

VIDULLANKA
LIMITED



Annual Report 2006

EXPLORING
ENERGY
OPPORTUNITIES

WATER. SOLAR. DENDRO. WIND



Switch yard maintenance at the Bambarabatuoya mini hydro power plant

Exploring Energy Opportunities.

“We will continue to explore opportunities in the fields of Hydro, Biomass, Dendro, Wind, Gas Thermal, and Solar power with an aim of delivering satisfactory returns to our shareholders in the future. These projects would be undertaken through strategic partnerships...”

Chairman’s Statement, Annual Report 2005

Last year was a groundbreaking one for us, as we invested in another mini hydropower project and diversified our portfolio into installation and distribution of Domestic Home Solar Systems. Vidul Energy, a wholly owned subsidiary of Vidullanka Limited plans to enter the urban market segment strongly this year and we have already developed a network of suppliers to service customers in this sector.

As we launch into these new ventures, we look forward to a year of continuing good results, building value and strong principles of service into every activity we undertake.

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Batatota - Our Second Hydro Power Plant



Foundation work proceeds at the 'Power House', Vidullanka's Batatota project

The capacity of this project is 2 megawatts, with a mean annual energy generation of 8 gigawatt hours. Located in Erathne Kuruwita - a region with high rainfall in the Sabaragamuwa District, the plant uses the Kuru Ganga as its water source.

Construction work is progressing and we have completed 60% of the work involved on the Flow Diversion Weir, Intake, Head Race Channel, Desilting Tank, Forebay Tank, Spill way, Powerhouse /Tail Race and Penstock. The plant and machinery to be installed at the powerhouse are a combination of European and Chinese manufacture.

Access roads to the plant have been constructed and we expect the plant to be grid-connected by the end of the third quarter of Financial Year (2006/2007).

About Us

Vidullanka Ltd is a BOI approved company incorporated in 1997, to construct and operate mini-hydroelectric power projects. The company's first project was the Bambarabatuoya mini hydropower project, located in Ratnapura, Sri Lanka. The company has a 15-year power purchase agreement with the Ceylon Electricity Board and contributes 3.2 megawatts of electricity to the national grid.

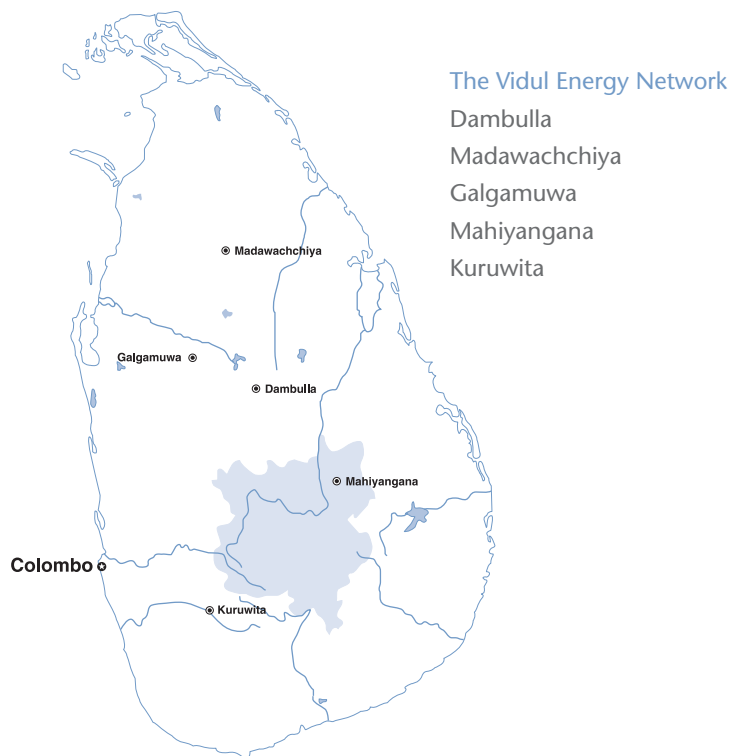
We have commenced construction work on our second plant - the Batatota mini hydropower project, also located in Ratnapura. The capacity of this plant is 2 megawatts and it is scheduled to connect to the National Grid at the end of the third quarter of the financial year (2006/2007). This would boost the total energy generation to 20 megawatt hours, as against the 12 megawatt hours available today.

Vidullanka continuously researches the potential for more hydropower projects, and we constantly seek new business opportunities in this industry segment.

Solar Power

Besides our investment in the hydropower sector, we recently commenced a strategic diversification into installation and distribution of Domestic Home Solar Systems as well. Our fully owned subsidiary Vidul Energy (Pvt) Ltd was incorporated in September 2005, to manufacture, assemble and install solar home systems in Sri Lanka.

Vidul Energy commenced commercial operations in February 2006, with a distribution network of five branches covering the North, East, Uva, Sabaragamuwa, North Western and Central provinces. We expect to expand the number of branches to seven by the end of 2006.



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 10th Annual General Meeting of shareholders of the Company will be held on 28th September 2006 at the Holiday Inn at 2.30 pm for the following purposes:

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31st March 2006 together with the Reports of the Auditors and Directors thereon.
2. To re-elect Mr. Shahid M. Sangani as a Director of the Company who retires by rotation in terms of article 90 of Table A.
3. To re-elect Mr. Hilal R. Peiris as a Director of the Company who retires by rotation in terms of article 90 of Table A.
4. To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize directors to determine their remuneration.

By Order of the Board

Managers & Secretaries (Private) Limited

Secretaries

06th September 2006

Note:

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

Chairman's Report

On behalf of the Board of Directors, I have immense pride to present to you the Annual Report and the Audited Financial Statements of the Company for the year ended 31st March 2006.

The results for the year under review were satisfactory, even though pre-tax profits came in lower than the previous year. Your company performance was within the budgeted figures for the FY 2005/2006. In addition, investments have been made in the year under review for a second mini hydropower project 'Batatota' and on Solar Domestic Home Systems, which should result in future earning flows.

The group turnover for the FY 2005/2006 increased by 6.86 % to Rs. 76.84 million. However, pre-tax profits reflected a 24.06 % decrease to record Rs 38.6 million. The primary reasons for the decrease are a lower generation of approximately 12.53 GWh in the year under review, in comparison to the previous year generation of 13.59 GWh and an increase in administrative expenses for the Batatota and for the Solar Trading venture. It should also be noted that in the FY 2004/2005 the company recorded an extraordinary income of Rs 4.33 million due to a settlement of an arbitration claim.

We have already commenced construction work on our second mini hydro plant 'Batatota', which has a capacity of 2 megawatts. This project is expected to connect to the grid in the third quarter of the FY 2006/2007.

Vidullanka also diversified into harnessing solar energy, apart from its core business of operating hydro power plants. With the increase in the cost of energy, the demand for solar power both in the rural and urban segments, is likely to increase and your Company looks forward to additional revenue streams in this sector.

Your company declared a bonus issue of One for every Four shares held in September 2005. An interim dividend of 10% was also paid for the year under review.

