

VIDULLANKA
LIMITED



Annual Report 2007

ALTERNATIVE
ENERGY FOR
EVERYONE

WATER. SOLAR. DENDRO. WIND



View of the Kuruganga - Batatota Plant



Alternative Energy Solutions

A decade ago, the founders of Vidullanka had a vision of harnessing Sri Lanka's abundant sources of renewable energy to deliver emission free power for the nation's development. Today, as we appreciate the public recognition and sense of urgency around global warming and all its consequences, we find our vision validated more than ever, as Sri Lanka continues its search for affordable energy to support its economic growth.

While actively expanding our core competence of developing small scale hydro-electricity plants in the rainfall catchment areas of the central hills, Vidullanka has also commenced feasibility studies on various alternative sources of clean and renewable energy such as paddy husk, biomass and wind energy.

Comfortable assumptions about the energy and environment equation are changing rapidly. We are confident that this change offers significant long term opportunities for Vidullanka to create value for our shareholders and solutions for our stakeholders.

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About Us

Vidullanka Ltd - Hydro Projects

Vidullanka Ltd was incorporated in 1997 to construct and operate a mini-hydroelectric power project. The company is a BOI approved company formed under section 17. The First plant of the company the 'Bambarabatuoya Mini hydropower Project', as it is called, is located in the Ratnapura district of Sri Lanka. It currently contributes 3.2 megawatts of electricity to the national grid. The company has signed a 15-year power purchase agreement with the Ceylon Electricity Board.



Intake and weir 'Flow diversion' - Batatota Plant

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The second plant the 'Batatota Small Hydro Power Project' was connected to the national grid in February 2007. It currently contributes 2.0 megawatts of electricity to the national grid and is located in Kuruwita, in the Ratnapura district of Sri Lanka. The company has signed a 15-year power purchase agreement with the Ceylon Electricity Board.

In total, the Company generates 20 gigawatt hours at present and is actively researching other potential hydropower projects for the future.



Spillway at forebay tank - Batatota Plant

The Batatota Mini Hydro-Power Plant Project

This power plant commenced construction in end October 2005 and was grid connected in February 2007. The plant is situated in the scenic Batatota area Erathne Kuruwita, which is in the Sabragamuwa District. It is a region that generally enjoys high rainfall. The plant type is a 'Run-of-the-River' and utilises the Kuru Ganga as its water source. The machines will collectively produce 2.0 megawatts of hydroelectric power, which will be sold only to the Ceylon Electricity Board (CEB) governed by a 15 year Standard Power Purchase Agreement. The CEB



A section of the Head Race Channel - Batatota Plant

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in turn, will divert the energy supplies to its customers island wide.

The plant infrastructure is sited on a total land extent of approximately 1.64 Ha, and the construction consists of a Flow diversion weir, Headrace channel, Forebay tank, Powerhouse and a Tailrace channel. The plant & machinery installed at the powerhouse are a combination of European & Chinese origin.



Step-up Transformers - switchyard - Batatota Plant

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting of shareholders of the Company will be held on 15th October 2007 at the Galadari Hotel, Colombo at 2.30 pm for the following purposes:

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31st March 2007 together with the Reports of the Auditors and Directors thereon.
2. To re-elect Mr. Sathiendra Ranjan Mather as a Director of the Company, who retires by rotation.
3. To re-elect Dr.Aboobacker Admani Mohamed Haroon as a Director of the Company, who retires by rotation.
4. To elect Mr. Mohamed Zulficar Mohamed Ghouse, who was appointed as a Director of the Company subsequent to the last Annual General Meeting.
5. To re-appoint the retiring auditors M/s. Ernst & Young, Chartered Accountants for the ensuing year and authorize directors to determine their remuneration.

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By Order of the Board

MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries

13th September, 2007

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

I welcome you to the 11th Annual General Meeting of Vidullanka Ltd and present to you the Annual Report and the Audited Financial statements for the financial year ended 31st March 2007. I am honoured to be here on this occasion, as the Company celebrates its 10th year anniversary.

The results for the year under review were satisfactory, even though the pre-tax profits came in lower than the previous year. During the year, our second plant the 'Batatota Small Hydro Power Project', was connected

would be undertaken through strategic partnerships.

The group turnover for FY 2006/2007 increased by 69.97% to Rs. 130.62 million. However, the group pre-tax profits reflected a 32.75% decrease to record Rs. 26.13 million. The primary reasons for the decrease are the lower generation of approximately 9.88 gigawatt hours reported by the pioneering project of Vidullanka, in comparison to the previous year's generation of 12.54 gigawatt hours and an increase in the administrative

are few of the community development projects undertaken by the Company.

Mr. Ishrat Rauff who served as an alternate Director to the Chairman Mr. Osman Kassim since 05th December 2003, resigned from the Board on 28th February 2007. We thank him for his invaluable contribution and wish him all the best. Mr. Zulficar Ghouse joined the Board on 01st March 2007 and will be serving as a Non-Executive Independent Director. He will also chair the Audit Committee.

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to the National Grid. The plant, which is located in Kuruwita in the Ratnapura district, will contribute 2.0 megawatts of electricity to the Grid. The company has signed a 15-year power purchase agreement with the Ceylon Electricity Board (CEB) which guarantees the purchase of electricity over this period.

In total, the Company generates 20 gigawatt hours at present and is actively researching other potential hydropower projects for the future. As part of our renewable energy generation expansion program, the Company has already commenced studies on Dendro, Wind, Paddy Husk and Bio-diesel which

expenses for the Batatota project.

The Company continues its corporate responsibilities towards the society by providing the impetus for communities to empower themselves to attain better live hoods and lifestyles. Some of the activities involved in during the review period were the construction of several access roads in the vicinity of the plant, refurbishing a suspension bridge, renovating and painting of two school buildings. A significant contribution was also made in rural electrification, where the Company funded a grid connection line from the CEB, which would provide electricity for approximately 35 households. These

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 towards the Company.



Osman Kassim

Chairman

13th September, 2007

Vidullanka Operations



Maintenance of Turbines - Power House - Batatota Plant

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Maintenance of HT Breakers - Batatota Plant



Control Panels - Batatota Plant

Corporate Social Responsibility

Community

The Company continues its Corporate responsibilities towards the society by providing the impetus for communities to empower themselves to attain better live hoods and lifestyles.

One key area that received the Company attention and funding has been in providing infrastructure facilities to the villages. Some of the activities involved in during the review period were construction of several access roads surrounding the plant, complete refurbishment of a suspension bridge using steel, renovation of two school

buildings with the outer walls painted while the class rooms were tagged and fixed with respective name boards. A significant contribution was made by the Company on Rural electrification, where the Company funded a power distribution line from the CEB to provide electricity for approximately 35 households, which is amongst other community development projects undertaken by the Company.

Our People

Vidul's HR strategies are focused and driven towards training and development, increasing employee

satisfaction by way of compensation, rewards, recognition challenge and exposure. As an equal opportunity employer, the company has provided employment opportunities to a wide range of individuals from various disciplines, irrespective of caste, creed and religion.

The staff strength grew by 12 % and maintained a zero labour turnover during this financial year .The company recognized all employees who have completed 5 years of service and employees who have been with the company from inception.

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Rural electrification project



Refurbishment of a suspension bridge



Construction of Access Roads

Corporate Governance

The Board comprises of seven Directors, of which six are Non-executive Directors while the Executive Director serves the company as its Managing Director / Chief Executive. The Board of Directors is drawn from a wide spectrum of industries and their expertise in these varied sectors has contributed immensely in the making of more effective and informed Board decisions. The roles of the Chairman and Chief Executive Officer have a clear distinction of responsibilities between them, which ensures the balance of power and authority

could materially interfere in his judgment.

In order to focus the attention of the Company on various critical aspects of its operations, the Board has formed various sub-committees dealing respectively in the areas of Audit, Remuneration and Investment.

