Vallibel Power Erathna PLC

The Undercurrent of Good

Annual Report 2016/17

Contents

Our Business

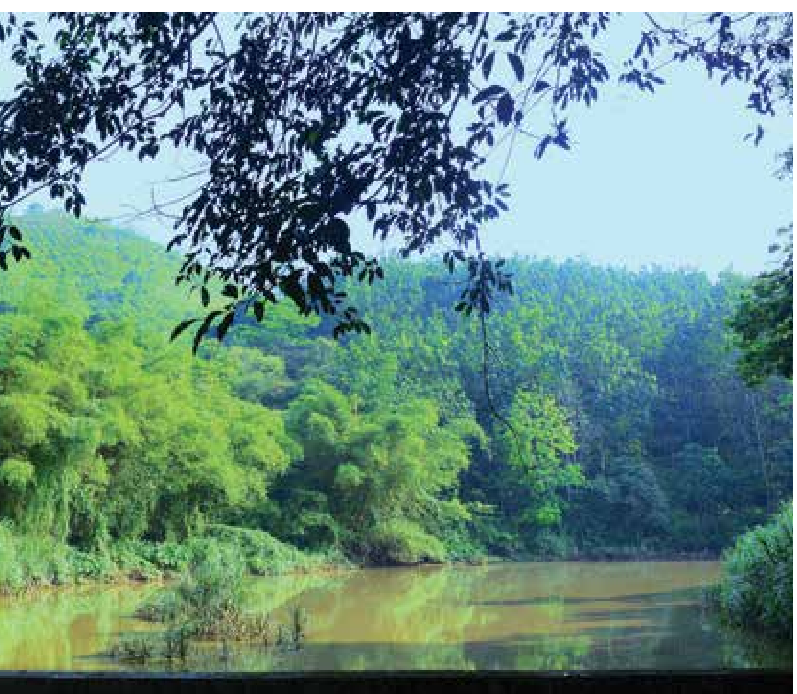
" Vallibel Power Erathna PLC is now the leading light in the mini hydropower energy sector, the largest public quoted mini hydropower company in Sri Lanka."

Leadership and Governance

" Valilibel Power Erathna is committed to a high level of corporate governance and to fostering a culture that values ethical behaviour, integrity and respect for people and the planet."

Management Discussion & Analysis

" Creating value for all our stakeholders is what our business is all about. It defines who we are, what we do, and why we do it."

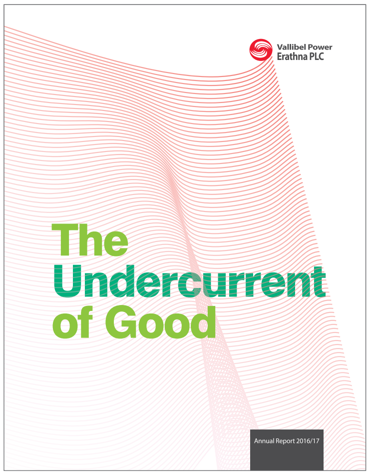


Our Financial Reports

" Group Revenue during the current year financial year reduced by 27% to Rs. 864 million, from Rs. 1,182 million last year."

Annexures to the Report

About this Report



Scope, Content and Boundaries

For the first time we have attempted to present an Integrated Report for this year to our shareholders. The aim of our integrated approach is to enable our stakeholders, including investors, to make a more informed assessment of the value of Vallibel Power and its prospects. In this report we seek to fully integrate the operational, financial and sustainability reporting in line with the business practices which create the values to our stakeholders through financial capital, environmental capital, social and relationship capital, human capital and intellectual capital of the Company.

This report covers the financial year from 1 April 2016 to 31 March 2017. It complies with legislative requirements for annual reporting under the Company's Act No. 07 of 2007 and with the relevant regulatory requirements including those stipulated by the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Therefore the Subsidiary, Country Energy (Pvt) Ltd has been consolidated at the all information presented in this report. The report is structured on sustainable value creation process together with the related activities and performance in terms of both financial and non-financial facets for the reporting period. Wherever relevant, data relating to the preceding financial years are used to track trends and benchmark the performance of the year under review. The information has been guided by the Global Reporting Initiative (GRI) - G4 framework in accordance with the GRI's "In accordance"- Core reporting standards where the report is externally assured.

Methodology

The financial data and information on performance is prepared using the accounting data for the period 01st April 2016 to 31 March 2017, audited by Messes Ernst & Young, Chartered Accountants. Non-financial information of Sustainability Reporting was audited by Messes Ernst & Young, Chartered Accountants according to the Sri Lanka Standard on Assurance Engagements (SLASE 3000) – "Assurance Engagements other than Audits or reviews of Historical Financial Information". The data and information on the macroeconomic environment and the power & energy industry are based on the available statistics published by the Central Bank of Sri Lanka, Ceylon Electricity Board and other industry sources.

Comparative information has been presented for the recent corresponding year ended 31 March 2016. There are no any material changes of the scope and information reported in the current year, unless otherwise stated.

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
or
Download this QR code from your smart phone to gain quick access to our website

The Undercurrent of Good

As we set out to create renewable energy products that will power the nation, we are also working on creating an undercurrent of good that puts our sustainability goals on a higher elevation. By working closely with the communities in which we have a presence and also by formulating and starting conservation work in the environment in which we function, we are giving back and focusing on our triple bottom line in making our growth and the growth of the nation a long term one.

> "Vallibel Power Erathna PLC is acclaimed as the largest public quoted mini hydropower company in Sri Lanka. With great repute however, comes great expectation with the company having to generate and dispatch approximately 80 GWh of electricity to the Ceylon Electricity Board. We takes pride in meeting this expectation while simultaneously exploring cleaner means of generating energy that will aid the conservation of the environment, benefit our communities and reward our investors."

Our Business

About Us

History of VPEL

Frequent power outages in the mid-1990s brought to light the fact that the Government of Sri Lanka's power generation utility, the Ceylon Electricity Board (CEB), was unable to meet the surge in demand for electrical power needed for economic and social development. This prompted the CEB to invite partnerships with private and institutional investors to boost Sri Lanka's electricity generation capacity, which gave the Vallibel Group the green light to diversify into the mini hydropower business.

'Zyrex Power Company Erathna Limited saw the light of day on 7 November 2001, incorporated to supply electrical power to supply electricity to the national grid on a BOO basis. The company's name was changed on 14 October 2004 to 'Power Company Erathna Limited.'

In July 2004, Power Company Erathna Limited successfully commissioned its first 10MW plant, Erathna MHPP in Kuruwita, located in the Ratnapura District, to generate electricity from the Kuru Ganga. The plant was built by German mini hydropower plant construction experts Voith Seimens, and remains the largest MHPP in Sri Lanka to date. On 2 June 2005 the company changed its name to 'Vallibel Power Erathna Limited,' the name it bears to this day.

The company went public in 2006 and listed its shares on the Colombo Stock Exchange on 17 of May 2006, which saw a record over subscription that generated substantial profits for its shareholders. In October 2009, the company was transferred to the main board of the Colombo Stock Exchange.

In November 2009, the company acquired a 87.2% stake in Country Energy Pvt Ltd. At the time of acquisition, Denawaka Ganga MHPP and Kiriwaneliya MHPP were in their initial stages of construction, in Ratnapura and Norton Bridge respectively. The Denawaka Ganga MHPP was commissioned in February 2012 with an installed capacity of 7.2 MW and cost Rs.930 million to construct. The Kiriwaneliya Mini Hydropower Project has an installed capacity of 4.65 MW, was constructed at a cost of Rs.815 million and commissioned in December 2011, Vallibel Power Erathna PLC contributed Rs.667 million as equity to construct the two projects. The three mini hydropower plants generate a cumulative capacity of 21.85 MW, and generate and dispatch approximately 82 GWh of electricity annually to the Ceylon Electricity Board.

This is equivalent to reducing approximately 50,000 metric tons of CO_2 emissions annually.

Vallibel Power Erathna PLC is now the leading light in the mini hydropower energy sector, the largest public quoted mini hydropower company in Sri Lanka, and has since continued to invest extensively in renewable energy sources in the local energy market. The company is now pursuing green energy opportunities in Asia and Africa as well.

Construction of Erathna MHPP - Year 2004

Construction of Denawaka Ganga MHPP - Year 2010

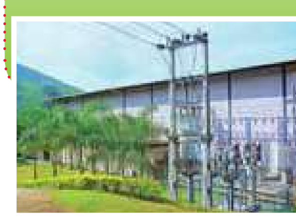
Construction of Kiriwaneliya MHPP - Year 2010

Organisational Structure

Vallibel Power Erathna PLC

Country Energy (Pvt) Ltd
87.2%

	Erathna MHPP 10MW	Denawaka Ganga MHPP 7.2 MW	Kiriwaneliya MHPP 4.65 MW
Annual Average Energy	42 GWh	25 GWh	15 GWh
Year of Commissioning	2004	2012	2011
Net Head	420 Meters	33 Meters	200 Meters
Penstock Length	2250 Meters	97 Meters	1690 Meters
Channel Length	300 Meters	1800 Meters	300 Meters
EM Plant Supplier	Voith Seimens	Dongfeng Electric	VS Energy
Location	Kuruwita, Rathnapura District	Malwala, Rathnapura District	Norton Bridge, Nuwara Eliya District
River	Kuru Ganga	Denawaka Ganga	Maskeli Oya
Direct Workforce	23	39	18



More Information available on;

http://www.vallibel-hydro.com/projects/erathna-hydro-power.php

http://www.vallibel-hydro.com/projects/denawaka-hydro-power.php

http://www.vallibel-hydro.com/projects/kiriwaneliya-hydro-power.php

About us (Contd.)

Timeline of Success

2001

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

2002/03

Construction of Erathna Mini Hydropower Project at Kuruwita

2004/05

Commencement of commercial operations of Erathna project on 14th July 2004.

Change of the name as "Power Company Erathna Limited" On 14th October 2004.

Change of the name as "Vallibel Power Erathna Ltd" On 2nd June 2005.

2006

Listing of Company's shares on Secondary Board of Colombo Stock Exchange on 17th May 2006.

Investment in shares of Fortress Resorts Ltd.

2011

Commencement of commercial operations of Kiriwaneliya MHP Project on 15th December 2011.

Bronze Award Winner-Service Sector in Annual Report Competition held by ICASL.

2012

Commencement commercial operations of Denawaka Ganga MHP Project on 14th February 2012.

Gold Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.

Winner of ACCA Sustainability Reporting Award in the First Time Reporting Category.

Visiting of Erathna MHP Project by the Delegation of Seychelles Government to study Mini Hydropower projects industry.

2013

Kiriwaneliya project and Denwakaganga project were qualified for Clean Development Mechanism (CDM) under United Nations Framework Convention on Climate Change (UNFCCC).

Silver Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.

Erathna MHP Project recognised as Bronze Award Winner at the National Green Award-2012 organised by CEA

2014

Company and its Subsidiary were certified for ISO 9001 & 14001 for the implementation of Quality and Environmental Management Systems.

Group turnover passed One Billion Rupees for the first time.

Kiriwaneliya MHP Project recognised as Bronze Award Winner at the National Green Award-2013 organised by CEA.

2007

Enhancement of investment in the Fortress Resorts PLC to become the 5th largest shareholder.

Investment in Didul (Pvt) Ltd.

2008

Disposal of investment in Didul (Pvt) Ltd..

2009

Acquiring the stake of Country Energy (Pvt) Ltd in November 2009 as a subsidiary.

Transferring to the Main Board of Colombo Stock Exchange on 15th October 2009.

2010

Construction of Kiriwaneliya & Denawaka Ganga MHP projects in 2010.

2015

Highest power generation of 45.6 Gwh for the year 2015 Group earned a Revenue of Rs.1.3Bn.

Highest Group Profit in the history; Rs. 960 Mn.

Highest Dividend paid in the history; Rs. 747 Mn.

Silver Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.

Disposal of investment in Fortress Resorts PLC

2016

Company recognised as "Best Under A Billion Award" winner held by Forbes Asia

Highest Dividend of Rs. 747 Mn for the 2nd consecutive year.

Bronze Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.

Kiriwaneliya MHP Project recognised as Silver Award Winner at the National Green Award-2015 organised by CEA

2017

Lowest Power Generation recorded in the history

Completed 2,930 of trees planting under "Empowering Green" concept.

Bronze Award Winner-Power & Energy Sector in Annual Report Competition held by ICASL.

Our DNA of Success

Our Vision

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

Our Mission

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

Our Values

Integrity

We act with trust, honesty, fairness and transparency

Responsibility

We responsibly manage the assets of the Company effectively to create value for shareholders

Safety

We think of the safety of our people and the people beyond our organisation too

CSR

We responsibly manage our impact on the environment and host communities

Exploration

We encourage innovation and seek new ways of renewable energy

Delivery to Our Key Stakeholders

Investors

We optimise operational efficiencies from existing assets to give high returns and acquire new renewable energy opportunities to create shareholders' wealth

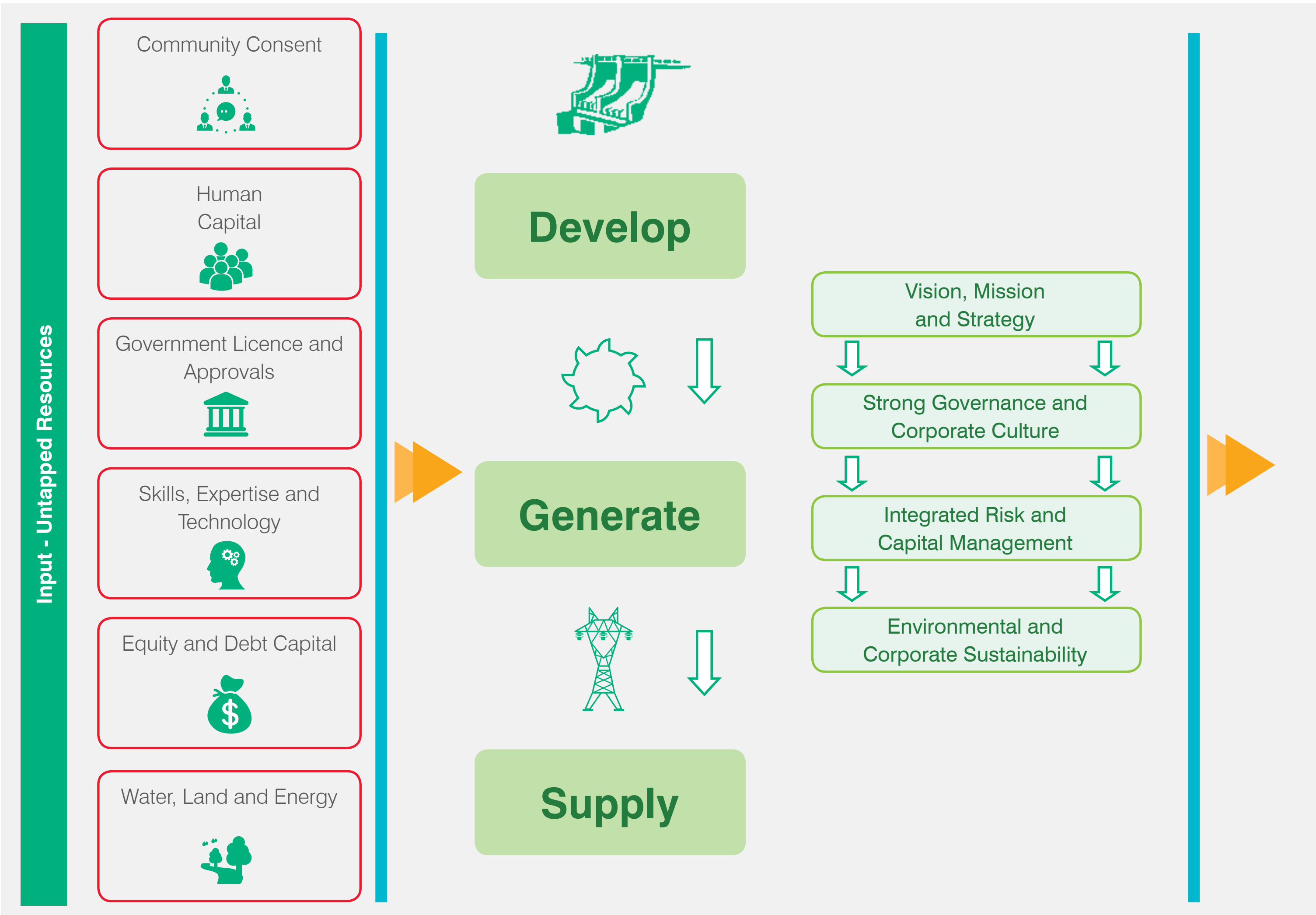
Employees

We care for our employees and create a favourable and healthy work environment to increase productivity.

Environment & Community

We have minimised the potential impact on the environment by striving to conduct business in an eco-friendly manner.

Our Value Creation Model



Generating power for the people requires the cooperation and support of a multitude of stakeholders in various areas of our business and in diverse locations of the country. We have a clear business strategy that meets the aspirations of our stakeholders who comprise shareholders, employees, lenders of capital, the communities in which we operate, as well as the environment. Each stakeholder is integral to the continuity and smooth functioning of our business, and it is essential that we achieve a win- win situation all round if our business is to remain sustainable and we are to realise our mission of generating the maximum amount of electricity from available water resources with minimal environmental pollution, by optimising the operational efficiencies of our assets.

Our business model describes how we effectively use the six capitals, starting with the Water-Land-Energy nexus, to meet the demands of multiple stakeholders, to convert water into value, and how each of the capitals is interdependent on the others.