Under Corporate Social Responsibility, your company has initiated several support projects. The Company completed a 5 kW Micro Hydro power project in Ratnapaura, which provides electrification for 21 families and has also contributed towards the road improvement of the Banagoda Village.

Your Board has also established two special sub-committees, namely an Audit Committee and an Investment Committee in the year under review. Both Committees comprise of three non-executive Directors. These Committees would assist with a view in adopting Best Practices to create shareholder wealth and gain market confidence.

In conclusion, I sincerely acknowledge the efforts of my colleagues on the Board, Staff and the workforce, without whose dedication your company could not have achieved these results. Our thanks also extend to our shareholders for their continued loyalty and support placed in the Company.



Osman Kassim
Chairman

06th September 2006

Our Operations



The water flow at the Spillway - Bambarabatuoya Plant



A section of the Head Race Channel - Batatota Plant



Elevation of the Aqua Ducts - Batatota Plant



Solar domestic home system installed by a team of technicians



Illumination from the solar domestic home system



A solar domestic home system installed at Maradanjawala in the Anuradapura district provides entertainment to all age group

Corporate Social Responsibility



An in-house training workshop for our staff



Improving rural lifestyles through our off-grid project

Infrastructure development and support for the villagers of Gabalawatte and Banagoda

Vidullanka's strategic approach to CSR was conceptualized a year ago. Our first formal project was a 5 kW micro-hydro project at Gabalawatte, a remote village situated in the Ratnapura district, approximately 125 km from Colombo. The company's efforts have given hope and opened up a vista of opportunities to a number of families in the area, since the inhabitants of this remote village do not foresee a grid connection in the near future.

This project provides electricity to twenty-one families, with each family receiving a power supply of 250-300 watts. In addition to providing lighting, the supply also permits householders to engage in different income-generating activities such as tailoring, farming and the laundering of clothes.

The company's second venture was to improve the condition of a road at Banagoda, yet another remote area in the Ratnapura district. The gravel road was re-tarred with the assistance of the Pradeshiya Sabha of Ratnapura. The re-tarring has resulted in greater accessibility and transportability.

Our People

The number of employees in the Group increased by over 100% during the year under review. A notable feature was that the company maintained a zero labour turnover, without a single resignation. Vidullanka's HR strategies are driven towards training and development, increasing employee satisfaction and compensating workers through rewards and recognition.

Directors' Report

The Directors are pleased to submit their Report together with the Auditor's Report and Financial Statements for the year ended 31st March 2006, to be presented at the 10th Annual General Meeting of the Company.

Principal Activities of the Company

The Principal Activity of the Company is to produce electrical energy and transmit to feed the national grid.

Principal Activities of the Subsidiary

The Principal Activity of the Subsidiary Company is to assemble and install Solar Domestic Home systems in Sri Lanka.

Directors' Interests in Shares/ Contracts

Directors' Interest in contracts both direct and indirect are disclosed in note 24 to the Financial Statements.

Directorate

The interest of the Directors in the shares of the Company as at 31st March 2006 were as follows:-

Ordinary Shares of Rs. 10/- each.

	31.03.2006	31.03.2005
Mr. Osman Kassim	-	-
Mr. Riyaz M Sangani	257,501	1
Mr. Shahid M Sangani	5,201	1
Mr. Ranjan Mather	-	-
Dr A. A. M. Haroon	-	-
Mr. Hilal Peiris	-	-

Results and Appropriations

Rs '000	Year ended 31.03.2006	Year ended 31.03.2005
Net Profit /(loss) for the year	38,764	51,098
Add : Accumulated profit/(loss) brought forward	552	(2,846)
	39,316	48,185
Appropriations		
Dividends Paid (Interim)	(29,812)	(47,700)
Accumulated Profit/(Loss) carried forward	9,504	552

Directors' Report contd.

Auditors

The resolution to re-appoint the present Auditors, Ernst & Young, Chartered Accountants who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

Post Balance Sheet Events

All material events occurring after the Balance Sheet dates have been considered and where necessary, adjustments are disclosed in note 23 to the Financial Statements.

Shareholdings

As at 31st March 2006 there were 668 shareholders. The relevant shareholder and investor information is disclosed on pages 41 & 42.

By order of the Board

Managers & Secretaries (Pvt) Ltd

Secretaries

06th September 2006

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Auditor's Report



■ **Chartered Accountants**
201 De Saram Place
P. O. Box 101
Colombo 10
Sri Lanka

■ Telephone : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
E-Mail : eysl@lk.ey.com

AUDITORS' REPORT TO THE MEMBERS OF VIDULLANKA LIMITED

We have audited the balance sheet of Vidullanka Limited as at 31 March 2006, the Consolidated Balance Sheet of the Company and its subsidiary as at that date and the related statements of income, cash flows and changes in equity for the year then ended, together with the accounting policies and notes as set out on pages 14 to 40.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31 March 2006 and to the best of our information and according to the explanations given to us, the said balance sheet and related statements of income, cash flows and changes in equity and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No.17 of 1982 and give a true and fair view of the Company's state of affairs as at 31 March 2006 its profit and cash flows for the year then ended.

In our opinion, the consolidated balance sheet and statements of income, cash flows and changes in equity and the accounting policies and notes thereto have been properly prepared and presented in accordance with the Companies Act, No. 17 of 1982 and the Sri Lanka Accounting Standards, and give a true and fair view of the state of affairs as at 31 March 2006 and the profit and cash flows for the year then ended of the Company and its subsidiary dealt with thereby, so far as concerns the members of the Company.

Directors' Interest in Contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year then ended 31 March 2006 except as stated in Note 24 to these financial statements.


Colombo
16 June 2006

■ **Partners** : A D B Talwatte FCA FCMA T K Bandaranayake FCA M P D Cooray ACA FCMA
Ms. Y A De Silva ACA W R H Fernando FCA FCMA A P A Gunasekera FCA FCMA
A Herath FCA D K Hulangamuwa ACA FCMA LLB (Lond) A S M Ismail ACA FCMA
H M A Jayasinghe ACA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA

Income Statement

Year ended 31 March 2006

	Note	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
Revenue	3	76,849,258	69,233,454	71,915,190
Cost of Sales		(17,257,647)	(12,482,508)	(15,649,705)
Gross Profit		59,591,611	56,750,946	56,265,485
Other Income	4	541,257	499,508	4,746,942
Administrative Expenses		(18,427,372)	(14,950,292)	(9,832,598)
Selling & Distribution Expenses		(631,695)	-	-
Pre- Operational Expenses		(1,999,166)	-	-
Profit from Operating Activities		39,074,635	42,300,162	51,179,829
Ijara/ Murabaha Charges	6	(210,429)	-	-
Profit from Ordinary Activities Before Tax		38,864,206	42,300,162	51,179,829
Income Tax Expense	7	(100,152)	(100,152)	(81,535)
Net Profit for the Year		<u>38,764,054</u>	<u>42,200,010</u>	<u>51,098,294</u>
Earnings Per Share - Basic	8	1.30	1.42	1.71
Dividend Per Share		1.00	1.00	2.00

The accounting policies and notes on pages 18 to 40 form an integral part of the financial statements.

