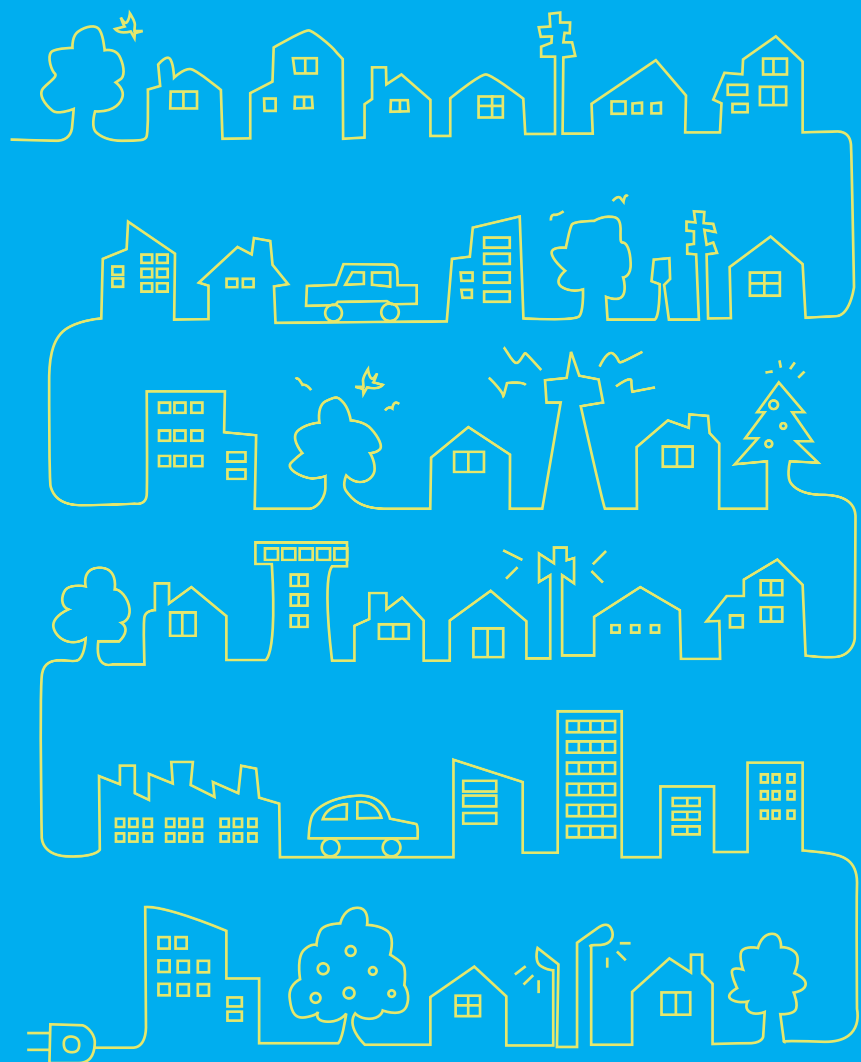
VIDULLANKA PLC
ANNUAL REPORT 2011/12



plugged in

Contents

plugged in

As the world continues to focus on clean, green energy, we are proud to state that our focus on sustainable power remains switched on. Our connection to creating alternative sources, coupled with our work ethic and team work ensures that we remain grounded and realistic on the prospects of a whole new world of power. And as we step into a new year, we will continue to be at the pulse of this movement, plugged in to all the possibilities that nature has to offer as we generate clean and green energy for all.

During Construction

Hal Oya MHPP

Capacity - 800 kW

Location - Uva Paranagama

Annual Energy - 2.65 GWh

Gross Head - 63 m

Design Flow - 1.6 m^3/s

Machinery Type - Francis

Installation of Control Panels

Completed Channel Section

Completed Weir Section

Completed Forebay Tank

Financial Summary

Adverse weather pattern during the latter half of the year coupled with reduction in the tariff rates resulted in a decrease in profits.

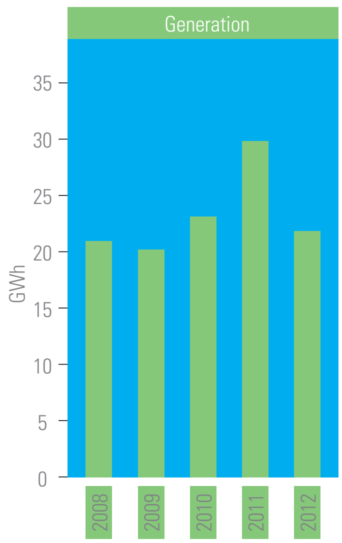
The Group is actively engaged in developing new service lines and non-hydro based power projects to mitigate this risk in the future.

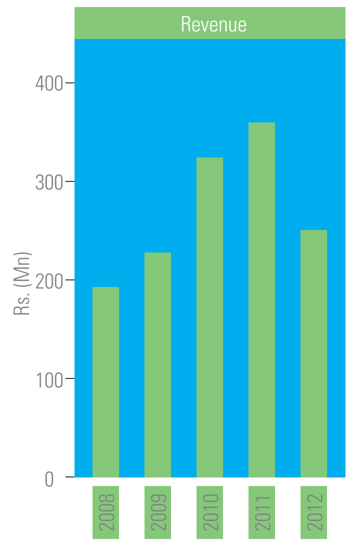
Year Ended 31st March Rs.000's	2008	2009	2010	2011	2012
Revenue	194,896	230,266	324,879	362,854	252,355
Gross Profit	131,970	154,317	224,278	282,891	195,538
Operating Cost	87,300	102,107	148,733	181,901	171,542
Profit Before Tax	47,754	68,483	122,586	167,737	64,896
Profit After Tax	46,703	68,394	122,457	166,363	59,371

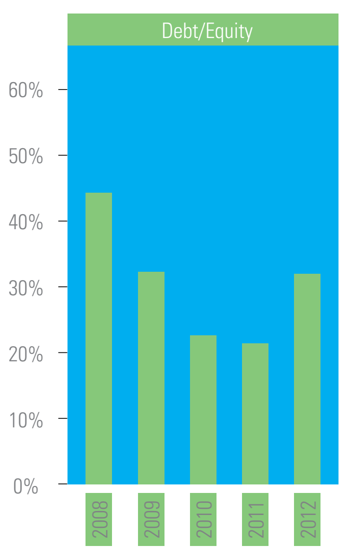
Key Indicators					
Total Assets/Equity	1.48	1.36	1.32	1.23	1.32
Net Profit Margin	24%	30%	38%	46%	24%
Turn Over /Assets	0.30	0.34	0.43	0.31	0.21
Return on Equity	10.8%	13.9%	21.3%	17.8%	6.5%
Return on Assets	7.3%	10.3%	16.2%	14.4%	4.9%
Current Ratio	1.01	1.02	0.94	13.16	3.01
*Earning Per Share	1.17	1.72	0.32	0.41	0.14
Debt/Equity	44.4%	32.4%	22.7%	21.4%	32.0%
Revenue (Mn)	194.9	230.3	324.9	362.9	252.4
Net Profit (Mn)	46.7	68.4	122.5	166.4	59.4

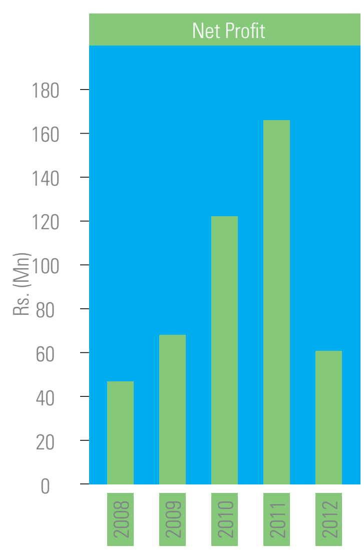
* Share was subdivided into 10:1 during the FY 2010/11.

Performance at a Glance









Chairman's Message

"However apart from the present adverse changes in the macro economic variables, the small hydro power sector of the country faces its own hardships. The long chain of approval processes, transmission line availability and land related issues exert pressure on the developers".

It is my pleasure to welcome you all to the Annual General Meeting of Vidullanka PLC on behalf of the Board of Directors of the Company and present you the Annual Report along with the audited financial statements for the year 2011/12. The year marked a milestone in the time line of growth of the Company with the commencement of 3 mini hydro power projects.

Macro Economic Environment

Sri Lanka has been enjoying the post war economic boom since the latter half of 2009. However in Year 2011, the economy showed mixed indications. The country achieved a 8.3% GDP growth with the industrial sector recording a 10.6% growth. On the other hand, with the policy change in the exchange rate regime, the rupee significantly depreciated in the latter part of the financial year, which has posed a sense of insecurity to the businesses.

The country also saw the completion of key infrastructure developments, especially the first phase of southern express way, the first highway of the country and the 300 MW Nuraicholai Coal Power plant and the Hambantota Port. In addition, the government has commenced the implementation of a number of infrastructure projects including Colombo South Harbour Project, Matthala International Airport, Phase II of Southern Expressway, Colombo – Katunayake Expressway and Colombo Outer Circular Highway thus paving a way to attract Foreign Direct Investment.

The national power generation moved up to 11,524 GWh, a 7.5% increase from the year 2010. The share of hydro power in total power generation decreased to 40% in 2011 from 53% in the previous year due to the dry weather conditions which prevailed during the second half of the year. As a result, thermal power generation increased by 36%. In addition, the share of CEB in total electricity generation decreased to 57% in 2011 from 60% in 2010, increasing the share of power produced by the private sector to 43%.

Renewable Energy Industry

The renewable energy industry of Sri Lanka is dominated by the small hydro power sector, with the installed capacity of 190.6 MW. The rapid growth of this industry was achieved by the government support through the state institutions such as Sri Lanka Sustainable Energy Authority, Central Environmental Authority and CEB. Presently the industry is an internationally renowned one, and is spearheading the East African small hydro power industry.

However apart from the present adverse changes in the macro economic variables, the small hydro power sector of the country faces its own hardships. The long chain of approval processes, transmission line availability and land related issues exert pressure on the developers.

Wind based energy generation has the potential for a rapid capacity growth in the country and a fast growing sector of the Sri Lanka Renewable Energy Industry. The country also saw the emergence of the Bio-mass based power projects with a total capacity of 11.5 MW power plants being commissioned in 2011. The solar power projects are still in the introductory stages with the Sri Lanka Sustainable Energy Authority commissioning two pilot projects in September 2011, in Hambantota.

Performance of the Group

The electricity generation of the power plants significantly decreased in comparison to the previous year due to the low rainfall which occurred in the latter half of the financial year 2011/12. In addition, the avoided cost based tariff reduced by 7%. These adverse external factors have resulted in a decline in the profit of the Group.

Apart from the project development and power generation, your Company is growing rapidly in the field of providing total turnkey solutions. The excellence achieved from in-house innovations by the Vidul staff has positioned Vidul Engineering Ltd as a reliable, quality oriented technology partner in the renewable energy industry. During the year under review, the subsidiary served several external clients and is in the process of expanding its horizon to the international arena.

Developments Underway

I am delighted to announce that your Company is about to commission its fifth mini hydro power project, Hal Oya MHPP in June 2012. The project with an installed capacity of 800 kW is expected to deliver 2.65 GWh energy to the national grid. The construction of the 2.5 MW Madugeta MHPP located in Neluwa, is underway and the plant is expected to be commissioned in 2013/14 financial year.

Your Company is also in the process of constructing a 1.3 MW mini hydro power plant in Ratnapura district which is expected to be completed by December 2012. Further the Company is also in the final stage to commence construction of a 4 MW mini hydro power plant in Kotmale, Nuwara Eliya district. The Company is also in the process of obtaining approvals to construct several hydro and non-hydro power projects.

Vidul Control Solutions, the new service line of Vidul Engineering Ltd is an outcome of fostering the culture of innovation in the Company. Likewise, presently your Company is actively engaged in developing a new technology for automation of hydro power plant operation & maintenance which is being tested by the Vidul engineers for commercial viability.

Appreciation

I would like to take this opportunity to convey my sincere heartfelt thanks to Mr. Hilal Peiris, who left his position in the Board as the Non-Executive Director, for the support and contribution he has made during his tenure. I also welcome Mr. Sidath Fernando and Mr. Sattar Kassim, who have been appointed to the Board in January 2012 and envisage to strive together to the continued success of Vidullanka PLC.

As the Chairman of the Group, I would like to laud the efforts taken by the management and the staff of Vidullanka PLC under strenuous circumstances in the year under review, and the determination to emerge victorious. I am also delighted to commend the Batathota MHPP site staff for securing the 5S award for the manufacturing sector. I wish to extend my appreciations to Mr. Thushara Gunathilake, the Head of Electrical Department who became the runner-up in the Best Online Flow Code Project 2011 competition held by Matrix Micro-controller Software Company of UK.