Firstly, we harness the liquid resource of the river flow necessary to generate the power (natural capital); then use the financial resources provided by our shareholders and investors to build the hydropower plant (financial capital); specialised equipment is needed to generate the power (manufactured capital), and a variety of people are necessary to build the project, viz. - specialised suppliers with the

636.3 GWh
Hydro Electric Power Generation

LKR 6.9 Bn
Gross Income from Operations

Output – Values Created

To Shareholders;

LKR 4.2 Bn
Distributed as Dividend

To Employees

LKR 530 Mn
Spent on Employees

To Government

LKR 297 Mn
Paid as Taxes and Levies

To Lenders of Capital

LKR 2.2 Bn
Paid as Capital and Interest

To the Community

LKR 28 Mn
Spent on CSR work

To Nature

3,525 trees
Planted for forest cover

435,306 MT
Reduction in CO_2 Emissions

technical expertise to set up the hydropower equipment, construction personnel with the necessary know- how to build the supporting infrastructure, and once built, the plant cannot commence operations without the appropriate government consent, for which we need licences and approvals (intellectual capital); Employees - professional, skilled and semi- skilled (human capital), are needed next to continue efficient plant operations, and finally, the consent of the surrounding community (social capital) is vital for the project's continuity.

The company has in place strategies, processes and procedures to take forward the combined effects and efforts of the six capitals needed to generate the power that turns into profit when the power generated is sold to the CEB.

The financial gains from this sale are then channelled out of the company, to shareholders in the form of dividends, to employees in the form of remuneration for work performed, to the government to pay the required taxes, to creditors or lenders of capital as repayment of their loans with interest, and then to the community to enhance their quality of life, and to nature, to replenish any resources that were depleted in the course of the business.

Highlights of Our Performance

Performance

60.2 GWh
Power Generation
76.4 GWh
Year 2015/16

Rs. 864 Mn
Group Revenue
Rs. 1,182 Mn
Year 2015/16

Rs. 516 Mn
Group NPAT
Rs. 813 Mn
Year 2015/16

Rs. 598 Mn
Dividend
Rs. 747 Mn
Year 2015/16

Financial Position

Rs. 2,745 Mn
Total Assets
Rs. 3,105 Mn
Year 2015/16

Rs. 509 Mn
Total Debt
Rs. 763 Mn
Year 2015/16

Rs. 2,074 Mn
Shareholder's Fund
Rs. 2,176 Mn
Year 2015/16

Share Information - Company

Rs. 0.70
Earnings Per Share
Rs. 0.89
Year 2015/16

Rs. 2.28
Net Assets Per Share
Rs. 2.37
Year 2015/16

Rs. 7.10
Market Price Per Share
Rs. 8.00
Year 2015/16

Non-Financial Indicators

Rs. 833 Mn
Economic Value Generated
Rs. 1,146 Mn
Year 2015/16

GJ 1,250
Energy Consumption
GJ 1,308
Year 2015/16

37,617 MT
Reduction of CO2 Emission
47,737 MT
Year 2015/16

102
Total Employees
104
Year 2015/16

Rs. 2.5 Mn
CSR Investments
Rs. 2.7 Mn
Year 2015/16

2,930
Trees Planted
340 Trees
Year 2015/16

“Vallibel Power Erathna PLC has three mini hydropower plants in Kuruwita, Rathnapura and Norton Bridge. Given the Ceylon Electricity Board (CEB) intends meeting future energy demands through alternate sources, it has been projected that at least 20% of the total demand will be generated from renewable energy sources. In this light, our effort to generate power from mini hydropower plants is of utmost significance in terms of its contribution to the global switch to cleaner and greener sources of energy.”

Leadership and Governance

Chairman's Message

"The electric power sector in Sri Lanka has been one of the most dynamic areas of growth in the energy market in recent years. The economic boom that followed the aftermath of the three decade civil fuelled the country's demand for power."

It gives me great pleasure to present to you, our valued shareholders, our first integrated Annual Report and Financial Statements for the financial year ended 31 March 2017, in this, our thirteenth year in business.

In financial terms, the year has, unfortunately, been the worst in your company's history due to the prolonged drought conditions that prevailed throughout this financial period. This caused severe water stress across the country and substantially depleted the water resources that are critical to sustaining our business. We have emerged undaunted, however, with a renewed focus on opportunities for introducing alternative clean energy resources that are less dependent on the vagaries of the weather and more readily available.

The Global Energy Outlook

Governments around the world are increasingly pursuing a policy of decarbonisation which support introducing emission reduction strategies in every sector of the economy. Key topics on their agenda include initiatives to improve energy efficiency, support renewable energy and promote alternative fuels.

Although economic growth had a direct bearing on energy demand worldwide, the recent experiences of countries like the US refute this correlation. From 2007 onwards, despite significant economic growth, electricity consumption in the US has been flat, and total energy demand actually dropped even as new technologies like the internet and electronic equipment increased in usage. Growth in renewables and natural gas came at the expense of high pollutants like coal. This remarkable feat could be replicated in economies of countries like ours, with some economic foresight and careful planning.

But the era of fossil fuels appears far from over. Although consumption of non fossil fuels is expected to grow faster than the consumption of fossil fuels, fossil fuels are still predicted to account for 78% of energy use in 2040. This underscores the challenge of reaching climate goals.

The world's GDP is forecast to rise by 3.3% annually from 2012 to 2040, with the fastest growth rates projected from emerging economies where GDP will increase by 4.2% per year. GDP growth in the developed countries of the Organization for Economic Cooperation and Development (OECD) is at a much slower pace of 2.0% annually due to their more mature economies and slow population growth trends. This global economic growth will fuel demand for energy, led by increased demand from countries outside OECD, especially Asia, where long term economic prosperity will increase the demand for electric equipment and appliances. Energy consumption in Asia is predicted to rise by 71% as against a 18% increase in OECD nations.

The Asian region must gear to meet this demand, through producing sufficient clean energy alternatives. The key to turning to green energy is research and innovation on new technologies that prioritise environment protection. Although many sectors of the global economy have been transformed by the use of new technologies, this is an area in which the energy sector lags behind: the proportion of demand for fossil fuels has remained unchanged for the past 25 years, with the demand for coal showing the fastest growth among fossil fuels. This is mainly due to the fact that many countries continue to use centralised power systems that rely on fossil fuels. But efforts to institute a low carbon economy are now gathering momentum, and the pursuit of clean energy technologies have become the means to this end.

The Local Energy Environment

The electric power sector in Sri Lanka has been one of the most dynamic areas of growth in the energy market in recent years. The economic boom that followed the aftermath of the three decade civil fuelled the country's demand for power. The burgeoning manufacturing and tourism sectors were among the most demanding, as massive infrastructure projects got off the ground and tourists flocked into the country to experience the bounty of our topical island. To meet these demands the government decided to add more power to the national grid through renewable energy, especially from wind, solar and hydro projects at the initial stages, as more thermal power requires substantially more capital investment.

In 2016, the total energy sector generated was 14,149 GWh, of which 4,220 GWh was contributed by hydropower, which is a substantial drop of 29% from the hydropower generated in the previous year, of 5,969 GWh. The contribution of private mini-hydropower plants throughout the country, including our own three plants, also saw a corresponding drop, of 30%, to 739 GWh, from 1,065 GWh generated last year. These substantially diminished figures for generated power are attributed to the severe drought conditions during the year, which considerably reduced the quantity of water available for generation. The prolonged drought was also the main factor that resulted in a marked deterioration of CEB's financial performance in 2016, exacerbated by the breakdown of the Norochcholai coal power plant from a PBT of Rs. 19.4 billion in 2015, to a loss of Rs. 13.2 billion in 2016 (provisional – CBSL 2016).

Power consumption in the country during the year rose marginally by 8.5%, to 12,785 GWh from the previous year's 11,786 GWh.

It is noteworthy to mention that hydropower, which is clean energy, is the cheapest to generate, at Rs. 1.48 per unit, as against a fossil fuel like coal, which is Rs. 6.64 per unit. Renewable energy (NCRE) costs Rs. 16.83 per unit, so although coal is cheaper when compared with wind solar power, the costs to the environment must also be considered in this equation.

Unlike many other countries that went in for an energy mix, Sri Lanka fine-tuned focus on developing our coal power and hydropower capacities over other energies based solely on their low cost. But climate change concerns have put global pressure on Sri Lanka to generate renewable energy and explore non conventional alternative energy sources in order to maintain an energy mix that includes a significant proportion of renewable energy. So Sri Lanka is now re-looking at energy use in terms of counterbalancing costs with environment concerns when deciding on the energy resources to tap.

The Sri Lanka energy sector development plan (2016- 2025) of the Ministry of Power and Energy was developed to support these initiatives. The plan was drafted with the objectives of increasing the share of electricity generation from renewable energy sources from its present 50%, to 60% in the immediate term, as well as make Sri Lanka an energy self-sufficient nation by 2030 by meeting the total energy demand from renewable and other indigenous energy resources by that time.

Sri Lanka made a formal pledge to reduce our carbon footprint by 2030, at the Paris Agreement on Climate Change ratified in April 2016, along with 170 other countries who were signatories to the landmark Agreement, which came into effect in November 2016.

The country outlined the climate actions it intends to take sector-wise, under initiatives known as Intended Nationally

Chairman's Message (Contd.)

Determined Contributions (INDCs). The INDCs presented by the energy sector pledge to reduce green house gas emissions by 20% by 2030. A number of initiatives are being introduced by the CEB to ensure this reduction, which include optimising hydro potential; catering to the average electricity energy demand increase of 5% p.a. during the next 25 years with least- cost generation options in the appropriate energy mix; absorbing of a greater share of indigenous energy resources.

While the Paris Agreement provides the mandate and framework for action, the challenge now is to implement the transition towards a low carbon and climate resilient future. Upto 1995, 99% of electricity in Sri Lanka was manufactured using hydropower, but now only 50% is manufactured this way, even in a year of heavy rainfall.

The sector faces several challenges and issues which must be addressed to ensure that the energy sector meets its INDCs. These include optimising hydro potential; conserving energy through energy demand management; catering to the average electricity energy demand increase of 5% p.a. during the next 25 years with least- cost generation options with the appropriate energy mix; absorbing of a greater share of indigenous energy resources and obtaining concessionary financing for developing these resources; utilising the potential of Natural Gas or diversifying to LNG; adopting climate change policies and other externalities.

The government has taken measures to open up investment in wind power and solar parks in partnership with the private sector, several of these projects had been on hold for some years. The conversion of waste to power has also become a topical issue, and measures to convert a renewable resource like municipal waste which is presently a massive environmental and social problem, and are already in the pipeline and will bring about a win- win situation for all concerned.

Sri Lanka could learn from the experiences of countries like Germany, which is successfully pursuing renewable energy measures and is right on track with its pledges on the Paris Agreement, with an initiative, 'Energiewende, ' that signifies a change in Germany's energy policies to focus on renewable energy. Germany is confident that it will increase its share of renewable energies by up to 50% by 2030.

Your Company's Performance

Despite the challenges we faced in the year under review, we are confident of the future, because we have the advantage of unique resources, prime locations, an excellent brand, and core values that have brought us to the apex of the mini hydro industry in Sri Lanka. We also enjoy the best power generation capacity, comfortable revenue margins as well as the best bottomline in terms of performance.

The adverse effects of the weather precluded us from achieving the estimated annual average energy output and reduced the Group's contribution to the national power grid this year by 21% to 60.2 GWh, when compared with the previous year's contribution of 76.4 GWh. The outputs of all three mini hydropower plants were also reduced – Erathna by 20%, to 35.4 GWh from 44.1 GWh in 2015/2016; Denawaka ganga by 26% from 19. 6 GWh in 2015/2016 to 14.6 GWh in the current year, and Kiriwaneliya to 10.2 GWh from the previous year's 12.6 GWh, a drop of 19%.

Your company recorded a Group Revenue of Rs. 863.7 million in the present financial year, which is a decline of 27% from Rs.1,181.8 million during 2015/2016. Revenue of the Erathna, Denawaka Ganga and Kiriwaneliya MHPPs also declined by 26%, 31% and 25%, to Rs. 507.9 million, Rs. 210.5 million and Rs. 145.3 million respectively, from the previous year's corresponding Rs. 682.1 million, Rs. 305.4 million and Rs. 194.2 million. The drop in tariff effected in year 2016 by 2.5% in the dry season to Rs. 16.32 per unit, from Rs. 16.74 per unit in year 2015 and by 6.7% in the wet season to Rs.14.22 from the previous year's Rs.15.24 per unit also impacted revenue.

The reduced revenue negatively affected for the Group's profit as well, and brought down Group Net Profit after Tax during the year by 37% to Rs. 515.8 million, when compared with the 2015/2016 figure of Rs. 813 million. The Net Profits after Tax of Erathna MHPP was Rs.525 million, a decrease of 21% over the previous financial year's NPAT of Rs. 668.0 million.

Despite the adverse circumstances that generated these figures, you will be happy to hear that we were still able to maintain a comfortable net profit margin of 60% in 2016/2017 as well, due to the efficient management of capital and maintaining of losses from operational breakdowns at a minimum level. This compares well with the previous profit margin of 69% in 2015/1016.

CERs also fell by a substantial 21%, from 47,737 MT of CO2 in the previous financial year, to 37,617 MT of CO2 during the current period, as a result of the reduced hydropower generation.

Recent initiatives have been taken by the Sri Lanka Carbon Fund (SLCF) which resulted in the emerging of a new local market for CERs as well as increased the interest shown by local companies to have their carbon foot print assessed by the SLCF and purchase CERs for carbon neutrality. This influenced our decision to go in for verification of the Kiriwaneliya project, which would enable us to keep CERs ready for sale when required. However, prevailing market prices remain unattractive, and we are awaiting a more favourable price before making a decision to sell.

We continued to introduce new technologies where necessary and improved processes to existing systems to further improve efficiencies, which have ensured the smooth and efficient operation of all three power plants during the year under review. The SPPA of the Erathna Mini Hydropower project will expire in 2019 and we hope to be granted a further extension on favourable terms. Denawaka Ganga and Kiriwaneliya have more than 10 years of operation before their SPPAs falls due.

Dividend

Despite the shortfalls in this difficult year, I am pleased to announce that your company has declared a dividend of Cents 80 per share amounted to Rs. 597 million for the year 2016/2017, in grateful acknowledgement of your commitment and encouragement throughout the challenges. This brings the total dividend declared and paid by the Group since inception, to Rs. 4.2 billion. As a low geared company, we remain committed to creating shareholder value and distributing capital gains.

Achievements

I am pleased and proud that VPEL was recognised, once again, for our high standards of reporting and disclosure at the Annual Report 2015/16 Awards conducted by the Institute of Chartered Accountants of Sri Lanka (ICASL) with the Bronze award in the Power and Energy category of companies. This is the sixth consecutive year of being placed within the top ICASL recognitions for clear and cohesive reporting which goes beyond the statutory requirements of corporate reportage.

Although we have been quiet in our achievements during the current year, we have continuously earned numerous other accolades over the twelve years since our inception, for performance as well as environment sustainability. Other recent recognitions include listing by Forbes Asia among the Best 200 Under a Billion Companies in Asia, last year, as well as ranking by Forbes Asia as the most profitable company out of 17,000 listed companies under evaluation. This independent evaluation by international experts validates your company's performance and capabilities among Sri Lankan power companies, its contribution towards developing projects in other countries, and its positive impact on the national economy. I am pleased that both Kiriwaneliya and Erathna have been recognized with National Green Awards at three times in the past years for their unique contribution to the field of environment conservation and protection .

Our Responsibility To Society

We are committed to the principle of sustainable development which, as defined by the World Council for Economic Development (WCED), "meets the needs of the present without compromising the ability of future generations to meet their own needs." Accordingly, we address key issues like social equity, by addressing poverty, community issues and health, as well as support the well-being of the environment by introducing climate change initiatives.

We continued to engage with the communities we live and work in, by identifying and filling gaps that are vital to enabling the people of our land embrace knowledge, enhance skills, and empower themselves, and respond speedily to the need of the hour. We firmly believe that the youth of today are the hope of tomorrow, and have, accordingly, provided several schools and children in our vicinities with essential school items and food as well as financial assistance that will assure them of a brighter tomorrow. Adults with health issues were also provided with financial support, and we helped communities battle the effect of extreme weather events with donations in cash and kind.

'Empowering Green' was a long-term initiative introduced during the last year in partnership with the Forest Department, in which we target planting 100,000 trees in various parts of the country. This programme is flourishing, and has also gained the support of several Divisional secretariats. During the financial year we completed planting over 2,500 in the

Chairman’s Message (Contd.)

year under review, to give back to Mother Nature the bounty with which she bestows us, without which our business would not continue to thrive.

Governance

Valilibel Power Erathna is committed to a high level of corporate governance and to fostering a culture that values ethical behaviour, integrity and respect for people and the planet. The Board of Directors believes that adopting and operating in accordance with the highest principles of governance is essential for the company’s sustained long-term performance and creation of value. Accordingly, we continue to follow the best practices set out by all relevant regulatory authorities and the industry, and commit to actively exploring green energy solutions that are the viable alternative to fossil fuels, to promote a sustainable environment by contributing to reduce the carbon footprints of other businesses. We have consciously introduced standards, systems and procedures that ensure conformity to this commitment.

Looking To The Future

The many positive developments in the local and global energy arena augur well for your company. Vallibel Erathna keeps our finger on the pulse of developments in new markets for hydropower investment, so our strategy for future growth will include a focus on the mini hydropower sector. But we will not confine ourselves to mini hydropower and will explore renewable energy alternatives in Sri Lanka as well as globally. We already commenced exploration of the investment potential in countries like Nepal, Myanmar and Bhutan in the Asian region, as well as in Africa. We have been engaging in continuous dialog with potential partners of those countries until such time as a safe environment is established for foreign direct investments. Recent political changes in those countries remain heartening as their economies open up for foreign investors in those power sectors.

