UNEARTHED

Vallibel Power Erathna PLC

Annual Report 2014/15

UNEARTHED

From the depths of the earth springs the liquid gold that makes Vallibel Power Erathna PLC the efficient, sustainable and eco-friendly business that has stood the test of time. And as water flows, we will continue to spread our reach far and wide in touching the lives of Sri Lankans as we have done for 10 years. And following a year that has seen us perform better than ever, it seems that we have unearthed the next phase of our development... as the energisers of a vibrant nation.

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

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

The environment,
The employees,
The communities in which we operate, and
The investors,

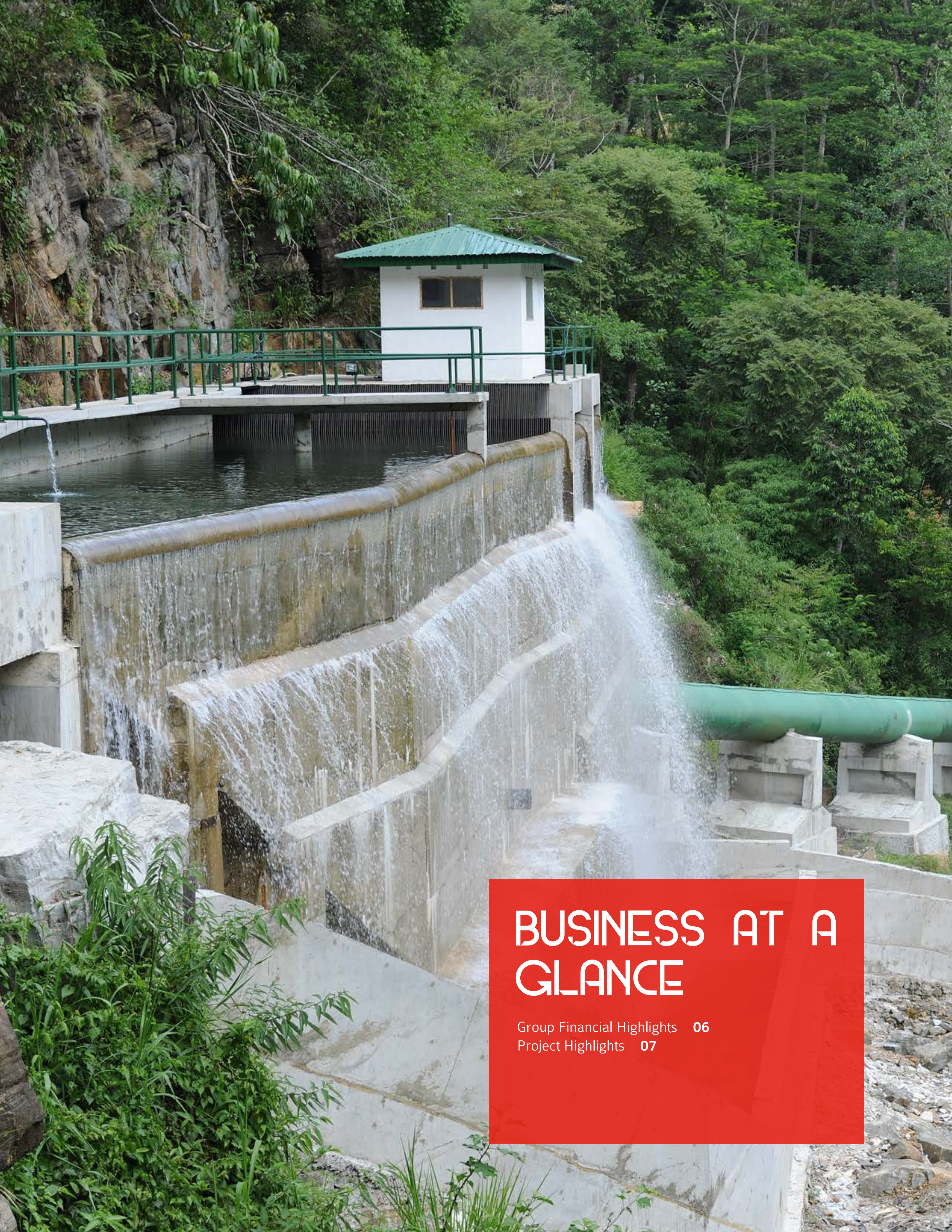
by optimising operational efficiencies from existing assets and by acquisition of new, renewable energy opportunities.

CONTENT

OUR BUSINESS

Celebrating a decade of operations is no easy feat. 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 VPE was transferred to the Main Board of the Colombo Stock Exchange.

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. 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. 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.

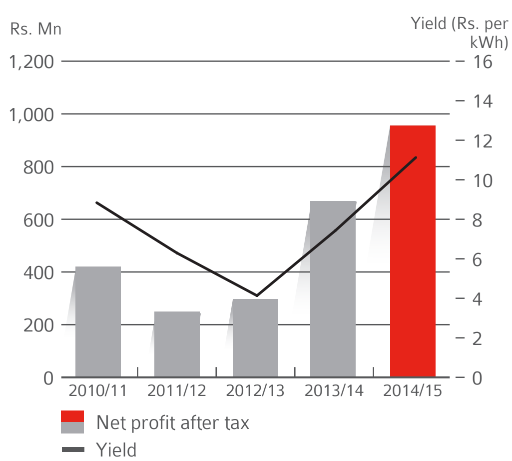


BUSINESS AT A GLANCE

GROUP FINANCIAL HIGHLIGHTS

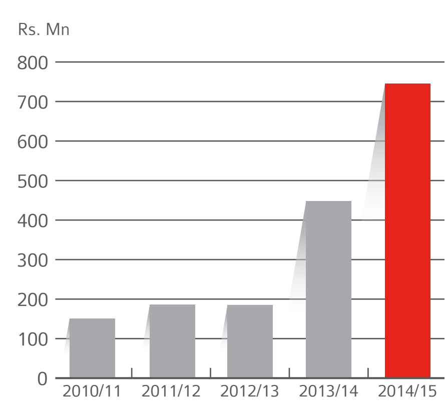
Year ended 31st March		2015	2014	Change %
Earnings Highlights & Ratios				
Revenue - Erathna MHPP	Rs.'000	662,227	519,775	27.4
- Denawaka Ganga MHPP	Rs.'000	397,751	317,883	25.1
- Kiriwaneliya MHPP	Rs.'000	257,953	227,333	13.5
Total Revenue	Rs.'000	1,317,931	1,064,991	23.8
Profit after tax	Rs.'000	960,092	667,111	43.9
Dividends paid	Rs.'000	747,110	448,266	66.7
Earnings per share	Rs.	1.21	0.85	42.8
Financial Position Highlights & Ratios				
Non current assets	Rs.'000	2,658,887	2,830,474	(6.1)
Total debt	Rs.'000	758,879	947,300	(19.9)
Total shareholder funds	Rs.'000	2,148,218	1,997,708	7.5
Net assets per share	Rs.'000	2.88	2.67	7.5
No. of shares in issue	-	747,109,731	747,109,731	-
Market / Shareholder Information				
Market price of share (closing)	Rs.	7.90	5.60	41.1
Market capitalisation	Rs.'000	5,902,167	4,183,814	41.1
Dividend per share	Rs.	1.00	0.60	66.7
Other				
Power generation	kWh	85,939,740	89,381,797	(3.9)
Total capacity	MW	21.85	21.85	-

Financial Performance



Highest Profit 2014/15
Rs. 960 Mn

Dividend Paid



Highest Dividend 2014/15
Rs. 747 Mn

PROJECT HIGHLIGHTS

Erathna
Mini Hydropower Project

Revenue
Rs. Mn

662.2

Installed Capacity
Mega Watts 10

Year of Commissioning
2004

Net Head
Meters 420

Penstock Length
Meters 2250

Channel Length
Meters 300

EM Plant Supplier
Voith Siemens

Financial Year 2014/15
Power Generation
43,528,136 kWh

Reduction of Carbon Footprint
Tonnes 27,205

Denawaka Ganga
Mini Hydropower Project

Revenue
Rs. Mn

397.8

Installed Capacity
Mega Watts 7.2

Year of Commissioning
2012

Net Head
Meters 33

Penstock Length
Meters 97

Channel Length
Meters 1800

EM Plant Supplier
Dongfeng Electric

Financial Year 2014/15
Power Generation
25,954,413 kWh

Reduction of Carbon Footprint
Tonnes 16,222

Kiriwaneliya
Mini Hydropower Project

Revenue
Rs. Mn

257.9

Installed Capacity
Mega Watts 4.65

Year of Commissioning
2011

Net Head
Meters 200

Penstock Length
Meters 1690

Channel Length
Meters 300

EM Plant Supplier
VS Energy

Financial Year 2014/15
Power Generation
16,457,191 KWh

Reduction of Carbon Footprint
Tonnes 10,286

CHAIRMAN'S MESSAGE

I am pleased to present the Integrated Annual Report and Financial Statements for the financial year ended 31st March 2015.

Being Sri Lanka's largest public quoted mini hydropower company has placed us in a position of responsibility. We are a benchmarked leader setting standards for the industry with an innate duty to ensure that the alternative energy sources we espouse remain sustainable. Given that hydro power provides nearly 20% of the world's electricity and is the main energy source in over thirty countries, the genesis of Vallibel Power Erathna was a timely response in 2001 to assist in providing the rising national demand for electricity in Sri Lanka. Our three mini hydropower plants in Kuruwita, Ratnapura and Norton Bridge now provide a cumulative of 21.85 MW in capacity, generating in excess of 85 GWh to the Ceylon Electricity Board, while reducing our carbon footprint by 50,000 metric tons of CO2 emissions annually.

Our vision to be the most significant producer of clean energy for the sustainable economic development of Sri Lanka was further augmented in 2009 with the acquisition of Country Energy, the Company became one of the largest mini hydropower companies in the country. We have set for ourselves a sustainable performance plan, working on a structured three pronged strategy that incorporates financial consolidation, disciplined growth and committed sustainable business development.

The Company together with its subsidiary, Country Energy has had an exceptional year and it pleases me greatly to present you the Annual Report for this Company for the year ended 2014/15. 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

Underscoring the importance of sustainable energy, the United Nations General Assembly unanimously declared the decade 2014-2024 as the Decade of Sustainable Energy for All (SE4ALL), which also augments the ethos that energy is intertwined inextricably with economic growth, social equity and environmental sustainability. As of this moment, 1.2 billion people worldwide lack access to electricity. A shift to sustainable energy is imperative to protect planet earth and in tandem, sustainable energy provides new opportunities for growth, whether in business, generating employment or in creating new markets. I believe strongly that countries can grow more resilient and have competitive economies by ensuring that sustainable energy options will build clean energy economies of the future.

Sustainable energy for all is an investment in our collective future. Universal energy access, increasing the use of renewable energy, improved energy efficiency and addressing the nexus between energy and health, women, food, water and other development issues are at the heart of all countries' core interest, which must be deeply integrated in the development agenda. The Global Tracking Framework 2015 estimates that, as of 2012, 85% of the global population had access to electricity, translating into more than 220 million people gaining access since 2010. Primary energy intensity (the global proxy for energy efficiency) fell by more than 1.7% a year, still nearly a full percentage point slower than the SE4ALL objective. Similarly, the share of renewable energy in final consumption grew from 17.8% in 2010 to 18.1% in 2012, but the rate of progress needs to almost double to achieve the corresponding SE4ALL objective. Global investment was estimated at around US$ 400 Bn in 2010.

It is indeed most impressive therefore that for the second consecutive year, the Group exceeded our forecast Rs. 1 Bn turnover target, achieving the highest earnings in our 11 year history. We are now unequivocally the best performing mini hydropower company in the country, posting a revenue of Rs. 1,317.8 Mn this year, an increase of an impressive 24% from last year's Rs. 1,065 Mn.

In Sri Lanka, total electricity generation in 2014 increased by 3.9% to 12,357 GWh from 11,898 GWh in 2013. However, hydropower generation (excluding mini-hydro generation) declined by 39.4% to 3,632 GWh due to drought condition that prevailed in the first half of 2014. However, hydropower generation gradually improved towards the end of the year with increased rainfall. Non-conventional renewable energy (NCRE) sources which includes mini hydropower generation increased by 3.3% to 1,217 GWh, making total generation in large hydro being 29%, fuel 35%, coal 26% and NCRE power 10%.

Electricity sales increased by 4.2% to 11,063 GWh in 2014 from 10,621 GWh in 2013 with sales to the 'Industry' category absorbing 33.9% of the total electricity sales increasing by 4.5% this year. In general, electricity sales have slowed down in recent years and could be attributed to continued energy conservation practices adopted by households and corporates in response to the substantial upward revisions to the electricity tariff in 2013 and lower energy intensity of growing sectors of the economy. It is to be noted that the tariff that was raised substantially in 2013, did see a revision in 2014 due to the commissioning of Phase III of the Norochcholai coal power plant.

Our Performance

In our mission to generate the maximum amount of electricity from the available water resources with minimal environmental pollution, we have been engaged in optimising our operational efficiency and increasing productivity of our assets.

It is indeed most impressive therefore that for the second consecutive year, the Group exceeded our forecast Rs. 1.3 Bn turnover, achieving the highest earnings in our 11 year history. We are now unequivocally the best performing mini hydropower company in the country, posting a revenue of Rs. 1,317.8 Mn this year, an increase of an impressive 24% from last year's Rs. 1,065 Mn. Profit before tax for the year posted at Rs. 1,042.3 Mn, is the highest ever compared to last year's Rs. 688.8 Mn. Profit after tax too is a noteworthy 44% increase to Rs. 960.1 Mn, from last year's Rs. 667.1 Mn, falling short however, of our goal of Rs. 1 Bn.

The Erathna mini hydropower project generated 43.5 GWh, while Denawaka Ganga and Kiriwaneliya generated 25.9 GWh and 16.4 GWh. It was Erathna that added significant revenue into our bottom line with Rs. 662.2 Mn, showcasing a 27% increase, with an impressive profit before tax of Rs. 782 Mn, which is a 55% increase and a profit after tax of a 51% increase.

The CDM process has now been completed and enables us to use that accreditation to take us closer to our ultimate vision of being a leader in producing clean energy. This prestigious CDM project registration for both Kiriwaneliya and Denawaka Ganga which was gained by end 2013, enabled us to accumulate a total of 18 months of CERs to date. We intend to accumulate a reasonable amount of CERs before we present it for verification to the CER Auditors.

The three mini hydropower projects now continue to operate as planned with no new developments envisaged. However, as has always been our focus, we will continue to implement continuous improvement processes into the existing systems and practices, introducing best practices and other benchmarked standards to ensure that our status as a leader in the mini hydropower industry will continue to strengthen.

Achievements

We have had an amazingly rewarding year being the only mini-hydropower company in Sri Lanka to gain two ISO certifications, namely ISO 9001:2008 and ISO 14001:2004. The first annual surveillance audit held in January gained us the final accreditation after a stringent accreditation process.

We were also conferred the prestigious honour of a Silver award for our Annual Report 2013/14 at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka.

It is indeed a pleasure to announce that our Company paid the highest dividend in our 11 year history this year, showcasing our immense gratitude to our Shareholders who have remained unwaveringly supportive to us.

Governance

We remain a company that adheres to the standards of governance expected of a responsible corporate entity, complying uncompromisingly on prevalent best practices set out by regulatory authorities. Very conscious of our responsibility to the environment, our commitment to alternative energy sources also drives us to pursue diverse opportunities and trends that emerge in the world's quest to transform from fossil fuels to other natural energy sources that are environmentally friendly. We are also very cognizant that as a corporate steward we must reduce our carbon footprint and have hence, consciously instituted standards, systems and processes that will enable us to do just that.

Engaging with our community

In engaging with our stakeholders, the communities in close proximity to our sites which we refer to as our communities are constantly in our focus and we continue to strengthen the relationships we forge with them. This also enables us to focus on needs within the community that would prompt sustainability and aligns us with our CSR vision of impacting our communities positively. Water, health and education remain the three primary platforms we build our CSR vision on and this year saw us donate towards the refurbishment of both the Erathna hospital and Erathna school, marking the tenth year anniversary of our Erathna project.

Dividends and Shareholding

It is indeed a pleasure to announce that our Company paid the highest dividend in our 11 year history this year, showcasing our gratitude to our Shareholders who have remained unwaveringly supportive to us. Two interim dividends were paid this year, one in October 2014 and one in February 2015 amounting to Rs. 747 Mn at Rs. 0.50 per share for each. Country Energy also paid two dividends totalling Rs. 223 Mn at Rs. 0.75 in September 2014 and Rs. 1.75 in February 2015. Vallibel Power Erathna had a dividend increase of 67%, while Country Energy by a record breaking 150% over last year's dividend payments.

Vallibel Power Erathna PLC disposed its stake in The Fortress Resorts PLC for a total consideration of Rs. 117 Mn, posting a capital gain of Rs. 44 Mn.

Appreciations

As mentioned above, our shareholders deserve much appreciation for their continued support since our inception which, supported by our Board of Directors, whose unwavering commitment to ensuring that we achieve our vision, has seen the Company reach some record breaking milestones. I would like to place on record my sincere appreciation to Mr. Daryl S Clerk and Mr. Sunil E De Silva who represented Asia Energy Management System Inc as Non-Executive Directors on this Board from 2010, who resigned with effect from November 2014. This was due to Asia Energy Management Systems Inc disposing of its 21.4% stake in Vallibel Power Erathna.

Our Team continues to be the wheel by which we navigate our Company, emphatically journeying through numerous challenges including battling the vagaries of the weather, bureaucracy in gaining approvals for new projects and challenged in the non-availability of good locations in which to set up new projects. It is they who circumvent these challenges, observing paradigms and setting goals for themselves, using the training and development we encourage them to avail themselves of, so as to enhance their knowledge and propel their career aspirations into newer more ambitious goals. The development of an improved performance evaluation system has certainly enhanced productivity levels and efficiencies among our team, augmenting their loyalty and commitment to the Group.

My appreciation is extended to General Manager Mr. L D Dickman, who resigned from his post during the year due to deteriorating health condition. He helmed this winning team taking them beyond their goals and closer towards our vision. He will remain as a Non-Executive Director on our Board.

Moving ahead

There is a concerted national effort to moot alternative energy sources to boost energy capacity within the country. However, there is a bottleneck in that, the Government is issuing only a limited number of licenses at this point of time. We do hope that this obstruction will soon be eased with more licenses being issued next year as we are indeed interested in pursuing the opportunities we see in wind power as well as new hydro power projects.

We are cognizant that the available large mini hydropower projects are located within the bio-diversity rich forest reserves and given our strong sustainability persona in being environmentally conscious, we will not be pursuing the development of such projects. The small scale projects currently available are not economically sound nor sustainable, which pushes us to focus on developing medium scale mini hydropower projects.

