Vallibel Power Erathna PLC

Annual Report 2015/16

GOING FORWARD WITH PASSION. GOING GREEN WITH A CONSCIENCE.

GOING FORWARD WITH PASSION. GOING GREEN WITH A CONSCIENCE.

Vallibel Power Erantha PLC is synonymous with quality, complete reliability and a focus on sustainability availing your Company to evolve into a socially and environmentally conscious organization.

The year under review has been a positive one for the company. Your Company has endured hardships along the path relentlessly travelled with the future looking positive and fruitful.

Vallibel Power Erantha PLC have steadfastly implemented our green initiative in order to selflessly give something of holistic value back to Mother nature. Our forestation projects cover a gamut of regions island wide further depicting our penchant for environmental consciousness.

Your Company's focal point is now to fastidiously align our operations socially, culturally and environmentally with true diligence and unstinted responsibility. We look to the future with positivity and veracity with sustainability playing a pivotal part in our operational framework.

Going forward with passion. Going green with a conscience.

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ABOUT THIS REPORT

Scope and Content

This report covers the financial year from 1 April 2015 to 31 March 2016. It complies with legislative requirements for annual reporting under the Company's Act No. 07 2007 and with the relevant regulatory requirements including those stipulated by the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The report is structured on the sustainable value creation process together with the related activities and performance in terms of both financial and non-financial facets for the reporting period. Wherever relevant, data relating to the preceding financial years are used to track trends and benchmark the performance of the year under review. The information has been guided by the Global Reporting Initiative (GRI) - G4 framework in accordance with the GRI's Core reporting standards where the report is not externally assured.

Methodology

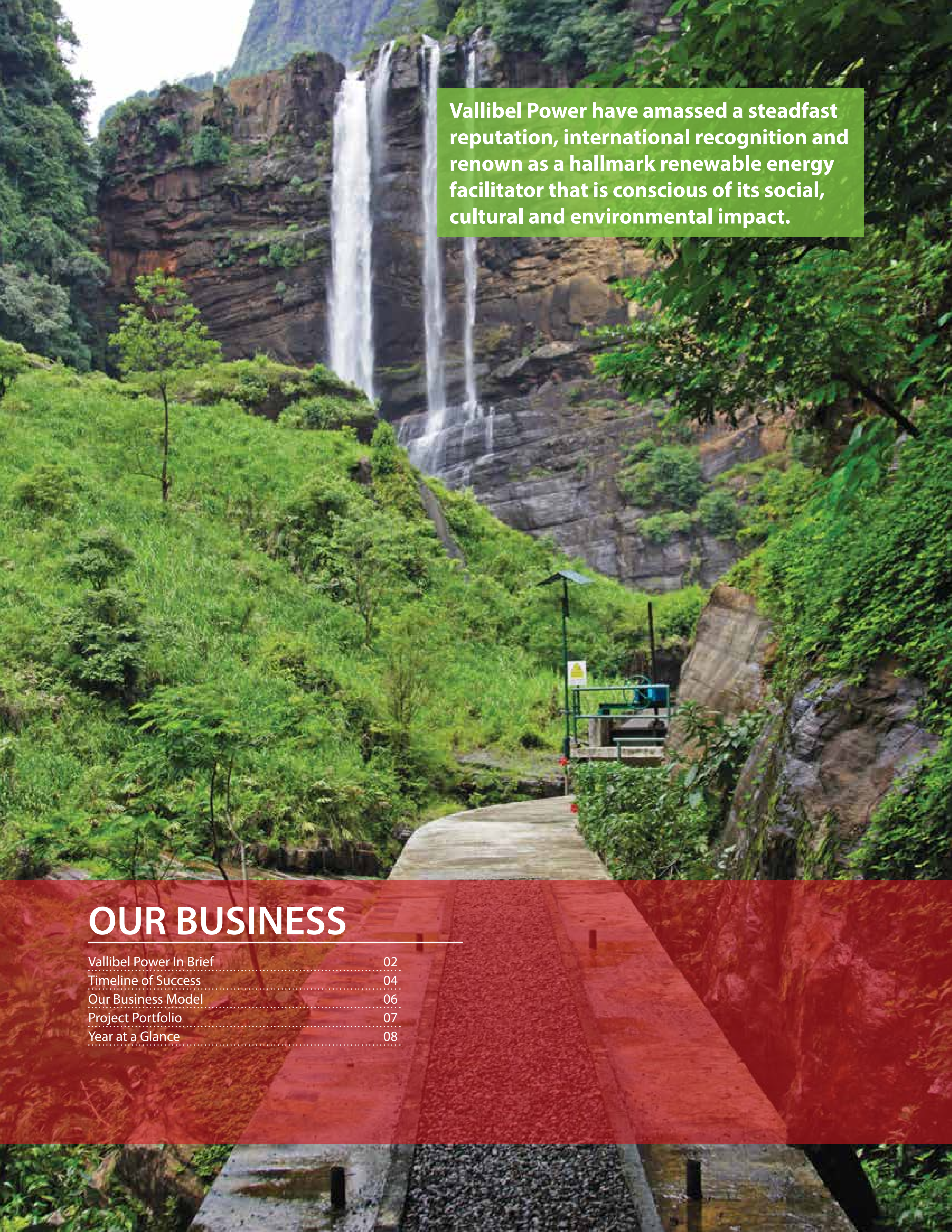
The operational and financial data and information on performance is prepared using the accounting data for the period from 1 April 2015 to 31 March 2016, audited by M/s. Ernst & Young, Chartered Accountants. The data and information on the macroeconomic environment and the power & energy industry are based on the available statistics published by the Central Bank of Sri Lanka, Ceylon Electricity Board and other industry sources.

Feedback

While we do engage in stakeholder engagement continuously and constantly with each of our stakeholder segments, we also continue to seek new avenues of communication that would give us more feedback to improve our sustainability. This is thus, applicable to this report as well. We use this report and the feedback that would ensue in creating a skill and tool strength to strengthen our stakeholder relationships. We will use this feedback to identify gaps, stimulate solutions, promote communication between stakeholder groups and use this information to also plan our business and future investment strategy and policy, while maintaining a keen eye on challenges, trends and opportunities.

Please direct your comments to:
Vallibel Power Erathna PLC
27-2, East Tower, World Trade Centre
Colombo 01.
energy@vallibel.com

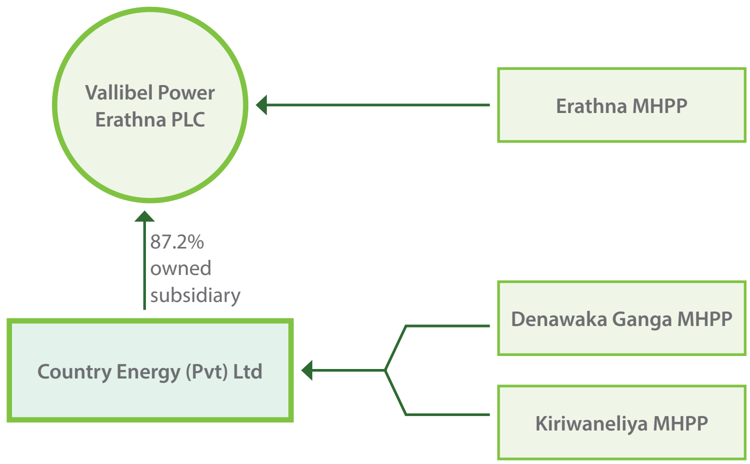
More information on our Company could also be obtained on www.vallibel-hydro.com



Vallibel Power have amassed a steadfast reputation, international recognition and renown as a hallmark renewable energy facilitator that is conscious of its social, cultural and environmental impact.

OUR BUSINESS

VALLIBEL POWER IN BRIEF



Vallibel Power Erathna PLC has risen with considerable aptitude, unmarred enterprise and a steadfast vision to provide top of the line, state of the art solutions in power generation. Incorporated in November 2001 as Zyrex Power Company Erathna Limited, commencing construction in 2002 and instigated operations in July 2004. Vallibel Power Erathna PLC was listed on the Second Board of the Colombo Stock Exchange in 2006 and by 2009 the Company not only acquired Country Energy (Pvt) Ltd., in November 2009 as a subsidiary but VPEL was transferred to the Main Board of the Colombo Stock Exchange. Receiving more accolades our way adding to our array of accomplishments is the Kiriwaneliya & Denawaka Ganga construction started in 2010 and commissioned in December 2011 & February 2012 respectively. Now it has three mini hydropower projects in operation; flagship Erathna project in Kuruwita, Kiriwaneliya project in Norton Bridge and Denawaka Ganga project in Rathnapura, which together generate over 80 GWh of power to the national grid.

The Company & Subsidiary were certified for ISO 9001:2008 & ISO 14001:2004 for the implementation of Quality & Environmental Management Systems. Country Energy (Pvt) Ltd is registered with CDM under the United Nations Framework. With a professional and experienced team, Vallibel Power Erathna PLC has remained consistent and stable for over a decade and look forward to the future with positivity and focus to not leave any stone unturned, to achieve the impossible with a conscience and a nod to environmental conservation, unearthing the next phase of our natural evolution; to be the beacon and energizers of a brave new world.

Company and Subsidiary are certified for;

ISO 9001:2008 **ISO 14001:2004**

Subsidiary is Registered for;

CDM of UNFCCC

VISION

To be a significant producer of clean energy for the sustainable economic development of Sri Lanka.

MISSION

To generate the maximum amount of electricity from available water resources with minimal environmental pollution, by optimising the operational efficiencies of our assets.

OBJECTIVES & VALUES

We are focused on a clear strategy to meet the aspirations of our stakeholders:

Environment
We have minimised the adverse impacts that would be affected to the environment through our continued awareness to the changing environment.

Employees
We care for our employees and create a favourable & healthy environment for their employment to increase productivity.

The Investors
We optimise the operational efficiencies from existing assets to give high returns and acquire new renewable energy opportunities.

The Communities
We conduct our business in a socially responsible manner by keeping friendly engagement with society.

TIMELINE OF SUCCESS

2001

- Incorporation of Zyrex Power Company Erathna Limited on 7th November 2001

2002 & 2003

- Construction of Erathna Mini Hydro Power Project at Kuruwita.

2004 & 2005

- Commencement of commercial operations of Erathna project on 14th July 2004.
- Change of the name as "Power Company Erathna Limited" On 14th October 2004.
- Change of the name as "Vallibel Power Erathna Ltd" on 2nd June 2005.

2006

- Listing of Company's shares on Secondary Board of Colombo Stock Exchange on 17th May 2006.
- Investment in shares of Fortress Resort Ltd.

2007

- Enhancement of investment in the Fortress Resorts PLC to become the 5th largest Shareholder.
- Investment in Didul (Pvt) Ltd

2008

- Disposal of investment in Didul (Pvt) Ltd.

2009

- Acquiring the stake of Country Energy (Pvt) Ltd in November 2009 as a subsidiary.
- Transferring to the Main Board of the Colombo Stock Exchange on 15th October 2009.

2010

- Construction of Kiriwaneliya & Denawaka Ganga MHP projects in 2010.

2011

- Commencement of commercial operations of Kiriwaneliya MHP Project on 15th December 2011.
- Bronze Award Winner-Service Sector in Annual Report Competition held by ICASL.

2012

- Commencement commercial operations of Denawaka Ganga MHP Project on 14th February 2012.
- Gold Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.
- Winner of ACCA Sustainability Reporting Award in the First Time Reporting Category.
- Visiting of Erathna MHP Project by the Delegation of Seychelles government to study mini power projects industry.

2013

- Kiriwaneliya project and Denwakaganga project were qualified for Clean Development Mechanism (CDM) under United Nations Framework Convention on Climate Change (UNFCCC).
- Silver Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.
- Erathna MHP Project recognised as Bronze Award Winner at the National Green Award-2012 organised by CEA.

2014

- Company and its Subsidiary were certified for ISO 9001 & 14001for the implementation of Quality and Environmental Management Systems.
- Group turnover passed One Billion Rupees for the first time.
- Kiriwaneliya MHP Project recognised as Bronze Award Winner at the National Green Award-2013 organised by CEA.

2015

- Highest power generation of Erathna MHPP in the history; 45.6 GWh for the year 2015
- Highest Group Profit in our history; Rs. 960 Mn.
- Highest Dividend paid in our history; Rs. 747 Mn.
- Silver Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.
- Disposal of investment in Fortress Resorts PLC.

2016

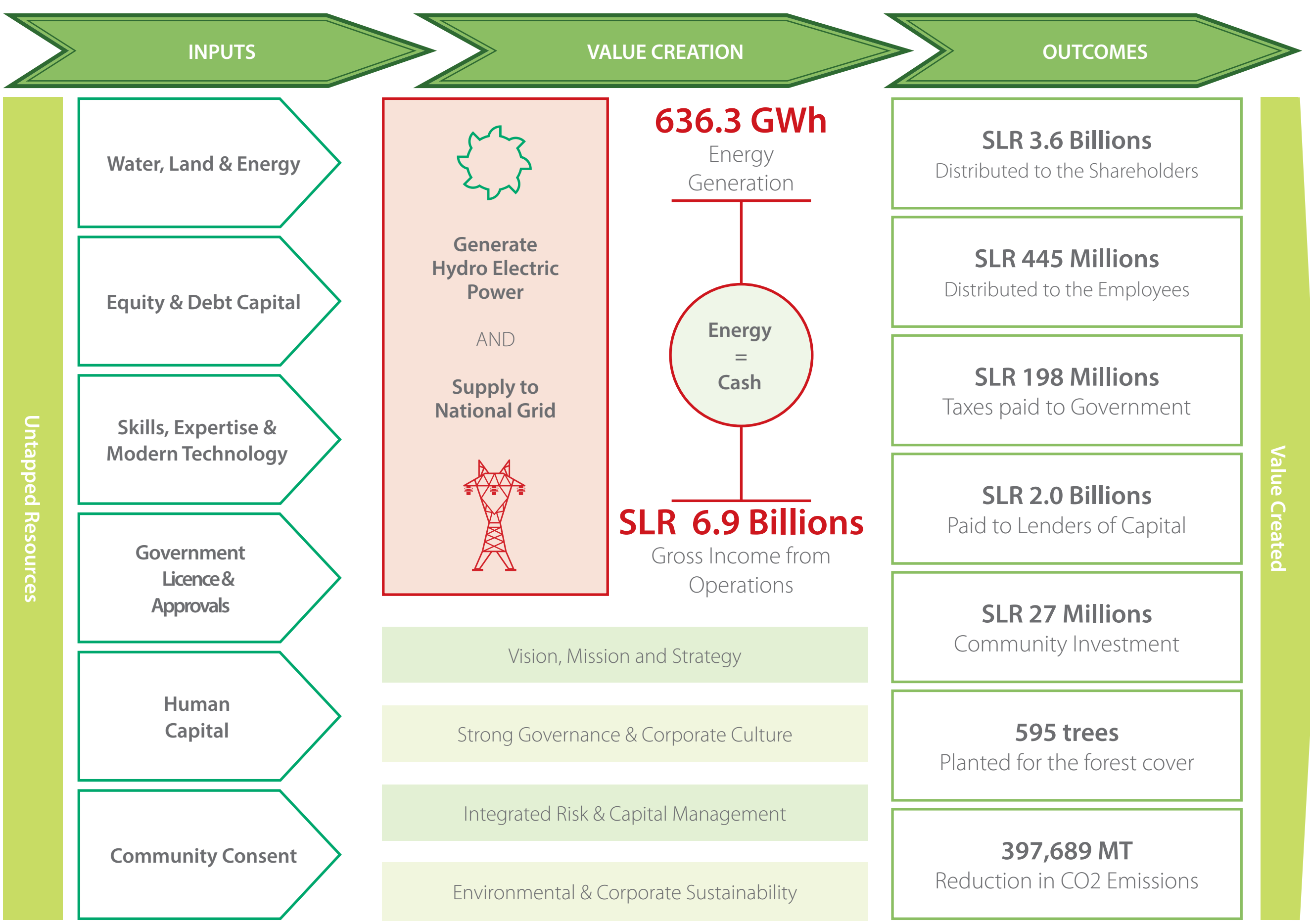
- Company recognised as "Best Under A Billion Award" winner held by Forbes Asia
- Highest Dividend of Rs. 747 Mn for the 2nd consecutive year.
- Bronze Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.
- Kiriwaneliya MHP Project recognised as Silver Award Winner at the National Green Award-2015 organised by CEA.

OUR BUSINESS MODEL

The untapped value inherent in a natural resource can only be accessed through the input and collaboration of a number of different stakeholders. Though Vallibel Power Erathna has the vision and mission, the financial and human resources as well as the technical expertise to develop hydro power, most importantly we recognise the interest and enthusiasm of investors, the relevant licenses from governments, the consent and buy-in from neighbouring communities, sufficient infrastructures, the services of a range of suppliers and contractors, and the skills and manpower of our people play a crucial role. Now we are at this point and best positioned to extract the maximum value from the opportunities in the renewable sector and drive them to the best interest of stakeholders.

We remain acutely aware of our responsibilities towards Shareholders and other stakeholders. Our commitment to these interested groups is upheld in our Investor, Society and Community and Employee Charters. By adhering to the Group's Values of Safety, Responsibility, Honesty, Respect and Innovation, we seek to honour these commitments. Our Values also ensure that we achieve our goal of Zero harm to people, the environment and communities, while delivering maximum value to Shareholders.

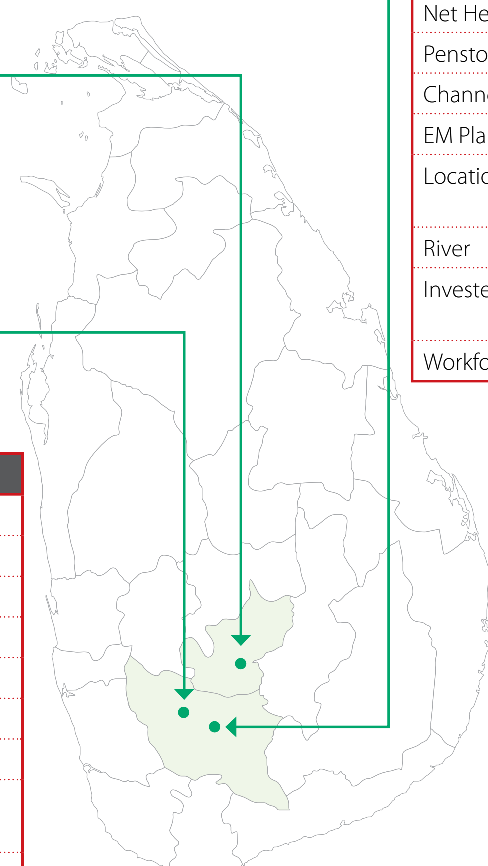
This value creation model delivers a number of outcomes to the broad range of stakeholders and the following end-to-end business model illustrates what the Vallibel Power Group have delivered up to date.



PROJECT PORTFOLIO

Kiriwaneliya Mini Hydro Power Project	
Installed Capacity	4.65 MW
Annual Average Energy	15 GWh
Year of Commissioning	2011
Net Head	200 Meters
Penstock Length	1690 Meters
Channel Length	300 Meters
EM Plant Supplier	VS Energy
Location	Norton Bridge, Nuwara Eliya District
River	Maskeli Oya
Invested Company	Country Energy (Pvt) Ltd
Workforce	20

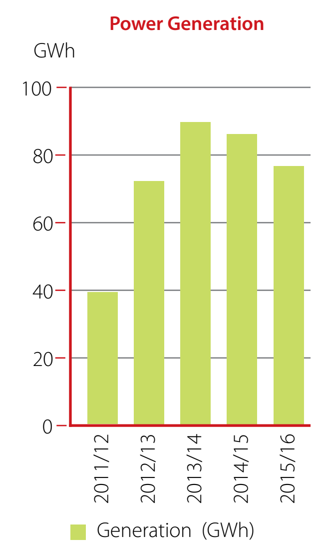
Denawaka Ganga Mini Hydro Power Project	
Installed Capacity	7.2 MW
Annual Average Energy	25 GWh
Year of Commissioning	2012
Net Head	33 Meters
Penstock Length	97 Meters
Channel Length	1800 Meters
EM Plant Supplier	Dongfeng Electric
Location	Malwala, Rathnapura District
River	Denawaka Ganga
Invested Company	Country Energy (Pvt) Ltd
Workforce	32

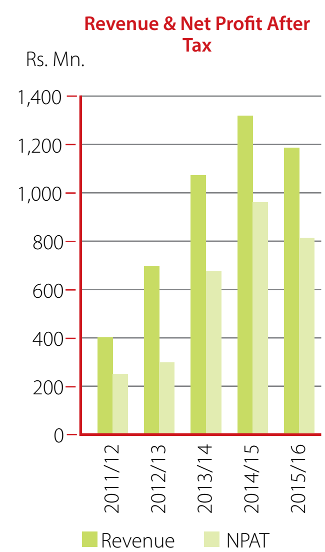


Erathna Mini Hydro Power Project	
Installed Capacity	10 MW
Annual Average Energy	42 Gwh
Year of Commissioning	2004
Net Head	420 Meters
Penstock Length	2250 Meters
Channel Length	300 Meters
EM Plant Supplier	Voith Seimens
Location	Kuruwita, Rathnapura District
River	Kuru Ganga
Invested Company	Vallibel Power Erathna PLC
Workforce	23

YEAR AT A GLANCE

			2015/16	2014/15	Change %
Energy Delivered	- Erathna MHPP	KWh	44,140,609	43,528,136	1
	- Denawaka Ganga MHPP	KWh	19,604,414	25,954,413	(24)
	- Kiriwaneliya MHPP	KWh	12,634,372	16,457,191	(23)
			76,379,398	85,939,740	(11)
Average Revenue per kWh		Rs.	15.47	15.34	1
Revenue					
	- Erathna MHPP	Rs.'000	682,133	662,227	3
	- Denawaka Ganga MHPP	Rs.'000	305,446	397,751	(23)
	- Kiriwaneliya MHPP	Rs.'000	194,228	257,953	(25)
Total Revenue			1,181,807	1,317,931	(10)
Total Tax Paid		Rs.'000	88,202	70,107	26
Profit After Tax - Group		Rs.'000	813,028	960,092	(15)
Dividends Paid		Rs.'000	747,110	747,110	-
Earnings Per Share		Rs.	0.89	0.98	(9)
Net Assets Per Share		Rs.	2.37	2.47	(4)
Market Price of Share - Closing		Rs.	8.00	7.90	1
Dividend Per Share		Rs.	1.00	1.00	-
Reduction in CO2 Emission		MT	47,737	53,712	(11)
Total Workforce			104	108	(4)





AWARDS

- Best Under A Billion Award from Forbes Asia
- Silver Award of National Green Awards to Kiriwaneliya MHPP
- Bronze Award- Annual Reports Awards from CA Sri Lanka - Power & Energy Sector

Forbes Asia Best Under A $Billion

POWER GENERATION

11% ↓

REVENUE

10% ↓

NET PROFIT AFTER TAX

15% ↓

TOTAL WORK FORCE

104

TREES PLANTED

340

REDUCTION IN CO2 EMISSION

47,737 MT

Your Company is a trend setter, a responsible and accountable steward attuned to its environs and have asserted only the finest operational practices.

STEWARDSHIP

CHAIRMAN'S MESSAGE

"2015 marks eleven years in business for us and one in which we have set the benchmark for the emerging small hydropower sector in Sri Lanka as the largest listed entity in the sector. Our very business, its success and growth has been rooted upon the bounty of Mother Nature. As a responsible corporate citizen we have been compliant with the requirement of national environmental protection regulations and been conscious of safeguarding the environment in all our operational activities. During the current financial year, we continued our uncompromising stance of going beyond statutory requirements in environmental responsibility, placing acute emphasis on 'giving back' to Mother Nature through environmental sustainability. These sustainability concepts have been spearheaded through a Planting Programme, initiated this year in the surrounding sites of our business operations, to green the areas and contribute to water and soil retention, which would in turn expand the water catchments."

Our vision is to be the most significant producer of clean energy for the sustainable economic development of Sri Lanka and as one of the largest mini hydropower companies in the country, we are actively contributing towards a cleaner, greener national economy. Our performance plan has been developed on a sustainability platform, based on a structured three pronged strategy that incorporates financial consolidation, disciplined growth and commitment to sustainable business growth.

The Company together with its subsidiary; Country Energy, has had a somewhat challenging year during the financial year 2015/16. Nevertheless, we have overcome unavoidable, external macro challenges, both natural and man-made, to achieve a commendable performance. In this milieu, it pleases me greatly to present the Annual Report for this Company for the year ended 2015/16. You can observe our performance, both quantitatively and qualitatively in our quest to optimise our capacity in contributing to the country's energy requirements.

Operating Environment

Globally, renewable energy continued to gain ground with rising corporate interest and investments in the sector, as the world increasingly faces an energy crisis of global proportions in the wake of continually depleting finite fossil fuel reserves. The entire world has also been awakened to the serious implications to human existence through climate change, stemming from the unbridled use of fossil fuels. Therefore, renewable energy remains a key global growth opportunity of the future and offers many investment opportunities across a range of new energy sources and emerging technologies.

Opportunities are emerging in small hydropower generation in the Asian and African regions, where the investment climate is now more conducive for foreign direct investment. In addition, solar power presents many opportunities both within the country and in other parts of the world. The investment potential and interest in geothermal energy and bio-fuels have also increased across the globe in recent times with rising private investment at feasibility level, coupled with experimentation techniques that are rapidly evolving and becoming more practically applicable.

In Sri Lanka, we are experiencing unprecedented growth in demand for energy across the nation as people and businesses thrive in the economic and social benefits of permanent peace. In 2015, electricity sales increased by over 6% to 13,090 GWh, from 12,357 GWh in 2014, to cater to rising demand. The private hydro power generation sector contributed 1,064 GWh to capacity, compared to the 902 GWh in 2014 and total national power contribution by hydropower increased during the year to 5,968 GWh from 4,534 GWh in 2014.

Power demand in Sri Lanka began escalating accompanying the boom in the tourism sector and manufacturing sector following the end to the war and this high demand growth has been sustained to date. To cater to this demand and also to avoid future power cuts, the government has decided to add a few hundred megawatts to the national grid through renewable energy. The renewable energy sectors of wind, solar and hydro have been earmarked as initial alternative power sources to meet immediate demand growth, to avoid any power shortages in the short term. This infusion is expected to bolster the national grid ahead of the additional large scale thermal power projects, which entail greater capital commitments and time. These are scheduled to enter the grid to support the longer term power needs of the country. The country plans to achieve 20% of total power requirement from the renewable energy sector by 2020, while facilitating electrification to reach 100% of the population of the country before 2017.

This situation has created an investment climate that is more secure for renewable energy developers, coupled with attractive returns. However, the renewable energy sector industry in Sri Lanka has almost reached maturity level as far as feasible mini hydro projects are concerned. Therefore, the current situation now requires diversification into other forms of renewable energy, such as wind and solar power. Transforming waste into power has also gained the spot light, as municipal waste in the country has not been utilised to generate the much needed energy, which instead has made waste a huge environmental and social problem.

Our Performance

In the financial year 2015/16, VPEL Group contributed 76.3 GWh to the national grid, which had a decrease of 11% against the 85.9 GWh of 2014/15. This lower contribution in 2015, by VPEL is due to the lower rainfall experienced in many parts of the country. While power generation at Erathna increased marginally by 0.1%, outputs at both Denawaka Ganga and Kiriwaneliya mini hydro power plants declined by a significant 24% and 23% respectively. Output at Erathna increased to 44.1 GWh from 43.5 GWh in the previous financial year, while hydropower generation at Denawaka Ganga fell to 19.6 GWh from 25.9 GWh and Kiriwaneliya experienced a drop in power production to 12.6 GWh from 16.4 GWh in 2014/15.

However in the calendar year 2015, this drop is only 8% compared to year 2014, which contributed 79.5 GWh compared to 86.4 GWh in 2014 due to the impact of the dry season witch was very high compared to the last year.

Our environmentally sustainable power production contributed towards reducing our carbon footprint by 11% year on year, at 47,737 metric tons of CO_2 emissions for the year of reporting. The

CHAIRMAN'S MESSAGE CONTD.