1. Audit Committee

The Audit committee consists of two members and is chaired by the Independent Non-executive director. The Chief Executive Officer and other

with the Managing Director attending by invitation. The committee determines the remuneration of the senior management and also ensures that the remuneration of other employees are commensurate with industry standards. The Committee also considers and recommends to the Board, the remuneration of the Managing Director and any revisions thereto.

3. Investment Committee

The Investment committee comprises of three Non-Executive directors and

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between the running of the Board, and the executive responsibilities associated with the Company's day-to-day affairs. Two Directors retire annually as required by the Articles of Association and are eligible for re-election. The Board meets every two months and, for the year under review, the Board has met a total of six times. The Secretarial function of the Company is outsourced to a qualified and reputed company providing such services.

The Non-executive Director, Mr. Zulficar Ghouse, is independent of the management and free from any business or other relationship, which

senior managers attend the meeting by invitation. The Audit committee meets quarterly and is empowered to perform the following functions. It also reports directly to the Board.

- Design and implement appropriate and effective internal controls
- Liaise with internal and external auditors
- Ensure compliance with Regulations

2. Remuneration Committee

The Remuneration committee comprises of three Non-Executive directors, headed by the Chairman,

the Managing Director. The main task of the committee is to manage its asset portfolio. The committee recommends investment strategies that will enhance creation of wealth to the shareholders.

Directors' Report

The Directors are pleased to submit their Report together with the Auditors Report and Financial Statements for the year ended 31st March 2007 to be presented at the 11th 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

Directorate

The shares held by the Directors as at 31st March 2007 are as follows:-

Ordinary Shares of Rs. 10/- each.

	31.03.2007	31.03.2006
Mr. Osman Kassim	-	-
Mr. Riyaz M Sangani	283,251	257,501
Mr. Shahid M Sangani	5,721	5,201
Mr. Ranjan Mather	-	-
Dr. A. A. M. Haroon	-	-
Mr. Hilal Peiris	-	-
Mr. Zulficar Ghouse	-	-

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Company is to assemble and install Solar Home systems in rural areas of Srilanka .

Directors' Interests in Shares/

Contracts

Directors' Interest in contracts both direct and indirect are disclosed in note 23 to the Financial Statements.

Results and Appropriations

Rs '000	Year ended 31.03.2007	Year ended 31.03.2006 <i>(Restated)</i>
Net Profit /(Loss) for the year	25,982	39,235
Add : Accumulated profit/(loss) brought forward	9,975	552
	<u>35,957</u>	<u>39,787</u>
Appropriations		
Dividends Paid (full & final)	-	(29,812)
Accumulated Profit/(Loss) carried forward	<u>35,957</u>	<u>9,975</u>

Directors' Report contd.

Dividends

The Board does not recommend the payment of a dividend for year under review.

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

There have been no material events

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occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

Shareholdings

As at 31st March 2007 were 699 shareholders. The relevant shareholder and investor information is disclosed on pages 41-42.

By order of the Board

Managers & Secretaries (Pvt) Ltd

Secretaries

13th September, 2007

Financial Information

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Auditor's Report

DKH/HWN/JJ

■ **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 2007, 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 2007 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 2007 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 2007 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 2007 except as stated in Note 23 to these financial statements.

Colombo
13th September 2007

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

Income Statement

<i>Year ended 31 March 2007</i>	Note	Group		Company	
		2007 <i>Rs.</i>	2006 <i>Rs.</i> <i>(Restated)</i>	2007 <i>Rs.</i>	2006 <i>Rs.</i>
Revenue	3	130,627,223	76,849,258	57,383,088	69,233,454
Cost of Sales		(61,747,321)	(17,257,647)	(12,960,387)	(12,482,508)
Gross Profit		68,879,902	59,591,611	44,422,701	56,750,946
Other Income	4	1,620,257	541,257	765,712	499,508
Administrative Expenses		(33,652,771)	(18,427,372)	(17,554,803)	(14,950,292)
Selling & Distribution Expenses		(6,836,486)	(631,695)	-	-
Pre - Operational Expenses		-	(1,999,166)	-	-
Finance Expenses	6	(3,877,629)	(210,429)	(1,121,406)	-
Profit Before Tax	5	26,133,272	38,864,206	26,512,204	42,300,162
Income Tax Expense	7	(150,815)	370,877	(60,746)	(100,152)
Profit for the Year		<u>25,982,457</u>	<u>39,235,083</u>	<u>26,451,458</u>	<u>42,200,010</u>
Earnings Per Share - Basic	8	0.80	1.30	-	-
Dividend Per Share		-	1.00	-	1.00

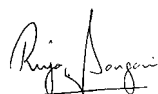
The accounting policies and notes on pages 18 to 23 form an integral part of the financial statements.

Colombo,
13 September 2007

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Balance Sheet

As at 31 March 2007	Note	Group 2007 Rs.	Group 2006 Rs. (Restated)	Company 2007 Rs.	Company 2006 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	9	554,721,537	346,765,330	551,761,387	344,090,141
Investments in Subsidiary	10	-	-	4,000,000	1,000,000
Deferred Tax	7	445,936	471,029	-	-
		<u>555,167,473</u>	<u>347,236,359</u>	<u>555,761,387</u>	<u>345,090,141</u>
Current Assets					
Inventories	11	19,216,650	3,229,915	-	-
Trade and Other Receivables	12	46,600,625	23,850,014	23,041,671	22,212,577
Income Tax Recoverable		-	157,982	-	157,982
Cash and Bank Balances		2,354,018	2,687,939	1,374,533	2,226,679
		<u>68,171,293</u>	<u>29,925,850</u>	<u>24,416,204</u>	<u>24,597,238</u>
Total Assets		<u>623,338,766</u>	<u>377,162,209</u>	<u>580,177,591</u>	<u>369,687,379</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share Capital	13	327,937,590	298,125,090	327,937,590	298,125,090
Share Premium	14	30,187,480	374,980	30,187,480	374,980
Retaining Earnings		35,957,667	9,975,210	39,391,595	12,940,137
Total Equity		<u>394,082,737</u>	<u>308,475,280</u>	<u>397,516,665</u>	<u>311,440,207</u>
Non-Current Liabilities					
Ijara (Finance Leases) and Murabaha (Trade Finance) Facilities	15	92,307,035	42,161,529	61,500,540	40,908,960
Defined Benefit Liability	16	1,117,910	492,859	950,159	492,859
		<u>93,424,945</u>	<u>42,654,388</u>	<u>62,450,699</u>	<u>41,401,819</u>
Current Liabilities					
Other Payables	17	36,833,233	9,089,352	22,217,959	6,381,241
Current Portion Of Ijara (Finance Leases), Murabaha (Trade Finance) & Mudarabaha Investment Facilities	15	98,997,851	16,943,189	97,992,268	10,464,112
		<u>135,831,084</u>	<u>26,032,541</u>	<u>120,210,227</u>	<u>16,845,353</u>
Total Equity and Liabilities		<u>623,338,766</u>	<u>377,162,209</u>	<u>580,177,591</u>	<u>369,687,379</u>

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



Riyaz M. Sangani
Director



M. Zulficar Ghouse
Director

The accounting policies and notes on pages 18 to 23 form an integral part of the financial statements.