I would also like to take this opportunity to express my heartfelt thanks and gratitude to my fellow Board members for all the valuable advice and input extended at all times. Last but not least, I wish to thank all the shareholders for the support and trust placed upon us and look forward to your continuous support in the years to come as well.

Osman Kassim
Chairman
6th June, 2012

Board of Directors

Mr. Osman Kassim

Chairman

Mr. Osman Kassim is the Founder Chairman of Expolanka Holdings PLC, a conglomerate that has diversified to be a leading player in a range of business sectors such as transportation, manufacturing, travel & leisure, international trade and strategic investments, with subsidiary companies in 14 countries. He is a pioneer entrepreneur in Agro Exports, Commodity Trading, Freight Management, Islamic Banking and Insurance in Sri Lanka & counts over 35 years of senior management and strategy experience.

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

Mr. Riyaz Mohamed Sangani

Managing Director

Mr. Riyaz Sangani along with Mr. Ranjan Mather founded the Company in 1997. Mr. Riyaz Sangani serves on the Boards of several companies. He is a graduate from the University of Colombo and has also completed his MBA at the Post-Graduate Institute of Management (PIM), University of Sri Jayawardenapura. He is an Associate Member of the Chartered Institute of Management Accountants, UK. He also serves as the treasurer for the Small Hydro Power Developers Association.

Mr. S. Ranjan Mather

Non-Executive Director

Mr. Ranjan Mather has been a Director of Vidullanka PLC from the inception and is the Chairman of all subsidiary companies of Vidullanka PLC. He is a Director of Chesa Swiss Restaurants (Pvt) Ltd.

Dr. Aboobucker Admani M.Haroon

Non-Executive Director

Dr. Haroon is a medical practitioner by profession and is a reputed businessman. He holds the Chairmanship of several private companies. His business experience encompasses different industries including Garments, Textiles manufacturing and exports, Health Care and Clinical Diagnostics. He serves the Board as a Non-Executive Director.

Mr. Shahid Mohamed Sangani

Non-Executive Director

Mr. Shahid Sangani is the Managing Director of Lanka Equities (Pvt) Ltd, the holding company of the Lanka Equities Group. His experience in the apparel sector spans over two decades. He is also a Director of several companies. Mr. Shahid Sangani is an Attorney-at-Law of the Supreme Court of Sri Lanka. He serves the Board as a Non-Executive Director.

Mr. M. Zulficar Ghouse

Independent Non-Executive Director

Mr. Zulficar Ghouse is the Executive Director of Expack Corrugated Cartons (Pvt) Ltd, a leading corrugated paper manufacturer. A Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of Certified Management Accountants of Sri Lanka, with more than 25 years experience in senior management positions both internationally and locally in multinational listed companies. He currently holds Directorships in several companies and also served as Chairman of Liberty Plaza Management Corporation from 2002 to 2010. Presently the Senior Vice Chairman of the International Chamber of Commerce - Sri Lanka and Executive Committee Member of the National Chamber of Exporters of Sri Lanka.

Mr. Zulficar Ghouse was a member of the judging panel for the Sri Lankan Entrepreneur in 2003 and 2004. He also served in the panel of judges for the Best Quality Software Award organized by British Computer Society from 2004 - 2011. He serves as the Chairman of Audit Committee and serves the Board as an Independent Non Executive Director.

Dr. T. Senthilverl

Non-Executive Director

Dr. T. Senthilverl serves the Board as a Non-Executive Director. He holds Directorships in several entities including CT Land Development PLC, Lanka Ceramics PLC, C.W. Mackie PLC, The Finance Company PLC and Amana Takaful PLC.

Mr. Sidath Fernando

Independent Non-Executive Director

Mr. Sidath Fernando is an entrepreneur with business interests in Manufacturing, Real Estate, Property Management and Information Communications Technology sectors. Mr. Fernando is the principal shareholder and Chairman of V.D.P. Fernando & Co. Ltd, and has got extensive experience in the Real Estate and Property Development Business. He also served as a Director of the Sri Lanka Telecom and a Director of Sky Network (Pvt) Ltd and SLT Manpower Solution (Pvt) Ltd.

Mr. Fernando has more than 20 years of hands-on experience in business management, finance, manufacturing and marketing gained while managing his own Small & Medium Enterprises, He also has served as a Committee Member of the Chamber of Young Entrepreneurs in Sri Lanka and also a Rotarian.

Mrs. Roshini Sangani

Non-Executive Director

Mrs. Roshini Sangani is the Managing Director of Alankara Jewellery (Pvt) Ltd. She is also a Director of several companies within Lanka Equities Group. Mrs. Roshini Sangani is an Attorney-at-Law of the Supreme Court of Sri Lanka. She serves the Board as a Non-Executive Director.

Mr. C.F. Fuhrer

Non-Executive Director

Mr. Christian Fuhrer serves the Board of Vidullanka PLC as a Non-Executive Director. He is also a Director of Chesa Swiss Restaurants (Pvt) Ltd.

Mr. Sattar Kassim

Independent Non-Executive Director

Mr. Sattar Kassim is one of the Founder Directors of the Expolanka Holding PLC, a conglomerate that has diversified to be a leading player in a range of business sectors such as transportation, manufacturing, travel & leisure, international trade and strategic investments, with subsidiary companies in 14 countries. He is the Group Director of the International Trading Sector with more than 30 years of senior management experience in private sector organizations locally and overseas. He is a pioneer in the commodity trading business in Sri Lanka and is also actively involved in trading, import & export of agricultural Products and also Executive Council Member of the Sri Lanka Pakistan Business Council.

Sattar Kassim is the Chairman for more than 25 companies including Bio Extracts (Pvt) Ltd and Expack Corrugated Cartons (Pvt) Ltd.

Management Commentary

The adverse weather pattern which occurred in the latter half of the year under review has decreased the overall group profits . The electricity generation by the power plants reduced by 26% in comparison to the financial year 2011. The avoided cost based tariff for the year also reduced to Rs. 10.23/kWh from Rs. 11.09/kWh. This led to the combined effect of 30% revenue reduction of Vidullanka PLC.

In the year under review, Vidullanka Group saw both the setbacks and the hope of victorious emergence to deliver its promise to the stakeholders; that is the generation of wealth for all involved.

Performance Review

Vidullanka PLC

The adverse weather pattern which occurred in the latter half of the year under review has decreased the overall group profits . The electricity generation by the power plants reduced by 26% in comparison to the financial year 2011. The avoided cost based tariff for the year also reduced to Rs. 10.23/kWh from Rs. 11.09/kWh. This led to the combined effect of 30% revenue reduction of Vidullanka PLC.

The management took mitigation measures and as a result, the direct cost of power generation reduced by 29%. Further the administration expenses of the Company increased by 14%,due to the increase in the staff remuneration and the project development expenses. The finance cost increased by 30% as the Company obtained long term debt for ongoing projects.

Penstock - Ganthuna MHPP

Vidul Engineering Ltd (VEL)

The year under review, Vidul Engineering Ltd recorded a profit of 0.3 Mn, as a result of strategic shift in the year 2010/11 - from construction of power plants to more diversified areas of design & project management, supply & installation of electro-mechanical equipment, commissioning of mini hydro power projects, operation & maintenance of power plants and feasibility studies of renewable energy projects.

With this, the subsidiary witnessed a major turnaround, serving several external clients and positioning itself as a quality oriented total solution provider in the small hydro power industry. During the year under review, Vidul Engineering Ltd designed the power plant of Branford MHPP which was commissioned in April, 2012. The design was a ground breaking solution as the gross head of the plant is less than 6m. VEL also renders design, project management and consultation services to Dunsinane MHPP and Rakwana Ganga MHPP.

The emergence of the new service line is the outcome of extensive investment in the human resource of the Company and the high level of

Control Panel Manufactured & Commissioned by Vidul Engineering Ltd.

recognition and value placed on Innovation in the Company Culture. The Management realized the potential for these new service lines and is actively involved in taking these to the international arena, through the subsidiary which is involved in feasibility studies in East Africa for Vidullanka PLC and external clients.

Gurugoda Hydro (Pvt) Ltd

Ganthuna MHPP, the 1.2 MW mini hydro power plant generated a profit after tax of 19 Mn, with a net profit margin of 49%. The revenue reduced by 42% as a result of the unfavourable weather pattern which existed during the latter half of the year under review. However the joint venture managed to reduce overhead expenses by integrating its head office functions with the group. The project is a joint venture between Vidullanka PLC and Hirdaramani Group.

Projects in Progress

Hal Oya MHPP

The fifth project of Vidullanka is a joint venture with Vanguard Industries (Pvt) Ltd. The Hal Oya MHPP project is located in Uva-Paranagama divisional secretariat of Badulla District with a design capacity of 800 kW. Presently Vidul Engineering Ltd, who is providing design & project management service is also engaged in installation of electro-mechanical equipment. The power plant is expected to be commissioned in June 2012.

Branford MHPP

Batathota MHPP

Wembiyagoda MHPP

The project with the design capacity of 1.3 MW is being constructed under Walagamba Balashakthi (Pvt) Ltd, which is a fully owned subsidiary of Vidullanka PLC. The project is located in Wembiyagoda village in Kalawana Divisional Secretariat. Presently, about 50% of the construction work has been completed with the procurement order for the electro-mechanical equipment has been placed. Once commissioned, the power plant is expected to supply 5.6 GWh of energy to the national grid.

Madugeta MHPP

In December 2011, Vidullanka PLC commenced construction of a 2.5 MW "Run-of the River "based mini hydro power plant, namely Madugeta MHPP in Neluwa, Galle utilizing the flow of Gin Ganga. The project Company Vidul Madugeta (Pvt) Ltd is a joint venture between Vidullanka PLC and Esna Power (Pvt) Ltd.

The Madugeta MHPP is the first "Low head- High flow" mini hydro project developed by the Company and once commissioned it is expected to deliver 10.1 GWh of energy to the national grid.

Lower Kotmale MHPP

Vidullanka PLC has obtained the necessary approvals to construct a 4 MW mini hydro power plant in Kotmale Divisional Secretariat in Nuwara Eliya District. The proposed project would utilize the flow of Kotmale Oya and expected to supply 15.2 GWh of energy to the national grid. The Company is in the final stages of approval prior to construction.

Ethamala Ella MHPP

Construction of Ethamala Ella MHPP owned by Nilwala Vidulibala Company (Pvt) Ltd is temporarily halted on a directive of the Central Environmental Authority (CEA). This has been unprecedentedly done even though the constructions had commenced with all the necessary approvals. As the aggrieved party, the project Company has sought legal action and currently awaits the final verdict of the court. The Company is confident that the court verdict will be in favour.

Achievements

Vidullanka PLC's Batathota MHPP won the sector Award (Manufacturing Sector) at the 2011 Taiki Akimoto 5S awards competition, reflecting the level of preventive maintenance measures taken by the Company in the power plants. The power plant also won 5S-merit awards in 2010 and 2011. The Company won the 5S-merit award for the Bambarabatuoya MHPP for the second consecutive year.

Channel Excavation

Madugeta MHPP

Capacity - 2.5 MW

Location - Neluwa

Annual Energy - 10.2 GWh

Gross Head - 15 m

Design Flow - 21.8 m^3/s

Machinery Type - Kaplan

Fixing of Reinforcement at Channel Section

Market Capitalization

Market Capitalization of the group stood at Rs. 2.55 bn as at 31st March 2012 compared to Rs. 2.72 bn as at the beginning of the financial year.

Dividend Payout Ratio

During the financial year the Company paid two interim dividends totalling Rs. 0.175 per share closely maintaining its existing dividend payout ratio.

Price to Book Value

Price to Book Value ratio of the group as at 31st March 2012 was 2.7 in comparison to the 2.9 as at 31st March, 2011.The reduction was caused by the fall in share price due to the general market factors.

Highest and Lowest Share Prices for the year 2011/12

Financial Year	High Value (Rs.)	Low Price (Rs.)	Closing Price (Rs.)
2011/12	8.20	5.50	5.90
2010/11	59.00	5.00	6.30
2009/10	39.75	20.50	33.50
2008/10	25.50	12.00	21.00

Public Share Holding as at 31st March 2012

Description	No. Shares	No. Shares
Issued Share Capital		**432,877,600**
Directors & Their Spouses		
Dr. T. Senthilverl	122,865,891	
Mrs. Ren Lan Mather	20,000,000	
Mrs. S. R. Sangani	12,887,438	
Mrs. Z. M. Sangani	11,110,466	
Mr. Suhayb M. Sangani	10,000,053	
Mrs. Roshini Sangani	6,864,657	
Mr. Riyaz M. Sangani	6,569,633	
Mrs. S. S. Sangani	2,041,441	
Mr. Shahid M. Sangani	1,699,177	**(194,038,756)**
More than 10%		
Belmont Agents Ltd	75,000,000	
Wembley Spirit Ltd	66,026,286	**(141,026,286)**
Public Share Holding		**97,812,558**
Percentage Public Share Holding (%)		**22.6%**

Investor Information

The price indices of the Colombo Stock Exchange had fallen drastically over the last twelve months, where the All Share Price Index (ASPI) and the Milanka Price Index (MPI) as at 31st March 2012 were 5,420.20 and 4,891.58 compared to 7,377.2 and 7,024.6 on 1st April 2011, respectively.