CDM process was completed for both Kiriwaneliya and Denawaka Ganga by end 2013, enabling us to use that accreditation to take us closer to our ultimate vision of being a leader in producing clean energy. We intended to accumulate a reasonable amount of CERs for verification by the CER Auditors, which we hoped to do in the financial year 2016-17. However, due to the massive downfall of CER market prices, we did not do the verification this year as scheduled. We do observe some positive signs of change with the emergence of a new local market for CER through recent initiatives by the Sri Lanka Carbon Fund, the rising levels of interest shown by local companies in getting their carbon footprint assessed and to purchase CERs to become carbon neutral companies. Therefore, our decision now is to present our CERs of the Kiriwaneliya project for verification, keeping CERs ready for sale when the requirement arises. As at end March 2016, we had 30 months of accumulated CERs of both Kiriwaneliya and Denawaka Ganga projects ready for sale.

Total revenues of the Company declined by 10%, to Rs. 1,181.7 Mn from Rs. 1,317.8 Mn detailed last year, primarily due to the lower hydropower outputs and resultant lower sales of electricity. The Erathna mini hydropower project remained the largest income generator, contributing Rs. 682.1 Mn in revenue, which is an increase of 3% against the previous year's revenues of Rs. 662.2Mn. Revenue contributions from Denawaka Ganga and Kiriwaneliya declined by 23% and 25% respectively to Rs. 305.4 Mn and Rs. 194.2 Mn, compared to Rs. 397.7 Mn and Rs. 257.9 Mn posted in the 2014/15 financial year.

This impacted our profitability negatively causing profit before tax to decline by 14% to Rs. 900 Mn from Rs. 1,042.3 Mn in the previous financial year, which was the highest recorded profitability of the Group to date. Meanwhile, profit after tax declined by 15%, to Rs. 813 Mn from Rs. 960.1 Mn, as a result of the considerable taxes accounted by the Group in the current financial year in terms of current and deferred taxes.

Achievements

It gives me great pride to announce that VPEL has been internationally recognised as a leading profitable company in the world by Forbes Asia, consolidating our position as an industry trend setter. VPEL was listed among the Best 200 Companies with the criteria of Best Under a Billion by Forbes Asia, placing us firmly among global industry leaders. VPEL was further ranked as the most profitable company out of 17,000 listed companies under evaluation by Forbes Asia. This independent evaluation by international experts showcases the performance and capabilities of Sri Lankan power companies and their contribution to develop projects in other countries, while adding value to the national economy.

Apart from being recognised by Forbes Asia, VPEL was also recognised for the high standard of reporting and disclosure and for our eco-friendly operations. VPEL was awarded the Bronze for the fifth consecutive year, at the Annual Report 2014/15 Awards conducted by the Institute of Chartered Accountants of Sri Lanka. Our mini hydropower plant in Kiriwaneliya won the Silver Award at the National Green Awards 2015 gaining recognition for our environmentally friendly operations.

In addition, we have continued to set the standard for business process quality by being the only mini hydropower company in Sri Lanka to gain two ISO certifications. In 2015, we successfully concluded the Annual Surveillance Audits for ISO 9001:2008 and 14001:2004 certifications for quality management and environmental standards. Our operations, processes and systems have been aligned to international standards of best practices, positioning the Company as a world class energy producer.

Governance

We believe good governance is fundamental to successful business operations and we have adhered to the standards of governance expected of a responsible corporate entity throughout the year. We comply uncompromisingly with all relevant regulations applicable to the Company, accommodating industry best practices as recommended by relevant authorities. We have always been extremely conscious of our responsibility towards the environment and have been cognisant that as a corporate steward we must reduce our carbon footprint. We have hence, consciously instituted standards, systems and processes that will enable us to do just that. We continue to relentlessly pursue alternative energy sources emerging across the globe, while scanning international markets for opportunities and trends in our drive to support the global transition towards alternative renewable energy sources.

Engaging with our Community

We continue to strengthen relations with the rural communities located in close proximity to our mini hydro sites by providing continuous support for community events and through involvement in infrastructure development in surrounding areas. Water, health and education remained the three primary platforms we build our CSR vision on and during the current financial year, we also launched "Empowering Green", our forest plantation programme as an environmental sustainability contribution.

Creating Wealth

Our Shareholders remain central to our business and in the forefront of our consciousness in discharging our business operations and we make all attempts to enhance their returns on investment in the Company. Therefore, it gives me great pleasure to recall that during the current financial year we made two interim dividend payments of Rs. 0.50 per share at each distribution with the first payout of Rs. 373.5 Mn disbursed in September 2015 and the second payment of equal value, disbursed in March 2016.

Appreciations

Our Board of Directors, whose unwavering commitment to ensuring that we achieve our vision has seen the Company reach some record breaking milestones and my fullest appreciation is extended to the Board for their contribution during the year. On this note, I would like to express my appreciations of the late Mr. L D Dickman, former General Manager and a member of the Company's Board who passed away on August 11, 2015. Having resigned as General Manager in the previous financial year due to health reasons, he remained as a Non Executive Director on our Board until his passing. Mr. Dickman had been with Vallibel Power Erathna PLC since 2010, during which time he provided an invaluable contribution to the Company. I would also like to thank Ms. D S N Weerasooriya, for her contribution to the Company during her tenures as an Alternate Director until March 30, 2016.

Moving Ahead

We will continue to operate our mini hydropower projects with continuous improvements to existing processes, systems and practices to enhance productivity and revenues, while also contributing further towards the national drive to achieve energy sustainability through renewable energy sources. While opportunities in the sector have improved over the year, we anticipate further increases in tax payments beginning in the financial year 2016/17 due to the increase in the tax rates applicable to the renewable energy sector with effect from April 1, 2016. Tax rates of the sector have been increased from the 12% to 17.5% and will cause income tax costs to increase by over 40% in the next financial year.

Although our operations are currently limited to Sri Lanka, at Vallibel we are alert to developments and opportunities in external markets beyond Sri Lankan shores. We continually scan the globe for emerging new markets and opportunities for hydro power investments and we have maintained an ongoing dialogue with relevant agencies and potential partners in Nepal, Myanmar and the African region as preliminaries to market entry when a suitable climate is created to facilitate secure foreign direct investments. I am pleased to note that recent political changes in these countries have created a very positive environment for the renewable energy sector and I believe a host of opportunities will emerge for foreign investors to invest in the power sectors of these countries in the near future.

Another emerging opportunity lies in the sector of solar energy. The rapid technology development in solar PV cell manufacturing has created wide scope for investment in solar parks. Due to decreasing cost of technology, returns in this sector are currently much more attractive compared to a few years ago. In our quest for sustainable growth, VPEL will be considering these and other opportunities in the coming years.

Dhammika Perera
Chairman

27 May 2016

BOARD OF DIRECTORS

01. **K D D Perera**
Chairman

02. **W D N H Perera**
Alternate Director to Mr. P B Perera

03. **S H Amarasekera**
Director

04. **P K Sumanasekera**
Director

05. **H Somashantha**
Director

06. **Shan Shanmuganathan**
Director

07. **P B Perera**
Director

08. **C V Cabraal**
Director

01.

K D D Perera
Chairman

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He is with over 27 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC & Delmege Limited He is the Co- Chairman of Hayleys PLC &The Kingsbury (Non-Executive), Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC, and Lanka Ceramic PLC. He is the Executive Director of Vallibel Finance PLC.
He also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Haycarb PLC, Hayleys Fabrics PLC, Dipped Products PLC , Hayleys Global Beverages (Pvt) Ltd and Sun Tan Beach Resorts Ltd.

02.

W D N H Perera
Alternate Director to Mr. P B Perera

Mr. Nimal Perera counts over 32 years of experience in the fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management Services.

Mr. Perera serves on the Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, Swisstek Aluminum Limited, Vallibel Plantations Limited, Uni Dil Packaging Limited, N P Capital Ltd & N Capital (Pvt) Ltd as The Chairman, Royal Ceramics Lanka PLC as The Managing Director, Vallibel One PLC as The Deputy Chairman, L B Finance PLC as an Executive Director and The Fortress Resorts PLC as an Alternate Director.

He is a Director of Hayleys PLC, Haycarb PLC, Thalawakele Tea Estates PLC, Kingsbury PLC, Amaya Leisure PLC & Tangalla Bay Hotels Pvt Ltd.

He is a renowned business magnate, stock trader and Shareholder of many companies in the country.

03.

S H Amarasekera
Director

Mr. Harsha Amarasekera, President Counsel is a leading Lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts, specialising in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Chemanex PLC (Chairman), Vallibel One PLC, Royal Ceramics Lanka PLC, Expo Lanka Holdings PLC, Chevron Lubricants Lanka PLC, Keells Food Products PLC, Amana Bank PLC, Amaya Leisure PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

04.

P K Sumanasekera
Director

Mr. Prabodha Sumanasekera holds a B.Sc. in Physics from the Colombo University and has over 20 years experience in the small hydro power sector.

He has been involved in formulating and developing 15 small/ mini hydropower projects, including the ground breaking Dick-Oya mini hydropower project which is the first grid connected mini hydropower project in Sri Lanka. He is also a Shareholder Director in several companies owning, developing and operating hydropower projects in Sri Lanka, Uganda & Kenya.

BOARD OF DIRECTORS CONTD.

05.

H Somashantha
Director

Mr. Haresh Somashantha is a member of the Institute of Chartered Accountants of Sri Lanka and an Associate member of CPA Australia. He also holds a Bachelor's Degree in Mathematics from the University of Kelaniya. He counts over 16 years of experience in audit, financial management and reporting, including strategic and corporate planning across different industries.

He is currently the Head of Finance & Treasury of Royal Ceramics Lanka PLC. He serves as a Director/Audit Committee Chairman of Hayleys Fabric PLC. Also he serves as a Director of Royal Porcelain (Pvt) Ltd., Unidil Packaging Limited, Mercantile Produce Brokers (Pvt) Ltd., Ever Paint and Chemical Industries (Pvt) Ltd and in several subsidiary companies in the Delmege Group. He is an Alternate Director of The Fortress Resorts PLC and Amaya Leisure PLC.

06.

Shan Shanmuganathan
Director

Mr. Shan Shamuganathan is an Accountant by Profession, Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Fellow Member of the Chartered Institute of Management Accountants of London. He was appointed to the Board in January 2012.

He has extensive experience in the Financial Services Industry; initially with American Express Bank where he ended up as the Director Marketing and Deputy Country Head and later with Union Bank of Colombo where he was the Founder CEO/Managing Director.

He is currently the Managing Director of South Asian Public Affairs (Pvt) Ltd, a corporate advisory service provider and Shareholder/ Director in privately held companies engaged in the leisure and IT Industry and in addition also functions as Senior Advisor to large privately held corporate houses.

He was a member of the Council of the Institute of Chartered Accountants of Sri Lanka till 31st December 2015.

07.

P B Perera
Director

Mr. Prashan Perera joined the Company as a Director in October 2012. He earned his Bachelor's Degree in Finance from the Bentley University of Boston, USA.

He worked for American Express – the Head Office in New York, USA for one year and at present works for Ernst & Young in Singapore. He also serves on the board of The Fortress Resorts PLC as a Director.

08.

C V Cabraal
Director

Mr. Chatura Cabraal is a Graduate (with Honors) in Mechanical Engineering with a focus in manufacturing and design from the Missouri University of Science and Technology. He was appointed to the Board in January 2014.

During his Bachelor's degree, he paid special attention to Control Systems Engineering, Environmental Control and Engineering Statistics. These topics have been extensively applied in his functions as an Engineer in the Energy and Environment Division of Brandix Lanka Ltd. At Brandix, he has been closely associated with the analysis of new equipment for factories, renewable energy projects and sustainability reporting. Prior to joining Brandix, he gained training as a Management Trainee with John Keells Hotel Management Services in the Projects and Engineering Department.

He also serves on the boards of Kelani Valley Plantations PLC and The Fortress Resorts PLC.

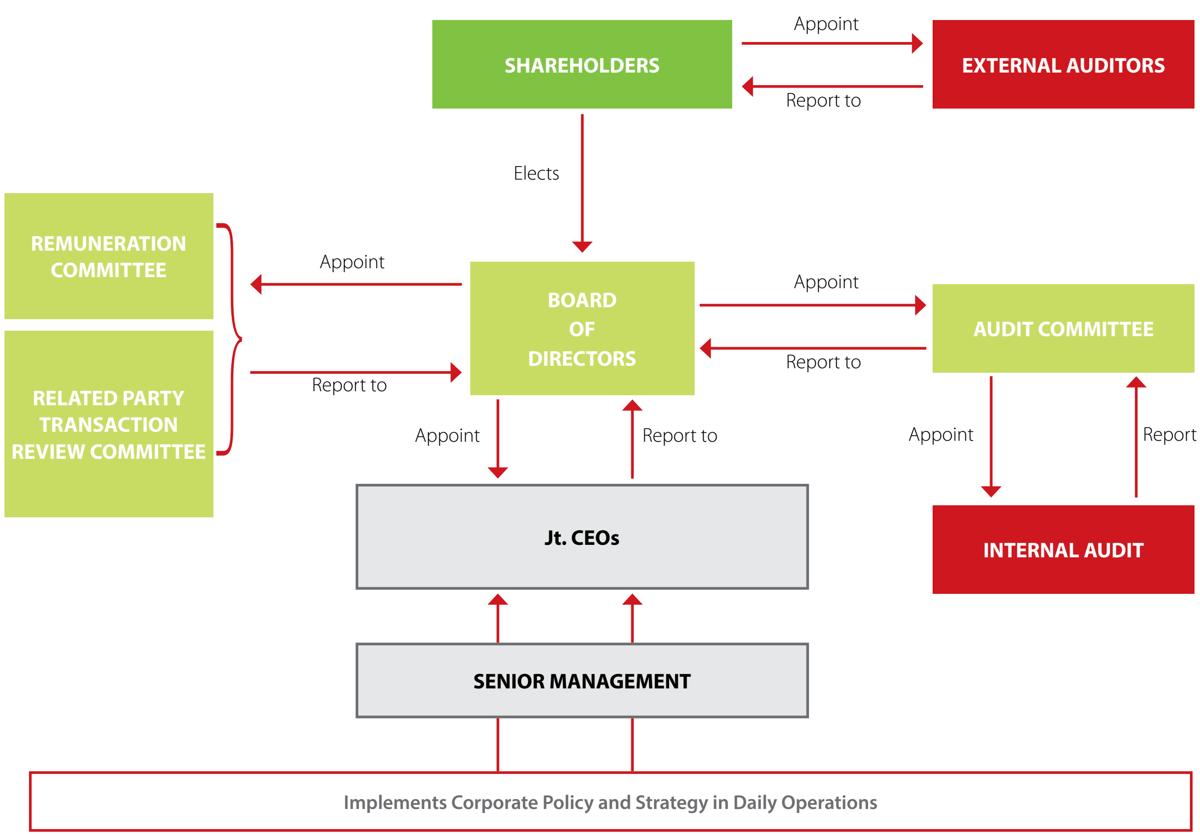
CORPORATE GOVERNANCE

Overview

Corporate governance is a fundamental mechanism that ensures best interests of all stakeholders; synchronising such interests in its corporate journey on achieving long-term sustainable growth.

Adopting best practices in corporate governance focuses on strengthening the roles and responsibilities of the Board of Directors, improving the control environment, promoting disclosure and transparency whilst protecting stakeholder rights. Our approach to governance remains unchanged from the previous year and is based on the current codes of best practices on corporate governance.

VPEL's Internal Governance Structure



In pursuit of achieving the highest standards of Corporate Governance, the Company follows an approach that complies with all the provisions of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities & Exchange Commission of Sri Lanka as well as the disclosure requirements of the Colombo Stock Exchange.

CORPORATE GOVERNANCE CONTD.

The following table illustrates the extent of compliance to the Code described below:

Code	Principle	Level of Compliance
Section 01		**The Company**
A	**Directors**	
A.1	**The Board**	
A.1.1	Board Meetings	The Board meets quarterly. Ad-hoc meetings are held as and when required. During the year under review, the Board met on four occasions. The attendances at these meetings have been depicted in the table given below.
A.1.2	Responsibilities of the Board	The Directors are responsible for ensuring :- • The formulation and implementation of a sound business strategy through skilled & experienced Joint Chief Executive Officers and the Management team.; • Ensuring effective systems to secure integrity of information, internal controls, business continuity • Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations. • Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.
A.1.3	Compliance with the laws of the country and agrees to obtain independent professional advice	The Board collectively, and Directors individually act in accordance with the Laws and Regulations of the country, and to the Company's policies. At anytime, all the Members of the Board are allowed to obtain independent professional advice where necessary, at the Company's expense.
A.1.4	Company Secretary	The services and advice of the Company Secretary, are available to all the Directors. The Company Secretary keeps the Board informed of new laws and revisions, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. The removal of the Secretary would be made at the Board's discretion.
A.1.5	Independent judgment of Directors	All Directors bring independent judgment on issues of strategy, performance, resources including key appointments and standards of business conduct.

Name of Director	Directorship Status	Attendance
Mr. K D D Perera (Chairman)	Non - Executive	0/4
Mr. W D N H Perera (Alternate to Mr. P B Perera)	Non - Executive	4/4
Mr. S H Amarasekera	Independent Non-Executive	4/4
Mr. P K Sumanasekera	Independent Non-Executive	0/4
Mr. H Somashantha	Non - Executive	4/4
Mr. S Shanmuganathan	Independent Non-Executive	3/4
Mr. P B Perera	Non - Executive	0/4
Mr. C V Cabraal	Non - Executive	3/4

Code	Principle	Level of Compliance
A.1.6	Dedication of adequate time and effort of the Directors	The Board of Directors dedicate adequate time and effort to ensure their duties and responsibilities towards the Company and Board are discharged. Sufficient time is dedicated before a meeting to review Board papers and call for additional information and clarification, and to follow up on issues consequent to the meeting. Hence, they are able to familiarise with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.
A.1.7	Training for new and existing Directors	An Induction program is in place for newly appointed Directors. In addition, Directors are also encouraged to participate in continuous professional and self-development activities.
A.2	**Chairman And Joint Chief Executive Officers (Jt. CEOs)**	
A.2.1	Division of responsibilities of Chairman and Jt. CEOs	A clear division of responsibility, power and authority is maintained between the Chairman and the Jt. CEOs who are not in the Board ensuring that the balance of power and authority is reserved.
A.3	**Chairman's role**	
A.3.1	Chairman's role	The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that : • The effective participation of all Directors are secured; • All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company; • The view of Directors on issues under consideration are ascertained; • The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. • The Chairman maintains close contact with all Directors.
A.4	**Financial Acumen**	
A.4.1	Financial Acumen	The Board includes two Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. They serve as members of the Audit Committee too. Other members of the Board have ample experience in handling the matters of finance by serving in different organisations. Hence the Board is equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.
A.5	**Board Balance**	
A.5.1	Non-Executive Directors	All Directors are Non-Executive Directors.
A.5.2	Independence of Non-Executive Directors	Three of seven Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules.
A.5.3	Independence of Non-Executive Directors	Non-Executive Directors' profiles reflect their caliber and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment.
A.5.4	Annual declaration of independence of Non-Executive Directors	Each Non-Executive Director has been submitted declarations stating the independence or non-independence in a prescribed format. This information is made available to the Board.

CORPORATE GOVERNANCE CONTD.

Code	Principle	Level of Compliance
A.5.5	Determination of independence of the Directors	The Board considered the declaration of independence submitted by each Non-Executive Director with the basis for determination given in Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. A brief resume of all the Directors is available on pages 16 to 18.
A.5.6	Alternate Director	There were two Alternate Directors appointed who are not Executives of the Company as follows. • Mr. W D N H Perera is an Alternate Director to Mr. P B Perera • Ms. D S N Weerasooriya is an Alternate Director to Mr. K D D Perera who resigned with effect from 30.03.2016
A.5.7	Senior Independent Director	This does not arise as the roles of the Chairman and the Jt. CEOs are clearly segregated.
A.5.9	Chairman's meetings with Non-Executive Directors	Separate meetings are not required since all the Directors are Non-Executive Directors.
A.5.10	Recording of concerns in the Board Minutes	Concerns raised by the Directors which could not be unanimously resolved during the year, if any, are recorded in the Board Minutes.
A.6	**Supply of Information**	
A.6.1	Timely and appropriate information to the Board	Management provides the Board with appropriate and timely information. When information volunteered by management is not enough, Directors make further inquiries. Chairman ensures all Directors are properly briefed on issues arising at meetings.
A.6.2	Information provided in advance to the Board meetings	The Directors are provided with minutes, the agenda and the Board papers in advance to prepare and clearly comprehend with the matters discussed or consent for an effective meeting.
A.7	**Appointments To The Board**	
A.7.1 & A.7.2	Appointment to the Board	New appointments to the Board are based on the collective decision of the Board, subject to Article 25(2) of the Articles of Association. In making new appointments, the Board considers the composition of the Board in order to assess whether they have the right mix of skills and experience to add value to the deliberations of the Board.
A.7.3	Disclosure of new appointments	Upon the appointment of a new Director to the Board, the Company discloses the following to the CSE; • Brief resume of the Director; • The nature of his expertise in relevant functional areas; • The names of companies in which the Director holds directorships or memberships in Board Committees; and • The independence of such Director.
A.8	**Re-Election**	
A.8.1 & A.8.2	Re-election of Directors	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek reappointment by the shareholders at that meeting. As per the Articles of Association of the Company at each Annual General Meeting (AGM) one third of the Directors except the Directors referred to hereinafter shall retire from office and offer themselves for re-election.
A.9	**Appraisal Of Board Performance**	
A.9.1, A.9.2 & A.9.3	Annual performance evaluation of the Board and its Sub Committees	The performance of the Board and Sub-Committee is evaluated annually on a self-assessment basis.

Code	Principle	Level of Compliance
A.10	**Disclosure of Information in Respect of Directors.**	
A.10.1	Disclosures about Directors	Information in relation to Directors is disclosed as given below. • Name, qualifications, brief profile and nature of expertise - (Refer pages 16 to 18 of this Report) • Directors' interest in contracts (Refer pages 104 and 105 of the Annual Report) • Number of meetings of the Board and Committees held, attendance, names of Committees in which the Director serves as the Chairman or member (Refer page 20 and 32 of this Report)
A.11	**Appraisal of Chief Executive Officer**	
A.11.1 & 11.2	Setting annual targets and appraisal of the performance of the Chief Executive Officer by the Board	At the commencement of every year, short, medium and long-term objectives including financial and non-financial targets that should be met by the both Jt.CEOs are set. The annual appraisal of the Jt.CEOs are carried out by the Board at pre-agreed performance targets.
B.	**Directors' Remuneration**	
B.1	**Remuneration Procedure**	
B.1.1	Remuneration Committee	The Remuneration Committee makes recommendations to the Board within agreed Terms of Reference, on the Company's framework of remunerating certain senior management executives.
B.1.2 & B.1.3	Composition of Remuneration Committee	The Remuneration Committee consists of two independent Directors and one Non-Executive Director which is chaired by an independent Director. Mr. S H Amarasekara (Chairman) Mr. K D D Perera Mr. P K Sumanasekara
B.1.4	Remuneration of the Non-Executive Directors	In terms of the Articles of Association of the Company, the remuneration of Non-Executive Directors, including members of the Remuneration Committee is determined by the Board as a whole, within the limits set in the Articles of Association.
B.1.5	Consultation of the Chairman and access to professional advice.	The Committee consults the Chairman on proposals relating to the remuneration of the Senior management executives and has access to professional advice in discharging their duties.
B.2	**The level and make up of remuneration**	
B.2.1 & B.2.2	Levels of remuneration for Senior Management Executives	Remuneration package is designed to attract, retain and motivate the Senior Management needed to run the Company successfully but avoid paying more than necessary for this purpose. The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
B.2.3	Positioning Company remuneration levels relative to other companies	The Remuneration Committee is sensitive to remuneration and employment conditions of other Group companies, especially when determining annual salary increases.
B.2.4	Performance related elements of remuneration for Senior Management Executives	Performance based incentives have been determined to ensure that the total earnings of the Senior Management Executives are aligned with the achievement of objectives and budgets of the Company.

CORPORATE GOVERNANCE CONTD.

Code	Principle	Level of Compliance
B.2.5	Executive share options	The Company does not have executive share option schemes.
B.2.6	Designing performance related Remuneration	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.7 & B.2.8	Compensation, commitments in the event of early termination and dealing with early termination	There are no provisions for compensation for early termination in the letter of contract. However, the Board of Directors would determine this on a case by case basis.
B.2.9	Levels of remuneration for Non-Executive Directors	The Remuneration Committee determines the levels of remuneration for Non-Executive Directors taking into account the time commitment and responsibilities of their role and market practices. Remuneration for Non-Executive Directors does not include share options.
B.3	**Disclosure of the remuneration**	
B.3.1	Disclosure of Remuneration	The Remuneration Policy is disclosed in Remuneration Committee Report on page 33 of the Annual Report The total remuneration of the Directors is disclosed in Note 23.2 to the Financial Statements.
C	**Relations with Share Holders**	
C.1	**Constructive use of the AGM and conduct of General Meetings**	
C.1.1	Use of proxy	The Company counts all proxies lodged on each resolution and the percentage of votes for and against on each resolution.
C.1.2	Separate resolution for all separate issues at the Annual General Meeting	A separate resolution is proposed at the Annual General Meeting on each issue in particular in relation to the adoption of the Report of the Board of Directors and the Financial Statements of the Company.
C.1.3	Response to queries at the Annual General Meeting	The Chairman ensures that the Chairmen of the Sub- Committees are available to answer questions at the Annual General Meeting, if so required.
C.1.4	Notice of the Annual General Meeting and General Meetings	The Notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders 15 working days prior to the meeting as required by Section 135(1) of the Companies Act No. 7 of 2007.
C.1.5	Procedures of voting at the Annual General Meeting	A summary of the procedures governing voting at the General Meetings is circulated to shareholders with every Notice of the General Meeting.
C.2	**Communication with shareholders**	
C.2.1 to C.2.7	Communication with shareholders	The Company disseminates information pertaining to the performance of the Company through the publication of the Interim Financial Statements and the Annual Report in a timely manner. Immediate announcements are also made to the Colombo Stock Exchange on any information which is considered price sensitive. Further publications are made available on the Company's website. The Company Secretary could be contacted in relation to any shareholder matter.
C.3	**Major and material Transactions**	
C.3.1	Disclosure of Major Transactions to shareholders	There have been no transactions during the year under review which fall within the definition of "Major Transactions" as set out in the Companies Act No. 7 of 2007.

Code	Principle	Level of Compliance
D	**Accountability and Audit**	
D.1	**Financial Reporting**	
D.1.1	Balanced and understandable information	The Board ensures that the quarterly and annual Financial Statements of the Company and Group are prepared and published in compliance with the requirements of the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards (LKASs and SLFRSs) and the Rules of the Colombo Stock Exchange.
D.1.2	Directors' Report in the Annual Report	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 65 to 67 of this Annual Report which contains the required declarations.
D.1.3	Statement of Directors' and Auditor's responsibility for the Financial Statements	The 'Statement of Directors' Responsibilities' for the preparation and presentation of Financial Statements is given on page 68 of this Annual Report and the Auditor's responsibilities are set out on the 'Independent Auditors' Report' on page 69 of the Annual Report. Declaration on internal controls is given on page 67 of the Annual Report.
D.1.4	Management Discussion and Analysis	A comprehensive coverage of key initiatives undertaken during the year, external impacts, internal performances, achievements and future outlook, awards won and certifications received are available in the Management Discussion (page 36 to page 40) of this Report.
D.1.5	Declaration of Going Concern	The declaration by the Board that the Company is a going concern is given in the Annual Report of the Board of Directors.
D.1.6	Summon an EGM to notify serious loss of capital	Reason for such an Extraordinary General Meeting has not arisen as yet but would be complied with if such a situation arises.
D.1.7	Related party transactions	Company has adequate mechanism to record and disclose the Related Party Transaction. All the transactions with related parties to the organisation are disclosed adequately and accurately in pages 104 to 105 of this report.
D.2	**Internal Control**	
D.2.1	Directors to review internal controls	The Board together with the Audit Committee is responsible and reviews the risks faced by the Company and the effectiveness of the system of internal controls quarterly.
D.2.2	Internal audit function	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work done by them.
D.2.3	Review of effectiveness of the Risk Management and the Internal Audit function	The Audit Committee carries out reviews of the process and the effectiveness of Risk Management and Internal Controls and document to the Board and the Board takes responsibility for the disclosure on the Company's system of internal controls.
D.2.4	Responsibility of Directors	Directors take responsibility in maintaining a sound system of internal controls and the Internal Control Statement as described in Schedule K is given on page 67 of this Report.
D.3	**Audit Committee**	
D.3.1	Composition of Audit Committee	The Audit Committee consists of Three Independent Directors and one Non-Executive Director. The Chairman of the Committee is an Independent Director appointed by the Board.
D.3.2	Duties of the Audit Committee	The Audit Committee is responsible for reviewing the scope and results of the Audit and effectiveness and the independence and objectivity of the Auditors.
D.3.3	Terms of Reference of the Audit Committee	The Terms of Reference of the Audit Committee has been agreed to by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.