Colombo,
13 September 2007

Statement of Changes in Equity

Year ended 31 March 2007

GROUP	Share Capital <i>Rs.</i>	Share Premium <i>Rs.</i>	Accumulated Profit <i>Rs.</i>	Total <i>Rs.</i>
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	-	-	39,235,083	39,235,083
Dividends			(29,812,508)	(29,812,508)
Balance as at 31 March 2006	298,125,090	374,980	9,975,210	308,475,280
Shares issued during the year - For Cash	29,812,500	29,812,500	-	59,625,000
Profit for the year	-	-	25,982,457	25,982,457
Dividends	-	-	-	-
Balance as at 31 March 2007	<u>327,937,590</u>	<u>30,187,480</u>	<u>35,957,667</u>	<u>394,082,737</u>

COMPANY	Share Capital <i>Rs.</i>	Share Premium <i>Rs.</i>	Accumulated Profit <i>Rs.</i>	Total <i>Rs.</i>
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	298,125,090	374,980	12,940,137	311,440,207
Shares issued during the year - For Cash	29,812,500	29,812,500	-	59,625,000
Profit for the year	-	-	26,451,458	26,451,458
Balance as at 31 March 2007	<u>327,937,590</u>	<u>30,187,480</u>	<u>39,391,595</u>	<u>397,516,665</u>

The accounting policies and notes on pages 18 to 23 form an integral part of the financial statements.

Colombo,
13 September 2007

Cash Flow Statement

Year ended 31 March 2007	Note	Group		Company	
		2007 Rs.	2006 Rs. (Restated)	2007 Rs.	2006 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit from Ordinary Activities Before Tax		26,133,272	38,864,206	26,512,204	42,300,162
Adjustments for	-	-	-	-	-
Depreciation	5	9,741,186	7,725,918	9,071,785	7,544,855
Loss/(Profit) on Disposal of					
Property, Plant & Equipment	5	(303,522)	128,356	(303,522)	128,356
Provision for Retiring Gratuity	5	625,051	177,572	457,301	177,572
Property, Plant & Equipment Written Off		-	225,172	-	225,172
Finance Costs	6	3,877,629	210,429	1,121,406	-
Operating Profit Before Working Capital Changes		40,073,617	47,331,653	36,859,174	50,376,117
(Increase)/Decrease in Inventories		(15,986,735)	(3,229,915)	-	-
(Increase)/Decrease in Trade & Other Receivables		(19,325,203)	(17,517,790)	(829,093)	(15,880,353)
Increase/(Decrease) in Other Payables		27,265,264	6,276,270	15,848,432	3,568,209
Decrease in Income Tax Recoverable		157,982	-	157,982	-
Cash Generated from Operations		32,184,924	32,860,218	52,036,495	38,063,973
Finance Costs	6	(3,877,629)	(210,429)	(1,121,406)	-
Income Tax Paid	7	-	(339,669)	-	(339,669)
Net Cash From Operating Activities		28,307,295	32,310,120	50,915,089	37,724,304
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant & Equipment	9.7	(159,603,816)	(61,937,976)	(158,954,430)	(60,864,383)
Proceeds from Sale of Property, Plant & Equipment		12,500,000	47,500,000	12,500,000	47,500,000
Investment in Subsidiary		(3,000,000)	-	(3,000,000)	(1,000,000)
Net Cash Flows Used in Investing Activities		(150,103,816)	(14,437,976)	(149,454,430)	(14,364,383)
Cash Flows from/(Used in) Financing Activities					
Dividend Paid		-	(34,582,509)	-	(34,582,509)
Issue of Shares		59,625,000	-	59,625,000	-
Principal Payment Under					
Ijara Facilities/(Finance Leases)	15.1	(8,690,722)	(942,111)	(8,343,444)	(762,811)
Principal Payment Under					
Murabaha Facilities/(Trade Finance)	15.2	(11,529,691)	-	(1,743,099)	-
Proceeds from Murabaha (Trade Finance)					
Facilities & Mudarabaha Investment Facilities	15.2	82,058,015	10,324,220	48,148,739	4,195,883
Net Cash Flows Used in Financing Activities		121,462,602	(25,200,400)	97,687,196	(31,149,437)
Net Increase/(Decrease) in Cash & Cash Equivalents		(333,919)	(7,328,256)	(852,146)	(7,789,516)
Cash & Cash Equivalents at the beginning of the year	18	2,687,939	10,016,195	2,226,679	10,016,195
Cash & Cash Equivalents at the end of the year	18	2,354,018	2,687,939	1,374,533	2,226,679

The accounting policies and notes on pages 18 to 23 form an integral part of the financial statements.

Colombo,
13 September 2007

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Vidullanka Limited (“Company”) is a public quoted Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Level 10, Access Towers, No.278, Union Place, Colombo 02 and the principal place of business is situated at Bambarabatuoya, Rathnapura and Batatota, Kuruwita.

Subsidiary Company

Vidul Energy (Pvt) Ltd

The Fully Owned Subsidiary, Vidul Energy (Pvt) Limited was Incorporated on 27th September 2005 under the Companies Act. 17 of 1982. The registered office of the subsidiary is located at Level 10, Access Tower, No, 278, Union Place, Colombo 02.

1.2 Principal Activities and Nature of Operations

Company

The principal activities of the company are to produce electrical energy and transmit to feed the national grid. For this purpose the company has constructed Two Hydro power plants at Bambarabatuoya Rathnapura and Batatota Kuruwita. The Bambarabatuoya Mini Hydro power plant commenced its operation during June 2001 and the Batatota Mini Hydro power plant commenced its operation during February 2007.

Subsidiary

The Principal Activities of the Vidul

Energy (Pvt) Limited are to assemble and install Solar systems in Sri Lanka.

1.3 Date of Authorization for Issue

The Financial Statements of Vidullanka Limited and Vidul Energy (Pvt) Limited, for the year ended 31 March 2007 were authorized for issue in accordance with a resolution of the Board of Directors on 13 September 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

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.

2.1.1 Basis Of Preparation

The financial statements, presented in Sri Lanka Rupees, have been prepared on a historical cost basis.

2.1.2 Principles of Consolidation

The Financial Statement 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 profit 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 include in the Consolidation are shown in the Consolidation Balance sheet.

2.1.3 Statement of compliance

The Balance Sheet, Statements of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes, (“Financial Statements”) i.e. Consolidated Financial Statements and separate financial Statements of the company as at 31st March 2007 and for the year then ended been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.4 Comparative Information

The accounting policies have been consistently applied by the Company and, except for the changes in Accounting Policies discussed more fully in 2.1.5 are consistent with those used in the previous year.

2.1.5 Changes in Accounting Policies

The Accounting Policies adopted are consistent with those of previous year except as required by the new/revised Standards mandatory to be adopted in the current financial year. The Company has adopted the following revised/new standards during the year

- SLAS 3 - Presentation of Financial Statement (Revised 2005)
- SLAS 10 - Accounting policies, changes in Accounting Estimates and errors (Revised 2005)

- SLAS 12 - Events after the Balance Sheet Date (Revised 2005)
- SLAS 14 - Income Taxes (Revised 2005)
- SLAS 18 - Property Plant & Equipments (Revised 2005)
- SLAS 19 - Leases (Revised 2005)
- SLAS 21 - The Effect of changes in Foreign Exchange Rates (Revised 2005)
- SLAS 25 - Business Combination (Revised 2005)
- SLAS 26 - Consolidated and Separate Financial Statements (Revised 2005)
- SLAS 30 - Related Party Disclosures (Revised 2005)
- SLAS 34 - Earning Per Share (Revised 2005)
- SLAS 41 - Impairment of Assets

The principle effect of these changes are discussed below and in Note 7 as well.

SLAS 14 – Income Taxes (Revised 2005)

The Company adopted SLAS 14 – Income Taxes during the year. Under the revised SLAS 14 the Company uses balance sheet liability method, focusing on temporary differences. The original SLAS 14 permitted an entity not to recognize deferred tax assets and liabilities where there was reasonable evidence that timing differences would not reverse for some considerable period ahead. SLAS 14 (Revised) requires an entity to recognize a deferred tax liability or

(subject to certain conditions) assets for all temporary differences, with certain exceptions. Accordingly, Company now recognize deferred tax assets when it is probable that taxable profits will be available against which the deferred tax assets can be utilized.