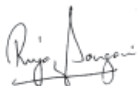
Colombo

16 June 2006

Balance Sheet

As at 31 March 2006

	Note	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
ASSETS				
Non-Current Assets				
Property, Plant & Equipment - At Cost	9	346,765,280	344,090,141	290,684,141
Investments in Subsidiaries	10	-	1,000,000	-
		<u>346,765,280</u>	<u>345,090,141</u>	<u>290,684,141</u>
Current Assets				
Inventory	11	3,229,915	-	-
Trade and Other Receivables	12	23,850,014	20,607,467	6,332,223
Amounts due from Related Parties	13	-	1,605,110	-
Tax Receivable		157,982	157,982	-
Cash and Bank Balances	19	2,687,939	2,226,679	10,016,195
		<u>29,925,850</u>	<u>24,597,238</u>	<u>16,348,418</u>
Total Assets		<u>376,691,130</u>	<u>369,687,379</u>	<u>307,032,559</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Share Capital	14	298,125,090	298,125,090	238,500,070
Share Premium	15	374,980	374,980	60,000,000
Accumulated Profit		9,504,181	12,940,137	552,635
Total Equity		<u>308,004,251</u>	<u>311,440,207</u>	<u>299,052,705</u>
Non-Current Liabilities				
Ijara (Finance Leases) and Murabaha (Trade Finance) Facilities	16	42,161,529	40,908,960	-
Deferred Liabilities	17	492,859	492,859	315,287
		<u>42,654,388</u>	<u>41,401,819</u>	<u>315,287</u>
Current Liabilities				
Trade & Other Payables	18	9,089,302	6,381,241	2,813,031
Ijara (Finance Leases) and Murabaha (Trade Finance) Facilities	16	16,943,189	10,464,112	-
Dividend Payable		-	-	4,770,001
Tax Payables		-	-	81,535
		<u>26,032,491</u>	<u>16,845,353</u>	<u>7,664,567</u>
Total Equity and Liabilities		<u>376,691,130</u>	<u>369,687,379</u>	<u>307,032,559</u>
Net Assets Per Share	20	10.33	10.45	12.54



Riyaz M. Sangani
Director



Dr. A.A.M. Haroon
Director

The accounting policies and notes on pages 18 to 40 form an integral part of the financial statements.

Colombo
16 June 2006

Statement of Changes in Equity

Year ended 31 March 2006

Group	Share Capital Rs.	Share Premium Rs.	Accumulated Losses Rs.	Total Rs.
Parent Company Balance as at 31 March 2004	238,500,070	60,000,000	(2,845,645)	295,654,425
Profit for the year	-	-	51,098,294	51,098,294
Dividends	-	-	(47,700,014)	(47,700,014)
Parent Company Balance as at 31 March 2005	238,500,070	60,000,000	552,635	299,052,705
Shares issued during the year - For Non Cash	59,625,020	(59,625,020)	-	-
Profit for the year	-	-	38,764,054	38,764,054
Dividends	-	-	(29,812,508)	(29,812,508)
Balance as at 31 March 2006	<u>298,125,090</u>	<u>374,980</u>	<u>9,504,181</u>	<u>308,004,251</u>

Company	Share Capital Rs.	Share Premium Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 31 March 2004	238,500,070	60,000,000	(2,845,645)	295,654,425
Profit for the year	-	-	51,098,294	51,098,294
Dividends	-	-	(47,700,014)	(47,700,014)
Balance as at 31 March 2005	238,500,070	60,000,000	552,635	299,052,705
Shares issued during the year - For Non Cash	59,625,020	(59,625,020)	-	-
Profit for the year	-	-	42,200,010	42,200,010
Dividends	-	-	(29,812,508)	(29,812,508)
Balance as at 31 March 2006	<u>298,125,090</u>	<u>374,980</u>	<u>12,940,137</u>	<u>311,440,207</u>

The accounting policies and notes on pages 18 to 40 form an integral part of the financial statements.

Colombo

16 June 2006

Cash Flow Statement

Year ended 31 March 2006

	Note	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
Cash Flows From / (Used in) Operating Activities				
Profit from Ordinary Activities Before Tax		38,864,206	42,300,162	51,179,829
Adjustments for				
Depreciation	5	7,725,918	7,544,855	10,130,486
Loss/(Profit) on Disposal of Property, Plant & Equipment	5	128,356	128,356	(1,598)
Provision for Retiring Gratuity	5	177,572	177,572	133,262
Property, Plant & Equipment Written Off	5	225,172	225,172	479,639
Ijara/ Murabaha Charges		210,429	-	-
Operating Profit/ (Loss) Before Working Capital Changes		47,331,653	50,376,117	61,921,618
Increase in Trade & Other Receivables		(17,517,790)	(14,275,243)	(1,988,293)
(Increase)/Decrease in Other Payables		6,276,270	3,568,209	(1,401,823)
Increase in Amounts due from Related Parties		-	(1,605,110)	-
Decrease in Amounts due to Related Parties		-	-	(1,721,708)
Decrease in Directors Current Account		-	-	(31,750)
Increase in Inventory		(3,229,915)	-	-
Cash Generated from Operations		32,860,218	38,063,973	56,778,044
Income Tax Paid		(339,669)	(339,669)	-
Net Cash From Operating Activities		32,520,549	37,724,304	56,778,044
Cash Flows from/(Used in) Investing Activities				
Acquisition of Property, Plant & Equipment		(61,937,976)	(60,864,383)	(8,767,568)
Proceeds from Sale of Property, Plant & Equipment		47,500,000	47,500,000	35,329
Acquisition of Subsidiary		-	(1,000,000)	-
Net Cash Flows Used in Investing Activities		(14,437,976)	(14,364,383)	(8,732,239)
Cash Flows from/(Used in) Financing Activities				
Dividend Paid		(34,582,509)	(34,582,509)	(42,930,009)
Principal Payment Under Ijara Facility/(Finance Lease) Liabilities	16	(942,111)	(762,811)	-
Proceeds from Murabaha (Trade Finance) Facilities	16	10,324,220	4,195,883	-
Ijara/ Murabaha Charges Paid		(210,429)	-	-
Net Cash Flows Used in Financing Activities		(25,410,829)	(31,149,437)	(42,930,009)
Net Increase/(Decrease) in Cash & Cash Equivalents		(7,328,256)	(7,789,516)	5,115,796
Cash & Cash Equivalents at the beginning of the year	19	10,016,195	10,016,195	4,900,399
Cash & Cash Equivalents at the end of the year	19	<u>2,687,939</u>	<u>2,226,679</u>	<u>10,016,195</u>

The accounting policies and notes on pages 18 to 40 form an integral part of the financial statements.