The feasibility of the mini hydropower industry in Sri Lanka has almost reached maturity, so diversification into other forms of energy such as wind and solar are now necessary. Technology innovations have brought down investment costs, so investments in renewable energy are not only sustainable, but attractive as well. Rapid technological developments in the manufacture of solar PV cells, for instance, have created investment opportunities in solar parks due to decreasing technology costs which make returns much more attractive today when compared with just two or three years earlier. The potential and interest in geothermal energy and biofuel has also increased and many investigations and investment on feasibility level are being carried out by countries as solutions to power crises that people will be compelled to face in future, if power generation capacities are not increased. These are opportunities we are confident of being able to take full advantage of very shortly.

Appreciations

I reiterate that our many triumphs and achievements have been due to the invaluable contributions of each of our stakeholders. To you, our valued shareholders, I thank you for your loyalty and long term commitment. I am honoured that you have placed your confidence in us to bring you the best returns on your investment.

I also wish to express my deep appreciation to our Board of Directors for their visionary thinking and invaluable advice that helped us circumvent many of the challenges of this year as well as in previous years. I wish to make particular mention of Mr. W D N H Perera, the alternative Director to Mr. P B Perera who resigned from the Company on 8 March 2017, and thank them both most sincerely for their yeoman service to the company. Mr. W D N H Perera’s has been a stalwart of your company since its inception, and has also served at the helm of several key corporates over the years. I am indebted to him for by his foresight and business acumen that has helped steer Vallibel Power to its present success and premier market position.

Dhammika Perera
Chairman

26 May 2017

Board of Directors

K D D Perera

Chairman - NED

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality & Hydropower generation. He has three decades of experience in building formidable business through unmatched strategic foresight.

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

S H Amarasekera

Director - INED

Mr. 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, specializing 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, Royal Ceramics Lanka PLC, Amana Bank PLC, Chevron Lubricants Lanka PLC, Taprobane Holdings and PLC and Amaya Leisure PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

P K Sumanasekera

Director - INED

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

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

Board of Directors (Contd.)

H Somashantha

Director - NED

Mr. Haresh Somashantha is a member of the Institute of Chartered Accountants of Sri Lanka and an Associate member of CPA Australia. He also holds a Bachelor's Degree in Mathematics from the University of Kelaniya. He counts over 17 years of experience in audit, financial management and reporting, including strategic and corporate planning across different industries.

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

S Shanmuganathan

Director - INED

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

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

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

C V Cabraal

Director - NED

Chatura V. Cabraal is a Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology.

He is currently working for CHEC Port City Colombo (Pvt) Ltd. as a Sustainability Engineer in the Planning and Development Department. He previously worked at Brandix Lanka (Pvt) Ltd. as a Sustainability Engineer in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services.

He is also the co-owner and co-founder of Royal Orchids (Pvt) Ltd. which is one of the largest floriculture farms in Sri Lanka. He also serves on the boards of Kelani Valley Plantations PLC and The Fortress Resort and Spa PLC.

Joint Chief Executive Officers' Review

"Weathering the storms of a changing climate has been a key strength of the company since inception. Vallibel Power Erathna PLC continued to hold its own within the sector and in the economy, despite the difficult demands of the operating environment. We drew on the much strength that recommends us: on our reputation as the largest public quoted mini hydropower company in Sri Lanka with over 13 years' experience in the mini hydropower industry, our expertise in large- scale mini hydropower generation, as well as our business acumen that has set industry benchmarks"

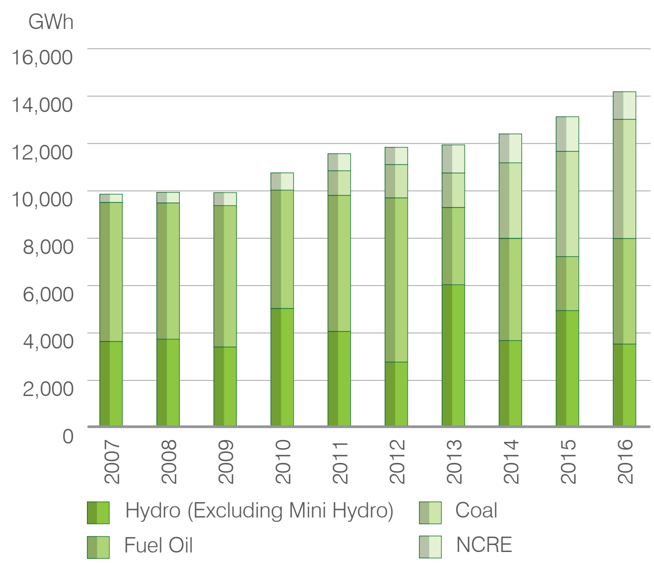
Russell De Zilva
Jt. CEO

A K Dheerasinghe
Jt. CEO

Electricity Generation Sector Analysis - Sri Lanka

Due to the vagaries of the weather the CEB's hydropower generation also declined during the year, by 29.0 % to 3,481 GWh and the contribution to total power of the power plants owned by the CEB declined to 76.5% in 2016 from 79.4 % in 2015. While fuel oil-based power generation (both CEB and private) increased by 96.1 % to 4,461 GWh in 2016, to meet this shortfall. Total coal power generation also increased by 13.6% to 5,047 GWh in the current year, despite the failure of the Norochcholai coal power plant. The generation of electricity through non-conventional renewable energy (NCRE) sources, including mini-hydro generation, declined by 20.9% per cent to 1,160 GWh in 2016, while the share of hydro, fuel oil, coal and NCRE in total power generation remained at 25%, 32%, 36 % and 8 % in 2016.

Electricity Generation Mix of Last Decade in Sri Lanka



Stepping up the generation of electricity through NCRE sources, including mini-hydro generation and solar power is important to improve the energy security in the country, because the recent weather events brings home the fact that the main dependency must not be on hydropower generation. The country has a current total installed power generation capacity of approximately 4,018 MW, consisting of 1,384 MW of hydropower, 900 MW of coal power, 1,215 MW of oil, and 519 MW of non-conventional renewable energy sources such as wind, mini hydro, biomass and solar power plants. The total electricity demand in 2016 rose to 12,785 Gwh, a 8.5 %

Joint Chief Executive Officers' Review (Contd.)

increase over the previous year's demand of 11,786 GWh., with domestic consumption taking the largest share of 37.8 %, industry absorbing 32.6 %, 'general purposes' accounting for 24.2% and the 'hotel' sector consuming the smallest share of 2.4 per %. The overall demand for electricity is expected to increase by an average 4-6 % annually.

Our three mini hydropower plants Erathna, Denawaka Ganga and Kiriwaneliya located in Kuruwita, Rathnapura and Norton Bridge, provide a cumulative generation capacity of 21.85 MW, and provide approximately 82 GWh of electricity to the national grid each year. Our operation is equivalent to reducing approximately 50,000 metric tons of CO_2 emissions annually. This year was an exception however. The negative impact of the prolonged drought during the current period flowed into all areas of our activities, because the dry weather substantially depleted the liquid wealth of the rivers that power our business. These were factors beyond our control and resulted in a disappointing overall performance, the worst on record.

47.7 GWh

Highest Generation in History

Year 2010/11

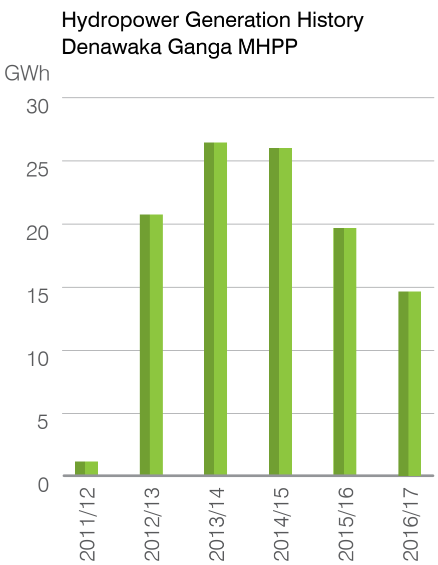
35.4 GWh

Lowest Generation in History

Year 2016/17

Hydropower Generation History
Erathna MHPP

**Note – Only Nine months were operated during the year of commission.*



**Note – Only two months were operated during the year of commission.*

26.4 GWh

Highest Generation in History

Year 2013/14

14.6 GWh

Lowest Generation in History

Year 2016/17

**Note – Only four months were operated during the year of commission.*

19.1 GWh

Highest Generation in History

Year 2013/14

10.2 GWh

Lowest Generation in History

Year 2016/17

Joint Chief Executive Officers' Review (Contd.)

The long dry spells this year reduced Group output by about a fifth (21%) of our previous year's contribution to the national grid, to 60.2 GWh, as against 76.3 GWh in 2015/2016. This is the composite contribution of the company's three mini hydropower plants, whose power generation capacities diminished in the current year in the following proportions: Erathna (-20%) Denawaka Ganga (- 26%) and Kiriwaneliya (-19%). The following outputs were generated by the three plants during the year: 35.4 GWh: 14.6 GWh; 10.2 GWh, respectively, when compared with the previous year's output of 44.1 GWh; 19. 6 GWh; 12.6 GWh, respectively.

The reduced output of the three mini hydro plants caused a 27% decline in Group Revenue in the current financial year, to Rs. 863.7 million, from revenue of Rs.1,181.7 million in the previous year. The declines in revenues of the Erathna, Denawaka Ganga and Kiriwaneliya MHPPs were by 26%, 31% and 25% respectively, to Rs. 507.9 million, Rs. 210.5 million and Rs. 145.3 million respectively, from Rs. 682.1 million, Rs. 305.4 million and Rs. 194.2 million respectively in 2015/2016.

Two reasons were responsible for the reduced revenue, namely the drop in energy generated as a result of a lower output during the drought, coupled with a reduction in the tariff during the dry season this year by 2.5% to Rs. 16.32 per unit (Rs. 16.74 per unit – 2015/16) and by 6.7% in the wet season to Rs.14.22 (Rs.15.24 per unit – 2015/16).

27%

Total Revenue Drop

Effect from energy reduction **19%**

Effect from Tariff reduction **8%**

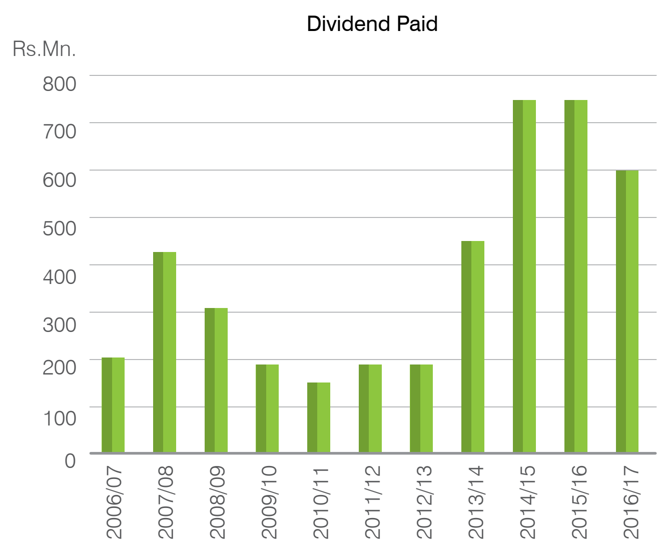
This reduced output caused a 7% decline in the average revenue per kWh generated by the Group, from Rs.15.47per kWh last year to Rs. 14.35 per kWh this year.

Reduced revenues caused a corresponding decline in the company's bottom line. The Net Profit of the Group decreased by 37%, to Rs. 515.8 million, when compared with the Net Profit of Rs. 813 million achieved in the previous year. Consequently EBITDA (earnings before interest, tax, depreciation and amortization) which is a measure of a company's operating performance, decreased by 31% to Rs. 700 million from the previous year's Rs. 1,019 million.

This caused a contraction in the net profit margin from 69% to 60%,. Despite the reduced performance, it is heartening to note that we were able to maintain our Net Profit margin at a commendable level due to prudent management of capital and careful curtailment of losses from machinery breakdowns.

The fall in revenue reduced tax expenditure as well, by 12% in the year of review. However, we anticipate a tax increase of 28%, from the present 12%, as proposed in the Sri Lanka Budget of 2017. An increase in taxation of this proportion will have a heavy negative impact on the company's bottomline.

The fall in performance reduced cash flow from business operations as well, which was reflected in a 20% drop in the dividend per share (DPS) to 80 cents per share compared to the previous year's Rs. 1 per share. Despite this drop in DPS, the company continued to maintain the same pay out ratio of 1.14 throughout the year by distributing un-utilised profits accumulated over the years.



4,184 Mn

Total Value Created for Shareholders

This year too, we introduced new technologies to ensure smooth operation at each site. These included establishing a central monitoring system with CCTV cameras using wireless links. Our sites continue to be in compliance with international standards of quality and the environment.

Corporate Social Responsibility

Being in the business of reducing carbon emissions helps us to understand how practicing sustainability in all aspects of our business operations can help us manage our reputation, make us more innovative, and enable us to adapt to our environment. We are also aware that sustainable practices help us attract and retain employees.

"Empowering Green" was a key programme initiated during the year, which has a long term goal of planting 100,000 trees, in collaboration with statutory bodies including Forest Department. In the year 2015/16 we completed the planting of 340 plantings and fine-tuned the programme in the year 2016/17 to explore more opportunities to plant more trees in various part of the country while concluding more than 3,200 plantings by the end of current year.

We are also involved ourselves in areas that address social inequality, and have introduced many innovative corporate social responsibility (CSR) programmes over the years, which have enhanced the quality of the lives of the communities in which we live and work. We believe that we must nourish their bodies as well as their souls in order to enhance the quality of the lives of the people, and are providing milk packets to an average over 200 students in three Sunday schools (daham pasala) in Kuruwita. This project has proved to be immensely popular and has been carried out weekly from April 2016. Other initiatives involve taking care of the health of those who cannot afford advanced and more costly medical treatments.

We are also committed to taking care of the environment, and developing the infrastructure of the areas that surround our project sites. During the year, we rebuilt the roads in the vicinity of the Erathna power plant, by supplying the material and manpower. In addition, our staff involves themselves wholeheartedly in community activities and actively supports and promotes the various social events held in the areas in which the power plants are established, with donations in cash or kind, as well as their personal presence whenever necessary.

Human Resources

Our employees are the cornerstone on which the company builds its business, and every effort is made to ensure their physical, mental and emotional well-being. They receive very competitive salaries and benefits on par with industry standards. The company also follows all government labour rules and regulations. This is a key reason for the company's high retention rate approximately 90%, which goes beyond salary and benefits, and has its roots in the positive working environment created within the organisation. A revised human resources policy has also been introduced to manage our human capital effectively and productively while providing staff with more benefits.

Outlook for the Future

The government has designed a power and energy sector development plan and aligned it to the country's development drive to provide clean affordable energy to all households while at the same time. conserving the country's precious natural environment and giving priority to the indigenous energy sources. This is a step in the right direction. Sri Lanka has already achieved a grid connectivity of 98%, which is very commendable by Asian standards.

The government has taken several measures to improve electrification in the country, from initiating special programmes for the community, to constructing several hydropower and thermal plants, which are estimated to add a total of 757.5 MW to the national grid by end 2020.

A programme, 'Ratama Eliyai - Andura Duralai' is being set up to provide electricity at concessional rates to low-income households in order to bring the country closer to the government's aim of 100% electrification throughout the island. Construction work on the Uma Oya and Broadlands Hydropower Projects also continued during the period and these power plants are scheduled to be connected to the national grid in the next two to three years. Preparatory work was also in progress on the Gin Ganga Hydropower Project (20MW), three hydropower units in the Moragahakanda Hydropower Project (total of 25MW), the Moragolla Hydropower Project (30.5MW) and the Mannar Wind Power Project (100MW).

Joint Chief Executive Officers' Review (Contd.)

Promotion of electricity generation through renewable sources has become a major focus of the government as well as private sector investors recently. By the end of 2016, the CEB has signed agreements for 105 NCRE projects that have a total capacity of 288 MW. The Ministry of Power and Renewable Energy launched a new community- based power generation project in 2016 called 'Soorya Bala Sangramaya' with several collaborative partners. The project promotes self-energy generation by households, religious places, commercial establishments and industries. Anybody who has a valid electricity account will be exempt from the requirement of obtaining a license to generate solar power, and households that produce more solar power than they need could sell the excess to the national grid or bank it for later use.

The future will bring with it many challenges to overcome. The relatively high share of renewable energy in the country's primary energy portfolio will progressively reduce because the potential of hydropower resources is reaching full capacity. As signatories to the Paris Agreement in force from November April 2016, Sri Lanka has committed to the ambitious goal of achieving 100% energy self-sufficiency by 2030. This necessitates harnessing the full potential of all renewable and other indigenous resources.

Looking back on the year that was, and on the future that will soon be, I am confident that we are well positioned to weather the storms of this adverse year, and will emerge bolder and stronger to continue to deliver on our vision of being a significant producer of clean energy for the country's sustainable economic development. Through the efficiency of our operations, the nature of our investments, and the know-how and capability of our people, we have the capacity to most effectively convert the natural liquid resource of water into sustained value for our stakeholders. This we have demonstrated by being the leader in the mini hydro sector in Sri Lanka.

In closing, I would like to thank our Chairman and Board for their invaluable guidance and advice. To our stakeholders – our shareholders, employees, the CEB, suppliers, government officials and community members, all of who are integral to the continuity of our business, and with whom we will continue to work in delivering shared value, I say a big 'thank you for your invaluable contribution to Vallibel Power Erathna PLC's continued growth.