K. D. D. P

Dhammika Perera
Chairman
21 May 2015

BOARD OF DIRECTORS


K D D Perera
Chairman

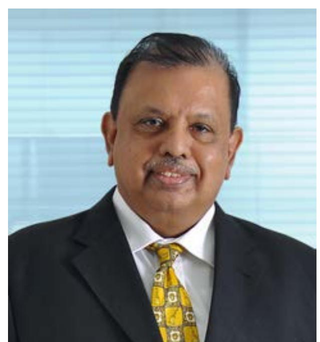

W D N H Perera
Alternate Director


S H Amarasekera
Director


P K Sumanasekera
Director


H Somashantha
Director


L D Dickman
Director


S Shanmuganathan
Director


P B Perera
Director


C V Cabraal
Director


D S N Weerasooriya
Alternate Director

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 has over 25 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 and Sun Tan Beach Resorts Ltd. He is the Co-Chairman of Hayleys PLC, Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC, and Lanka Ceramics PLC. He is the Executive Director of Vallibel Finance PLC and also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC & Hayleys Global Beverages (Pvt) Ltd.

W D N H Perera

Alternate Director to Mr. P B Perera

In the Director panel since 2005, Mr. Nimal Perera serves on Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, N P Capital Limited and N Capital (Pvt) Ltd as the Chairman, Royal Ceramics Lanka PLC as the Managing Director, Vallibel One PLC as the Deputy Chairman, LB Finance PLC as an Executive Director and The Fortress Resorts PLC as an Alternate Director.

He also holds Directorships in Hayleys PLC, Kingsbury PLC, Haycarb PLC, Thalawakele Tea Estates PLC and Amaya Leisure PLC.

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

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 leading listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman) , Chemanex PLC (Chairman), Vallibel One PLC, Expo Lanka Holdings PLC, Chevron Lubricants Lanka PLC, Amana Bank PLC, Keells Food Products PLC & Amaya Leisure PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

P K Sumanasekera

Director

Mr. Prabodha Sumanasekera holds 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.

H Somashantha

Director

Mr. Haresh Somashantha is a member of the Institute of Chartered Accountants of Sri Lanka and also holds a Bachelor's Degree in Mathematics from the University of Kelaniya. He counts over 15 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 MGT Knitting Mills 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.

BOARD OF DIRECTORS

L D Dickman
Director

Mr. Dickman holds a BA in Public Administration from the Vidyodaya University and MSc in Town & Country Planning from the University of Moratuwa Sri Lanka. He was appointed to the Board in April 2010.

Mr. L.D. Dickman was the Deputy Director General (Infrastructure) of the Board of Investment of Sri Lanka before his retirement in December 2009 and had been working since its inception in 1979. He held various managerial posts during his long service in the Board of Investment. He had been working as a Deputy General Manager of Lanka Mirigama Special Economic Zone (Private) Limited.

Mr. Dickman is a Past President of the Institute of Town Planners of Sri Lanka and also had been a visiting lecturer in Town and Country Planning at the University of Sri Jayawardenapura and the University of Moratuwa. He had also attended a number of Executive Development Programs and Investment Promotion Programs in various countries at the international level.

S 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 a Shareholder/Director in privately held companies engaged in the leisure and IT Industry and he also functions as Senior Advisor to large privately held corporate houses.

He is member of the Council of the Institute of Chartered Accountants of Sri Lanka.

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.

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.

D S N Weerasooriya
Alternate Director to Mr. K D D Perera

Ms. Shyamalie Weerasooriya is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a Bachelor's Degree in Science from the University of Colombo. She possesses 18 years of post qualified experience and counts over 12 years of working experience at LB Finance PLC .

Ms. Weerasooriya is the Chief Financial Officer of Vallibel One PLC and The Fortress Resorts PLC.

Aruna Dheerasinghe
Jt. CEO

Russell De Zilva
Jt. CEO

M. Navaratnarajah
Manager

Yogesh Suriyapperuma
Head of Finance

Pathmanatha Poddiwala
Deputy General Manager

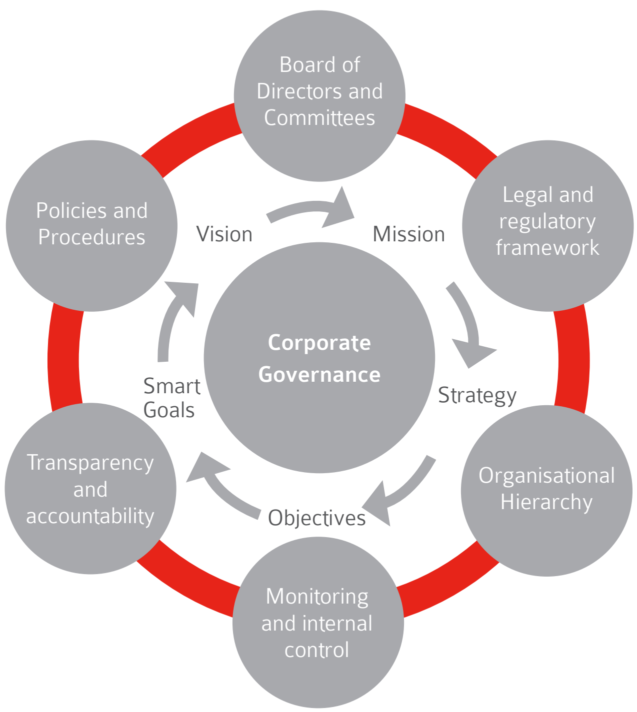
CORPORATE MANAGEMENT TEAM

Our team thrives on the base values of our work culture which incorporates commitment, integrity, creativity, innovation, agility, flexibility and individual development for collective improvement.

CORPORATE GOVERNANCE

Corporate Governance, the system by which companies are managed and controlled, is a topic of increasing importance, both to Directors of a Company and its shareholders.

The Board manages the Company on behalf of the shareholders. It is the policy of the Company to manage its affairs in accordance with appropriate standard for good Corporate Governance. The Company has complied with the provisions of Section 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance for the full accounting period ended 31st March 2015.



The Board

The Board comprises of eight Non-Executive Directors. Their details appear on pages 12 to 14 of the Annual Report. The Non-Executive Directors support the skills and experience of the senior staff members, contributing to the formulation of policy and decision-making through their knowledge and experience of other business and sectors.

Board Meetings

The Board meets regularly and has a formal schedule of matters reserved to it. The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities.

Attendance at Meetings

The Directors are expected to prepare themselves for and to attend all Board Meetings, relevant Committee Meetings and the Annual General Meeting. To facilitate active and informed discussion at Board and Committee Meetings, Directors receive background material in advance of meetings. Over the past year the Board held four meetings and the attendance is given below.

		Attendance
Mr. K D D Perera (Chairman)	NED	1/4
Mr. S H Amarasekera	I	2/4
Mr. P K Sumanasekera	I	1/4
Mr. H Somashantha	NED	4/4
Mr. L D Dickman	NED	1/4
Mr. S Shanmuganathan	I	2/4
Mr P B Perera	NED	1/4
Mr. C V Cabraal	NED	2/4
Mr. D S ClarK*	NED	3/3
Mr. S E De Silva*	NED	3/3

Key
NED – Non-Executive Director
I – Independent Non-Executive Director

* Resigned w.e.f. November 15, 2014

Chairman

The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman preserves order and facilitates the effective discharge of Board functions.

The Chairman conducts Board proceedings in a proper manner and ensures, inter alia, that

- all Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company;
- the views of Directors on issues under consideration are ascertained; and
- the Board is in complete control of the Company's affairs and alter to its obligations to all shareholders and other stakeholders

Time commitment

The Board dedicates adequate time to discharge their duties effectively. In addition to Board Meetings, they attend Sub-Committee Meetings and make decisions via circular resolutions.

The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman preserves order and facilitates the effective discharge of Board functions.

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 and in particular the Listing Rules pertaining to Corporate Governance.

Re-election of Directors

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. The Directors nominated by Vallibel Power Limited under Article 25(2) are not subject to retirement by rotation. Any Directors appointed during the year seek re-election at the next AGM.

Independence of Non-Executive Directors

The CSE Listing Rules sets out circumstances, which the Board may find relevant when determining the independence of a Non-Executive Director. All Non-Executive Directors have submitted a declaration of his independence or non-independence to the Board of Directors. The Board reviewed the independence of Non-Executive Directors and concluded that Messrs S H Amarasekera, P K Sumanasekera and S Shanmuganathan demonstrate the essential characteristics of independence expected by the Board.

Access to Management and Independent Advisors

Board members have access to the management. The Board and the Board Committees have access to the advice of the Company Secretaries and independent legal, accounting and other experts and consultants, as they may deem appropriate at the Company's expense.

Remuneration of the Directors

The remuneration of the Directors is determined by the Board and disclosed in Note 17 to the financial statements on page 83 of the Annual Report.

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretaries for the Company. Being qualified Company Secretaries, P W Corporate Secretarial (Pvt) Ltd attend Board Meetings and ensure that minutes are kept of all proceedings at each Board Meeting. The Company Secretaries advise the Board and ensure that proper procedures and applicable rules and regulations are followed by the Board.

Board Committees

Specific responsibilities have been delegated to the Board Committees. The two principal Board Committees are:-

Audit Committee

Mr. S H Amarasekera (Chairman)
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S Shanmuganathan

The Audit Committee meets once a quarter with the Joint Chief Executive Officers and the external auditors to review, inter alia, the Company's annual and interim financial statements and compliance reports and reviews the effectiveness of the Company's system of internal audit. Periodically, it also approves and reviews the appointment and retirement of external auditors, as well as their relationship with the Company.

Remuneration Committee

Mr. S H Amarasekera (Chairman)
Mr. K D D Perera
Mr. P K Sumanasekera

The Remuneration Committee usually meets twice a year. 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 term 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 high quality senior executives.
- To ensure that performance is the key factor in determining individual reward.

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

Responsibilities

It is the responsibility of the Board of Directors to ensure good Corporate Governance. Good Corporate Governance requires that the Board must govern the Company with integrity. This includes the following:-

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure the appointments to the Board are effectively managed.
- Determine the Company's purpose and values, strategy and ensure that procedures and practices are in place.
- Monitor and evaluate the implementation of strategies and policies for better management performance.
- Ensure compliance with the relevant law, regulations and codes of best practice.
- Communicate with shareholders effectively and serve the legitimate interest of the shareholders.
- Report to shareholders of the progress and performance of the Company periodically and timely.
- Review processes and procedures regularly and ensure that internal control is effective.
- Identify key risk areas and ensure that these risks are addressed and managed effectively.
- Approve the Annual Budget.
- Ensure the continuation of the Company as a going concern.

Investor relations

The Annual General Meeting, Annual Report of the Company and Interim Financial Statements are the principal means of communication with the shareholders.

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:-

Rule	Comments
7.10.1 Non-Executive Directors	Eight Directors are Non-Executive
7.10.2 Independent Directors	There are three Independent Directors on the Board. Each Non-Executive Director submits a signed and dated declaration annually.
7.10.3 Disclosures relating to Directors	Three of the Eight Non-Executive Directors meet all the criteria set out in Rule 7.10.4 for determining the independence of Directors. These Independent Directors are, Messrs S H Amarasekera, P K Sumanasekera and S Shanmuganathan.
7.10.5 Remuneration Committee	Comprises of three Non-Executive Directors including two Independent Directors.
7.10.6 Audit Committee	Comprises of four Non-Executive Directors including three Independent Directors.

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 minimise, monitor, and control the probability and/or impact of unfortunate events or to maximise the realisation of opportunities. 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 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, safeguard and maximise our shareholders' wealth and maintain our stakeholders' satisfaction and confidence 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 to as bottom-up approach. Further regular meetings, setting up of targets, internal systems and control reviews, and external and internal audits as well enhance our Risk Management process. This enable to 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 ranging 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.

Our 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 Prioritise	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. 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, categorise, and index that knowledge in a reusable form that can be shared

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

Risk Identification	Risk Evaluation	Management Strategy	Policy & Procedures for Managing Risk	Compliance	System Maintenance	Annual control Review
Financial	High	Investment on new projects is carried out after careful appraisal of the micro economic situation of the industry.	VPEL is conscious of the risk of climate changes & operational limitations due to drought conditions and also of the risk of continuing investment, hence is gearing on bank loan & equity.	Yes	Adopted	✓
Operational	Medium	The experienced team's continuous interaction with project sites by physical visits, dialogue with Management and close supervision of all projects.	Prompt maintenance of machinery and equipment whilst upgrading the safety measures on a regular basis conducting workshops, meetings, etc.	Yes	Adopted	✓
Economic	Medium	The likelihood that an investment will be affected by macro-economic conditions including Government regulations, exchange rates and political stability.	The Company carries out periodical in-depth macro-economic analysis and economic feasibility prior to project investments	Yes	Adopted	✓
Regulatory & Legal	High	Awareness of current volatile situation of power sector and variation of tariff structure.	Compliance with any new laws or regulations that are from time to time introduced for good governance.	Yes	Adopted	✓
Environmental	Low	All mini hydro power projects in various parts of the country carry out impact assessments & strictly follows conditions stipulated by the statutory organisations.	ISO 9001: 2008 &14001: 2004 - Quality and Environmental Management Systems and all the practices will be strictly followed. Also care is taken to mitigate any adverse environmental impacts.	Yes	Adopted	✓
Social	Low	The Management continuously determined to help the people and upgrade the social & economic infrastructure of the area.	Group has developed relationships with religious and other voluntary groups by helping them to uplift their livelihood.	Yes	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 who is a Non-Executive Director serve as members of the Committee.

Meetings

Four meetings of the Committee were held during the year. Two Joint Chief Executive Officers and Head of Finance attend 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.

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;

- The integrity of the Financial Statements in accordance with Sri Lanka Accounting Standards.
- The Company's compliance with legal and regulatory requirements.
- Ensuring the external auditor's independence.
- 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 2016, 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 Financial Statements are free from any material misstatements.

S H Amarasekera
Chairman
Audit Committee

21 May 2015

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 term 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.

S H Amarasekera
Chairman
Remuneration Committee

21 May 2015

Other Members
K D D Perera, P K Sumanasekera

MANAGEMENT REPORTS

MANAGEMENT DISCUSSION AND ANALYSIS

The quest for renewable energy and alternate energy sources replacing the earth's dependence on fossil fuels has gained considerable momentum. Over the last few years, the world's focus has turned towards seeking energy sources that would be natural alternatives, impacting the environment less, where reduction of carbon footprints are being further emphasized and a need for the earth's resources are more accented. This paradigm is being echoed in Sri Lanka as well, with the private sector playing a lead role to moot and encourage the use of alternate energy and renewable energy sources.

At Vallibel Power Erathna our vision is to be that leader in renewable energy sources, to provide the alternative energy options that would add to the national development agenda and give Sri Lanka's green focus added credence. 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 hence has been a record breaking one. We have performed well, despite a number of hurdles and are in the process of seeking new avenues of energy that would add more positives to our ultimate vision.

The Global Energy Quest

Analysing the International Energy Agency's World Energy Outlook, the road ahead in the energy quest is certainly not an easy one. There is a certain sense of calm in energy markets, but this could well be the calm before the storm. Turmoil in the Middle East for instance, raises doubt over future oil balance, while the resurgent debate over the security of gas supply to Europe is also a major concern. There have been mixed signals emanating from member countries in the run up to the crucial climate summit in Paris in 2014 as the earth simply cannot get away from the looming debacle of global CO_2 emissions continuing to rise. At US $550 Bn, fossil fuel subsidies remain over four times over renewables, which increases the emphasis on the imperative for energy efficiencies.

Taking the individual energy options, gas is well on its way to becoming the first fuel, pushed by a near tripling of liquefaction sites, while global coal demand is undoubtedly leveling off. Global demand for coal is slowing rapidly due to more stringent environmental policies, the need for high efficiency plants and renewables taking over to become the leading source of power. In fact, renewables supply half of the growth in global power demand, with wind and solar power gaining added focus. Nuclear energy capacity has also spiraled upwards by 60% and it is estimated that by 2040, an expanded nuclear fleet will save almost four years of current CO_2 emissions. Nuclear energy will also improve energy security and balances of energy trade for some countries, although especially post the Fukushima debacle, there are key public concerns which must be addressed including plant operating, decommissioning and waste management. It is estimated that by 2040, almost 200 reactors will be retired and the amount spent on fuel will double.

One of the landmark climate summits is due to be held in Paris in December 2015 where 196 countries are expected to meet and sign a new climate change agreement. International negotiations remain vital for countries to build on national approaches, providing reassurance that they are not acting alone and making it easier for nations to work together towards a low carbon future, making this Paris Summit crucially important. The agreement must include ambitious action before and after 2020, a strong legal framework and clear rules, a central role for equity, a long term approach, public finance for adaptation and low carbon transition, a framework for action on deforestation and land use and clear links to the 2015 Sustainable Development Goals. A strong climate deal will help meet international development aims, which are at increasing risk from rising global temperatures. Eliminating poverty, improving health and building security are all outcomes linked to tackling climate change and will infuse massive benefits to the environment by avoiding biodiversity loss and the degradation of ecosystems.

Our performance this year hence has been a record breaking one. We have performed well, despite a number of hurdles and are in the process of seeking new avenues of energy that would add more positives to our ultimate vision.

At present, geopolitical and market uncertainties will propel energy security high on the global energy agenda with volatility in the Middle East raising short term doubts on investment and definitely prompting challenges for future oil supply. Nuclear power can play a role in energy security and carbon abatement but financing and public concerns are key issues that must be looked at. Unless Paris is the silver lining in the cloud, the world is set for warming well beyond the 2 Degrees celcius goal which will hopefully not happen, if far sighted government policies will trigger positive impact on the global energy system.

Renewable energy continued to build up its share within the global electricity market, with renewables, excluding large hydro projects accounting for 43.6% of the new generating capacity installed worldwide, as reported in the Key Findings by the UNEP Collaborating Center Frankfurt School of Finance & Management. The report released this year on Global Trends in Renewable Energy Investment 2014, states that renewable energy raised its share of world electricity generation from 7.8% in 2012, to 8.5% in 2013. If this capacity were not present, world energy-related CO2 emissions would have been an estimated 1.2 giga-tonnes higher in 2013, adding about 12% to the 2020 projected emissions gap that needs to be closed to remain within a two degrees celsius global temperature increase.

New investment in renewable energy excluding large hydro-electric projects slipped 14% in 2013 to $214 Bn with setbacks to investment in many important geographical areas, including China (down 6% at $56 billion), the US (down 10% at $36 billion) and most of all Europe (down 44% at $48 billion). The biggest exception to the downward trend was Japan, where investment excluding research and development soared 80% to $29 billion. Worries about policy support and reductions in technology costs were the two main reasons for the fall in global financial commitments to renewable energy.