Classification of Shareholders - Local & Foreign

Description	Local Holders	Foreign Holders	Local Shares	Foreign Shares	Local %	Foreign %
1 To 1,000 Shares	931	5	284,548	2,780	0.07	0.00
1,001 To 10,000 Shares	532	3	1,990,532	17,000	0.46	0.00
10,001 To 100,000 Shares	184	7	4,581,348	168,100	1.06	0.04
100,001 To 1,000,000 Shares	21	1	6,732,828	300,000	1.55	0.07
Over 1,000,001 Shares	19	3	383,395,921	35,404,543	88.57	8.18
Total	**1,687**	**19**	**396,985,177**	**35,892,423**	**91.71**	**8.29**

Twenty Largest Shareholders of Vidullanka PLC as at 31st March, 2012

Name	2012		2011	
	Number of Shares	%	Number of Shares	%
Dr. T. Senthilverl	122,865,891	28.38%	102,943,733	23.78%
Belmont Agents Ltd	75,000,000	17.33%	75,000,000	17.33%
Wembley Spirit Ltd	66,026,286	15.25%	66,026,286	15.25%
Mrs. Ren Lan Mather	20,000,000	4.62%	20,000,000	4.62%
Vidullanka PLC - Trustees To ESOS	17,812,860	4.11%	18,036,560	4.17%
ABC International Ltd	15,528,571	3.59%	18,228,571	4.21%
Mrs. Yumna Kunimoto	13,924,185	3.22%	13,924,185	3.22%
Mrs. S. R. Sangani	12,887,438	2.98%	13,896,138	3.21%
Mr. Mohamed Shafee Mohideen	11,211,258	2.59%	11,211,258	2.59%
Mrs. Z. M. Sangani	11,110,466	2.57%	13,245,466	3.06%
Mr. Suhayb M. Sangani	10,000,053	2.31%	13,377,153	3.09%
Equity Investments Lanka Ltd	8,270,064	1.91%	16,520,064	3.82%
Mrs. Roshini Sangani	6,864,657	1.59%	6,925,557	1.60%
Mr. Riyaz M. Sangani	6,569,633	1.52%	2,912,997	0.67%
Dynawash (Pvt) Ltd	6,436,914	1.49%	6,436,914	1.49%
Mr. Ranjeet Bhanwarlal Barmecha	6,371,877	1.47%	6,371,877	1.47%
Lanka Equities (Pvt) Ltd	2,181,986	0.50%	2,181,986	0.50%
Mrs. S. S. Sangani	2,041,441	0.47%	2,007,841	0.46%
Mr. Shahid M. Sangani	1,699,177	0.39%	564,767	0.13%
Mr. Fauzul Kabeer Mohideen	1,511,064	0.35%	1,511,064	0.35%
Total Top 20 Shareholders	**418,313,821**	**96.64%**	**411,322,417**	**95.02%**
Others	**14,563,779**	**3.36%**	**21,555,183**	**4.98%**
Total Issued Share Capital	**432,877,600**	**100.00%**	**432,877,600**	**100.00%**

Completed Weir and Intake

Wembiyagoda MHPP

Capacity	-	1,300 kW
Location	-	Kalawana
Annual Energy	-	5.3 GWh
Gross Head	-	22.5 m
Design Flow	-	7.3 m^3/s
Machinery Type	-	Francis

Completed Channel Section

Sustainability Report

No economical system is sustainable unless it accommodates the eco systems on which it depends. The current system based on the notion of perpetual economic growth and expansion cannot be achieved given the concern for the green environment is ignored.

Economic Sustainability

Vidullanka PLC presently owns two mini hydro power projects namely Bambarabatuoya MHPP and Batathota MHPP with a total installed capacity of 5.2 MW. Gurugoda Hydro (Pvt) Ltd, a joint venture with Hirdaramani Group of Companies owns another 1.2 MW mini hydro power plant.

Vidullanka management is keen on developing the economic sustainability of the stakeholders including the shareholders of the Company. The Top apex identified the mini hydro power sector as one of the strong hold of the Company. Presently Vidullanka is equipped with a business development unit dedicated to identify the potential locations for mini hydro power projects and study the technical & economical feasibility and obtain the approvals from relevant authorities. The unit has obtained the necessary approvals for 4 MW mini hydro power project to be constructed in Kotmale, Nuwara Eliya. Further, a break through has come in the East African mini hydro power development initiatives with identification of two commercially feasible small hydro power projects. The Company is seeking to obtain approvals from the relevant authorities.

Environmental Sustainability

No economical system is sustainable unless it accommodates the ecosystems on which it depends. The current system based on the notion of perpetual economic growth and expansion cannot be achieved given the concern for the green environment is ignored.

Vidullanka PLC, as a corporate citizen is committed to protect the eco systems of the rivers which are utilized by hydro power plants. As a routine procedure, Company staff make site visits and assess the eco systems of the running plants. Further the Company works closely with the Central

Dengue Prevention Campaign at Batathota Village

Environmental Authority, Forest Department & Wild Life Conservation Department and seeks necessary guidance regarding the environmental impact from the development of new renewable energy projects.

Vidullanka PLC is actively engaged in forming a 12 km stretch of “Life-Fence” from Warakandeniya to Lankagama and in Manikkawita along the boundary of Sinharaja Strict Nature Reserve. This is expected to reduce the encroachment into Sinharaja and protect the biodiversity of the forest. Under this program which is to be implemented in collaboration with the Forest Department, nearly 2,000 seedlings would be planted and maintained by Vidullanka PLC. To promote the conservation of flora and fauna of the area, the Company has also taken the initiatives to reforest 7.2 hectares of land adjoining both river banks of Ginganga with 8,000 native plants in Neluwa divisional secretariat, Galle.

Construction of Bridge at Madugeta Village

Social Sustainability

The Vidul Group is keen on preserving the interests of both the internal and external stakeholders and the concept of this preservation is incorporated directly into the roots of the organizational strategy. The top management of the group believes that the organization is a unit composed of people and exists to serve the people. Therefore Vidul Group is engaged in activities to promote stakeholder relations.

Community Development

Vidul Group has joined hands with the local communities of the projects sites to improve their standard of living. In the past we have contributed to the development of infrastructure of the Banagoda, Batathota, and Ganthuna villages. During the year under review, we have continued that culture in the Madugeta Village of Neluwa DS, Galle. Vidullanka is constructing a motorable bridge across Dellawa Oya, with a length of 28m at a cost of Rs.19.6 Mn. On completion the bridge is expected to provide a safe passage of transport for about 120 families of the village.

On 8th March, 2012, the site staff of Batathota Power Plant took part in a dengue prevention shramadana campaign in the Batathota Village along with the local residents, students and police personnel. The campaign targeted eliminating the possible breeding locations of the mosquitoes and distribution of leaflets to the residents on the prevention methodologies.

Shareholder Site Visit to Batathota MHPP

Vidullanka PLC organized a site visit on 24th September 2011 for the shareholders as per the request made during the AGM for the year 2010/11. The Vidul group had the pleasure of taking the shareholders and their family members to Batathota MHPP and to exhibit the operation of the power plant and the implementation of 5S principles. This was a unique opportunity for the staff to display the operation of a plant to its owners.

Worklife at Vidullanka PLC

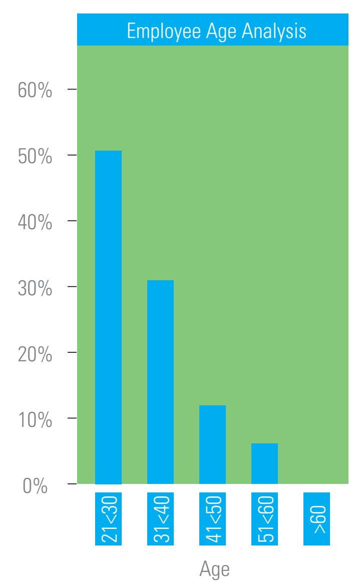
At Vidullanka, we nurture growth. As a pioneer in Sri Lanka's renewable energy sector, we develop professionals who share our dedication to growth, quality, and honesty. We set the foundation for their success by giving our employees industry-best facilities, training and rewards. Vidullanka PLC employees are also given the privilege of rolling up their sleeves and working alongside some of Sri Lanka's most experienced professionals in the fields of Civil Engineering and Electrical Engineering.

The Company as an employer provides equal opportunities to the staff and potential candidates and treat them same regardless of religious beliefs, ethnicity, gender and age. Presently the workforce of the Company is predominantly male due to the intrinsic nature of the industry. However the Company possesses a strong female workforce in the head office in diversified areas including engineering.

Training & Development

The Company has a high esteem for the intellectual capital it possesses and consistently invests in it through continuous training and development programs. The new product line, Vidul Control Solutions offered by the subsidiary Vidul Engineering Ltd is a solid example to which extent the organization's human resource excels in the field of mini hydro power projects.

The management has initiated a system encouraging the staff to submit their proposals to the technical evaluation committee. The proposals are evaluated and the candidate is requested to demonstrate how the new proposal would create a favorable impact to the construction or the



operation of a power project. This has led Vidullanka engineers to develop new methodologies to cut down the cost and improve the generation of the power stations. This has also taken Vidullanka to the international arena with one of the Vidul engineers, Mr. Thushara Gunathilake became the runner up in the Best online flow code project 2011 competition held by Matrix Micro Controller software Company of UK.

In addition, the Company has developed a "Penstock Cleaning Equipment" through the innovative skills of the staff, which would ease the strenuous penstock maintenance work in the mini hydro power plants. Presently the Company envisages supplying this equipment to the external clients.

Rewards & Remunerations

The remuneration policy of the Company focuses on attracting the right pool of talent, retaining and developing them. The employees are subject to annual performance evaluation on the targets agreed upon by the management and themselves. The annual salary increments are based on the performance of the employee and the general inflation factor.

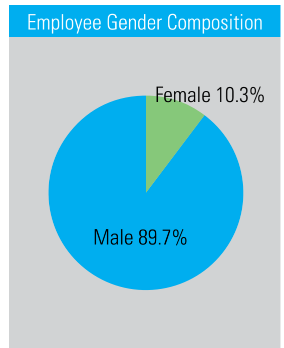
Staff Welfare

The Vidul Group also endeavors to meet the aspirations and desires of the employees in order to optimize their working capacity and uplift their lives. The Company celebrated its annual get-together & award ceremony on 2nd & 3rd of July 2011 at Kukuleganga Resort. The staff and their family members took part in recreational activities and had two memorable days which boosted the morale and bond among the employees.

Further, the employees are encouraged to take part in sports activities. The Company holds the annual "Vidul Cricket Tournament" among the staff.

Employee Safety

Vidul Group adopts a stringent preventive maintenance system along with 5S culture in the sites. The employees are given an induction and extensive training at the time of deployment. In addition, the site staff are provided with safety suites, gloves, boots and ear-muffs. Staff also conduct routine drills to handle the possible accidents in the power station.



Shareholders' Site Visit to Batathota MHPP

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

The Directors are pleased to submit their report with the Auditor's Report and Financial statements for the year needed 31st March 2012, to be presented at the 16th Annual General Meeting of the Company.

Review of the Year

Principal Activities/Core Business

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

Principal Activities of the Subsidiary

The principal Activity of the subsidiary is to provide total turnkey solutions to the clients in renewable energy industry including feasibility study, consultation, Project management, Operation & management of the power plant and electrical control solutions.

Financial Statements

The financial statements prepared in compliance with the requirements of section 151 of the companies act no. 17 of 2007 are given from page 28.

Independent Auditor's Report

The Auditor's report on the financial statements is given on page 29 in this report.

Accounting Policies

The accounting Policies adopted in preparation of the financial statements is given on page 34. There were no changes in Accounting Policies adopted by the Company during the year under review.

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 59,772,200/- (2011 - Rs.155,369,199/-) of which Rs.10,663,044/- (2011 - Rs. 14,453,712/-) were acquired by means finance lease and Ijara.

Cash payments amounting to Rs. 49,109,156/- (2011 - Rs. 32,611,308/-) were made during the year for purchase of Property, Plant and Equipment.

Information relating to movement in Property, Plant & Equipment during the year is disclosed under note 3.7 to the financial statements.

Market Value of Freehold Land

There are no freehold land classified as Investment Properties.

Corporate Governance

The Company has complied with the Corporate Governance rules laid down under listing rules of the Colombo Stock Exchange.

Dividend

The Company paid two interim dividends of Rs. 0.10 and Rs. 0.075 per share during the financial year.

Reserves

The reserves and accumulated profits as at 31st March 2012 amount to Rs. 242,359,342 as against Rs. 262,169,984 as at 31st March 2011. The break up and the movement shown in the Statement of Changes in Equity in the financial statements.