2.1.6 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling 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 balance sheet 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.

2.1.7 Taxation

Current Taxes

Company

Pursuant to agreement dated 1st October 1998 entered into with 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 for 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.

Subsidiary

Current income tax assets and liabilities for the 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 laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet 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.

Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet 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

Notes to the Financial Statements contd.

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 balance sheet 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 balance sheet date.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

2.1.8 Borrowing Costs

Borrowing costs are recognized 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 or sale, are capitalized 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 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 cost incurred in bringing inventories to its present location and conditions are 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.

Good 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 allowances for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognized at cost less allowances for bad and doubtful receivables.

2.2.3 Cash and Cash Equivalents

Cash and cash equivalents are 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 and Valuation

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

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating

to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect

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 installments.

Office Furniture	10 Years
Office Equipment	05 Years
Plant & Machinery	05 - 60 Years
Computer & Computer Equipments	03 - 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 management.

2.2.5 Leases –Company as a Lessee

Property, Plant and Equipments on finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at

the present value of the minimum lease payments. 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. Finance charges are charged reflected in the income statement.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. the depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in 2.2.4.

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

2.2.6 Impairment of Assets

The Company 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 Company 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 an individual asset, unless the asset does not generate cash

inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the

estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3 Liabilities and Provisions

2.3.1 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 relevant statute. 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 net of any payments made, 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.

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.

2.3.2 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 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.

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 the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

b) Others

Other income is recognized on an accrual basis.

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

2.4.2 Expenditure Recognition

a) Expenses are recognize 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 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) For the purpose of presentation of Income Statement the Directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

c) Finance expense are recognized in the income statement on an accrual basis.

Notes to the Financial Statements contd.

Year ended 31 March 2007

	Group		Company	
	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
3. REVENUE				
3.1 Summary				
Revenue	130,627,223	76,849,258	57,383,088	69,233,454
	<u>130,627,223</u>	<u>76,849,258</u>	<u>57,383,088</u>	<u>69,233,454</u>
4. OTHER INCOME & GAINS				
Profit from Mudarabah (Income from Investment)	397,408	413,793	397,408	413,793
Revenue from other Energy Projects/ Extra Sales	564,131	108,485	-	85,300
Amana Takaful Surplus	3,559	415	3,559	415
Profit on Disposal of Property, Plant & Equipment	364,745	-	364,745	-
Exchange Gain	290,414	18,564	-	-
	<u>1,620,257</u>	<u>541,257</u>	<u>765,712</u>	<u>499,508</u>
5. PROFIT BEFORE TAX				
Stated after Charging/(Crediting)				
CEO/Managing Director's Emolument	2,438,671	2,692,272	2,438,671	2,692,272
Auditors' Remuneration (Fee & Expenses)	253,557	209,996	193,557	209,996
Depreciation	9,741,186	7,725,918	9,071,785	7,544,855
Staff Costs (Include the following				
Retirement Benefit Costs)	16,877,805	10,062,540	8,205,831	6,849,734
Defined Benefit Plan Costs - Gratuity	625,051	177,572	457,301	177,572
Defined Contribution Plan Costs - EPF and ETF	1,908,257	1,123,045	1,048,851	806,716
Sales Commission	3,332,777	163,082	-	163,082
Write off of Property, Plant & Equipment	-	225,172	-	225,172
Loss/(Profit) on Disposal of				
Property, Plant & Equipment	(303,522)	128,356	(303,522)	128,356
	<u></u>	<u></u>	<u></u>	<u></u>
6 FINANCE EXPENSES				
Finance Cost : (Lease Markup on				
Ijara /Murabaha Facilities)	3,877,629	210,429	1,121,406	-
	<u>3,877,629</u>	<u>210,429</u>	<u>1,121,406</u>	<u>-</u>

Year ended 31 March 2007	Group		Company	
	2007	2006 (Restated)	2007	2006
7. INCOME TAX				
GROUP				
The major components of income tax expense for the year ended 31 March are as follows:				
Income Statement				
Current Income Tax		-		
Current Income Tax Charge	125,722	100,152	60,746	100,152
Deferred Tax				
Deferred Taxation Charge/(Reversal) (7.1)	25,093	(471,029)		
	<u>150,815</u>	<u>(370,877)</u>	<u>60,746</u>	<u>100,152</u>
	2007	2006	2007	2006
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Income Tax expense reported in the income statement	124,478	99,902	60,145	99,902
Social Responsibility Levy 1 %	1,244	250	601	250
	<u>125,722</u>	<u>100,152</u>	<u>60,746</u>	<u>100,152</u>

7.1 A reconciliation between tax expense and the accounting profits multiplied by Statutory tax rate is as follows

Accounting Profit before Income/(Loss) Tax	26,133,272	38,864,206	26,512,204	42,300,162
At the statutory income tax rate of 15% (2006 : 20 %)	3,919,990	7,772,841	3,976,830	8,460,032
Tax effect of Disallowed expenses	4,892,398	5,702,722	4,745,489	5,486,560
Tax effect of Income exempt from tax	(8,662,174)	(13,846,691)	(8,662,174)	(13,846,691)
At the effective income tax rate of 0.5%	149,571	(371,128)	60,145	99,902
Social Responsibility Levy 1%	1,244	250	601	250
	<u>150,815</u>	<u>(370,877)</u>	<u>60,746</u>	<u>100,152</u>

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

	GROUP			
	Balance sheet		Income Statement	
	2007	2006	2007	2006
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Deferred Tax liability				
Capital allowances for tax purposes	45,788	30,173	(15,615)	(30,173)
	<u>45,788</u>	<u>30,173</u>	<u>(15,615)</u>	<u>(30,173)</u>

Notes to the Financial Statements contd.

	GROUP			
	Balance sheet		Income Statement	
	2007	2006	2007	2006
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Deferred Tax Assets				
Deferred Benefit Plans	25,163	-	25,163	-
Tax Loss Carried Forward	466,561	501,202	(34,641)	501,202
	<u>491,724</u>	<u>501,202</u>	<u>(9,478)</u>	<u>501,202</u>
Deferred income tax income /(expense)			(25,093)	471,029
Net Deferred Tax Liability	<u>445,936</u>	<u>471,029</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

	Group	
	2007	2006
	<i>Rs.</i>	<i>Rs.</i>
Amounts Used as Numerator		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	<u>26,133,272</u>	<u>38,864,206</u>
	2007	2006
		<i>Number</i>
Number of Ordinary Shares Used as Denominator		
Weighted Average Number of Ordinary Shares in Issue	<u>32,793,759</u>	<u>29,812,509</u>

9. PROPERTY, PLANT & EQUIPMENT**9.1 Gross Carrying Amounts**

GROUP	Balance	Additions/	Disposals/	Balance
	As at	Transfers/	Transfers	As at
	01.04.2006	Acquisitions	Rs.	31.03.2007
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
At Cost				
Land	17,848,425	4,295,750	-	22,144,175
Office Furniture	974,653	2,101,553	173,072	2,903,134
Office Equipments	235,104	125,275	-	360,379
Computers and Computer Equipment	2,319,377	476,793	93,900	2,702,270
Plant & Machinery	255,938,780	253,007,627	16,687,915	492,258,492
Motor Vehicle	96,800	96,800	-	193,600
	<u>277,413,139</u>	<u>260,103,798</u>	<u>16,954,887</u>	<u>520,562,050</u>