It is developing countries that led in wind, solar and small hydro while, last year at least, developed countries made up most of the investment in biofuel, biomass and geothermal capacity.

The International Energy Agency indicates that global emissions of carbon dioxide from the energy sector stalled in 2014, marking the first time in 40 years in which there was a halt or reduction in emissions of the greenhouse gas that was not tied to an economic downturn. Global emissions of carbon dioxide stood at 32.3 billion tonnes in 2014, unchanged from the preceding year. The IEA attributes the halt in emissions growth to changing patterns of energy consumption in China and OECD countries. In China, 2014 saw greater generation of electricity from renewable sources, such as hydropower, solar and wind, and less burning of coal. In OECD economies, recent efforts to promote more sustainable growth – including greater energy efficiency and more renewable energy – are producing the desired effect of decoupling economic growth from greenhouse gas emissions.

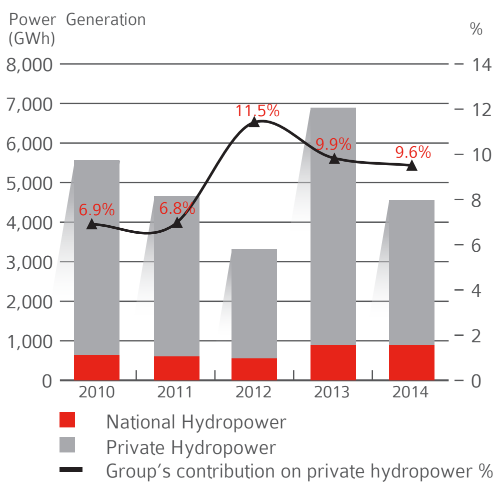
Sri Lanka Becomes Progressive

Working on a strategic plan right up to 2025, Sri Lanka unveiled the ten year development plan for the energy sector in 2015 under the banner, "Energy Empowered Nation". Formulated by the Ministry of Power & Energy and affiliated institutions and the private sector, the plan focuses on eight thrust areas with the foundation constructed on energy security. The emphasis on green energy in this plan is very clear, given that currently green energy contributes about 36% to total power generation in the country. By 2020, that contribution is aimed at showcasing an increase to 56%. In the meanwhile, Sri Lanka's ambitious plans of 100% electrification will bear fruition by end 2015, while in tandem, minimising energy waste and energy conservation will be looked at with added fervour. Electrical vehicle charging stations to reduce dependency of the transport sector and minimise fossil fuel dependence and the issue of energy debentures is also being planned to reduce the debt burden on the CEB and CPC.

The current Government's development agenda is focused on addressing investment needs both in economic and social infrastructure. Mega infrastructure projects already underway are being reviewed for proposed financial viability, environmental feasibility, equitability and overall contribution to the economy. The country's social indicators in the meanwhile have continued to improve, retaining its position at lead place among social development among emerging markets and regional peers. With Sri Lanka moving towards upper middle income levels, the private sector is continuing to play an important role in providing economic and social trusses, visibly engaging in providing essential services including education, health, communication, transportation and power generation. It is these interactive partnerships between the private and public sectors that have pushed the country's social indicators upwards, improved efficiency and transparency in infrastructure service delivery and enabled the pursuance of ambitious performance indicators. These have surely been a vital dynamic in the country achieving its 7.2% GDP growth for 2014.

With total electricity generation in 2014 increasing 3.97% to 12,357 GWh according to the Central Bank of Sri Lanka's Annual Report, it is to be noted however that hydropower generation, excluding mini hydropower decreased 39.4% to 3,632 GWh due to drought experienced during the first half of the year. Increased rainfall during the latter part of the year however did prompt some equilibrium. Fuel oil was responsible for increased generation of 32.1% with 4.305 GWh, while coal generated 3,202 GWh, contributing a significant 118% above last year. Non-conventional Renewable Energy (NCRE) which includes mini-hydro generation increased by 3.3% to 1,215 GWh, which is a contribution of 10% to the total power generation of the country. The share of power generated by the CEB decreased to 69% compared to 73% in 2013, with the remainder being purchased from Independent Power Producers (IPPs). The overall transmission and distribution loss as a percentage of total power generation reduced to 10.5 per cent in 2014 from 10.7 per cent in the previous year.

Energy Contribution to the National Grid



Figures are presented on calender year basis
Source : Annual Report 2014 - Central Bank of SL

From a sales perspective, electricity sales inclined 4.2% to 11,063 GWh from 10,621 GWh last year with the industry category absorbing 31.6% of total electricity sales, which is an increase of 4.5%. Hotels accounted for 2.2% of sales, while General Purposes obtained 24.8% in sales, which is an increase of 11.1% and 8.9% respectively. The Domestic category absorbed a considerable 36.5% of electricity sales, an increase of a marginal 0.1% despite consumer numbers increasing by 3.7%. This disparity could be attributed to domestic consumers practicing energy conservation initiatives in response to the substantial upward revisions introduced in 2013 and lower energy intensity of growing sectors within the economy.

The commissioning of Phase II and Phase III of the Norochcholai coal power plant prompted a downward revision of electricity tariffs in 2014, with the Domestic category seeing a 25% reduction from September 2014. The Industry and General Purposes categories consuming below 300 units monthly also gained a reduction of 25% through a separate tariff band, while a 15% downward revision was made to the tariff applicable on 'Hotel' and all other 'Industry' and 'General Purposes' categories. Meanwhile, the fuel adjustment charge imposed in February 2012 was absorbed into the energy charge.

600 MW was added to the national grid with the commissioning of Phase II & phase III of the Norochcholai coal power plant, increasing Sri Lanka's total coal power generating capacity to 900 MW. Coal power is four times cheaper than fuel oil power generation and can meet over 50% of the country's total electricity requirement. This will prompt the overall average unit cost of electricity to fall significantly at least in the short term.

The Uma Oya Hydropower plant with its expected capacity of 120 MW is currently held in abeyance as the new Government institutes an evaluation on its impact on environmental humanitarian factors. The construction of a 500 MW coal power plant in Trincomalee is expected to be completed and added to the national grid by the end of 2019. 766 rural electrification projects covering all districts and electrifying 151,954 houses is now complete, raising the level of electrification to 98% by the end of 2014 compared to 96% at end 2013.

Total power generation by NCREs this year remained unchanged at 9.9%, although, there is speculation that NCRE generation may be higher due to many households and business enterprises increasingly using standalone renewable power generation modes. In 2014, the 12 mini hydro power projects added 23 MW to the grid, the three wind power plants added 30 MW, 2 MW was contributed by the one biomass power plant and the only dendro power project contributed 5 MW. From a capacity perspective, by end 2014, mini hydropower held a capacity of 291 MW, wind power held 131.5 MW, biomass power had 13 MW, dendro power held 10.5 MW and solar power could contribute 1.4 MW to the national grid. The CEB signed contracts for 42 NCRE projects, with a capacity of 105 MW collectively, during 2014. The Sri Lanka Sustainable Energy Authority (SLSEA), which has been engaged actively in promoting energy conservation and assessing indigenous renewable energy sources, has identified the potential of wind power generation in the Mannar region as approximately 375 MW.

VPEL Strengthens Foothold

The benchmarked leader in the mini hydropower industry in Sri Lanka, we continue to improve on the standards and best practices we have already instituted. We are the only mini hydropower company with two ISO certifications exampling our commitment to responsible management best practices. Our passion to continually raise the bar and set ourselves as a role model for the industry has enabled us to push boundaries where our eco-friendly solutions enjoy the unique dynamic of being cost effective and resource friendly as well.

The fact that we exceeded the Rs. 1.3 Bn in turnover this year and posted a profit before tax also in excess of Rs. 1 Bn vouches for the fact that we have constructed a strong and stable company, ethical, principled, transparent and accountable to our stakeholders for each decision we make and the impact we have on them.

This year, we did have to contend with the vagaries of the weather, with drought conditions in the first half of 2014 impacted our generating capacity considerably. Our projects however remain fully operational, harnessing the resources we possess to maximise our capabilities and contribute productively to the country's energy mix. The fact that we exceeded the Rs. 1.3 Bn in turnover this year and posted a profit before tax also in excess of Rs. 1 Bn vouches for the fact that we have constructed a strong and stable company, ethical, principled, transparent and accountable to our stakeholders for each decision we make and the impact we have on them. The sustainability added to our bottom line therefore remains unwavering and adds ample confidence levels to our stakeholders' mindset and relationships they have with us.

The Group generated a total of 85,939,740 kWh, a turnover of Rs. 1,317.8 Mn and a profit after tax of Rs. 960.1 Mn which just fell short of our target of Rs. 1 Bn. Power generation did decline by 3.9% this year from last year's 89,381,797 kWh due to challenges faced during drought conditions, but this factor obviously did not impact turnover nor profitability negatively as the Company posted a 23.75% increase in turnover and 43.93% increase in profitability over last year due to the positive impact of tariff revision. Net profit margin for the Group saw a change of 75% this year over last year's 63% and EBITDA for the Group stood at an impressive Rs. 1,199 Mn, against Rs. 919 Mn in 2013/14.

MANAGEMENT DISCUSSION AND ANALYSIS

All our plants are now fully operational and contributing constructively to our bottom line. Erathna generated a total of 43,528,136 kWh of electricity this year marginally lower than last year, as did Denawaka Ganga, which also generated a total of 25,954,413 kWh, also marginally lower than last year. Kiriwaneliya however did generate relatively less kilowatt hours than last year, generating 16,457,191 kWh compared to last year's 19,147,676 kWh. All three hydropower projects did however post significant increases in turnover, with Erathna posting a turnover of Rs. 662.23 Mn, Denawaka Ganga Rs. 397.75 Mn and Kiriwaneliya notching Rs. 257.95 Mn.

Erathna posted a 110% change in net profit margin, compared to 94% detailed last year due to the other income generated from the divestment of investment in The Fortress Resort PLC other than to the tariff increase. Meanwhile, Erathna's profit before tax this year moved a considerable 55% upwards to Rs. 782 Mn upwards as did Denawaka Ganga's profit before tax to stand at Rs. 261 Mn, a 69% increase. Kiriwaneliya had a 49% increase to Rs. 175.5 Mn, all of which augur well for the financial stability being reflected in the short to medium term and a definite consistency in performance in the longer term. Similar impressive increases were notched in profit after tax figures as well, with Erathna having a 50% increase over last year to post Rs. 731.2 Mn, Country Energy a noteworthy 62% increase to notch Rs. 432.3 Mn.

The Group's gearing ratio has decreased this year to 24.8% from last year's 30.9%, while shareholders' funds did increase to Rs. 2,148 Mn from Rs. 1,998 Mn. With stakeholder responsibility and consciousness being high on our agenda, wealth creation for our shareholders too remain a top priority. For the first time in our eleven year history, the total dividend paid this year was unprecedented. The increase in dividends paid by VPEL is 67%, while Country Energy posted a dividend increase of an impressive 150% and both affected to the Group, equally significant 71%. The total dividend paid by the Company is Rs. 747,109,731 and Country Energy paid a dividend amounting to Rs. 223,125,000. Due to the tax exemption on dividend yet in force, VPEL's dividend was not taxed, although from next year, dividend will be subject to tax. Country Energy's dividend however was taxed at 10%. Therefore Dividend distributed by Country Energy was taxed to the Group.

In a nutshell, the Group's installed capacity which stands at a total 21.85 MW is contributed with 10 MW by Erathna, 4.65 MW by Kiriwaneliya and Denawaka Ganga with 7.2 MW. The annual estimated generation from these three hydropower projects is 40 GWh by Erathna, 25 GWh by Denawaka Ganga and 16 GWh by Kiriwaneliya, totalling 81 GWh by the Group.

We did experience an average of a 29% increase in tariffs paid by CEB, where Rs. 15.90 was paid during the dry season and Rs. 14.87 for the wet season per kWh, compared to Rs. 12.31 and Rs. 11.61 paid last year for dry and wet seasons respectively. While both Erathna and Denawaka Ganga experienced increases of 9% and 14% respectively in generations during the dry season, posting 4,181,460 kWh and 3,261,178 kWh, Kiriwaneliya went negative at 37%, generated only 1,867,302 kWh this year compared to last year's 2,974,819 kWh. This did impact the Group's dry season generation which saw a decline of 4% to stand at 9,309,940 kWh. In the wet season, all three projects and hence the Group was impacted negatively, decreasing 2%, 4% and 10% for Erathna, Denawaka Ganga and Kiriwaneliya respectively which were 39,346,676 kWh for Erathna, 22,693,235 kWh for Denawaka Ganga and 14,589,889 kWh for Kiriwaneliya in 2014/15, with the Group experiencing a decline of 4% to stand at 76,629,800 kWh for this season.

Similar percentages were experienced in CO2 emissions as well, at 1%, 2% and 14% for Erathna, Denawaka Ganga and Kiriwaneliya. The Group had a 4% decline in CO2 emission, although less than last year, yet it is a positive impact for our ultimate goal of reducing our carbon footprint and acting responsibly for environmental stewardship.

Accolades and Best Practices

Our constant quest to improve the bar has seen VPEL continually work on developing and improving the best practices and standards we have been infusing into our systems, processes and mindset since inception. The quality culture we have within the Company focuses heavily on ecological sustainability which led us to gain an unprecedented two ISO certifications, ISO 9001:2008 and ISO 14001:2004 back in February 2014. The very first Annual Surveillance Audit held in January 2015 was extremely successful and resulted in the Company gaining accreditation from SGS Lanka (Pvt) Limited based on the stringent requirements imposed by SGS United Kingdom Limited.

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 18 months did require verification by the auditors, which were billed to cost an approximate US $15,000 per project. This high cost did not warrant the setting off of carbon credits as the possible revenue from sales is about 30% of the cost of verification due to very low spot market price. For better viability therefore, a prudent decision was taken to accumulate a reasonable volume of CERs and verify these under the banner of a singular entity, which would at least cover the cost incurred for the process.

Improving further on the systems and processes we have established, Japanese 5S system at VPEL to further streamline administrative and office procedures.

Our uncompromising focus on governance and compliance gave us further kudos this year when our Annual Report won the Silver Award in the Power & Energy Sector at the 50th Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. The Company was conferred the Gold Award in this sector in 2012 and the Silver in 2013.

Pursuing our Ecological Mindset

Being placed as a corporate steward and a benchmarked leader in our industry, we take our responsibility of playing a pivotal role in Sri Lanka's energy landscape very seriously. Constantly maintaining 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. This means that 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 wind initially given its huge potential in the open landscape of the country's rural environs.

We will undoubtedly be the spearhead in championing ecologically friendly sustainable energy solutions for the nation. This will be done by harnessing the resources we possess, infusing state of the art technology and know how to upgrade the skills and knowledge of our team and urging them to use these resources responsibly. We will continue to ensure that our projects will ultimately impact positively on the negatives of climate change by reducing our ecological footprint and pushing for greener cleaner energy options.

FINANCIAL REVIEW

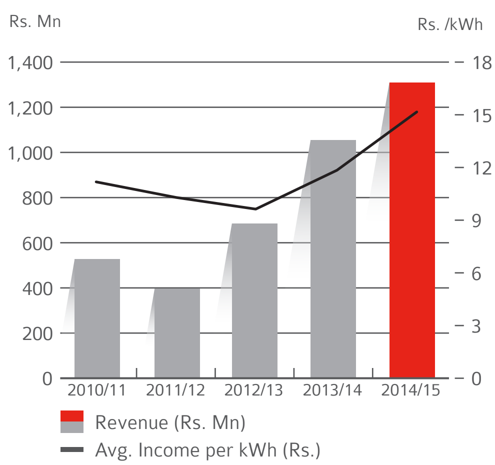
Overview

From a financial performance perspective, the Group, together with the three mini hydropower projects have performed well, showing considerable growth paradigms, despite facing some setbacks during the first half of the year due to drought conditions being experienced.

Financial Performance

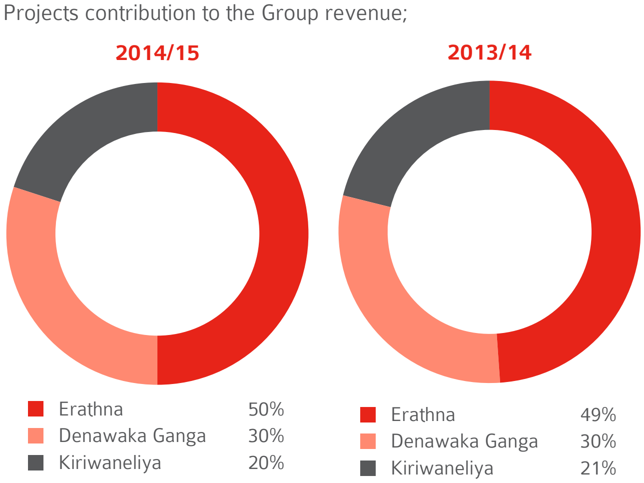
Group Revenue

Group Revenue increased by 24% to Rs. 1,318 Mn compared to Rs. 1,065 Mn of last year. This was mainly due to the positive impact of the tariff revision from Rs.12.31 to 15.90 for the dry season and Rs. 11.61 to Rs.14.87 for the wet season.



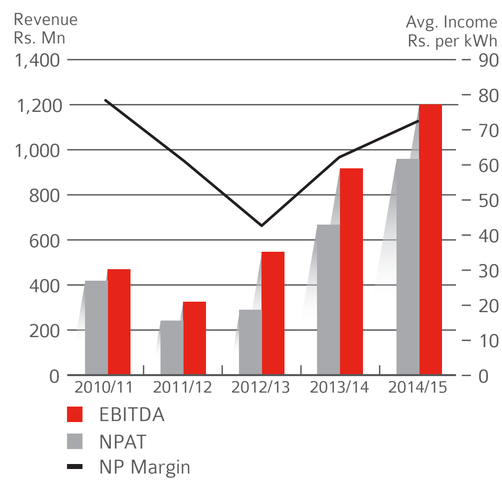
Erathna increased its revenue by 27% to Rs. 662.2 Mn this year, from Rs. 519.7 posted last year, while Denawaka Ganga saw growth of 25% this year to post revenue of Rs. 397.7 Mn, which last year stood at Rs. 317.8 Mn. Kiriwaneliya posted revenue of Rs. 257.9 Mn, which is 13% growth compared to last year's Rs. 227.5 Mn.

