50	2.00	1.75
Generation (GWh)	108.0	92.6	48.5	68.0	63.0
Emission Reduction (in ton of CO <sub>2</sub> equivalent)	68,040	58,338	30,555	42,840	39,690
Key Indicators					
Net Profit Margin (%)	41.1	52.2	7.8	51.4	63.0
ROE (%)	19.2	23.0	2.3	19.9	24.5
ROA (%)	15.8	17.1	4.2	13.7	19.2
Earning per Share (Rs.)	0.62	0.60	0.05	0.52	0.49
Dividend per Share (Rs.)	0.15	0.20	0.10	0.23	0.18
Net Asset Value per Share (Rs.)	3.24	2.66	2.41	2.50	3.04
Current Ratio (No. of times)	1.11	0.48	0.53	0.99	2.04
Equity Asset Ratio (No. of times)	2.10	2.40	2.60	1.88	1.54
Asset Turnover Ratio (No. of times)	0.22	0.18	0.11	0.21	0.25
Gearing Ratio (%)	49.3	54.3	59.0	43.6	30.3

### **NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of shareholders of Vidullanka PLC will be held on 11.15am on 24th July 2019 at Bougainvillea Ballroom, Galadari Hotel, Colombo 01 for the following purposes:

- 1. To consider and adopt the Audited Financial Statements for the year ended 31st March 2019 together with the Annual Report of the Directors thereon.
- 2. Election of Directors
  - I. Mr. Rizvi Zaheed, who has been appointed to the Board since the last Annual General Meeting.

following resolution to be passed for this purpose, if thought fit.

- II. Ms. Deepthie Wickramasuriya, who has been appointed to the Board since the last Annual General Meeting.
- 3. Re-election of Directors in terms of section 211 of the Companies Act no 7 of 2007

  Mr. Ranjan Mather, who is 73 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007. Accordingly, the

IT IS HEREBY RESOLVED to re-elect Mr. Ranjan Mather, who is 73 years of age as a Director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Ranjan Mather.

- 4. To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize the Directors to determine their remuneration.
- 5. Any other business.

By order of the Board Vidullanka PLC

(Sgd.)

Managers & Secretaries (Private) Limited Secretaries

18 June 2019

#### Note:

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

# **NOTES**


# **FORM OF PROXY**

Please see overleaf for Instructions for completion.

I/We, the undersigned		
of		being member/s of
Vidullanka PLC, do hereby appoint		
ofas my/our Proxy to represent me/us, vote for me/us on my/our behalf at the Annual General Meeting of the July 2019 and at any adjournment thereof.	Company	to be held on 24th
Ordinary Resolution	For	Against
To consider and adopt the Audited Financial Statements for the year ended 31st March 2019 together with the Annual Report of the Directors thereon.		
2. To elect Mr. Rizvi Zaheed as a Director of the Company, who has been appointed to the Board since the last Annual General Meeting		
3. To elect Ms. Deepthie Wickramasuriya as a Director of the Company, who has been appointed to the Board since the last Annual General Meeting		
4. To re-elect Mr. Ranjan Mather as a Director of the Company, who is over 70 years of age.		
5. 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		

#### 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. 1.417.908.484/-

#### **Issued Number of Shares**

837.785.465 shares

#### **Board of Directors**

Mr. Osman Kassim (Chairman)

Mr. Riyaz M. Sangani (CEO)

Mr. Ranjan Mather

Mr. Shahid M. Sangani

Mr. C. F. Fuhrer

Mr. Sidath Fernando

Mr. Sattar Kassim

Mr. Sujendra Mather

Mr. Rizvi Zaheed

Ms. Deepthie Wickramasuriya

#### **Company Secretary**

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

#### **Registered Office**

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