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

26 May 2017

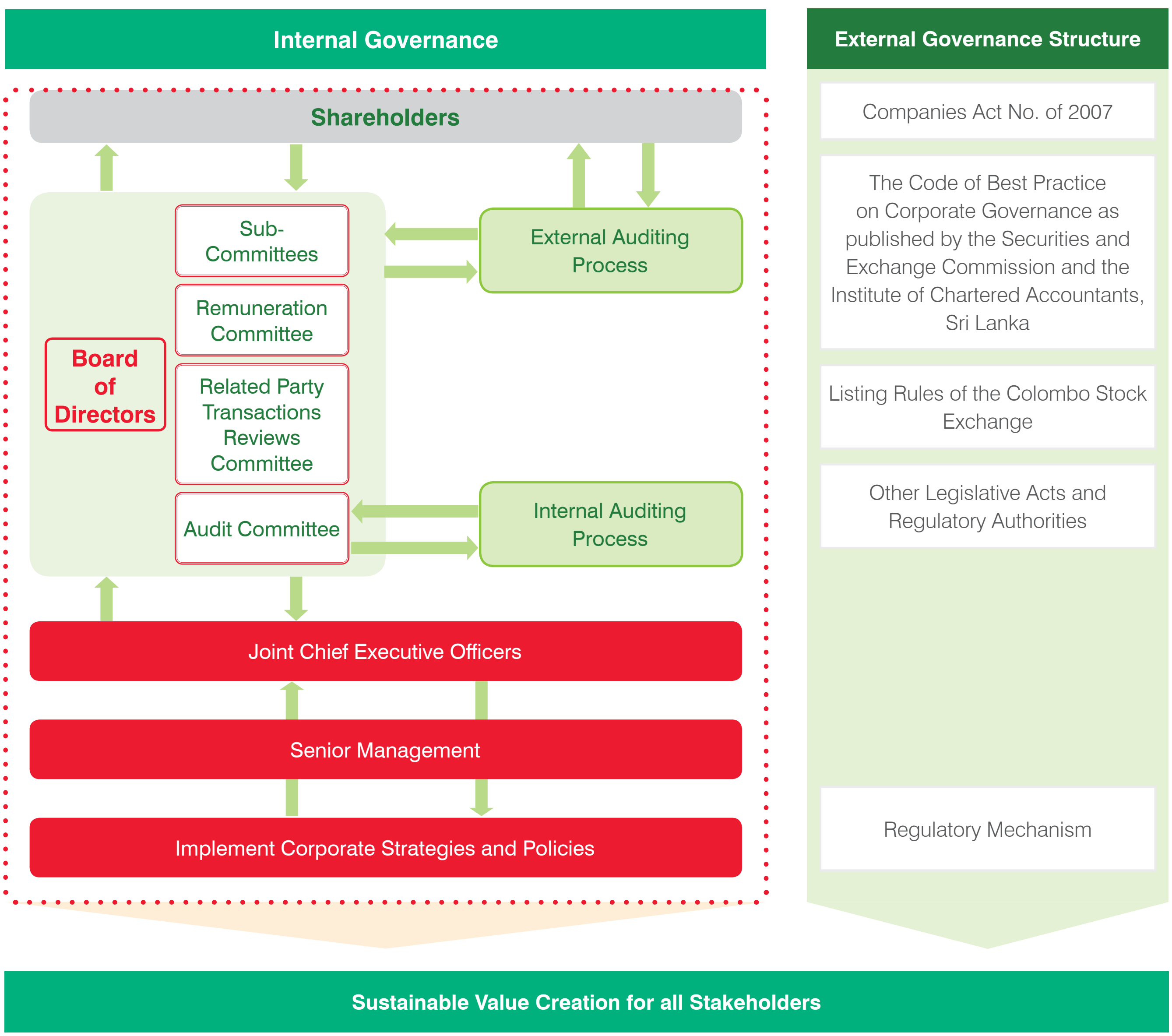
Corporate Governance

Overview

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

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

Governance Structure



Corporate Governance (Contd.)

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

The following table illustrates the extent of compliance to the Code describes as follows.

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

Code	Principle	Level of Compliance
A.1.6	Dedication of adequate time and effort of the Directors	The Board of Directors dedicates adequate time and effort to ensure their duties and responsibilities towards Company and Board are discharged. Sufficient time is dedicated before a meeting to review Board papers and call for additional information and clarification, and to follow up on issues consequent to the meeting. Hence, they are able to familiarise with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.
A.1.7	Training for new and existing Directors	An Induction program is in place for newly appointed Directors. In addition, Directors are also encouraged to participate in continuous professional and self-development activities.
A.2	Chairman And Joint Chief Executive Officers (Jt. CEOs)	
A.2.1	Division of responsibilities of Chairman and Jt. CEOs	A clear division of responsibility, power and authority is maintained between the Chairman and the Jt. CEOs who are not in the Board ensuring that the balance of power and authority is reserved.
A.3	Chairman's role	
A.3.1	Chairman's role	The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that : • The effective participation of all Directors are secured; • All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company; • The view of Directors on issues under consideration are ascertained; • The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. • The Chairman maintains close contact with all Directors
A.4	Financial Acumen	
A.4.1	Financial Acumen	The Board includes two Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. They serve as members of the Audit Committee too. Other members of the Board are having ample experience in handling the matters of finance by serving in different organisations. Hence the Board is equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.

Corporate Governance (Contd.)

Code	Principle	Level of Compliance
A.5	Board Balance	
A.5.1	Non-Executive Directors	All Directors are Non-Executive Directors.
A.5.2	Independence of Non-Executive Directors	Three of six Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules.
A.5.3	Independence of Non-Executive Directors	Non-Executive Directors' profiles reflect their caliber and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment.
A.5.4	Annual declaration of independence of Non-Executive Directors	Each Non-Executive Director has been submitted declarations stating the independence or non-independence in a prescribed format. This information is made available to the Board.
A.5.5	Determination of independence of the Directors	The Board considered the declaration of independence submitted by each Non-Executive Director with the basis for determination given in Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. Brief resume of all the Directors is available on pages 23 and 24.
A.5.6	Alternate Director	There are not any Alternate Directors as at 31/03/2017.
A.5.8	Senior Independent Director	This does not arise as the roles of the Chairman and the Jt. CEOs are clearly segregated.
A.5.9	Chairman's meetings with Non-Executive Directors	Separate meetings are not required since all the Directors are Non-Executive Directors.
A.5.10	Recording of concerns in the Board Minutes	Concerns raised by the Directors which could not be unanimously resolved during the year, if any, were recorded in the Board Minutes.
A.6	Supply of Information	
A.6.1	Timely and appropriate information to the Board	Management provides the Board with appropriate and timely information. When information volunteered by management is not enough, Directors make further inquiries. Chairman ensures all Directors are properly briefed on issues arising at meetings.
A.6.2	Information provided in advance to the Board meetings	The Directors are provided with minutes, the agenda and the Board papers in advance to prepare and clearly comprehend with the matters discussed or consent for an effective meeting.

Code	Principle	Level of Compliance
A.7	Appointments To The Board	
A.7.1 & A.7.2	Appointment to the Board	New appointments to the Board are based on the collective decision of the Board, subject to Article 25(2) of the Articles of Association. In making new appointments, the Board considers the composition of the Board in order to assess whether they have the right mix of skills and experience to add value to the deliberations of the Board.
A.7.3	Disclosure of new appointments	Upon the appointment of a new director to the Board, the Company discloses the following to the CSE; • brief resume of the Director; • The nature of his expertise in relevant functional areas; • The names of companies in which the Director holds directorships or memberships in Board Committees; and • 'independence' of such Director.
A.8	Re-Election	
A.8.1 & A.8.2	Re-election of Directors	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek reappointment by the shareholders at that meeting. As per the Articles of Association of the Company at each Annual General Meeting (AGM) one third of the Directors except the Directors referred to hereinafter shall retire from office and offer themselves for re-election.
A.9	Appraisal of Board Performance	
A.9.1, A.9.2 & A.9.3	Annual performance evaluation of the Board and its Sub Committees	The performance of the Board and Sub-Committee is evaluated annually on a self-assessment basis.
A.10	Disclosure of Information in Respect of Directors.	
A.10.1	Disclosures about Directors	Information in relation to Directors is disclosed as given below. • Name, qualifications, brief profile and nature of expertise - (Refer pages 23 to 24 of this Report) • Directors' interest in contracts (Refer pages 154 and 155 of the Annual Report) • Number of meetings of the Board and Committees held, attendance, names of Committees in which the Director serves as the Chairman or member (Refer page 42 of this Report)
A.11	Appraisal of Chief Executive Officer	
A.11.1 & 11.2	Setting annual targets and appraisal of the performance of the Chief Executive Officer by the Board	At the commencement of every year, short, medium and long-term objectives including financial and non-financial targets that should be met by the both Jt.CEOs are set. The board evaluates the performance target of the Jt. CEOs Annually.

Corporate Governance (Contd.)

Code	Principle	Level of Compliance
B.	Directors' Remuneration	
B.1	Remuneration Procedure	
B.1.1	Remuneration Committee	The Remuneration Committee makes recommendations to the Board within agreed Terms of Reference, on the Company's framework of remunerating certain senior management executives.
B.1.2 & B.1.3	Composition of Remuneration Committee	The Remuneration Committee consists of two independent Directors and one Non-Executive Director which is chaired by an independent Director. Mr. S H Amarasekara (Chairman) Mr. K D D Perera Mr. P K Sumanasekara
B.1.4	Remuneration of the Non- Executive Directors	In terms of the Articles of Association of the Company, the remuneration of Non-Executive Directors, including members of the Remuneration Committee is determined by the Board as whole, within the limits set in the Articles of Association.
B.1.5	Consultation of the Chairman and access to professional advice.	The Committee consults the Chairman on proposals relating to the remuneration of the Senior Management executives and has access to professional advice in discharging their duties.
B.2	The level and make up of remuneration	
B.2.1 & B.2.2	Levels of remuneration for Senior Management Executives	Remuneration package is designed to attract, retain and motivate the senior management needed to run the Company successfully but avoid paying more than necessary for this purpose. The Committee ensures that the remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
B.2.3	Positioning Company remuneration levels relative to other companies	The Remuneration Committee is sensitive to remuneration and employment conditions of other Group companies, especially when determining annual salary increases.
B.2.4	Performance related elements of remuneration for Senior Management Executives	Performance based incentives have been determined to ensure that the total earnings of the Senior Management Executives is aligned with the achievement of objectives and budgets of the Company.
B.2.5	Executive share options	The Company does not have executive share option schemes.

Code	Principle	Level of Compliance
B.2.6	Designing performance related Remuneration	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.7 & B.2.8	Compensation, commitments in the event of early termination and dealing with early termination	There are no provisions for compensation for early termination in the letter of contract. However, the Board of Directors would determine this on a case by case basis.
B.2.9	Levels of remuneration for Non-Executive Directors	The Remuneration Committee determines the levels of remuneration for Non-Executive Directors taking into account the time commitment and responsibilities of their role and market practices. Remuneration for Non-Executive Directors does not include share options.
B.3	Disclosure of the remuneration	
B.3.1	Disclosure of Remuneration	Remuneration policy is disclosed in Remuneration Committee Report on page 50 of the Annual Report The total remuneration of the Directors is disclosed in Note 24.2 to the Financial Statements.
C	Relations with Share Holders	
C.1	Constructive use of the AGM and conduct of General Meetings	
C.1.1	Use of proxy	The Company counts all proxies lodged on each resolution and the percentage of votes for and against on each resolution.
C.1.2	Separate resolution for all separate issues at the Annual General Meeting	A separate resolution is proposed at the Annual General Meeting on each issue in particular in relation to the adoption of the Report of the Board of Directors and the Financial Statements of the Company.
C.1.3	Response to queries at the Annual General Meeting	The Chairman ensures that the Chairmen of the Sub- Committees are available to answer questions at the Annual General Meeting, if so required.
C.1.4	Notice of the Annual General Meeting and General Meetings	The Notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders 15 working days prior to the meeting as required by Section 135(1) of the Companies Act No. 7 of 2007.
C.1.5	Procedures of voting at the Annual General Meeting	A summary of the procedures governing voting at the General Meetings is circulated to shareholders with every Notice of the General Meeting.

Corporate Governance (Contd.)

Code	Principle	Level of Compliance
C.2	Communication with Shareholders	
C.2.1 to C.2.7	Communication with shareholders	The Company disseminates information pertaining to the performance of the Company through the publication of the Interim Financial Statements and the Annual Report in a timely manner. Immediate announcements are also made to the Colombo Stock Exchange on any information which is considered price sensitive. Further publications are made available on the Company's web site. The Company Secretary could be contacted in relation to any shareholder matter.
C.3	Major and Material Transactions	
C.3.1	Disclosure of Major Transactions to shareholders	There have been no transactions during the year under review which fall within the definition of "Major Transactions" as set out in the Companies Act No. 7 of 2007.
D	Accountability and Audit	
D.1	Financial Reporting	
D.1.1	Balanced and understandable information	The Board ensures that the quarterly and annual Financial Statements of the Company and Group are prepared and published in compliance with the requirements of the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards (LKASs and SLFRSs) and the Rules of the Colombo Stock Exchange.
D.1.2	Directors' Report in the Annual Report	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 109 to 111 of this Annual Report which contains the required declarations.
D.1.3	Statement of Directors' and Auditor's Responsibility for the Financial Statements	The 'Statement of Directors' Responsibilities' for the preparation and presentation of Financial Statements is given on page 112 of this Annual Report and the Auditor's responsibilities are set out on the 'Independent Auditors' Report' on page 113 of the Annual Report. Declaration on internal controls is given on page 111 of the Annual Report.
D.1.4	Management Discussion and Analysis	A comprehensive coverage of key initiatives undertaken during the year, external impacts, internal performances, achievements and future outlook, awards won and certifications received are available in the Management Discussion (page 54 to page 103) of this Report.
D.1.5	Declaration of Going Concern	The declaration by the Board that the Company is a going concern is given in the Annual Report of the Board of Directors.
D.1.6	Summon an EGM to notify serious loss of capital	Reason for such an Extraordinary General Meeting has not arisen as yet but would be complied with if such situation arises.
D.1.7	Related party transactions	Company has adequate mechanism to record and disclose the Related Party Transaction. All the transactions with related parties to the organisation are disclosed adequately and accurately in pages 154 to 155 of this report.

Code	Principle	Level of Compliance
D.2	Internal Control	
D.2.1	Directors to review internal controls	The Board together with the Audit Committee is responsible and reviews the risks faced by the Company and the effectiveness of the system of internal controls quarterly.
D.2.2	Internal audit function	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work done by them.
D.2.3	Review of effectiveness of the risk management and internal audit function	The Audit Committee carries out reviews of the process and the effectiveness of risk management and internal controls and document to the Board and the Board takes responsibility for the disclosure on the Company's system of internal controls.
D.2.4	Responsibility of Directors	Directors take responsibility in maintaining a sound system of internal controls and the Internal Control Statement as described in Schedule K is given on page 111 of this Report.
D.3	Audit Committee	
D.3.1	Composition of Audit Committee	The Audit Committee consists of Three Independent Directors and one Non-Executive Director. The Chairman of the Committee is an Independent Director appointed by the Board.
D.3.2	Duties of the Audit Committee	The Audit Committee is responsible for reviewing the scope and results of the Audit and effectiveness and the independence and the objectivity of the Auditors.
D.3.3	Terms of Reference of the Audit Committee	The Terms of Reference of the Audit Committee has been agreed to by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.
D.3.4	Disclosures of the Audit Committee	The members and its disclosures of the Audit Committee are reported in the Audit Committee Report which is given on page 49 of this Report.
D.4	Code of Business Conduct and Ethics	
D.4.1	Disclosure on presence of Code of Business Conduct and Ethics	A comprehensive Corporate Governance and Code of Conduct and Business Governance have been adopted by the Board. All Directors and key management personnel have declared compliance with the Code of Conduct and Business Governance.
D.4.2	Affirmation of Code in the Annual Report by the Chairman	The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics in this Annual Report
D.5	Corporate Governance Disclosures	
D.5.1	Disclosure of Corporate Governance	This Report from pages 31 to 42 sets out the manner and extent to which the Company has complied with the principles and provisions of relevant Codes.

Corporate Governance (Contd.)

Code	Principle	Level of Compliance
Section 02		Shareholders
E	Institutional Investors	
E.1	Shareholder Voting	All investors are invited to attend the Annual General Meeting and they are free to make comments/suggestions. The Company encourages dialogues with institutional investors. The Company appreciates the way of using the votes in AGM on the weight they had regarding all relevant factors noted.
E.2	Evaluation of governance disclosure	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating company's governance arrangement particularly in relation to Board structure and composition.
F	Other investors	
F.1	Individual shareholders	Individual investors are encouraged to carry out adequate analysis or seek independent advice in making investing or divesting decisions.
F.2	Individual shareholders voting	Individual shareholders are encouraged to actively participate in the AGM of the Company and exercise their voting rights. The AGM gives an ideal platform for all shareholders to meet with the directors and obtain information and clarifications on the performance and the way forward of the Company.
G	Sustainability Reporting	
G.1.1 to G.1.7	Sustainability Reporting	This Integrated Annual Report addresses the sustainability practices of the Company which complied with the principals set out in the Code of Best Practices and GRI-G4 Criteria.

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

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

CSE Rule No.	Rule	Compliance Status	Extent of Compliance
7.10.1	Non Executive Directors	Compliant	All Directors are Non-Executive Directors. (Number of Directors is Six)
7.10.2	Independent Directors	Compliant	Three of six Non-Executive Directors are independent. Each Non-Executive Director submits a signed and dated declaration annually.
7.10.3 (a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to A.5.5 on page 34 of this Report.