Projects contribution to the Group revenue;



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

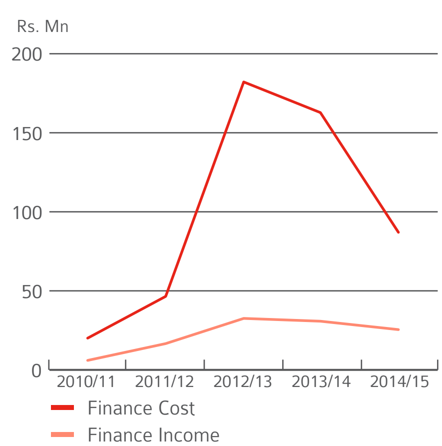
Net profit after tax for the Group was detailed at a growth of 44%, standing at Rs. 960.1 Mn, compared to last year's Rs. 667.1 Mn while EBITDA increased by 30% from Rs. 919 Mn to Rs. 1,199 Mn. This resulted from an increase observed in the operating cash flow position of the Group, gain from the disposal of investment in The Fortress Resort PLC and the impact of reducing bank lending rates as well.



Accordingly net profit margin accelerated from 63% to 73% compared to last year.

Net Finance Cost

The Group's Finance Cost and Finance Income declined by 46% from Rs. 163 Mn to Rs.87 Mn and by 13% from Rs. 30 Mn to Rs. 26 Mn respectively. This was an impact of declined lending rates, deposit rates and maturing of borrowings obtained by the Company.

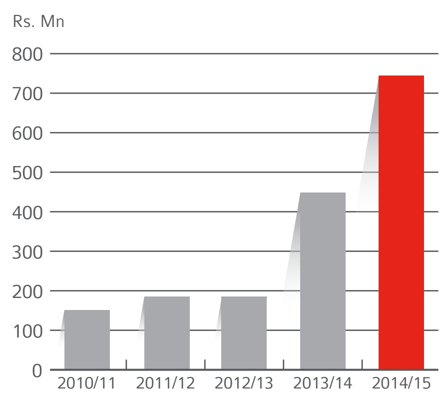


Taxation

Total tax expense of the Group this year increased, from Rs. 21.7 Mn to Rs. 82.2 Mn. The end of the tax holiday enjoyed by the Company and tax on dividend distributed by the Subsidiary were costs incurred to the Group.

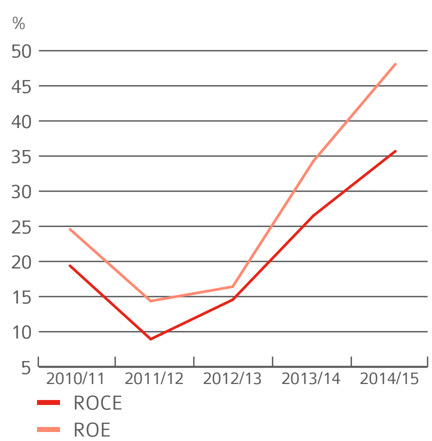
Dividend

The Company paid two interim dividends during the year amounting to a total of Rs. 747,109,731, the highest dividend paid by the Company since inception. This was a 67% increase over last year's dividend payout of Rs. 448,265,839.



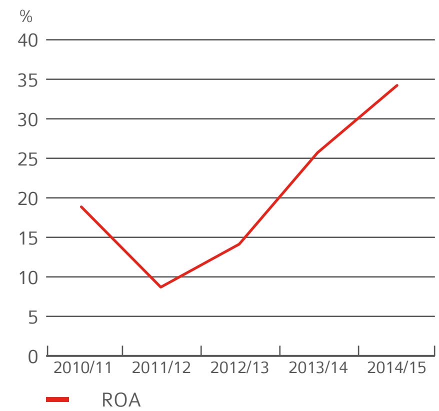
Return on Capital Employed (ROCE) and Return on Equity (ROE)

ROCE and ROE has increased to due to the cumulative effect of overall performance of operations and reduction of long-term borrowings of the Group. The rates are 36% and 49% respectively, compared to last year 27% and 34%.



Return on Assets (ROA)

Group's assets were utilised more efficiently during the year, seeing ROA is increasing to 35% from 26% compared to last year.

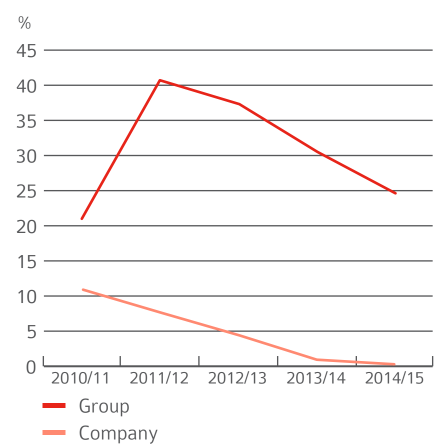


Financial Position

Group's Capital Structure

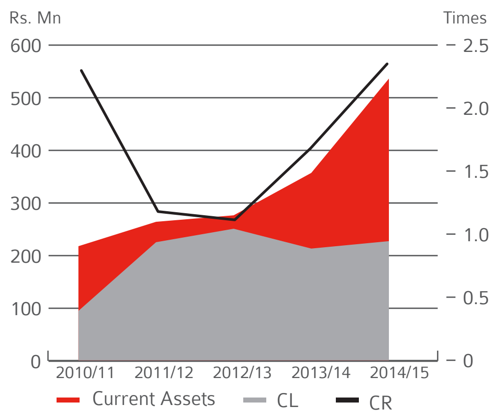
The Shareholders funds of the Group increased to Rs. 2,148 Mn from Rs. 1,998 Mn, while overall borrowings declined to Rs. 759 Mn from Rs. 947 Mn, showcasing the Group's stability.

Accordingly, the Group's Gearing is reduced to 25% from 31%. The Company's Gearing is nil.



Group's Working Capital and Current Ratio

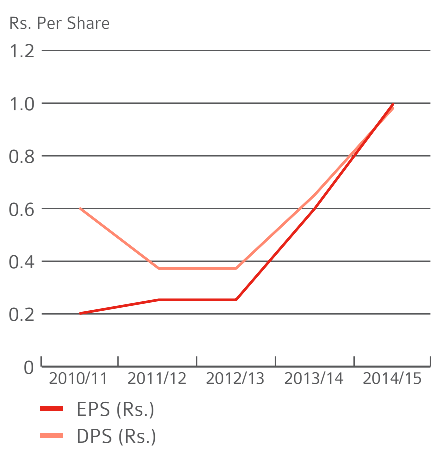
Working capital of the Group increased to Rs. 311 Mn from Rs.145 Mn compared to last year, which improves the short-term liquidity position. It was mainly due to the increase of trade receivables and short-term deposits. This detailed an increase of the current ratio as well from 1.7 times to 2.4 times.



Performance of The Share

Earnings Per Share and Dividend Per Share

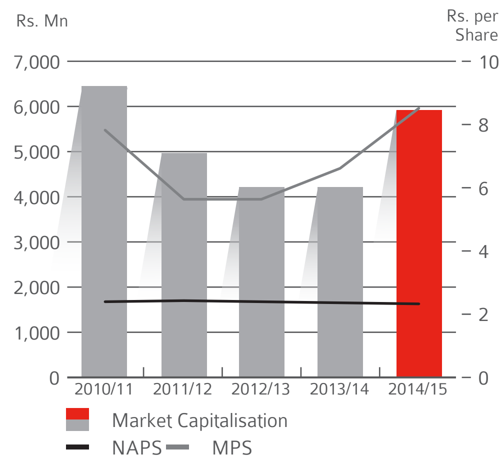
Both the EPS and DPS of the Company increased by 50% and 67% respectively. This increased EPS reflects performance during the year, transferred to shareholders of the Company by way of dividend.



Net Assets Per Share and Market Price

The Company had net assets per share at Rs. 2.47, which remains at a similar level to last year's Rs. 2.51 of last year.

The Company's share price closed at Rs. 7.90, compared to Rs. 5.60 of last year which forced an increase of the market capitalisation of the Company to Rs. 5.9 bn.



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.

SUSTAINABILITY REPORT

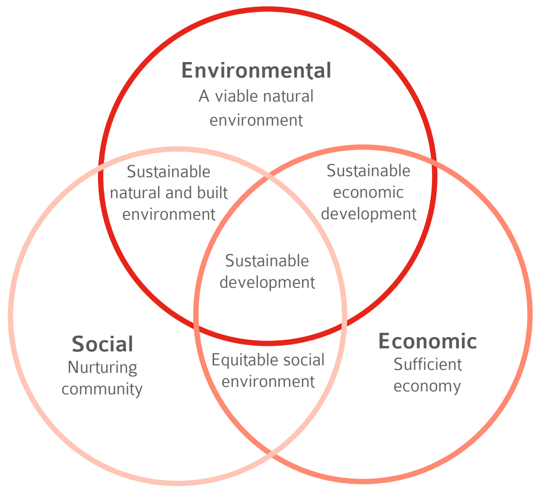
We have been pursuing our passion for sustainable energy solutions ever since our inception. Each of our initiatives have been about making the planet a better place, realising that fossil fuels are depleting faster than envisaged and remnants of irresponsible usage and unchecked development continue to take its toll on the planet and the humanity living on it. We also realise that responsible usage of energy and resources must be the solution to ensure we have a sustainable planet and even though around the world, this may seem like a very challenging task, our belief is that if each of us take responsibility to make a conscious effort to make the planet a better place, as people living on this earth, we can allow our future generations to have a healthy planet to live on.

At Vallibel Power Erathna, promoting a sustainable planet is a collective effort. As a Group, we work on a concept of ownership for our actions and bring together each of our stakeholders to encourage commitment from our shareholders, our team and our communities, gaining direction from Industry stakeholders and decision makers as well. Our business ethos is constructed on a foundation of developing and producing clean energy options, ensuring that our business is economically sustainable and creating wealth for our shareholders, while as a responsible corporate steward we continue to add value to the industry and to our team. Our communities must benefit from our presence, where our green energy policies, social sustainability and commitment to the environment will permeate their lifestyles positively.

About this Sustainability Report

Having already worked on three sustainability reports based on self assessed GRI guidelines for reporting, we do believe our stakeholders are now able to decipher comprehensively the qualitative and quantitative features in our sustainability story. We continue to articulate our decisions, impacts and actions clearly under the overarching umbrella of sustainability that runs through our organisation. Our unwavering principles of being a company that is transparent and accountable for what we do, remains compliant within all accepted norms, instituting best practices whenever and wherever possible and ensuring that our quest for clean renewable energy sources continues unabated and with no compromise, lying deep within the recesses of our sustainability mindset.

Our reporting process therefore focusing on GRI standards and the triple bottom line is based on the underlying operating principles we have infused in our daily operations. The clearly laid down guidelines have also enabled us to look inwardly at ourselves, identify our weaknesses and be alert to threats emerging in the external milieu, hone our strengths and ready ourselves to the opportunities that continue to develop in our business. This sustainability report therefore details our achievements, strategic decisions, value addition and the solutions we have instituted over the last year in our quest for clean energy solutions that would reduce our carbon footprint and prompt a cleaner healthier planet.



Reporting Standards

This report gives in detail a comprehensive outlook on the way we do business and how we impact our stakeholders based on the Global Reporting Initiative guidelines to ensure a more transparent and accountable concept. While compiling this report, we have striven to ensure thoroughness and clarity, while maintaining absolute truthfulness. You will also observe that we have gone beyond diktats required by regulatory bodies and compliance standards to ensure that our sustainability initiatives are always above expectation.

We continue to be very cognizant of and strictly adhere to all regulatory mandates including those of the Central Environmental Authority and the Ministry of Power & Energy, while also adhering to regulations and guidelines laid down by accounting, governance, monitoring and controlling bodies.

The report covers the Company's performance and operations for the year upto March 31st 2015 and indicates, wherever possible, qualitative descriptions and quantitative metrics which will further augment our claims. Financial information is reported in SL Rupees.

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

Materiality Analysis

Each of the features within this report is highlighted due to its materiality to the Company and the industry we function in. By identifying economic, social and environmental issues that will impact our stakeholders and the Company, we have been able to clearly articulate the significant current or future impacts these issue would have on our Company and our operations. By observing paradigms that are currently in place or in envisaging those that may arise in our business and operating environment, while taking into account stakeholder expectations and concerns fuelled through constant stakeholder engagement, we have been able to work on a comprehensive foundation for the sustainability of our business.

A Letter from Joint CEOs

"Our primary focus in ensuring a sustainable business, is in meeting the aspirations of our stakeholders. This means we must develop and establish eco-friendly cost effective sustainable solutions for energy, instituting effective resource management, optimising operational efficiencies and acquiring new and renewable energy opportunities that continue to emerge in the global energy landscape.

Energy continues to be vital to national development; however, it is also vital that our corporate focus needs to balance energy utilisation with rapid national development, ensuring that the resources we use in this process is utilised with perspicacity and wisdom. We are proud that the overarching tenet in our entire business ethos is constructed on astutely balancing national development with the energy resources being used to moot this national development. We also cannot get away from the fact that we are making our planet unhealthy as is evidenced by the continually widening gap between the rich and poor, natural disasters triggering climate change, food security becoming a major pandemic as are emerging new diseases which claim life and limb with no discrimination and that man-made wars and worldwide greed takes an unseemly toll on natural resources, with little or nothing being replenished.

We are an island that fortunately yet remains somewhat unscathed by the impacts of climate change although, rapidly changing weather patterns and uncurbed and unplanned development strategies with scant regard for environmental degradation is beginning to spur unhealthy signs. As a responsible corporate steward and an industry leader in the energy industry, we have a bounden responsibility to cascade our best practices, as we did last year by sharing knowledge with the Seychelles, to encourage ownership through our team and communities to spread the message of preserving our environment and be conscious of our carbon footprint and become the standard bearer for cleaner energy options for our country and the region. "

A R De Zilva
Jt. CEO

A K Dheerasinghe
Jt. CEO

Sustainability Strategy

We are focused to meet the aspirations of all our stakeholders by 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

We are committed to addressing sustainability challenges, that of balancing economic growth, social development and environmental conservation and protection to ensure that we leave a thriving planet earth for future generations.

Our corporate mindset is well aligned to instituting eco-friendly energy options that have a cascading feature of ensuring a better quality of life for the people of this nation. We strongly believe that we hold the key to empowering Sri Lankans with our sustainable power solutions.

The architects of our Sustainability Strategy are the Company's top policy makers, the Chairman and Board of Directors who task Top Management and our professional team with driving the strategy. Into this, we also imbue a culture that relentlessly pursues our vision, reaffirming our commitment to the fundamentals of sustainability.

Stakeholder Engagement and Profile

Stakeholders remain the foundation upon which our Sustainability Strategy is constructed upon. It is they who spur dialogue, discussion, questions, highlight issues and prompt solutions that could impact them individually or collectively. 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. One of our positive factors in our engagement process however is the fact that we make the engagement process a proactive and interactive one. The industry we work in can be challenging, ambivalent even, which means we must respond to our stakeholders speedily, accountably and with transparency to any issues that may arise. We must also be very cognizant of the emerging and transforming requirements, aspirations and expectations of each of our stakeholder segments, being mindful of their concerns and be with effective responses.

Our corporate mindset is well aligned to instituting eco-friendly energy options that have a cascading feature of ensuring a better quality of life for the people of this nation. We strongly believe that we hold the key to empowering Sri Lankans with our sustainable power solutions.

Our engagement dynamics are manifold and very regular, sometimes collectively and sometimes individually. We are always open to suggestions, ideas and criticism at any time believing that by improving our business astutely, not only our business but our stakeholders too will optimise on advantages. Internal and external one-on-one and group meetings and briefings, annual general meetings, teleconferences or email using Intranet whenever necessary, community meetings, speaking at focus groups and via publications and other mandatory meetings as required by the Colombo Stock Exchange or Industry Bodies are all part of our engagement process. We do acknowledge however that seamless dialogue processes are challenging and in some cases impractical and have thus begun instituting strategies that will enable us to listen and respond more effectively even through informal engagement processes.

Projects in Operation

The core of Vallibel Power is hydropower – a recognised renewable resource for the generation of electricity. Our vision is to be a significant producer of clean energy for the sustainable economic development of Sri Lanka and while keeping that on the horizon, conserving nature and recognizing the importance of clean air. Every unit of electricity generated by us will result in the reduction of CO2 emissions and with the CDM registration of the Kiriwaneliya and Denawaka Ganga plants and the ISO 9001:2008 and 14001:2004 certifications of our plants as well, this can be made tangible.

The Erathna mini hydropower plant is a run-of-the-river hydro plant located in Ratnapura using water from the Kuru Ganga. We generate approximately 40GWh of energy each year, supporting the state power generation utility in improving the energy mix and providing for the sustainable development of the national energy sector.

State-of-the-art technology powered by Voith Siemens machinery make up our solid infrastructure comprising of two turbines with an installed capacity of 5.15 MWs each and two generators with capacity of 5.6 MW each. We also adhere strictly to the Government mandates detailed by the Central Environmental Authority and the Ministry of Power & Energy in complying to policies, regulations and standards.

Denawaka Ganga mini hydropower Project, also a run-of-river mini hydropower project has an installed capacity of 7.2 MW and was commissioned in February 2012. Located in Malwala, in the Rathnapura Divisional secretariat of the Rathnapura District, the plant uses the water flow of the Denawaka Ganga, a main tributary of the Kalu Ganga. The plant continues to generate in excess of 25 GWh, seeing a reduction of 16,222 metric tonnes of CO2 this year. The project comprises a diversion weir, headrace channel, forebay tank, penstocks, powerhouse, tailrace and switchyard.

The Kiriwaneliya mini hydropower Project with its installed capacity of 4.65 MW and expected power generation of 16 GWh, also runs on the concept of run-of-river. Commissioned in December 2011, the Project is utilises water from the Maskeli Oya to generate electricity, which is delivered to the Ceylon Electricity Board's National Grid. The Kiriwaneliya project seeing a reduction of 10,286 metric tonnes of CO2 this year. 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 the dry periods of the year.

Both these projects are developed through Country Energy (Pvt) Limited, a Subsidiary of Vallibel Power Erathna PLC.

Promise in 2013/14	Delivery in 2014/15
81 GWh to National Grid	85.9 GWh contributed to National Grid
Gained ISO 9001:2008	Annual Surveillance Audit completed
Gained ISO 14001:2004	Annual Surveillance Audit completed
Registered for Carbon Credits	18 months CER ready for set off

Economic Highlights

Group power generation exceeded
85.9 GWh

Group turnover exceeded
Rs. 1.3 Bn

Rs. 960.1 Mn
in Group net earnings

Rs. 70.1 Mn
Paid as taxes

Rs. 747.1 Mn
Paid as dividends

Economic Impact

We maintain our industry leadership status in power generation via mini hydropower as can be seen in producing a total of 85.9 GWh during the year of the 1,215 GWh produced this year as declared by the Central Bank of Sri Lanka for the Non-Conventional Renewable Energy (NCRE) sources. Our installed capacity of 21.85 MW running across the Group, is also impressive given that the mini hydropower projects in the country has a total installed capacity of 291 MW.