CORPORATE GOVERNANCE CONTD.

Code	Principle	Level of Compliance
D.3.4	Disclosures of the Audit Committee	The members and its disclosures of the Audit Committee are reported in the Audit Committee Report which is given on page 32 of this Report.
D.4	**Code of Business Conduct and Ethics**	
D.4.1	Disclosure on presence of Code of Business Conduct and Ethics	A comprehensive Corporate Governance and Code of Conduct and Business Governance have been adopted by the Board. All Directors and key management personnel have declared compliance with the Code of Conduct and Business Governance.
D.4.2	Affirmation of Code in the Annual Report by the Chairman	The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics in this Annual Report.
D.5	**Corporate Governance Disclosures**	
D.5.1	Disclosure of Corporate Governance	This Report from pages 19 to 27 sets out the manner and extent to which the Company has complied with the principles and provisions of relevant Codes.
Section 02		**Shareholders**
E	**Institutional Investors**	
E.1	Shareholder Voting	All investors are invited to attend the Annual General Meeting and they are free to make comments/suggestions. The Company encourages dialogues with institutional investors. The Company appreciates the way of using the votes in AGM on the weight they had regarding all relevant factors noted.
E.2	Evaluation of governance disclosure	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating the Company's governance arrangement particularly in relation to Board structure and composition.
F	**Other investors**	
F.1	Individual shareholders	Individual investors are encouraged to carry out adequate analysis or seek independent advice in making investing or divesting decisions.
F.2	Individual shareholders voting	Individual shareholders are encouraged to actively participate in the AGM of the Company and exercise their voting rights. The AGM gives an ideal platform for all shareholders to meet with the directors and obtain information and clarifications on the performance and the way forward of the Company.
G	**Sustainability Reporting**	
G.1.1 to G.1.7	Sustainability Reporting	The Sustainability Report on pages 46 to 62 of this Report addresses the sustainability practices of the Company which are complied with the principals set out in the Code of Best Practices.

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The Following disclosures are made in conformity with Section 7 of the Rules of the Colombo Stock Exchange;

CSE Rule No.	Rule	Compliance Status	Extent of Compliance
7.10.1	Non Executive Directors	Compliant	All Directors are Non-Executive Directors. (Number of Directors is Seven)
7.10.2	Independent Directors	Compliant	Three of seven Non-Executive Directors are independent. Each Non-Executive Director submits a signed and dated declaration annually.

CSE Rule No.	Rule	Compliance Status	Extent of Compliance
7.10.3 (a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to A.5.5 on pages 16,17 & 18 of this Report.
7.10.3 (b)	Disclosure relating to Directors	Compliant	The Board has determined that Three of Seven Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules. These Independent Directors are, Messrs S H Amarasekera, P K Sumanasekera and S Shanmuganathan.
7.10.3 (c)	Disclosure relating to Directors	Compliant	A Brief resume of each Director is given on pages 16 to 18 of this Report.
7.10.3 (d)	Disclosure relating to New Directors	Compliant	Brief resumes of new Directors appointed have been provided to the CSE when required.
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Comprises of three Non-Executive Directors including two Independent Directors.
7.10.5 (b)	Functions of the Remuneration Committee	Compliant	In relation to the Code of Corporate Governance issued by the SEC and CASL referred to B.1.1 on page 23 and the Remuneration Committee Report on page 33.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Names of the Committee members are given in relation to the Code of Corporate Governance issued by the SEC and CASL as given under B.1.3 on page 23 and Remuneration Committee Report on page 33. The remuneration paid to the Directors is given in page 105 of this Report.
7.10.6 (a)	Composition of the Audit Committee	Compliant	The Audit Committee consists of Three Independent Directors and one Non-Executive Director which comprises of two Chartered Accountants. The Chairman of the Committee is an Independent Director appointed by the Board.
7.10.6 (b)	Audit Committee Functions	Compliant	In relation to the Code of Corporate Governance issued by the SEC and CASL referred to D.3.2 on page 25 and Audit Committee Report on page 32 for the details of the functions of the Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	Refer page 32 in relation to the Code of the Corporate Governance of SEC and CASL with reference D.3.1 on page 25 for the details of the names of members of the Audit Committee. The basis of determination of the independence of the Auditors is given in the Audit Committee Report on page 32 under section D.3.4 of the Code.

ENTERPRISE RISK MANAGEMENT

Risk is the potential of losing something of value. Values can be gained or lost when taking risk resulting from a given action, activity and/or inaction, foreseen or unforeseen.

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. The objective of Risk Management's objective is to assure uncertainty does not deviate the endeavour from the business goals.

In the context of hydro power industry, risk management has become even more important and the failure to implement the above measures could result in financial losses, lost opportunities and in extreme cases even corporate failure since it operates under a unique business risk which most of the other industries do not face. Thus effective risk management is critical in achieving the Company's strategic objectives in a highly competitive and uncertain environment.

Our risk management process is intended to ensure that risks are taken knowingly and with forethought. We adopt a prudent approach to manage the risks and challenges it gets exposed to, safeguard and maximise our shareholders' wealth and maintain our stakeholders' satisfaction at optimal level.

Our approach to risk management is built on the day-to-day business process and relies on individual responsibility and collective oversight, informed by comprehensive reporting usually referred as bottom-up approach. Further regular meetings, setting up of targets, internal systems and control reviews, and external and internal audits as well have enhanced our risk management process. This enables to us identify, assess, monitor and manage each type of risk to which the Company is exposed to be an important factor in our stability, performance, reputation and future success.

The Company faces common risks range from financial market activities, operational/project failures, litigation, credit risks, social risk and accidents and natural disaster. But the degree of the risk exposure may vary according to the threat, the nature of the asset and the asset's vulnerability to risk.

Risk Management Process

Vallibel Power Group has established and adheres to a comprehensive risk management process to ensure its corporate goals and objectives as illustrated bellow:

Identify	Risk identification allows individuals to identify risks so that the operations staff becomes aware of potential problems. Not only should risk identification be undertaken as early as possible, but it also should be repeated frequently.
Analyze and prioritize	Risk analysis transforms the estimates or data about specific risks that developed during risk identification into a consistent form that can be used to make decisions around prioritisation. Risk prioritisation enables operations to commit resources to manage the most important risks.
Plan and schedule	Risk planning takes the information obtained from risk analysis and uses it to formulate strategies, plans, change requests, and actions. Risk scheduling ensures that these plans are approved and then incorporated into the standard day-to-day processes and infrastructure.
Track and Communicate	Risk tracking monitors the status of specific risks and the progress in their respective action plans and it includes monitoring the probability, impact, exposure, and other measures of risk for. Communication ensures that the operations staff, service manager, and other stakeholders are aware of the status of top risks and the plans to manage them.
Control	Risk control is the process of executing risk action plans and their associated status reporting. Risk control also includes initiating change control requests when changes in risk status or risk plans could affect the availability of the service or service level agreement.
Learn	Risk learning formalizes the lessons learned and uses tools to capture, categorize, and index that knowledge in a reusable form that can be shared.

Risk Mapping and Assessment

Risk mapping is carried out in order to assess the likelihood of occurrence and consequence of an event or set of events and to prioritise the management actions. It is based on the following.

Likelihood	Low	Moderate	High
High	3	6	9
Moderate	2	4	6
Low	1	2	3
		Impact	

Risk = Likelihood X Impact

The Following Risks are Identified Pertinent Business and the Mitigation Strategies Adopted

Risk Identification	Risk Evaluation		Risk Managing Strategies	System Maintenance	Regular Control Review
	Level	Reason			
Investment Risk Failure in investments/ inability to achieve expected objectives. This affects future profitability and sustainability of the Company.	Low	The risk is only at the new investments. No any new investments are available under the Company.	• Any proposed investments are subjected to a rigorous evaluation and feasibility process by seeking expert advice to ensure a maximum return on investment and seek Board approval prior to embarking on a proposed investment. • Further we closely monitor the progress to ensure project deliverables are achieved within the given budgets and timelines.	Adopted	✓
Operational The risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events	Moderate	There is a risk in operational activities at running hydro power projects	• Prompt maintenance of machineries and equipment whilst upgrading the health & safety measures on a regular basis conducting workshops, meetings, etc. • We are committed to a Quality Management System complying with ISO 9001:2008 international Standards • Conduct periodic internal audit reviews and report to the Audit Committee	Adopted	✓

ENTERPRISE RISK MANAGEMENT CONTD.

Risk Identification	Risk Evaluation		Risk Managing Strategies	System Maintenance	Regular Control Review
	Level	Reason			
Hydrological Risk of lower power generation caused from a lower water flow.	Low	The risk is only at the feasibility studies of new projects. The risk of lower rain fall is un-controllable.	Hydrological risk primarily comprises drought risk. The projects are designed based on past hydrological data analysis to minimise the risk of any deviation from its designed energy.	Adopted	✓
Financial Risks **Interest Risk** Adverse impact on profitability due to high interest cost resulting from increase in interest rates.	Moderate	Risk is available due to the floating lending rates.	VEPL Group uses appropriate financial strategies and Its' credibility, reputation, strength and financial dependability help to negotiate the concessionary rates.	Adopted	✓
Credit Risk Risk of loss of principal or loss of financial reward stemming from a borrower's failure to repay a loan or to meet a contractual obligation.	Low	No any failures experienced at repayments.	The Group has an effective mechanism for the recoveries which protect through legally enforceable agreements.		
Economic & Political The likelihood of an investment getting affected by adverse macroeconomic conditions including Government regulations, exchange rates and political stability.	Low	The risk is only at the new investments.	The Company carries out periodical in depth macro-economic analysis and economic feasibility prior to project investments	Adopted	✓
Regulatory & Legal Risk of change in laws and regulation with material impact on business in costs of operating and attractiveness of investment.	Moderate	Risk is available at the changes of government & its policies.	Compliance with any new laws or regulations that are time to time introduced for good governance.	Adopted	✓
Reputation Risk Adverse impact of business on the society and unfavourable response from the public.	Low	Risk is low due to the well maintained relationship.	The Group has adopted a good mechanism for the stakeholder engagement to build a better relationship	Adopted	✓

Risk Identification	Risk Evaluation		Risk Managing Strategies	System Maintenance	Regular Control Review
	Level	Reason			
Environmental Risk of imposing actual and potential threats of adverse impacts on environment and inhabitants effluents and resource depletion arising from the organisation's activities	Low	No any environmental enforcements were experienced	We are committed to a Environmental Management System complying with ISO 14001:2004 international Standards. Also care is taken to mitigate any adverse environmental impacts.	Adopted	✓
IT Risk Includes risk of system failure, outdated systems and loss of data	Low	Usage of information technology is less than other industries	The Existing IT system is established using new technology and regular maintenance & upgrading in process while avoiding unauthorised access to the Company's information system	Adopted	✓
Social Negative impacts to the organisation from local communities which are linked with projects' surrounding areas.	Low	Risk is low due to the well maintained relationship	Group has developed relationships with the community, religious and other voluntary groups by helping them to uplift their livelihood.	Adopted	✓

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Vallibel Power Erathna PLC comprises of four Non- Executive Directors. Mr. Harsha Amarasekera P.C. (Independent Non-Executive Director), functions as the Chairman of the Audit Committee. Mr. Prabodha Sumanasekera, Shan Shanmuganathan who are Independent Non-Executive Directors and Mr. Haresh Somashantha serve as members of the Committee.

Meetings

Four meetings of the Committee were held during the year. Two Joint Chief Executive Officers and the Head of Finance attended these meetings by invitation. The other officials of the Company attend the meetings by invitation on need basis. The External Auditors and Internal Auditors are present at the Audit Committee Meetings when matters pertaining to their functions come up for consideration.

The attendance of the members at these meetings is as follows:

Name of Director	Directorship Status	Attendance
Mr. S H Amarasekera	Independent Non-Executive	4/4
Mr. P K Sumanasekera	Independent Non-Executive	0/4
Mr. H Somashantha	Non Executive	4/4
Mr. S Shanmuganathan	Independent Non-Executive	3/4

Role of the Committee

The key purpose of the Audit Committee of Vallibel Power Erathna PLC is to assist the Board of Directors in fulfilling its responsibilities for;

1. The integrity of the Financial Statements in accordance with Sri Lanka Accounting Standards.
2. The Company's compliance with legal and regulatory requirements.
3. Ensuring the external auditor's independence.
4. The performance of the Company's internal audit functions in order to ensure that the Company's Internal Controls and Risk Management are adequate.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG be re-appointed as the Internal Auditors of the Group.

The Audit Committee has recommended to the Board of Directors that M/s Ernst & Young, Chartered Accountants, be re-appointed as the auditors of the Company for the financial year ending 31st March 2017, subject to the approval of the Shareholders at the Annual General Meeting. The Audit Committee is of the view that Messes Ernst & Young is an independent entity as per their declaration made to the Company and the Audit Committee concurs with their declaration.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the Audited Accounts are free from any material misstatements.

Harsha Amarasekera
Chairman
Audit Committee

27 May 2016

Other Members
P K Sumanasekera
S Shanmuganathan
H Somashantha

REMUNERATION COMMITTEE REPORT

The Remuneration Committee, appointed by the Board of Directors, currently consists of three Non-Executive Directors.

The Chairman of the Remuneration Committee is Mr. S H Amarasekera P.C. who is an Independent Non-Executive Director and the other members are Messrs K. D. D. Perera, Non-Executive Director and P K Sumanasekera an Independent Non-Executive Director.

The Remuneration Committee met once this year and will meet more often if required. Its role is to make recommendations to the Board on the following.

- Remuneration policy and specific packages for certain Senior Executives.
- Employee benefits and long terms incentive schemes.

The Company's remuneration policy is based on the following principles.

- To deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Company.
- To support the recruitment, motivation and retention of highly qualified Senior Executives.
- To ensure that performance is the key factor in determining individual rewards.

The Committee is not responsible for setting the level of remuneration of Non-Executive Directors, which is determined by the Board.

Harsha Amarasekera
Chairman
Remuneration Committee

27 May 2016

Other Memebers
K D D Perera
P K Sumanasekera

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Formation of the Committee
The Related Party Transaction Review Committee (RPTRC) was formed by the Board on 12th of February 2016 to assist the Board in reviewing all Related Party transactions carried out by the Company and its Subsidiary, by adopting the Code of Best Practice on Related Party Transactions, as issued by the CSE, which is mandatory from January 01, 2016.

Composition of the Committee
The Board appointed RPTRC with a combination of three Independent Non-Executive Directors as stipulated by the Listing Rule 9.2 on Related Party Transactions Review Committee issued by the Colombo Stock Exchange.

The RPTRC as at the end of the year was comprised of the following members:

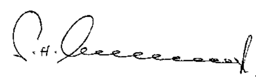
Mr. S H Amarasekara	- INED - Chairman
Mr. S Shanmuganathan	- INED
Mr. C V Cabraal	- INED

*INED - Independent Non- Executive Director

Role of the Committee
The key purpose of the RPTRC is to assist the Board of Directors in fulfilling its responsibilities for;

- Developing and recommending for adoption by the Board of Directors of the Company and its subsidiary, a RPT Policy consistent with that proposed by the CSE.
- Updating the Board of Directors on the RPT of each Company of the Group.
- Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

Meetings
No meetings were held during the period from the date of formation. However the Committee will schedule quarterly meetings to review and report to the Board, on matters involving RPT from the year 2016/17 onwards.



S H Amarasekara
Chairman
Related Party Transaction Review Committee

27 May 2016

Other Members
S Shanmuganathan
C V Cabraal

It is with a unified spirit, united vision and unprecedented foresight that we have grown from an acorn to an oak, thanks to the precedence and standards set by Management.

MANAGEMENT REPORTS

MANAGEMENT DISCUSSION AND ANALYSIS

"At Vallibel Power Erathna, our vision is to be the undisputed vanguard of alternative energy in Sri Lanka, powering the national development agenda through socially and environmentally sustainable sources of energy. For over a decade now, we have led the quest for renewable energy, overcoming a number of challenges but setting our sights on opportunities that have paved the pathway for us to set the benchmarks and standards to become an emulated role model. Our performance this year has been commendable, despite a number of hurdles and we are in the process of seeking opportunities that would add more positives to our ultimate vision.

Our vision of sustainable growth is a reflection of the growing awareness of the need for cleaner, more sustainable sources of energy to fuel global growth."

Russell De Zilva
Jt. CEO

A. K. Dheerasinghe
Jt. CEO

A Global Shift Towards Sustainable Energy

The International Energy Agency (IEA) in the 2015 edition of its flagship World Energy Outlook publication (WEO-2015) noted that the plunge in oil prices will contribute towards re-balancing energy markets, via higher demand and lower growth in supply, although the adjustment mechanism in oil markets is rarely a smooth one. It is estimated that higher-cost sources of supply will be driven out of markets and reliance on Middle East oil exports would eventually escalate to levels last experienced in the 1970s. Such a concentration of global supply would be accompanied by elevated concerns about energy security, where Asian countries and consumers will be particularly vulnerable.

Developing Asia is anticipated to be the leading demand centre for every major element of the world's energy mix in 2040 – oil, gas, coal, renewables and nuclear. Overall, world energy demand is projected to grow by nearly one-third between 2013 and 2040 in the central scenario of the WEO-2015, with the net growth driven entirely by developing countries. All countries are expected to adopt more energy efficient technologies, although a prolonged period of lower oil prices could undercut this crucial pillar of the energy transition; diminished incentives and longer payback periods mean that 15% of the energy savings are lost in a low oil price scenario. Lower prices alone would not have a large impact on the deployment of renewables, but only if policymakers remain steadfast in providing the necessary market rules, policies and subsidies.

The report notes that stemming from the critical COP21 climate summit in Paris, there are clear signs that an energy transition is underway: renewables contributed almost half of the world's new power generation capacity in 2014 and have already become the second-largest source of electricity (after coal). The coverage of mandatory energy efficiency regulations has expanded to more than one-quarter of global energy consumption. The climate pledges submitted at COP21 are rich in commitments on renewables and energy efficiency, and this is reflected in the WEO-2015 finding that renewables are set to become the leading source of new energy supply from now to 2040. Their deployment grows worldwide, with a strong concentration in the power sector where renewables are set to overtake coal as the largest source of electricity generation by the early-2030s. Renewables-based generation is expected to reaches 50% in the EU by 2040, around 30% in China and Japan, and above 25% in the United States and India.

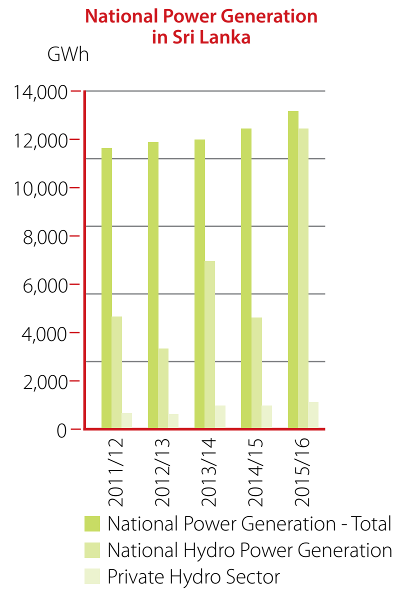
The net result of the changes seen in the WEO-2015 central scenario is that the growth in energy-related emissions slows dramatically, but the emissions trajectory implies a long-term temperature increase of 2.7 °C by 2100. A major course correction is still required to achieve the world's agreed climate goal. Therefore, as the largest source of global greenhouse-gas emissions, the energy sector must be at the heart of global action to tackle climate change.

Sri Lanka's Energy Status

Electricity sales increased by 6.5% to 11,786 GWh in 2015, in comparison to the growth of 4.2% in 2014, fuelled by 'Domestic' demand, partly reflecting the substantial downward revision to the domestic electricity tariff in September 2014 and the increase in the number of consumers by 4.0%. Sales to the 'Domestic' category, which accounted for 37.6% of electricity sales in 2015, increased by 9.7%. Sales to the 'Industry' category, which accounted for 32.8% of total electricity sales, grew by 3.2% in 2015. Meantime, sales to 'General Purposes', 'Hotel' and 'Government' categories, which account for 23.5%, 2.2% and 1.3% of sales, respectively, also recorded increases of 6.1%, 6.7% and 13.3%, respectively.

Total electricity generation in 2015 increased by 5.9% to 13,090 GWh, from 12,357 GWh in 2014, facilitating the increased demand for energy. Hydropower generation (excluding mini-hydro generation) increased by 35% during the year to 4,904 GWh supported by increased rainfall during the early and latter parts of the year. Reflecting the enhanced capacity of the Norochcholai coal power plant, coal power generation increased substantially by 38.8% to 4,443 GWh during the year. The cumulative effect of increased hydro and coal power generation helped to lower fuel oil generation by 47.1 % to 2,276 GWh during the year.

In addition, construction work of several major power projects was in progress during the year. The Uma Oya Multipurpose Development Project was recommenced in late 2015, subsequently to the recommendation of the Cabinet Sub Committee to evaluate the project. The physical progress of the Uma Oya Hydro Power Plant with an expected capacity of 120 MW, was 53 % by end 2015, and the plant is expected to be completed and commissioned by end of 2017.



The construction of a 500 MW coal power plant in Trincomalee will start by the end of 2016 and is expected to be completed and commissioned by 2020. Further, the construction of the proposed 100 MW wind power plant on the Mannar Island is expected to begin in 2018.

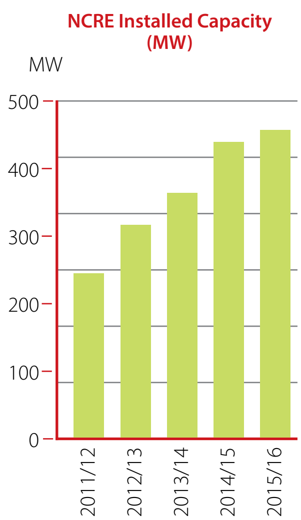
Renewable Energy Gaining In Sri Lanka

Sri Lanka's National Energy Policy and energy strategies are currently focused on Non-Conventional Renewable Energy (NCRE) as Sri Lanka has already exploited its major hydropower potential and only 186 MW of more capacity could be added to the system through the major ongoing projects.

The recently formulated Sri Lanka Energy Sector Development Plan for a Knowledge-based Economy: 2015-2025 by the government, envisages to develop the full potential of renewables and other indigenous resources in order to become a nation self-sufficient in energy by 2030. This has set up several targets such as increasing the share of renewables in primary energy supply from 3% in 2013 to 34 % by 2030, electricity generation from renewable energy to 60% by 2020 and biomass electricity generation and reducing the carbon footprint of the energy sector by 5 % by 2025. NCRE is expected to comprise 873 MW of mini-hydropower, 401 MW of wind power, 161 MW of solar power and 153 MW of biomass power by 2030 in achieving those targets. A target of 20% of total electricity generation has been set for NCRE generation by 2020, which requires increased efforts to harness the potential of untapped resources.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

The initial target of the National Energy Policy to generate 10% of total electricity via NCRE by 2015 was successfully achieved in 2015 with a contribution of 11.2% of the total power generation, compared to 9.9% in 2014. During the year, the total NCRE installed capacity increased by 18 MW and accordingly, by the end of 2015, the country had installed capacity of 306.7 MW of mini hydro power, 126.9 MW of wind power, 13.1 MW of biomass power, 10.5 MW of dendro power and 1.4 MW of solar power connected to the national grid. The generation of electricity through NCRE sources, including mini-hydro generation, increased by 20.4% to 1,466 GWh in 2015.



Accordingly, of total generation, the share of hydro, fuel oil, coal and NCRE power generation was 37%, 17 %, 34 % and 11%, respectively. In addition, the CEB signed contracts for 26 NCRE projects, with a collective capacity of 41 MW, during 2015.

The country has achieved its first milestone of 10% of total electricity generation via NCRE by 2015. However, there are many opportunities in the sector. There is Mini-hydro potential, wind power potential particularly in Mannar, Puttalam and Jaffna, and biomass resources are often left untapped, while solar power is a boon to a tropical country like Sri Lanka.

Although, Sri Lanka has already tapped all major hydro resources, there remain water conveyance structures particularly to low head turbines which remain mostly unused, while extraction of hydropower potential from irrigation networks are left mostly not attempted. Further, it has been identified that there is over 1 GW wind power potential in the country particularly in Mannar, Puttalam and Jaffna. The vast availability of biomass resources is often left untapped by the electricity industry while agricultural waste and municipal solid waste also carries potential to generate considerable amounts of electricity. Moreover, solar power is one of the most appropriate renewable energy sources as a tropical country while considering its high level of scalability and accessibility compared to other renewable energy sources.

Over the past few years, the renewable energy technologies have grown more robust and more efficient. It is anticipated that when the demand for renewable energy is sustained and expanded, the industry will gradually be able to decrease the startup costs supported by technological advancements. Identifying innovative standalone applications, promoting micro level projects and policy commitment are essential for the future of renewables.

"Though the national hydro power generation is increased by 31% in the year 2015, during the financial year of 2015/16 we realised only 76.3 GWh of electricity generation over the annual estimated generation of 82GWh . "

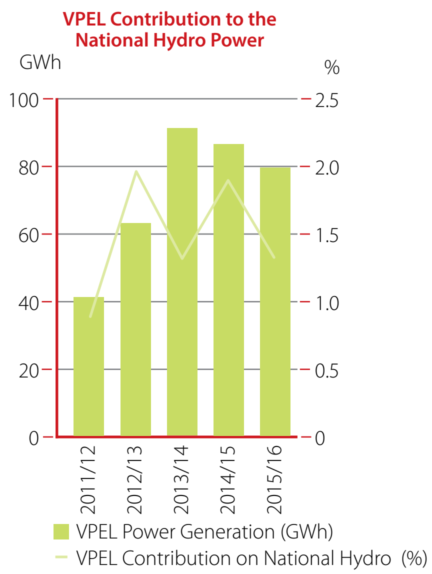
Pathmanatha Poddiwala
Deputy General Manager

VPEL Continues to Lead

Throughout the year, we remained steadfast in our vision of spearheading the emerging alternative energy industry of Sri Lanka with a passion to continually raise the bar and uphold ourselves as a role model for the industry. Driven by this commitment we continued to improve our standards and best practices and we are currently the only mini hydropower company with two ISO certifications, reflective of our quality of business operations. While we too were buffeted by the uncontrollable and unavoidable vagaries of weather and macro economic developments, VPEL holds fast to its premier position as the largest mini hydropower contributor to the national grid.

This was due to the lower rainfall experienced in the regions of two out of the three VPEL mini hydro projects of Denawaka Ganga and Kiriwaneliya, while the third mini hydro plant of Erathna only saw marginal expansion in generation. While power generation at Erathna increased marginally by 1%, outputs at both Denawkaganga and Kiriwaneliya mini hydro power plants declined by a significant 24% and 23% respectively. Output at Erathna increased to 44.1 GWh from 43.5 GWh in the previous financial year, while hydropower generation at Denawkaganga fell to 19.6 GWh from 25.9 GWh and Kiriwaneliya experienced a drop in power production to 12.6 GWh from 16.4 GWh in 2014/15.

However in the calendar year 2015, this drop was only 8% compared to year 2014, which contributed 79.5 GWh compared to 86.4 GWh in year 2014. It is mainly due to the impact of less power generation during the period from December 2015 to March 2016, was very high compared to the year 2014.



Constrained by the weather related decline in electricity generation and incomes from electricity sales, the total revenue of the Group decreased by 10%, to Rs. 1,181.7 Mn, from Rs. 1,317.8 Mn in the previous financial year. The Erathna mini hydropower project contributed Rs. 682.1Mn in revenue which is an increase of 3% against the previous year's revenues of Rs. 662.2Mn. Revenue contributions from Denawaka Ganga and Kiriwaneliya declined by 23% and 25% respectively to Rs. 305.4 Mn and Rs. 194.2 Mn, from Rs. 397.7 Mn and Rs. 257.9 Mn in the 2014/15 financial year.