Stated Capital

As per the terms of the Companies Act No 7 of 2007, the stated capital of the Company was Rs. 673,887,932 as at March 31st, 2012. The details regarding the changes in the stated capital are given in Note 7 to the financial statement on page 45.

Post Balance Sheet Events

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

Statutory Payments

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

Interest Register

Details of the transactions with Director-related entities are disclosed in Note 22 to the financial Statements on Page No 53, and have been declared at the Board Meetings, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

Board Committees

Audit Committee

Following Directors represent the Audit Committee of the Board.

1. Mr. M. Zulficar Ghouse (Chairman)
2. Mr. Shahid M. Sangani
3. Mr. Sidath Fernando

The Report of the Audit Committee on page 24 sets out the compliance by the Company in accordance with the requirements of the rule 7.10.6 of the Rules of the Colombo Stock Exchange on Corporate Governance.

Remuneration Committee

Following Directors represent the Remuneration Committee of the Board.

1. Mr. Osman Kassim
2. Mr. S. Ranjan Mather

The report of the Remuneration Committee on page 25 contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in Note 22.2.(a) on page 54 to the financial statements.

Investor Information & Shareholding

The investor information is given on Page 14.

Major Shareholders

Details of Twenty largest shareholders of the Company and the percentage held by each of them are disclosed in page 15.

Directors

The Directors of the Company as at 31st March 2012 and their brief profiles are given on page 6 in this report. The following Directors retire by rotation and being eligible had offered themselves for re-election.

1. Mr. Shahid M.Sangani
2. Mr. M. Zulficar Ghouse
3. Mrs. Roshini Sangani

Director's Shareholding

The interest of the Directors in the Shares of the Company as at 31st March 2012 were as follows,

Director's Shareholding	As at 31.03.2012	As at 31.03.2011
Mr. Osman Kassim	-	-
Mr. Riyaz M. Sangani	6,569,633	2,912,987
Mr. S. Ranjan Mather	-	-
Dr. A.A. Mohamad Haroon	-	-
Dr. T. Senthilverl	122,865,891	102,943,733
Mr. M. Zulficar Ghouse	-	-
Mr. Shahid M. Sangani	1,699,167	564,767
Mrs. Roshini Sangani	6,864,657	6,925,557
Mr. C.F. Fuhrer	-	-
Mr. Sidath Fernando	-	-
Mr. Sattar Kassim	-	-

Auditors

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

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

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

Going Concern

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

Notice of the Meeting

The Annual General Meeting will be held at Bougainvillea Ballroom - Galadari Hotel, Colombo, on 11th July 2012. The Notice of the Annual General Meeting is presented on page 58.

For and on behalf of the Board.

Osman Kassim
Chairman

Riyaz M.Sangani
Managing Director

Managers & Secretaries (Pvt) Ltd.
Secretaries

Vidullanka PLC
6th June, 2012.
Colombo.

Corporate Governance

Vidullanka PLC and its subsidiaries are committed to achieve and maintain the highest standards of Corporate Governance by ensuring business integrity, transparency, professionalism and ethical values which commensurate to generate the value for shareholders. The Company also adheres to the Corporate Governance Rules published by the Colombo Stock Exchange.

In line with the above, this report sets out the Corporate Governance and its application and practice of the Company during the financial year under review.

Board Meetings

The Board meets every two months and, for the year under review, the Board has met a total of 6 times. The Board and the committees are provided with timely information to facilitate decision makings.

The attendances of Directors at the meetings are set out in the table as below.

Name of Director	Directorship Status	Board Meetings	Audit Committee Meetings **	Investment Committee Meetings	Remuneration Committee Meetings
Mr. Osman Kassim	Chairman	5/6	N/A	3/4	1/1
Mr. Riyaz M. Sangani	Managing Director	6/6	N/A	N/A	N/A
Mr. S. Ranjan Mather	Non-Executive Director	5/6	N/A	4/4	1/1
Dr. A. A. Mohamad Haroon	Non-Executive Director	3/6	N/A	2/4	N/A
Dr. T. Senthilverl	Non-Executive Director	3/6	N/A	N/A	N/A
Mr. M. Zulficar Ghouse	Independent Non-Executive Director	6/6	5/5	4/4	N/A
Mr. Shahid M. Sangani	Non-Executive Director	6/6	5/5	N/A	N/A
Mrs. Roshini Sangani	Non-Executive Director	5/6	N/A	N/A	N/A
Mr. C. F. Fuhrer	Non-Executive Director	5/6	N/A	N/A	N/A
*Mr. Sidath Fernando	Independent Non-Executive Director	1/1	1/1	N/A	N/A
*Mr. Sattar Kassim	Non-Executive Director	1/1	N/A	N/A	N/A

* Mr. Sidath Fernando and Mr. Sattar Kassim joined the Vidullanka PLC Board on 16.01.2012.
** Mr. Hilal Peiris who resigned on 30th September, 2011 attended 3/6 Board Meetings and 2/5 Audit Committee Meetings.

Chairman & Executive Director

Clear distinction is ensured between the roles of the Managing Director and the Chairman of the Company which ensures the balance of power and authority in the Board, and the executive responsibilities associated with the Company's day-to-day affairs.

Company Secretary

Managers & Secretaries (Pvt) Ltd acts as the Secretaries of the Company. The Secretaries of the Company are entrusted with ensuring the compliance of the Company to the relevant rules and regulations and keeping the Board members informed of their legal responsibilities.

Corporate Governance Disclosure Under the Listing Rules of Colombo Stock Exchange

Corporate Governance Principles	CSE Rules Reference	Status	Explanatory Notes
Non Executive Directors	7.10.1	Yes	MD is the sole Executive Director. All other Directors are Non-Executives.
Independent Directors	7.10.2 (a)	Yes	Three out of the eleven Directors are independent.
	7.10.2 (b)	Yes	All Non-Executive Directors have submitted their declaration of independence or non-independence.
Disclosure Relating to Directors	7.10.3 (a)	Yes	The Board assessed the independence declared by the Directors and determined the independent Directors.
	7.10.3 (b)	No	The Board has initiated steps to rectify this.
	7.10.3 (c)	Yes	Refer Page 22.
	7.10.3 (d)	Yes	The profiles of newly appointed Directors have been submitted to CSE.
Remuneration Committee	7.10.5 (a)	No	Remuneration Committee comprises of two Non-Executive Directors. The Committee has initiated steps to rectify this issue.
	7.10.5 (b)	Yes	Refer page 25.
	7.10.5 (c)	Yes	Names of the remuneration committee members and report on Remuneration committee are provided in page 25. The Remuneration paid to all Directors is provided in the Note 22.2 (a) to the financial Statements.
Audit Committee	7.10.6 (a)	Yes	Audit committee comprises of three Non-Executive Directors, two of them are independent including the Chairman of the committee. The Managing Director attends the committee meetings by invitation.
	7.10.6 (b)	Yes	Refer to page 24.
	7.10.6 (c)	Yes	Names of the Audit Committee members and report on Audit Committee are provided in page 24. The basis of the determination of the auditor is also given in the Audit Committee Report.

Board Committees

"Corporate Governance involves a set of relationships between a Company's management, its Board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance are determined" - OECD Principles of Corporate Governance.

The Vidullanka Board has delegated specific responsibilities to the Board committees to ensure the practice of good Corporate Governance.

Audit Committee Report

The Audit Committee appointed by Vidullanka Board comprises the following Non-Executive Directors:

1. Mr. Zulficar M. Ghouse
2. Mr. Shahid M. Sangani
3. Mr. Sidath Fernando

The committee is chaired by Mr. Zulficar Ghouse, an Independent Non-Executive Director of the Company and the responsibilities of the committee includes assisting the Board of Directors in fulfilling the review of financial reporting process, reviewing the performance of internal audit function and make recommendations on appointment of External & Internal auditors.

The committee has met five times during the year under review and has also undertaken the annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process. In addition, the committee has reviewed and discussed the Company's quarterly and annual financial statements with the managements and with the external auditors, prior to publication .

An internal audit was performed during the year in concern where the prime focus was to obtain an objective assurance on the overall internal control mechanism, risk management and governance. Internal audit was carried out by M/s Baker Tilly Merali's Chartered Accountants.

Based on the reports submitted by External Auditors and Internal Auditors, the Audit Committee is satisfied that Group's accounting policies and operational controls are in order and are being followed.

Mr. M. Zulficar Ghouse
Chairman
Audit Committee
6th June, 2012.

Remuneration Committee Report

The Board appointed remuneration committee consists of two Non-Executive Directors namely Mr. Osman Kassim and Mr. Ranjan Mather. The committee is chaired by the Mr. Osman Kassim. The Managing Director of the Company attended the meetings by invitation.

The prime responsibility of the committee is to set salary levels, terms and conditions relating to senior management staff. The Committee recommends to the Board of Directors, the remuneration packages, annual salary increments and bonuses of the Executive Director and senior management personnel.

The committee met once during the year to review the compensation structures and the performance evaluation procedure of the senior management staff. The group remuneration policy is set to retain and motivate the competent professionals to achieve the strategic goals of the organization.

Mr. Osman Kassim
Chairman
Remuneration Committee
6th June, 2012.

Investment & Strategy Committee Report

The investment committee comprises four Non-Executive Directors of the Company namely, Mr. Osman Kassim, Mr. Ranjan Mather, Dr. A.A.M. Haroon and Mr. M. Zulficar Ghouse. The main role of the committee is to effectively manage the asset portfolio of the group, formulating long term strategy for the development, expansion of the entity and monitoring performance of management in relation to the established targets, in order to augment shareholder wealth.

The committee is headed by Mr. Osman Kassim and had four meetings during the year under review. The Managing Director and the senior management personnel of the Company attended the meeting by invitation.

Mr. Osman Kassim
Chairman
Investment & Strategy Committee
6th June, 2012.

Risk Management

The management has established a robust risk management mechanism to identify, assess and prioritize the risk followed by coordinated and economical application of resources to minimize and control the probability of adverse impact. The process focus on a diversified fields including financial markets, project failures (at any phase in design, development, production, or sustainable life-cycles), legal liabilities, credit risk, accidents and natural disasters.

The following table summarizes the identified risks and the respective mitigation strategies along with the probability of occurrence and the impact.

Type of Risk	Description	Impact	Likelihood	Mitigation Strategies
Economic Risk	Changes in the macroeconomic environment	High	Medium to High	Vidullanka PLC carries out extensive analysis on macro economic variables before making project investments.
Operational Risk	Risks arising from the day to day operation of the Company	Very High	Low to Medium	The robustness of the internal control mechanism is audited and assured by the internal auditors of the Company
Credit Risk	This arises from the customers & credit facilities offered	Extreme	Low	The only customer of the Vidullanka PLC is the CEB, a state entity. The subsidiary carries out transactions based on written agreements with the clients.
Environmental Risk	Effect on the environment	High	Medium	The Company carries out extensive ecological surveys with renowned industry consultants during the feasibility study of the project. The engineering department & the site crew are engaged in continuous monitoring of the environmental impact.
Public Relations Risk	Adverse effects to the society and the negative response from the public	High	Low	The Company maintains close bonds with the local communities of the project areas, through the community development initiatives and public consultations.
Fraud Risk	Misuse of Company assets	High	Low	This is controlled through the internal control mechanism established by the Board , which is periodically reviewed by the Board Audit Committee.
Information Risk	Sensitive information being able to be accessed by those who are not authorized.	High	Low	The sensitive information is accessible to the authorized staff of the Company and the IT infrastructure is embedded with required software applications.

Directors' Responsibility for Financial Reporting

The Director's responsibility in relation to the Financial Statements is detailed below. The report of the Auditors sets out their responsibility in relation to the Financial Statements.

The Companies Act No. 07 of 2007 requires that the Directors prepare Financial Statements for each financial year, which reflect a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and the profit for that financial year. In preparation of these statements the Directors are required to ensure that,

1. Appropriate accounting policies have been selected and applied on a consistent basis. Material anomalies, if any, are disclosed and explained.

2. Ensure that all applicable accounting standards have been followed.

3. The adjustments and estimates are reasonable and prudent.

4. The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and that of the Group and to enable them to ensure that the Financial Statements comply with the Companies Act. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to establish appropriate systems of internal controls, which provide reasonable though not absolute assurance to the Directors that assets are safe guarded and internal controls, are in place with a view to the prevention and detection of fraud and error.

5. The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps, and undertake whatever inspection they consider to be appropriate for the purpose of enabling them to give their audit report.

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

Compliance Report

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

By order of the Board,

Managers & Secretaries (Pvt) Ltd.
Secretaries

Vidullanka PLC
6th June, 2012.

Financial Information

INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka
Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

BW/MSM/DM

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF VIDULLANKA PLC AND ITS SUBSIDIARIES

Report on the Financial Statements
We have audited the accompanying financial statements of Vidullanka PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries, which comprise the balance sheets as at 31 March 2012, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements
In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Ernst & Young

6th June, 2012
Colombo.