All three plants are now fully operational but had to contend with drought conditions in the first half of the year, which did impact generation capacity, seeing us contribute 85,939,740 kWh to the national grid, a 4% decline from last year. It is however to be noted that despite the setback, our contribution via our mini hydropower projects has enabled the country to save a significant amount of foreign exchange which would otherwise have been expended on fossil fuels.

We continued our record breaking performance yet again this year, posting the best results since inception. Having exceeded the Rs. 1 Bn turnover last year, this year we continued the upward trajectory posting a turnover of Rs. 1.3 Bn, a 23.75% increase over last year. The Erathna plant did not disappoint this year either, moving upwards once again to post the highest turnover among our three plants at Rs. 662.2 Mn compared to last year's Rs. 519.7 Mn. Profit after tax too pushed its way upwards on an impressive increase of 43% to stand at Rs. 960 Mn, compared to Rs. 667 Mn posted last year.

Our shareholders will undoubtedly be most pleased with our quantitative performance given that we really cemented our strategy for wealth creation this year, making two dividend payments during the year, the highest ever dividend paid by the Group. The total payout was Rs. 747.1 Mn, an impressive 71% increase over last year's Rs. 448.2. In pursuing sustainable investor relations therefore, our interim dividend payouts were Rs. 0.50 per share collating a total of Rs. 373.5 Mn in October of 2014 and Rs. 0.50 pre share making up a total of Rs. 373.5 Mn paid end February 2015.

Similarly Group EBITDA gained even further ground, posted at Rs. 1,199 Mn and Shareholders' Funds increased to Rs. 2,148, from the Rs. 1,998 Mn detailed last year. Our sound policies on compliance and in believing strongly that as a corporate steward our taxation must be transparent in its declaration and also be the means upon which the country continues to develop its national development plan, saw us contribute Rs. 70.1 Mn to the National Treasury by way of taxation.

The focus on governance has pushed us to maintain a corporate culture that goes beyond compliance. All information published for stakeholder perusal is timely, accurate and comprehensive, with no ambiguity. Our governance practices stringently comply with regulations and diktats over and above the requirement, for which we were amply rewarded with a Silver Award in the Power & Energy Sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. We have been continually winning awards within this category, having won Gold and Silver in prior years.

Quarterly Financial Statements continue to be published well within the stipulated time frames, while the Company website is also a comprehensive channel that presents the latest quantitative and qualitative information to interested stakeholders. Wherever necessary, we use mass media channels for maximum coverage of new initiatives, new ventures and new developments. Annual General Meetings are forums designed for maximum participation in which the Annual Report and Financial Statements is used to disseminate information to stakeholders on both present and future plans, progress and performance.

Focused on Quality

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, reiterating unequivocally our commitment to quality. Our quality mindset runs through the entirety of the Company and in fact is a vital feature in our HR interventions with the team. The importance of quality is built into the recruitment, retention, 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.

This emphasis on quality has infused tangible results into our performance platform. 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. We are also able to work on a progressive SWOT analysis of the Group, doing this at regular intervals to enable us gain a realistic perspective of our strengths, weaknesses, opportunities and threats.

The quality certifications encompass both Vallibel Power Erathna PLC and its Subsidiary, Country Energy (Pvt) Ltd, which were certified by SGS United Kingdom Ltd. The systems now permeate across all three power plants, namely Erathna, Kiriwaneliya and Denawaka Ganga.

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."

Environmental Highlights

53,712 MT reduction in CO_2 emissions
85.9 GWh of emission free power
Zero Fuel Emissions into river waters
68 trees planted to increase forest cover this year

Environmental Impact

With climate change triggered by global warming now more a reality than an exception, it is an international challenge that is being discussed and acted upon at world leader levels, as can be seen in the Climate Change Summit to be held in Paris in December in 2015, where there is urgency for the commitment of all 196 nations to sign an agreement to end global warming. There is also a concerted effort to maintain global temperatures at an increase of 2 degrees celcius at least for the next three decades. This is undoubtedly a challenge given the rapid unplanned development that continues unabated around the world, developed countries paying scant regard for the impact the fallout of their carbon emissions have on developing and poorer countries, unchecked plundering of natural resources especially from economically poorer countries gaining momentum and brutal terrorism spurring the use of newer more harmful weapons taking its toll on the environment.

These global problems may see massive and almost non-resolvable issues, but as a corporate force engaged in an industry that does use a natural resource in a quest for encouraging a cleaner planet, we acknowledge that we must start somewhere to reduce impacts of climate change and carbon footprint.

While our plants use completely environmentally friendly practices to produce clean energy which transferred to the national grid to serve the nation's energy requirements, we extend our green consciousness across the Group culture. Our daily operations, whether in our plants or administrative offices, instill a responsible mindset among our team, prompting energy and water conservation initiatives and the 3R concept instituted for paper used through the Group's offices. Our project to increase forest cover by expanding the country's green cover also continues with a total of 378 trees now added to Sri Lanka's ecological footprint and a definite advantage to the reduction in CO_2 emissions due to the green cover being added to.

With our plants now successfully registered CDM projects, we are able to set off our CO_2 emissions against the country's footprint. We reduced our carbon emissions this year to 53,712 metric tonnes, slightly less than last year's 55,864 and while we were prepared to set off our carbon credits, did come across a hurdle which we had to circumvent. Having accumulated CERs for 18 months, the verification cost of US $15,000 per project did not seem feasible at this point as the possible revenue from sales would only cover about 30% of the cost of verification. This has therefore prompted us to look at an alternative route to set off the CERs. We are pursuing the avenue of accumulating a reasonable volume of CERs which can be verified as a single lot rather than two, 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.

Our team and communities form an integral facet in our sustainability concept as the end result of producing clean energy options must be a sustainable benefit to be enjoyed by all stakeholders. In using the resources for alternative energy sources, we remain cognizant that the resources we use must be used with respect and responsibility. We enjoy the interventions and engagement we have with our team and our community, working on initiatives that will uplift and empower them. This in turn enables them to contribute towards national development, uplift their economies and improve their lifestyles.

Health & Safety Policy

A safe work environment is paramount to fuel above par performance and this we use as an integral tool that will optimise productivity and maximise efficiencies. Our plants and offices have ingrained health and safety initiatives aligned with international norms and standards required for occupational health and safety of our team, visitors and suppliers visiting our sites. This, we believe, prompts a good work-life balance and permeates a strong safety culture into our working environment.

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.

Our Motivated Team

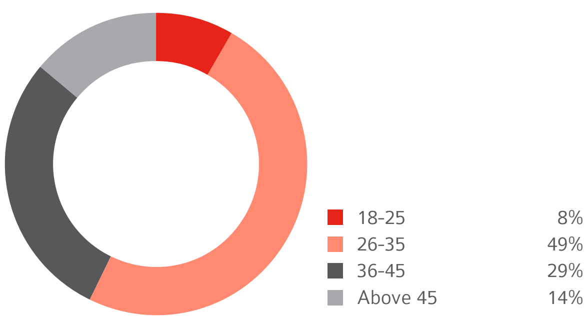
Our team infuses an extraordinary dose of passion into our business. Their professionalism, motivation and dynamism in ensuring that we meet forecasts, while also overcoming the numerous challenges we encounter, has seen this team empowered to take decisions that give credence to our long term strategies. Working on a performance based culture, VPEL undoubtedly has grown to become a great place to work, incorporating a work culture where performance excellence enables them to continue bettering their personal goals and career aspirations. We value commitment, integrity, creativity, innovation, agility, flexibility and individual development as a means for collective improvement, which cascades to collective performance and a tangible quantitative reflection in our triple bottom line.

We also want our team to gain ownership into our corporate values, brand promise and philosophy of continuing to seek green clean energy sources, pushing them to move beyond boundaries, while remaining focused on a singular vision of making a difference.
In turn, we know that our professional team values work ethic, principles and honesty constructed on a firm and unwavering belief that we will pursue our clean energy solutions ethos.

Our highly skilled individuals are recruited through a comprehensive recruitment procedure, worked first through public placement of vacancy notices and transparent interview procedures following from there. We imbue them into a continuous knowledge gaining culture, well facilitated through both technical and academic training and development programmes. We encourage the furtherance of higher professional and academic studies too. As a result, we experience our team breaking boundaries, raising the bar, continually innovating and demanding new horizons to conquer.

In an age analysis, the largest age group within the organisation is in the 26 to 35 years of age category, comprising 53, while the 36 to 45, has 31, which means we have a young blooded team that's highly motivated and thirsting for extra knowledge. The largest 26 to 35 age group is recruited totally from the surrounding communities, heralding well empowered communities who have now become contributing members to the national economy.

Employee Age Analysis

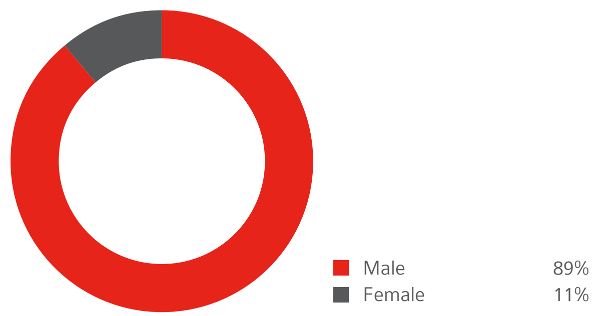


Recruitment

Our HR Policy is constructed on a platform of meritocracy and equality, where we do not condone child labour or underage labour, nor do we discriminate on class, gender, ethnicity, caste, religion, culture or age. Complying stringently with all labour diktats 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.

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. Maintaining gender equality is challenging given the nature of our industry as male team members are better suited to the demands made from the job. However, whenever we strongly believe that females can be recruited to certain areas of employment, providing the work required is not exhaustive, physically demanding or requires them to work in difficult time frames or adverse to cultural norms, we will make it a point to practice equality in whatever form.

Employee Gender Analysis



The new policy that was added to our recruitment framework last year continues. We now recruit at least one differently abled individual from and for each site from the surrounding localities where our plants are situated, cementing our pledge to be a non-discriminatory employer, well aware of special needs and abilities of people, committed to empower all segments of the community.

Training and Development

Training and developing our team is imperative to equip our team with the appropriate skills and tools to meet the needs of an evolving industry. The encouragement we continue to give our team to augment their knowledge levels giving us a unique status of having nearly our entire team professionally or academically qualified, while some have skilled qualifications. Training and development in turn is mapped to be aligned not only with apt industry requirements but also with the Company strategy and our team's individual career aspirations.

Most of our T&D programmes are on-the-job, supported by workshops and seminars for specialised competencies. 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.

A comprehensive orientation is conducted for new recruits, as laid down in our HR guidelines. Recruits from surrounding communities 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.

The followings are few of the T & D Programmes offered for our employees.

- Maintenance of mini hydropower plants conducted by the Institute of Industrial Techno-Management .
- Managing Multiple Tasks, Objectives and Deadlines conducted by McQuire Rens & Jones (Pvt) Ltd.
- NLP training program conducted by Mind Designs International Institute of Neuro–Linguistic programming.

Prompting Work/Life Balance

Our top down approach and commitment to ensuring a healthy work life balance is well entrenched in our HR policy and strategy where we engage our team to constantly spearhead dialogue with management. At VPEL, we do not veer from this balance, going a step further in requesting our team members to have open dialogue with the management with any concerns or issues that can enhance the work-life balance we already possess. We have seen tangible results emanating from this emphasis, where higher productivity, loyalty and commitment to the workplace, in addition to enhanced teamwork being observed. We have also seen our team members take ownership to our vision and instil a sense of belonging into the organisation.

Ours is a team built on camaraderie, team spirit and entrepreneurial spark which can only be attained if they can be comfortable with each other. That common bond of understanding is what we strive to strengthen and that is done through celebrating all major religious festivals, getting our team together for annual Company outings and other ancillary events and bringing their families too into the fray, whenever possible.

One of our most exciting team events is the Inter-site staff cricket tournament, which was started last year and will continue annually. This year, the Seevali Public Ground in Ratnapura had six teams representing all mini hydropower projects at the Eleven-a-side league cricket tournament. Awards were presented for the Best Batsman and Best Bowler as well to fuel further exhilaration to the event, which saw the participation of all team ranks, including senior management.

However, work-life balance is also about tangible rewards. While remuneration is based on industry norms and statutory benefits are mandatory, we add value to this through incentives for good performance and initiative for leadership, innovation and decision making. A well entrenched Performance Evaluation forms the basis for annual assessments, upon which remuneration is qualified.

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

- Refurbishment of Erathna Hospital and Erathna School
- Water tanks to Medirigiriya village in Polonnaruwa District

With our communities being the fuel that adds energy into our journey ahead, we are most keen that they are uplifted and empowered to take the next step into a journey and that can be challenging as well as rewarding. We worked on our community platforms that we have been focusing on, from education, to health to access to water. Each of our mini hydropower projects operates with their individual communities, engaging with them and finding out their priorities. Resultant to this, we worked with our communities on initiatives that would retain a sustainability dynamic.

On the education platform, we presented a Laptop computer to a Technical College student to ensure that further studies will not be hampered but rather value added, refurbished Erathna Maha Vidyalaya, presented stationery to Gallella Maha Vidyalaya and Malwala Navodya Maha Vidyalaya and school bags to Nethmini Pre-School in Durekanda and supported the Sports Meet at Vidulipura Vidyalaya, Kiriwaneliya. Always cognizant of ensuring that our team members and their families must not only be contented in their workplace but also have the comfort that their workplace is a supportive one, prompted us to assist the cancer surgery that was performed on the spouse of one of our team members.

We also refurbished the Erathna hospital. Giving access to water for our communities this year was initiated with the presentation of hardware items for the water supply project at Sanasa Village in Durekanda and in providing water tanks for villagers afflicted by drought in Medirigiriya, Polonnaruwa.

FINACIAL REPORTS

FINANCIAL CALENDAR

Interim Report - 1st Quarter	30th July 2014
Disposal of Investment in The Fortress Resorts PLC	11th September 2014
Rs. 0.50 per share (tax free) interim dividend for the financial year 2014/15	07th October 2014
Interim Report - 2nd Quarter	29th October 2014
Interim Report - 3rd Quarter	05th February 2015
Rs. 0.50 per share (tax free) interim dividend for the financial year 2014/15	27th February 2015
Interim Report - 4th Quarter	21st May 2015
Annual Report 2014/15	21st May 2015
14th Annual General Meeting	26th June 2015

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 2015.

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 Message on pages 8 to 11 of the Annual Report. This report forms an integral part of the Annual Report of the Board of Directors.

Summarised Financial Position

The summarized financial position of the Company is as follows:

	2014/15 Rs. '000	2013/14 Rs. '000
Profit brought forward	692,059	653,120
Net Profit for the Year	731,212	486,936
Other Comprehensive Income/(loss)		
Recognized in the accumulated profit	(1,820)	278
Dividends	(747,110)	(448,265)
Profit carried forward	674,341	692,059

The Financial Statements of the Company and the Group are given in pages 50 to 86 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 are included in this Annual Report and form part and parcel hereof.

Auditors' Report

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

Stated Capital

The Stated Capital as at 31st March 2015 was Rs. 1,174,365,278/-.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 56 to 69 and are consistent with those of the previous period.

Reserves

The Revenue Reserves of the Company stand at 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 14th July 2014. Presently the Company is liable for income tax arising from the business of the generation of hydro power 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 (tax-free) for the financial year 2014/15 which were paid on 07th October 2014 and 27th February 2015 .

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

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 442,942/- details of which are given in Note 3 to the Financial Statements on page 70 of the Annual Report.

Property, Plant & Equipment

The movement in property, plant and equipment of the Company are given in Note 3 to the Financial Statements on Page 70 of the Annual Report.

Shareholdings

As at 31st March 2015 there were 4,110 registered shareholders. The distribution of shareholders is indicated on pages 90 and 91 of the Annual Report.

Share Information

Information on share trading is given on page 91 of the Annual Report.

Directorate

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 12 to 14 of the Annual Report.

Mr. K D D Perera (Chairman)
Mr. S H Amarasekera
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S E De Silva (resigned w.e.f. 15th November 2014)
Mr. D S Clark (resigned w.e.f. 15th November 2014)
Mr. L D Dickman
Mr. S Shanmuganathan
Mr. P B Perera
Mr. C V Cabraal

Mr. H Somashantha, Mr. L D Dickman and Mr. S Shanmuganathan 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
Mr. S E De Silva (resigned w.e.f. 15th November 2014)

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' Holding

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

	As at 31st March 2015	As at 31st March 2014
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 in Note 17 to the Financial Statement on Page 83 of the Annual Report.

Land Holdings

The Company's land holdings referred to in Note 3 of the Financial Statements comprise a land (freehold) in extent of 5.5 and another land (leasehold) in extent of 5.1 acres in the Ratnapura District, which freehold land carries at its book value of Rs. 150,000,000/-. The Subsidiary Company's land holdings referred to in Note 3 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 freehold land carries at its book value of Rs. 657,762/-. Further it holds another land in the Nuwara Eliya District in extent of 3.9 acres of value of Rs. 25,316,657/-.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2015 are given in Note 4 to the Financial Statements on page 72 of the Annual Report.

Donations

The Company made donations amounting to 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 Risk Management on pages 19 and 20 of the Annual Report.

Corporate Governance

The report on Corporate Governance is given on pages 16 to 18 of the Annual Report.

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 reporting date, 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 2015 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. 612,260/-. (2013/14 – Rs.556,600/-). In addition they were paid Rs. 240,000/- by the Company for other professional services. 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 14th Annual General Meeting of the Company will be held at the Kingsbury Hotel, Colombo 1 on Friday, 26th day of June 2015 at 9.30 a.m. The Notice of the Annual General Meeting is on page 101 of this Report.

For and on behalf of the Board

S H Amarasekera
Director

L D Dickman
Director

P W Corporate Secretarial (Pvt) Limited
Secretaries

Colombo
21 May 2015

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... of the Annual Report.