Colombo
16 June 2006

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Vidullanka Limited ("Company") is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Level 10, Access Tower, No. 278, Union Place, Colombo 02, and the principal place of business is situated at Bambarabatuoya, Rathnapura.

In the report of the Directors and in the Financial Statements, "the Company" refers to Vidullanka Limited as the Holding Company and "the Group" refers to the consolidated results of Vidullanka Limited and its subsidiary Vidul Energy (Pvt) Limited.

1.2 Companies in the Group

Subsidiary

The fully owned subsidiary, Vidul Energy (Pvt) Limited was incorporated on 27th September 2005 under the Companies Act, No. 17 of 1982.

1.3 Principal Activities and Nature of Operations

Company

The principal activities of the Company are to produce electrical energy and transmit to feed the national grid. For this purpose the Company has constructed a Hydro Power Plant at Bambarabatuoya, Ratnapura and commenced its operations during June 2001. The Company has commenced construction work of its Second mini Hydro Power Plant Project (Batatota Project) which is located at Kuruwita, Ratnapura.

Subsidiary

The principal activities of the Vidul Energy (Pvt) Limited are to assemble and install Solar Home Systems in Sri Lanka.

1.4 Date of Authorization for Issue

The financial statements of Vidullanka Limited for the year ended 31 March 2006 were authorized for issue in accordance with a resolution of the Board of Directors on 16 June 2006.

1.5 Number of Employees

The number of employees in the Group at the end of the year was - 95. (Company- 44, 2005- 23)

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The balance sheet, statements of income, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements") of the Company / Group as at 31 March 2006 and for the year then ended, comply with the Sri Lanka Accounting Standards.

These financial statements presented in Sri Lankan Rupees have been prepared on a historical cost basis.

2.1.2 Principles of Consolidation

The Financial Statements of the Group represent the consolidation of Financial Statements of the company and its subsidiary over which it has control after elimination of all material inter group transactions.

The total profits and losses of the company and its subsidiary are shown in the Consolidated Income Statement.

All the assets and liabilities of the company and of its subsidiary included in the consolidation are shown in the Consolidated Balance Sheet.

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The company previous years figures and phrases have been rearranged wherever necessary to conform to the current presentation.

There is no comparative information for the Group since consolidation commenced in financial year 2005/ 2006.

2.1.4 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non- monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the income statement.

2.1.5 Post Balance Sheet Events

All material events occurring after the Balance Sheet dates have been considered and where necessary adjustments made in these financial statements.

2.1.6 Taxation

Current Taxes

Company

Pursuant to the agreement dated 1st October 1998 entered into with the Board of Investment under Section 17 of the Board of Investment Law, the Company is exempt from income tax for a period of ten years reckoned from the year of assessment as may be determined by the Board.

For the above purpose the year of assessment shall be reckoned from the date on which the enterprise commences its business, as specified in a certificate issued by the Board.

However, the Board of Investment has the right under the agreement to withdraw the tax exemption period of 10 years and the other benefits granted under the BOI agreement if the investment is not increased to Rs.500 million on or before 30 September 2006.

Notes to the Financial Statements contd.

Subsidiary

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

Deferred Taxation

Deferred taxation is provided on the liability method. The tax effect of all timing differences which occur where items are allowed for income tax purposes in a period different from that when they are recognized in the financial statements is included in the provision for deferred taxation (or future income tax benefits as applicable) at current rates of taxation

Deferred tax assets are recognized for all deductible timing differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible timing differences and carry-forward of unused tax losses can be utilized. The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

2.1.7 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use, are capitalised as part of that asset.

2.2 Valuation of Assets and their Measurement Bases**2.2.1 Inventories**

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

Raw Materials	-	At actual cost on first-in first-out basis
Finished Goods	-	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity.
Goods in Transit	-	At actual cost

2.2.2 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of provision for bad and doubtful debts.

Receivables, Other Receivables and Dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

2.2.3 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 bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.2.4 Property, Plant and Equipment

a) Cost

Property, Plant & Equipment is recorded at cost less accumulated depreciation.

b) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

c) Depreciation

The provision for depreciation is calculated by using a straight line method on the cost of all property, plant and equipment other than freehold land, in order to write off such amounts over the estimated useful lives. The principal annual rates used were changed by the management during the year as follows.

Asset Category	Old Rates Used	New Rates
Office Furniture	20%	10%
Office Equipments	20 %	20%
Motor Vehicles	20 %	20%
Computers	33 1/3 %	25%
Accounting Software	33 1/3 %	33 1/3%
Plant & Machinery	2.5% - 6.67%	1.67% -6.67%
Transformers	10%	6.67 %
Site Equipment	20%	20%

Effect of change in depreciation rates of the Company was adjusted to the current year profit.

Full provision is made in the year of sale and none in the year of purchase.

Notes to the Financial Statements contd.

2.2.5 Leases

- a) Finance Leases – where the Company (Group) is the Lessee
Property, plant and equipment on finance leases, which effectively transfer to the Company substantially all of the risk and benefits incidental to ownership of the leased item are capitalized at their cash price and disclosed as property, plant and equipment and depreciated over the period the Company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations applicable to each financial year is charged to the income statements over the period of the lease using sum of digits method.

The cost of improvements to or on leasehold property is capitalized, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

2.3 Liabilities and Provisions*2.3.1 Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

2.3.2 Retirement Benefit Obligations

- a) Defined Benefit Plan – Gratuity
Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the Gratuity Act No. 12 of 1983. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement.

The gratuity liability is not funded nor actuarially valued. This item is grouped under provision and other liabilities in the Balance Sheet.

- b) 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 Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.4 Income Statement

2.4.1 Revenue Recognition

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

a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyers, with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Interest

Interest income is recognized as the interest accrued (taking into account the effective yield on the asset) unless credibility is in doubt.

c) Others

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other non current assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

2.4.2 Expenditure Recognition

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

b) Finance expenses are recognized in the income statement on an accrual basis.

Notes to the Financial Statements contd.