CSE Rule No.	Rule	Compliance Status	Extent of Compliance
7.10.3 (b)	Disclosure relating to Directors	Compliant	The Board has determined that Three of Six Non-Executive Directors satisfy the criteria for “independence” set out in the Listing Rules. These independent directors are, Messrs S H Amarasekera, P K Sumanasekera and S Shanmuganathan.
7.10.3 (c)	Disclosure relating to Directors	Compliant	A Brief resume of each Director is given on pages 23 to 24 of this Report.
7.10.3 (d)	Disclosure relating to New Directors	Compliant	Brief resumes of new Directors appointed have been provided to the CSE when it required.
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Comprises of three Non-Executive Directors including two Independent Directors.
7.10.5 (b)	Functions of the Remuneration Committee	Compliant	Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to B.1.1 on page 36 and Remuneration Committee Report on page 50.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Names of the Committee members are given in the above table in relation to the Code of Corporate Governance issued by the SEC and CASL as given under B.1.3 on page 36 and Remuneration Committee Report on page 50. The remuneration paid to the Directors is given in page 155 of this Report.
7.10.6 (a)	Composition of the Audit Committee	Compliant	The Audit Committee consists of Three Independent Directors and one Non-Executive Director which comprises two Chartered Accountants. The Chairman of the Committee is an Independent Director appointed by the Board.
7.10.6 (b)	Audit Committee Functions	Compliant	Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to D.3.2 on page 39 and Audit Committee Report on page 49 for the details of the functions of the Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	Refer above table in relation to the Code of the Corporate Governance of SEC and CASL with reference D.3.1 on page 39 for the details of the names of members of the Audit Committee. The basis of determination of the independence of the Auditors is given in the Audit Committee Report on page 49 under section D.3.4 of the Code.

Corporate Governance (Contd.)

The number of meetings of the Board and the Audit Committee and individual attendance by members are as follows:

Name of Director	Directorship Status	Attendance	
		Board Meeting	Audit Committee Meeting
Mr. K D D Perera (Chairman)	Non Executive	1/4	NA
Mr. S H Amarasekera	Independent Non-Executive	4/4	4/4
Mr. P K Sumanasekera	Independent Non-Executive	0/4	0/4
Mr. H Somashantha	Non Executive	4/4	4/4
Mr. S Shanmuganathan	Independent Non-Executive	4/4	4/4
Mr. C V Cabraal	Non Executive	3/4	NA
Mr P B Perera**	Non Executive	0/4	NA
Mr. W D N H Perera** (Alternate to Mr. P B Perera)	Non Executive	2/4	NA

*** Resigned w.e.f. 08th March 2017*

Enterprise Risk Management

Risk management is critical in the hydropower industry, and failure to manage rise could result in financial losses, loss of reputation, lost opportunities and in extreme cases, even corporate failure, since the industry operates under a unique business risk that most of the other industries do not face. Thus effective risk management is critical to achieving the Company's strategic objectives in a highly competitive and uncertain environment.

Risk can be defined as a measure of the likelihood and severity of adverse consequences.

Risk management is the identification, assessment, and prioritisation 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 realization of opportunities. The objective of risk management is to ensure that uncertainty does not deviate the endeavour from the business goals.

The main focus of risk management is adequate risk steering, as opposed to mere risk minimisation. Risk management is an integral part of the management and control system, and ensures the timely identification, analysis, measurement, management and reporting of risks. This system provides the basis for successful value-based management including the efficient allocation of capital and the optimisation of key performance measures through consistent consideration of risk-return implications.

Risk management is critical in the hydropower industry, and failure to manage rise could result in financial losses, loss of reputation, lost opportunities and in extreme cases, even corporate failure, since the industry operates under a unique business risk that most of the other industries do not face. Thus effective risk management is critical to 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 managing the risks and challenges that safeguard and maximise shareholders' wealth and keep stakeholders' satisfaction at optimal levels.

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

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

Enterprise Risk Management (Contd.)

Risk Management Process

The Vallibel Power Group has established and follows a comprehensive risk management process to ensure that its corporate goals and objectives are met, as illustrated bellow:

Communicate and Consult

Monitor and Review

Identify

Risks are identified and operations staff is made aware of potential problems. Risk identification should be undertaken as early as possible and repeated frequently.

Analyze and prioritize

Transforms the estimates or data on specific risks developed during risk identification into a consistent form that can be used to make decisions on a priority basis. Risk prioritization enables operations to commit resources to manage the most important risks.

Plan and schedule

The information obtained from risk analysis is used 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

Monitors the status of specific risks and progress in the respective action plans, and includes monitoring the probability, impact, exposure, and other measures of risk.

Control

This is the process of executing risk action plans and reporting on their status, and 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.

Identify

Risks are identified and operations staff is made aware of potential problems. Risk identification should be undertaken as early as possible and repeated frequently.

Risk Mapping and Assessment

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

Likelihood

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

Impact

Risk = Likelihood X Impact

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

Risk Identification	Risk Evaluation		Risk Managing Strategies	System Maintenance	Regular Control Review
	Level	Reason			
Investment Risk					
Failure in investments/ inability to achieve expected objectives. This affects the future profitability and sustainability of the Company.	Low	The risk is only at new investments. No new investments are available under the Company.	• Any proposed investments are subjected to a rigorous evaluation and feasibility process by seeking expert advice to ensure maximum returns on investment and Board approval prior to embarking on a proposed investment. • Further we closely monitor progress to ensure project deliverables are achieved within the given budgets and timelines.	Adopted	✓

Enterprise Risk Management (Contd.)

Risk Identification	Risk Evaluation		Risk Managing Strategies	System Maintenance	Regular Control Review
	Level	Reason			
Operational					
The risk of a change in value caused by actual losses incurred for inadequate or failed internal processes, people and systems, or from external events	Moderate	There is a risk in the operational activities of hydropower projects	• Prompt maintenance of machineries and equipment whilst upgrading health and safety measures on a regular basis, conducting workshops, meetings, etc. • We are committed to a Quality Management System complying with international Standards • Conduct periodic internal audit reviews and report to the Audit Committee	Adopted	✓
Hydrological					
Risk of lower power generation caused by a lower water flow.	High	The inherent risk of lower rainfall is uncontrollable. However there may be a risk of designing of projects based on hydrological data.	Hydrological risk primarily comprises drought risk. The projects are designed based on past hydrological data analysis to minimise the risk of any deviation from their designed energy.	Adopted	✓
Financial Risks					
Interest Risk Adverse impact on profitability due to high interest cost resulting from increase in interest rates	Moderate	Risk is present due to the floating lending rates	VEPL Group uses appropriate financial strategies and It's credibility, reputation, strength and financial dependability help to negotiate the concessionary rates.	Adopted	✓
Credit Risk Risk of loss of principal or loss of financial reward stemming from a borrower's failure to repay a loan or to meet a contractual obligation	Low	No failures experienced at repayments	The Group has an effective mechanism for recoveries which protects through legally enforceable agreements.		

Risk Identification	Risk Evaluation		Risk Managing Strategies	System Maintenance	Regular Control Review
	Level	Reason			
Economic and Political					
The likelihood of an investment being affected by adverse macroeconomic conditions including Government regulations, exchange rates and political stability.	Low	The risk is only at the stage of new investments.	The Company carries out periodical in- depth macro-economic analysis and economic feasibility prior to project investments	Adopted	✓
Regulatory and Legal					
Risk of changes in laws and regulations with material impact on business in the cost of operating and the attractiveness of Investments	Moderate	Risk is present at the change of government and its policies	Compliance with any new laws or regulations that are from time to time introduced for good governance.	Adopted	✓
Reputation Risk					
Adverse impact of the business on society and unfavourable response from the public	Low	Risk is low due to the well maintained relationships	The Group has adopted a good mechanism for stakeholder engagement to build better relationships	Adopted	✓
Environmental					
Risk of imposing actual and potential threats of adverse impacts on the environment and inhabitants from effluents and resource depletion arising from the organisation's activities	Low	No environmental enforcements were experienced	We are committed to an Environmental Management System that complies with international standards. Care is also taken to mitigate any adverse environmental impacts.	Adopted	✓

Enterprise Risk Management (Contd.)

Risk Identification	Risk Evaluation		Risk Managing Strategies	System Maintenance	Regular Control Review
	Level	Reason			
IT Risk					
Includes the risk of system failure, outdated systems and loss of data	Low	Use of information technology is less than in other industries	Existing IT system is established using new technology. regular maintenance and upgrades in processes while avoiding unauthorised access to the information system	Adopted	✓
Social					
Negative impacts to the organisation from local communities which are linked with the surrounding areas of the project.	Low	Risk is low due to the well maintained relationships	The Group has developed relationships with the community, religious and other voluntary groups by helping them uplift their livelihood.	Adopted	✓

Audit Committee Report

Composition of the Audit Committee

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

Meetings

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

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

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

Role of the Committee

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

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

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

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

Conclusion

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

Harsha Amarasekera
Chairman
Audit Committee

26 May 2017

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 Mr. K.D.D. Perera, Non-Executive Director and Mr. 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.

Harsha Amarasekera
Chairman
Remuneration Committee

26 May 2017

Other Memebers
K D D Perera,
P K Sumanasekera

Related Party Transactions Review Committee Report

Formation of the Committee

The Related Party Transaction Review Committee (RPTRC) was formed by the Board in February of year 2016 to assist the Board in reviewing all Related Party transactions carried out by the Company and its Subsidiary, by adopting the Code of Best Practice on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka (SEC) which became mandatory from January 01, 2016.

Role of the Committee

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

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

Composition of the Committee

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

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

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

INED - Independent Non- Executive Director
NED - Non-Executive Director

Meetings

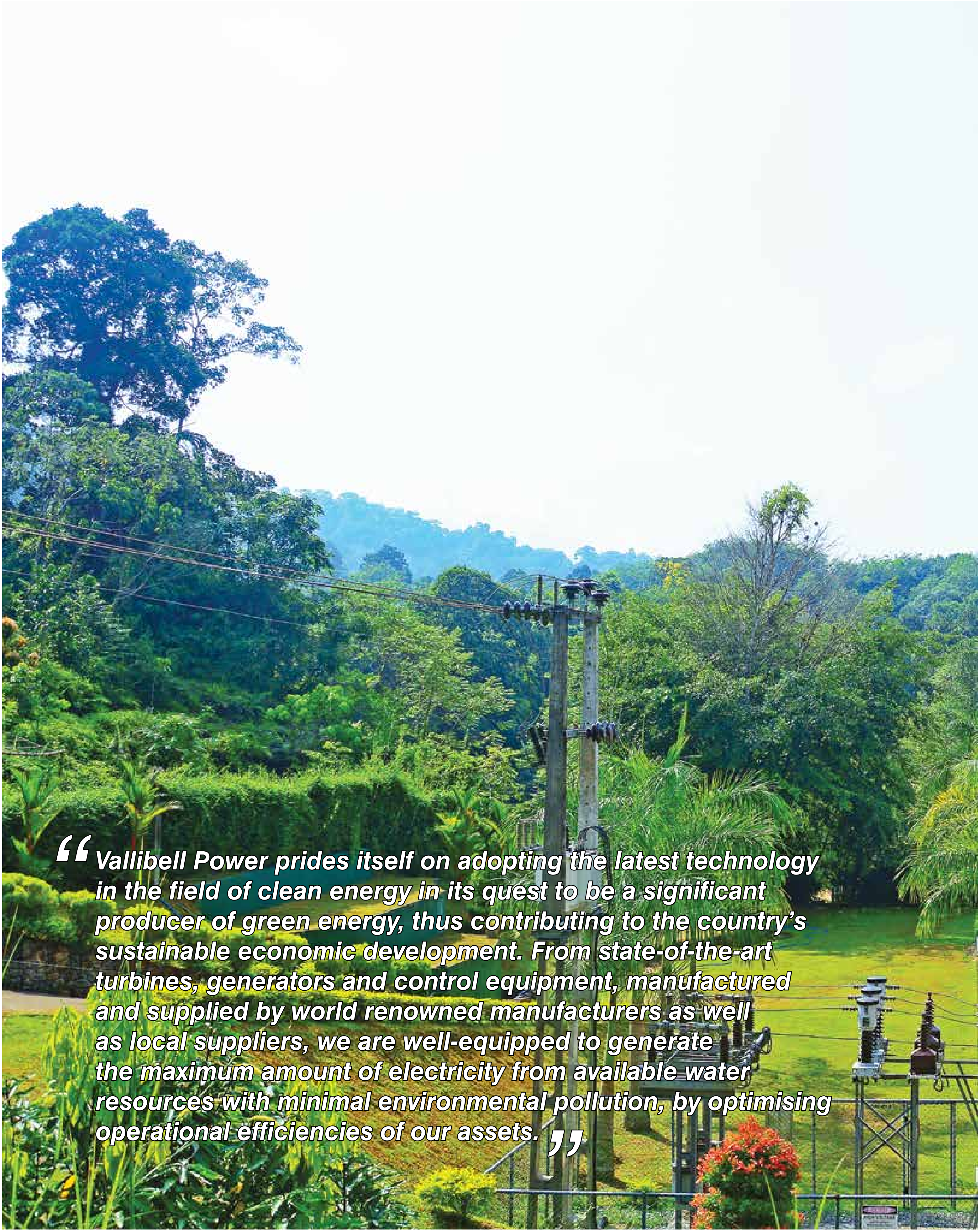
Two meetings of the Committee were held during the year. The attendance of the members at these meetings is as follows:

Name of Director	Directorship Status	Attendance
Mr. S H Amarasekera	Independent Non-Executive	2/2
Mr. S Shanmuganathan	Independent Non-Executive	1/2
Mr. C V Cabraal	Non Executive Director	2/2

S H Amarasekara
Chairman
Related Party Transaction Review Committee

26 May 2017

Other Members
S Shanmuganathan,
C V Cabraal



“Vallibell Power prides itself on adopting the latest technology in the field of clean energy in its quest to be a significant producer of green energy, thus contributing to the country’s sustainable economic development. From state-of-the-art turbines, generators and control equipment, manufactured and supplied by world renowned manufacturers as well as local suppliers, we are well-equipped to generate the maximum amount of electricity from available water resources with minimal environmental pollution, by optimising operational efficiencies of our assets.”

Management Discussion & Analysis

Business Review

VPEL has much strength that recommends it, starting from the company's prowess in the hydropower industry. As the leader in the mini hydropower generation industry, VPEL has, over the years, gained tremendous experience and expertise in managing and operating a successful hydropower business. All three projects function at optimal capacity because they are equipped with top-of-the-range machinery operated by skilled and competent people, and located in prime catchment areas of the country.

Global Energy Outlook

The future for renewable resources looks bright, as the call for clean energy to decarbonise the world's energy systems intensifies, a move that is essential to battle the GHG emissions spewed by rapidly expanding global economies. A surge in growth of renewable energy is expected to take place over the next three decades as fast gains to energy efficiency combine with gradual changes in the fuel mix of countries.

However, progress towards a decarbanised economy will be slower than expected in the current scenario. Implementing current international pledges by the 170 plus countries who ratified the Paris Agreement will merely slow down the projected rise in energy related carbon emissions from around 650 million tonnes annually since 2000, to around 150 the million tonnes annually in 2040. This will undoubtedly be a significant achievement, but it will not be sufficient to limit the rise in average global temperatures to 2.7°C by 2100 as is planned, and far from enough to avoid the worst impacts of climate change. The path to reducing global temperatures can be achieved only if policies to accelerate low carbon technologies and energy efficiencies are introduced across all sectors. Governments must commit to improving their energy mix much more, if the world is to achieve its goal of being carbon neutral by the end of this century.

This will mean that a country like the United States, for instance, must step up its capacity for clean energy to 10 times the rate it has built existing capacity if it is to remove carbon emissions from its energy system in 20 years. The U.S could learn from the lessons of China, whose influence has long been felt in the demand for coal, oil and gas and nuclear power. Today, China has had a dramatic turnaround as is now firmly established among the global leaders in renewable energy as it diversifies its energy mix to fight high levels of air pollution.

Tilting policy decisions towards introducing renewable resources as the major component of their energy mix could pose a challenge to some governments as it may involve diverting funds from sectors they may see as being greater prioritities to development, to expand and modernise existing power systems.

Despite the costs of upgrading, the scales are tipped in favour of renewable energy, which bring expanded economic growth, new employment opportunities, substantially improved human health and welfare, all of which will contribute towards a climate safe future. Doubling the volumes of renewables in the world is estimated to raise global GDP by more than one percentage point over the baseline projection.

But this new focus many involve a paradigm shift to accommodate new approaches, which may mean that the era of fossil fuels is far from over. Global oil demand will continue to grow until 2040, mainly due to the lack of interest in pursuing more alternatives to oil in transport and petrochemicals. If the global economy is to become carbon neutral by the end of the century, World Energy Outlook estimates that the number of electric cars would need to exceed 700 million by 2040 to displace the more than 6 million barrels of oil needed daily.