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 50 to 86 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 date of financial position 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
21 May 2015

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

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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, 2015 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, 2015, 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, 2015, 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

21st May 2015
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
ASSETS					
Non-current assets					
Property, plant & equipment	3	933,656,468	966,192,392	2,525,481,540	2,606,197,214
Investments	4.1	821,619,980	900,534,200	-	78,914,220
Intangible assets	5	6,400,000	8,000,000	128,905,422	140,862,092
Deposit on leasehold land	6	-	-	4,500,000	4,500,000
		1,761,676,448	1,874,726,592	2,658,886,962	2,830,473,526
Current assets					
Trade & other receivables	7	74,970,741	32,029,726	150,089,606	87,827,031
Amount due from related parties	8	3,331,197	6,714,970	3,033,208	3,980,742
Short term investment	4.2	134,064,330	78,232,188	380,114,485	239,694,024
Cash and bank balances		1,628,059	5,330,690	4,712,742	26,373,105
		213,994,327	122,307,574	537,950,041	357,874,902
Total assets		1,975,670,775	1,997,034,166	3,196,837,003	3,188,348,428
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
Available for sale reserves		-	5,345,350	-	5,345,350
Accumulated profit		674,340,802	692,059,260	973,852,350	817,997,151
		1,848,706,080	1,871,769,888	2,148,217,628	1,997,707,779
Non-controlling interest		-	-	149,135,427	122,340,309
Total equity		1,848,706,080	1,871,769,888	2,297,353,055	2,120,048,088
Non current liabilities					
Borrowings	10	-	-	571,536,543	758,002,168
Retirement benefit obligations	11	13,069,956	9,058,502	16,505,158	11,629,161
Deferred tax liability	12	84,289,848	85,688,534	84,289,848	85,688,534
		97,359,804	94,747,036	672,331,549	855,319,863
Current liabilities					
Trade and other payables	13	15,982,788	15,089,676	25,627,907	22,692,738
Current portion of borrowings	10	-	15,254,231	187,342,575	189,297,739
Tax payables		13,622,103	173,335	14,181,917	989,999
		29,604,891	30,517,242	227,152,399	212,980,476
Total equity and liabilities		1,975,670,775	1,997,034,166	3,196,837,003	3,188,348,428

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

Yogesh Suriyapperuma
Head of Finance

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

Dhammika Perera
Chairman

L D Dickman
Director

The accounting policies and notes on pages 56 to 86 form an integral part of the Financial Statements.

21 May 2015, Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Revenue	14	662,227,073	519,775,264	1,317,931,031	1,064,991,104
Cost of sales		(51,078,700)	(46,811,375)	(146,847,352)	(135,718,353)
Gross profit		611,148,373	472,963,889	1,171,083,679	929,272,751
Other income	15	211,708,914	77,860,098	44,394,464	63,600
Administration expenses		(50,337,360)	(49,758,925)	(107,583,988)	(104,242,232)
Other operating expenses		(832,129)	(1,158,431)	(4,184,933)	(3,894,958)
Finance income		10,586,439	10,095,400	25,656,481	30,374,072
Finance cost	16	(272,847)	(7,007,896)	(87,023,623)	(162,716,232)
Profit before taxation	17	782,001,390	502,994,135	1,042,342,079	688,857,001
Tax expense	18.1	(50,789,691)	(16,068,215)	(82,249,802)	(21,746,243)
Net profit for the year		731,211,699	486,925,921	960,092,277	667,110,758
Attributable to:					
Equity holders of the parent		731,211,699	486,925,921	904,752,044	632,946,940
Non-controlling interest		-	-	55,340,233	34,163,818
		731,211,699	486,925,921	960,092,277	667,110,758
Basic earnings per share	19	0.98	0.65	1.21	0.85
Dividend per share		1.00	0.60	1.00	0.60

The accounting policies and notes on pages 56 to 86 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Net profit for the year		731,211,699	486,925,921	960,092,277	667,110,758
Other comprehensive income / (loss)					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Loss on fair value of investments	4	-	(10,086,780)	-	(10,086,780)
Tax effect		-	-	-	-
		-	(10,086,780)	-	(10,086,780)
Other comprehensive income reclassified to Profit or loss					
AFS reserve reclassified on disposal		(5,345,350)	-	(5,345,350)	-
		(5,345,350)	(10,086,780)	(5,345,350)	(10,086,780)
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	(2,068,666)	316,881	(2,030,464)	409,445
Tax effect	18.2	248,240	(38,026)	248,240	(38,026)
		(1,820,426)	278,855	(1,782,224)	371,419
Other comprehensive income / (loss) for the year, net of tax		(7,165,776)	(9,807,925)	(7,127,574)	(9,715,361)
Total comprehensive income for the year, net of tax		724,045,923	477,117,996	952,964,703	657,395,398

Figures in brackets indicate deductions.

Attributable to:				
Equity holders of the parent	724,045,923	477,117,996	897,619,580	623,219,731
Non-controlling interest	-	-	55,345,123	34,175,667
	724,045,923	477,117,996	952,964,703	657,395,398

The accounting policies and notes on pages 56 to 86 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March Company	Stated Capital Rs.	Available for Sale Reserves Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 1st April 2013	1,174,365,278	15,432,130	653,120,323	1,842,917,731
Profit for the year	-	-	486,925,921	486,925,921
Other comprehensive income/(loss)	-	(10,086,780)	278,855	(9,807,925)
Dividends	-	-	(448,265,839)	(448,265,839)
Balance as at 31st March 2014	1,174,365,278	5,345,350	692,059,260	1,871,769,888
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 31st March 2015	1,174,365,278	-	674,340,802	1,848,706,080

For the year ended 31st March Group	Stated Capital Rs.	Available for Sale Reserve Rs.	Accumulated Profit Rs.	Non-controlling Interest Rs.	Total Rs.
Balance as at 1st April 2013	1,174,365,278	15,432,130	632,956,479	99,584,644	1,922,338,531
Profit for the year	-	-	632,946,940	34,163,818	667,110,758
Other comprehensive income/(loss)	-	(10,086,780)	359,571	11,848	(9,715,361)
Dividends	-	-	(448,265,839)	(11,420,002)	(459,685,841)
Balance as at 31st March 2014	1,174,365,278	5,345,350	817,997,151	122,340,309	2,120,048,088
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 31st March 2015	1,174,365,278	-	973,852,350	149,135,427	2,297,353,055

The accounting policies and notes on pages 56 to 86 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Cash flows from / (used in) operating activities					
Net profit before tax expense		782,001,390	502,994,135	1,042,342,079	688,857,001
Adjustments for					
Amortisation of intangible assets	5	1,600,000	1,600,000	11,956,670	11,956,663
Depreciation	17	32,953,578	34,680,027	83,376,990	85,357,236
Provision for retirement benefits obligation	11	2,530,374	2,160,926	3,479,946	3,010,702
Dividend income	15	(167,334,496)	(77,829,999)	-	-
(Profit) / loss on disposal of property, plant & equipment		25,286	364,362	109,646	432,516
Adjustment for depreciation of property, plant & equipment		-	-	(361,818)	-
Gain on disposal of AFS investment		(44,372,289)	-	(44,372,289)	-
Finance income		(10,586,439)	(10,095,400)	(25,656,481)	(30,374,072)
Finance costs	16	272,847	7,007,896	87,023,623	162,716,232
Operating profit/(loss) before working capital changes		597,090,251	460,881,948	1,157,898,366	921,956,278
(Increase)/ decrease in trade and other receivables		(42,930,454)	10,773,660	(63,828,942)	9,865,607
(Increase)/decrease in amounts due from related parties		3,310,135	15,126,154	873,897	14,180,621
Increase /(decrease) in trade and other payables		1,138,848	5,765,598	4,499,044	4,314,553
Increase/(decrease) in amounts due to related parties		(342,361)	-	(311,698)	-
Cash generated from /(used in) operating activities		558,266,419	492,547,360	1,099,130,667	950,317,059
Finance costs paid		(272,847)	(7,007,896)	(88,341,762)	(164,490,928)
Finance income received		10,475,220	8,907,426	27,122,192	28,285,827
Retirement benefits obligations paid	11	(171,588)	(109,597)	(249,078)	(180,877)
Taxes paid		(38,390,707)	(2,720,579)	(70,107,669)	(9,215,106)
Net cash from/(used in) operating activities		529,906,497	491,616,713	967,554,350	804,715,976
Cash flows from / (used in) investing activities					
Acquisition of property, plant & equipment		(442,942)	(1,800,411)	(2,409,151)	(15,349,814)
Proceed from disposal of property, plant & equipment		-	30,100	-	63,600
Proceed from disposal of AFS investment		117,941,159	-	117,941,159	-
Net investment in fixed deposits		(82,640,609)	(39,501,408)	(129,461,322)	(78,763,580)
Dividend received		167,334,496	77,829,998	-	-
Net cash flows from/(used in) investing activities		202,192,104	36,558,279	(13,929,314)	(94,049,794)

For the year ended 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Cash flows from /(used in) financing activities					
Repayments of interest bearing loans & borrowings		(15,254,231)	(63,365,626)	(184,580,936)	(218,932,334)
Dividend paid		(747,355,467)	(448,310,564)	(775,905,472)	(459,730,566)
Lease rental paid		-	(2,134,198)	(2,078,555)	(4,354,794)
Net cash flows from/(used in) financing activities		(762,609,698)	(513,810,388)	(962,564,963)	(683,017,694)
Net increase/(decrease) in cash and cash equivalents		(30,511,097)	14,364,604	(8,939,927)	27,648,488
Cash and cash equivalents at the beginning of the period	A	34,139,156	19,774,552	85,851,344	58,202,856
Cash and cash equivalents at the end of the period	B	3,628,059	34,139,156	76,911,417	85,851,344
Note A					
Cash and cash equivalents at the beginning of the period					
Cash in hand & at bank		5,330,690	(3,097,802)	(1,393,166)	(4,543,255)
Savings accounts & REPO		28,808,466	22,872,354	87,244,510	62,746,111
		34,139,156	19,774,552	85,851,344	58,202,856
Note B					
Cash and cash equivalents at the end 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

The Accounting Policies and Notes on Pages 56 to 86 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 31st March 2015 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 31st 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 Lid, 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 31st March 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 21st March 2015.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, the 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 31st 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.

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 acquire 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%.

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
- 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 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 is 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 are 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.

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 Vehicles	05
Web Development	05
Computers	04
Tools & Accessories	03
Motor Cycles	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.

For arrangements entered into prior to 1st April 2011, the date of inception is deemed to be 1st April 2011 in accordance with the SLFRS 1.

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 31st 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 31st 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.

	2014/15	2013/14
Discount Rate	8.63%	10.61%
Expected Salary Increment Rate	10%	10%
Staff Turnover Rate	10.6%	8.6%
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.

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 income statement.

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 is 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.

2.30 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 2015. However the effective date has been deferred subsequently.

- **SLFRS 14 -Regulatory Deferral Accounts**

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

- **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 2017.

None of these new standards and interpretations are expected to have an effect on the Consolidated Financial Statements of the Group, except for SL FRS 9 and 15. Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

3. PROPERTY, PLANT & EQUIPMENT

	Company			
Gross Carrying Amounts	Balance As at 01.04.2014 Rs.	Additions/ Transfers for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 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	1,118,411	51,550	-	1,169,961
Tools & Accessories	2,720,114	70,064	-	2,790,178
Motor Vehicles	8,758,500	-	-	8,758,500
Motor Bicycles	537,909	-	-	537,909
Furniture & Fittings	11,055,451	35,450	-	11,090,901
Computers	3,775,652	213,078	(105,000)	3,883,730
Office Equipment	1,149,463	17,900	(143,809)	1,023,554
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	-	193,969	(111,327)	82,642
	1,295,553,589	582,011	(360,136)	1,295,775,464
Total	1,295,553,589	582,011	(360,136)	1,295,775,464

	Company			
Depreciation At Cost	Balance As at 01.04.2014 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
Civil Constructions	131,547,047	13,273,460	-	144,820,507
Plant & Machinery	169,196,370	17,330,772	-	186,527,142
Project Equipment	721,212	164,648	-	885,860
Tools & Accessories	2,716,783	5,278	-	2,722,061
Motor Vehicles	8,758,500	-	-	8,758,500
Motor Bicycles	460,767	58,819	-	519,586
Furniture & Fittings	5,945,599	1,074,893	-	7,020,492
Computers	2,972,650	404,145	(89,375)	3,287,420
Office Equipment	486,484	109,630	(31,323)	564,791
Fire Extinguisher	439,140	52,460	-	491,600
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Generator	886,116	124,600	-	1,010,716
Web Development	1,082,177	250,699	-	1,332,876
Mobile Phones & Accessories	-	104,174	(75,083)	29,091
	329,361,198	32,953,578	(195,781)	362,118,996
Total	329,361,198	32,953,578	(195,781)	362,118,996
Carrying Amount	966,192,392			933,656,468

The cost of fully depreciated Property, Plant & Equipment which are still in use at the date of Statement of Financial Position is Rs. 19,449,675/=

3. PROPERTY, PLANT & EQUIPMENT (Contd.)

	Group			
Gross Carrying Amounts	Balance As at 01.04.2014 Rs.	Additions/ Transfers for the Year Rs.	(Disposals)/ Transfers Rs.	Balance As at 31.03.2015 Rs.
At Cost				
Free Hold Land	175,962,919	11,500	-	175,974,419
Civil Constructions	1,716,296,439	7,668,872	-	1,723,965,311
Plant & Machinery	1,084,151,459	-	-	1,084,151,459
Project Equipment	1,118,411	51,550	-	1,169,961
Tools & Accessories	5,074,307	443,214	-	5,517,521
Motor Vehicles	20,783,915	-	-	20,783,915
Motor Bicycles	1,535,549	-	-	1,535,549
Furniture & Fittings	12,018,982	35,450	(8,300)	12,046,132
Computers	4,644,652	213,078	(105,000)	4,752,730
Office Equipment	2,328,058	539,700	(370,511)	2,497,247
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	78,095	306,231	(111,327)	272,999
	3,033,027,880	9,269,595	(595,138)	3,041,702,337
Assets on Finance Lease				
Motor Vehicles	10,942,463	-	-	10,942,463
	10,942,463	-	-	10,942,463
Total	3,043,970,343	-	-	3,052,644,800

Capital Work-in-Progress	Balance As at 01.04.2014 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2015 Rs.
Civil Constructions	6,609,113	1,006,947	(7,616,060)	-
Total	6,609,113	1,006,947	(7,616,060)	-

3. PROPERTY, PLANT & EQUIPMENT (Contd.)

Depreciation At Cost	Group Balance As at 01.04.2014 Rs.	Charge for the year/ Transfers Rs.	(Disposals)/ Transfers Rs.	Balance As at 31.03.2015 Rs.
Civil Constructions	195,586,667	43,067,472	-	238,654,139
Plant & Machinery	202,586,206	32,524,544	-	235,110,750
Project Equipment	721,212	164,648	-	885,860
Tools & Accessories	4,109,558	537,197	-	4,646,755
Motor Vehicles	16,839,385	1,938,521	(41,241)	18,736,665
Motor Bicycles	1,533,421	179,711	(291,895)	1,421,237
Furniture & Fittings	6,252,155	1,171,108	(4,496)	7,418,767
Computers	3,683,087	562,707	(89,375)	4,156,419
Office Equipment	732,366	236,563	(93,882)	875,047
Fire Extinguisher	514,687	95,943	-	610,630
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Generator	1,009,625	203,900	-	1,213,525
Web Development	1,082,176	250,699	-	1,332,875
Mobile Phones & Accessories	16,947	255,483	(75,083)	197,347
	438,815,845	81,188,497	(595,972)	519,408,370
Assets on Finance Lease				
Motor Vehicles	5,566,397	2,188,493	-	7,754,890
	5,566,397	2,188,493	-	7,754,890
Total	444,382,242	83,376,990	(595,972)	527,163,260
Carrying Amount	2,606,197,214			2,525,481,540

The cost of fully depreciated Property, Plant & Equipment which are still in use at the date of Statement of Financial Position is Rs. 24,275,690/-.

4. INVESTMENTS

As at 31st March	Company 2015 Rs.	2014 Rs.	Group 2015 Rs.	2014 Rs.
4.1 Non Current				
Investment in Equity Securities (Quoted)				
The Fortress Resorts PLC	-	78,914,220	-	78,914,220
	-	78,914,220	-	78,914,220
Investment in Equity Securities (Un -Quoted)				
Investment in subsidiary (holding 87.2%)	821,619,980	821,619,980	-	-
	821,619,980	900,534,200	-	78,914,220
4.2 Short Term Investments				
Investment in fixed deposits	132,064,330	49,423,721	307,041,031	177,579,709
REPO	2,000,000	28,808,467	73,073,454	62,114,315
	134,064,330	78,232,188	380,114,485	239,694,024

Company disposed the investment in The Fortress Resorts PLC fully during the year at the net proceed of Rs. 117,941,159/-.

4.3 Summarized Financial Information of Subsidiary,

For the year ended 31st March	2015 Rs.	2014 Rs.
Statement of Profit or Loss		
Revenue	655,703,958	545,215,840
Cost of sales	(86,878,652)	(80,016,974)
Other income	20,045	33,500
Finance income	15,070,042	20,278,672
Administration expenses	(57,246,634)	(54,483,309)
Other operating expenses	(3,352,804)	(2,736,527)
Finance cost	(86,750,777)	(155,708,342)
Profit before tax	436,565,179	272,582,860
Tax expense	(4,219,612)	(5,678,028)
Net profit for the year	432,345,567	266,904,832
Other comprehensive income	38,202	92,564
Total comprehensive income	432,383,769	266,997,396
Earnings per share	4.84	2.99
Statement of Financial Position		
Non current assets	1,613,683,413	1,663,329,830
Current assets	324,253,705	238,301,558
Total assets	1,937,937,118	1,901,631,388
Non current liabilities	574,971,742	760,572,824
Current liabilities	197,845,511	185,197,469
Total liabilities	772,817,254	945,770,293
Net assets	1,165,119,864	955,861,095
Cash Flows		
Cash flows from operating activities	464,888,353	313,099,262
Cash flows from investment activities	(48,786,921)	(52,778,079)
Cash flows from financing activities	(394,530,261)	(247,037,300)
Total net cash flows	21,571,171	13,283,883
Dividend paid to non controlling interest	28,550,005	11,420,002
Dividend per share	2.50	1.00

5. INTANGIBLE ASSET - RIGHT TO GENERATE HYDRO POWER

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 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	16,000,000	14,400,000	38,487,908	26,531,245
Amortisation for the period	1,600,000	1,600,000	11,956,670	11,956,663
Accumulated amortisation C/F	17,600,000	16,000,000	50,444,578	38,487,908
Net carrying amount at the end of the year	6,400,000	8,000,000	128,905,422	140,862,092

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

6. DEPOSIT ON LEASEHOLD LAND

As at 31st March	Group 2015 Rs.	Group 2014 Rs.
At the beginning of the year	4,500,000	4,500,000
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 the 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.