GROUP	Balance As at 01.04.2006 <i>Rs.</i>	Additions/ Transfers/ Acquisitions <i>Rs.</i>	Disposals/ Transfers <i>Rs.</i>	Balance As at 31.03.2007 <i>Rs.</i>
9.2 On Finance Lease				
Plant & Machinery	47,940,000	13,244,940	-	61,184,940
Motor Vehicle	1,782,609	4,900,396	-	6,683,005
	<u>49,722,609</u>	<u>18,145,336</u>	<u>-</u>	<u>67,867,945</u>
Total Value of Depreciable Assets	<u>327,135,748</u>	<u>278,249,134</u>	<u>16,954,887</u>	<u>588,429,995</u>
9.3 In the Course of Construction				
Capital work in Progress - Batatota Project	48,720,122	-	48,720,122	-
Capital work in Progress - Other Projects	1,900,379	714,424	-	2,614,803
	<u>50,620,501</u>	<u>714,424</u>	<u>48,720,122</u>	<u>2,614,803</u>
Total Gross Carrying Value	<u>377,756,249</u>	<u>278,963,558</u>	<u>65,675,009</u>	<u>591,044,798</u>
	Balance As At 01.04.2006 <i>Rs.</i>	Charge for the year/ Transfers <i>Rs.</i>	Disposals/ Transfers <i>Rs.</i>	Balance As at 31.03.2007 <i>Rs.</i>
9.4 Depreciation				
At Cost				
Office Furniture	145,838	172,101	115,985	201,954
Office Equipments	71,411	49,428	20,400	100,439
Computers and Computer Equipment	674,410	555,319	-	1,229,729
Plant and Machinery	29,950,760	5,442,291	4,272,509	31,120,542
Motor Vehicle	-	37,107	-	37,107
	<u>30,842,419</u>	<u>6,256,246</u>	<u>4,408,894</u>	<u>32,689,771</u>
9.5 On Finance Lease				
Plant & Machinery	-	2,434,344	-	2,434,344
Motor Vehicle	148,500	1,050,596	-	1,199,096
	<u>148,500</u>	<u>3,484,940</u>	<u>-</u>	<u>3,633,440</u>
Total Depreciation	<u>30,990,919</u>	<u>9,741,186</u>	<u>4,408,894</u>	<u>36,323,211</u>

Notes to the Financial Statements contd.

	2006 Rs.	2007 Rs.
9.6 Net Book Values		
At Cost		
Freehold Land	17,848,425	22,144,175
Office Furniture and Fittings	828,815	2,701,180
Office Equipment	163,783	259,940
Computers & Computer Equipments	1,644,967	1,472,541
Plant and Machinery	225,988,020	461,137,950
Motor Vehicles	96,800	156,493
	<u>246,570,810</u>	<u>487,872,279</u>
On Finance Lease		
Plant and Machinery	47,940,000	58,750,596
Motor Vehicles	1,634,019	5,483,859
	<u>49,574,019</u>	<u>64,234,455</u>
In the Course of Construction		
Capital Work-in-Progress - Batatota Project	48,720,122	-
Capital Work-in-Progress -Other Projects	1,900,379	2,614,803
	<u>50,620,501</u>	<u>2,614,803</u>
Total Carrying Amount of Property, Plant & Equipment	<u>346,765,330</u>	<u>554,721,537</u>

9.7 During the financial year, the group acquired Property, Plant and Equipment to the aggregate value of Rs. 230,243,436/- (2006 - Rs.61,937,976/-) of which Rs. 70,957,935/- (2006 -Rs. 49,722,609/-) was acquired by means of finance leases and Extended Murabaha. Cash payments amounting to Rs. 159,285,501/- (2006 - Rs. 61,937,976 /-) 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. 2,472,280/- (2006- 2,273,263/-)

COMPANY	Balance As at 01.04.2006 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2007 Rs.
9.9 Gross Carrying Amounts				
At Cost				
Land	17,848,425	4,295,750	-	22,144,175
Office Furniture	662,083	1,806,492	173,072	2,295,503
Office Equipments	82,271	8,000	-	90,271
Computers and Computer Equipment	1,711,187	245,243	93,900	1,862,530
Plant & Machinery	255,938,780	253,007,627	16,687,915	492,258,492
Motor Vehicle	96,800	96,800	-	193,600
	<u>276,339,546</u>	<u>259,459,912</u>	<u>16,954,887</u>	<u>518,844,571</u>
9.10 On Finance Lease				
Plant & Machinery	47,940,000	13,244,940	-	61,184,940
Motor Vehicle	-	4,589,870	-	4,589,870
	<u>47,940,000</u>	<u>17,834,810</u>	<u>-</u>	<u>65,774,810</u>
Total Value of Depreciable Assets	<u>324,279,546</u>	<u>277,294,722</u>	<u>16,954,887</u>	<u>584,619,381</u>
9.11 In the Course of Construction				
Capital work in Progress - Batatota Project	48,720,122	-	48,720,122	-
Capital work in Progress - Other Projects	1,900,379	714,424	-	2,614,803
	<u>50,620,501</u>	<u>714,424</u>	<u>48,720,122</u>	<u>2,614,803</u>
Total Gross Carrying Value	<u>374,900,047</u>	<u>278,009,146</u>	<u>65,675,009</u>	<u>587,234,184</u>
	Balance As At 01.04.2006 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2007 Rs.
9.12 Depreciation				
At Cost				
Office Furniture	135,505	127,196	115,985	146,716
Office Equipments	64,031	5,248	20,400	48,879
Computers and Computer Equipment	659,610	383,279	-	1,042,889
Plant and Machinery	29,950,760	5,442,291	4,272,509	31,120,542
Motor Vehicle	-	37,107	-	37,107
	<u>30,809,906</u>	<u>5,995,121</u>	<u>4,408,894</u>	<u>32,396,133</u>

Notes to the Financial Statements contd.

	Balance As At 01.04.2006 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2007 Rs.
9.13 On Finance Lease				
Plant & Machinery	-	2,434,344	-	2,434,344
Motor Vehicle	-	642,320	-	642,320
	-	3,076,664	-	3,076,664
Total Depreciation	<u>30,809,906</u>	<u>9,071,785</u>	<u>4,408,894</u>	<u>35,472,797</u>

	2006 Rs.	2007 Rs.
9.14 Net Book Values		
At Cost		
Freehold Land	17,848,425	22,144,175
Office Furniture and Fittings	526,578	2,148,787
Office Equipment	18,240	41,392
Computers & Computer Equipments	1,051,577	819,641
Plant and Machinery	225,988,020	461,137,950
Motor Vehicles	96,800	156,493
	<u>245,529,640</u>	<u>486,448,438</u>
On Finance Lease		
Plant and Machinery	47,940,000	58,750,596
Motor Vehicles		3,947,550
	<u>47,940,000</u>	<u>62,698,146</u>
In the Course of Construction		
Capital Work-in-Progress - Batatota Project	48,720,122	-
Capital Work-in-Progress -Other Projects	1,900,379	2,614,803
	<u>50,620,501</u>	<u>2,614,803</u>
Total Carrying Amount of Property, Plant & Equipment	<u>344,090,141</u>	<u>551,761,387</u>

9.15 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 229,289,024/- (2006 - Rs. 60,864,383/-) of which Rs. 70,647,409/- (2006 -Rs. 47,940,000/-) was acquired by means of finance leases and Extended Murabaha. Cash payments amounting to Rs. 158,641,615/- (2006 - Rs. 60,864,383/-) were made during the year for purchase of Property, Plant & Equipment.