BALANCE SHEET

As at 31st March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	3	686,006,326	642,525,045	549,505,212	550,419,667
Investments	4	87,835,837	-	170,244,014	80,587,412
Other Project Investments	5	171,057,307	80,064,258	171,057,307	80,064,258
Goodwill - Gurugoda Hydro (Pvt) Ltd		6,687,411	6,687,411	-	-
		951,586,881	729,276,714	890,806,533	711,071,337
Current Assets					
Inventories		864,780	864,780	-	-
Trade and Other Receivables	6	142,537,677	127,515,938	169,079,545	145,229,685
Short term Investments	4	106,058,389	80,123,993	106,058,389	80,123,993
Cash and Bank Balances	11	8,796,273	214,572,556	4,894,088	211,743,150
		258,257,118	423,077,267	280,032,022	437,096,828
Total Assets		1,209,843,999	1,152,353,981	1,170,838,555	1,148,168,165
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	7	673,887,932	673,887,932	673,887,932	673,887,932
Retained Earnings		242,205,245	262,169,984	263,919,556	288,033,744
Total Equity		916,093,177	936,057,916	937,807,488	961,921,676
Non-Current Liabilities					
Ijara Facilities (Finance Leases), Murabaha Facilities (Trade Finance) & Diminishing Mushrakah Facilities	8	199,115,239	178,495,545	169,501,708	161,034,728
Defined Benefit Liability	9	8,643,188	5,644,208	6,547,585	4,667,523
		207,758,427	184,139,753	176,049,293	165,702,251
Current Liabilities					
Trade and Other Payables	10	35,812,510	22,008,860	12,197,702	16,260,896
Deferred Taxation	16.2	3,894,335	-	3,894,335	-
Ijara Facilities (Finance Leases), Murabaha Facilities (Trade Finance) & Diminishing Mushrakah Facilities	8	46,285,551	10,147,452	40,889,737	4,283,342
		85,992,395	32,156,312	56,981,774	20,544,238
Total Equity and Liabilities		1,209,843,999	1,152,353,981	1,170,838,555	1,148,168,165

These Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.

Mafaz Ansar
Head of Finance

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 34 to 54 form an integral part of the financial statements.

6th June, 2012
Colombo

INCOME STATEMENT

Year ended 31st March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Revenue	12	252,354,653	362,854,086	193,065,474	299,068,304
Cost of Sales		(56,816,801)	(79,963,310)	(38,615,082)	(60,338,046)
Gross Profit		195,537,852	282,890,776	154,450,392	238,730,258
Other Income / (Expense)	13	(59,880)	4,477,066	9,343,153	6,825,274
Profit from Disposal of Interest in Subsidiary		8,341,778	-	-	-
Administrative Expenses		(114,725,044)	(100,989,421)	(85,300,264)	(83,065,006)
Finance Cost	15	(24,198,536)	(18,641,097)	(21,328,942)	(13,666,177)
Profit Before Tax	14	64,896,171	167,737,324	57,164,339	148,824,349
Income Tax Expense	16	(5,765,535)	(1,374,815)	(5,524,947)	(1,112,380)
Profit for the year		59,130,635	166,362,509	51,639,392	147,711,969
Earnings Per Share - Basic	17	0.14	0.41	-	-
Dividend Per Share		0.18	0.20	0.18	0.20

The accounting policies and notes on pages 34 to 54 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2010	397,477,570	176,972,025	574,449,595
Profit for the Year	-	166,362,509	166,362,509
Dividend	-	(81,164,550)	(81,164,550)
Share Issue during the year	276,410,362	-	276,410,362
Balance as at 31st March 2011	673,887,932	262,169,984	936,057,916
Profit for the Year	-	59,130,635	59,130,635
Dividend	-	(75,753,580)	(75,753,580)
Absorption of loss borne by minority (Refer Note 7.1)	-	(3,341,794)	(3,341,794)
Balance as at 31st March 2012	673,887,932	242,205,245	916,093,177

Year ended 31st March 2012 COMPANY	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2010	397,477,570	221,486,325	618,963,895
Profit for the year	-	147,711,969	147,711,969
Dividend	-	(81,164,550)	(81,164,550)
Share issue during the year	276,410,362	-	276,410,362
Balance as at 31st March 2011	673,887,932	288,033,744	961,921,676
Profit for the year	-	51,639,392	51,639,392
Dividend	-	(75,753,580)	(75,753,580)
Balance as at 31st March 2012	673,887,932	263,919,556	937,807,488

The accounting policies and notes on pages 34 to 54 form an integral part of the financial statements.

CASH FLOW STATEMENT

Year ended 31st March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Cash Flows From Operating Activities					
Profit Before Tax		64,896,171	167,737,324	57,164,339	148,824,349
Adjustments for					
Depreciation	03	31,777,183	26,802,375	25,179,653	21,660,134
Loss/(Profit) on Disposal of					
Property, Plant & Equipment	13	(98,342)	(331,490)	-	(243,448)
Provision for Retiring Gratuity	09	2,998,979	2,342,116	1,880,062	1,813,428
(Profit)/Loss on Disposal of Stake of Project		(29,429,235)	-	(29,429,235)	-
Project written off		1,650,150	-	1,650,150	-
Bad Debts Written back		(327,104)	342,202	-	142,252
Panel write off		-	15,755,435	-	15,755,435
Profit from Disposal of Interest in Subsidiary		(8,341,778)	-	-	-
Finance Costs	15	24,198,536	18,641,097	21,328,942	13,666,177
Operating Profit Before Working Capital Changes		87,324,559	231,289,059	77,773,911	201,618,327
(Increase)/Decrease in Inventories		-	(135,523)	-	-
(Increase)/Decrease in Trade & Other Receivables		(15,021,739)	7,793,987	(23,849,860)	10,459,241
(Increase)/ Decrease in Short Term Investment		(25,934,396)	(80,123,993)	(25,934,396)	(80,123,993)
Increase/(Decrease) in Other Payables		13,803,650	(24,066,244)	(4,063,194)	4,388,825
Cash Generated from Operations		60,172,075	134,757,286	23,926,461	136,342,400
Finance Costs		(24,009,812)	(15,716,116)	(18,834,515)	(12,727,827)
Defined Benefit Plan Cost Paid		-	(132,750)	-	(132,750)
Income Tax Paid		(249,531)	(4,895)	(124,037)	(4,895)
Net Cash from Operating Activities		35,912,732	118,903,525	4,967,909	123,476,928
Cash Flows Used in Investing Activities					
Acquisition of Property, Plant & Equipment	3.1/3.8	(49,109,156)	(32,611,308)	(18,203,654)	(19,186,609)
Proceeds from sale of Property Plant and Equipment		195,500	-	-	-
Investment in New project		(119,916,093)	(60,006,675)	(114,976,871)	(60,006,675)
Disposal Proceed from Investment		36,250,000	-	36,250,000	-
Investment in long term shares		(87,835,837)	-	(87,835,837)	-
Investment in Subsidiary /Joint Venture		-	-	-	(30,175,000)
Dividend Received		792,032	39,720	6,882,657	2,475,970
Net Cash Flows Used in Investing Activities		(219,623,554)	(92,578,263)	(177,883,705)	(106,892,314)
Cash Flows From/(Used in) Financing Activities					
Dividend Payments		(75,753,580)	(81,164,550)	(75,753,580)	(81,164,550)
Right Issue of shares		-	216,438,800	-	216,438,800
Principal Payment Under Ijara Facilities/(Finance Leases)		(6,674,829)	(17,553,448)	(4,731,801)	(16,748,702)
Principal Payment Under Extended Murabaha Facilities		(6,089,014)	(30,662,456)	(6,089,014)	(30,662,456)
Principal Payment Under Mudarabaha Facilities		-	(11,000,000)	-	(11,000,000)
Principal Payment Under Diminishing Musharakah Facilities		(7,618,389)	(59,939,904)	-	(49,000,000)
Proceeds from Mudarabaha Facilities		52,641,129	8,000,000	52,641,129	8,000,000
Principal Payment Murabaha Facilities		-	(2,000,000)	-	-
Proceeds from Ijara Facilities		7,421,060	-	-	-
Proceeds from Diminishing Murabaha Facilities		14,008,162	154,296,500	-	150,000,000
Net Cash Flows From/(Used in) Financing Activities		(22,065,461)	176,414,942	(33,933,266)	185,863,092
Net Increase/(Decrease) in Cash & Cash Equivalents		(205,776,282)	202,740,204	(206,849,062)	202,447,706
Cash & Cash Equivalents at the Beginning of the year		214,572,556	11,832,352	211,743,150	9,295,444
Cash & Cash Equivalents at the End of the year	11	8,796,273	214,572,556	4,894,088	211,743,150

The accounting policies and notes on pages 34 to 54 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

Subsidiary

The Vidul Engineering Ltd is an 80% Owned Subsidiary of Vidullanka PLC. Vidul Engineering Ltd was incorporated on 3 September 2007 under the Companies Act. 7 of 2007. The registered office of the subsidiary is located at Level 04, Access Tower, No, 278, Union Place, Colombo 02.

Joint Venture

Vidullanka PLC owns 50% of Gurugoda Hydro (Pvt) Ltd which is an investment in a joint venture with Hirdaramani (Pvt) Ltd, 50% of Co-energi (Pvt) Ltd which is an investment in a joint venture with Mr & Mrs. Ralapanawe, 50% of Udaka Energy Group (Pvt) Ltd which is an investment in a joint venture with Vanguard Industries (Pvt) Ltd and 50% of Vidul Madugeta (Pvt) Ltd which is an investment in a joint venture with ESNA Power (Pvt) Ltd.

The registered office is located at Level 4, 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 Ratnapura and Batathota Kuruwita. The Bambarabatuoya Mini Hydro power plant commenced its operation during June 2001 and the Batathota Mini Hydro Power Plant commenced its operation during February 2007.

Subsidiary

The principal activity of the Vidul Engineering Limited is 'Construction and Engineering' which specializes civil works related to hydro power plants & hydraulic structures.

Joint Venture

The principal activity of Gurugoda Hydro (Pvt) Ltd is to produce electrical energy and transmit to the national grid.

The principal activities of Co-energi (Pvt) Ltd is to provide Energy Efficiency consultancy to Construction and Industrial companies, to import and sell Innovative Energy Efficiency products in the local market.

The principal activity of Udaka Energy Group (Pvt) Ltd is to produce electrical energy and transmit to the national grid.

The principal activity of Vidul Madugeta (Pvt) Ltd is to produce electrical energy and transmit to the national grid.

1.3 Date of Authorization for Issue

The Financial Statements of Vidullanka PLC, for the year ended 31 March 2012 was authorized for issue in accordance with a resolution of the Board of Directors on 6th June 2012.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Sri Lankan rupees and all values are rounded to the nearest integer except when otherwise indicated.

2.1.1 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 31 March 2012 and for the year then ended been prepared in accordance with Sri Lanka Accounting Standards (SLAS) laid down by Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Vidullanka PLC and its subsidiary and Joint Ventures as at 31 March each year. The financial statements of the subsidiary and Joint Ventures are prepared for the same reporting year as the parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Jointly-controlled entities are accounted for, using proportionate consolidation method, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

2.1.4 Comparative Information
The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Comparative information is reclassified whenever necessary to comply with the current presentation.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements
In the process of applying the Company's accounting policies, management has made judgements, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

Impairment losses on receivables and other receivable:
Company reviews its receivables and other receivable at each reporting date to assess whether an allowance for impairment should be recorded in the financial statements. Judgement by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Deferred Tax Assets:
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives of Property, Plant and Equipment:
The Company reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgement by the management is exercised in the estimation of these values, rates, methods.

Impairment of Equity Investment:
The Company treats all equity investment as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objectives evidence of impairment exists. The determination of what is significant or prolonged requires judgement.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements.

Fair value of Property, Plant and Equipment:
The property, plant and equipment of the Company are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of theses assets. In the absence of such information the Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking in to consideration discounted cash flow projections based on estimates, derived evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Defined Benefit Plan:
The Defined Benefit Obligation and related charge for the year is determined using assumptions required under projected Unit credit method. The valuation involves making assumption about discount rate, future salary increases, staff turnover rates etc. Due to the long term nature of such obligation these estimates are subject to significant uncertainity. Further details are given in Note 9 to these financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 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 as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss in exchange account. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Taxation

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

The provision for current taxation is made for all the companies in the group except for Gurugoda Hydro (Pvt) Ltd. Gurugoda Hydro (Pvt) Ltd is a Company approved under BOI Law, as such the Company enjoys a tax holiday for five years effective from the year in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations, whichever is earlier, as per the BOI Agreement dated 28 May 2009. Currently the Company is enjoying the tax holiday period.

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 recognized 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, 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 as 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.

2.3.3 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.