Year ended 31 March 2006

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
3. REVENUE			
3.1 Summary			
Revenue (Gross)	88,064,059	79,618,472	82,702,468
Less : Value Added Tax	(11,214,801)	(10,385,018)	(10,787,278)
Revenue (Net)	<u>76,849,258</u>	<u>69,233,454</u>	<u>71,915,190</u>
4. OTHER INCOME			
Profit from Mudarabah (Income from Investment)	413,793	413,793	357,674
Revenue from other Energy Projects/ Other Sales	108,485	85,300	-
Amana Takaful Surplus	415	415	-
Exchange Gain	18,564	-	-
Work done for LEL, Group	-	-	50,000
Compensation Receivable (Arbitration Award)	-	-	4,337,670
Profit on Disposal of Property, Plant & Equipment	-	-	1,598
	<u>541,257</u>	<u>499,508</u>	<u>4,746,942</u>
5. PROFIT FROM OPERATING ACTIVITIES			
Stated after Charging/(Crediting)			
CEO/Managing Director's Emolument	2,692,272	2,692,272	2,163,089
Auditors Remuneration (Fee & Expenses)	209,996	159,996	105,239
Depreciation	7,725,918	7,544,855	10,130,486
Staff Costs (Include the following Retirement Benefit Costs)	10,062,540	6,849,734	5,179,936
Defined Benefit Plan Costs - Gratuity	177,572	177,572	133,262
Defined Contribution Plan Costs - EPF and ETF	1,123,045	806,716	654,502
Sales Commission	163,082	-	-
Write off of Property, Plant & Equipment	225,172	225,172	479,639
Profit/(Loss) on Disposal of Property, Plant & Equipment	<u>128,356</u>	<u>128,356</u>	<u>(1,598)</u>
6. IJARA/ MURABAHA CHARGES			
Ijara Charges	82,454	-	-
Mark up on Murabaha	127,975	-	-
	<u>210,429</u>	<u>-</u>	<u>-</u>

Year ended 31 March 2006

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
7. CURRENT INCOME TAX			
Taxable Profit on Other Income	499,508	499,508	407,674
Statutory Tax Rate %	20%	20%	20%
Current Income Tax Expenses	99,902	99,902	81,535
Add: Social Responsibility Levy (0.25%)	250	250	-
	<u>100,152</u>	<u>100,152</u>	<u>81,535</u>

8. EARNINGS PER SHARE

8.1 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.

8.2 The following data was taken to calculate the Basic Earnings Per Share computations.

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
Amounts Used as Numerator			
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	<u>38,764,054</u>	<u>42,200,010</u>	<u>51,098,294</u>
	2006 Number	2006 Number	2005 Number
Number of Ordinary Shares Used as Denominator			
Weighted Average Number of Ordinary Shares in Issue	<u>29,812,509</u>	<u>29,812,509</u>	<u>29,812,509</u>

Notes to the Financial Statements contd.

Group	Parent Company Balance As at 01.04.2005 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Group Balance As at 31.03.2006 Rs.
9. PROPERTY, PLANT & EQUIPMENT				
9.1 Gross Carrying Amounts				
At Cost				
Land	3,403,975	14,444,450	-	17,848,425
Office Furniture	527,367	447,286	-	974,653
Office Equipments	64,031	171,073	-	235,104
Accounting Software	89,750	44,900	89,750	44,900
Computers	933,851	1,340,626	-	2,274,477
Plant & Machinery	312,338,131	1,480,472	57,879,823	255,938,780
Office Partition Work	374,531	-	374,531	-
Motor Vehicle	-	96,800	-	96,800
	<u>317,731,636</u>	<u>18,025,607</u>	<u>58,344,104</u>	<u>277,413,139</u>
9.2 On Finance Lease				
Plant & Machinery	-	47,940,000	-	47,940,000
Motor Vehicle	-	1,782,609	-	1,782,609
	<u>-</u>	<u>49,722,609</u>	<u>-</u>	<u>49,722,609</u>
Total Value of Depreciable Assets	<u>317,731,636</u>	<u>67,748,216</u>	<u>58,344,104</u>	<u>327,135,748</u>
9.3 In the Course of Construction				
Capital work in Progress - Batatota Project	6,708,132	42,011,990	-	48,720,122
Capital work in Progress - Other Projects	-	1,900,379	-	1,900,379
	<u>6,708,132</u>	<u>43,912,369</u>	<u>-</u>	<u>50,620,501</u>
Total Gross Carrying Value	<u>324,439,768</u>	<u>111,660,585</u>	<u>58,344,104</u>	<u>377,756,249</u>

	Parent Company Balance As at 01.04.2005 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Group Balance As at 31.03.2006 Rs.
9.4 Depreciation				
At Cost				
Office Furniture	87,123	58,715	-	145,838
Office Equipments	64,031	7,380	-	71,411
Accounting Software	89,750	-	89,750	-
Computers	502,913	171,497	-	674,410
Plant and Machinery	32,936,904	7,265,323	10,251,467	29,950,760
Office Partition Work	74,906	74,453	149,359	-
Total Depreciation	<u>33,755,627</u>	<u>7,577,368</u>	<u>10,490,576</u>	<u>30,842,419</u>
9.5 On Finance Lease				
Motor Vehicle	-	148,550	-	148,550
	-	148,550	-	148,550
Total Depreciation	<u>33,755,627</u>	<u>7,725,918</u>	<u>10,490,576</u>	<u>30,990,969</u>

	Parent Company 2005 Rs.	Group 2006 Rs.
9.6 Net Book Values		
At Cost	290,684,141	297,191,221
On Finance Leases	-	49,574,059
Total Carrying Amount of Property, Plant & Equipment	<u>290,684,141</u>	<u>346,765,280</u>

9.7 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 61,937,976/- (Company 2005 - Rs.8,767,568/-). Cash payments amounting to Rs. 61,937,976/- (Company 2005 - Rs. 8,767,568/-) were made during the year for purchase of Property, Plant & Equipment.

9.8 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,273,263/- (2005 Parent Company - 2,073,233/-).

Notes to the Financial Statements contd.

9.9 Change In Depreciation Rates

The useful life/depreciation rates of some of the Property, Plant & Equipment were reviewed and changed by the Directors in consultation with the Engineers. Due to these changes in estimation, and additional credit amounting to Rs. 2,674,121/- has resulted in the current year, in comparison to the depreciation charge based on previous estimate. These differences will arise in the future periods for the Property, Plant & Equipment existing as at 31 March 2006 unless they are disposed in future.

Class of Asset	Previous Estimate of Useful life	Adjusted Useful Life	Decrease in depreciation Charge 2006 Rs.	Comparative depreciation charge based on previous estimate 2005 Rs.
Office Furniture	20%	10%	(32,882)	81,264
Computer	33.33%	25%	(32,795)	189,492
Plant & Machinery	2.5% - 6.67%	1.67% - 6.67%	(2,608,444)	9,873,767
Transformers	10%	6.67%		
Company	Balance As at 01.04.2005 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2006 Rs.
9.10 Gross Carrying Amounts				
At Cost				
Land	3,403,975	14,444,450	-	17,848,425
Office Furniture	527,367	134,716	-	662,083
Office Equipments	64,031	18,240	-	82,271
Accounting Software	89,750	44,900	89,750	44,900
Computers	933,851	732,436	-	1,666,287
Plant & Machinery	312,338,131	1,480,472	57,879,823	255,938,780
Office Partition Work	374,531	-	374,531	-
Motor Vehicle	-	96,800	-	96,800
	<u>317,731,636</u>	<u>16,952,014</u>	<u>58,344,104</u>	<u>276,339,546</u>
9.11 On Finance Lease				
Plant & Machinery	-	47,940,000	-	47,940,000
	<u>-</u>	<u>47,940,000</u>	<u>-</u>	<u>47,940,000</u>
Total Value of Depreciable Assets	<u>317,731,636</u>	<u>64,892,014</u>	<u>58,344,104</u>	<u>324,279,546</u>