Due to the impact of the lower top line, profit before tax of group declined by 13% to Rs. 900 Mn, from Rs.1,042.3 Mn in the previous financial year. Meanwhile, profit after tax declined by 15%, as a result of the considerably taxes accounted by the Group in the current financial year, to Rs. 813 Mn from Rs. 960.1 Mn. Total tax expenses increased in the current financial year to Rs. 87.1

SLR 747 millions
Dividend paid

Mn compared to Rs. 82.2Mn tax payments in the financial year 2014/15, which is an increase of 6%. This increase in tax expenses is due to the higher payments of income tax of the Company. The net profit margin for the Group saw a change of 69% compared to the 73% of the previous year and EBITDA for the Group stood at Rs. 1,019 Mn against Rs. 1,199 Mn in 2014/15.

Country Energy, our subsidiary meanwhile, saw profit before tax reach Rs. 306.2 Mn compared to Rs. 436.5 Mn in the previous year and a profit after tax of Rs. 309.6 Mn compared to Rs. 432.3 Mn in the previous year.

Generating commensurate returns for our shareholders is a key focus of the Company and this year too, VPEL made dividend payment of One rupee per share during the year to our shareholders at 50 cents per share for each Dividend distribution. The first payout of Rs. 373.5 Mn was in September 2015 and the second in March 2016, to the same value. This dividend payout of Rs. 747.1 Mn is matched the payout of the previous year which accumulated to Rs. 3.6 Bn. The total dividend distributed from the profits earned after the tax holiday were subjected to the deduction of 10% Dividend tax.

A comprehensive financial review is annexed to this report which is integral part of this report.

Our carbon footprint continued to decline through our environmentally friendly production. We achieved a total group wide 11% reduction in CO_2 emissions, with Denawaka Ganga and Kiriwaneliya achieving 24% and 23% reductions in CO_2 emissions.

Accolades and Best Practices

"Company was selected as one of the "Best Under a Billion" companies listed in the July issue of Forbes Asia 2015."

We lifted the benchmark to unprecedented levels in the hydropower industry in the current financial year by gaining recognition as a leading power company at international level. VPEL was listed among the best 200 companies with under one billion US dollar turnover by Forbes Asia, placing us firmly amongst the stellar group of industry trend setters in the world. VPEL was further ranked as the most profitable company out of 17,000 listed companies under evaluation by Forbes Asia, reinforcing the Company's sound financial and operational fundamentals that are a match to any international Company.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

This independent evaluation gives credence to VPEL's leadership status in the sector and showcases the potential of Sri Lankan companies to the global arena.

Maintaining the high standard of reporting and disclosure, VPEL was once more recognised for the quality of annual reporting by the Institute of Chartered Accountants of Sri Lanka that awarded VPEL's annual report 2014/15 a Bronze award at the Annual Report 2014/15 Awards, for the fifth consecutive year. We have the proud track record of winning Gold in 2012 for our annual report. Our commitment towards environmental sustainability was duly recognised with our mini hydropower plant in Kiriwaneliya winning the Silver Award at the National Green Awards 2015.

In addition, we have continued to set the standard for business process quality by being the only mini hydropower company in Sri Lanka to gain two ISO certifications. In 2015, we successfully concluded the Annual Surveillance Audits for ISO 9001:2008 and 14001:2004 certifications from SGS Lanka (Pvt) Limited, based on the stringent requirements imposed by SGS United Kingdom Limited, for quality management and environmental standards. We have also established the Japanese 5S system at VPEL to further streamline administrative and office procedures.

Having qualified to set off carbon credits for Sri Lanka under the United Nations Framework Convention on Climate Change in 2013, the projects are now well qualified to set off a tangible amount of carbon credits. However, a challenge did emerge this year when the carbon credits accumulated over the last 30 months did require verification by the auditors, which were billed to cost an approximate US $15,000 per project. We do observe some positive signs of change with the emergence of a new local market for CER through recent initiatives by the Sri Lanka Carbon Fund, the rising levels of interest shown by local companies in getting their carbon footprint assessed and to purchase CERs to become carbon neutral companies. Therefore, our decision now is to present our CERs of the Kiriwaneliya project for verification, keeping CERs ready for sale when the requirement arises. As at end March 2016, we have over 22,000 units of accumulated CERs of Kiriwaneliya project ready for sale.

Exploring New Opportunities

Being placed as a corporate steward and a benchmarked leader in our industry, we constantly maintain an unwavering focus on global paradigms given the unrelenting focus world leaders are now placing on alternative energy sources driving the plans for global energy. VPEL remains poised and ready to exploit opportunities that are emerging and VPEL will be expanding our focus to other areas of alternative energy as well, while maintaining our strong foothold in mini hydropower. Wind and solar both hold promise and we intend pursuing opportunities in the renewable energy sector of wind power initially, given its huge potential in the open landscape of the country's rural environs.

In the coming year, VPEL will take definite steps towards championing other ecologically friendly sustainable energy solutions for the nation. Our technologies and human resource base of trained experts are fully capable and ready to take on new challenges to support our vision and we will continue to ensure that our projects will ultimately impact positively on the country and people.

FINANCIAL REVIEW

Overview

From a financial performance perspective, the overall performance of the Group, together with three mini hydropower projects were little bit declined compared to the last year. It was mainly due to the impact of facing of some setbacks during the year, especially during the last quarter of the year due to the drought condition being experienced by Denawaka Ganga & Kiriwaneliya MHPPs.

Financial Performance

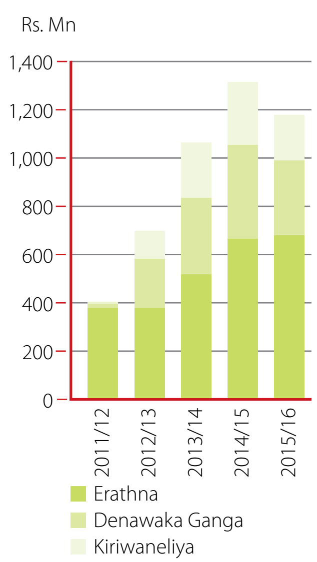
Group Revenue

Group revenue for the period under review was Rs. 1,182 Mn compared to Rs. 1,317 Mn in last year, which is a decline of 10%. However Company revenue recorded 3% increase to Rs. 682 Mn compared to Rs. 662 Mn in last year.

Key Factor

Less power generation of the projects of Denawaka Ganga and Kiriwaneliya compared to last year.

	2015/16	2014/15
Erathna MHPP	44.1 GWh	43.5 GWh
Denawaka Ganga MHPP	19.6 GWh	25.9 GWh
Kiriwaneliya MHPP	12.6 GWh	16.4 GWh



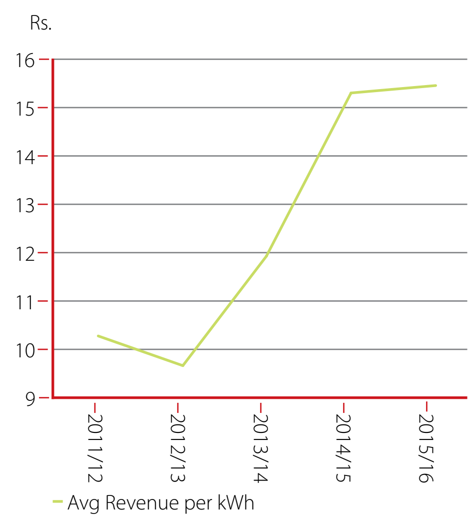
Average Revenue per Kilo watt-hour

Though there was a fall in total revenue, average revenue per kilo watt-hour was increased to Rs. 15.45 from Rs. 15.21 compared to last year.

Key Factor

Positive tariff revision of NCRE effected from 1st January 2015;

Dry period – Rs. 15.90 to 16.74
Wet period – Rs. 14.87 to 15.24



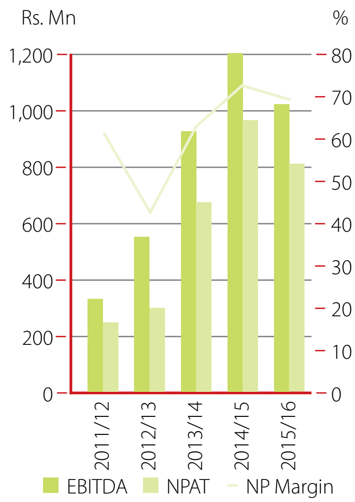
Net Earnings & Earnings before Interest, Tax & Depreciation (EBITDA)

Net profit of the Group was declined to Rs. 813 Mn by 15% compared to previous year Rs. 960 Mn. Consequently EBITDA decreased to Rs. 1,019 Mn by 15% compared to previous year Rs. 1,199 Mn. Accordingly NP Margin declined from 73% to 69%.

Key Factors

- Decrease of Hydro Power Revenue due to lower power generation.

FINANCIAL REVIEW CONTD.



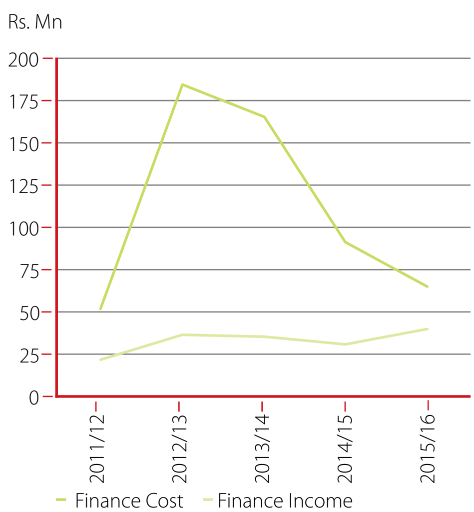
Net Finance Cost

Finance Cost of the Group decreased by 31% from Rs. 87 Mn to 60 Mn which comprises the cost of borrowings mainly.

Finance Income represents interest income from short term deposits. This was increased by 40% from Rs. 26 Mn to Rs. 36 Mn.

Key Factors

- Repayments of long-term loans.
- Increase of investments made during the year under review.

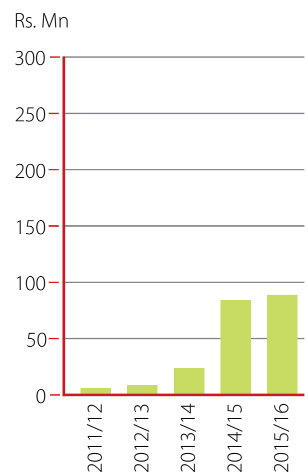


Taxation

Group total Tax Expense is increased by 6% to Rs. 87 Mn from Rs. 82 Mn compared to last year.

Key Factors

- The Company enjoyed a tax holiday until 14th July 2014 and then it was taxed at 12% on business income and 28% on other income of Group. Therefore year 2015/16 was taxed fully.

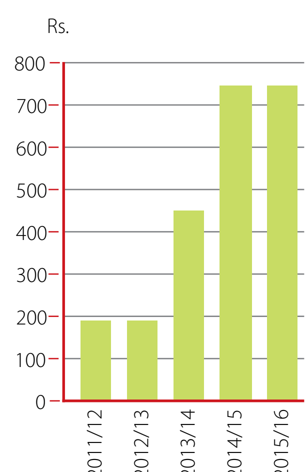


Dividends

Though the Company's performance of year 2015/16 is lesser than last year, it paid Rs. 747 Mn as Dividend.

Key Factor

- VPEL had undistributed profit earned from past years



Return on Capital Employed (ROCE) and Return on Equity (ROE)

Group ROCE declined from 36% to 32% and as well as ROE has declined from 49% to 41%.

Key Factors

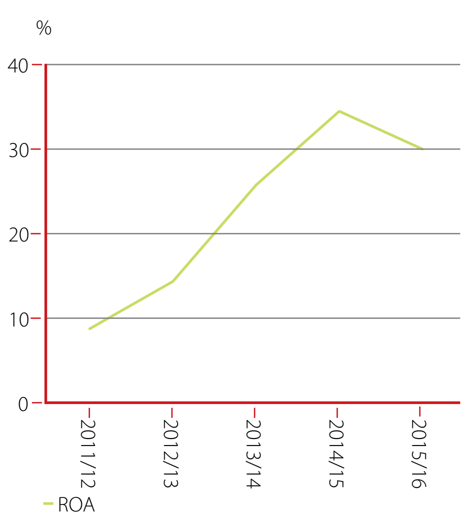
- Main impact is from lower revenue than the last year.

Return on Assets (ROA)

Group ROA reflects the profitability and efficiency of the Company, relative to its total assets. The Group's ROA declined to 30% in the year under review compared to 35% in the past year.

Key Factors

Overall decline of the profitability in the year under review.



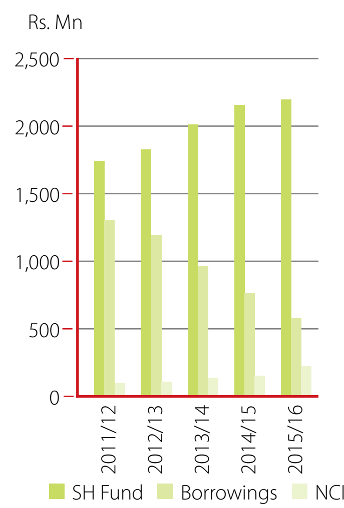
Financial Position

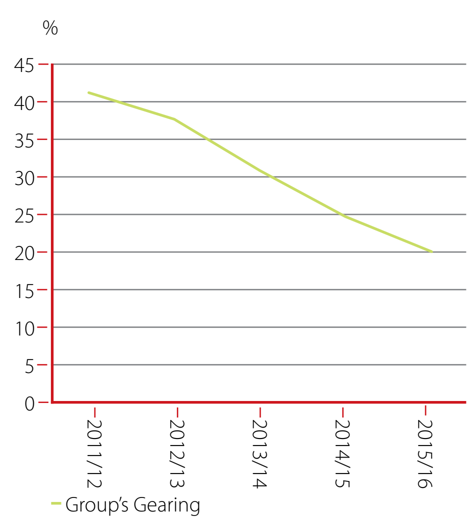
Group's Capital Structure

- Shareholders' funds attributable to equity holders of the Company decreased by 1.3% compared to last year.
- The total borrowings were declined by 24% compared to last year.
- Accordingly, gearing ratio of the Group was declined from 25% to 20%.

Key Factors

- Lower net profit compared to last year
- Dividend distributed to the shareholder using un-distributed profits which was accumulated from the past years.
- Repayments of long term borrowings obtained by the Subsidiary.





FINANCIAL REVIEW CONTD.

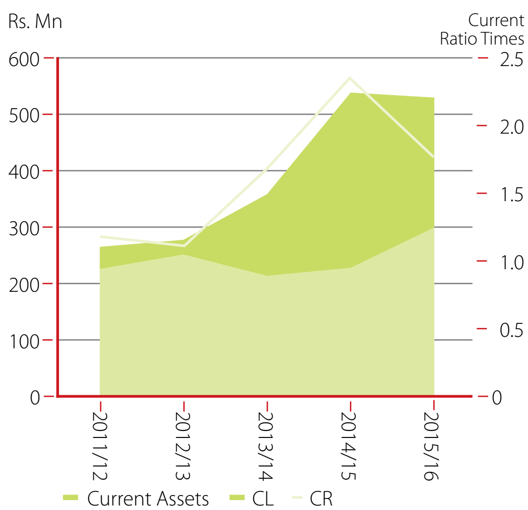
Group Working Capital and Current Ratio

Working Capital decreased to Rs. 230 Mn from Rs. 311 Mn compared to last year while maintaining the short-term liquidity position.

Accordingly, current ratio decreased as 1.8 times from 2.4 compared to last year.

Key Factors

Decline of trade receivables compared to last year and the increase of tax payables as at the reporting period



Performance of the Share

Earnings Per Share (EPS) and Dividend Per Share (DPS)

Though the Company's EPS of the year is lesser than last year, it paid Rs.1/- per share for the consecutive second year.

Key Factors

- Decreased EPS reflect the fall in the performance during the year
- Company maintained the same pay out of Dividend during the year under review compared to last year.

Net Assets Per Share and Market Price

Company's net assets per share declined by 4% compared to last year. However the market price of the share was closed at Rs. 8/-.

Key Factors

- Decrease of net assets during the year.

The above is a synopsis of the salient features of our financial performance. Complete details are available in the Financial Statements found in this report.

We believe in inculcating sustainability as the way forward towards etching a secure and safer future while giving something back to the world we live in.

SUSTAINABILITY APPROACH

SUSTAINABILITY APPROACH

"As we commemorate 11 years of highly successful operations, we are deeply mindful of our interconnectedness with Mother Nature in the very essence of our business, and we are grateful to the bounty of Mother Nature, while being fully cognizant of the need to conserve natural resources. Therefore, in the current financial year our sustainability focus has been on reciprocity towards nature through a strong environmental sustainability focus. This objective was spearheaded through a mega tree planting program in the areas surrounding our operations, setting the standard in sustainability initiatives among our stakeholders and industry."

We are proud to be the pioneers of a new way of life not only in our home country of Sri Lanka but also in the world, at a time in human history when the entire international community is re-evaluating the use and impacts on fossil fuels. At Vallibel Power Erathna, our attention has been on making the planet a better place, as finite fossil fuels continue to deplete and the pace of global development rises in the wake of many developing countries in Asia entering the race of development. Irresponsible and unbridled use of limited natural resources will take its toll on the planet and humanity living on it, unless we change the way we act and live.

We realise that responsible usage of energy and resources must be the solution to ensure a sustainable planet, although, around the world, this may seem a considerably challenging task. However, our belief is that if each of us take responsibility and make a conscious effort to make the planet a better place, we will build a healthy planet for our future generations to live and thrive on.

At Vallibel Power Erathna we bring together each of our stakeholders on this common platform of responsibility, engaging with them to optimise on this vision. Through our environmental sustainability focus during the year, we have engendered a greater sense of responsibility towards nature among each of our stakeholders and encouraged commitment from our shareholders, our team and our communities, gaining direction from Industry stakeholders and decision makers on vital changes needed to build sustainable lifestyles. We create value not only for our shareholders but also many other stakeholder groups by developing and producing clean energy options and by ensuring that our business is economically sustainable. While creating wealth for our shareholders, as a responsible corporate steward we continue to add value to the industry and to our team. We also ensure that our communities benefit from our presence, where our green energy policies, social sustainability initiatives and commitment to the environment contribute towards improving their lifestyles.

About this Sustainability Report

This is our fourth sustainability report based on the international Global Reporting Initiative (GRI) guidelines for sustainability reporting, and we have emphasised upon environmental sustainability through not only our business activities that contribute towards conservation of natural resources, but also through our daily activities and corporate social responsibility, taking us another step forward in the direction of our ever evolving sustainability journey. In the current financial year, we have improved our reporting standards guided by the latest GRI standard of the G4 sustainability reporting framework. This report however, has not been externally assessed even though all qualitative and quantitative information have been monitored and checked for accuracy by our management who have retained an independent outlook and judgment capability. Our ultimate objective is to present a fair and balanced picture of our business operations to our stakeholders through the presentation of qualitative and quantitative information of our activities throughout the current financial year.

We have adopted the GRI sustainability reporting process based on the GRI standards and the triple bottom line concept, which are underpinned in our sustainable operating principles that guide our daily operations. This annual process of sustainability reporting enables an inward assessment of our progress and an identification of gaps that should be improved, to become increasingly more sustainable. This for us is vital as it is a natural progression to the growth of our operations, while also facilitating a process of external assessment for threats and opportunities that impact our ability to create value in an environmentally, socially and economically sustainable approach. As in our previous sustainability reports, we have attempted to present a succinct yet complete collation of the challenges faced, achievements, strategic decisions, value additions and the responses, over the period of the year under review, in our quest for clean energy solutions.

Reporting Standards

This sustainability report covers the Company's performance and operations for the period April 1st 2015 to March 31st 2016, propelling us towards yet another step forward in the direction of our ever evolving sustainability journey. Structured on the GRI G4 guidelines, the report ensures a more transparent and accountable reporting process which we have embraced voluntarily as a responsible and environmentally and socially conscious corporate entity. We have supported our sustainability story with qualitative descriptions and quantitative metrics, wherever possible. Financial information is reported in SL Rupees.

This report provides a comprehensive description of our business operations and any impacts on our stakeholders, whom we have made maximum effort to identify and engage with regularly. While compiling this report, we have striven to ensure thoroughness and clarity, while maintaining absolute truthfulness. It must be noted that in compiling this report we go beyond the scope of regulatory stipulations extended towards the Company, to ensure that our sustainability initiatives are always above expectation. This is in addition to complete and stringent adherence to all regulatory mandates including those of the Central Environmental Authority and the Ministry of Power & Energy, as well as a plethora of regulations and guidelines stipulated by accounting, governance, monitoring and controlling bodies.

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Feedback

We are guided by the principles of sustainability that underpin the vital importance of communications with stakeholder groups to support and sustain the growth and advancement of corporate. Therefore, at VPEL, we have long maintained a stakeholder engagement strategy of open communication through continuous engagement with our different stakeholder groups and by seeking new avenues of communication that would give us more inclusive and thorough feedback to improve our sustainability goals. This concept has been adopted within our sustainability reporting agenda, encouraging us to use this report as a communication and feedback mechanism between stakeholder groups and the Company. We channel diverse stakeholder opinions towards identifying gaps and developing solutions that contribute towards enriching our business activities.

Please direct your comments to:

Vallibel Power Erathna PLC 27-2, East Tower,
World Trade Centre,
Colombo 01
energy@vallibel.com
More information on our Company could also be obtained on www.vallibel-hydro.com

Materiality Analysis

In establishing material topics for discussion in the current sustainability report, we have adopted a process of identifying, evaluating and prioritising a wide and extensive range of sustainability issues that significantly impact the Company's sustainability, not only in the immediate short term but also in the unpredictable mid and long term time frame, and aligned with our theme of environmental sustainability for the year which is the overarching conceptualisation of the current report. The identified material aspects, based on impacts and risks, have been duly examined and approved by the top management of the Company, ensuring the active involvement of top level decision makers in the sustainability reporting processes. The report has been enriched by the strategic vision of the top management and also through the distinctive feedback from our various stakeholder groups gathered from our range of stakeholder engagement throughout the year and in the past.

Each of the topics discussed within this report have been highlighted due to its materiality to the Company and the industry we function in. By identifying economic, social and environmental issues that have an impact at different levels and on our stakeholders and the Company, we have been able to clearly articulate the significant current or future impacts these would have on our operations. We have also unequivocally taken into account stakeholder expectations and concerns as an essential basis in building a sustainable business.

A Letter from the Joint CEOs

"In considering the very nature of our business, which is rooted deep within the environmental sphere and is dependent on environmental conditions, we are fully conscious of our debt of gratitude to the natural environment that has nurtured the growth of the Company for over a decade. Therefore, our central focus during the year under review was on broadening and deepening our commitment towards environmental sustainability through our operations. While we have always stringently observed all environmental regulations pertaining to our operations, thus minimising scope for negative environmental impacts through harmful activities, we have during the current financial year expanded our sustainability focus to encompass a wider area extending towards our corporate social responsibility activities. This theme of environmental sustainability has been enacted through the implementation of a far reaching, greening project that will see the cultivation of 100,000 trees over the immediate future under our Empowering Green Planting Project. This ambitious project was launched during the current financial year by planting trees in and around our hydro power project sites.

As a leader in the nation's drive towards sustainable energy, we believe it is a fundamental basis for our operations that we in turn adopt sustainable environmental principles as well as sustainable business activities. Hence, since inception VPEL has built its business and ensured business growth, through sustainable means of developing and establishing eco-friendly cost effective sustainable solutions for energy. We have ensured effective resource management to minimise waste and environmental impacts and striven to remain abreast and acquire new and renewable energy opportunities that continue to emerge in the global energy landscape, whenever possible.

In Sri Lanka, we have within recent years begun to experience the potential impacts of climate change through increasing occurrences of extreme weather patterns and unpredictability of weather that depart from historic trends. Our environmental sustainability focus and greening project of adding 100,000 trees to the environment of Sri Lanka will contribute towards mitigating these drastic impacts. In addition, during recent times, there has been increasing pressure for growth in power generation as demand for energy escalated following the establishment of permanent peace in the island. Energy is a vital and an indispensible aspect of future national growth and development and unless we address this pressing need through the framework of sustainability, we too may contribute towards hastening the global disaster of climate change upon mankind. Already rapidly changing weather patterns and unplanned development strategies with scant regard for environmental degradation is beginning to have harmful impacts on our society, environment and people. Therefore, it is vital that limited energy resources are utilised with maximum efficiency, while we as a nation redouble our efforts towards developing and adopting modern sustainable energy solutions.

We believe that as a responsible corporate steward we must promote and advocate the position of sustainable energy, educating all communities across all social strata on the urgency of adopting new ways of thinking and prompting the development of sustainable energy solutions. As part of this ethos, we have shared our knowledge with the Seychelles and actively engaged with our team and communities in spreading the message of preserving our environment. We have also been conscious of continually reducing our carbon footprint, which we have been extremely successful in achieving since inception. As we steer our Company to become standard bearers not only in Sri Lanka but in the region, VPEL will be dedicated towards the cause of sustainable energy, not only in Sri Lanka but across the world, encouraged as we are to share our knowledge, expertise and best practices to make the world energy sustainable."

A R De Zilva	**A K Dheerasinghe**
Jt. CEO	*Jt. CEO*

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Sustainability Strategy

Our Sustainability Strategy is focused on developing and establishing eco-friendly, cost effective, sustainable power solutions, with effective resource management, optimised operational efficiencies and acquisition of new and renewable energy opportunities. It was strengthened in the current financial year through emphasis on the rapidly deployed 100,000 tree project which contributes directly towards environmental sustainability. We meet the aspirations of all our stakeholders by sustainably creating value for all our stakeholders through our business activities and by ensuring fair returns for all stakeholders.

Since inception, our strategy of sustainable growth has generated both financial and non financial returns for our stakeholders, while paving the way for the emergence of a new era of sustainable energy generation in Sri Lanka. This will in turn, continue to create further value for future generations through conservation of limited resources.

Our Sustainability Strategy is designed and developed by the Company's top policy makers, the Chairman and Board of Directors, while the task of implementing the sustainability strategy with efficiency and effectiveness falls upon the top management and our professional team, under the constant guidance of the Chairman and Board of Directors.

Stakeholder Engagement

Our stakeholders play a key role in the Company's business operations through different types and levels of influence on the Company and we believe effective stakeholder engagement contributes towards enriching our business. Hence, we maintain regular stakeholder engagements through a range of formal and transparent mechanisms that facilitate continuous communication, dialogue and feedback from our diverse stakeholder groups, while also raising awareness and consciousness of the need for sustainable resource consumption and sustainable lifestyles.

"Stakeholder engagement is a crucial facet in the sustainability process, allowing us, as a company, to obtain a clear and concise view of how we are doing as a business and enabling us to plan future strategies that would ensure consistency in what we do"

We believe our stakeholders are the foundation upon which our Sustainability Strategy is constructed upon, as it is they who spur dialogue, discussion, questions, highlight issues and prompt solutions that could impact them individually or collectively. Therefore, stakeholder engagement is a crucial facet in the sustainability process, allowing us, as a company, to obtain a clear and concise view of how we are doing as a business and enabling us to plan future strategies that would ensure consistency in what we do.

Our stakeholder profile is diverse and ranges from government, to top decision makers, industry stewards, shareholders, team members, valued business partners and communities, prompting cohesive and constant engagement. Our stakeholder groups, methods of stakeholder engagement, matters engaged upon and response and engagement process is detailed below.