7. TRADE AND OTHER RECEIVABLES

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Advances & pre payments	8,766,993	6,506,920	14,469,299	11,771,291
Trade receivable	62,439,186	22,065,716	128,469,544	68,125,907
Staff debtors	2,592,265	2,295,351	4,243,119	3,455,816
Interest receivable	1,172,297	1,161,740	2,907,644	4,474,017
	74,970,741	32,029,726	150,089,606	87,827,031

8. AMOUNT DUE FROM RELATED PARTIES

As at 31st March	Relationship	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Country Energy (Pvt) Ltd					
Kiriwaneliya MHPP	Subsidiary company	200,830	697,483	-	-
Denewaka Ganga MHPP	Subsidiary company	97,159	2,036,745	-	-
Alternate Power Systems (Pvt) Ltd					
Current account balance	Related company	3,033,208	3,980,742	3,033,208	3,980,742
		3,331,197	6,714,970	3,033,208	3,980,742

9. STATED CAPITAL

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 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. BORROWINGS

Company	Long Term Loan Rs.	Finance Leases Rs.	Bank Overdraft Rs.	Total Rs.
Balance as at 31st March 2014	(Note 10.1.1)	(Note 10.1.2)		
Repayable within one year from year-end	15,254,231	-	-	15,254,231
Repayable between 2 and 5 years from year-end	-	-	-	-
	15,254,231	-	-	15,254,231
Balance as at 31st March 2015				
Repayable within one year from year-end	-	-	-	-
Repayable between 2 and 5 years from year-end	-	-	-	-
	-	-	-	-

10. BORROWINGS (Contd.)

Group	Long Term Loan Rs.	Finance Leases Rs.	Bank Overdraft Rs.	Total Rs.
Balance as at 31st March 2014	(Note 10.2.1)	(Note 10.2.2)		
Repayable within one year from year-end	184,580,936	2,080,727	2,636,076	189,297,739
Repayable between 2 and 5 years from year-end	757,303,248	698,920	-	758,002,168
Repayable after 5 years from year-end	-	-	-	-
	941,884,184	2,779,647	2,636,076	947,299,907
Balance as at 31st March 2015				
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 after 5 years from year-end	-	-	-	-
	757,303,248	701,091	874,779	758,879,118

10.1.1 Long-Term Loans

As at 31st March	DFCC Bank PLC Rs.	Company 2015 Rs.	2014 Rs.
At the beginning of the year	15,254,231	15,254,231	78,619,857
Repayments during the year	(15,254,231)	(15,254,231)	(63,365,626)
At the end of the year	-	-	15,254,231
Analysis of long-term interest bearing loans & borrowings by year of payment			
Repayable within one year from year-end	-	-	15,254,231
Repayable between 2 and 5 years from year-end	-	-	-
	-	-	15,254,231

10.1.2 Finance Lease

As at 31st March	Company 2015 Rs.	2014 Rs.
At the beginning of the year	-	2,134,198
Repayments during the year	-	(2,134,198)
Obtained during the year	-	-
At the end of the year	-	-

10.2.1 Long-Term Loans

As at 31st March	DFCC Bank PLC Rs.	Hatton National Bank PLC Rs.	Commercial Bank of Ceylon PLC Rs.	Group 2015 Rs.	Group 2014 Rs.
At the beginning of the year	376,020,300	366,208,884	199,655,000	941,884,184	1,160,816,517
Repayments during the year	(82,967,603)	(67,233,333)	(34,380,000)	(184,580,936)	(218,932,333)
Obtained during the year	-	-	-	-	-
At the end of the year	293,052,697	298,975,551	165,275,000	757,303,248	941,884,184
Analysis of long-term interest bearing loans & borrowings by year of payment					
Repayable within one year from year-end	73,278,372	72,543,333	39,945,000	185,766,705	184,580,936
Repayable between 2 and 5 years from year-end	219,774,322	226,432,221	125,330,000	571,536,543	757,303,248
Repayable after 5 years from year-end	-	-	-	-	-
	293,052,694	298,975,554	165,275,000	757,303,248	941,884,184

10.2.2 Finance Lease

As at 31st March	LB Finance PLC Rs.	Hatton National Bank PLC Rs.	Group 2015 Rs.	Group 2014 Rs.
At the beginning of the year	1,233,940	1,545,707	2,779,647	7,134,443
Repayments during the year	(1,233,940)	(844,616)	(2,078,556)	(4,354,796)
Obtained during the year	-	-	-	-
At the end of the year	-	701,091	701,091	2,779,647
Gross Liability	-	731,487	731,487	2,985,441
Finance Charges allocated to future period	-	(30,396)	(30,396)	(205,794)
Net Liability	-	701,091	701,091	2,779,647
Analysis of long-term interest bearing loans & borrowings by year of payment				
Repayable within one year from year-end	-	701,091	701,091	2,080,727
Repayable between 2 and 5 years from year-end	-	-	-	698,920
	-	701,091	701,091	2,779,647

10. BORROWINGS (Contd.)

10.3 Details of Long Term Loans (Group)

Subsidiary				
Lender	**Approved Facility**	**Purpose**	**Repayment Terms**	**Security**
DFCC Bank PLC	Rs. 200,000,000/-	To part finance Kiriwaneliya mini hydropower project	72 equal monthly instalment after a grace period of 24 months	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
DFCC Bank PLC	Rs. 253,000,000/-	To part finance Denawaka Ganga mini hydropower project	78 varied monthly instalment after a grace period of 18 months	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
Hatton National Bank PLC	Rs. 200,000,000/-	To part finance Kiriwaneliya mini hydropower project	72 equal monthly instalment after a grace period of 24 months	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
Hatton National Bank PLC	Rs. 253,000,000/-	To part finance Denawaka Ganga mini hydropower project	78 varied monthly instalment after a grace period of 18 months	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
Commercial Bank of Ceylon PLC	Rs. 253,000,000/-	To part finance Denawaka Ganga mini hydroproject	78 varied monthly instalment after a grace period of 18 months	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

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.)
2014/15	+1%	8,561,595
	-1%	(8,561,595)
2013/14	+1%	10,493,956
	-1%	(10,493,956)

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 financial liabilities based on contractual undiscounted payments.

As at 31st March 2015	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Group					
Borrowings	20,354,790	40,391,031	182,347,131	640,348,235	883,441,186
	20,354,790	40,391,031	182,347,131	640,348,235	883,441,186
Company					
Borrowings	-	-	-	-	-
	-	-	-	-	-

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 31st March	Company 2015 Rs.	2014 Rs.	Group 2015 Rs.	2014 Rs.
At the beginning of the year	9,058,502	7,828,903	11,629,161	9,713,630
Current service cost	1,515,702	1,209,714	2,192,528	1,830,496
Interest cost	1,014,672	951,212	1,287,418	1,180,206
Actuarial (gain)/loss	2,068,666	(316,881)	2,030,464	(409,445)
	13,657,542	9,672,948	17,139,571	12,314,887
Benefit paid	(171,588)	(109,597)	(249,078)	(180,877)
Transfers	(415,998)	(504,849)	(385,335)	(504,849)
At the end of the year	13,069,956	9,058,502	16,505,158	11,629,161

The weighted average duration of the defined benefit plan obligation of the Company and Subsidiary at the end of the reporting period is 6.19 years and 10.51 years respectively.

The following payments are expected from the defined benefit plan obligation in future years.

As at 31st March	Company 2015 Rs.	Group 2015 Rs.
Within the next 12 months	1,220,826	1,355,148
Between 2 and 5 years	472,226	916,371
Beyond 5 years	11,376,904	14,233,639
	13,069,956	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.	Rs.
Company			
A one percentage point change in the discount rate.	+1%	0%	-1%
As at 31st March 2015	12,286,702	13,069,956	13,949,333
As at 31st March 2014	8,949,705	9,058,502	10,254,847
A one percentage point change in the salary increment rate.	+1%	0%	-1%
As at 31st March 2015	13,966,774	13,069,956	12,256,147
As at 31st March 2014	10,274,803	9,058,502	8,921,477
Group			
A one percentage point change in the discount rate.	+1%	0%	-1%
As at 31st March 2015	15,419,955	16,505,158	17,738,656
As at 31st March 2014	11,263,038	11,629,161	13,131,077
A one percentage point change in the salary increment rate.	+1%	0%	-1%
As at 31st March 2015	17,753,830	16,505,158	15,386,745
As at 31st March 2014	13,146,885	11,629,161	11,234,066

12. DEFERRED TAX LIABILITY

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
At the beginning of the year	85,688,534	72,397,610	85,688,534	72,397,610
Provision / (Reversal) for the year	(1,398,686)	13,290,924	(1,398,686)	13,290,924
At the end of the year	84,289,848	85,688,534	84,289,848	85,688,534

As at 31st March Company	2015 Temporary Difference Rs.	2015 Tax Effect Rs.	2014 Temporary Difference Rs.	2014 Tax Effect Rs.
As at 1st April	714,071,119	85,688,534	723,976,100	72,397,610
Impact on changes in Tax rate	-	-	-	14,479,522
Amount originating/(reversing) during the year	(11,655,721)	(1,398,686)	(9,904,981)	(1,188,598)
As at 31st March	702,415,398	84,289,848	714,071,119	85,688,534
Temporary difference of property, plant and equipment	715,485,353	85,858,243	723,129,621	86,775,555
Temporary difference of retirement benefit obligation	(13,069,955)	(1,568,395)	(9,058,502)	(1,087,020)
As at 31st March	702,415,398	84,289,848	714,071,119	85,688,534

As at 31st March Group	2015 Temporary Difference Rs.	2015 Tax Effect Rs.	2014 Temporary Difference Rs.	2014 Tax Effect Rs.
As at 1st April	714,071,119	85,688,534	723,976,100	72,397,610
Impact on changes in Tax rate	-	-	-	14,479,522
Amount originating / (reversing) during the year	(11,655,721)	(1,398,686)	(9,904,981)	(1,188,598)
As at 31st March	702,415,398	84,289,848	714,071,119	85,688,534
Temporary difference of property, plant and equipment	715,485,353	85,858,243	723,129,621	86,775,555
Temporary difference of retirement benefit obligation	(13,069,955)	(1,568,395)	(9,058,502)	(1,087,020)
As at 31st March	702,415,398	84,289,848	714,071,119	85,688,534

13. TRADE AND OTHER PAYABLES

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Accrued Expenditure	2,514,294	2,366,557	11,271,851	4,781,778
Retention Money	87,262	77,662	974,836	1,869,509
Other Payable	13,381,232	12,645,457	13,381,220	16,041,451
	15,982,788	15,089,676	25,627,907	22,692,738

14. REVENUE

For the year ended 31st March	Company 2015 Rs.	2014 Rs.	Group 2015 Rs.	2014 Rs.
Sales from Electricity Generation:				
Erathna MHPP	662,227,073	519,775,264	662,227,073	519,775,264
Denawaka Ganga MHPP	-	-	397,750,968	317,882,863
Kiriwaneliya MHPP	-	-	257,952,990	227,332,977
	662,227,073	519,775,264	1,317,931,031	1,064,991,104

Company and the Subsidiary has entered into an agreement (Standardised 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 Standardised 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.

15. OTHER INCOME

For the year ended 31st March	Company 2015 Rs.	2014 Rs.	Group 2015 Rs.	2014 Rs.
Dividend income	167,334,496	77,829,998	-	-
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	-
Profit on disposal of property, plant & equipments	-	30,100	-	63,600
Sundry income	2,129	-	22,175	-
	211,708,914	77,860,098	44,394,464	63,600

16. FINANCE COST

For the year ended 31st March	Company 2015 Rs.	2014 Rs.	Group 2015 Rs.	2014 Rs.
Loan interest	134,572	6,569,820	86,268,166	161,444,168
Bank charges & OD interest	138,275	284,271	544,607	654,830
Lease interest	-	153,804	210,850	617,234
	272,847	7,007,896	87,023,623	162,716,232

17. PROFIT / (LOSS) BEFORE TAXATION

For the year ended 31st March	Company 2015 Rs.	2014 Rs.	Group 2015 Rs.	2014 Rs.
Stated after charging all the expenses including;				
Directors' remuneration	5,411,111	5,094,444	5,411,111	5,094,444
Auditors' remuneration	612,260	556,600	829,675	754,250
Depreciation & amortisation	34,553,578	36,280,027	95,333,659	97,313,899
Personnel costs includes				
Defined benefit plan cost - Retirement benefit obligation	2,530,374	2,160,926	3,479,946	3,010,702
Defined contribution plan costs - EPF & ETF	2,459,559	2,351,449	7,016,117	6,664,602
Staff salaries	16,397,058	15,676,328	46,774,114	44,430,681
Other staff costs	6,616,934	7,257,154	21,311,360	21,916,829

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. In accordance to that 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

For the year ended 31st March	Company 2015 Rs.	2014 Rs.	Group 2015 Rs.	2014 Rs.
(I) Current tax expense				
Income tax on current year profit (Note 18.3)	51,940,138	2,826,712	56,159,750	8,504,740
Dividend tax	-	-	27,240,499	-
Less-: previous year over provision	-	(11,396)	-	(11,396)
	51,940,138	2,815,316	83,400,249	8,493,344
(II) Deferred tax expense				
Deferred taxation charge / (reversal) (Note 12)	(1,150,447)	13,252,899	(1,150,447)	13,252,899
Tax charge reported in statement of profit or loss	50,789,691	16,068,215	82,249,802	21,746,243

18. INCOME TAX EXPENSES (Contd.)

18.2 Statement of other comprehensive income

For the year ended 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Differed tax effect on actuarial gain / (loss) of defined benefit plan (Note 12)	(248,240)	38,026	(248,240)	38,026
Tax charged directly to other comprehensive income	(248,240)	38,026	(248,240)	38,026

18.3 Reconciliation between tax expense and the product of accounting profit

For the year ended 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Net profit before tax	782,001,390	502,994,135	1,042,342,079	688,857,001
Add: disallowable expenses	38,778,905	40,620,731	102,704,474	105,129,529
Less: allowable expenses	(22,299,600)	(24,911,997)	(140,475,286)	(318,146,529)
Total statutory income	798,480,695	518,702,869	1,004,571,267	475,840,000
Tax exempt (profit)/loss from business	(379,761,465)	(508,607,469)	(570,781,995)	(445,465,925)
Taxable income;	418,719,230	10,095,400	433,789,272	30,374,075
Liable @ 12%	408,132,792	-	408,132,792	-
Liable @ 28%	10,586,438	10,095,400	25,656,480	30,374,075
	418,719,230	10,095,400	433,789,272	30,374,075
Income tax @ 12%	48,975,935	-	48,975,935	-
Income tax @ 28%	2,964,203	2,826,712	7,183,815	8,504,740
Income tax expense on liable income	51,940,138	2,826,712	56,159,750	8,504,740

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.

For the year ended 31st March	Company 2015	Company 2014	Group 2015	Group 2014
Amounts used as the numerators:				
Profit attributable to ordinary shareholders for basic earnings per share (Rs.)	731,211,699	486,925,921	904,752,044	632,946,940
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.)	0.98	0.65	1.21	0.85

20. DIVIDENDS PAID DURING THE YEAR

For the year ended 31st March	Company 2015 Rs.	2014 Rs.
Rs. 1/- per share (2013/2014 - Rs.0.60 per share)	747,109,731	448,265,839
	747,109,731	448,265,839

21. EVENTS OCCURRING 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 of the reporting date .

Contingencies

There are no contingent liabilities exist as of 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 31st March Company	Relationship	Nature of Transaction	Amount 2015 Rs.	2014 Rs.
Country Energy (Pvt) Ltd.	Subsidiary	Operating expenses incurred on behalf of CEPL	(28,924,035)	(23,395,691)
(CEPL)	company	Reimbursement of expenses by CEPL	22,605,205	25,208,955
		Operating expenses incurred on behalf of the Company by CEPL	972,069	673,353
		Other Transactions		
		Dividend received from CEPL	167,334,496	77,829,998
Vallibel Finance PLC	Related company	Investment in fixed deposits	(403,563,297)	(99,989,264)
		Withdrawals of fixed deposits	320,922,688	50,565,544
		Interest received	8,138,241	3,772,139
LB Finance PLC	Related company	Investment in fixed deposits	(72,000,000)	(140,750,764)
		Withdrawals of fixed deposits	72,000,000	150,673,077
		Interest received	444,055	1,464,345
		Lease instalment paid	-	(2,288,000)

23. RELATED PARTY DISCLOSURES (Contd.)

For the year ended 31st March Company	Relationship	Nature of Transaction	Amount 2015 Rs.	2014 Rs.
Alternate Power Systems (Pvt) Ltd (APSL)	Related company	Operating expenses incurred on behalf of APSL	(13,942,016)	(13,184,019)
		Reimbursement of expenses by APSL	14,889,550	25,738,336
		Operating expenses incurred on behalf of the Company by APSL	-	590,069
Vallibel Power Limited (VPL)	Parent company	Operating expenses incurred on behalf of VPL	-	(14,490)
		Reimbursement of expenses by VPL	-	14,490
The Kingsbury PLC	Related company	Payments made for services obtained	(285,000)	(330,000)

For the year ended 31st March Company	Relationship	Nature of Transaction	Amount 2015 Rs.	2014 Rs.
23.2 Transaction with the Subsidiary				
LB Finance PLC	Related company	Investment in fixed deposits	(47,547,120)	-
		Withdrawals of fixed deposits	87,870,504	-
		Interest received	4,122,460	11,490,301
		Lease instalment paid	(1,283,706)	(1,711,608)
Vallibel Finance PLC	Related company	Investment in fixed deposits	(326,007,131)	(82,000,000)
		Withdrawals of fixed deposits	235,157,783	55,000,000
		Interest received	3,584,340	771,871

The above transactions were carried out on normal trading terms.

23.2 Transactions with the Key Management Personnel of the Company or Parent and Key Management Personnel compensation

There were no transactions with the Key Management Personnel of the Company other than Management compensation of Rs.5,014,506/- (2013/14 -Rs.4,857,633/-) paid during the year.

23.3 Related party transactions

There are no related party transactions other than those disclosed in Notes 4, 8,10.2.2 & 23 to the Financial Statements.