Company	Balance As at 01.04.2005 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2006 Rs.
9.12 In the Course of Construction				
Capital work in Progress - Batatota Project	6,708,132	42,011,990	-	48,720,122
Capital work in Progress - Other Projects	-	1,900,379	-	1,900,379
	<u>6,708,132</u>	<u>43,912,369</u>	<u>-</u>	<u>50,620,501</u>
Total Gross Carrying Value	<u>324,439,768</u>	<u>108,804,383</u>	<u>58,344,104</u>	<u>374,900,047</u>

	Balance As At 01.04.2005 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2006 Rs.
9.13 Depreciation				
At Cost				
Office Furniture	87,123	48,382	-	135,505
Office Equipments	64,031	-	-	64,031
Accounting Software	89,750	-	89,750	-
Computers	502,913	156,697	-	659,610
Plant and Machinery	32,936,904	7,265,323	10,251,467	29,950,760
Office Partition Work	74,906	74,453	149,359	-
Total Depreciation	<u>33,755,627</u>	<u>7,544,855</u>	<u>10,490,576</u>	<u>30,809,906</u>

Net Book Values	2006 Rs.	2005 Rs.
At Cost	296,150,141	290,684,141
On Finance Leases	47,940,000	-
Total Carrying Amount of Property, Plant & Equipment	<u>344,090,141</u>	<u>290,684,141</u>

9.14 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 60,864,383/- (2005 - Rs.8,767,568/-). Cash payments amounting to Rs. 60,864,383/- (2005 - Rs. 8,767,568/-) were made during the year for purchase of Property, Plant & Equipment.

9.15 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,273,263/- (2005 - 2,073,233/-).

Notes to the Financial Statements contd.

9.16 Change In Depreciation Rates

The useful life/depreciation rates of some of the Property, Plant & Equipment were reviewed and changed by the Directors in consultation with the Engineers. Due to these changes in estimation, and additional credit amounting to Rs. 2,674,121/- has resulted in the current year, in comparison to the depreciation charge based on previous estimate. These differences will arise in the future periods for the Property, Plant & Equipment existing as at 31 March 2006 unless they are disposed in future.

Class of Asset	Previous Estimate of Useful life	Adjusted Useful Life	Decrease in depreciation Charge 2006 Rs.	Comparative depreciation charge based on previous estimate 2005 Rs.
Office Furniture	20%	10%	(32,882)	81,264
Computer	33.33%	25%	(32,795)	189,492
Plant & Machinery	2.5% - 6.67%	1.67% - 6.67%	(2,608,444)	9,873,767
Transformers	10%	6.67%		

10. INVESTMENTS IN SUBSIDIARIES - COMPANY

Non-Quoted	Country of Incorporation	Holding 2006 %	Holding 2005 %	Cost 2006 Rs.	Cost 2005 Rs.
Vidul Energy (Pvt) Ltd.	Sri Lanka	99.99%	-	1,000,000	-
Total Non-Quoted Investments in Subsidiaries				1,000,000	-

(Directors' valuation as at 31 March 2006 is Rs.1,000,000/-)

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
11. INVENTORIES			
Raw Materials	1,433,247	-	-
Finished Goods	1,236,856	-	-
Goods in Transit	559,812	-	-
	3,229,915	-	-

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
12. TRADE AND OTHER RECEIVABLES			
Trade Debtors	14,582,739	11,229,089	4,676,843
Advances & Prepayments - Others	6,529,855	6,026,355	1,263,041
- Related Parties (12.1)	-	3,000,000	-
Grant Receivables	2,126,564	-	-
Loans given to Contractors	145,252	145,252	205,252
Loans to Company Officers (12.2)	86,785	57,485	117,485
Vat Receivable	229,533	-	-
Other Debtors	149,286	149,286	69,602
	<u>23,850,014</u>	<u>20,607,467</u>	<u>6,332,223</u>
12.1 Advances to Related Parties			
Vidul Energy (Pvt) Ltd.	-	3,000,000	-
	<u>-</u>	<u>3,000,000</u>	<u>-</u>

The above advance have been given to purchase 300,000 Ordinary Shares of Vidul Energy (Pvt) Limited which the shares has not been allotted as at 31 March 2006.

12.2 Loans to Company Officers:

Summary

Balance as at the beginning of the Year	117,485	117,485	74,500
Loans Granted During the Year	316,500	85,000	234,985
Less: Repayments	(347,200)	(145,000)	(192,000)
Balance as at the end of the Year	<u>86,785</u>	<u>57,485</u>	<u>117,485</u>

	Relationship	2006 Rs.	2005 Rs.
13. AMOUNTS DUE FROM RELATED PARTIES - COMPANY			
Vidul Energy (Pvt) Ltd.	Subsidiary Company	1,605,110	-
		<u>1,605,110</u>	<u>-</u>

Notes to the Financial Statements contd.

	Par Value Rs.	2006 Number	2005 Number
14. SHARE CAPITAL			
14.1 Authorised			
Number of Shares - Ordinary Shares	10/-	100,000,000	27,500,000
		<u>100,000,000</u>	<u>27,500,000</u>

		2006 Rs.	2005 Rs.
Nominal Value - Ordinary Shares	10/-	1,000,000,000	275,000,000
		<u>1,000,000,000</u>	<u>275,000,000</u>

	Par Value Rs.	At the Beginning of the Year 01.04.2005 Number	Issued for Cash During the Year Number	Issued for Non Cash Consideration Number	At the End of the Year 31.03.2006 Number
14.2 Issued and Fully Paid					
Number of Shares - Ordinary Shares	10/-	23,850,007	-	5,962,502	29,812,509
		<u>23,850,007</u>	<u>-</u>	<u>5,962,502</u>	<u>29,812,509</u>
		Rs.	Rs.	Rs.	Rs.
Nominal Value - Ordinary Shares	10/-	238,500,070	-	59,625,020	298,125,090
		<u>238,500,070</u>	<u>-</u>	<u>59,625,020</u>	<u>298,125,090</u>

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
15. SHARE PREMIUM			
As at the beginning of the year			
Received during the year			
Utilised for Bonus Issue	60,000,000	60,000,000	-
As at the end of the year	-	-	60,000,000
	<u>(59,625,020)</u>	<u>(59,625,020)</u>	<u>-</u>
	<u>374,980</u>	<u>374,980</u>	<u>60,000,000</u>

16. IJARA (FINANCE LEASES) AND MURABAHA (TRADE FINANCE) FACILITIES

	2006 Amount Repayable Within 1 Year Rs.	2006 Amount Repayable After 1 Year Rs.	2006 Total Rs.
16.1 Group			
Ijara Facilities/ Finance Leases (16.1.1)	6,618,969	42,161,529	48,780,498
Murabaha Facilities (16.1.2)	10,324,220	-	10,324,220
	<u>16,943,189</u>	<u>42,161,529</u>	<u>59,104,718</u>

Relationship	Parent Company As at 01.04.2005 Rs.	Facilities Obtained Rs.	Repayments Rs.	Group As at 31.03.2006 Rs.
16.1.1 Ijara Facilities/Finance Leases				
<i>a. From Related Parties</i>				
Amana Investments Limited Affiliate Company	-	47,500,000	(734,535)	46,765,465
	-	<u>47,500,000</u>	<u>(734,535)</u>	<u>46,765,465</u>
<i>b. From Others</i>				
Peoples Leasing Company Limited	-	2,222,609	(207,576)	2,015,033
	-	<u>2,222,609</u>	<u>(207,576)</u>	<u>2,015,033</u>
Gross Liability	-			71,206,035
Finance Charges on Ijara (Finance Leases)				
allocated to future periods	-			(22,238,217)
Insurance Charges Allocated to Future Period	-			(187,320)
Net Liability	<u>-</u>			<u>48,780,498</u>

Notes to the Financial Statements contd.