Stakeholder Engagement Analysis

Stakeholder	Reason for Engagement	Method of Engagement	Matters Engaged Upon	Response and Engagement Process
Shareholders	Being the owners of the company, management must make every effort to increase shareholder value	Mainly engaged through; • Quarterly Interim Financial Reports • Annual Report • Annual General Meeting • Dividend payout • Reinvestment proposal in new projects	No material issues were raised during the year. But routine inquiries were welcomed and answered	Responded in a timely manner with necessary details and information while maintaining a good relationship through regular communication

Stakeholder	Reason for Engagement	Method of Engagement	Matters Engaged Upon	Response and Engagement Process
Employees	Being the value creating resource of the company, through dedication, hard work, expertise, creativity, talent and skill, augmented with positive attitudes in achieving the Company's short terms and long term goals, employees are considered our most valuable asset.	• Annual staff performance appraisals • Regular staff meetings • Involvement in negotiations when required • Training & workshops • Performance based salary increments & bonus • Welfare • Team building and annual sport tournaments and extracurricular events	No material issues were raised from the employees even with regard to the industrial relations of the entity, except for engagement in; • Revision of Human Resource Policies • Review of remuneration structure • Identification of training needs • Continuous professional development programmes • Investigation of possible medical insurance scheme	• Updated all policies and communicated changes to employees. • Revised performance rating method to eliminate remuneration anomalies. • Establishment of a welfare fund under discussion.
Regulatory Bodies and Government	Enable VPEL's legislative environment; engagement assists the Company to address economic, social and environmental matters.	VPEL deals with various government agencies and regulators in order to fully comply with regulatory requirements; regular monitoring for compliance against set standards is compulsory.	No material issues were raised during the year. Communication was limited to routine engagements and inquiries.	Responded to all inquiries and compliance requirements, which if necessary are promptly followed up.
Customer (Ceylon Electricity Board)	As is the nature of our business, the input is a natural resource and output is sold to a Government institution, i.e. Ceylon Electricity Board, which is completely governed through the SPPA and other legislations set by state owned institutions.	• The Company consults the CEB on operational matters when required. • Apart from the customers' perspective, VPEL complies with customer regulatory requirements as a government regulator. • Monthly invoicing for power input into the grid and realising payment on time	No material issues were raised during the year. However, routine deals are conducted continuously.	Continued to maintain regular contact to encourage a good relationship and open communication.

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Stakeholder	Reason for Engagement	Method of Engagement	Matters Engaged Upon	Response and Engagement Process
Suppliers	Compared to manufacturing or other service organisations, VPEL does not possess a strong and regular supply chain. Construction phases require a robust suppliers' network for construction material but at operational phase, lower end raw materials are acceptable as input into the process. Routine deals are conducted for the procurement process and other utilities.	• Call for price quotations at real time intervals or tendering when required • Supplier meetings as required	No specific concerns were raised by suppliers other than routine engagements	Maintained very good relationship with the OEM and other local suppliers and provided adequate details and specifications required, while implementing a fair and just bidding process for quotations and tenders. All evaluation and selection processes are transparent
Community (This includes both social and environmental aspects)	We utilise a natural resource that has been a part of the lives of the community in the area. It is imperative that we gain the community's buy in to ensure that the strong ties between community and environment remain well interlinked.	• Community meetings • Infrastructure development programmes • Sponsorships for community developments • Forest Plantation programme in surrounding locales • CSR works through a annual CSR budget • Environmental mitigation and protection programmes • Employment to villages	No material topics of concern were raised from the community. All other matters were solved at the initial dialogue.	We maintain a good relationship between the Company and Community through; • Continuous support for community events and other requirements • Involvement in infrastructure development in surrounding areas • "Empowering Green" forest plantation programme conducted by the Company
Financial Institutions	Projects will not be realisable without debt finance as investment carries a significant debt portion which reaches 70% in most cases.	• Regular meetings, dialogue and interaction • Published accounts and Annual Reports	No material issues were raised other than matters pertaining to borrowings, repayment and investment solutions	A good relationship is maintained through; • Punctual repayments • Interest rate negotiation • Investment in short term deposits while maintaining property under mortgage

During the financial year concerned in this report, VPEL has maintained memberships in the following associations to secure the level in the industry and to smooth its operations.

- Small Hydro Power Developers Association (SHPDA)
- The Ceylon Chamber of Commerce
- The Employers' Federation of Ceylon (EFC)

Projects in Operation

During the financial year under review we did not embark on any new projects related to renewable energy generation. However, we did continue to improve our existing systems, processes, people and technologies and continued to maintain our existing small hydro projects in optimum condition. In conforming to our vision of being a significant producer of clean energy for the sustainable economic development of Sri Lanka, every unit of electricity generated by us results in the reduction of CO2 emissions in the country, compared to the negative impacts of energy generation through fossil fuels.

"In conforming to our vision of being a significant producer of clean energy for the sustainable economic development of Sri Lanka, every unit of electricity generated by us results in the reduction of CO2 emissions in the country, compared to the negative impacts of energy generation through fossil fuels"

We have invested in the latest technology relevant to the hydropower sector to ensure peak performance, maximum efficiencies and minimum environmental impacts through the operation of our power plants. We use state of the art technology by Voith Siemens in our solid infrastructure comprising two turbines with an installed capacity of 5.15 MWs each and two generators with capacity of 5.6 MW each. Already our Kiriwaneliya and Denawaka Ganga plants have been registered for CDM and our plants have also obtained the ISO 9001:2008 and 14001:2004 certifications reflecting international standards in internal processes and environmentally friendly operations. We have at all times, stringently complied with all national regulations including environmental standards set by the Central Environmental Authority and all regulatory and policy mandates of the Ministry of Power & Energy.

Our operational mini hydro projects are the Erathna mini hydropower plant, the Denawaka Ganga mini hydropower plant and the Kiriwaneliya mini hydropower plant. All three are run-of-the-river hydro projects generate clean hydro energy for the national grid, supporting the diversification of the country's energy mix, making the country less dependent on expensive thermal energy.

The largest contributor to our revenues, the Erathna mini hydropower plant is a run-of-the-river hydro plant located in Ratnapura using water from the Kuru Ganga. The plant has the capability to generate approximately 42 GWh of energy each year. Denawaka Ganga has an installed capacity of 7.2 MW and was commissioned in February 2012. Located in Malwala, in the Ratnapura Divisional secretariat of the Ratnapura District, the plant uses the water flow of the Denawaka Ganga, a main tributary of the Kalu Ganga. The plant can contribute in excess of 25 GWh to the national grid. The project comprises a diversion weir, headrace channel, forebay tank, penstocks, powerhouse, tailrace and switchyard. The Kiriwaneliya project, commissioned in December 2011, utilises water from the Maskeli Oya and has an installed capacity of 4.65 MW with the capability to generate 16 GWh. Located in the Kiriwaneliya village just downstream of the eighth highest water fall in Sri Lanka, the Laxapana Falls in the Nuwara Eliya District of the Central Province, this project utilises 17 square kilometers of the catchment area in Maskeliya and the flow of several feeder streams, which have a continuous flow even during dry periods of the year. Both the Denawaka Ganga and Kiriwaneliya projects are developed through Country Energy (Pvt) Limited, a subsidiary of Vallibel Power Erathna PLC.

During the current financial year, the Denawaka Ganga project reduced CO2 emissions by 12,253 tonnes through the generation of 19.6 GWh of energy and Kiriwaneliya operations resulted in the reduction of CO2 emissions by 7,896 tonnes in the production of 12.6 GWh of electricity. Erathna contributed towards reducing 27,588 tonnes of CO2 emissions in the generation of 44.1 GWh. In total, the hydropower projects contributed towards reducing 47,737 tonnes of CO2 emissions during the current financial year.

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Economic Highlights

93% ***exceeded the annual average power generation of 82 GWh***

SLR 1.2 Bn ***Group turnover***

SLR 813 Mn ***Group net earnings***

SLR 88.2 Mn ***paid as taxes***

SLR 747.1 Mn ***paid as dividends***

Economic Impact

In catering to increased demand for electricity, Sri Lanka's electricity generation increased by 5.9% to 13,090 GWh in 2015, from 12,357 GWh in 2014. Hydropower accounted for 5,968 GWh, of which private sector hydropower contributed 1,064 GWh compared to 902 GWh in 2014. VPEL represented 79.5 GWh of energy out of the private sector hydropower contribution of 1,064 GWh during 2015. While this is lower than our national contribution of 86.4 GWh in the previous year, we continued to represent a sizeable share of the private power generation industry in Sri Lanka with our installed capacity of 21.85 MW running across the Group, as mini hydropower projects in the country have a total installed capacity of 307 MW as at end of the year 2015.

Total revenues of the Company totaled to Rs. 1,181.8 Mn with the Erathna mini hydropower project contributing the majority share of Rs. 682.1 Mn, an increase of 3% against the previous year's revenue of Rs. 662.2 Mn. Revenue contribution from Denawaka Ganga and Kiriwaneliya declined by 23% and 25% respectively to Rs. 305.4 Mn and Rs. 194.2 Mn, from Rs. 397.7 Mn and Rs. 257.9 Mn in the 2015/16 financial year. Profit after tax is posted at Rs. 813 Mn following a total tax expense of Rs. 87.1 Mn, while the EBITDA for the Group stood at Rs. 1,019 Mn. Our shareholders were rewarded for their support of the Company with a total dividend payout of Rs. 747.1 Mn, encompassing two equal interim payments during the year at each of Rs. 0.50 per share.

Our corporate ethos of transparency and good governance has founded a corporate culture that goes beyond compliance, where all information published for stakeholder perusal is timely, accurate and comprehensive, with no ambiguity. We have during the current year as well, continued to publish quarterly Financial Statements well within the stipulated time frames for the benefit of all stakeholders, enabling them to be well informed of the Company's financial status. The Company website continues to be used as a highly effective and efficient channel of stakeholder engagement and is updated to contain the latest quantitative and qualitative information of interest to our stakeholders. We have also continued the practice of engaging with the media to disseminate information regarding corporate activities and projects. The Company held the Annual General Meeting within the stipulated timeframe and ensured an open platform for shareholders to engage with the management and raise any matters of interest.

Our governance practices stringently comply with regulations and diktats over and above requirements, for which we were amply rewarded with a Bronze Award in the Power & Energy Sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka.

From inception, VPEL has emphasised maintaining industry best practices and the highest quality standards across business activities. Therefore, we have invested finances and managerial time in gaining quality certifications for both Vallibel Power Erathna PLC and its Subsidiary, Country Energy (Pvt) Ltd. Both establishments have been certified by SGS United Kingdom Ltd and the quality systems now permeate across all three power plants, namely Erathna, Kiriwaneliya and Denawaka Ganga. We are indeed proud to record that we are the only mini hydropower company in Sri Lanka with two ISO certifications, namely ISO 9001:2008 quality standard and the environmental standard conferred with ISO 14001:2004, which unequivocally represents our commitment to quality.

To build a quality mindset that permeates throughout the entirety of the group, we have injected quality concepts into our human resource management practices. The importance of quality is built into the recruitment, retention, rewarding, training and development phases where all training and development programmes that our team engages in, has an overarching accent on the importance the Company places on absolute quality. We believe this emphasis on quality has contributed tangible results towards our performance by leading to greater productivity and higher efficiencies. Working within the holistic strategic framework placed within our quality and environmental strategy, we are able to benchmark ourselves against international standards and improve productivity and efficiency through astute systems and processes put into place.

As part of our strategic business management plan, we also engage in regular SWOT analyses of the Group, to gain a realistic perspective of our strengths and weaknesses and understand the opportunities and threats of the macro environment and then leveraging our strengths to capture available opportunities and focusing on converting our weaknesses into strengths.

Environmental Sustainability

Our Quality and Environmental Policy

"We aspire to be a significant producer of clean energy for the sustainable economic development of Sri Lanka by generating the maximum amount of electricity as per stakeholder requirements from the available water resources while preventing pollution and protecting the environment around us.

To meet the above objective, we are committed to an Integrated Quality and Environmental Management System complying with ISO 9001:2008 and ISO 14001:2004 International Standards, comply with all applicable legislation and other environmental requirements related to us, set quality and environmental objectives for processes of our organization and review achievement of those objectives at periodic intervals for continual improvement."

A R De Zilva
Jt. CEO

A K Dheerasinghe
Jt. CEO

Date: 02-09-2013

47,737 MT ***reductions in CO_2 emissions***
76.3 GWh ***of emission free power in year 2015/16***
Zero ***contaminations to river waters***
1307 GJ ***of Energy used in year 2015/16***
340 ***trees planted during the year***

Environmental Impact

The Paris Climate Conference, known as the COP 21 which was held in November 2015 was the harbinger of change in the global climate change debate with world governments signalling an end to the fossil fuel era, prompting the formal emergence of a more sustainable energy generation era for the world. For the first time global leaders have committed to a universal agreement to cut greenhouse gas emissions and to avoid the most dangerous effects of climate change. Negotiators from nearly 200 countries placed their signatures on a legal agreement that set ambitious goals to limit temperature rises and to hold governments accountable to reach those targets. Government and business leaders said the agreement, which set a new goal to reach net zero emissions in the second half of the century, sent a powerful signal to global markets, hastening the transition from fossil fuel to a clean energy economy.

However, this new agreement poses new challenges for countries in facilitating this transition from traditional fossil fuels and into a new direction of renewable energy. Investments will have to be made in not only developing new technologies but also adapting them to different global conditions and in making such energy sources commercially viable and affordable to social and economic groups to ensure access to clean energy for all communities and classes of people. This is undoubtedly a challenge given the rapid pace of development in many developing countries that need large volumes of energy to sustain the pace of development.

In Sri Lanka, VPEL has already commenced this journey and paved the way for the industry to mature and develop by adopting other genres of emerging renewable energy sources. Our hydropower plants use environmentally friendly practices to produce clean energy which is transferred to the national grid to serve the nation's energy requirements. In ensuring a sustainable mindset, we extend our green consciousness across the Group culture and our daily operations, whether in our plants or administrative offices, guided by the consciousness of responsibility and accountability. Therefore, we make a concerted effort towards conserving resources such as energy, water and paper through the practical application of the 3R concept.

3R Concept – Reduce, Reuse and Recycle

As we are in the hydropower generation industry, main production input is the water. But total water flow is withdrawn to the nature without any consumption or any contamination. All other inventories of materials such as lubricants and supportive consumables are maintained in order to control the usage by complying with the ISO standards. VPEL has introduced a waste management programme, designed in compliance with ISO

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14001: 2004 environmental standard where, each remaining item is not disposed as waste, but is listed under inventory of remaining items to be reused and recycled as a measure to minimize negative impact to environment. In the year under review, we have used energy of 1307.8 GJ for its operations which 17.5 GJ for direct operations and 1290.3 GJ for indirect operations. It was a goal what we achieved in the year by the reduction of consumption of energy from 1445.6 GJ in the last year.

As a Corporate responsible body, VPEL has taken measures to reduce the consumption of energy, materials obtained from primary sources and indirect resources. In line with this system, Quality and Environmental awareness programmes are regularly conducted to educate the both head office and site staff to maintain the clean environment and organisational systems' quality.

Carbon Foot Print

In addition, our hydropower plants have now been successfully registered as CDM projects and we are able to offset our CO2 emissions against the country's footprint. During the current financial year, we reduced our carbon emissions by 47,737 tonnes and as at end of the year, had 30 months of carbon credits accumulated. However, we did not convert carbon credits into revenue in the current financial year as the verification cost of US $15,000 per project did not seem feasible as the possible revenue from sales would only cover about 30% of the cost of verification. Therefore, we are pursuing the avenue of accumulating a reasonable volume of CERs which can be verified as a single collective, rather than two, in order to justify the cost of verification, while also giving us time to seek a reasonable price that would cover the cost incurred in the verification process.

Empowering Green

With our business rooted in the natural environment, we are highly conscious of our environmental responsibilities and are constantly seeking new ways of giving back to the planet, going above and beyond traditional conservation activities of safeguarding resources and preventing waste of resources. During the current financial year, we took a vibrant step by initiating a mega 'greening' project that envisaged the cultivation of trees on a large scale to enhance the country's forest cover. Our Empowering Green forest plantation programme commenced with the planting 100,000 trees in collaboration with the Forest Department aimed at both enhancing the country's forest cover and also in introducing greenery to public spaces to contribute towards a green country.

We conducted two programmes during the latter part of the year under the Empowering Green planting project that saw the addition of 200 trees added to the natural environs of Sri Lanka, while also introducing concepts of green environment and

"We continued our uncompromising stance of going beyond statutory requirements in environmental responsibility, placing acute emphasis on 'giving back' to Mother Nature through environmental sustainability."

Empowering
GREEN
VPEL's 100,000 trees planting program

conservation to the next generation through the direct involvement of schools and students. As the next generation of Sri Lanka, these students will inherit a new era of sustainability where environmental consciousness will be crucial for their health and wellbeing and in ensuring that the threat of climate change is curbed through the adoption of more environmentally sustainable lifestyles. Therefore, we believe it is essential that young people be introduced to concepts of environmental sustainability at a young age through suitable initiatives. During the current year, we took responsibility to:

Spearhead the planting of 100 trees at Erathna Maha Vidyalaya, Kuruwita

Planting 100 trees at Rambukpitiya Maha Vidyalaya, Nawalapitiya

In addition, the ongoing events under the Empowering Green planting project include;

- Planting 100 trees at the Paladeniya Vidyalaya, Erathna
- Planting 40 trees at the Erathna Hospital

In fulfilling the mandate of the Empowering Green planting project, the Company will not only plant these trees but has also made the commitment to maintain them until they are able to sustain themselves.

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People's Sustainability

Motivated Team

A motivated team is the catalyst for organisational success and at VPEL we have understood the importance of building and retaining a highly motivated and committed team. Our Sustainability Strategy acts as the guiding framework in directing our team while our management team provides the supervision and guidance to maintain high quality in all activities. Our employees are empowered through delegation of responsibility to autonomy in decision making, systematic reporting processes and regular monitoring to ensure alignment with strategic priorities and corporate objectives. We have inculcated a performance based culture where performance is recognized through a system of structured performance evaluation followed up with rewards and incentives, and encouraged through training and development.

"Our team is an essential stakeholder group of the Company, representing the core of our sustainability operations through the practical implementation our Sustainability Strategy and ensuring that all aspects of business operations are aligned to the concept of sustainability in all its facets"

VPEL's HR Policy is constructed on a platform of meritocracy and equality ensuring equal opportunities for growth and career development for all employees. As a policy we do not condone child labour or underage labour, nor do we discriminate on class, gender, ethnicity, caste, religion, culture or age. We comply stringently with all labour regulations and standards as directed by the government and international entities including the International Labour Organisation. This non-discriminatory policy extends to our valued business partners, which in the event of non-adherence or diversion, a streamlined engagement process comes into play. Stakeholders are reiterated and re-familiarised with our policy and further awareness created. In the event the discriminatory practices continue, we do not associate with these stakeholders in any form.

Occupational Health and Safety

As a responsible employer we take all precautions to ensure the health and safety standards are beyond the statutory requirements. Our plants and offices have introduced health and safety initiatives aligned with international norms and standards on occupational health and safety, not only for our team but also visitors and suppliers visiting our sites. All safety aspects are stringently implemented to prevent accidents and any other negative health impacts at work. Through the provision of a safe work environment, we have created work places that fuel above par performance and higher levels of productivity.

We are strongly committed to:

- Providing and maintaining a safe and healthy environment including safe systems of work for our employees and non-company personnel as well within the Company premises
- Closely monitoring and implementing the necessary steps to minimise and eliminate adverse impacts of our activities on the physical environment under its control
- Analysing and evaluating occupational health and safety hazards prompted due to various activities conducted and initiating actions to mitigate the hazards
- Nurturing a culture of prevention in safety
- Complying with all prevalent national laws, regulations, mandates and guidelines pertaining to environmental health and safety and aligning them to our business objectives

- Establishing procedures to assess and review the environmental health and safety impact of present and future activities
- Seeking continuous improvement of our work environment and physical environment through conformance to a clearly defined set of Company objectives and targets, through proactive and cost effective measures
- Interactive Fire Safety Training Programmes are conducted periodically at all sites, which includes fire safety theory, fire drill demonstration and evacuation

Zero
Lost Workday Case Accidents

Inclusive Recruitment

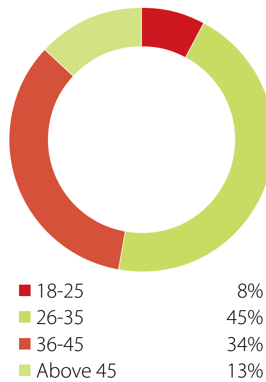
We have established formal processes and procedures for recruitment aimed at attracting the best skills and talent into our organisation. The process includes public placement of vacancy notices and transparent interview procedures that enables the selection of the best personality and talent match with Company requirements and Company culture. Once recruitment is completed, a structured orientation programme is initiated to familiarise any new recruits with Company processes and procedures and the expected conduct of employees.

Our succession plan is progressive, designed and constructed on absolute meritocracy. Internal advertisements are publicised for any positions falling vacant, while performance reviews help in selecting right person for the right job.

During the previous year, we took another progressive step towards creating inclusive employment opportunities by acting upon our pledge of being a non-discriminatory employer taking a decisive policy stance to recruit differently abled persons into our team. Under the new policy on facilitating employment for the differently abled, we are committed to include at least one differently abled individual for each one of our operational sites from the surrounding localities. This decision contributed towards our non-discriminatory employment policy and opens up employment opportunities for the country's disabled population.

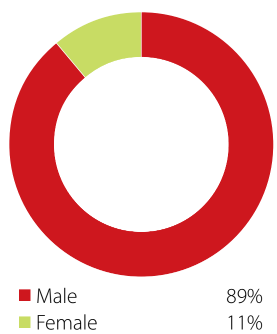
Employee Distribution by Age

We are a young Company in an extremely young industry and our employee cadre reflects this reality with the 26 to 35 year of age category representing 45% of the employees of the Company. The 36 to 45 age bracket represents 34% of the employees, providing guidance and experience for the young majority. The young team has been a driving force for the Company due to their energy and desire to learn, contributing to the growth of the Company. This largest 26 to 35 age group is recruited totally from the surrounding communities, creating employment and empowering rural communities.



Employee Distribution by Age Gender

Due to the nature of work in the energy industry, the sector tends to be male dominated, a feature echoed at VPEL too. However, we do provide equal opportunities in types of work where women do not face physical or cultural difficulties and we provide equal growth and development opportunities for both men and women.



23 ***Engineers, Professionals and Other Executives***

02 ***Clerical Employees***

09 ***Technical Employees***

30 ***Skilled Employees***

40 ***Un-skilled Employees***

SUSTAINABILITY APPROACH CONTD.

Training and Development

Training and skill development is vital for the success of the Company due to rapidly changing technology, knowledge thresholds and management systems germane to the renewable energy industry globally. We thus invest in regular skill upgrading and training for our team to equip them with the appropriate skills and tools to meet the needs of this evolving industry. In addition, all training is mapped to be aligned not only with apt industry requirements but also with the Company strategy and our team's individual career aspirations.

29 Employees

Participated for T&D programmes during the year

A majority of employee training programmes are on-the-job, supported by workshops and seminars for specialised competencies. We also encourage the furtherance of higher professional and academic studies. Whenever our team members pursue academic, professional or specialised skills, we reimburse a part of the expenses incurred. Senior team members are recommended to attend overseas training programmes.

We include our new recruits in the training process through a comprehensive orientation, as laid down in our HR guidelines. All personnel recruited from the surrounding communities of our hydropower projects undergo a mandatory technical course conducted by the Technical Training School, to ensure they possess appropriate levels of knowledge and skill. Head office team members are trained in management skills, accounting and leadership, while there is an overall emphasis on productivity improvement and effective cost management.

During the year under review a full range of training was conducted for our employees and some of the more extensive programmes are listed below:

- Training programme on ISO 9001:2008 and 14001:2004
- Training programme on Labour and Industrial Relations
- Training programme on Labour Handling in Industrial Sector
- Seminars on developing SLFRS and Tax updates for the finance division employees
- Training programme on Lightning & Surge protection and earthing for technical people
- Work shop to Front Desk Officer on Telephone Etiquette & Customer Service
- EFC certificate programme on supervisory Development 2016 for two of the supervisory level employee at site
- Engineering design course conducted by IESL for engineering people
- Training programme on health & safety and evacuation at an emergency

Prompting Work/Life Balance

At VPEL we attempt to facilitate good work life balance through a top down approach by inculcating the concept within our HR policy and strategy for effective implementation. We also engage our team to constantly spearhead dialogue with management and maintain an open door policy to ensure open communications that ensures employee concerns are articulated at all times for a work environment of openness and mutual respect. This approach contributes towards higher productivity, loyalty and commitment to the workplace, in addition to enhanced teamwork. We have also seen our team members take ownership to our vision and instil a sense of belonging into the organisation.

We have inculcated a culture of camaraderie and team spirit through an environment of openness and fairness. Employees are given opportunities to socialize and network and build trust in each other through numerous Company events and activities, engaging both team members and their families at specific events. These include annual Company outings and religious and cultural activities in addition to corporate social responsibility activities that facilitates bonding and opportunities to get to know each other within a less formal social setting.

An annual highlight is the inter-staff cricket tournament, conducted for the third consecutive year. This year too, the Company wide sporting event was held at the Seevali Public Grounds in Ratnapura with the participation of six teams representing all mini hydropower projects at an 11-a-side league cricket tournament. Awards were presented for the Best Batsman and Best Bowler in recognition of the exceptional sporting talent displayed with participation from all levels of employees including senior management.

Another much looked forward to event is the annual staff outing that enabled team members to mingle and socialize with each other in a non-work environment. This year too, a highly entertaining outing was organised for the entire VPEL team.

At VPEL we provide highly competitive remuneration and other facilities, on par with industry norms and statutory benefits. We have designed an attractive scheme of rewards and incentives to encourage and sustain good performance and initiatives for leadership, innovation and decision making, based on a structured Performance Evaluation for annual assessments.

The following are value added benefits extended to our team:

- Staff loans including assistance for personal requirements such as weddings and funerals
- A comprehensive medical scheme
- Snacks and tea for shift workers
- Accommodation for site employees who work away from home
- Uniforms for site staff

Partnering our Communities

Highlights

- Rehabilitation of one kilometre of road at Erathna and another at Vidulipura in Kiriwaneliya
- Constructed bus stop for community at Vidulipura, Kiriwaneliya
- Monetary presentation towards medical expenditure for a heart patient
- Presentation of shoes for disadvantaged children
- Assistance for three children for Eastern Dancing Event, Kiriwaneliya
- Construction assistance for the Sri Samantha Badraramaya, Erathna

SLR 2.4 Mn

Community Expenses in 2015/16

As key stakeholders of the Company, the communities in the surrounding localities of our power plants remain integral to our success and the Company integrates benefits through various CSR projects to ensure that the proactive relationship we have remains strong and vibrant. In addition to generating employment opportunities within our plants, we support community events, cultural activities and also contribute towards the development of essential community infrastructure to uplift our community's quality of life. During the current financial year, we continued to strengthen our community bonds through a range of community events with placed emphasis on environmental sustainability, thereby, ensuing community awareness building on sustainable living.

While helping those in need and providing opportunities for marginalised communities, we believe this process of regular engagement with our communities is vital for community goodwill and reputational gains for the Company, thereby contributing towards future sustainability of the Company. No corporate can exist in an insular silo given that the external milieu is always subject to unexpected and unplanned wider social and environmental forces that influence operations and ability to create value. Therefore, continuous social engagement with direct stakeholder communities are an essential facet of value creation.

During the current financial year too, we worked within the community development framework that we have been focusing on, from education, to health, to access to water. We believe education is vital for the future growth of the nation and place great emphasis on supporting educational advancement of rural and under privileged children, whether through direct support of schools and other education related organisations or by supporting children in need. This support system for children's education strengthens communities and their ability to become useful contributing citizens in the future. During the current financial year, we supported the education of children in our communities by presenting shoes for disadvantaged students of Malwala and assisted three children to participate in an Eastern Dancing Event in Kiriwaneliya.

Presentation of shoes for disadvantaged children in Malwala

Bus stop constructed for community at Vidulipura, Kiriwaneliya

Rehabilitation of one kilometre of road at Erathna

Rehabilitation of road at Vidulipura, Kiriwaneliya

Another aspect of VPEL's community engagement is the support extended towards the development of infrastructure used by collective communities. Such activities have wider ranging benefits given that it assists the larger family network to improve their quality of life. During the year under review, we provided imperatives to improve public infrastructure in the rural areas of our power projects which included the rehabilitation of an expanse of one kilometre of road in Erathna and in Vidulipura in Kiriwaneliya.

The availability of the road network enhances mobility and accessibility to essential services and contributes directly towards the economic development of the areas. We also constructed a bus stop at Vidulipura, Kiriwaneliya, supporting the village community in their commuting needs. The village temple is a key public place in addition to being a place of worship and spiritual guidance to the entire community. By providing assistance to construct the Sri Samantha Badraramaya in Erathna, we assisted the community in building their haven for religious and spiritual upliftment.