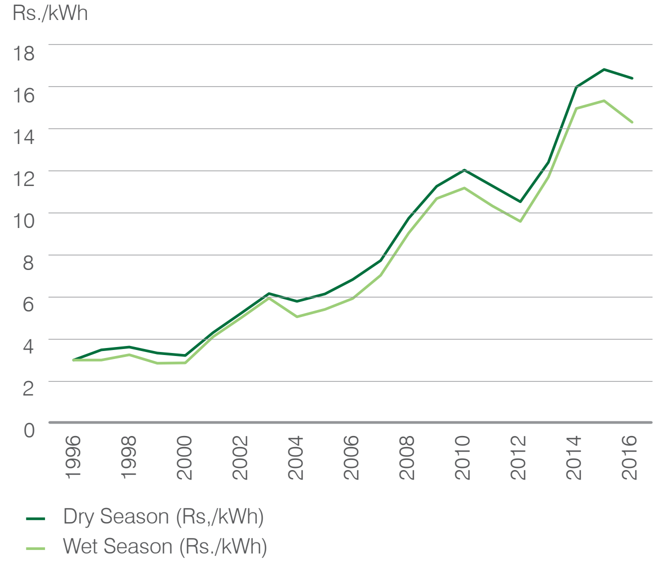
The impact of renewables friendly government policies cannot be felt sufficiently, if their focus is not expanded beyond electricity generation to high GHG emitting sectors like industrial, construction and transportation sectors. Rapid growth in purchasing power of developing countries predicts that energy demand in constructions, for instance, would double by 2050. This strong demand may allow renewables to shed the "alternative" label and transition into mainstream resources.

The Local Energy Environment

Erratic rainfall patterns during the year of review, dried up the profitability of the hydropower industry in Sri Lanka, and adversely affected suppliers of renewable energy who had not had the foresight to broad base renewable energy businesses.

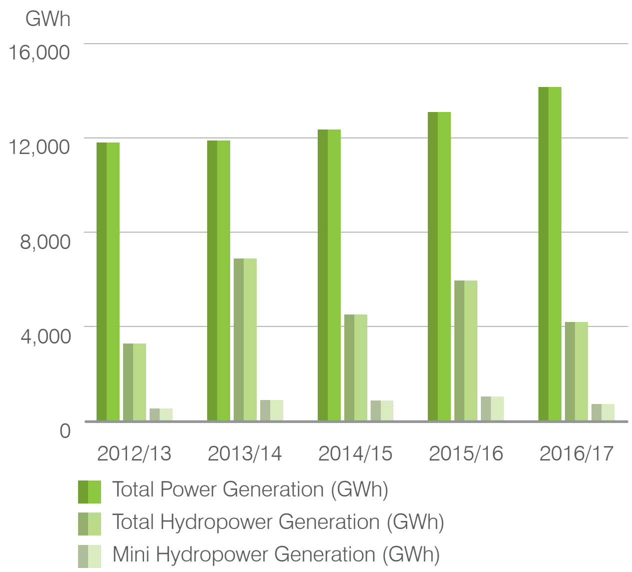
The negative impacts of the weather were exacerbated by a further revision of the reduced Avoided Cost Tariff revision of NCRE which dropped by 2.5% in the dry season to Rs. 16.32 per unit, from Rs. 16.74 per unit in the previous year and by 6.7% in the wet season to Rs.14.22 from the previous year's Rs.15.24 per unit, which put a further squeeze on industry revenues.

Avoided Cost Tariff History (Rs./kWh)



The total energy sector generated 14,149 GWh, in 2016, of which 3,481 GWh was contributed by hydropower saw substantial drop of 29% from the hydropower generation of 4,904 GWh. in the previous year. The contribution of private mini hydropower plants throughout the country also fell by a corresponding drop of 30% to 739 GWh, from 1,065 GWh generated last year.

National Power Generation in Sri Lanka



Figures are presented on calender year basis
Source: Central Bank Annual Report 2016

The prolonged drought was the main factor for the marked deterioration of the Ceylon Electricity Board (CEB)'s financial performance in 2016, which posted a loss of Rs. 13.2 billion in 2016 (Source: Central Bank Annual Report 2016) compared to a profit before tax of Rs. 19.4 billion in 2015.

The increased requirement for fuel oil-based power generation in response to low hydropower generation elevated the CEB's cost on fuel oil by 116.6 % to Rs. 50.1 billion in 2016.

Although hydro based power generation gradually improved during the second quarter of the year, the contribution of the power plants owned by the CEB to the total power generation decreased to 76.5% cent in 2016 from 79.4 %in 2015.

This shortfall was met by fuel oil-based power generated by both CEB and the private sector, which increased by 96.1 % to 4,461 GWh. Total coal power generation also increased by 13.6% to 5,047 GWh in the current year, despite the failure of the Norochcholai coal power plant. The generation of electricity through non-conventional renewable energy (NCRE) sources, including generation by mini hydropower plants, declined by 20.9 per cent to 1,160 GWh, also due to the prolonged drought. The share of hydro, fuel oil, coal and NCRE in total power generation remained at 25%, 32%, 36 % and 8 % respectively in 2016 and 2015.

The country has a current total installed power generation capacity of approximately 4,018 MW, consisting of 1,384 MW of hydropower, 900 MW of coal power, 1,215 MW of oil, and 519 MW of non-conventional renewable energy sources such as wind, mini hydro, biomass and solar power plants.

Demand for Energy

The demand for (sales) electricity in 2016 increased by 8.5 % to 12,785 GWh, from 11,786 GWh recorded in 2015. High growth in electricity sales in recent years is mainly attributed to the low tariffs prevailing at present compared to 2014. Sales to the 'Industry' category that absorbed 32.6 % of the total electricity sales, increased by 6.9 % in 2016 in comparison to an increase of 3.2 % in 2015. During 2016, sales to 'Hotel' and 'General Purposes' categories accounted for 2.4 % and 24.2 % of the total electricity sales, respectively. In the same year, the electricity consumption by the 'Domestic' category absorbed 37.8 % of total electricity sales and grew by 8.3 %.

Average Cost

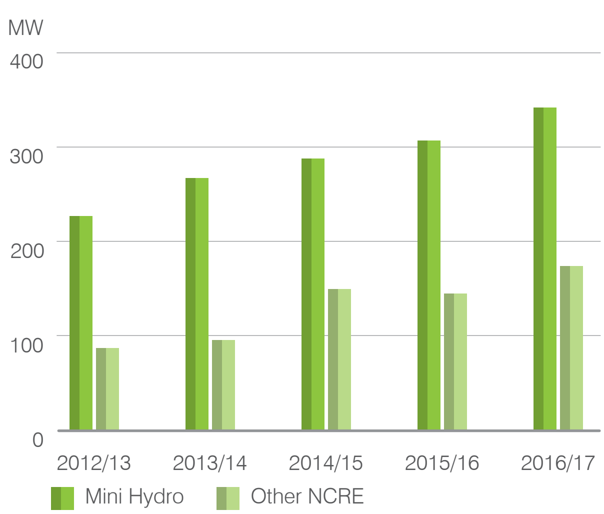
In 2016, the CEB's average cost of hydro, coal and fuel oil-based power generation was Rs. 2.38, Rs. 6.61 and Rs. 24.38 per unit, respectively. Further, the CEB purchased electricity from IPPs at an average purchasing price of Rs. 24.64 per unit. Accordingly, the CEB's average cost of electricity amounted to Rs. 18.08 per unit at the selling point, while the overall average tariff was Rs. 16.18 per unit, reflecting a loss margin of Rs. 1.90 per unit at the selling point. The average tariff charged by the CEB from domestic, general purpose, government, industrial and hotel.

Less Weather-Dependent Renewable Energy

Although the generation of electricity through NCRE sources, including mini hydro generation and solar power, is important to improve energy security, recent weather events confirm the importance of the CEB reducing dependence on hydropower generation. Sri Lanka has exploited conventional renewable resources, especially hydropower to almost its maximum economical potential. Development activities such as the Western Region Megapolis Master Plan and other high economic activities put additional pressure on the need to source new forms of clean energy to broaden the country's energy mix and ensure uninterrupted power supplies.

Non-Conventional Renewable Energy (NCRE) has become a prime potential source of energy for the future due to its low environment impact compared with conventional sources of energy, but when compared with the conventional large power plants, the total contribution from the NCRE sector to the National Grid still remains small, at 8 % in 2016. But since many households and business enterprises are increasingly utilising standalone renewable power generation modes, the actual share of NCRE generation in total electricity generation is probably higher.

Installed Capacity of NCRE in Sri Lanka



Figures are presented on calender year basis
Source: Central Bank Annual Report 2016

Sri Lanka has exploited conventional renewable resources, especially hydropower to almost its maximum economical potential.

Enhancing Electrification

Several measures were undertaken during 2016 to enhance the electrification level in the country, a key project, 'Ratama Eliyai - Andura Duralai' was introduced to provide electricity at concessional rates to low-income families in order to achieve the government's aim of 100% electrification in the country. According to CEB's provisional data, the level of electrification of the country has been raised to 99.3 per cent by end 2016 from 98.5 per cent at end 2015.

Up to the end of 2016, 172 mini hydropower projects, 15 wind power plants, nine biomass power plants and five solar power projects have been commissioned, adding approximately 342.2 MW, 128.5 MW, 24.1 MW and 21.4 MW, respectively, to the national grid. Accordingly, the total electricity generation using renewable energy in 2016 amounted to 1,160 GWh.

VPEL's Operations

Vallibel Power has three mini hydropower plants situated in catchment areas in the Sabaragamuwa and Central provinces of Sri Lanka, Erathna MHPP in Kuruwita, Kiriwaneliya at Norton Bridge, and Denawaka Ganga in Ratnapura, which have the cumulative capacity to generate 21.85 MW of power. Each year, the company plans to generate and dispatch approximately 80 GWh of electricity to the national grid of the Ceylon Electricity Board (CEB). The company's operations are equivalent to reducing approximately 50,000 metric tons of CO_2 emissions annually.

Business Review (Contd.)

The performance of all plants was reduced substantially due to the severe drought condition that prevailed for most of the year and lessened river flows. This diminished river flows reduced the power generation capacities of the Erathna MHPP by 20%, Kiriwaneliya MHPP by 19%, and Denawaka Ganga MHPP by 26%.

The reduced output of the three mini hydro plants caused a 27% decline in the overall Group Revenue in the current financial year, to Rs. 863.7 million, from revenues of Rs.1,181.7 million in the previous year.

Erathna Mini Hydropower Plant

The Erathna Mini Hydropower plant is located in the Kuruwita Divisional Secretariat of the Ratnapura district. This is a 'run-of-the-river' project and utilises the water flow of the upper reaches of the Kuru Ganga. The infrastructure is situated on a land extent of about 4.7 ha. and spans the villages of Pelendakanda and Adavikanda. The plant has a designed capacity for generating 40 GWh.

In 2016/2017, the plant supplied the national grid with a generated power of 35,437,707 GWh, which earned revenue of Rs. 507,868,739, compared with the generated power of 44,140,609 GWh last year, which earned revenue of Rs. 682,132,882. The reduced power supplied to the grid as a result of the reduction in river water generated caused a 26% drop in revenues.

	Designed Energy (GWh)	Actual Generation (GWh)	Plant Factor %	CO2 Emission (MT)
2016/17	40	35.4	40%	24,148
2015/16	40	44.1	50%	27,587

Outages caused by machine failures were substantially reduced this year, from the previous year's 0.74% to 0.27%, which caused a generation loss of 96,769 KWh as compared to previous year's loss of 267,134 kWh and resulted in a loss of revenue of only Rs, 4,107,027. These improved efficiencies could be attributed to better machinery maintenance.

Grid failures during the year, which are beyond the company's control, were 1.10% which fall in revenue of Rs. 5,275,855 during the year, from a generation loss of 363,458 KWh. It was decline compared to the corresponding year which was 1.71% of loss.

The drop in power generation by 20% during the year coupled with a 2.5% reduction in the tariff, from Rs. 16.74 to Rs. 16.32 in the dry season, and a 6.7% drop during the wet season, from Rs.15.24 to Rs.14.22, squeezed net profits, NPBT was Rs. 580,461,678/- during the year, taxed Rs. 55,122,266/-, compared with the previous year's NPBT of Rs. 742,956,422 taxed Rs. 74,998,217.

Kiriwaneliya MHPP

Kiriwaneliya Mini Hydropower Project is developed by Country Energy (Pvt) Ltd., a subsidiary of Vallibel Power and is located in Kiriwaneliya village in the Nuwara Eliya district of the central province. The project utilises the waters of Maskeli Oya to generate electricity and is also a run of the river hydropower project. It has a total installed capacity of 4.65 MW and designed energy of 16 GWh.

In 2016/2017, the plant supplied the national grid with a generated power of 10,171,564 GWh, which earned revenue of Rs. 145,332,356, compared with the generated power of 12,634,372 GWh last year, revenue of Rs. 194,227,988. The reduced power supplied to the grid resulted in revenues falling by 25%.

	Designed Energy (GWh)	Actual Generation (GWh)	Plant Factor %	CO2 Emission (MT)
2016/17	16	10.2	25%	6,357
2015/16	16	12.6	31%	7,896

Outages caused by machine failure were substantially reduced during the year in this project too, from the previous year's 0.28%, which caused a generation loss of 30,143 KWh a loss of revenue of Rs. 459,532, to 0.18% in the current year which was equivalent to a generation loss of 19,374 kWh. This negatively impacted revenues by Rs. 275,656. These improved efficiencies are mainly due to better machinery maintenance. However, grid failures during the year, which are beyond the company's control, increased this year to 4.06% from the previous year's 3.45%.

The drop in power generation and reduction in the tariff squeezed net profits, NPBT clocked in at Rs. 79,867,970 during the year, compared with the previous year's NPBT of Rs. 124,280,266.

Denawaka Ganga MHPP

This project is also managed by Country Energy (Pvt) Ltd., a subsidiary of Vallibel Power. Located near Durekkanda, in the Ratnapura district, the project uses the water flow of the Denawaka Ganga, a main tributary of the Kalu Ganga. This, too, is a run-of-the- river mini hydropower project and has an in-stalled capacity of 7.2 MW. The plant is expected to generate emission free electricity of approximately 25 GWh annually that is exported to the national grid.

In 2016/2017, the plant supplied the national grid with a generated power of 14,578,335 GWh, which earned revenue of Rs. 210,520,951, compared with the generated power of 19,604,414 GWh last year, which earned revenues of Rs. 305,446,215. The reduced power supplied to the grid resulted in revenues falling by 31%.

In this plant, we maintained the machinery outages at a minimal level during the year except for uncontrollable Grid failures.

The drop in power generation and reduction in the tariff caused a reduction in NPBT to Rs. 94,926,375 during the year, compared with the previous year's NPBT of Rs. 181,926,756.

Performance as a Group

Reduced revenues caused by a corresponding decline in the company's bottom line resulted in a decrease in the Net Profit of the Group by 37%, to Rs. 515.8 million, when compared with the Net Profit of Rs. 813 million achieved in the previous year. Consequently EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) a measure of a company's operating performance, decreased by 31% to Rs. 700 million from the previous year's Rs. 1,019 million, which caused a contraction in the net profit margin from 69% to 60%.

Dividend

The fall in performance reduced cash flows from business operations as well, which was reflected in the 20% drop in the dividend per share (DPS) to 80 cents per share compared to the previous year's Rs. 1 per share. Despite the shortfalls experienced by the company in 2016/2017, a dividend of Rs. 597 million was paid for the year. The company continued to maintain the same pay out ratio of 1.14 as in the previous year.

VPEL's Current Status

The company faces many challenges and opportunities in the local energy market which it is well placed to meet, with foresight and vision, fortified by the strength of the Vallibel brand. The trust and confidence placed by its many and diverse stakeholders have given the company the added impetus to meet the headwinds of adversity.

VPEL's SWOT Analysis

S W O T

Strengths

- Strength of the brand as "Vallibel"
- Competency in hydropower developing & generating electricity
- Prime geographical locations of the projects
- Good financial, people and capital assets strength
- Good governance, risk management, quality management and CSR practices
- Vallibel Group's synergy

Weaknesses

- Expiration of the SPPAs
- Inherent risk of rainfall to the catchment area
- Unavailability of new mini hydro opportunities

Opportunities

- Extension of existing SPPAs
- Increasing demand of energy in Sri Lanka
- Diversification into other renewable resources or new business ventures
- Foreign investment opportunities
- Company's open policy for the new investments

Threats

- Domestic macroeconomic uncertainties and government policy changes
- Barriers from civil organizations for every environmental project
- Climate change and its impact on rainfall
- Country risk for the foreign investments

VPEL has much strength that recommends it, starting from the company's prowess in the hydropower industry. As the leader in the mini hydropower generation industry, VPEL has, over the years, gained tremendous experience and expertise in managing and operating a successful hydropower business. All three projects function at optimal capacity because they are equipped with top-of-the-range machinery operated by skilled and competent people, and located in prime catchment areas of the country.

Financial strength and professional performance, supported by the principles of good governance and prudent risk management, have taken VPEL to the apex of the industry. The company is proud of its green balance sheet, which not only looks into reducing costs and enhancing the bottom line, but makes every effort to ensure that no harm is done to people or the environment it operates in. Farseeing actions are taken to mitigate the effects of its operations on the environment, to sustain the communities and the environment in the vicinity of its projects. It is therefore a cause for concern, that despite these many initiatives to protect the environment, the company continues to face opposition from environmental organisations when setting up project. In this regard, VPEL's stance has been to entertain all concerns, explain the company's environment friendly initiatives, and invite the concerned parties to see for themselves these initiatives in practice.

The hydropower industry is also fraught with risk. The very nature of hydropower, which places complete reliance on the abundance of rainfall, results in a high level of uncertainty that is a disadvantage in terms of planning for its future, the events of this year being a case in point, there are other industry concerns as well. The mini hydropower industry in Sri Lanka is fast reaching saturation, and the steadily decreasing Avoided Cost Tariff is impacting the sustainability of the business.

These key reasons have prompted the company to look into further diversifying its business to other renewable resource businesses. There is much potential for renewable energy in the local market, as NCRE's contribute only a very small proportion of energy to the national grid just 8% at present. Given the country's commitment to increase its NCRE capacities to a reliance of 60% on renewable energy power by 2030, the opportunities for expansion are tremendous. With plummeting technological and storage costs of clean energy, overseas investment opportunities are also attractive alternatives. The company is already assessing the potential of countries like Nepal, Myanmar and Bhutan in the Asian region, as well as in Africa for future business expansion.