		Parent Company As at 01.04.2005 Rs.	Facilities Obtained Rs.	Repayments Rs.	Group As at 31.03.2006 Rs.
Relationship					
16.1.2 Murabaha Facilities (Trade Finance)					
<i>a. From Related Parties</i>					
Amana Capital Limited	Affiliate Company	-	8,129,580	-	8,129,580
		-	8,129,580	-	8,129,580
<i>b. From Others</i>					
Peoples Leasing Company Limited		-	2,194,640	-	2,194,640
		-	2,194,640	-	2,194,640
		Parent Company As at 01.04.2005 Rs.			Group As at 31.03.2006 Rs.
Gross Liability		-			11,210,985
Finance Charges on Murabaha Facilities allocated to future periods		-			(886,765)
Net Liability		-			10,324,220

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2006 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2005 Total Rs.
16.2 Company						
Ijara Facilities/ Finance						
Leases (16.2.1)	6,268,229	40,908,960	47,177,189	-	-	-
Murabaha Facilities (16.2.2)	4,195,883	-	4,195,883	-	-	-
	10,464,112	40,908,960	51,373,072	-	-	-

		As at 01.04.2005 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2006 Rs.
16.2.1 Ijara Facilities/Finance Leases					
<i>a. From Related Parties</i>					
Amana Investments Limited	Affiliate Company	-	47,500,000	734,535	46,765,465
		-	47,500,000	734,535	46,765,465
<i>b. From Others</i>					
Peoples Leasing Company Limited		-	440,000	28,276	411,724
		-	440,000	28,276	411,724
Gross Liability		-			68,786,373
Finance Charges on Ijara (Finance Leases)					
allocated to future periods		-			(21,609,184)
Net Liability		-			47,177,189

		As at 01.04.2005 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2006 Rs.
From Related Parties					
16.2.2 Murabaha (Trade Finance) Facilities					
Amana Capital Limited	Affiliate Company	-	4,195,883	-	4,195,883
		-	4,195,883	-	4,195,883
		As at 01.04.2005 Rs.			As at 31.03.2006 Rs.
Gross Liability		-			4,793,842
Finance Charges on Murabaha Facilities					
allocated to future periods		-			(597,959)
Net Liability		-			4,195,883

Notes to the Financial Statements contd.

Group/Company	Balance as at 01.04.2005 Rs.	Charge for the Year Rs.	Repayments Rs.	Balance as at 31.03.2006 Rs.
17. DEFERRED LIABILITIES				
Retirement Benefit Obligation				
- Gratuity	315,287	177,572	-	492,859

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
18. TRADE & OTHER PAYABLES			
Trade Creditors	495,277	-	
Sundry Creditors Including Accrued Expenses	8,594,025	6,381,241	2,813,031
	<u>9,089,302</u>	<u>6,381,241</u>	<u>2,813,031</u>

19. CASH AND CASH EQUIVALENTS
Components of Cash and Cash Equivalents

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
19.1 Favourable Cash & Cash Equivalents Balance			
Cash & Bank Balances	2,687,939	2,226,679	10,016,195
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<u>2,687,939</u>	<u>2,226,679</u>	<u>10,016,195</u>

20. NET ASSETS PER SHARE

20.1 Net Asset Per share is calculated by dividing the closing net assets as at the year end by the number of Ordinary Shares outstanding as at respective year ends.

20.2 The following data were taken to calculate the Net Asset Per Share.

	Group 2006 Rs.	Company 2006 Rs.	Company 2005 Rs.
Amount used as Numerator			
Closing Net Asset at the year end	<u>308,004,251</u>	<u>311,440,207</u>	<u>299,052,705</u>
	2006 Number	2006 Number	2005 Number
Number of Ordinary Shares used as Denominator			
Number of Ordinary Shares in Issue	<u>29,812,509</u>	<u>29,812,509</u>	<u>23,850,007</u>

21. COMMITMENTS & CONTINGENCIES

21.1 There are no significant commitments and contingencies as at the Balance Sheet date except following.

21.1a. The Board of Investment of Sri Lanka has the right under the agreement to withdraw the tax exemption period of 10 years and other benefits granted to Vidullanka Ltd under the BOI agreement if the investment is not increased to Rs. 500 million on or before 30 September 2006.

21.1b. The Company has total commitments amounting to Rs. 5,997,272/- given as a corporate guarantees to following Companies on behalf of Vidul Energy (Pvt) Ltd., to obtain Murabaha (Trade Finance) Facilities.

	2006 Rs.	2005 Rs
Amana Capital Limited (Affiliate Company)	3,997,272	-
Peoples Leasing Company Limited	<u>2,000,000</u>	<u>-</u>
	<u>5,997,272</u>	<u>-</u>

Notes to the Financial Statements contd.

22. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Parent Company

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included under
		2006 Rs.	2005 Rs.	
Leased Assets	Charge over Leased Assets on Finance Lease Liabilities	47,940,000	-	Property, Plant & Equipment
		47,940,000	-	
Subsidiary Company Leased Assets	Charge over Leased Assets on Finance Lease Liabilities	1,782,609	-	Property, Plant & Equipment
Computers	Murabaha Facility	350,000		Property, Plant & Equipment
Finished goods	Murabaha Facility	5,778,337	-	Inventories
		7,910,946	-	
Total carrying value of Assets Pledged		55,850,946	-	

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date except for the following events that require disclosure in financial statements.

- 23.1 On 18 April 2006, Company received the balance amount of the sale and lease back transaction which amounts to Rs. 12.5 million from Amana Investment Ltd., (As per the sale and lease back agreement with Amana Investment Ltd, the total approved amounts is Rs. 60 million, out of which Rs. 47.5 million was received during the financial year)

The proceeds will be utilized to fund the Batatota Mini Hydro Power Project (2 Mw)

23.2 The Company announced a Right Issue of 2,981,250 Ordinary Shares of Rs. 10/- each to the proportion of one (01) new Ordinary Share for every ten (10) existing shares held, at a price of Rs. 20/- per share. The Right Issue was approved by the shareholders on 3 May 2006.