We do believe that philanthropy does play a significant role in uplifting communities, especially in healthcare. In assisting members of the community who are afflicted with an illness, we have been able to empower these patients to regain their health and dignity as well. This year, we contributed towards the treatment of a patient with heart complications.

We possess an experienced and skilled team that are attentive to all the details and financial aspects that need to be assessed and pursued with expertise and faultless alacrity.

FINANCIAL REPORT

FINANCIAL CALENDAR

Interim Report - 1st Quarter	13th August 2015
Rs. 0.50 per share interim dividend for the financial year 2015/16	03rd September 2015
Interim Report - 2nd Quarter	12th November 2015
Interim Report - 3rd Quarter	12th February 2016
Rs. 0.50 per share interim dividend for the financial year 2015/16	08th March 2016
Interim Report - 4th Quarter	31st May 2016
Annual Report 2015/16	27th June 2016
15th Annual General Meeting	27th June 2016

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

The Directors of Vallibel Power Erathna PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements of the Company and the Group for the year ended 31st March 2016.

Legal Status

The Company was incorporated on 7th November 2001 under the name of "Zyrex Power Company Erathna Limited" and later changed its name to "Power Company Erathna Limited" on 14th October 2004. Thereafter, on 2nd June 2005 the name of the Company was changed to "Vallibel Power Erathna Limited". The shares of the Company were listed on the Colombo Stock Exchange on 17th May 2006.

Principal Activity

The principal activity of the Company is generation of electricity using hydro resources and transmitting such electricity to the national grid of the Ceylon Electricity Board.

Business Review

A review of the operations of the Group business during the financial year and results of those operations are contained in the Chairman's Review on page 12 of the Annual Report. This report forms an integral part of the Annual Report of the Directors.

Summarised Financial Position

The summarized financial position of the Company is as follows:

As at 31st March	2016 (Rs. '000)	2015 (Rs. '000)
Profit brought forward	674,341	692,059
Net profit for the Year	667,958	731,212
Other comprehensive income/(loss) recognized in the accumulated profit	1,907	(1,820)
Dividends	(747,110)	(747,110)
Profit carried forward	597,096	674,341

The Financial Statements of the Company and the Group are given in pages 70 to 106 of the Annual Report.

Financial Statements

The Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiary, duly signed by two Directors on behalf of the Board and the Auditors' Report are included in this Annual Report and form part and parcel hereof.

Independent Auditors' Report

The Report of the Independent Auditors on the Group Financial Statements of the Company is attached with the Financial Statements.

Stated Capital

The Stated Capital as at 31st March 2016 was Rs. 1,174,365,278/-. (2014/15 – Rs. 1,174,365,278/-)

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 76 to 89 and are consistent with those of the previous period.

Reserves

The reserves of the Company stand at Rs. 597,096,745/- (2014/15-Rs. 674,340,802/-). The movement and composition of the other reserves are disclosed in the Statement of Changes in Equity.

Taxation

Pursuant to the Supplementary Agreement dated 8th October 2002 entered into with the Board of Investment of Sri Lanka under section 17 of the Board of Investment Law, the Company enjoyed a tax holiday of 10 years which ended on 14/07/2014. Presently the Company is liable for income tax arising from the business of the generation of hydropower at 12%. Other income is taxable at 28%.

Statutory Payments

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

Dividends

The Company made two interim dividend payments of Fifty Cents (Rs.0.50 cents) per share for each Dividend distribution for the financial year 2015/2016 which were paid on 3rd September 2015 and 08th March 2016.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 1,218,996/- (2014/15-Rs. 442,942), details of which are given in Note 03 to the Financial Statements on page 90 of the Annual Report.

Property, Plant & Equipment

The movement in Property, Plant and Equipment of the Company are given in Note 03 to the Financial statements on page 90 of the Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

Shareholdings

As at 31st March 2016 there were 4,297 registered shareholders. The distribution of shareholders is indicated on pages 110 and 111 of the Annual Report.

Share Information

Information on share trading is given on page 111 of the Annual Report.

Directorate

The names of the Directors who held office as at the end of the financial period are given below and their brief profiles appear on pages 16 to 18 of the Annual Report.

Mr. K D D Perera (Chairman)
Mr. P K Sumanasekera
Mr. S H Amarasekera
Mr. H Somashantha
Mr. L D Dickman (ceased w.e.f 11.08.2015)
Mr. S Shanmuganathan
Mr. P B Perera
Mr. C V Cabraal

Mr. S H Amarasekera, Mr. P B Perera and Mr. C V Cabraal retire by rotation in terms of Article 25(10) of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

Directors of the subsidiary company as at the end of the accounting period:

Country Energy (Private) Limited
Mr. G A R D Prasanna
Mr. K D A Perera
Mr. K D H Perera
Mr. P K Sumanasekera
Mr. J P Lenihan

Interest Register

The Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. All Directors have disclosed their interests pursuant to Section 192(2) of the said Act.

Directors' Interest in Shares

The Directors' interest in shares of the Company as at the Balance Sheet date are as follows:

	As at 31st March 2016	As at 31st March 2015
Mr. K D D Perera	144,812,225	144,812,225
Mr. S H Amarasekera	30	30
Mr. P K Sumanasekera	150,000	150,000
Mr. H Somashantha	15,000	15,000
Mr. L D Dickman	Nil	Nil
Mr. S Shanmuganathan	Nil	Nil
Mr. P B Perera	Nil	Nil
Mr. C V Cabraal	Nil	Nil

Directors Remuneration

The Directors Remuneration is disclosed under key management personnel compensation in Note 23 to the Financial Statement on Page 105 of the Annual Report.

Land Holdings

The Company's land holdings referred to in Note 03 of the accounts comprise a land (freehold) in extent of 5.5 and another land in extent of 5.1 acres in the Ratnapura District, which carries at its book value of Rs. 150,000,000/-. The subsidiary company's land holdings referred to in Note 03 of the Financial Statements comprise a land in extent of 1.4 acres (freehold) and another in extent of 2.7 acres (leasehold) in the Ratnapura District which carries at its book value of Rs. 657,762/-. Further it holds another land in the Nuwara Eliya District in extent of 4.35 acres of value of Rs. 26,524,157/-.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2016 are given in Note 04 to the Financial Statements on page 92 of the Annual Report.

Corporate Donations

The Company made donations amounting to Rs. 1,202,666/- (2014/15-Rs. 419,134/-) in total, during the year under review.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee and the Integrated Risk Management Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Enterprise Risk Management on pages 28 to 31 of the Annual Report.

Corporate Governance

The report on Corporate Governance is given on pages 19 to 27 of the Annual Report.

Internal Controls

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness of these controls for the period up to the date of signing the Financial Statements.

Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. For this reason we continue to adopt the going-concern basis in preparing the Financial Statements.

Events Occurring after the date of Statement of Financial Position

No circumstances have arisen and no material events have occurred since the date of financial position, which would require adjustments to, or disclosure in the accounts other than those disclosed in the Financial Statements and this Report.

Auditors

The Financial Statements for the year ended 31st March 2016 have been audited by Messrs Ernst & Young, Chartered Accountants who offer themselves for re-appointment.

In accordance with the Companies Act No. 07 of 2007, a resolution relating to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting. The audit fee and expenses of Messrs Ernst & Young for the current year was Rs. 673,500/-. (2014/2015 – Rs. 612,260/-). In addition they were paid Rs. 127,500/- (2014/15- Rs. 240,000/-) by the Company for solvency provisions and other opinions. As far as the Directors were aware, the Auditors do not have any relationship other than that of the Auditor with the Company.

Annual General Meeting

The 15th Annual General Meeting of the Company will be held at the Kingsbury Hotel, Colombo 1 on Monday, 27th day of June 2016 at 9.00 a.m. The Notice of the Annual General Meeting is on page 123 of this Report.

For and on behalf of the Board

S H Amarasekara
Director

S H Somashantha
Director

P W Corporate Secretarial (Pvt) Limited
Secretaries

Colombo
27 May 2016

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 69.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the Financial Statements. Company law requires the Directors to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit or loss of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing Financial Statements set out on pages 70 to 106 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the Financial Statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure the Financial Statements comply with the Companies Act No. 7 of 2007.

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare Financial Statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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 payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, in arriving at the financial results for the year under review.

For and on behalf of the Board

Vallibel Power Erathna PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
27 May 2016

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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BW/CSW/SJJC

TO THE SHAREHOLDERS OF VALLIBEL POWER ERATHNA PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Vallibel Power Erathna PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the Statement of Financial Position as at March 31, 2016 and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility,

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion, and scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the financial statements of the Company give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards and,
- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act. No. 07 of 2007.

Ernst & Young

27 May 2016
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Note	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Revenue	14	682,132,882	662,227,073	1,181,807,085	1,317,931,031
Cost of sales		(46,230,299)	(51,078,700)	(138,593,135)	(146,847,352)
Gross profit		635,902,583	611,148,373	1,043,213,950	1,171,083,679
Other income	15	140,116,941	211,708,914	37,595	44,394,464
Administration expenses		(48,029,828)	(50,337,360)	(114,133,687)	(107,583,988)
Other operating expenses		(1,931,361)	(832,129)	(5,097,046)	(4,184,933)
Finance income		17,249,262	10,586,439	35,871,262	25,656,481
Finance cost	16	(351,175)	(272,847)	(59,712,626)	(87,023,623)
Profit before taxation	17	742,956,422	782,001,390	900,179,449	1,042,342,079
Income tax expense	18.1	(74,998,217)	(50,789,691)	(87,151,418)	(82,249,802)
Net profit for the year		667,958,206	731,211,699	813,028,032	960,092,277
Attributable to:					
Equity holders of the parent		667,958,206	731,211,699	773,396,696	904,752,044
Non-controlling interest		-	-	39,631,337	55,340,233
		667,958,206	731,211,699	813,028,032	960,092,277
Basic earnings per share	19	0.89	0.98	1.04	1.21
Dividend per share		1.00	1.00	1.00	1.00

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 76 to 89 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Net profit for the year		667,958,206	731,211,699	636,097,546	960,092,277
Other comprehensive income / (loss)					
Other comprehensive income reclassified to profit or loss:					
Reclassification of AFS gain to profit or loss		-	(5,345,350)	-	(5,345,350)
		-	(5,345,350)	-	(5,345,350)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Actuarial gain/(loss) on defined benefit plans	11	2,312,083	(2,068,666)	1,692,400	(2,030,464)
Income tax effect	18.2	(404,615)	248,240	(311,662)	248,240
		1,907,468	(1,820,426)	1,380,738	(1,782,224)
Other comprehensive income / (loss) for the year, net of tax		1,907,468	(7,165,776)	1,380,738	(7,127,574)
Total comprehensive income for the year, net of tax		669,865,674	724,045,923	814,408,770	952,964,703
Attributable To:					
Equity holders of the parent		669,865,674	724,045,923	774,844,854	897,619,580
Non-controlling interest		-	-	39,563,915	55,345,123
		669,865,674	724,045,923	814,408,770	952,964,703

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 76 to 89 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

		Company		Group	
As at 31 March	**Note**	**2016 Rs.**	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
ASSETS					
Non-current assets					
Property, plant & equipment	3	901,794,334	933,656,468	2,445,639,568	2,525,481,540
Investments	4.1	821,619,980	821,619,980	-	-
Intangible assets	5	4,800,000	6,400,000	116,948,753	128,905,422
Deposit on leasehold land	6	-	-	4,500,000	4,500,000
Deferred tax asset		-	-	8,724,013	-
		1,728,214,314	1,761,676,448	2,575,812,333	2,658,886,962
Current Assets					
Trade & other receivables	7	33,172,995	74,970,741	64,386,512	150,089,606
Amount due from related parties	8	2,800,785	3,331,197	986,171	3,033,208
Short term investment	4.2	168,357,927	134,064,330	433,094,636	380,114,485
Cash and bank balances		8,068,001	1,628,059	30,580,632	4,712,742
		212,399,708	213,994,327	529,047,952	537,950,041
Total Assets		1,940,614,022	1,975,670,775	3,104,860,285	3,196,837,003
EQUITY AND LIABILITIES					
Equity attributable to Equity Holders of the Parent					
Stated capital	9	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278
Accumulated profit		597,096,745	674,340,802	1,001,587,474	973,852,350
		1,771,462,023	1,848,706,080	2,175,952,752	2,148,217,628
Non-controlling interest		-	-	165,859,338	149,135,427
Total Equity		1,771,462,023	1,848,706,080	2,341,812,090	2,297,353,055
Non Current Liabilities					
Interest bearing loans and borrowings	10	-	-	365,189,799	571,536,543
Retirement benefit obligations	11	11,966,468	13,069,956	16,407,209	16,505,158
Deferred tax liability	12	82,862,224	84,289,848	82,862,224	84,289,848
		94,828,692	97,359,804	464,459,232	672,331,549
Current Liabilities					
Trade and other payables	13	52,211,037	15,982,788	66,461,926	25,627,907
Interest bearing loans and borrowings	10	-	-	208,532,976	187,342,575
Tax payables		22,112,270	13,622,103	23,594,061	14,181,917
		74,323,307	29,604,891	298,588,963	227,152,399
Total Equity and Liabilities		1,940,614,022	1,975,670,775	3,104,860,285	3,196,837,003

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

Sajithra Thanoj
Accountant

Russell De Zilva
Jt. CEO

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by.

Dhammika Perera
Chairman

Harsha Amarasekara
Director

The Accounting Policies and Notes on Pages 76 to 89 form an integral part of the Financial Statements.

27 May 2016, Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March Company	Stated Capital Rs.	Available for Sale Reserves Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 1 April 2014	1,174,365,278	5,345,350	692,059,260	1,871,769,888
Net profit for the year	-	-	731,211,699	731,211,699
Other comprehensive income/(loss)	-	(5,345,350)	(1,820,426)	(7,165,776)
Dividends	-	-	(747,109,731)	(747,109,731)
Balance as at 31 March 2015	1,174,365,278	-	674,340,802	1,848,706,080
Net profit for the year	-	-	667,958,206	667,958,206
Other comprehensive income/(loss)	-	-	1,907,468	1,907,468
Dividends	-	-	(747,109,731)	(747,109,731)
Balance as at 31 March 2016	1,174,365,278	-	597,096,745	1,771,462,023

For the year ended 31 March Group	Stated Capital Rs.	Available for sale Reserve Rs.	Accumulated Profit Rs.	Non-controlling Interest Rs.	Total Rs.
Balance as at 1 April 2014	1,174,365,278	5,345,350	817,997,151	122,340,309	2,120,048,088
Net profit for the year	-	-	904,752,044	55,340,233	960,092,277
Other comprehensive income/(loss)	-	(5,345,350)	(1,787,114)	4,890	(7,127,574)
Dividends	-	-	(747,109,731)	(28,550,005)	(775,659,736)
Balance as at 31 March 2015	1,174,365,278	-	973,852,350	149,135,427	2,297,353,055
Net profit for the year	-	-	773,396,696	39,631,337	813,028,031
Other comprehensive income/(loss)	-	-	1,448,160	(67,422)	1,380,738
Dividends	-	-	(747,109,731)	(22,840,004)	(769,949,735)
Balance as at 31 March 2016	1,174,365,278	-	1,001,587,474	165,859,338	2,341,812,090

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 76 to 89 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Cash Flows From / (Used in) Operating Activities					
Net profit before tax expense		742,956,422	782,001,390	900,179,449	1,042,342,079
Adjustments for					
Amortization of intangible assets	5	1,600,000	1,600,000	11,956,670	11,956,670
Depreciation	3	32,879,297	32,953,578	83,117,591	83,376,990
Provision for retirement benefits obligation	11	2,353,219	2,530,374	3,403,309	3,479,946
Dividend income	15	(140,093,996)	(167,334,496)	-	-
(Profit) / loss on disposal of property, plant & equipment		8,833	25,286	8,833	109,646
Adjustment for property, plant & equipment		-	-	343,200	(361,818)
Gain on disposal of AFS investment		-	(44,372,289)	-	(44,372,289)
Finance income		(17,249,262)	(10,586,439)	(35,871,262)	(25,656,481)
Finance costs	16	351,175	272,847	59,712,626	87,023,623
Operating Profit/(Loss) before Working Capital Changes		622,805,688	597,090,251	1,022,850,416	1,157,898,366
(Increase)/ decrease in trade and other receivables		41,696,968	(42,930,454)	86,055,676	(63,828,942)
(Increase)/decrease in amounts due from related parties		818,264	3,310,135	2,322,565	873,897
Increase /(decrease) in trade and other payables		36,818,472	1,138,848	41,587,556	4,499,044
Increase/(decrease) in amounts due to related parties		-	(342,361)	-	(311,698)
Cash Generated from /(used in) Operating Activities		702,139,392	558,266,419	1,152,816,213	1,099,130,667
Finance costs paid		(351,175)	(272,847)	(59,875,939)	(88,341,762)
Finance income received		17,350,039	10,475,220	35,518,679	27,122,192
Retirement benefits obligations paid	11	(1,432,475)	(171,588)	(2,084,388)	(249,078)
Taxes paid		(68,340,288)	(38,390,707)	(88,202,572)	(70,107,669)
Net cash from/(used in) operating activities		649,365,493	529,906,497	1,038,171,993	967,554,350
Cash Flows from / (Used in) Investing Activities					
Acquisition of property, plant & equipment		(1,218,996)	(442,942)	(3,820,652)	(2,409,151)
Proceeds from disposal of property, plant & equipment		193,000	-	193,000	-
Proceeds from disposal of AFS investment		-	117,941,159	-	117,941,159
Net investment in fixed deposits		(5,193,598)	(82,640,609)	(19,300,626)	(129,461,322)
Dividend received		140,093,996	167,334,496	-	-
Net cash flows from/(used in) investing activities		133,874,402	202,192,104	(22,928,278)	(13,929,314)

For the year ended 31 March	Note	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Cash Flows from /(Used in) Financing Activities					
Repayments of interest bearing loans & borrowings		-	(15,254,231)	(185,766,716)	(184,580,936)
Dividend paid		(747,699,953)	(747,355,467)	(770,539,957)	(775,905,472)
Lease rental paid		-	-	(701,091)	(2,078,556)
Net Cash Flows from/(Used in) Financing Activities		(747,699,953)	(762,609,698)	(957,007,764)	(962,564,964)
Net Increase/(Decrease) in Cash and Cash Equivalents		35,539,942	(30,511,097)	58,235,951	(8,939,927)
Cash and cash equivalents at the beginning of the period	(A)	3,628,059	34,139,156	76,911,417	85,851,344
Cash and cash equivalents at the end of the period	(B)	39,168,001	3,628,059	135,147,368	76,911,417
Note A					
Cash and Cash Equivalents at the beginning of the period					
Cash in hand & at bank		1,628,059	5,330,690	3,837,963	(1,393,166)
Savings accounts & REPO		2,000,000	28,808,466	73,073,454	87,244,510
		3,628,059	34,139,156	76,911,417	85,851,344
Note B					
Cash and Cash Equivalents at the end of the period					
Cash in hand & at bank		8,068,001	1,628,059	28,394,388	3,837,963
Savings accounts & REPO		31,100,000	2,000,000	106,752,980	73,073,454
		39,168,001	3,628,059	135,147,368	76,911,417

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 76 to 89 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Vallibel Power Erathna PLC is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No 27 – 02, East Tower, World Trade Centre, Echelon Square, Colombo 01 and the Company's power generating plant is situated at Erathna, Rathnapura.

The Consolidated financial statements of the company for the year ended 31 March 2016 comprise the Company and its Subsidiary namely Country Energy (Pvt) Ltd (together referred as the "Group").

The Company has 87.2% holding of Country Energy (Pvt) Ltd which is engaged in hydro power generation too. It comprises two power generating plants situated at Malwala in Rathnapura District & Norton Bridge in Nuwara Eliya District.

All the companies in the group have a common financial year, which ends on 31 March.

1.1 Principal Activities and Nature of Operations

During the year, the principal activities of the company were generation and sale of hydro electric energy to the Ceylon Electricity Board.

1.2 Parent Enterprise and Ultimate Parent Enterprise

In the opinion of the Directors, the Company's parent undertaking and ultimate parent undertaking and controlling party is Vallibel Power Limited, which is incorporated in Sri Lanka.

1.3 Date of Authorisation for Issue

The financial statements of Vallibel Power Erathna PLC for the year ended 31 March 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 27 May 2016.

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Cash Flow Statement together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

- Financial instruments - Fair Value through Profit or Loss are measured at fair value.
- Financial instruments - Available-for-sale financial assets are measured at fair value.

Where appropriate, the specific policies are explained in the succeeding Notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.5 Summary of Significant Accounting Policies

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5.1 Comparative information

The accounting policies have been consistently applied by the company and are consistent with those used in the previous year unless otherwise stated.

2.5.2 Going Concern

The Consolidated financial statements have been prepared on the assumption that the company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading, to justify adopting the going concern basis in preparing these financial statements.

2.5.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.5.4 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

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

2.6 Current Versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non -current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.7 Fair Value Measurement

The Group measures financial instruments at fair value at each statement of financial position date. Fair value related disclosures for financial instruments that are measured at fair value are disclosed, in respective notes:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.8 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.9 Cash Dividend and Non-Cash Distribution to Equity Holders of the Parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

2.10 Taxes

Company

Pursuant to the supplementary agreement dated 08th October 2002 entered into with Board of Investment under section 17 of the Board of Investment Law, the Company is exempt from income tax arising from the business of the generation of hydropower, for a period of 10 years commencing from 15th July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the company. However, other income is taxed at the applicable tax rate.

Subsidiary

Pursuant to the agreement entered into with the Board of Investment of Sri Lanka, the Company is exempt from income tax for a period of 06 years reckoned from the year of assessment as may be determined by the Board. For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profit in relation to its transactions in that year or any year of assessment not later than 02 years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as may be specified in a certificate issued by the Board. After the expiration of the aforesaid tax exemption period referred to in above, the profits and income of the enterprise shall for any year of assessment be charged at the rate of 15%.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Tax on Dividend
Tax on dividend income if any from the subsidiaries are recognized as an expense in the Consolidated Profit or Loss Statement.

2.11 Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.12 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.13 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.13.1 Financial Assets

i) Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, short term investments, trade and other receivables, loans and other receivables, quoted and unquoted

ii) Subsequent Measurement

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

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

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the Profit or Loss Statement.

The Group has not designated any financial assets as at fair value through profit or loss.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Profit or Loss

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Statement. The losses arising from impairment are recognised in the Profit or Loss Statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Loans and receivables comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables and cash and cash equivalents.

(c) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Profit or Loss Statement. The losses arising from impairment are recognised in the Profit or Loss Statement in finance costs.

(d) Available for Sale Financial Investments

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

iii) Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

iv) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

v) Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

vi) Available for Sale Financial Assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments are impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment is recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

2.13.2 Financial liabilities

i) Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

ii) Subsequent Measurement

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

(a) Financial Liabilities at Fair Value through Profit Or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(b) Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the Profit or Loss Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Other financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

(c) Financial Guarantee Contracts

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortization.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Profit or Loss Statement.

iv) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.14 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments:

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

2.14.1 Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers.

2.14.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

2.14.3 Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The currency in which these transactions primarily are denominated is US Dollars.

2.14.4 Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

2.15 Cash and Cash Equivalents

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

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

2.16 Property, Plant & Equipment

Cost

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions and Provisions for further information about the recorded decommissioning Provision.

Depreciation

Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

Asset	Years
Civil Constructions	40
Plant & Machinery	33 1/3
Furniture, Fittings & Other Equipment	10
Generator	10
Project Equipment	05
Motor Vehicle	05
Web Development	05
Computers	04
Tools & Accessories	03
Motor Cycle	03
Mobile Phones & Accessories	02

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Group as a Lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement 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 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 recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.19 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Profit or Loss Statement net of any reimbursement.

2.20 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of the employees to Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through other comprehensive income. Past service costs are recognised immediately in Profit or Loss Statement.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are as follows.

	2016	2015
Discount Rate	12%	8.63%
Expected Salary Increment Rate	10%	10%
Staff Turnover Rate	10%	10.6%
Normal Retirement Age	55 Years	55 Years

2.21 Trade and Other Payables

Trade and other payables are stated at their costs.

2.22 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group have been disclosed in the respective Notes to the Financial Statements.

2.23 Events Occurring after the Reporting Date

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

2.24 Earnings per Share

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

2.25 Profit or Loss Statement

For the purpose of presentation of Profit or Loss Statement, the function of expenses method is adopted, as it represents fairly the elements of the group's performance.

2.26 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

2.27 Statement of Cash Flow
The Statement of Cash Flow has been prepared using the 'indirect method'. Interest paid received is classified as operating cash flows, dividends received are classified as investing cash flows while dividends paid are classified as financing cash flows, for the purpose of presenting the Cash Flow Statement.

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

a) Rendering of Services
Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

b) Interest Income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

c) Dividends
Revenue is recognized when the group's right to receive the payment is established, which is generally when shareholders approve the dividend.

d) Rental Income
Rental income is recognized on an accrual basis.

e) Gains and Losses
Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non current assets including investments are accounted for in the statement of profit or loss, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses. On the disposal of revalued Property, Plant and Equipment, the amount remaining in the Revaluation Reserve, relating to that particular asset is transferred directly to Retained Earnings.

Gains and losses arising from activities incidental to the 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.

f) Other Income
Other income is recognized on an accrual basis.

2.29 Use of Estimates and Judgments
The preparation of Financial Statements in conformity with SLFRS/ LKAS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes:

2.29.1 Measurement of Retirement Benefit Obligation
The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the retirement benefit obligations are given in Note 11. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

2.29.2 Impairment of non-financial assets.
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on

a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

2.29.3 Segment Information

Reporting segments

The segments are determined based on the company's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company.

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Chief Executive Officer. The Chief Executive Officer monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently form operating profit or loss in the financial statements.

2.30 Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 01 January 2018. However the effective date has been deferred subsequently.

- SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2018.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3. PROPERTY, PLANT & EQUIPMENT

Company Gross Carrying Amounts	Balance As at 01.04.2015 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2016 Rs.
At Cost				
Free hold land	150,000,000	-	-	150,000,000
Civil constructions	530,938,434	-	-	530,938,434
Plant & machinery	577,692,396	-	-	577,692,396
Project equipment	1,169,961	219,733	-	1,389,694
Tools & accessories	2,790,178	465,896	-	3,256,074
Motor vehicle	8,758,500	-	-	8,758,500
Motor bicycle	537,909	259,500	(259,500)	537,909
Furniture & fittings	11,090,901	42,450	-	11,133,351
Computer	3,883,730	106,375	-	3,990,105
Office equipment	1,023,554	90,132	-	1,113,686
Fire extinguisher	524,600	-	-	524,600
Generator	1,246,000	-	-	1,246,000
Site fixtures & fittings	4,148,354	-	-	4,148,354
Web development	1,888,305	-	-	1,888,305
Mobile phones & accessories	82,642	34,910	(27,743)	89,809
	1,295,775,465	1,218,996	(287,243)	1,296,707,218
Total	1,295,775,465	1,218,996	(287,243)	1,296,707,218

Company Depreciation At Cost	Balance As at 01.04.2015 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2016 Rs.
Civil constructions	144,820,507	13,273,461	-	158,093,968
Plant & machinery	186,527,142	17,330,771	-	203,857,913
Project equipment	885,860	146,643	-	1,032,503
Tools & accessories	2,722,061	129,221	-	2,851,282
Motor vehicle	8,758,500	-	-	8,758,500
Motor bicycle	519,586	75,989	(57,666)	537,909
Furniture & fittings	7,020,492	1,076,390	-	8,096,883
Computer	3,287,420	300,814	-	3,588,234
Office equipment	564,791	96,609	-	661,401
Fire extinguisher	491,600	33,000	-	524,600
Site fixtures & fittings	4,148,354	-	-	4,148,354
Generator	1,010,716	124,600	-	1,135,316
Web development	1,332,876	250,697	-	1,583,573
Mobile phones & accessories	29,091	41,100	(27,743)	42,448
	362,118,996	32,879,295	(85,409)	394,912,884
Total	362,118,996	32,879,295	(85,409)	394,912,884
Carrying Amount	933,656,468			901,794,334

The cost of fully depreciated Property, Plant & Equipment which are still in use at the reporting date is Rs. 22,735,803/=

Group Gross Carrying Amounts	Balance As at 01.04.2015 Rs.	Additions/ Transfers Rs.	(Disposals)/ Transfers Rs.	Balance As at 31.03.2016 Rs.
At Cost				
Free hold land	175,974,419	1,207,500	-	177,181,919
Civil constructions	1,723,965,311	-	-	1,723,965,311
Plant & machinery	1,084,151,459	-	(377,143)	1,083,774,316
Project equipment	1,169,961	219,733	-	1,389,694
Tools & accessories	5,517,521	1,685,516	-	7,203,037
Motor vehicle	20,783,915	-	-	20,783,915
Motor bicycle	1,535,549	259,500	(259,500)	1,535,549
Furniture & fittings	12,046,132	42,450	-	12,088,582
Computer	4,752,730	106,375	-	4,859,105
Office equipment	2,437,247	114,257	-	2,551,504
Fire extinguisher	959,435	-	-	959,435
Generator	2,039,000	-	-	2,039,000
Site fixtures & fittings	4,148,354	-	-	4,148,354
Web development	1,888,305	-	-	1,888,305
Mobile phones & accessories	332,999	185,320	(140,005)	378,314
	3,041,702,338	3,820,652	(776,648)	3,044,746,341
Assets on Finance Lease				
Motor vehicle	10,942,463	-	-	10,942,463
	10,942,463	-	-	10,942,463
Total	3,052,644,801	3,820,652	(776,648)	3,055,688,804

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3. PROPERTY, PLANT & EQUIPMENT (Contd.)