APPENDICES

DECADE AT A GLANCE

Company

	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	2005/06 Rs'000
Operating results										
Revenue	662,227	519,775	379,478	377,914	533,588	437,692	365,826	303,837	226,785	234,464
Gross profit	611,148	472,964	332,557	335,261	492,713	396,821	330,441	266,900	192,016	203,626
Other income	211,709	77,860	491	2,992	9,479	13,595	29,743	142,401	9,882	5,610
Administration expenses	50,337	49,759	49,556	42,110	36,315	37,484	35,966	28,299	28,449	28,067
Finance cost	273	7,008	17,301	21,309	20,291	14,393	2,008	1,042	5,363	40,279
Profit before tax	782,001	502,994	276,444	279,669	445,086	398,663	310,793	348,796	155,391	139,949
Net profit	731,212	486,926	274,157	277,469	441,987	394,080	305,848	346,382	152,831	139,302
Assets & liabilities										
Non current assets	1,761,676	1,874,727	1,919,687	1,812,985	1,894,984	1,394,475	1,182,753	1,215,645	1,314,107	1,240,030
Current assets	213,994	122,308	97,357	197,093	141,215	220,787	85,637	268,956	65,249	90,241
Total assets	1,975,671	1,997,034	2,017,044	2,010,078	2,036,199	1,615,262	1,268,390	1,484,600	1,379,356	1,330,272
Current liabilities	29,605	30,517	78,646	81,118	78,349	39,930	8,000	6,377	7,788	346,719
Non current liabilities	97,360	94,747	95,481	160,170	232,877	117,322	9,682	2,915	3,567	282
Retirement benefit obligations	13,070	9,059	7,829	5,886	5,610	3,951	1,942	1,235	919	282
Share capital & reserves										
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	276,291
Revenue reserves	674,341	697,405	668,552	594,425	550,607	283,644	76,342	300,942	193,636	706,978

Key indicators

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Earnings per share	0.98	0.65	0.37	0.37	0.60	0.53	0.41	0.47	0.21	0.73
Dividend per share	1.00	0.60	0.25	0.25	0.20	0.25	0.41	0.57	0.27	-
Market price of share (closing)	7.90	5.60	5.60	6.60	8.60	5.25	3.10	2.40	1.80	-
Net assets per share	2.47	2.51	2.47	2.37	2.31	1.95	1.67	1.97	1.83	4.94

Power Generation - Group	
Year	Kilowatt Hours
2004/05	21,764,760
2005/06	43,172,160
2006/07	38,039,211
2007/08	42,129,891
2008/09	39,934,417
2009/10	40,945,693
2010/11	47,678,030
2011/12	38,957,111
2012/13	71,980,367
2013/14	89,381,797
2014/15	85,939,740
Cumulative Power Generated	**559,923,177**

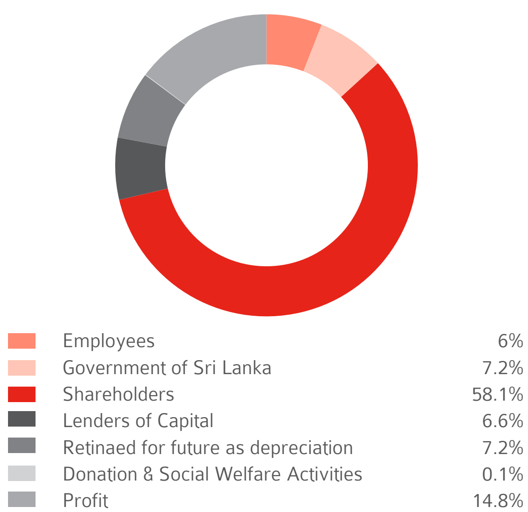
Dividend - Company	
Year	Dividends (Rs.Mn)
2004/05	-
2005/06	-
2006/07	201.72
2007/08	425.85
2008/09	306.31
2009/10	186.78
2010/11	149.42
2011/12	186.78
2012/13	186.78
2013/14	448.27
2014/15	747.11
Total Dividend paid	**2,839.02**

STATEMENT OF VALUE ADDITION

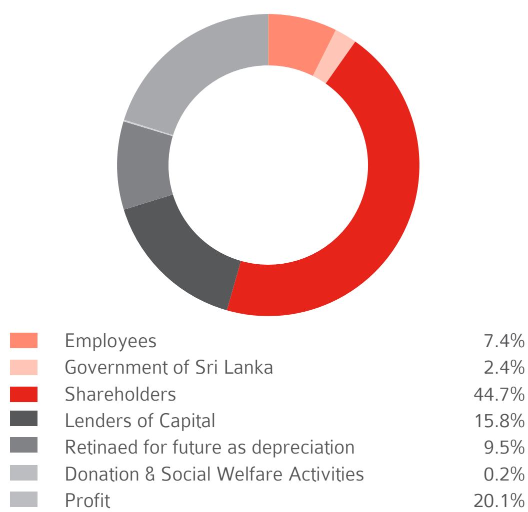
For the year ended 31st March	Company 2015 Rs.'000	Company 2014 Rs.'000	Group 2015 Rs.'000	Group 2014 Rs.'000
Revenue	662,227	519,775	1,317,931	1,064,991
Other Income	222,295	87,955	70,051	30,438
	884,522	607,731	1,387,982	1,095,429
Cost of material and services obtained	(36,886)	(31,939)	(70,726)	(65,899)
Value Addition	847,637	575,792	1,317,256	1,029,530

For the year ended 31st March	Company 2015 Rs.'000	%	Company 2014 Rs.'000	%	Group 2015 Rs.'000	%	Group 2014 Rs.'000	%
Value created with								
Employees	28,004	3.3	27,446	4.8	78,618	6.0	75,943	7.4
Government of Sri Lanka	52,277	6.1	17,559	3.0	95,487	7.2	24,624	2.4
Shareholders	732,110	86.4	448,266	77.9	765,665	58.1	459,686	44.6
Lenders of Capital	273	0.0	7,008	1.2	87,024	6.6	162,716	15.8
Retained for future as depreciation	34,554	4.1	36,280	6.3	94,972	7.2	97,314	9.5
Donation & Social Welfare Activities	419	0.1	573	0.1	1,063	0.1	1,822	0.2
Profit	-	0.0	38,660	6.7	194,433	14.8	207,425	20.1
	847,637	100.0	575,792	100.0	1,317,256	100.0	1,029,530	100.0

2014/15



2013/14



INVESTOR INFORMATION

1. GENERAL

Stated Capital	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.

3. SHARES HELD BY THE PUBLIC WAS 35.39% AS AT 31ST MARCH 2015

4. DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2015

There were 4,110 Registered shareholders as at 31st March 2015.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	1,546	37.62	685,646	0.09
1,001	10,000	1,702	41.41	7,413,502	1.00
10,001	100,000	667	16.23	21,821,871	2.92
100,001	1,000,000	167	4.06	50,971,659	6.82
Over 1,000,000		28	0.68	666,217,053	89.17
Total		4,110	100.00	747,109,731	100.00

5. ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2015

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individuals	3,920	95.38	317,344,979	42.48
Institutions	190	4.62	429,764,752	57.52
Total	4,110	100.00	747,109,731	100.00
Resident	4,051	98.56	735,313,657	98.42
Non-resident	59	1.44	11,796,074	1.58
Total	4,110	100.00	747,109,731	100.00

6. TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2015

Name of the Shareholder	2015 Number of Shares	2015 (%) in issued Capital	2014 Number of Shares	2014 (%) 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/ Dr. T Senthilverl	77,091,187	10.32	-	-
4 Dr. T Senthilverl	50,449,327	6.75	632,400	0.08
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 Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd	9,636,723	1.29	3,740,124	0.50
8 Ms. K D C Samanthi	9,375,000	1.26	9,375,000	1.26
9 Employees Trust Fund Board	5,197,715	0.70	5,197,715	0.70
10 Deutsche Bank Ag As Trustee to Candoor Sharia Fund	3,000,000	0.40	-	-
11 Mr. B C Tay	3,000,000	0.40	3,000,000	0.40
12 Ceylon Investment PLC A/C # 01	2,900,000	0.39	-	-
13 DFCC Bank A/C 1	2,400,000	0.32	3,000,000	0.40
14 Mr. M R Beamish	2,060,000	0.28	-	-
15 Mr. U G Madanayake	2,000,000	0.27	-	-
16 Deutsche Bank AG As Trustee to Candoor Growth Fund	1,831,429	0.25	-	-
17 Bank of Ceylon No.1 Account	1,650,000	0.22	-	-
18 Mr. D D Gunaratne	1,600,000	0.21	1,100,000	0.15
19 Bartleet & Co Ltd	1,600,000	0.21	-	-
20 Mr. M H M Nazeer	1,500,000	0.20	-	-
Others	657,029,436	87.95	507,783,294	67.97
Total	90,080,295	12.05	239,326,437	32.03
	747,109,731	100.00	747,109,731	100.00

7. SHARE TRADING INFORMATION

	2014/15	2013/14
Highest (Rs.)	9.10	6.90
Lowest (Rs.)	5.50	5.30
Closing (Rs.)	7.90	5.60
Value of Shares Trades (Rs.)	3,260,517,206	257,072,859
No. of Shares Traded	459,323,270	42,987,474
No. of Trades	21,088	4,899

8 EQUITY INFORMATION

	2014/15	2013/14
Earnings per share (Rs.)	0.98	0.67
Dividend per share (Rs.)	1.00	0.60
Net assets value per share (Rs.)	2.47	2.52
Dividend pay out ratio	102.04%	89.55%

GRI CONTENT INDEX

GRI Index	GRI Definition	Reference in the Report/Description	Page/s of Reference
1.0	**Strategy and Analysis**		
1.1	Statement from the most senior decision-maker of the organisation	Chairman's Message	09 to 11
1.2	Description of key impacts, risks and opportunities	MD&A/Risk Management	24 to 29 & 19 to 20
2.0	**Organisational Profile**		
2.1	Name of the organisation	Corporate Information	Inner Back Cover
2.2	Primary brands, products and/or services	Our Business	04
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Corporate Information/ Project Highlights	Inner Back Cover & 07
2.4	Location of organisation's headquarters	Corporate Information	Inner Back Cover
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	No countries other than Sri Lanka	NA
2.6	Nature of ownership and legal form	Corporate Information	Inner Back Cover
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	None	NA
2.8	Scale of the reporting organisation	Project Highlight	07
2.9	Significant changes during the reporting period regarding size, structure or ownership	None	NA
2.10	Awards received in the reporting period	MD&A	29
3.0	**Report Parameters**		
3.1	Reporting period for information provided	Sustainability Report	33
3.2	Date of most recent previous Report	31st March 2014	NA
3.3	Reporting cycle	Once a year	NA
3.4	Contact point for questions regarding the report or its contents	Sustainability Report	34
3.5	Process for defining report content	Contents/sustainability Report	04 & 33
3.6	Boundary of the Report	Sustainability Report	33
3.7	Specific limitations on the scope or boundary of the Report	Sustainability Report	33 to 42
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Sustainability Report / Financial Statement	33 to 42 & 56 to 86
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the Report	Financial Statements (Used simple statistical calculations)	50 to 86
3.10	Explanation of the effect of any restatements of information provided in earlier Reports	None	NA
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report	None	NA
3.12	Table identifying the location of the standard disclosures in the Report	GRI Index	92 to 98
3.13	Policy and current practice with regard to seeking external assurance for the Report	None at present	NA

GRI Index	GRI Definition	Reference in the Report/Description	Page/s of Reference
4.0	**Governance, Commitments and Engagement**		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Corporate Governance	16 to 18
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance	16 to 18
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance	16 to 18
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance	16 to 18
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Not yet estimated	NA
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Not yet in process	NA
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	Corporate Governance	16 to 18
4.8	Internally-developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Vision, Mission & Objectives Statement and Sustainability Report	02 & 33 to 42
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	Chairman's Message	09 to 11
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Not yet in process	NA
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Risk Management	19 to 20
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Sustainability Report	33 to 42
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organisations in which the organisation	SHPASL / The Ceylon Chamber of Commerce	NA
4.14	List of stakeholder groups engaged by the organisation.	Sustainability Report	35
4.15	Basis for identification and selection of stakeholders with whom to engage.	Sustainability Report	35
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Sustainability Report	35
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting.	Sustainability Report	35

GRI CONTENT INDEX

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Economic Performance				
Economic Performance	EC 1	Direct economic value generated and distributed, including revenues, operating cost, employee compensation, donations and other community investments, retained earnings, and payments to capital provider and Governments	Statement of value addition	89
	EC 2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Risk Management	20
	EC 3	Coverage of the organisation's defined benefit plan obligations	Financial Statement	67 to 80
	EC 4	Significant financial assistance received from Government	None	NA
Market Presence	EC 5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Comparable with Industry Level	NA
	EC 6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	None	NA
	EC 7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	No specific procedure for local hiring	NA
Indirect Economic Impacts	EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Sustainability Report	41 to 42
	EC 9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Not reported	NA
Environment Management				
Materials	EN 1	Materials used by weight or volume	None	NA
	EN 2	Percentage of materials used that are recycled input materials	None	NA
Energy	EN 3	Direct energy consumption by primary energy source	None	NA
	EN 4	Indirect energy consumption by primary source	Not reported	NA
	EN 5	Energy saved due to conservation and efficiency improvements	None	NA
	EN 6	Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives	Sustainability Report	38
	EN 7	Initiatives to reduce indirect energy consumption and reductions achieved	None	NA
Water	EN 8	Total water withdrawal by source	Sustainability Report	36
	EN 9	Water sources significantly affected by withdrawal of water	Sustainability Report	36
	EN 10	Percentage and total volume of water recycled and reused	None	NA

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Bio Diversity	EN 11	Location and size of land 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/Sustainability Report	36 & 46
	EN 12	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
	EN 13	Habitats protected or restored	Sustainability Report	38
	EN 14	Strategies, current actions and future plans for managing impacts on biodiversity	Sustainability Report	38
	EN 15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	None	NA
Emissions, Effluents and Waste	EN 16	Total direct and indirect greenhouse gas emissions by weight	Sustainability Report	38
	EN 17	Other relevant indirect greenhouse gas emissions by weight	Sustainability Report	38
	EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Sustainability Report	38
	EN 19	Emissions of ozone-depleting substances by weight	Sustainability Report	38
	EN 20	NOx, SOx, and other significant air emissions by type and weight	None	NA
	EN 21	Total water discharge by quality and destination	Not reported	NA
	EN 22	Total weight of waste by type and disposal method	Sustainability Report	38
	EN 23	Total number and volume of significant spills	Not reported	NA
	EN 24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Not reported	NA
	EN 25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Not reported	NA
Products and Services	EN 26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Sustainability Report	33 to 42
	EN 27	Percentage of products sold and their packaging materials that are reclaimed by category	None	NA
Compliance	EN 28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None	NA
Transport	EN 29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce	None	NA
Overall	EN 30	Total environmental protection expenditures and investments by type	Sustainability Report	38

GRI CONTENT INDEX

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Social				
Labour Practices and Decent Work				
Employment	LA 1	Total workforce by employment type, employment contract and region	Not reported	NA
	LA 2	Total number and rate of employee turnover by age group, gender and region	Sustainability Report	40
	LA 3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Sustainability Report	41
Labor/ Management Relations	LA 4	Percentage of employees covered by collective bargaining agreements	None	NA
	LA 5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	None	NA
Occupational Health and Safety	LA 6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Sustainability Report	39
	LA 7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Sustainability Report	39
	LA 8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Sustainability Report	33 to 42
	LA 9	Health and safety topics covered in formal agreements with trade unions	None	NA
Training and Education	LA 10	Average hours of training per year per employee by employee category	Not reported	NA
	LA 11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Sustainability Report	40 to 41
	LA 12	Percentage of employees receiving regular performance and career development reviews	Sustainability Report	40 to 41
Diversity and Equal Opportunity	LA 13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Sustainability Report	40
	LA 14	Ratio of basic salary of men to women by employee category	Not reported	NA

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Human Rights				
Investment and Procurement Practice	HR 1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported	NA
	HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not reported	NA
	HR 3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not reported	NA
Non-Discrimination	HR 4	Total number of incidents of discrimination and actions taken	None	NA
Freedom of Association and Collective Bargaining	HR 5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	Not reported	NA
Child Labour	HR 6	HR Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	Sustainability Report	40
Forced and Compulsory Labour	HR 7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	None	NA
Security Practices	HR 8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not reported	NA
Indigenous Rights	HR 9	Total number of incidents of violations involving rights of indigenous people and actions taken	None	NA
Society				
Community	SO 1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	Sustainability Report	41 to 42
Corruption	SO 2	Percentage and total number of business units analysed for risks related to corruption	Not Reported	NA
	SO 3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Not Reported	NA
	SO 4	Actions taken in response to incidents of corruption	None	NA
Public Policy	SO 5	Public policy positions and participation in public policy development and lobbying	Sustainability Report	41 to 42
	SO 6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None	NA

GRI CONTENT INDEX

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Anti-Competitive Behavior	SO 7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	None	NA
Compliance	SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None	NA
Products Responsibility				
Customer Health and Safety	PR 1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	None	NA
	PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	None	NA
Product and Service Labeling	PR 3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	None	NA
	PR 4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	None	NA
	PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report	35
Marketing Communications	PR 6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	None	NA
	PR 7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	None	NA
Customer Privacy	PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None	NA
Compliance	PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	NA

GLOSSARY

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.

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

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.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards.

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.

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.

GLOSSARY

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

OCI
Other Comprehensive Income

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.

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.

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

CO2
Carbon Dioxide.

CDM
Clean Development Mechanism.

GRI
Global Reporting Initiatives.

GDP
Gross Domestic Product

MHPP
Mini Hydro Power Project

NCRE
Non Conventional Renewable Energy

OEDC
Organisation for Economic Co-operation and Development

PUCSL
Public Utility Commission of Sri Lanka.

SLSEA
Sri Lanka Sustainable Energy Authority.

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

Kilowatt (kW)
Equal to 1000 watt.

kWh
Kilowatt hours. Thousand watt hours equal to one kilowatt hour.

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

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

GWh
Giga watt hours. One million kilowatt hours equal to one gigawatt hour.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of Vallibel Power Erathna PLC will be held at the Kingsbury Hotel, Colombo 1, on Friday, 26th June 2015 at 9.30 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 2015 together with the Report of the Auditors thereon.
2) To re-elect Mr. H. Somashantha 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. L. D. Dickman 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. S Shanmuganathan 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 2016 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
21 May 2015

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 9.30 a.m. on 24th June 2015.
- For security reasons shareholders / proxy holders are requested to bring their National Identity Card or Passport when attending the meeting.

NOTES

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. S H Amarasekera	of Colombo or failing him
Mr. P K Sumanasekera	of Colombo or failing him
Mr. H Somashantha	of Colombo or failing him
Mr. L D Dickman	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 14th ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Kingsbury Hotel, Colombo 1, on Friday, the 26th day of June 2015 at 9.30 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 2015 together with the Report of the Auditors thereon.		
2) To re-elect Mr. H Somashantha 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. L D Dickman 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. S Shanmuganathan who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.		
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 2015/2016 and up to the date of the next Annual General Meeting.		

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

....
*Signature/s

Note:

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

FORM OF PROXY

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 9.30 a.m. on 24th June 2015.

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
07th 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. L D Dickman
Mr. S Shanmuganathan
Mr. P B Perera
Mr. C V Cabraal

Alternate Directors
Mr. W D N H Perera (for Mr. P B Perera)
Ms. D S N Weerasooriya (for Mr. K D D Perera)

Head Office and Registered Office
27-2, East Tower, World Trade Centre
Echelon Square, Colombo 01.
Telephone : 011 2381111
Fax : 011 2381115
E-mail : energy@vallibel.com
Web : 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 Bank PLC
DFCC Vardhana Bank PLC
Hatton National Bank PLC
Pan Asia Banking Corporation PLC

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Vallibel Power Erathna PLC

Annual Report 2014/15

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