9.16 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,472,280/- (2006 - 2,273,263/-)

10. INVESTMENTS IN SUBSIDIARIES

Non-Quoted	Country of Incorporation	2007 %	2006 %	2007 Rs.	2006 Rs.
Vidul Energy (Pvt) Ltd.	Sri Lanka	99.99%	99.99%		
At the Beginning				1,000,000	-
Issued during the year				3,000,000	1,000,000
Total Non-Quoted Investments in Subsidiary				<u>4,000,000</u>	<u>1,000,000</u>

Directors' valuation as at 31 March 2007 is Rs.4,000,000/- (31 March 2006 is Rs.1,000,000/-)

	Group		Company	
	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
11. INVENTORIES				
Raw Materials	5,117,303	1,433,247	-	-
Finished Goods	13,886,847	1,236,856	-	-
Goods in Transit	212,500	559,812	-	-
	<u>19,216,650</u>	<u>3,229,915</u>	<u>-</u>	<u>-</u>
12. TRADE AND OTHER RECEIVABLES				
Trade Debtors	20,291,506	14,582,739	2,549,357	11,229,089
Advances & Prepayments - Others	7,482,338	6,529,855	6,174,702	9,026,355
Grants Receivable	2,420,000	2,126,564	-	-
Facilities given to Contractors	-	145,252	-	145,252
Facilities given to Company Officers (12.1)	243,300	86,785	30,985	57,485
VAT Receivable	15,716,388	229,533	13,839,531	-
Other Debtors	447,093	149,286	447,096	1,754,396
	<u>46,600,625</u>	<u>23,850,014</u>	<u>23,041,671</u>	<u>22,212,577</u>

Notes to the Financial Statements contd.

	Group		Company	
	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
12.1 Loans to Company Officers				
Summary				
Balance as at the beginning of the Year	86,785	117,485	57,485	117,485
Loans Granted During the Year	641,481	316,500	-	85,000
Less: Repayments	(484,966)	(347,200)	(26,500)	(145,000)
Balance as at the end of the Year	<u>243,300</u>	<u>86,785</u>	<u>30,985</u>	<u>57,485</u>

	Par Value	2007	2006
	Rs.	Number	Number
13. SHARE CAPITAL			
13.1 Authorised			
Number of Shares - Ordinary Shares	10/-	<u>100,000,000</u>	<u>100,000,000</u>
		<u>100,000,000</u>	<u>100,000,000</u>
		2007	2006
		Rs.	Rs.
Nominal Value - Ordinary Shares	10/-	<u>1,000,000,000</u>	<u>1,000,000,000</u>
		<u>1,000,000,000</u>	<u>1,000,000,000</u>

	Par Value Rs.	At the	Issued	Issued for	At the
		Beginning of the Year 01.04.2006 Number	for Cash During the Year Number	Non Cash Consideration Number	End of the Year 31.03.2007 Number
13.2 Issued and Fully Paid					
Number of Shares - Ordinary Shares	10/-	<u>29,812,509</u>	<u>2,981,250</u>	-	<u>32,793,759</u>
		<u>29,812,509</u>	<u>2,981,250</u>	-	<u>32,793,759</u>
		Rs.	Rs.		
Nominal Value - Ordinary Shares	10/-	<u>298,125,090</u>	<u>29,812,500</u>	-	<u>327,937,590</u>
		<u>298,125,090</u>	<u>29,812,500</u>	-	<u>327,937,590</u>

	Group		Company	
	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
14. SHARE PREMIUM				
As at the beginning of the year	374,980	60,000,000	374,980	60,000,000
Received during the year - Rights Issue	29,812,500	-	29,812,500	-
Utilized for Bonus Issue		(59,625,020)	-	(59,625,020)
As at the end of the year	<u>30,187,480</u>	<u>374,980</u>	<u>30,187,480</u>	<u>374,980</u>

15. IJARA (FINANCE LEASES), MURABAHA (TRADE FINANCE) AND MUDARABAHA INVESTMENT FACILITIES

Group	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2007 Total Rs.	2006	2006	2006 Total Rs.
				Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	
Ijara Facilities/ Finance Leases (15.1)	11,454,490	45,440,312	56,894,802	6,618,969	42,161,529	48,780,498
Murabaha (Trade Finance) Facilities (15.2)						
Mudarabah Investment Facilities	80,852,544	-	80,852,544	10,324,220	-	10,324,220
Extended Murabaha (pre contract stage)	-	53,557,539	53,557,539	-	-	-
	<u>92,307,034</u>	<u>98,997,851</u>	<u>191,304,885</u>	<u>16,943,189</u>	<u>42,161,529</u>	<u>59,104,718</u>

15.1 Ijara Facilities (Finance Leases)

a. From Related Parties

Relationship	As at 01.04.2006 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2007 Rs.
Amana Investments Limited - Affiliate Company	46,765,465	12,500,000	7,705,009	51,560,456
	<u>46,765,465</u>	<u>12,500,000</u>	<u>7,705,009</u>	<u>51,560,456</u>
b. From Others				
Peoples Leasing Company Limited	2,015,033	-	389,629	1,625,404
Ceylease Financial Services Ltd	-	4,305,026	596,084	3,708,942
	<u>2,015,033</u>	<u>4,305,026</u>	<u>985,713</u>	<u>5,334,346</u>
Total	<u>48,780,498</u>	<u>16,805,026</u>	<u>8,690,722</u>	<u>56,894,802</u>
Gross Liability	71,206,035			76,301,075
Finance Charges on Ijara Facilities allocated to future periods	(22,238,217)			(19,272,473)
Insurance Charges Allocated to Future Period	(187,320)			(133,800)
Net Liability	<u>48,780,498</u>			<u>56,894,802</u>

Notes to the Financial Statements contd.

15.2 Murabaha (Trade Finance) & Mudarabaha Investments Facilities

		As at 01.04.2006	Facilities Obtained	Repayments	As at 31.03.2007
	<i>Relationship</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
a. From Related Parties					
Murabaha & Mudrabaha					
Investment Facilities	- Affiliate Company	8,129,580	82,058,015	9,335,051	80,852,544
- Amana Capital Ltd		<u>8,129,580</u>	<u>82,058,015</u>	<u>9,335,051</u>	<u>80,852,544</u>
b. From Others					
Murabaha Facility - Peoples Leasing		2,194,640	-	2,194,640	-
		<u>2,194,640</u>	<u>-</u>	<u>2,194,640</u>	<u>-</u>
Total		<u>10,324,220</u>	<u>82,058,015</u>	<u>11,529,691</u>	<u>80,852,544</u>
Gross Liability		11,210,984			82,810,509
Finance Charges on Murabaha Facilities allocated to future periods		(886,764)			(1,957,966)
Net Liability		<u>10,324,220</u>			<u>80,852,543</u>

15.3 IJARA (FINANCE LEASES) ,MURABAHA (TRADE FINANCE) AND MUDARABAHA INVESTMENT FACILITIES

Company	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	2007 Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	2006 Total
	<i>Rs.</i>	<i>Rs.</i>		<i>Rs.</i>	<i>Rs.</i>	
Ijara Facilities/ Finance Leases (15.4)	10,899,016	44,434,729	55,333,745	6,268,229	40,908,960	47,177,189
Murabaha (Trade Finance) Facilities (15.5)	25,471,897	-	25,471,897	4,195,883	-	4,195,883
Mudarabah Investment Facilities (15.6)	25,129,626	-	25,129,626	-	-	-
Extended Murabaha (pre contract stage)	-	53,557,539	53,557,539	-	-	-
	<u>61,500,539</u>	<u>97,992,268</u>	<u>159,492,807</u>	<u>10,464,112</u>	<u>40,908,960</u>	<u>51,373,072</u>

15.4 Ijara Facilities(Finance Leases)**a. From Related Parties**

<i>Relationship</i>	As at 01.04.2006 <i>Rs.</i>	Facilities Obtained <i>Rs.</i>	Repayments <i>Rs.</i>	As at 31.03.2007 <i>Rs.</i>
Amana Investments Limited - Affiliate Company	46,765,465	12,500,000	7,705,009	51,560,456
	<u>46,765,465</u>	<u>12,500,000</u>	<u>7,705,009</u>	<u>51,560,456</u>
b. From Others				
Peoples Leasing Company Limited	411,724		96,500	315,224
Ceylease Financial Services Ltd	-	4,000,000	541,935	3,458,065
	<u>411,724</u>	<u>4,000,000</u>	<u>638,435</u>	<u>3,773,289</u>
Total	<u>47,177,189</u>	<u>16,500,000</u>	<u>8,343,444</u>	<u>55,333,745</u>
Gross Liability	68,786,373			74,176,224
Finance Charges on Ijara Facilities allocated to future periods	(21,609,184)			(18,842,479)
Net Liability	<u>47,177,189</u>			<u>55,333,745</u>