Group Depreciation At Cost	Balance As at 01.04.2015 Rs.	Charge for the Year/ Transfers Rs.	(Disposals)/ Transfers Rs.	Balance As at 31.03.2016 Rs.
Civil constructions	238,654,139	43,099,133	-	281,753,272
Plant & machinery	235,110,750	32,524,543	(33,943)	267,601,350
Project equipment	885,860	146,643	-	1,032,503
Tools & accessories	4,646,755	877,158	-	5,523,913
Motor vehicle	18,736,665	1,783,000	-	20,519,665
Motor bicycle	1,421,237	126,336	(57,666)	1,489,906
Furniture & fittings	7,418,767	1,171,913	-	8,590,680
Computer	4,156,419	300,814	-	4,457,233
Office equipment	875,047	239,382	-	1,114,429
Fire extinguisher	610,630	76,483	-	687,113
Site fixtures & fittings	4,148,354	-	-	4,148,354
Generator	1,213,525	203,900	-	1,417,425
Web development	1,332,875	250,697	-	1,583,572
Mobile phones & accessories	197,347	129,097	(140,005)	186,439
	519,408,370	80,929,098	(231,614)	600,105,854
Assets on Finance Lease				
Motor vehicle	7,754,890	2,188,493	-	9,943,383
	7,754,890	2,188,493	-	9,943,383
Total	527,163,260	83,117,591	(231,614)	610,049,237
Carrying Amount	2,525,481,540			2,445,639,568

The cost of fully depreciated Property, Plant & Equipment which are still in use at the reporting date is Rs. 27,561,818 /=

4. INVESTMENTS

As at 31 March	Holding 2016	Holding 2015	No. of Shares 2016 Rs.	No. of Shares 2015 Rs.	Value 2016 Rs.	Value 2015 Rs.
4.1 Investment in Equity Securities (Un -Quoted)						
Investment in Subsidiary	87.2%	87.2%	77,829,998	77,829,998	821,619,980	821,619,980
					821,619,980	821,619,980

As at 31 March	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
4.2 Short Term Investments				
Investment in fixed deposits	137,257,927	132,064,330	326,341,656	307,041,031
REPO	31,100,000	2,000,000	106,752,980	73,073,454
	168,357,927	134,064,330	433,094,636	380,114,485

4.3. Summarized Financial Information of Subsidiary,

This information is based on amounts before the inter company eliminations,

For the year ended 31 March	2016 Rs.	2015 Rs.
Statement of Profit or Loss		
Revenue	499,674,202	655,703,958
Cost of sales	(83,472,836)	(86,878,652)
Other income	14,650	20,045
Finance income	18,622,000	15,070,042
Administration expenses	(66,103,859)	(57,246,634)
Other operating expenses	(3,165,686)	(3,352,804)
Finance cost	(59,361,451)	(86,750,777)
Profit before tax	306,207,020	436,565,179
Net profit for the year	309,619,819	432,345,567
Other comprehensive income	(526,731)	38,202
Total comprehensive income	309,093,088	432,383,769
Attributable to non controlling interest	39,563,915	55,345,122
Earnings per share	1.91	4.84
Statement of Financial Position		
Non current assets	1,564,236,907	1,613,683,413
Current assets	318,462,858	324,253,705
Total assets	1,882,699,765	1,937,937,118
Non current liabilities	360,906,526	574,971,742
Current liabilities	226,080,287	197,845,511
Total liabilities	586,986,813	772,817,254
Net assets	1,295,712,952	1,165,119,864
Cash Flows		
Net cash flows from operating activities	404,372,502	464,888,353
Net cash flows used in investment activities	(16,708,684)	(48,786,921)
Net cash flows used in financing activities	(364,967,809)	(394,530,261)
Total net cash flows	22,696,010	21,571,171
Dividend paid to non controlling interest	22,840,004	28,550,005
Dividend per share	2.00	2.50

NOTES TO THE FINANCIAL STATEMENTS CONTD.

5. INTANGIBLE ASSET - RIGHT TO GENERATE HYDRO POWER

	Company		Group	
As at 31 March	**2016 Rs.**	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
Cost				
Gross carrying amount b/f	24,000,000	24,000,000	179,350,000	179,350,000
Gross carrying amount c/f	24,000,000	24,000,000	179,350,000	179,350,000
Amortisation				
Accumulated amortisation b/f	17,600,000	16,000,000	50,444,578	38,487,908
Amortization for the period	1,600,000	1,600,000	11,956,670	11,956,670
Accumulated amortisation c/f	19,200,000	17,600,000	62,401,247	50,444,578
Net carrying amount at the end of the year	4,800,000	6,400,000	116,948,753	128,905,422

The above balance represents amount paid to purchase an exclusive right to generate hydro electric power. Company amortise this right over 15 years on a straight line basis beginning from the year of commercial operations.

6. DEPOSIT ON LEASEHOLD LAND

	Group	
As at 31 March	**2016 Rs.**	**2015 Rs.**
At the beginning of the year	4,500,000	4,500,000
Paid during the year	-	-
At the end of the year	4,500,000	4,500,000

The above balance represents refundable security deposit paid to the Janatha Estate Development Board in respect of Land obtained on a operating lease basis for a period of 30 years subject to review the rental amendment at the laps of every 05 years.

Operating lease rentals paid during the year on lease hold land are as follows,

	Company		Group	
For the period ended	**2016 Rs.**	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
Lease rental expense	141,021	141,021	5,575,581	11,187,213
	141,021	141,021	5,575,581	11,187,213

7. TRADE AND OTHER RECEIVABLES

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Advances & pre payments	9,401,561	8,766,993	13,458,005	14,469,299
Trade receivable	20,403,331	62,439,186	43,652,617	128,469,544
Staff debtors	2,296,583	2,592,265	4,015,664	4,243,119
Interest receivable	1,071,519	1,172,297	3,260,226	2,907,644
	33,172,995	74,970,741	64,386,512	150,089,606

8. AMOUNT DUE FROM RELATED PARTIES

	Relationship	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Country Energy (Pvt) Ltd					
- Kiriwaneliya MHPP	Subsidiary Company	719,540	200,830	-	-
- Denewakaganga MHPP	Subsidiary Company	1,095,074	97,159	-	-
Alternate Power Systems (Pvt) Ltd					
- Current account balance	Related Company	986,171	3,033,208	986,171	3,033,208
		2,800,785	3,331,197	986,171	3,033,208

9. STATED CAPITAL

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Issued and Fully Paid Number of Shares				
Ordinary shares	747,109,731	747,109,731	747,109,731	747,109,731
Value of Issued and Fully Paid Shares				
Ordinary shares	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278

10. INTEREST BEARING LOANS AND BORROWINGS

Group

	Long Term Loan Rs.	Finance Leases Rs.	Bank Overdraft Rs.	Total Rs.
Balance as at 31 March 2015	(Note 10.2.1)	(Note 10.2.2)		
Repayable within one year from year-end	185,766,705	701,091	874,779	187,342,575
Repayable between 2 and 5 years from year-end	571,536,543	-	-	571,536,543
Repayable later 5 years from year-end	-	-	-	-
	757,303,248	701,091	874,779	758,879,118
Balance as at 31 March 2016				
Repayable within one year from year-end	206,346,732	-	2,186,244	208,532,976
Repayable between 2 and 5 years from year-end	365,189,799	-	-	365,189,799
Repayable later 5 years from year-end	-	-	-	-
	571,536,531	-	2,186,244	573,722,775

NOTES TO THE FINANCIAL STATEMENTS CONTD.

10. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

10.1.1 Long-Term Loans

Company As at 31 March	2016 Rs.	2015 Rs.
At the beginning of the year	-	15,254,231
Repayments during the year	-	(15,254,231)
At the end of the year	-	-

10.2.1 Long-Term Loans Group

As at 31 March	DFCC Rs.	HNB Rs.	Commercial Bank of Ceylon PLC Rs.	2016 Rs.	2015 Rs.
At the beginning of the year	293,052,694	298,975,553	165,275,000	757,303,247	941,884,184
Repayments during the year	(73,278,372)	(72,543,344)	(39,945,000)	(185,766,716)	(184,580,936)
Obtained during the year	-	-	-	-	-
At the end of the year	219,774,322	226,432,209	125,330,000	571,536,531	757,303,248
Analysis of Long-Term Interest Bearing Loans & Borrowings by Year of Payment					
Repayable within one year from year-end	79,893,372	79,893,360	46,560,000	206,346,732	185,766,705
Repayable between 2 and 5 years from year-end	139,880,950	146,538,849	78,770,000	365,189,799	571,536,543
Repayable later 5 years from year-end	-	-	-	-	-
	219,774,322	226,432,209	125,330,000	571,536,531	757,303,248

10.2.2 Finance Lease

Group As at 31 March	LB Finance PLC Rs.	HNB Rs.	2016 Rs.	2015 Rs.
At the beginning of the year	-	701,091	701,091	2,779,647
Repayments during the year	-	(701,091)	(701,091)	(2,078,556)
Obtained during the year	-	-	-	-
At the end of the year	-	-	-	701,091
Gross Liability	-	-	-	731,487
Finance Charges allocated to future period	-	-	-	(30,396)
Net Liability	-	-	-	701,091
Analysis of Long-Term Interest Bearing Loans & Borrowings by Year of Payment				
Repayable within one year from year-end	-	-	-	701,091
Repayable between 2 and 5 years from year-end	-	-	-	-
	-	-	-	701,091

10.3 Details of Long Term Loans (Group)

<table>
<tr><th>Lender</th><th>Approved Facility</th><th>Purpose</th><th>Repayment Terms</th><th>Security</th></tr>
<tr><td colspan="5">Subsidiary</td></tr>
<tr><td>DFCC Bank</td><td>Rs. 200,000,000/-</td><td>To part finance Kiriwaneliya Mini Hydro Project</td><td>72 equal monthly installment after a grace period of 24 months</td><td>1. Rs. 166.5 Mn by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and Equipment
2. Rs. 33.5 Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company.
3. Lodgement of Project documents</td></tr>
<tr><td>DFCC Bank</td><td>Rs. 253,000,000/-</td><td>To part finance Denawaka Ganga Mini Hydro Project</td><td>78 varied monthly installment after a grace period of 18 months</td><td>1. Rs. 210.6Mn
a). by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and Equipment
b). primary concurrent mortgage over freehold land as additional security
2. Rs. 42.4Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company.
3 Lodgement of Project documents</td></tr>
<tr><td>Hatton National Bank PLC</td><td>Rs. 200,000,000/-</td><td>To part finance Kiriwaneliya Mini Hydro Project</td><td>72 equal monthly installment after a grace period of 24 months</td><td>1. Rs. 166.5 Mn by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and Equipment
2. Rs. 33.5 Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company.
3 Irrevocable Power of Attorney in favour of the bank with the right to transfer the shares of the Company</td></tr>
<tr><td>Hatton National Bank PLC</td><td>Rs. 253,000,000/-</td><td>To part finance Denawaka Ganga Mini Hydro Project</td><td>78 varied monthly installment after a grace period of 18 months</td><td>1. Rs. 210.6Mn
a). by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and Equipment
b). primary concurrent mortgage over freehold land as additional security
2. Rs. 42.4Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company.
3 Irrevocable Power of Attorney in favour of the bank with the right to transfer the shares of the Company</td></tr>
<tr><td>Commercial Bank of Ceylon PLC</td><td>Rs. 253,000,000/-</td><td>To part finance Denawaka Ganga Mini Hydro Project</td><td>78 varied monthly instalment after a grace period of 18 months</td><td>1. Rs. 210.6Mn
a) by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and Equipment
b). primary concurrent mortgage over freehold land as additional security
2. Rs. 42.4Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company.
3 Lodgement of Project documents</td></tr>
</table>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

10. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

10.4 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans & borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows.

	Increase/ decrease of interest rate	Effect on profit before tax (Rs.)
2015/16	+1%	6,684,180
	-1%	(6,684,180)
2014/15	+1%	8,561,595
	-1%	(8,561,595)

10.5 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing.

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31st March 2016	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	Total Rs.
Group					
Borrowings	22,053,619	43,668,752	189,274,353	399,113,848	654,110,573
	22,053,619	43,668,752	189,274,353	399,113,848	654,110,573

The management assessed that trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

11. RETIREMENT BENEFIT OBLIGATION

As at 31 March	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
At the beginning of the year	13,069,956	9,058,502	16,505,158	11,629,161
Current service cost	1,225,282	1,515,702	1,928,761	2,192,528
Interest cost	1,127,937	1,014,672	1,474,548	1,287,418
Actuarial (gain)/loss	(2,312,083)	2,068,666	(1,692,400)	2,030,464
	13,111,092	13,657,542	18,216,067	17,139,571
Benefit paid	(1,432,475)	(171,588)	(2,084,388)	(249,078)
Transfers	287,852	(415,998)	275,530	(385,335)
At the end of the year	11,966,468	13,069,956	16,407,209	16,505,158

The weighted average duration of the Defined Benefit Plan Obligation of the Company and Subsidiary at the end of the reporting period is 6.03 years and 8.29 years respectively.

The following payments are expected from the Defined Benefit Plan Obligation in future years.

As at 31 March	Company 2016	Company 2015	Group 2016	Group 2015
Within the next 12 months	1,380,140	1,220,826	1,380,140	1,355,148
Between 2 and 5 years	493,337	472,226	1,042,982	916,371
Beyond 5 years	10,092,991	11,376,904	13,984,086	14,233,639
	11,966,468	13,069,956	16,407,209	16,505,158

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows:

	Rs.	Rs.
Company		
A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2016	(605,028)	669,237
As at 31 March 2015	(783,254)	879,377
A one percentage point change in the salary increment rate.	+1%	-1%
As at 31 March 2016	707,116	(649,043)
As at 31 March 2015	896,818	(813,809)
Group		
A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2016	(1,003,873)	1,116,722
As at 31 March 2015	(1,085,203)	1,233,498
A one percentage point change in the salary increment rate.	+1%	-1%
As at 31 March 2016	1,151,677	(1,051,313)
As at 31 March 2015	1,248,672	(1,118,413)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

12. DEFFERED TAX ASSET/ LIABILITY

12.1 Deffered Tax Asset

As at 31 March	Group 2016 Rs.	2015 Rs.
At the beginning of the year	-	-
Reversal during the year	8,724,013	-
At the end of the year	8,724,013	-

12.1.1

As at 31 March	2016		2015	
Group	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 April	-	-	-	-
Amount originating/(reversing) during the year	58,160,088	8,724,013	-	-
As at 31 March	58,160,088	8,724,013	-	-
Temporary difference of property, plant and equipment	53,719,348	8,057,901	-	-
Temporary difference of retirement benefit obligation	4,440,740	666,112	-	-
As at 31 March	58,160,088	8,724,013	-	-

12. 2 Deffered Tax Liability

As at 31 March	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
At the beginning of the year	84,289,848	85,688,534	84,289,848	85,688,534
Provision / (reversal) for the year	(1,427,624)	(1,398,686)	(1,427,624)	(1,398,686)
At the end of the year	82,862,224	84,289,848	82,862,224	84,289,848

12.2.1

As at 31 March	2016		2015	
Company	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 April	702,415,398	84,289,848	714,071,119	85,688,534
Amount originating/(reversing) during the year	(11,896,862)	(1,427,624)	(11,655,721)	(1,398,686)
As at 31 March	690,518,536	82,862,224	702,415,398	84,289,848
Temporary difference of property, plant and equipment	702,485,004	84,298,200	715,485,353	85,858,243
Temporary difference of retirement benefit obligation	(11,966,468)	(1,435,976)	(13,069,955)	(1,568,395)
As at 31 March	690,518,536	82,872,224	702,415,398	84,289,848

12.2.2

As at 31 March	2016		2015	
Group	**Temporary Difference Rs.**	**Tax Effect Rs.**	**Temporary Difference Rs.**	**Tax Effect Rs.**
As at 1 April	702,415,398	84,289,848	714,071,119	85,688,534
Amount originating / (reversing) during the year	(11,896,862)	(1,427,624)	(11,655,721)	(1,398,686)
As at 31 March	690,518,536	82,832,224	702,415,398	84,289,848
Temporary difference of property, plant and equipment	702,485,004	84,298,200	715,485,353	85,858,243
Temporary difference of retirement benefit obligation	(11,966,468)	(1,435,976)	(13,069,955)	(1,568,395)
As at 31 March	690,518,536	82,862,224	702,415,398	84,289,848

13. TRADE AND OTHER PAYABLES

	Company		Group	
As at 31 March	**2016 Rs.**	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
Accrued expenditure	3,840,854	2,514,294	8,646,580	11,271,851
Dividend tax payable	30,291,392	-	30,291,392	-
Retention money	77,662	87,262	597,843	974,836
Other payable	18,001,129	13,381,232	26,926,110	13,381,220
	52,211,037	15,982,788	66,461,926	25,627,907

14. REVENUE

	Company		Group	
For the year ended 31 March	**2016 Rs.**	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
Sales from electricity generation:				
Erathna MHPP	682,132,882	662,227,073	682,132,882	662,227,073
Denawaka Ganga MHPP	-	-	305,446,215	397,750,968
Kiriwaneliya MHPP	-	-	194,227,988	257,952,990
	682,132,882	662,227,073	1,181,807,085	1,317,931,031

Company and the subsidiary has entered into an agreement (Standardized Power Purchase Agreement) with the Ceylon Electricity Board to sell energy output generated from the power project. This agreement shall continue for a period of 15 years beginning on the commercial operations date. The commercial operations of the projects of the Group were started on 15th July 2004, 15 December 2011 and 14 February 2012 respectively. Further extension of this agreement will have to be agreed with the Ceylon Electricity Board after the expiry of the aforesaid 15 years. As per the Article 11 of the Standardized Power Purchase Agreement, Ceylon Electricity Board shall have the right of first refusal on terms identical to those offered by a third party to the company, to purchase any electrical energy to be sold from the project.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

15. OTHER INCOME

For the year ended 31 March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Dividend income	140,093,996	167,334,496	-	-
Gain on disposal of AFS investment	-	39,026,939	-	39,026,939
AFS reserve reclassified on disposal of investment	-	5,345,350	-	5,345,350
Sundry income	22,945	2,129	37,595	22,175
	140,116,941	211,708,914	37,595	44,394,464

16. FINANCE COST

For the year ended 31 March	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Loan interest	-	134,572	59,100,055	86,268,166
Bank charges & OD interest	351,175	138,275	587,488	544,607
Lease interest	-	-	25,082	210,850
	351,175	272,847	59,712,626	87,023,623

17. PROFIT / (LOSS) BEFORE TAXATION

Stated after charging / (crediting):				
Directors' remuneration	4,522,222	5,411,111	4,522,222	5,411,111
Auditors' remuneration	673,500	612,660	911,900	829,675
Depreciation & amortisation	34,479,297	34,553,578	95,040,316	95,333,659
Personnel costs includes				
- Defined benefit plan cost - retirement benefit obligation	2,353,219	2,530,374	3,403,309	3,479,946
- Defined contribution plan costs - EPF & ETF	2,436,754	2,459,559	7,116,017	7,016,117
- Staff salaries	16,245,026	16,397,058	47,440,113	46,774,114
- Other staff costs	7,192,289	6,616,934	24,972,592	21,311,360

18. INCOME TAX EXPENSES

Pursuant to the supplementary agreement dated 08th October 2002 entered into with Board of Investment under section 17 of the Board of Investment Law, the Company is exempt from income tax arising from the business of the generation of hydropower, for a period of 10 years commencing from 15th July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the Company. Accordingly,currently the Company is liable for income tax arising from the business of the generation of hydropower at rate of 12% from 15th July 2014. However, other income is taxable at the applicable tax rate from the inception.

Pursuant to the agreement entered into with the Board of Investment of Sri Lanka, the subsidiary is exempt from income tax for a period of 06 years reckoned from the year of assessment as may be determined by the Board. For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profit in relation to its transactions in that year or any year of assessment not later than 02 years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as may be specified in a certificate issued by the Board. After the expiration of the aforesaid tax exemption period referred to in above, the profits and income of the enterprise shall for any year of assessment be charged at the rate of 15%. However, other income is taxed at the applicable tax rate.

18.1 Statement of Profit or Loss

	Company		Group	
	2016 Rs.	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
(I) Current Tax Expense				
Income tax on current year profit (Note 18.3)	76,972,732	51,940,138	82,190,994	56,159,750
Dividend tax	-	-	15,566,000	27,240,499
Less-: previous year over provision	(142,276)	-	(142,276)	-
	76,830,456	51,940,138	97,614,718	83,400,249
(II) Deferred Tax Expense				
Deferred taxation charge / (reversal) (Note 12)	(1,832,239)	(1,150,447)	(10,463,300)	(1,150,447)
Tax charge reported in the statement of profit or loss	74,998,217	50,789,691	87,151,418	82,249,802

18.2 Statement of Other Comprehensive Income

	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Net gain/(loss) on actuarial gains and loss on defined Benefit Plans (Note 12)	404,615	(248,240)	311,662	(248,240)
Tax charged directly to other comprehensive income	404,615	(248,240)	311,662	(248,240)

18.3 Reconciliation between tax expense and the product of accounting profit

	Company		Group	
For the year ended 31 March	**2016 Rs.**	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
Net profit before tax	742,956,422	782,001,390	1,049,163,442	1,042,342,079
Add: disallowable expenses	39,084,574	38,778,905	98,284,760	102,704,474
Less: allowable expenses	(23,506,585)	(22,299,600)	(142,062,602)	(140,475,286)
Total Statutory Income	758,534,411	798,480,695	1,005,385,601	1,004,571,267
Tax exempt (profit)/loss from business	(140,093,996)	(379,761,465)	(368,308,537)	(570,781,995)
Taxable Income;	618,440,414	418,719,230	637,077,064	433,789,272
liable @ 12%	601,191,154	408,132,792	601,191,154	408,132,792
liable @ 28%	17,249,262	10,586,438	35,885,912	25,656,480
	618,440,415	418,719,230	637,077,065	433,789,272
Income tax @ 12%	72,142,938	48,975,935	72,142,938	48,975,935
Income tax @ 28%	4,829,793	2,964,203	10,048,055	7,183,815
Income Tax Expense on Liable Income	76,972,732	51,940,138	82,190,994	56,159,750
Effective tax rate	12%	12%	13%	13%

NOTES TO THE FINANCIAL STATEMENTS CONTD.

19. EARNINGS/(LOSS) PER SHARE

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

The following reflects the income and share data used in the basic Earnings Per Share computations.

	Company		Group	
For the year ended 31 March	**2016 Rs.**	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
Amounts used as the numerators:				
Profit attributable to ordinary shareholders for basic earnings per share (Rs.)	667,958,206	731,211,699	773,396,695	904,752,044
Number of Ordinary Shares Used as Denominators:				
Weighted average number of ordinary shares in issue	747,109,731	747,109,731	747,109,731	747,109,731
Basic earnings per share (Rs.)	0.89	0.98	1.04	1.21

20. DIVIDENDS PAID DURING THE YEAR

	Company		Group	
	2016 Rs.	**2015 Rs.**	**2016 Rs.**	**2015 Rs.**
Rs. 1/- per share by the Company (2014/2015 - Rs.1/-)	747,109,731	747,109,731	747,109,731	747,109,731
	747,109,731	747,109,731	747,109,731	747,109,731

21. EVENTS OCCURING AFTER THE REPORTING DATE

There have been no material events occurred subsequent to the reporting date that require adjustments or disclosure in the Financial Statements.

22. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

There are no capital commitments as at the reporting date .

Contingencies

There are no contingent liabilities exist as at the reporting date .

23. RELATED PARTY DISCLOSURES

The details of the significant related party disclosures are as follows.

23.1 Transactions with the Company

For the year ended 31 March Company	Relationship	Nature of Transaction	2016 Rs.	2015 Rs.
Country Energy (Pvt) Ltd.	Subsidiary	Operating Expenses incurred on behalf of CEPL	(25,459,626)	(28,924,035)
(CEPL)	Company	Reimbursement of expenses by CEPL	23,443,185	22,605,205
		Operating Expenses incurred on behalf of the Company by CEPL	499,816	972,069
		Other Transactions		
		Dividend Received from CEPL	140,093,996	167,334,496
Vallibel Finance PLC	Related Company	Investment in Fixed Deposits	(393,532,417)	(403,563,297)
		Withdrawals of Fixed Deposits	388,338,819	320,922,688
		Interest Received	14,179,856	8,138,241
LB Finance PLC	Related Company	Investment in Fixed Deposits	(81,240,987)	(72,000,000)
		Withdrawals of Fixed Deposits	81,240,987	72,000,000
		Interest Received	1,378,874	444,055
Alternate Power Systems (Pvt) Ltd (APSL)	Related Company	Operating Expenses incurred on behalf of APSL	(14,441,239)	(13,942,016)
		Reimbursement of expenses by APSL	16,218,483	14,889,550
		Funds received from Alternate Power Systems (Pvt) Ltd	269,793	-
The Kingsbury PLC	Related Company	Payments made for services obtained	(306,250)	(285,000)
Transaction with the Subsidiary				
LB Finance PLC	Related Company	Investment in Fixed Deposits	(18,865,025)	(47,547,120)
		Withdrawals of Fixed Deposits	69,319,824	87,870,504
		Interest Received	4,338,743	4,122,460
		Lease Installment Paid	-	(1,283,706)
Vallibel Finance PLC	Related Company	Investment in Fixed Deposits	(175,581,299)	(326,007,131)
		Withdrawals of Fixed Deposits	111,019,471	235,157,783
		Interest Received	8,167,779	3,584,340

The above transactions were carried out on normal trading terms.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

23. RELATED PARTY DISCLOSURES (Contd.)

23.2 Transactions with the Key Management Personnel of the Company

The key management personnel are the members of the Board of Directors and Jt. CEOs of Vallibel Power Erathna PLC.

Key Management Personnel Compensation

For the year ended 31 March	2016 Rs.	2015 Rs.
Directors' emoluments	2,353,219	2,530,374
Other Key Management Personal	5,120,561	5,014,506

No other significant transactions had been taken place during the year with the parties/entities in which key management personnel or their close family members were involved.

23.3 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 4, 8 & 23 of the Financial Statements.