2.3.4 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 as follows:-

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.

2.3.5 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.

2.3.6 Cash and Cash Equivalents

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

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

2.3.7 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 recognized as an expense. In these circumstances the increase is recognized 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 recognized 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.

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 Years – 60 Years
Computer & Computer Equipment	04 Years
Vehicles	05 Years

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

2.3.8 Leases –Company as a Lessee

Property, Plant and Equipment 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 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 2.3.7 (b).

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

2.3.9 Investments

a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The Company distinguishes and presents current and non current investment in the balance sheet.

b) Measurement

Current Investment

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio.

Unrealized losses arising from reduction to market value and reversal of such reduction required to state current investments at lower of cost and market value are included in income statement.

Long Term Investments

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary decline in carrying amounts are charged to the Income Statement.

Joint Venture Investment

The Company's investment in joint ventures is proportionately consolidated, which involves recognizing a proportionate share of joint ventures assets, liabilities, income and expenses with similar items in the Company's financial statements on a line-by-line basis.

In the separate financial statements of the Company such investments in joint ventures are accounted at cost.

2.3.10 Other Project Investments

The Company's investment in various power generating projects are included under this category. Other Project Investments are stated at cost or lower of management's estimation of realizable value. The Company assesses the viability of the projects at each reporting date for any indications of Impairment. Any impairment recognized will be charged to the Income Statement.

2.3.11 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.

2.4 LIABILITIES AND PROVISIONS

2.4.1 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The Company annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the Gratuity Formula in Appendix E of Sri Lanka Accounting Standard No. 16, Employee Benefits (Revised 2006) which is based on the Projected Unit Credit method as discussed in the said Standard. Although actuarial assumptions are used therein, it should not be treated as a substitute to an Actuarial Valuation.

This item is state under Defined Benefit Liability in the Balance Sheet.

b) Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at the date.

NOTES TO THE FINANCIAL STATEMENTS CONTD....

The gain / losses are recognized over the expected average remaining working lives of the employees participating in the plan.

c) Recognition of Past Service Cost

Past Service Costs are recognized as an expense on a straight line basis over the average period and until the benefits become vested. If the benefits have already been vested, immediately following the introduction of changes to the plan, past service costs are recognized immediately.

d) Funding Arrangements

The gratuity liability is not externally funded.

2.4.2 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.

2.4.3 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.

2.5 INCOME STATEMENT

2.5.1 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) Energy Supplied

Revenue from energy supplied is recognized, upon delivery of energy from the power plant and the adjustment for transmission line losses shall be adjusted monthly upon getting the meter reading by Ceylon Electricity Board at the metering point (Delivery of Electrical Energy shall be completed when Electrical Energy meets the specifications as set out in the power purchase agreement is received at the metering point). As per the Standard Power Purchasing agreement, the power plants are to be operated as a must run facility and the tariff/price is also governed by the same agreement. The standard power purchasing agreement signed for Bambarabatuoya MHPP and Batathota MHPP are for 15 years commencing from 1st June 2001 and 6th March 2007 respectively.

b) Interest

Interest Income is recognized on an accrual basis.

c) Rendering of Services

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

d) Others

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant and 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.

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

2.5.2 Expenditure Recognition

a) Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earning of specific item of income. All expenditure incurred in the running of the business and in maintaining the Property , Plant and 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, hence such presentation method is adopted.

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

2.6 Sri Lanka Accounting Standards effective from 01 January 2012

The Company will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Company has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Company has a 31st March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2012. This will form the basis of accounting for the new SLASs in the future, and is required when the Company prepares its first new SLAS compliant financial statements for the year ending 31 March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Company. The Company is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

(a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Company to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Company shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements.

(b) LKAS 1 – Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Company to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

(c) LKAS 16 – Property Plant and Equipment requires a Company to initially measure an item of Property Plant and Equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalized at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

(d) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or group of financial assets. As such the current method of assessing for impairment will have to be changes to meet the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the Company does not identify, categorize and measure financial assets and liabilities as per the requirements of the standard and also does not recognized certain derivative instruments on the balance sheet

(e) SLFRS 2 – Share Based Payments, will require the Company to reflect in its profit or loss and financial position the effects of share based payment transactions, including expenses associated with share options granted to employees. An entity is required to recognize share based payment transactions when goods are received or services obtained based on the fair value of goods or services or the fair value of equity instruments granted. Hence the Company will be required to determine the fair value of options issued to employees as remuneration and recognize an expense in the statement of financial performance. This standard is not limited to options and extends to all forms of equity based remuneration and payments.

(f) SLFRS 3 – Business combinations will require the Company to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets (inputs) and activities (processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquire and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.

(g) LKAS 23 – Borrowing Cost, the Company must capitalize borrowing costs in relation to a qualifying asset. [if applicable] Since the current policy is to expense all borrowing costs, this will result in a change in accounting policy.

(h) LKAS 12 – Income Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.

(i) LKAS 18 – Revenue requires the Company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Company needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

NOTES TO THE FINANCIAL STATEMENTS CONTD....

Year ended 31st March 2012	Balance As at 01.04.2011 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
3. PROPERTY, PLANT & EQUIPMENT				
GROUP				
3.1 Gross Carrying Amounts				
Freehold Land	26,504,175	5,183,750	-	31,687,925
Office Furniture & Fittings	4,418,601	1,187,971	(111,000)	5,495,572
Office Equipment	5,598,345	3,704,379	-	9,302,724
Computers & Computer Equipment	8,136,445	2,300,184	-	10,436,629
Plant & Machinery	661,140,613	36,558,311	11,525,649	709,224,573
Motor Vehicles	3,855,378	174,561	9,087,570	13,117,509
	709,653,557	49,109,156	20,502,219	779,264,932
3.2 On Finance Lease				
Plant & Machinery	11,763,155	-	(11,763,155)	-
Motor Vehicle	33,535,521	10,663,044	(9,162,590)	35,035,975
	45,298,676	10,663,044	(20,925,745)	35,035,975
Total Value of Depreciable Assets	754,952,233	59,772,200	(423,526)	814,300,907
3.3 In the Course of Construction				
Capital work in Progress - Other Projects	-	15,625,016	-	15,625,016
	-	15,625,016	-	15,625,016
Total Gross Carrying Value	754,952,233	75,397,216	(423,526)	829,925,923

	Balance As At 01.04.2011 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
3.4 Depreciation				
At Cost				
Office Furniture & Fittings	1,342,518	598,847	(15,815)	1,925,550
Office Equipment	842,267	1,352,144	(10,202)	2,184,209
Computers & Computer Equipment	5,477,158	2,563,756	(17,083)	8,023,831
Plant and Machinery	87,216,171	18,778,212	5,389,560	111,383,943
Motor Vehicle	586,144	3,129,892	2,249,200	5,965,236
	95,464,258	26,422,850	7,595,660	129,482,768
3.5 On Finance Lease				
Plant & Machinery	5,560,408	-	(5,560,408)	-
Motor Vehicle	11,402,522	5,354,333	(2,320,027)	14,436,828
	16,962,930	5,354,333	(7,880,435)	14,436,828
Total Depreciation	112,427,188	31,777,183	(284,775)	143,919,596

	2012 Rs	2011 Rs
3.6 Net Book Values		
At Cost		
Freehold Land	31,687,925	26,504,175
Office Furniture and Fittings	3,570,022	3,076,083
Office Equipment	7,118,515	4,756,078
Computers & Computer Equipment	2,412,798	2,659,287
Plant and Machinery	597,840,630	573,924,442
Motor Vehicles	7,152,273	3,269,234
	649,782,163	614,189,299
On Finance Lease		
Plant and Machinery	-	6,202,747
Motor Vehicles	20,599,147	22,132,999
	20,599,147	28,335,746
In the Course of Construction		
Capital Work-in-Progress -Other Projects	15,625,016	-
	15,625,016	-
Total Carrying Amount of Property, Plant & Equipment	686,006,326	642,525,045

3.7 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 59,772,200/- (2011 - Rs.155,369,199/-) of which Rs.10,663,044/- (2011 -Rs. 14,453,712/-) was acquired by means finance lease and Ijara. Cash payments amounting to Rs. 49,109,156/- (2011 - Rs. 32,611,308/-) were made during the year for purchase of Property, Plant and Equipment.

Year ended 31st March 2012	Balance As at 01.04.2011 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
COMPANY				
3.8 Gross Carrying Amounts				
At Cost				
Freehold Land	25,529,175	2,310,000	-	27,839,175
Office Furniture & Fittings	3,574,805	1,076,111	-	4,650,916
Office Equipment	5,299,270	3,027,240	-	8,326,510
Computers & Computer Equipment	6,164,682	1,222,228	-	7,386,910
Plant & Machinery	571,737,681	10,568,075	11,525,649	593,831,405
Motor Vehicles	2,873,180	-	9,162,590	12,035,770
	615,178,793	18,203,654	20,688,239	654,070,686
3.9 On Finance Lease				
Plant & Machinery	11,525,649	-	(11,525,649)	-
Motor Vehicle	28,755,521	6,061,544	(9,162,590)	25,654,475
	40,281,170	6,061,544	(20,688,239)	25,654,475
Total Value of Depreciable Assets	655,459,963	24,265,198	-	679,725,161

NOTES TO THE FINANCIAL STATEMENTS CONTD....

	Balance As At 01.04.2011 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
3.10 Depreciation				
At Cost				
Office Furniture & Fittings	1,258,389	459,287	-	1,717,676
Office Equipment	755,218	1,216,897	-	1,972,115
Computers & Computer Equipment	4,522,081	1,868,994	-	6,391,075
Plant and Machinery	82,508,215	14,479,875	5,353,855	102,341,945
Motor Vehicle	472,392	2,388,489	2,320,027	5,180,908
	89,516,295	20,413,542	7,673,882	117,603,719
3.11 On Finance Lease				
Plant & Machinery	5,353,855	-	(5,353,855)	-
Motor Vehicle	10,170,146	4,766,111	(2,320,027)	12,616,230
	15,524,001	4,766,111	(7,673,882)	12,616,230
Total Depreciation	105,040,296	25,179,653	-	130,219,949

	2012 Rs	2011 Rs
3.12 Net Book Values		
At Cost		
Freehold Land	27,839,175	25,529,175
Office Furniture and Fittings	2,933,240	2,316,416
Office Equipment	6,354,395	4,544,052
Computers & Computer Equipment	995,835	1,642,601
Plant and Machinery	491,489,460	489,229,466
Motor Vehicles	6,854,862	2,400,788
	536,466,967	525,662,498
On Finance Lease		
Plant and Machinery	-	6,171,794
Motor Vehicles	13,038,245	18,585,375
	13,038,245	24,757,169
Total Carrying Amount of Property, Plant & Equipment	549,505,212	550,419,667

3.13 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 24,265,198/- (2011 - Rs. 92,725,208/-) of which Rs. 6,061,544/- (2011 - Rs. 14,453,712) was acquired by means finance lease and Ijara. Cash payments amounting to Rs. 18,203,654/- (2011 - Rs. 19,186,609/-) were made during the year for purchase of Property, Plant and Equipment.

Year ended 31st March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
4. INVESTMENTS					
4.1 LONG TERM INVESTMENTS					
Summary					
Investments in Subsidiaries & Joint Ventures	(4.1.1)	-	-	82,408,177	80,587,412
Other Investments	(4.1.2)	87,835,837	-	87,835,837	-
		87,835,837	-	170,244,014	80,587,412

Year ended 31st March 2012 Non Quoted	Country of Incorporation	Holding %	2012 Rs. Cost	2012 Rs. Directors' Valuation	2011 Rs. Cost	2011 Rs. Directors' Valuation
4.1.1 INVESTMENTS IN SUBSIDIARIES & JOINT VENTURES						
Subsidiary						
Vidul Engineering Ltd	Sri Lanka	80%	20,000,000	20,000,000	25,000,000	25,000,000
Joint Ventures						
Gurugoda Hydro (Pvt) Ltd	Sri Lanka	50%	55,412,412	55,412,412	55,412,412	55,412,412
Co-energi (Pvt) Ltd	Sri Lanka	50%	175,000	175,000	175,000	175,000
Udaka Energy Group (Pvt)Ltd	Sri Lanka	50%	5,000,000	5,000,000		
Vidul Madugeta (Pvt) Ltd	Sri Lanka	50%	1,820,765	1,820,765		
			82,408,177	82,408,177	80,587,412	80,587,412
Movement of the Investments						
As at 1 April			80,587,412			50,412,412
Acquired during the year			6,820,765			30,175,000
Disposal during the year			(5,000,000)			-
As at 31st March			82,408,177			80,587,412

	Number of Shares	Holdings %	2012 Cost	2012 Market Value	2011 Cost	2011 Market Value
4.1.2 Other Investments						
Quoted						
Long Term Quoted Investment						
Alufab PLC	1,755,600	14.51%	87,835,837	44,241,120	-	-
			87,835,837	44,241,120	-	-

Year ended 31st March 2012	Note	2012 Rs.	2011 Rs.
4.2 CURRENT INVESTMENTS			
GROUP/COMPANY			
INVESTMENT IN SECURITIES			
Summary			
Investment in Securities-Quoted	(4.2.1)	38,058,389	16,238,638
Investment in Securities-Non Quoted	(4.2.2)	3,000,000	33,210,315
Investment in Others - Mudarabaha Investment		65,000,000	30,675,040
		106,058,389	80,123,993

NOTES TO THE FINANCIAL STATEMENTS CONTD....