The existing SPPAs of the Erathna MHPP will need renewal shortly, and VPEL is in collaborative discussion with professionals of the industry and statutory bodies, for further extensions.

Our Stakeholders and Engagement

Our Stakeholders

VPEL

External Stakeholders

1. Public Shareholders
2. Regulatory Bodies and Government
3. Ceylon Electricity Board
4. Suppliers & Service Providers
5. Neighbouring Communities
6. Bank & Financial Institutions
7. Industry Bodies/Associations
8. Environmental Associations

Internal Stakeholders

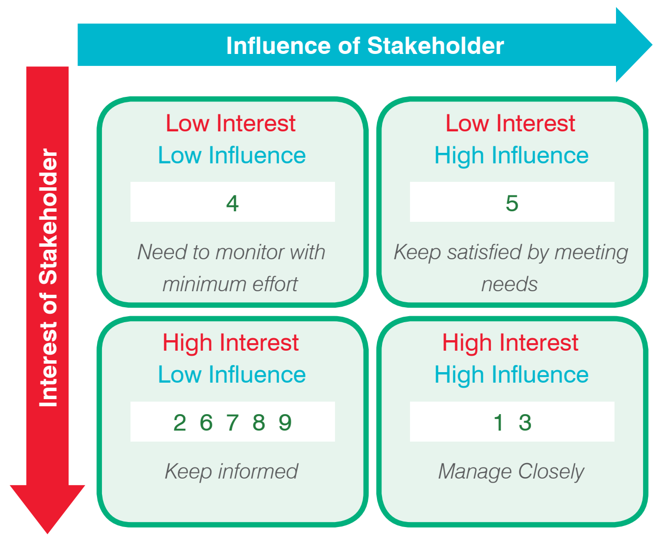
9. Employees

Our stakeholders are our brand ambassadors, and engaging them is the basis of good corporate governance and human rights. They are integral to the continuity of our business operations, are from all walks of life, and touch our business in diverse areas. As a company, we believe that effective stakeholder engagement contributes towards enriching our business, because our stakeholders help us improve communications, obtain wider support, gather useful data and ideas, and provide for more sustainable decision-making.

We maintain regular stakeholder engagements through a range of formal and transparent mechanisms that facilitate continuous communication, dialogue and feedback from our diverse stakeholder groups, while also raising awareness and consciousness of the need for sustainable resource consumption and sustainable lifestyles.

Stakeholder Mapping

As our stakeholders are the foundation of the company their influence is very critical for the business operations and its future. Following chart illustrate the priority to be given and ascertain key stakeholders for focused engagement.



Networking for business sustainability

Stakeholder engagement is our barometer for ascertaining how we are faring as a business entity in the environment in which we operate. It is critical to the sustainability process and enables us to plan future strategies that promote consistency and continuity in our operations.

Our major stakeholder groups, methods of engagement, matters engaged upon and the response and engagement process are detailed below.

Stakeholder	Reason for Engagement	Method of Engagement	Matters Engaged Upon	Response and Engagement Process
Public Shareholders	As the owners of the company, we must make every effort to increase shareholder value.	Mainly through; • Quarterly Interim • Financial Reports • Annual Report • General Meeting • Dividend payout • Reinvestment proposal in new projects	No material issues were raised during the year, but routine inquiries were welcomed and answered.	Timely response with necessary details and information supplied, while maintaining good relationships through regular communication.
Employees	They are the most valuable asset of the company, its value creating resource. Through commitment, hard work, expertise, creativity, skills, talents and skills and determination, they achieve the company's short term and long term goals.	• Annual staff performance appraisals • Regular staff meetings • Involvement in negotiations when required • Training and workshops • Performance based salary increments and bonus • Welfare • team building and annual cricket tournament	• Revision of Human Resource Policies • Review of remuneration structures • Identification of training needs • Continuous professional development programmes • Sourcing of potential medical insurance scheme	• Updated all the policies and communicated all changes to employees. • Revised the performance rating method to eliminate remuneration anomalies. • Establishing a welfare fund is under discussion.
Regulatory bodies and Government	They enable the company's legislative environment, and engagement with them helps the company address economic, social and environmental matters.	By complying with their regulatory requirements though regular monitoring for compliance with the standards set.	No material issues were raised during the year. Communications were limited to routine engagements and inquiries.	Responded to all inquiries, and compliance requirements were followed promptly.

Our Stakeholders and Engagement (Contd.)

Stakeholder	Reason for Engagement	Method of Engagement	Matters Engaged Upon	Response and Engagement Process
Customer (Ceylon Electricity Board)	The nature of this business is such that the input is a natural resource and output is sold to a government institution (CEB) which is completely governed by the SPPA & other legislations set out by the state owned institutions.	• Consultation with them on operational matters when required. • Apart from the customers' perspective, the company complies with their regulatory requirements as a government regulator. • Monthly invoicing for power fed to the grid and realising payments on time	No material issues were raised during the year. But routine deals happen continuously.	Continue regular contacts. Maintain good relationships and constant communication.
Suppliers & Service Providers	Compared to manufacturing or other service organisations, the company does not have a strong and regular supply chain. A good suppliers' network for construction materials is required at the construction phase, but this is not very critical at the operational phase, as less raw material inputs are needed. But routine deals continue to take place for the procurement process and other utilities.	• Calling for the price quotations at real time intervals or tendering when required. • Supplier meetings as required	No specific concerns were raised by suppliers other than routine engagement.	Very good relationship with the overseas and local suppliers, provide the required details and specifications while entertaining impartial bid/quote/ tender processes, also maintain a transparent evaluation and selection process.

Stakeholder	Reason for Engagement	Method of Engagement	Matters Engaged Upon	Response and Engagement Process
Community (This include both social and environmental aspects)	We tap a natural resource that had been part of the lives of the communities in the area. The business cannot be moved or separated from the community and environment as they are strongly interconnected.	• Community meetings • Infrastructure development programmes • Sponsorships for community developments • Forest plantation programmes in the surrounding areas • Annual budget allocated for CSR activities • Environmental impact mitigation and protection programmes • Employment provided to villagers	No material topics of concern were raised by the community. All other matters were solved at the initial stages.	Good interactive relationships through; • Continued support for community events/ needs • Involvement in infrastructure development in surrounding areas • "Empowering Green" forest plantation programme conducted by the company.
Bank & Financial Institutions	Projects will not be realised without debt finance through the financial agents as investments carry significant portions of debt which reaches 70% in most cases.	• Regular meetings, dialogues and interactions • Publish Accounts and Annual Reports	No material issues were raised other than on matters related to the borrowings, repayments and investment solutions.	Good relationship through: punctual repayments interest rates negotiations, investment in short term deposits while maintaining property under mortgage in good condition.

Our Stakeholders and Engagement (Contd.)

Stakeholder	Reason for Engagement	Method of Engagement	Matters Engaged Upon	Response and Engagement Process
Industry Bodies/ Associations	As a business entity partnering with other entities with collaborative intent to promote business synergy necessary for the company's success.	• Obtain consultancy • Maintain dialog with members	No material issues engaged with.	• Provide timely information in response to any request. • Obtain advice, consultancy services and any information on matters that have occurred.
Environmental Associations	We need to give them a hearing since our business is directly connected to nature. Furthermore, accurate understanding of issues will help us avoid conflict.	• Communicate the facts as needed • Provide related information on their request	No material issues engaged with.	Follow good environmental practices to mitigate issues.

Materiality Assessment, Aspects and Boundaries

Aspect		To whom it is relevant? Stakeholder Boundary		How it is impact? Materiality to the Stakeholders		GRI-G4 Criteria Reported	GRI-G4 Criteria Not Reported
		Internal	External	Internal	External		
1	Economic						
1.1	Economic Performance	• Board of Directors and Corporate Management • Employees	• Shareholders Customer-CEB • Government Bodies • Bank and Financial Institutions • Industry Bodies/ Associations • Society	High	High	EC1 EC3 EC4	EC2
1.2	Market Presence	• Board of Directors and Corporate Management • Employees	• Government Bodies • Industry Bodies • Associations Society	Medium	Medium	EC5 EC6	Nil
1.3	Indirect Economic Impacts	• Board of Directors and Corporate Management	• Society including Neighbouring Community • Government Bodies • Industry Bodies/ Associations	Medium	Medium	EC7 EC8	Nil
1.4	Procurement Practices	• Board of Directors and Corporate Management	• Suppliers	Medium	Low	EC9	Nil
2	Environmental						
2.1	Materials	• Board of Directors and Corporate Management	• Society including Neighbouring Community • Government Bodies	Medium	Medium	EN1 EN2	Nil
2.2	Energy	• Board of Directors and Corporate Management	• Society including Neighbouring Community • Government Bodies	High	High	EN3 EN6	EN4 EN5 EN7

Materiality Assessment, Aspects & Boundaries (Contd.)

Aspect		To whom it is relevant? Stakeholder Boundary		How it is impact? Materiality to the Stakeholders		GRI-G4 Criteria Reported	GRI-G4 Criteria Not Reported
		Internal	External	Internal	External		
2.3	Water	• Board of Directors and Corporate Management	• Society including Neighbouring Community • Government Bodies • Environmental Associations	High	High	EN8 EN9	EN10
2.4	Biodiversity	• Board of Directors and Corporate Management	• Society including Neighbouring Community • Environmental Associations	Medium	High	EN11 EN12	EN13 EN14
2.5	Emissions	• Board of Directors and Corporate Management • Employees	• Society including Neighbouring Community • Environmental Associations	Low	Medium	EN15 EN16 EN19	EN17 EN18 EN20 EN21
2.6	Effluents and Waste	• Board of Directors and Corporate Management Employees	• Society including Neighbouring Community • Environmental Associations	Low	Medium	EN22 EN23	EN24 EN25 EN26
2.7	Products and Services	• Board of Directors and Corporate Management	• Society including Neighbouring Community • Environmental Associations	Low	Medium	EN27	EN28
2.8	Compliance	• Board of Directors and Corporate Management • Employees	• Government Bodies • Environmental Associations • Shareholders	High	High	EN29	Nil
2.9	Transport	• Board of Directors and Corporate Management	• Environmental Associations	Low	Low	Nil	EN30

Aspect		To whom it is relevant?		How it is impact?		GRI-G4 Criteria Reported	GRI-G4 Criteria Not Reported
		Stakeholder Boundary		Materiality to the Stakeholders			
		Internal	External	Internal	External		
2.10	Overall	• Board of Directors and Corporate Management • Employees	• Society including Neighbouring Community • Environmental Associations • Government Bodies	High	High	EN31	Nil
2.11	Supplier Environmental Assessment	• Board of Directors and Corporate Management • Employees	• Society including Neighbouring Community • Environmental Associations	Low	Low	Nil	EN32 EN33
2.12	Environmental Grievance Mechanisms	• Board of Directors and Corporate Management	• Society including Neighbouring Community • Environmental Associations	Medium	High	EN34	Nil
3	Social						
3.1	Sub-Category: Social - Labour Practices and Decent Work						
3.1.1	Employment	• Board of Directors and Corporate Management • Employees	• Society • Government Bodies	High	High	LA1 LA2 LA3	Nil
3.1.2	Labour/ Management Relations	• Board of Directors and Corporate Management • Employees	• Society • Employees Associations	Low	Low	Nil	LA4
3.1.3	Occupational Health and Safety	• Board of Directors and Corporate Management • Employees	• Society • Employees Associations • Government Bodies	High	High	LA6 LA7	LA5 LA8
3.1.4	Training and Education	• Board of Directors and Corporate Management • Employees	• Society	Medium	Low	LA9 LA10 LA11	Nil

Materiality Assessment, Aspects & Boundaries (Contd.)

Aspect		To whom it is relevant? Stakeholder Boundary		How it is impact? Materiality to the Stakeholders		GRI-G4 Criteria Reported	GRI-G4 Criteria Not Reported
		Internal	External	Internal	External		
3.1.5	Diversity And Equal Opportunity	• Board of Directors and Corporate Management • Employees	• Society	Low	Low	LA12	Nil
3.1.6	Equal Remuneration For Women And Men	• Board of Directors and Corporate Management • Employees	• Society	Low	Low	Nil	LA13
3.1.7	Supplier Assessment For Labour Practices	• Board of Directors and Corporate Management • Employees	• Society • Employees Associations	Low	Low	LA14	LA15
3.1.8	Labour Practices Grievance Mechanisms	• Board of Directors and Corporate Management • Employees	• Society • Government Bodies • Employees Associations	High	High	LA16	Nil
3.2	Sub-Category: Social - Human Rights						
3.2.1	Investment	• Board of Directors and Corporate Management • Employees	• Society • Government Bodies	Low	Low	Nil	HR1 HR2
3.2.2	Non-Discrimination	• Board of Directors and Corporate Management • Employees	• Society	Medium	Medium	HR3	Nil
3.2.3	Freedom of Association and Collective Bargaining	• Board of Directors and Corporate Management • Employees	• Society • Government Bodies • Employees Associations	High	High	HR4	Nil

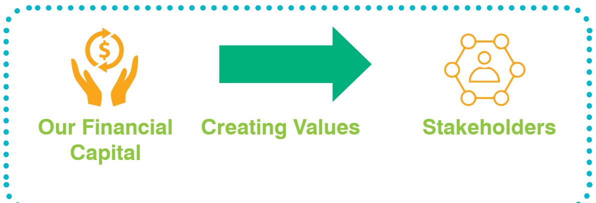
Aspect		To whom it is relevant? Stakeholder Boundary		How it is impact? Materiality to the Stakeholders		GRI-G4 Criteria Reported	GRI-G4 Criteria Not Reported
		Internal	External	Internal	External		
3.2.4	Child Labour	• Board of Directors and Corporate Management • Employees	• Society • Government Bodies • Employees Associations	High	High	HR5	Nil
3.2.5	Forced or Compulsory Labour	• Board of Directors and Corporate Management • Employees	• Society • Government Bodies • Employees Associations	High	High	HR6	Nil
3.2.6	Security Practices	• Board of Directors and Corporate Management • Employees	• Society including Neighbouring Community	Low	Low	Nil	HR7
3.2.7	Indigenous Rights	Board of Directors and Corporate Management	"Society including Neighbouring Community"	Low	Low	Nil	HR8
3.2.8	Assessments	Board of Directors and Corporate Management	"Society including Neighbouring Community"	Low	Low	Nil	HR9
3.2.9	Supplier Human Rights Assessment	Board of Directors and Corporate Management	Society Government Bodies Employees' Associations	Low	Low	HR10	HR11
3.2.10	Human Rights Grievance Mechanisms	Board of Directors and Corporate Management Employees	Society Government Bodies Employees' Associations	Medium	Low	HR12	Nil
3.3	Sub-Category: Social - Society						
3.3.1	Local Communities	• Board of Directors and Corporate Management	• Society including Neighbouring Community	High	High	SO1	SO2
3.3.2	Anti-Corruption	• Board of Directors and Corporate Management • Employees	• Society • Government Bodies	Low	Low	SO3 SO4	SO5

Materiality Assessment, Aspects & Boundaries (Contd.)

Aspect		To whom it is relevant? Stakeholder Boundary		How it is impact? Materiality to the Stakeholders		GRI-G4 Criteria Reported	GRI-G4 Criteria Not Reported
		Internal	External	Internal	External		
3.3.3	Public Policy	• Board of Directors and Corporate Management	• Government Bodies • Industry Bodies/ Associations	Low	Low	Nil	SO6
3.3.4	Anti-Competitive Behavior	Not Applicable	Not Applicable	Nil	Nil	SO7	Nil
3.3.5	Compliance	• Board of Directors and Corporate Management	• Government Bodies • Industry Bodies/ Associations • Society	High	High	SO8	Nil
3.3.6	Supplier Assessment for Impacts on Society	• Board of Directors and Corporate Management	• Society	Low	Low	Nil	SO9 SO10
3.3.7	Grievance Mechanisms for Impacts on Society	• Board of Directors and Corporate Management	• Society	Low	Medium	SO11	Nil
3.4	Sub-Category: Social - Product Responsibility						
3.4.1	Customer Health And Safety	• Board of Directors and Corporate Management • Employees	• Customer-CEB • Industry Bodies/ Associations	High	High	PR2	PR1
3.4.2	Product And Service Labeling	Not Applicable	Not Applicable	Nil	Nil	Nil	PR3 PR4 PR5
3.4.3	Marketing Communications	Not Applicable	Not Applicable	Nil	Nil	Nil	PR6 PR7
3.4.4	Customer Privacy	• Board of Directors and Corporate Management	• Customer-CEB	Low	Low	Nil	PR8
3.4.5	Compliance	Board of Directors and Corporate Management	• Government bodies including CEB • Industry Bodies/ Associations • Society	Medium	Medium	PR9	Nil

Financial Capital

VPEL's funds consists of funds reinvested in the group, revenue generated, interest income and a combination of long-term and short-term loans and capital providers.



Overview and Approach

The company has a well thought out and focused approach to financial management that complies with the best practices and standards of all relevant statutory and regulatory bodies, as well as prudently manages risk. Prioritising the use of our financial resources is critical to the long term continuity of our business in today's context of an evolving business landscape and increased volatility of a range of factors beyond our control. We also realise that effective financial management brings us closer to realising our vision of being a sustainable producer of clean energy for the country's sustainable development.

The financial capital of the company represents the equity investment of shareholders and debt raised from banks. Our financial capital is employed effectively and productively to maximise the wealth of our shareholders while raising the economic value of the business. All debt of Vallibel Power Erathna PLC has been fully paid up, but Country Energy (Pvt) Ltd., our subsidiary will continue to have debt in its books for a further two years. The majority of net cash inflows is paid to our equity holders in keeping with our approach of distributing the added value to shareholders when no new investments have taken place during the period.