24. Operating Segment Information

	Erathna MHPP		Denawaka Ganga MHPP		Kiriwaneliya MHPP		Total	
	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
Revenue	682,133	662,227	305,446	397,751	194,228	257,953	1,181,807	1,317,931
Cost of sales	(46,230)	(51,079)	(51,053)	(55,728)	(32,420)	(31,151)	(138,593)	(146,847)
Gross profit	635,903	611,148	254,393	342,023	161,808	226,802	1,043,214	1,171,084
Other income	140,117	211,709	-	-	15	20	38	44,394
Administrative expenses	(48,030)	(50,337)	(44,871)	(34,839)	(21,233)	(22,028)	(114,134)	(107,204)
Other expenses	(1,931)	(832)	(1,104)	(785)	(2,062)	(2,948)	(5,097)	(4,565)
Finance Income	17,249	10,586	13,019	11,190	5,603	3,880	35,871	25,656
Finance Cost	(351)	(273)	(39,510)	(56,587)	(19,851)	(30,163)	(59,713)	(87,024)
Profit before tax	742,955	782,001	181,927	261,002	124,280	175,564	900,179	1,042,342
Tax expenses	(74,998)	(50,790)	677	(3,133)	2,736	(1,086)	(87,151)	(82,250)
Profit after tax	667,957	731,212	182,604	257,868	127,016	174,477	813,028	960,092
Other comprehensive income/(loss)	1,907	(7,166)	175	158	(701)	(119)	1,381	(7,128)
Total comprehensive income	669,885	724,046	182,779	258,026	126,315	174,358	814,409	952,965
Segmental assets								
Non-current assets	1,728,214	1,761,676	843,350	865,926	729,611	747,758	2,575,812	2,658,887
Current assets	212,400	213,994	208,100	231,962	110,363	92,292	529,048	537,950
Total assets	1,940,614	1,975,671	1,051,450	1,097,888	839,974	840,050	3,104,860	3,196,837
Segmental liabilities								
Borrowings	-	-	381,664	499,646	192,058	259,233	573,723	758,879
Deferred tax liability	120,841	84,290	-	-	-	-	251,069	84,290
Retirement benefit obligations	11,966	13,070	2,861	2,846	1,580	590	16,407	16,505
Current liabilities	74,323	29,605	4,548	7,342	12,999	3,161	90,056	39,810
Total liabilities	207,131	126,965	459,316	509,833	266,623	262,984	931,255	899,484
Other Segment Information								
Total depreciation	32,879	32,954	26,692	26,466	23,546	23,957	83,118	83,377
Amortisation	1,600	1,600	1,000	1,000	467	467	11,957	11,957
Capital expenditure	1,219	443	1,169	337	1,433	1,399	3,821	2,179

This report embodies our unrelenting effort and unequivocal emphasis on building the organization to stellar heights while maintaining our standards and stewardship as a pivotal industry leader

APPENDICES

DECADE AT A GLANCE

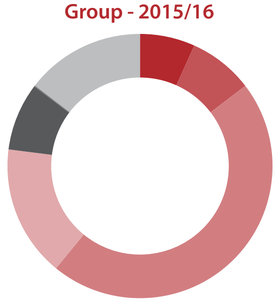
	2015/16 Rs'000	2014/15 Rs'000	2013/14 Rs'000	2012/13 Rs'000	2011/12 Rs'000	2010/11 Rs'000	2009/10 Rs'000	2008/09 Rs'000	2007/08 Rs'000	2006/07 Rs'000
Operating Results										
Revenue	1,181,807	1,317,931	1,064,991	693,032	399,665	533,588	437,692	365,826	303,837	226,785
Gross profit	1,043,214	1,171,084	929,273	557,140	345,257	497,120	396,821	330,441	266,900	192,016
Other income	38	44,394	64	704	10,356	10,876	36,882	29,743	142,401	9,882
Administration expenses	114,134	107,584	104,242	99,752	73,083	64,607	50,378	35,966	28,299	28,449
Finance cost	59,713	87,024	162,716	181,645	46,627	20,989	14,394	2,008	1,042	5,363
Net profit before tax	900,179	1,042,342	688,857	302,078	248,616	425,380	418,675	310,793	348,796	155,391
Net profit after tax	813,028	960,092	667,111	293,891	244,006	422,179	414,081	305,848	346,382	152,831
Funds Employed										
Stated capital	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365
Revenue reserves	1,001,587	973,852	823,343	648,389	562,094	547,041	303,647	76,343	300,943	193,636
Non-controlling interest	165,855	149,135	122,340	99,585	92,087	63,067	-	-	-	-
Borrowings (both non-current & current)	573,723	758,879	947,300	1,173,247	1,292,463	476,001	145,051	8,207	2,577	3,283
	2,915,534	3,056,232	3,067,348	3,095,585	3,121,009	2,260,475	1,623,063	1,258,915	1,477,885	1,371,284
Assets Employed										
Non current assets	2,575,812	2,658,887	2,830,474	2,923,021	3,005,032	2,144,961	1,525,072	1,182,753	1,215,644	1,314,107
Current assets	529,048	537,950	357,875	276,885	264,490	217,904	123,108	85,637	268,956	65,249
Current liabilities	(90,057)	(39,810)	(23,683)	(22,209)	(67,868)	(21,307)	(20,412)	(7,533)	(5,479)	(7,154)
Retirement benefit obligations	(16,407)	(16,505)	(11,629)	(9,714)	(7,116)	(7,088)	(4,704)	(1,942)	(1,235)	(919)
Deferred tax liability	(82,862)	(84,290)	(85,689)	(72,398)	(73,529)	(73,995)	-	-	-	-
	2,915,534	3,056,232	3,067,348	3,095,585	3,121,009	2,260,475	1,623,063	1,258,915	1,477,885	1,371,284
Key Indicators										
Earnings per share (Rs.)	0.89	0.98	0.65	0.37	0.37	0.60	0.53	0.41	0.47	0.21
Net assets per share (Rs.)	2.37	2.47	2.51	2.47	2.37	2.31	1.95	1.67	1.97	1.83
Market price of share-closing (Rs.)	8.00	7.90	5.60	5.60	6.60	8.60	5.25	3.10	2.40	1.80
Dividend per share (Rs.)	1.00	1.00	0.60	0.25	0.25	0.20	0.25	0.41	0.57	0.27
Price earning ratio (times)	8.99	8.06	8.59	15.14	17.84	14.33	9.91	7.56	5.11	8.57
Return on equity (%)	38.44	45.37	32.49	15.71	13.60	23.84	28.33	24.85	23.64	11.36
Dividend payout (%)	112.36	102.04	92.06	67.57	67.57	33.33	47.17	100.00	121.28	128.57

Return on Equity (ROE) in the Last Decade

STATEMENT OF VALUE ADDITION

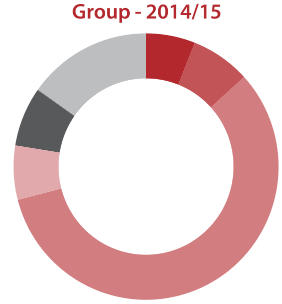
For the year ended 31 March	Group				Company			
	2016 Rs.'000		2015 Rs.'000		2016 Rs.'000		2015 Rs.'000	
Revenue	1,181,807		1,317,931		682,133		662,227	
Other income	35,909		70,051		157,366		222,295	
	1,217,716		1,387,982		839,499		884,522	
Cost of material and services obtained	(72,042)		(70,726)		(29,161)		(36,886)	
Value addition	1,145,674		1,317,256		810,338		847,637	
Value created with		%		%		%		%
Employees	76,983	6.7	78,618	6.0	25,155	3.1	28,004	3.3
Government of Sri Lanka	90,520	7.9	95,487	7.2	78,490	9.7	52,277	6.2
Shareholders	530,477	46.3	760,660	57.7	507,637	62.7	732,110	86.4
Lenders of capital	184,368	16.1	87,024	6.6	351	0.0	273	0.0
Retained for future as depreciation	95,009	8.3	94,972	7.2	34,479	4.2	34,554	4.1
Donation & social welfare activities	1,538	0.1	1,063	0.1	1,203	0.2	419	0.0
Profit	166,779	14.6	199,433	15.2	163,024	20.1	-	0.0
	1,145,674	100.0	1,317,256	100.0	810,338	100.0	847,637	100.0

Group - 2015/16



Employees 6.7%
Government of Sri Lanka 7.9%
Shareholders 46.3%
Lenders of Capital 16.1%
Retinaed for future as depreciation 8.3%
Donation & Social Welfare Activities 0.1%
Profit 14.6%

Group - 2014/15



Employees 6.0%
Government of Sri Lanka 7.2%
Shareholders 57.7%
Lenders of Capital 6.6%
Retinaed for future as depreciation 7.2%
Donation & Social Welfare Activities 0.1%
Profit 15.1%

INVESTOR INFORMATION

1. General

Stated Capita	Rs.1,174,365,278
The number of shares representing the Stated Capital	747,109,731

2. Stock Exchange Listing

Vallibel Power Erathna PLC, is a quoted public company and the issued ordinary shares of which are listed in the Colombo Stock Exchange of Sri Lanka. (Stock Code - VPEL.N0000)

3. Public Shareholding

The percentage of Ordinary Shares held by the public was 40.41% of the issued share capital as at 31st March 2016. It represents 4,289 of shareholders as at 31st March 2016.

4. Distribution of Shareholding as at 31st March 2016

There were 4,297 Registered shareholders as at 31st March 2016.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	1,723	40.10	753,766	0.10
1,001	10,000	1,741	40.52	7,413,733	0.99
10,001	100,000	650	15.13	20,843,110	2.79
100,001	1,000,000	159	3.70	43,919,138	5.88
Over 1,000,000		24	0.56	674,179,984	90.24
Total		4,297	100.00	747,109,731	100.00

5. Analysis report of Shareholders as at 31st March 2016

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individuals	4,104	95.51	306,135,454	40.98
Institutions	193	4.49	440,974,277	59.02
Total	4,297	100.00	747,109,731	100.00
Resident	4,243	98.74	725,328,043	97.08
Non-resident	54	1.26	21,781,688	2.92
Total	4,297	100.00	747,109,731	100.00

6. Twenty Major Shareholders as at 31st March 2016

Name of the Shareholder	2016 Number of shares	2016 (%) in issued Capital	2015 Number of shares	2015 (%) in issued Capital
1 Vallibel Power Limited	299,425,830	40.08	299,425,830	40.08
2 Mr K D D Perera	144,812,225	19.38	144,812,225	19.38
3 Seylan Bank PLC/Thirugnanasambandar Senthilverl	82,510,987	11.04	77,091,187	10.32
4 Dr T Senthilverl	48,801,437	6.53	50,449,327	6.75
5 Mr K D A Perera	18,750,000	2.51	18,750,000	2.51
6 Mr K D H Perera	18,750,000	2.51	18,750,000	2.51
7 HSBC Intl Nom Ltd-UBS AG Zurich	11,196,608	1.50	1,050,000	0.14
8 Commercial Bank of Ceylon PLC / Metrocorp (Pvt) Ltd	9,636,723	1.29	9,636,723	1.29
9 Ms K D C Samanthi	9,375,000	1.26	9,375,000	1.26
10 Employees Trust Fund Board	5,197,715	0.70	5,197,715	0.70
11 Mellon Bank N. A. - Commonwealth Of Massachusetts	3,170,554	0.42	-	-
12 Mr B C Tay	3,000,000	0.40	3,000,000	0.40
13 DFCC Bank PLC A/C 1	2,400,000	0.32	2,400,000	0.32
14 Mr D D Gunaratne	2,100,000	0.28	1,600,000	0.21
15 Mr U G Madanayake	2,000,000	0.27	2,000,000	0.27
16 Perera And Sons (Bakers) Limited	1,900,000	0.25	350,726	0.05
17 Global Rubber Industries Private Limited	1,793,952	0.24	-	-
18 Mr M F Hashim	1,631,154	0.22	1,200,000	0.16
19 Bartleet & Co Ltd	1,600,000	0.21	1,600,000	0.21
20 Mr M H M Nazeer	1,500,000	0.20	1,500,000	0.20
Total	669,552,185	89.62	648,188,733	86.76
Others	77,557,546	10.38	98,920,998	13.24
Grand Total	747,109,731	100.00	747,109,731	100.00

7. Share Trading Information

	2015/2016	2014/2015
Highest (Rs.)	9.90	9.10
Lowest (Rs.)	7.70	5.50
Closing (Rs.)	8.00	7.90
Value of Shares Trades (Rs.)	997,102,636	3,260,517,206
No. of Shares Traded	109,408,853	459,323,270
No. of Trades	9,924	21,088

8 Equity Information

	2015/2016	2014/2015
Earnings per share (Rs.)	0.89	0.98
Dividend per share (Rs.)	1.00	1.00
Net Asset Value per share (Rs.)	2.37	2.47
Dividend pay out ratio (%)	112.36	102.04

GRI - G4 CONTENT INDEX

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision maker	Chairman's Message	12 to 15
G4-2	Description of key impacts, risks and opportunities	Enterprise Risk Management and MD&A	28 to 31 and 36 to 40
ORGANIZATIONAL PROFILE			
G4-3	Name of the organisation	Corporate Information	Inner Back Cover
G4-4	Primary brands, products, and services	Vallible Power in Brief	02
G4-5	Location of the organization's headquarters	Corporate Information	Inner Back Cover
G4-6	Number of countries where the organization operates	Corporate Information	Inner Back Cover
G4-7	Nature of ownership and legal form.	Corporate Information	Inner Back Cover
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Market is the National Grid of Sri Lanka	NA
G4-9	Scale of the organization - employees, operations, net sales, capitalization, products	Project Portfolio	07
G4-10	Total number of employees by contract and gender, permanent employees, supervised workers, region	Sustainability Report	59
G4-11	Percentage of total employees covered by collective bargaining agreements	No collective bargaining agreements	NA
G4-12	Describe the organization's supply chain	Not applicable to the industry	NA
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	No changes in the period	NA
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Chairman's Message/ MD&A	12 to 15 and 36 to 40
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	MD&A	30 to 40
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Sustainability Approach	53
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	Vallibel Power in Brief	02
G4-18	Process for defining the report content and the aspect boundaries, reporting Principles for defining report content	Abut this Report	Inner front Cover

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
G4-19	List all the material aspects identified in the process for defining report content	About this Report	Inner Front Cover
G4-20	For each material aspect, report the aspect boundary within the organization	About this Report	Inner Front Cover
G4-21	For each material aspect, report the aspect boundary outside the organization, as follows:	About this Report	Inner Front Cover
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	No any restatements	NA
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	None	NA
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization.	Sustainability Approach	50 to 52
G4-25	The basis for identification and selection of stakeholders with whom to engage	Sustainability Approach	50 to 52
G4-26	Approach to stakeholder engagement, including frequency of engagement and an indication if the engagement was specifically a part of the report preparation process	Sustainability Approach	50 to 52
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	Sustainability Approach	50 to 52
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About this Report	Inner Front Cover
G4-29	Date of most recent previous report	31st March 2015	NA
G4-30	Reporting cycle (such as annual, bi-annual)	About this Report	Inner Front Cover
G4-31	Provide the contact point for questions regarding the report or its contents	About this Report	Inner Front Cover
G4-32	Report the 'in accordance' option the organization has chosen.	Not externally assured	NA
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	None at present	NA
GOVERNANCE			
G4-34	"Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts"	Corporate Governance	20 to 27

GRI - G4 CONTENT INDEX CONTD.

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Vallibel Power in Brief	02
SPECIFIC STANDARD DISCLOSURES			
CATEGORY : ECONOMIC			
Aspect: Economic Performance			
G4-EC1	Direct economic value generated, distributed and retained.	Our Business Model	06
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Enterprise Risk Management	28 to 31
G4-EC3	Coverage of the organization's defined benefit plan obligations	Financial Statements	99
G4-EC4	Financial assistance received from government	None	NA
Aspect: Market Presence			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Comparable with industry level and minimum wage rule	NA
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	Sustainability Approach	58 and 59
Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported.	Sustainability Approach	61 and 62
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Sustainability Approach	46 to 62
Aspect: Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Sustainability Approach	46 to 62
CATEGORY: ENVIRONMENTAL			
Aspect: Materials			
G4-EN1	Materials used by weight or volume.	Sustainability Approach	55 and 56
G4-EN2	Percentage of materials used that are recycled input materials	Sustainability Approach	55 and 56
Aspect: Energy			
G4-EN3	Energy consumption within the organization.	Sustainability Approach	55 and 66
G4-EN4	Energy consumption outside of the organization.	Sustainability Approach	55 and 66
G4-EN5	Energy intensity.	Not reported	NA
G4-EN6	Reduction of energy consumption.	Sustainability Approach	55 and 66

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
G4-EN7	Reductions in energy requirements of products and services.	Sustainability Approach	55 and 56
Aspect: Water			
G4-EN8	Total water withdrawal by source	Sustainability Approach	55 and 56
G4-EN9	Water sources significantly affected by withdrawal of water.	Sustainability Approach	55 and 56
G4-EN10	Percentage and total volume of water recycled and reused	Sustainability Approach	55 and 56
Aspect: Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Annual Report of the Board of Directors on the Affairs of the Company and Project Portfolio	66 and 07
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	None	NA
G4-EN13	Habitats protected or restored.	Sustainability Approach	46 to 62
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	None is affected	NA
Aspect: Emissions			
G4-EN15	Direct greenhouse gas emissions (Scope 1)	Sustainability Approach	46 to 62
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2).	Sustainability Approach	46 to 62
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	Sustainability Approach	46 to 62
G4-EN18	Greenhouse gas emissions intensity.	Sustainability Approach	46 to 62
G4-EN19	Reduction of greenhouse gas emissions.	Sustainability Approach	46 to 62
G4-EN20	Emissions of ozone-depleting substances (ODS).	Sustainability Approach	46 to 62
G4-EN21	NOx, SOx, and other significant air emissions.	Sustainability Approach	46 to 62
Aspect: Effluents And Waste			
G4-EN22	Total water discharge by quality and destination.	Sustainability Approach	55 and 56
G4-EN23	Total weight of waste by type and disposal method.	Sustainability Approach. Weight is not reported	55 and 56
G4-EN24	Total number and volume of significant spills.	None	NA
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention 2 annex i, ii, iii, and viii, and percentage of transported waste shipped internationally.	None	NA

GRI - G4 CONTENT INDEX CONTD.

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	Impact from the water discharge is minimum as all the projects are approved	NA
Aspect: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	No impact from the product	NA
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	No packaging materials needed	NA
Aspect: Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None	NA
Aspect: Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	None	NA
Aspect: Overall			
G4-EN31	Total environmental protection expenditures and investments by type.	Sustainability Approach	46 to 60
Aspect: Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	Not applicable to the industry	NA
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Not applicable to the industry	NA
Aspect: Environmental Grievance Mechanisms			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	Sustainability Approach - Stakeholder Engagement	50 to 52
CATEGORY: SOCIAL			
Sub-Category: Labour Practices and Decent Work			
Aspect: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group.	Sustainability Approach	58 to 61
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	Sustainability Approach	56 to 61

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
G4-LA3	Return to work and retention rates after parental leave, by gender	Sustainability Approach	58 to 61
Aspect: Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements.	Not specified by the Company	NA
Aspect: Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees.	Sustainability Approach	58 to 61
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender.	Sustainability Approach	58 to 61
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Sustainability Approach	58 to 61
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	Sustainability Approach	58 to 61
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Sustainability Approach	58 to 61
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Sustainability Approach	58 to 61
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Sustainability Approach	58 to 61
Aspect: Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Sustainability Approach	58 to 61
Aspect: Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not reported	NA
Aspect: Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	None	NA
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	None	NA

GRI - G4 CONTENT INDEX CONTD.

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
Aspect: Labor Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	Sustainability Approach - Stakeholder Engagement	50 to 52
Sub-Category: Human Rights			
Aspect: Investment			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not reported	NA
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not reported	NA
Aspect: Non-Discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	None	NA
Aspect: Freedom of Association and Collective Bargaining			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	No barriers within the organisation	NA
Aspect: Child Labor			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	Sustainability Approach	58 to 61
Aspect: Forced or Compulsory Labor			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Sustainability Approach	58 to 61
Material Aspects: Security Practices			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	Not reported	NA
Material Aspects: Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	No incidents	NA

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
Material Aspects: Assessments			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	None	NA
Aspect: Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	Not applicable to the industry	NA
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	Not applicable to the industry	NA
Aspect: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	None	NA
Sub-Category: Society			
Aspect: Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	Sustainability Approach	46 to 62
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	Sustainability Approach	46 to 62
Aspects: Anti-Corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	None	NA
G4-SO5	Confirmed incidents of corruption and actions taken.	None	NA
Aspects: Public Policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	None	NA
Aspects: Anti-Competitive Behavior			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	None	NA
Aspects: Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None	NA
Aspects: Supplier Assessment for Impacts on Society			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	Not applicable to the industry	NA
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	Not applicable to the industry	NA

GRI - G4 CONTENT INDEX CONTD.

Standard Disclosure	GRI - G4 Definition	Reference In The Report/Reason(s) For Omission(s)	Page/s of Reference
Aspects: Grievance Mechanisms for Impacts on Society			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	Sustainability Approach - Stakeholder Engagement	50 to 52
Sub - Category: Product Responsibility			
Aspects: Customer Health and Safety			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Not applicable to the industry	NA
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Not applicable to the industry	NA
Aspects: Product and Service Labeling			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Not applicable to the industry	NA
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not applicable to the industry	NA
G4-PR5	Results of surveys measuring customer satisfaction	Not applicable to the industry	NA
Aspects: Marketing Communications			
G4-PR6	Sale of banned or disputed products.	Not applicable to the industry	NA
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	Not applicable to the industry	NA
Aspects: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not applicable to the industry	NA
Aspects: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not applicable to the industry	NA

GLOSSARY OF FINANCIAL & NON FINANCIAL TERMS

Financial Terms

Accounting policies
The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Accrual Basis
Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Available-for-Sale (AFS)
Non-derivative financial asset that are designated as available-for-sale or are not classified as loans and receivable, held-to-maturity investment or financial assets at fair value through profit and loss.

Basic earnings per share
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

Borrowings
All interest-bearing liabilities.

Capital employed
Total equity, minority interest and interest-bearing borrowings.

Cash equivalents
Liquid investments with original maturity periods of three months or less.

Contingent liability
A condition or situation existing at the balance sheet date due to past events, where the financial effects is not recognized because;

01. The obligation is crystalised by the occurrence or non occurrence of one or more future events or,

02. A probable outflow of economic resources is not expected or,
03. It is unable to be measured with sufficient reliability.

Current ratio
Current assets divided by current liabilities. A measure of liquidity.

CSR
Corporate Social responsibility

Deferred taxation
The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividends
Distribution of profits to holders of equity investments.

Dividend cover
Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend yield
Dividend per share as a percentage of the market price. A measure of return on investment.

EBITDA
Abbreviation for Earnings Before Interest, Tax, Depreciation and Amortisation.

Effective tax rate
Income tax expense divided by profit from ordinary activities before tax.

Equity
Shareholders' fund.

Equity Instruments
Is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Financial Instruments
Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fair value
Fair Value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction.

Gearing
Proportion of total interest-bearing borrowings to capital employed.

Key management personnel
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Market Capitalisation
Number of shares in issue multiplied by the market value of a share at the reported date.

Net assets per Share
Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Non-controlling interest
Is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Price earnings ratio
Market price of a share divided by earnings per share as reported at that date.

Related parties
Parties who could control or significantly influence the financial and operating policies of the business.

GLOSSARY OF FINANCIAL & NON FINANCIAL TERMS CONTD.

Retirement benefits
Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Current service cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost
Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Revaluation reserves
Excess value identified between the fair value and carrying value of the revalued assets.

Return on equity
Attributable profits to the shareholders divided by shareholders' funds.

Return on capital employed
Profit before tax plus net interest cost divided by capital employed.

Return on assets
Profit before tax plus net interest cost divided by total assets.

Revenue reserves
Reserves considered as being available for distribution and investments.

Segments
Constituent business units grouped in terms of similarity of operations and location.

Subsidiary
A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity (known as the parent).

SLAS
Sri Lanka Accounting Standards. Also known as LKAS and SLFRS.

SLFRS/LKAS
Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

Value addition
The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working capital
Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

Non-Financial Terms

CSE
Colombo Stock Exchange.

CEB
Ceylon Electricity Board.

CSR
Corporate Social Responsibility

CEA
Central Environment Authority

CER
Certified Emission Reduction

CO2
Carbon Dioxide.

CDM
Clean Development Mechanism.

FDI
Foreign Direct Investments

Giga watt (GW)
Equal to one billion watts or to 1000 megawatts.

Giga Joules (GJ)
Equal to one billion joules or to 1000 mega joules. Joule is a derived unit of energy transferred or used.

GWh
Giga watt hours. Equal to one million kilowatt hours.

GRI
Global Reporting Initiatives.

GDP
Gross Domestic Product

Kilowatt (kW)
Equal to 1000 watt.

Mega watt (MW)
Equal to one million watts or to 1000 kilowatts

MHPP
Mini Hydro Power Project

NCRE
Non Conventional Renewable Energy

PUCSL
Public Utility Commission of Sri Lanka.

SLSEA
Sri Lanka Sustainable Energy Authority.

SLR
Sri Lanka Rupees

Watt-hour
Unit of energy which expended for one hour of time.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Vallibel Power Erathna PLC will be held at the Kingsbury Hotel, Colombo 1, on Monday,27th June 2016 at 9.00 a.m. for the following purposes:

1) To receive and consider the Annual Report of the Board of Directors, Financial Statements of the Company, for the year ended 31st March 2016 together with the Report of the Independent Auditors thereon.
2) To re-elect Mr. S H Amarasekera who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.
3) To re-elect Mr P B Perera who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company
4) To re-elect Mr. C V Cabraal who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company
5) To re-appoint Messrs Ernst & Young, as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
6) To authorize the Directors to determine and make donations for the year ending 31st March 2017 and up to the date of the next Annual General Meeting.

By Order of the Board
Vallibel Power Erathna PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
27 May 2016

Note:

- A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend instead of him/her.
- A form of Proxy is enclosed in this Report.
- The completed form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, by 9.00 a.m. on 24th June 2016.
- For security reasons shareholders / proxy holders are requested to bring their National Identity Card or Passport when attending the meeting

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FORM OF PROXY

*I/We ....

of .... being* a member/ members of VALLIBEL POWER ERATHNA PLC, do hereby appoint

.... of .... or failing *him/her

Mr. K D D Perera	of Colombo or failing him
Mr. P K Sumanasekera	of Colombo or failing him
Mr. S H Amarasekera	of Colombo or failing him
Mr. H Somashantha	of Colombo or failing him
Mr. S Shanmuganathan	of Colombo or failing him
Mr. P B Perera	of Colombo or failing him
Mr. C V Cabraal	of Colombo

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the 15th ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Kingsbury Hotel, Colombo 1, on Monday, the 27th day of June 2016 at 9.00 a.m, and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors, Financial Statements of the Company for the year ended 31st March 2016 together with the Report of he Independent Auditors thereon.		
2) To re-elect Mr. S H Amarasekera who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.		
3) To re-elect Mr. P B Perera who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.		
4) To re-elect Mr. C V Cabraal who retires by rotation in terms of Article 25(10) of the Articles of Association		
5) To re-appoint Messrs Ernst & Young, as Auditors and to authorize the Directors to determine their remuneration.		
Special Business		
6) To authorize the Directors to determine and make Donations for the financial year 2016/2017 and up to the date of the next Annual General Meeting.		

Signed this .... day of .... Two Thousand and Sixteen.

....

**Signature/s*

Note:

1) *Please delete the inappropriate words.

2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, by 9.00 a.m. on 24th June 2016.

Please provide the following details :

Shareholder's NIC/ Passport/ Company Registration No.	Shareholder's Folio No.	Number of shares held	Proxy Holder's NIC No. (if not a Director)

CORPORATE INFORMATION

Name of Company
Vallibel Power Erathna PLC

Legal Form
A Public quoted company with limited liability incorporated under the Provisions of the Companies Act, No. 07 of 2007.

Date of Incorporation
07 th November 2001

Company Registration Number
P.Q. 103

Nature of the Business
Generate and Supply Electric Power to the National Grid.

Board of Directors
Mr. K D D Perera – Chairman
Mr. S H Amarasekera
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S Shanmuganathan
Mr. P B Perera
Mr. C V Cabraal

Alternate Directors
Mr. W D N H Perera (for Mr. P B Perera)

Head Office and Registered Office
27-2, East Tower, World Trade Center
Echelon Square, Colombo 01.
Telephone: 011 2381111
Fax: 011 2381115
E-mail: energy@vallibel.com
Web Site: www.vallibel-hydro.com

Subsidiary Companies
Country Energy (Pvt) Ltd. (unquoted)

Company Secretaries
P W Corporate Secretarial (Pvt) Limited
No.3/17, Kynsey Road,
Colombo 08.
Telephone:011- 4640360
Fax :011- 4740588
E-mail :pwcs@pwcs.lk

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

Bankers
Commercial Bank of Ceylon PLC
DFCC Vardhana Bank PLC
DFCC Bank PLC
Hatton National Bank PLC
Pan Asia Banking Corporation PLC

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