	Number of Shares 2012	2011	Cost Rs. 2012	Market Value Rs. 2012	Cost Rs. 2011	Market Value Rs. 2011
4.2.1 Investment in Securities - Quoted						
Vallibel Power Erathna PLC	604,600	298,600	6,449,727	4,941,309	2,983,405	2,559,478
Bairaha Farms PLC	30,400	13,400	10,782,718	3,952,000	6,054,459	5,373,400
Touchwood Investment PLC	30,000	25,000	868,624	465,000	748,291	585,000
Malwatte Valley Plantation PLC	84,400	35,000	891,264	371,355	3,903,230	3,696,000
Expolanka Holdings PLC	1,735,600	-	22,657,436	10,760,720	-	-
Textured Jersey Lanka PLC	2,440,000	-	37,283,000	17,568,000	-	-
Odel PLC	-	50,000	-	-	2,179,147	1,910,000
Kegalle Plantation PLC	-	3,000	-	-	843,341	622,500
Kotagala Plantation PLC	-	4,000	-	-	901,900	672,000
Panasia Power PLC	-	215,200	-	-	913,970	817,760
			78,932,769	38,058,389	18,527,743	16,238,638
Adjustment for increase/(decrease) in market value as at 31st March			(40,874,380)		(2,289,105)	
Total Carrying value of Investment			38,058,389	38,058,389	16,238,638	16,238,638

	No. of Shares	Carrying Value 2012 Rs.	Carrying Value 2011 Rs.
4.2.2 Investment in Securities-Non Quoted			
ADL Capital Ltd	300,000	3,000,000	3,000,000
Expolanka Holding Ltd	2,425,000	-	30,210,315
		3,000,000	33,210,315

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
5. OTHER PROJECT INVESTMENTS				
Summary				
Balance as at the beginning of the Year	80,064,258	18,590,015	80,064,258	18,590,015
Projects Cost incurred during the Year	117,342,434	61,474,243	117,342,434	61,474,243
Less : Projects Disposed / Transfers	(24,699,235)	-	(24,699,235)	-
Impairment / Written off	(1,650,150)	-	(1,650,150)	-
Balance as at the end of the Year	171,057,307	80,064,258	171,057,307	80,064,258

As at March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
6 . TRADE AND OTHER RECEIVABLES					
Trade Debtors		29,916,745	43,716,354	6,687,119	23,865,967
Advances & Prepayment		53,563,329	30,133,153	23,647,852	14,990,801
Employee Share Option Scheme (ESOS)		47,996,365	51,716,020	47,996,365	51,716,020
Facilities given to Company Officers	6.1	138,650	154,500	138,650	154,500
Other Debtors		7,749,577	1,795,911	513,486	1,795,911
Amounts Due from Related Parties	6.2	3,173,011	-	90,096,073	52,706,486
		142,537,677	127,515,938	169,079,545	145,229,685
6.1 Loans to Company Officers:					
Summary					
Balance as at the beginning of the Year		154,500	197,650	154,500	197,650
Loans Granted During the Year		207,500	275,000	207,500	275,000
Less: Repayments		(223,350)	(318,150)	(223,350)	(318,150)
Balance as at the end of the Year		138,650	154,500	138,650	154,500
6.2 Amounts Due from Related Parties					
Current Account - Vidul Engineering Ltd		-	-	52,513,827	51,206,521
Current Account - Co-energi (Pvt) Ltd		-	-	2,907,932	1,499,965
Current Account - Udaka Energy Group (Pvt) Ltd		-	-	16,977,771	-
Current Account - Vidul Madugeta (Pvt) Ltd		-	-	14,523,532	-
Current Account - Ambewela Wind Power (Pvt) Ltd		3,173,011	-	3,173,011	-
		3,173,011	-	90,096,073	52,706,486

Year ended 31st March 2012 Issued and Fully Paid	At the Beginning of the Year 01.04.2011 Number	Issued for Cash During the Year Number	Issued for Non Cash Consideration Number	End of the Year 31.03.2012 Number
7. STATED CAPITAL				
Number of Shares - Ordinary Shares	432,877,600	-	-	432,877,600
	432,877,600	-	-	432,877,600
	Rs.	Rs.	Rs.	Rs.
Value - Ordinary Shares	673,887,932	-	-	673,887,932
	673,887,932	-	-	673,887,932

7.1 MINORITY INTEREST

Vidullanka PLC disposed 20% stake of Vidul Engineering Ltd which was a fully owned subsidiary for a consideration of Rs. 5 Mn on 31st March 2012. At the time of disposal the net assets portion due to Minority was (Rs. 3,341,794). The loss attributable to minority had been absorbed by the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTD....

Year ended 31st March 2012	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2012 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2011 Total Rs.
8. IJARA (FINANCE LEASES), MURABAHA (TRADE FINANCE) & DIMINISHING MUSHRAKAH FACILITIES						
GROUP						
Ijara Facilities/ Finance Leases (8.1)	5,708,156	13,664,325	19,372,481	5,255,267	13,370,984	18,626,251
Diminishing Musharakah (8.2)	4,008,611	22,397,908	26,406,519	4,892,185	165,124,561	170,016,746
Murabaha Facilities (8.3)	11,568,784	34,983,331	46,552,115	-	-	-
Shareholder Loan	-	3,069,675	3,069,675	-	-	-
Diminishing Musharakah - Working Capital (8.2)	25,000,000	125,000,000	150,000,000	-	-	-
	46,285,551	199,115,239	245,400,790	10,147,452	178,495,545	188,642,997

Year ended 31st March 2012	As at 01.04.2011 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.
8.1 Ijara Facilities(Finance Leases)				
Amana Bank	304,442	-	304,442	-
Muslim Commercial Bank	11,977,914	7,421,060	4,615,043	14,783,931
Lank Orix Finance Company Limited	6,343,894	-	1,755,344	4,588,550
	18,626,250	7,421,060	6,674,829	19,372,481
Gross Liability	26,524,551	-	-	23,860,811
Finance Charges on Ijara Facilities allocated to future periods	(7,898,301)	-	-	(4,488,330)
Net Liability	18,626,250	-	-	19,372,481
8.2 Diminishing Mushrakah Facilitates				
Amana Bank	150,000,000	-	-	150,000,000
Pan Asia Banking Corporation PLC	20,016,746	14,008,162	7,618,389	26,406,519
	170,016,746	14,008,162	7,618,389	176,406,519
Gross Liability	176,089,825	-	-	179,256,539
Finance Charges on Facilities allocated to future periods	(6,073,079)	-	-	(2,850,020)
Net Liability	170,016,746	-	-	176,406,519
8.3 Murabaha Facilities				
Amana Bank	-	52,641,129	6,089,014	46,552,115
	-	52,641,129	6,089,014	46,552,115
Gross Liability	-	-	-	58,938,692
Finance Charges on Murabaha Facilities allocated to future periods	-	-	-	(12,386,577)
Net Liability	-	-	-	46,552,115

Year ended 31st March 2012	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2012 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2011 Total Rs.
8. IJARA (FINANCE LEASES), MURABAHA (TRADE FINANCE) & DIMINISHING MUSHRAKAH FACILITIES CONTD.						
COMPANY						
Ijara Facilities/ Finance Leases (8.4)	4,320,953	9,518,377	13,839,330	4,283,342	11,034,728	15,318,070
Diminishing Musharakah						
- Working Capital (8.5)	25,000,000	125,000,000	150,000,000	-	150,000,000	150,000,000
Murabaha Facility (8.6)	11,568,784	34,983,331	46,552,115	-	-	-
	40,889,737	169,501,708	210,391,445	4,283,342	161,034,728	165,318,070

	As at 01.04.2011 Rs.	Facilities Obtained Rs.	Repayments/ Transfer Rs.	As at 31.03.2012 Rs.
8.4 Ijara Facilities (Finance Leases)				
Amana Bank	304,442	-	304,442	-
Muslim Commercial Bank	11,977,914	4,036,485	4,427,359	11,587,040
Lanka Orix Finance Company Limited	3,035,714	-	783,424	2,252,290
	15,318,070	4,036,485	5,515,225	13,839,330
Gross Liability	22,219,568			16,759,276
Finance Charges on Ijara Facilities allocated to future periods	(6,901,498)			(2,919,946)
Net Liability	15,318,070			13,839,330

	As at 01.04.2011 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.
8.5 Diminishing Mushrakah Facilities				
Amana Bank	150,000,000	-	-	150,000,000
	150,000,000	-	-	150,000,000
Gross Liability	150,000,000			197,906,250
Finance Charges on Murabaha Facilities allocated to future periods	-			(47,906,250)
Net Liability	150,000,000			150,000,000
8.6 Murabaha Facilities				
Amana Bank	-	52,641,129	6,089,014	46,552,115
	-	52,641,129	6,089,014	46,552,115
Gross Liability	-			58,938,692
Finance Charges on Murabaha Facilities allocated to future periods	-			(12,386,577)
Net Liability	-			46,552,115

NOTES TO THE FINANCIAL STATEMENTS CONTD....

Year ended 31st March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
9. DEFINED BENEFIT LIABILITY					
Balance as at the beginning of the year		5,644,208	3,434,842	4,667,523	2,986,845
Charge for the year		2,998,979	2,342,116	1,880,062	1,813,428
Payments during the year			(132,750)	-	(132,750)
Balance as at the end of the year		8,643,187	5,644,208	6,547,585	4,667,523
9.1 Expenses on Defined Benefit Plan					
Current service cost		809,527	1,119,937	274,681	884,109
Interest cost on benefit liability		833,269	446,530	659,619	388,290
Net actuarial gain recognized during the year		1,356,183	775,649	945,762	541,029
		2,998,979	2,342,116	1,880,062	1,813,428
9.2 Assumptions					
Discount Rate		12%	13%	12%	13%
Salary increment		11%	12%	11%	12%
Retirement age		55	55	55	55
Staff Turnover		7%	4%	7%	4%

Year ended 31st March 2012	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
10. TRADE AND OTHER PAYABLES					
Sundry Creditors Including Accrued Expenses		35,812,510	22,008,860	12,197,702	16,260,896
		35,812,510	22,008,860	12,197,702	16,260,896

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
11. CASH AND CASH EQUIVALENTS				
Favourable Cash & Cash Equivalents Balance				
Cash and Bank Balances	8,796,273	214,572,556	4,894,088	211,743,150
Unfavourable Cash & Cash Equivalents Balance				
Bank Overdraft	-	-	-	-
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	8,796,273	214,572,556	4,894,088	211,743,150

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
12. REVENUE				
Revenue	255,907,831	362,854,086	195,806,652	299,068,304
Less: Prior Effect of Tariff Changes	(2,743,178)	-	(2,743,178)	-
	252,354,653	362,854,086	193,065,474	299,068,304

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
13. OTHER INCOME				
Profit from Mudarabaha Investment	8,495,734	3,088,077	8,495,734	3,088,007
Capital Gain on Sales of Stake	29,429,235	-	29,429,235	-
Dividend Received	792,032	39,720	10,293,407	2,475,970
Profit/(Loss) on Disposal of Property, Plant & Equipment	98,342	331,490	-	243,448
Capital Gain on Share Investments	1,788,935	3,165,531	1,788,935	3,165,531
Scrap Sales	239,348	98,260	239,348	98,260
Fall in Value of Shares	(40,874,380)	(2,289,195)	(40,874,380)	(2,289,195)
Profit/(Loss) on Management Services	(29,126)	43,253	(29,126)	43,253
	(59,880)	4,477,066	9,343,153	6,825,274

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
14. PROFIT BEFORE TAX				
Stated after Charging/(Crediting)				
Depreciation	31,777,183	26,802,375	25,179,653	21,660,134
Staff Costs (Include the following Retirement Benefit Costs)	48,438,766	37,292,647	33,736,254	30,730,596
Defined Benefit Plan Costs - Gratuity	2,905,369	2,342,116	1,842,899	1,813,428
Defined Contribution Plan Costs - EPF and ETF	5,827,577	4,485,881	4,052,296	3,592,512
Impairment / Written off projects	1,650,150	-	1,650,150	-

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
15. FINANCE COST				
Finance Cost: (Lease Markup on Ijara/ Murabaha Facilities)	21,334,147	17,802,071	21,328,942	13,666,177
People's Leasing Company Ltd	-	714,653	-	-
Muslim Commercial Bank	141,027	-	-	-
Lanka Orix Finance Company PLC	547,479	-	-	-
Pain Asia Bank	2,175,884	-	-	-
Finance charges Generator and Welding plant	-	70,000	-	-
Finance cost Survey Equipment	-	54,373	-	-
	24,198,536	18,641,097	21,328,942	13,666,177

NOTES TO THE FINANCIAL STATEMENTS CONTD....