15.5 Murabaha (Trade Finance) Facilities

<i>Relationship</i>	As at 01.04.2006 <i>Rs.</i>	Facilities Obtained <i>Rs.</i>	Repayments <i>Rs.</i>	As at 31.03.2007 <i>Rs.</i>
a. From Related Parties				
Amana Capital Limited - Affiliate Company	4,195,883	23,019,113	1,743,099	25,471,897
	<u>4,195,883</u>	<u>23,019,113</u>	<u>1,743,099</u>	<u>25,471,897</u>
			As at 01.04.2006 <i>Rs.</i>	As at 31.03.2007 <i>Rs.</i>
Gross Liability			4,793,842	26,449,505
Finance Charges on Murabaha Facilities allocated to future periods			(597,959)	(977,608)
Net Liability			<u>4,195,883</u>	<u>25,471,897</u>

15.6 Mudarabha Investments Facilities

From Related Parties	Relationship	As at 01.04.2006	Facilities Obtained	Repayments	As at 31.03.2007
Amana Capital Limited	- Affiliate Company		25,129,626		25,129,626
		<u>-</u>	<u>25,129,626</u>	<u>-</u>	<u>25,129,626</u>

Notes to the Financial Statements contd.

GROUP	Balance as at 01.04.2007 Rs.	Charge for the Year Rs.	Repayments Rs.	Balance as at 31.03.2007 Rs.
16. DEFINED BENEFIT LIABILITIES				
Retirement Benefit Obligation				
- Gratuity	492,859	625,051	-	1,117,910
COMPANY				
Retirement Benefit Obligation - Gratuity	492,859	457,301	-	950,159

	Company		Group	
	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
17. OTHER PAYABLES				
Trade Creditors	11,035,154	495,277	-	-
Sundry Creditors Including Accrued Expenses	23,760,079	8,594,025	22,217,959	6,381,241
Deferred Income (GEF/Provisional Grant)	2,038,000	-	-	-
	<u>36,833,233</u>	<u>9,089,302</u>	<u>22,217,959</u>	<u>6,381,241</u>
18. CASH AND CASH EQUIVALENTS				
18.1 Favourable Cash & Cash Equivalents Balance				
Components of Cash and Cash Equivalents				
Cash & Bank Balances	2,354,018	2,687,939	1,374,533	2,226,679
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<u>2,354,018</u>	<u>2,687,939</u>	<u>1,374,533</u>	<u>2,226,679</u>

19. COMMITMENTS & CONTINGENCIES

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

19.1 b. The Company has total commitments amounting to Rs. 33,356,230/- given as corporate guarantees to following Companies on behalf of Vidul Energy (Pvt) Ltd., to obtain Murabaha (Trade Finance) Facilities.

	2007	2006
	Rs	Rs.
Amana Capital Limited (Affiliate Company)	30,251,021	350,000
Peoples Leasing Company Limited	1,783,366	7,560,946
Ceylease Financial Services Limited	309,769	-
	<u>32,344,156</u>	<u>7,910,946</u>

20. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2007	2006	
		Rs.	Rs.	
COMPANY				
Leased Assets	Charge over Leased Assets on Finance Lease Liabilities	55,333,745	47,940,000	Property, Plant & Equipment
Extended Murabaha (Pre Contract Stage)	Charge over Extended Murabaha Period on Murabaha Lease Liabilities	53,557,539	-	Ijara &, Murabaha Facility
		<u>108,891,284</u>	<u>47,940,000</u>	
GROUP				
Leased Assets	Charge over Leased Assets on Finance Lease Liabilities	57,426,880	49,722,609	Property, Plant & Equipment
Computers	Murabaha Facility	-	350,000	Property, Plant & Equipment
Finished Goods	Murabaha Facility	30,251,021	5,778,337	Inventories
Total Carrying value of Assets Pledged		<u>87,677,901</u>	<u>55,850,946</u>	

21. EFFECTS OF CHANGES IN ACCOUNTING STANDARDS

As described in 2.1.5, the company adopted SLAS 14 Income Tax (Revised 2005). Under previous SLAS 14, the Group did not recognise deferred tax asset for the carry forward of unused tax losses. In accordance with SLAS 14 Income Tax (Revised 2005) such losses are recognized as deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. The effect of this change amounted to Rs.471,029/- of deferred tax assets recognized at 1 April 2006.

1 April 2006 Effect of change in Accounting Policy
Rs.

Balance Sheet:

Deferred Tax Assets	471,029
	471,029

Income Statement

Income Tax	471,029
	471,029

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

23. 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 and Amana Capital Ltd., and a Director of Amana Takaful Ltd.

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.

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, Growth Lanka (Pvt) Ltd and Alankara SKR (Pvt) Ltd.

Mr. Ranjan Mather is a Director of the Company and is also a Director of Vidul Energy (Pvt) Ltd and Belmont Agents Ltd.

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.

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.

Mr. Zulficar Ghouse is a Director of the Company and is also a Director of Vidul Energy (Pvt) Ltd.

The significant transactions the company had with the companies of which the Directors hold directorship are detailed in Note 24.1(a).

24. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

24.1(a) Transaction with Related Entities

Name of the Company and Relationship

Nature of Transaction	Subsidiary		Lanka Equities (Pvt) Ltd		Diamond Cutters Ltd		Growth Lanka (Pvt) Ltd		Alankara SKR (Pvt) Ltd		Amana Investments Ltd		Amana Capital Limited		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April 2006																
Fund Transfer to VLL	1,605,110	-	-	-	-	-	-	-	-	-	-	-	-	-	52,566,458	-
Repayments by VLL	(1,012,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,012,500)	-
Fund transfer by VLL	12,500	-	-	-	-	-	-	-	-	-	-	-	-	-	12,500	-
Settlements by VEPL	11,497,424	1,989,835	-	-	-	-	-	-	-	-	-	-	-	-	11,497,424	1,989,835
Telephone, Fax & Lease Line Expenses	(14,478,245)	(427,895)	-	-	-	-	-	-	-	-	-	-	-	-	(14,478,245)	(427,895)
Electricity	54,277	43,170	-	-	-	-	-	-	-	-	-	-	-	-	224,993	43,170
Water	19,500	-	-	-	-	-	-	-	-	-	-	-	-	-	19,500	-
Rent	2,040	-	-	-	-	-	-	-	-	-	-	-	-	-	2,040	-
Maintenance Expenses	172,697	-	-	-	-	-	-	-	-	-	-	-	-	-	172,697	-
IT fee	10,560	-	-	-	-	-	-	-	-	-	-	-	-	-	10,560	-
Asset transfer	422,500	-	-	-	-	-	-	-	-	-	-	-	-	-	422,500	-
Sport	40,281	-	-	-	-	-	-	-	-	-	-	-	-	-	40,281	-
Reversal of Share Capital	5,313	-	-	-	-	-	-	-	-	-	-	-	-	-	5,313	-
Foreign travel	892,000	-	-	-	-	-	-	-	-	-	-	-	-	-	892,000	-
Share Capital - Enhancement of SC	68,840	-	-	-	-	-	-	-	-	-	-	-	-	-	68,840	-
Group Finance Manager	(432,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(432,000)	-
Refundable deposit	(450,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(450,000)	-
Service by External party	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	-
Usage of Director's Mobile	25,000	10,656	-	-	-	-	-	-	-	-	-	-	-	-	25,000	10,656
MD's Foreign Travel	39,456	50,000	-	-	-	-	-	-	-	-	-	-	-	-	39,456	50,000
Fund Transfer	50,000	(100,112)	-	-	-	-	-	-	-	-	-	-	-	-	-	(153,000)
Received Money/ (Settlements)	(170,716)	(10,000)	-	-	-	-	-	-	-	-	-	-	-	-	(88,766)	89,888
Vehicle Insurance cover	77,563	-	-	-	-	-	-	-	-	-	-	-	-	-	77,563	-
Sale of Network Switch	(9,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,200)	-
Purchase of furniture	786,260	-	-	-	-	-	-	-	-	-	-	-	-	-	796,360	-
Sales of furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(106,950)	-
Reimbursement of Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Jjara Facilities (Net Liability)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,500,000	46,765,465
Extended Mudrabala	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,557,540	-
Jjara Facilities (Repayment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,705,009)	-
Murabaha Settlements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,743,009)	-
Murabaha & Mudarabah Facilities (Net Liability)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,148,739	4,195,883
As at 31 March 2007	(1,179,708)	1,605,110	(450,000)	-	77,563	-	787,080	-	-	-	105,117,996	46,765,465	50,601,613	4,195,883	154,954,529	52,566,458
	Trade and other payables	Trade and other receivable	Trade and other receivable	Trade and other payables	Trade and other payables	Trade and other payables	Trade and other payables	Trade and other receivable	Trade and other receivable	Trade and other receivable	Jjara, Murabaha & Mudarabah Facility	Jjara, Murabaha & Mudarabah Facility	Jjara, Murabaha & Mudarabah Facility	Jjara, Murabaha & Mudarabah Facility		