The proceeds will be utilised to fund the Batatota Mini Hydro Power Project (2 Mw).

24. DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Mr. Osman Kassim is the Chairman of the Company and is also the Chairman of Vidul Energy (Pvt) Ltd., Amana Investments Ltd., Expolanka Holdings Ltd., and Amana Capital Ltd., and a Director of Amana Takaful Ltd., with which the Company has had significant transactions as detailed in Note 25.

Mr. Riyaz M. Sangani is the Chief Executive Officer/ Managing Director of the Company and is also the Director of Vidul Energy (Pvt) Ltd., Lanka Equities (Pvt) Ltd., Diamond Cutters Ltd., and Alankara SKR (Pvt) Ltd., with which the Company has had significant transactions as detailed in Note 25.

Mr. Shahid M. Sangani is a Director of the Company and is also the Managing Director of Lanka Equities (Pvt) Ltd., and Director of Vidul Energy (Pvt) Ltd and Alankara SKR (Pvt) Ltd., with which the company has had significant transactions as detailed in Note 25.

Mr. Ranjan Mather is a Director of the Company and is also a Director of Vidul Energy (Pvt) Ltd and Belmont Agents Ltd., with which the Company has had significant transaction as detailed in Note 25.

Dr. A. A. M. Haroon is a Director of the Company and is also a Director of Vidul Energy (Pvt) Ltd., Vanguard Industries (Pvt) Ltd., Lucky Industries (Pvt) Ltd., Amana Investments Ltd., Amana Takaful Ltd and Amana Capital Ltd., with which the Company had significant transactions as detailed in Note 25.

Mr. Hilal Peiris is a Director of the Company and is also a Director of Vidul Energy (Pvt) Ltd., and the Chief Executive Officer of Equity Investments Lanka Ltd., with which the Company had significant transactions as detailed in Note 25.

Notes to the Financial Statements contd.

25. RELATED PARTY TRANSACTIONS

The following are the related party transactions during the year.

Name of Company & Relationship	Nature of Transaction	2006 Rs.	2005 Rs.
Vidul Energy (Pvt) Ltd Subsidiary Company	Fund transfers	1,989,835	-
	Salary Settlement	311,940	-
	Telephone , Fax & Lease Line Expenses	43,170	-
	Advance paid to purchase Ordinary Shares	3,000,000	-
Lanka Equities (Pvt) Ltd Affiliate Company	Reimbursement Expenses paid to } Group Finance Manager	80,000	50,000
Diamond Cutters Ltd Affiliate Company	Reimbursement of of Directors Mobile	10,656	-
	Overseas Visit of CEO /MD	39,456	-
Alankara (Pvt) Ltd Affiliate Company	Settlement of a Courier Bill	-	122,900
Alankara SKR (Pvt) Ltd Affiliate Company	Reimbursement of Transportation	3,000	-
	Fund Transfer	200,000	-
Amana Investments Ltd Affiliate Company	Ijara Facilities (Gross Liability)	70,812,023	-
	Profit from Mudarabah (Income from Bank Balance)	413,793	-
Amana Capital Limited Affiliate Company	Murabaha Facilities (Trade Finance)	4,793,841	-
	Gross Liability		

Shareholder and Investor Information

Shareholder

The twenty largest shareholders as at 31st March 2006 are as follows:

Name	No. of Shares	%
1 Belmonts Agents Ltd	4,250,000	14.26
2 Wembley Spirit Ltd	3,790,000	12.71
3 Growth Lanka (Pvt) Ltd	3,640,000	12.21
4 Lanka Equities (Pvt) Ltd	2,642,375	8.86
5 Vanguard Industries (Pvt) Ltd	2,500,000	8.39
6 Amana Investments Limited	2,309,075	7.75
7 Mrs. R. Mather	1,400,000	4.70
8 Ms. Y. Kunimoto	1,312,500	4.40
9 ABC International Ltd	1,250,000	4.19
10 Equity Investments Lanka Ltd	1,250,000	4.19
11 Mr. M.S. Mohideen	850,000	2.85
12 Alchemy Heavy Metals (Pvt) Ltd	580,100	1.95
13 Ranjeet Bhanwarlal Barmecha	381,900	1.28
14 Lucky Industries (Pvt) Ltd	375,000	1.26
15 Mrs. B.R.I. Sangani	305,000	1.02
16 Elgin Investment Limited	272,900	0.92
17 Mr. R.M. Sangani	257,501	0.86
18 Mr. B.M. Fazal	245,000	0.82
19 Amana Takaful Ltd	208,875	0.70
20 Mr. F.K. Mohideen	150,000	0.50
	<hr/>	<hr/>
	27,970,226	93.82
Others	1,842,283	6.18
Total Issued Share Capital	<hr/>	<hr/>
	29,812,509	100.00

Shareholder and Investor Information contd.

Analysis of Shareholders

There were 668 shareholders as at 31st March 2006 distributed as follows:

			No. of Holders		Total Holdings		%	
			Foreign	Local	Foreign	Local	Foreign	Local
Less Than		1001 Shares	-	334	-	101,848	0.00	0.34
1001	To	5000 Shares	4	246	10,400	477,936	0.03	1.60
5001	To	10000 Shares	2	27	16,000	214,625	0.05	0.72
10001	To	50000 Shares	1	24	50,000	563,575	0.17	1.89
50001	To	100000 Shares	-	1	-	53,900	0.00	0.18
100001	To	500000 Shares	3	11	899,800	2,305,375	3.02	7.73
500001	To	1000000 Shares	-	4	-	3,430,100	0.00	11.51
	Over	1000000 Shares	2	9	4,920,000	16,768,950	16.50	56.26
TOTAL			<u>12</u>	<u>656</u>	<u>5,896,200</u>	<u>23,916,309</u>	<u>19.77</u>	<u>80.23</u>

Corporate Information

Company Status & Capital

Legal Status

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

Incorporation

24th September 1997

Authorised Capital

Rs. 1,000,000,000

Issued Capital

32,793,759 shares of Rs. 10/= amounting to Rs. 327,937,590/-

Board of Directors

Mr. Osman Kassim (*Chairman*)

Mr. Riyaz M. Sangani (*Managing Director*)

Mr. Shahid M. Sangani

Mr. Ranjan Mather

Dr A A M Haroon

Mr. Hilal Peiris

Alternate Director

Mr. Ishrat Rauff (*for Mr. Osman Kassim*)

Company Secretary

Managers & Secretaries (Pvt) Limited

Registered Office

Level 10, 'Access Tower'

No. 278 Union Place, Colombo 2.

Auditors

Ernst & Young, Chartered Accountants

Bankers

Commercial Bank of Ceylon Limited

Notes

Exploring Energy Opportunities.

VIDULLANKA
L I M I T E D



Level 10 Access Towers
278 Union Place
Colombo 2 Sri Lanka
T. +94 (011) 4760000
F. +94 (011) 4760076

www.vidullanka.com