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
16. INCOME TAX				
The major components of income tax expense for the year ended 31st March 2012 are as follows:				
Current Income Tax				
Current Income Tax Charge	1,871,200	1,374,815	1,630,612	1,112,380
Deferred Tax				
Deferred taxation Charge/(Reversed)	3,894,335	-	3,894,335	-
	5,765,535	1,374,815	5,524,947	1,112,380
Income Tax expense reported in the Income statement	1,871,200	1,354,497	1,630,612	1,095,941
Social Responsibility Levy 1.5%	-	20,318	-	16,439
	1,871,200	1,374,815	1,630,612	1,112,380
16.1 Reconciliation between Tax Expense and the Accounting Profits Multiplied by Statutory Tax Rate is as follows;				
Accounting profit before Income Tax	64,896,171	167,737,324	57,164,339	148,824,349
At the statutory Income Tax rate of 10% (2011 : 35%)	6,489,617	58,708,063	5,716,437	52,088,522
Tax effect of Disallowed expenses	6,912,334	(4,571,495)	7,402,306	-
Tax effect of Other Allowable Credits	(6,606,410)	2,793,625	(7,336,970)	-
Tax effect of Income exempt from tax	(4,924,341)	(55,575,696)	(4,151,158)	(50,992,581)
At the effective Income Tax rate of 10% (2011 :6.5%)	1,871,200	1,354,497	1,630,612	1,095,941
Social Responsibility Levy 1.5%	-	20,318	-	16,439
Deferred Taxation Charge/(Reversal)	3,894,335	-	3,894,335	-
	5,765,535	1,374,815	5,524,947	1,112,380

	Balance Sheet 2012 Rs.	Balance Sheet 2011 Rs.	Income Statement 2012 Rs.	Income Statement 2011 Rs.
16.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following:				
Deferred Tax Liability				
Capital allowances for tax purposes	4,774,050	-	4,774,050	-
Deferred Tax Assets				
Capital allowances for tax purposes	(5,401)	-	(5,401)	-
Defined Benefit Plans	(874,314)	-	(874,314)	-
Deferred Tax (Reversal) / Charge	-	-	3,894,335	-
Net Deferred Tax Liability/(Asset)	3,894,335	-	-	-

17. EARNINGS PER SHARE

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

	Group	
17.1 Amounts Used as Numerator	**2012**	**2011**
Net Profit Attributable to Ordinary Shareholders for Basic Earnings per Share	59,130,635	166,362,509
Number of Ordinary Shares Used as Denominator		
Weighted Average Number of Ordinary Shares in Issue	432,877,600	401,416,975

Year ended 31st March 2012	2012 Rs.	2011 Rs.
18. DIVIDEND PAID AND PROPOSED		
Declared and paid during the year		
Equity dividends on ordinary shares :		
Final Dividends 2010 : Rs. 1/- per share (2011/12 - Nil)	-	37,876,790
Interim dividends for 2011/12 : Rs 0.175 per share (2010/2011 Rs 0.10/- per share)	75,753,580	43,287,760
	75,753,580	81,164,550
Declared 2nd Interim Dividend of Rs. 0.10 Per Share (not recognised as a Liability as at 31st March)		
Equity dividends on ordinary shares	-	43,287,760

19. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year.

As reported previously: GROUP/COMPANY	Balance As at 01.04.2011	Additions/ Transfers/ Acquisitions	Disposals/ Transfers	Balance As at 31.03.2012
In the Course of Construction				
Capital work in Progress - Other Projects (a)	80,064,258	117,342,434	(26,349,385)	171,057,307

Net Book Value	2012 Rs	2011 Rs
In the Course of Construction		
Capital Work-in-Progress -Other Projects (a)	171,057,307	80,064,258

NOTES TO THE FINANCIAL STATEMENTS CONTD....

Year ended 31st March 2012	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
19. COMPARATIVE INFORMATION CONTD.				
Current Presentation:				
OTHER PROJECT INVESTMENTS				
Summary				
Balance as at the beginning of the Year	80,064,258	18,590,015	80,064,258	18,590,015
Projects Costs incurred during the Year	117,342,434	61,474,243	117,342,434	61,474,243
Less: Projects Disposed / Transfers	(24,699,235)	-	(24,699,235)	-
Impairment / Written off	(1,650,150)	-	(1,650,150)	-
Balance as at the end of the Year (a)	171,057,307	80,064,258	171,057,307	80,064,258

Reasons for change in the presentation and classification:

a) For a better presentation of financial statement comparative information have been reclassified accordingly.

20. COMMITMENTS & CONTINGENCIES

During the year Company guaranteed 50% of the financial accommodation of Rs. 87,500,000 for Udaka Energy Group (Pvt) Ltd which is a related party, to the limit of Rs. 43,750,000 (2011 - Rs. Nil) and as at 31st March 2012 Rs. 28,016,323.00 (2011 - Rs. Nil) had been drawn under such financial accommodation.

20.1 Contingent Liabilities
Litigations against the Company

Following Court actions have been initiated against the Company.

a) D.C. Balangoda Forest Case No. 1752/L
b) D.C. Ratnapura Case No. 21991/L
c) D.C. Ratnapura Case No. 22020/L

21. ASSETS PLEDGED
The following assets have been pledged as security for Liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2012 Rs.	Carrying Amount Pledged 2011 Rs.	Included under Assets
GROUP / COMPANY				
Leased Assets (Ijarah Facilities)	Charge over Leased Assets on Finance Lease Liabilities	-	13,607,674	Property, Plant & Equipment
Assets on Finance Lease and Working Capital	Ijara ,Murabaha & Musharaka Facilities	150,000,000	80,062,123	Property, Plant & Equipment
Total carrying value of Assets Pledged		150,000,000	93,669,797	

The Company has pledged 1,750,000 number of shares of Alufab PLC in obtaining a Murabaha facility.

Company	Relationship	Nature of Transactions	2012 Rs.	2011 Rs.
22. RELATED PARTY DISCLOSURE				
22.1 Details of significant Related Party Disclosure are as Follows.				
Vidul Engeering Ltd	Subsidiary	Expenses incurred by Vidullanka PLC on behalf of Vidul Engineering Ltd	35,136,503	22,884,428
		Expenses incurred by Vidul Engineering Ltd on behalf of Vidullanka PLC	(30,929,326)	(24,230,143)
		Fund Transfers From Vidullanka PLC	3,765,000	2,400,000
		Fund Transfers From Vidul Engineering Ltd	(6,664,872)	(4,700,000)
Gurugoda Hydro (Pvt) Ltd	Joint Venture	Expenses incurred by Vidullanka PLC on behalf of Gurugoda Hydro (Pvt) Ltd	(2,498,534)	(7,391,578)
		Settlements From Gurugoda Hydro (Pvt) Ltd	2,269,237	4,061,198
		Transfer Liabilities to Share		30,000,000
Co-energi (Pvt) Ltd	Joint Venture	Expenses incurred by Vidullanka PLC on behalf of Co-energi (Pvt) Ltd	3,053,405	1,674,965
		Settlements From Co-energi (Pvt) Ltd	(1,628,434)	-
		Issue of Shares	-	(175,000)
Udaka Energy Group (Pvt) Ltd	Joint Venture	Expenses incurred by Vidullanka PLC on behalf of Udaka Energy Group (Pvt) Ltd	16,977,771	-
		Issue of Shares	(5,000,000)	-
Vidul Madugeta (Pvt) Ltd	Joint Venture	Expenses incurred by Vidullanka PLC on behalf of Vidul Madugeta (Pvt) Ltd	14,523,532	-
Diamond Cutter Sales (Pvt) Ltd	Affiliate	Expenses incurred by Diamond Cutters Sales (Pvt) Ltd on behalf of Vidullanka PLC	82,172	40,248
		Settlements From Vidullanka PLC	(115,130)	-

22.2 Transactions with Key Management Personnel

The Key Management Personnel of the Company are the members of its Board of Directors. Transactions with close family members of Key Management Personnel are also taken into account in the transactions with Key Management Personnel. There have been no transactions with the Key Management Personnel or their close family members or entities in which the said Key Management Personnel or their close family members have control, joint control or significant influence over the Company.

22.2 (a) The Key management personnel of the Company are the members of the its Board of Directors

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

NOTES TO THE FINANCIAL STATEMENTS CONTD....

Year ended 31st March 2012	2012 Rs.	2011 Rs.
Key management Personnel Compensation		
Short-Term Employee Benefits	7,854,000	7,720,948
Other transactions - Dividend Payment	689,367	190,129
	8,543,367	7,911,077

22.2 (b) Transaction with Key Management Personnel

The Company has disposed 20% of the stake of Vidul Engineering Ltd to KMP during the year.

The expenses borne by the company on behalf of key management personnel is as follows;

	2012 Rs.	2011 Rs.
Utility Allowance	1,254,000	1,086,720
Apartment Rent	3,156,000	-
	4,410,000	1,086,720

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTES

NOTES CONTD....

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of shareholders of the Company will be held on 11th July 2012 at Bougainvillea Ballroom - Galadari Hotel, Colombo 01, at 4.00 p.m. for the following purposes :

1. To, consider and adopt the Audited Financial Statements for the year ended 31st March 2012 together with the Annual Report of the Directors thereon.

2. To re-elect **Mr. Shahid M. Sangani** as a Director of the Company, who retires by rotation.

3. To re-elect **Mr. M. Zulficar Ghouse** as Director of the Company, who retires by rotation.

4. To re-elect **Mrs. Roshini Sangani** as Director of the Company, who retires by rotation.

5. To elect **Mr. Sidath Fernando**, who was appointed as a Director of the Company subsequent to the last Annual General Meeting

6. To elect **Mr. Sattar Kassim**, who was appointed as a Director of the Company subsequent to the last Annual General Meeting

7. 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 (Pvt) Ltd.
Secretaries
6th June, 2012

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

FORM OF PROXY

I/We, the undersigned ……………………………………………………........

of…………………………………………………………………………........

…………………………………...

being member/s of Vidullanka PLC, do hereby

appoint…………………………………………...

…………………………………………………………………………...

…………………………………...

of…………………………………………………………………………

…………………………………...

as my / our Proxy to represent me/us, vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 11th July 2012 and at any adjournment thereof.

Ordinary Resolution	For	Against
1. To, consider and adopt the Audited Financial Statements for the year ended together with the Annual Report of the Directors thereon.		
2. To re-elect **Mr. Shahid M. Sangani** as a Director of the Company, who retires by rotation.		
3. To re-elect **Mr. M. Z. M. Ghouse** as Director of the Company, who retires by rotation.		
4. To re-elect **Mrs. Roshini Sangani** as Director of the Company, who retires by rotation.		
5. To elect **Mr. Sidath Fernando**, who was appointed as a Director subsequent to the last Annual General Meeting		
6. To elect **Mr. Sattar Kassim**, who was appointed as a Director subsequent to the last Annual General Meeting		
7. To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize Directors to determine their remuneration.		

Signed this…………………day of………………………2012.

……………………
Signature

Instructions for completion of Proxy

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. In the case of a Company/corporation, the proxy must be under its common seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

3. The completed Form of Proxy should be deposited at the Registered Office of the Company at Vidullanka PLC, Level 04, Access Towers, No.278, Union Place, Colombo 2.

Corporate Information

COMPANY STATUS & CAPITAL

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

Re - registration Date & Number

27th September 2007
PQ 83

Stated Capital

Rs. 673,887,932/-

Issued Capital

432,877,600 Shares

BOARD OF DIRECTORS

Mr. Osman Kassim (Chairman)
Mr. Riyaz M. Sangani (Managing Director)
Mr. Shahid M. Sangani
Mr. S. Ranjan Mather
Dr. A. A. M. Haroon
Mr. M. Zulficar Ghouse
Dr. T. Senthilverl
Mr. C.F. Fuhrer
Mrs. Roshini Sangani
Mr. Hilal Peiris (Resigned w.e.f. 30th September, 2011)
Mr. Sidath Fernando (Joined w.e.f. 16th January, 2012)
Mr. Sattar Kassim (Joined w.e.f. 16th January, 2012)

COMPANY SECRETARY

Managers & Secretaries (Pvt) Limited

REGISTERED OFFICE

Level 04, 'Access Towers'
No 278 Union Place, Colombo 2.

AUDITORS

M/s. Ernst & Young, Chartered Accountants

BANKERS

Commercial Bank of Ceylon PLC
Amana Bank Limited

Produced by Copyline (Pvt) Ltd   Printed by Printel (Pvt) Ltd

VIDULLANKA PLC

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