Notes to the Financial Statements contd.

24.2 Transactions with Key Management Personnel of the Company

24.2(a) The key management personnel of the Company are the members of its Board of Directors.

No other transactions had been taken place during the year with the parties/entities in which key management personnel or their close family member have control or significant influence.

Key Management personnel compensation

	2007 Rs.	2006 Rs.
Short-term Employee Benefits	2,438,671	2,692,272
	<u>2,438,671</u>	<u>2,692,272</u>

24.2(b) Transaction with Other Related Parties

Transactions with close members of the family of Key Management personnel and shareholders who have either control, significant influences or joint control over the company.

Amana Investment Limited and Amana Capital Limited are two companies in which the Key Management personnel have significant influence over financial and operating policy decisions. Transactions had with those companies are detailed in Note 24.1(a).

Shareholder and Investor Information

The Twenty largest shareholders as at 31st March 2007 are as follows:

Name	No. of Shares	%
1 Belmonts Agents Ltd	4,725,000	14.41
2 Wembley Spirit Ltd	4,169,000	12.71
3 Growth Lanka (Pvt) Ltd	3,640,000	11.10
4 Lanka Equities (Pvt) Ltd	3,270,613	9.97
5 Vanguard Industries (Pvt) Ltd	2,538,900	7.74
6 Amana Investments Limited	1,977,375	6.03
7 Mrs. R.L. Mather	1,631,973	4.98
8 ABC International Ltd	1,450,000	4.42
9 Ms. Y. Kunimoto	1,443,750	4.40
10 Equity Investments Lanka Ltd	1,312,500	4.00
11 Alchemy Heavy Metals (Pvt) Ltd	1,128,910	3.44
12 Mr. M.S. Mohideen	935,000	2.85
13 Mr. R.B. Barmecha	506,490	1.54
14 Lucky Industries (Pvt) Ltd	375,000	1.14
15 Commercial Bank of Ceylon Ltd/Growth Lanka (Pvt) Ltd	350,000	1.07
16 Ms. B.R.I. Sangani	335,500	1.02
17 Mr. R.M. Sangani	283,051	0.86
18 Elgin Investments Ltd	272,900	0.83
19 Mr. B.A. Fazal	241,700	0.74
20 Amana Takaful Ltd	227,263	0.69
	<hr/>	<hr/>
	30,814,925	93.97
Others	1,978,834	6.03
	<hr/>	<hr/>
	32,793,759	100.00

Analysis of Shareholders

There were 699 shareholders as at 31st March 2007 distributed as follows:

			No. of Holders		Total Holdings		%	
			<i>Foreign</i>	<i>Local</i>	<i>Foreign</i>	<i>Local</i>	<i>Foreign</i>	<i>Local</i>
Less Than	1001 Shares		2	349	1,000	100,828	0.00	0.31
1001	To	5000 Shares	4	233	9,100	456,244	0.03	1.39
5001	To	10000 Shares	1	39	6,000	289,813	0.02	0.88
10001	To	50000 Shares	1	35	20,000	648,550	0.06	1.98
50001	To	100000 Shares	1	7	55,000	520,000	0.17	1.59
100001	To	500000 Shares	2	10	514,600	2,390,613	1.57	7.29
500001	To	1000000 Shares	1	4	506,490	3,565,000	1.54	10.87
Over	1000000 Shares		2	8	8,894,000	14,816,521	27.12	45.18
Total			<hr/> 14 <hr/>	<hr/> 685 <hr/>	<hr/> 10,006,190 <hr/>	<hr/> 22,787,569 <hr/>	<hr/> 30.51 <hr/>	<hr/> 69.49 <hr/>

*Shareholder and Investor Information contd.***Related Parties as at 31st March 2007**

No.	Name of the Shareholder	No. of Shares	%
1	Belmonts Agents Ltd	4,725,000	14.41%
2	Wembley Spirit Ltd	4,169,000	12.71%
3	Growth Lanka (Pvt) Ltd	3,640,000	11.10%
4	Lanka Equities (Pvt) Ltd	3,270,613	9.97%
5	Vanguard Industries (Pvt) Ltd	2,538,900	7.74%
6	Amana Investments Limited	1,977,375	6.03%
7	Mrs. R. Mather	1,631,973	4.98%
8	Equity Investments Lanka Ltd	1,312,500	4.00%
9	Lucky Industries (Pvt) Ltd	375,000	1.14%
10	Mrs. B.R.I. Sangani	335,500	1.02%
11	Mr. R.M. Sangani	283,051	0.86%
12	Amana Takaful Ltd	227,263	0.69%
	Related parties	24,486,175	74.67%
	Public	8,307,584	25.33%
	Total Issued Share Capital	32,793,759	100.00%

Information of Shares for Market prices recorded for the year 31st March 2007

	Highest	Lowest	Closing
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
For the year 31/3//2007	26.50	18.00	21.25

Form of Proxy

I/We of

 being member/s of Vidullanka Limited, do hereby appoint
 of
 as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the
 Company to be held on 15th October 2007 and at any adjournment thereof.

	For	Against
1. To receive, consider and adopt the Audited Financial Statements for the year ended 31st March 2007 together with the Reports of the Auditors and Directors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Sathiendra Ranjan Mather as a director of the Company who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re -elect Dr. Aboobacker Admani Mohamed Haroon as a director of the Company, who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. Mohamed Zulficar Mohamed Ghouse, who was appointed as a Director of the Company subsequent to the last Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2007

.....
 Signature of Shareholder/s

Instructions to Complete the Form of Proxy

1. Kindly perfect of 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 Vidullanka Limited at Level 10, Access Towers, 278, Union Place, Colombo 2 not less than 48 hours before the time fixed for the Meeting.

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

Stated 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

Mr. M. Zulficar Ghouse

Alternate Director

Mr. Ishrat Rauff (for Mr. Osman Kassim)

- Resigned on 28th February 2007

Company Secretary

Managers & Secretaries (Pvt) Limited

Registered Office

Level 10, 'Access Towers'

No 278, Union Place, Colombo 2.

Auditors

Ernst & Young, Chartered Accountants

Bankers

Commercial Bank of Ceylon Limited

ALTERNATIVE
ENERGY FOR
EVERYONE

VIDULLANKA
LIMITED



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

info@vidullanka.com
www.vidullanka.com