Efficient cash flow management ensures that we are well able to meet all expenses and keep the company in the green even during lean years like the year under review, when profits are low. We strive to keep costs low wherever possible by purchasing mainly from reputed long standing suppliers at equitable prices, make bulk purchases whenever possible, and continue to implement efficient maintenance programmes that keep machinery breakdowns to a minimum, and reduce overheads through an effective energy and waste management strategy.

Financial Review

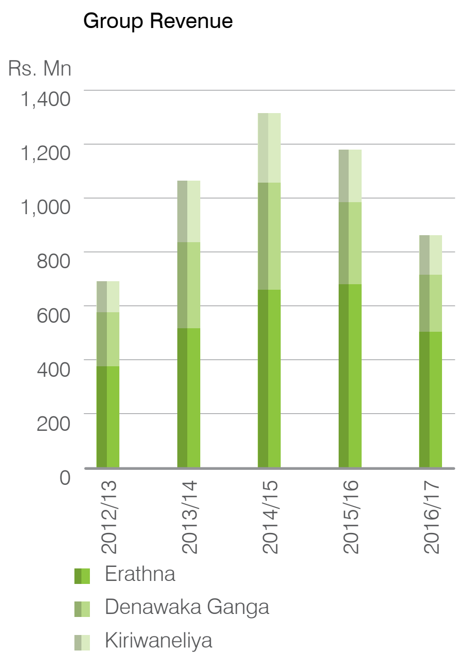
Financial Performance

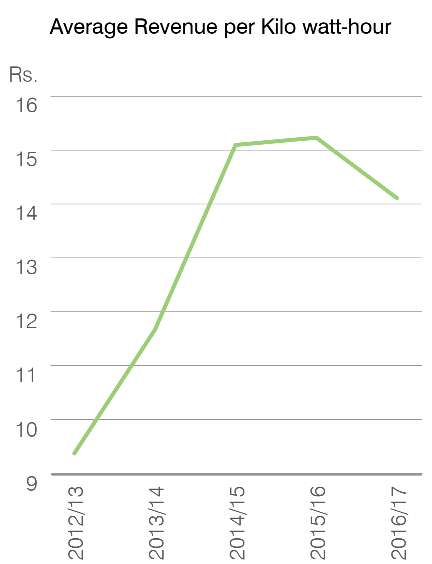
Turnover

The company was, unfortunately, unable to achieve our financial targets this year, due to inclement weather conditions that were beyond our control. The prolonged periods of drought reduced the outputs of all three MHHPs– Erathna by 20%, to 35.4 GWh from 44.1 GWh in 2015/2016; Denawaka ganga by 26% from 19. 6 GWh in 2015/2016 to 14.6 GWh in the current year, and Kiriwaneliya to 10.2 GWh from the previous year's 12.6 GWh, a drop of 19%. Consequently, Group Revenue during the current year financial year reduced by 27% to Rs. 864 million, from Rs. 1,182 million last year.

Average Revenue per kWh during the year also saw a 7% decrease from the previous year, due to the negative impact of the revised Avoided Cost Tariff revision of NCRE which was effective from 1 January 2016. The tariff dropped by 2.5% in the dry season to Rs. 16.32 per unit, from Rs. 16.74 per unit in the previous year and by 6.7% in the wet season to Rs.14.22 from the previous year's Rs.15.24 per unit also impacted revenue, which had a further adverse impact on revenue figures.

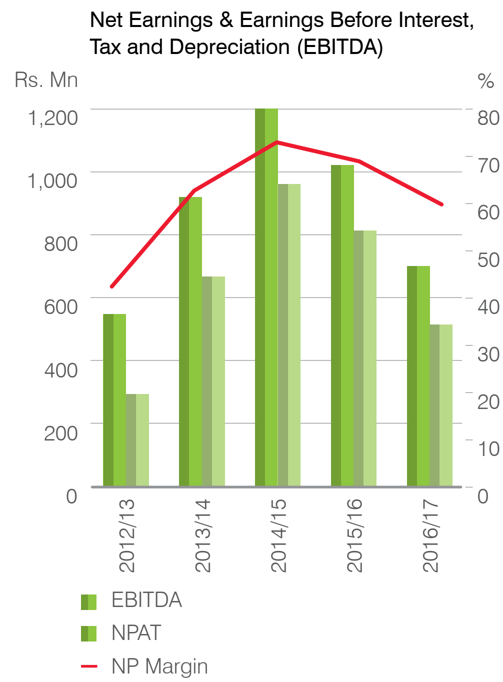
Financial Capital (Contd.)





Profitability

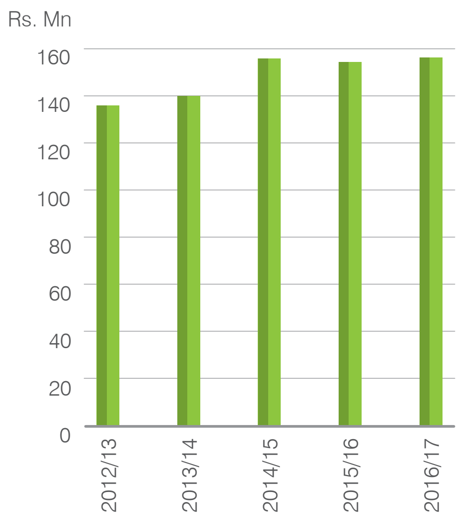
The drop in the Revenue of hydropower generation as well as the negative impact of the 2016 CEB tariff revision added a 37% decline in the Group Net Profit After Tax (NPAT) to Rs. 516 million when compared to the previous year's Group NPAT of Rs. 813 million. This decreased the EBITDA by 31% to Rs. 700 million, compared to Rs. 1,019 million in the previous year. Despite the negative circumstances, the company successfully maintained the Net Profit Margin at 60%, which is a fairly inconsequential decline from the previous financial year's 69% margin. This is solely attributed to the efficient management of capital and maintaining losses from operational breakdowns at minimum levels.



Operating Expenses (OPEX)

Group's Net Operating Expenditure (excluding depreciation, amortisation & provisions) increased by 1%, to Rs. 156 million, from the previous year's Rs. 154 million. This increase is the direct result of counterbalancing the increase in direct OPEX by Rs.11 million in the current year and decrease in indirect OPEX by Rs. 9 million, compared to the previous year's figures. Direct OPEX increased as a result of the payment of the Budgetary Relief Allowance to our workers in accordance with the government directive, added to increased plant maintenance overheads. Despite these factors, we were able to optimise our operating costs.

Operating Expenditure

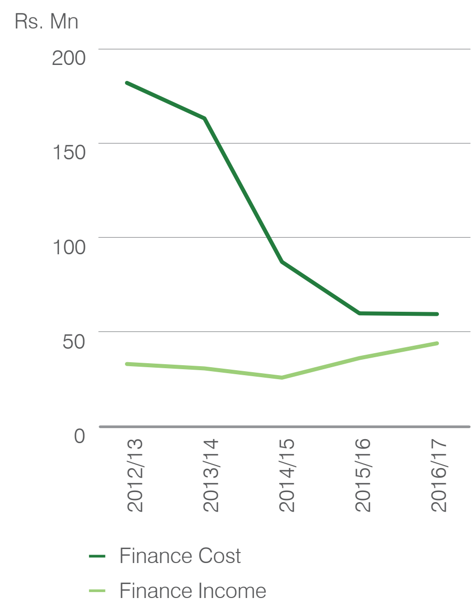


Net Finance Cost

The Finance Cost of the Group decreased by a negligible 0.5%, from Rs. 59.7 million in 2015/2016 to 59.4 million in the current financial year, which had no impact on profits. Since loans were reduced during the year as a result of repayments, the positive impact on profits which had to be experienced was neutralised, by the increase in lending rates.

Finance Income which represents interest income from short term deposits, increased by 19% to Rs. 43 million in the current year, from Rs. 36 million last year which influenced by the short-term investments carried over from the previous year as well as the increase in interest income due to increased deposit rates.

Finance Cost Vs Finance Income



Taxation

The Total Income Tax Expenses of the Group reduced by 13% during the year, to Rs. 76 million from last year's figure of Rs. 87 million.

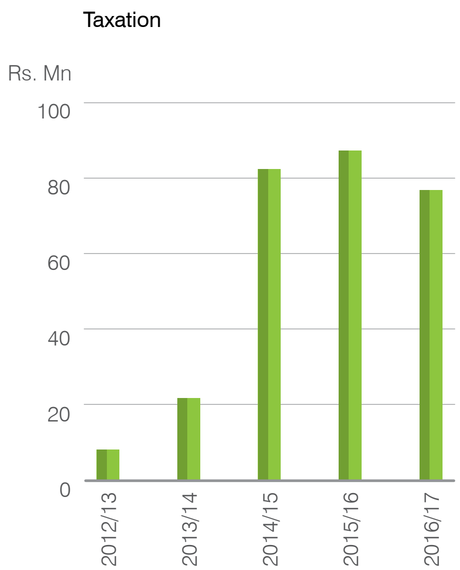
Current Tax - Current Income Tax expenses decreased by 18% from Rs. 97.6 million to Rs. 79.8 millon. The key reason for this drop is the company's decreased taxable profits caused from lower revenue.

Deferred Tax – There was a reversal recognised the deferred tax expenses of the Group by Rs. 3 million, caused by a reversal of deferred tax liability of the Company and the increase in the differed tax asset of the Subsidiary.

Vallibel Power Erathna PLC has already completed its 10 years tax holiday in 2014 and currently its business income is liable at prevailing rate of 12% as per the Inland Revenue Act. However Country Energy (Pvt) Ltd, subsidiary company is entitled for a 6 years tax holiday up to the year 2017/18.

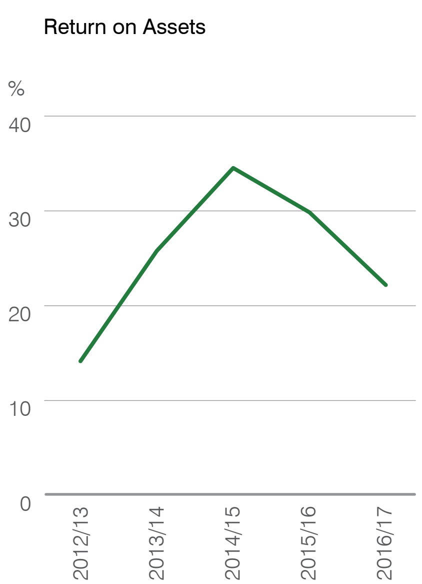
Financial Capital (Contd.)

Thereafter it will be taxed at 15% on the business income pursuant to the BOI agreement.



Return on Assets

Group's Return on Assets (ROA) in the year under review is 22%, declined from 30% of the previous year. Under-utilisation of the company's assets as a result of depleted water levels during the drought had a negative impact on the decreased ROA.



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

Group's Return on Capital Employed (ROCE) and Return on Equity (ROE) in the year under review are 23% and 29% respectively, which declined from 32% and 41% of the previous year.

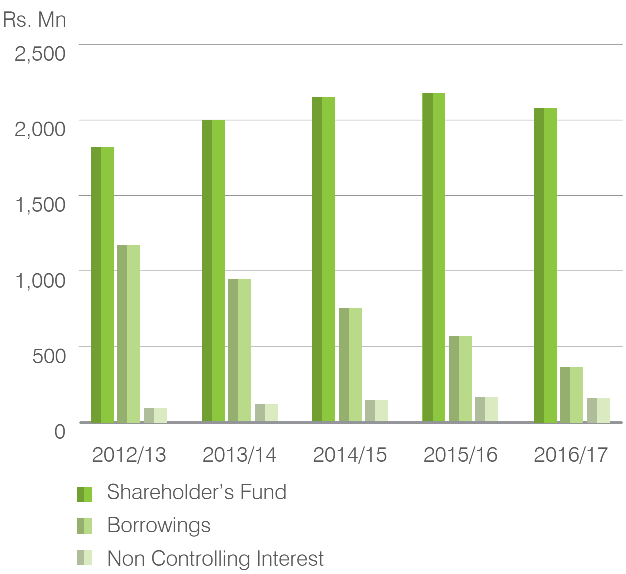
The decrease of profitability caused from the Group's revenue drop was the major reason for the above decline in ROCE & ROE.

Financial Position

Capital Structure

Shareholders' funds attributable to the equity holders of the company also decreased by 5% during the year, compared to 2015/2016 figures, while total borrowings reduced by 36% over the previous year due to the repayment of loans taken by subsidiary. This resultant decline in the gearing ratio of the Group, from 20% in 2015/16 to 14% in 2016/2017 confirms the company's financial strength despite the current economic downturn, and augurs well for a speedy financial recovery.

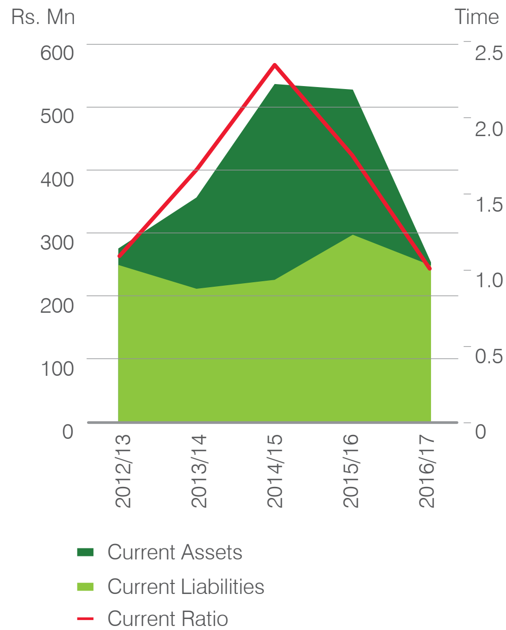
Capital Structure



Working Capital

All these factors resulted in a severe drop in Working Capital to Rs. 5 million, from Rs. 230 million last year. It is heartening to note, however, that we were able to continue maintaining a marginal short-term liquidity position at a current ratio of 1 in during the year, when compared with 1.8 in the previous year.

Working Capital and Current Ratio



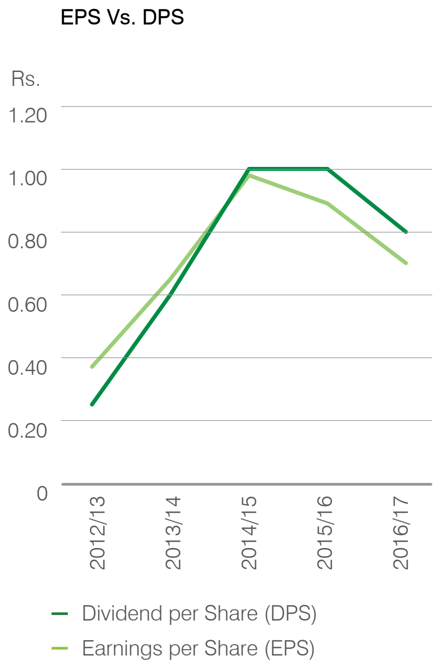
Company's Share Performance

The fall in performance reduced the cash flow from business operations, which was reflected in a 20% drop in the dividend per share (DPS) to 80 cents per share compared to the previous year Rs. 1 per share. Despite this drop in DPS, the company continued to maintain the same pay out ratio of 1.14 throughout the year by distributing un-utilised profits accumulated over the years.

The fall in the company performance during the year was reflected in the decreased EPS of 70 cents which was a 21% drop compared to the last year 89 cents.

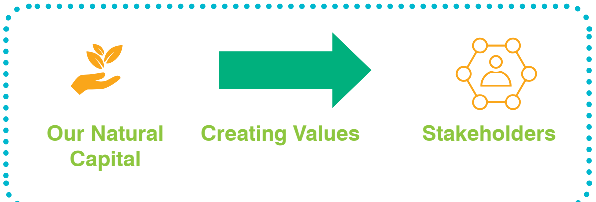
Net Assets per share and Market Price Per share fell by 4% and 11% respectively as a result of the drop in company performance during the year.

Financial Capital (Contd.)



Natural Capital

The natural resources which we use to develop, generate, and supply of electricity are monitored and managed to optimise our integrate sustainability enablers across the Company



Overview and Approach

The hydropower industry is completely dependent on natural capital because water is its primary resource. Therefore, we are deeply committed to protecting precious water resources and the ecosystems that depend on them, by mitigating any adverse impacts of our business. This is a mutually reciprocal arrangement because it ensures the sustenance of nature and ecosystems as well as the continuity of our business.

The very nature of our business of providing renewable energy helps us understand and promote the importance of practicing sustainability in all aspects of business operations. We are also keenly aware of the key role that mitigation plays in enhancing our reputation, and realise that sustainable practices help us attract and retain top calibre employees, as well as draw responsible shareholders. This gives us added impetus to adapt to our environment.

We take a holistic approach to environment management that is in tandem with all environment-related national policies and legislation, and we also keep to relevant multilateral agreements and declarations.

Environment policy

We have a comprehensive Quality and Environment policy that addresses all key aspects of environmental management:

The company also strictly implements an environmental monitoring programme at all three project sites which evaluates all operational activities according to their impact on the environment, and takes appropriate mitigatory measures.

Management of Environment

Water

By nature of the industry, water is the main material for the production of income. Erathna Mini Hydropower Project is located in Adavikanda village in the Ratnapura district and utilizes the water resources of the Kuru Ganga to generate electricity. Denawaka Ganga MHP is in Malwala, also in the Ratnapura district and utilises the water resources of the Denawaka Ganga to generate electricity. Kiriwaneliya Mini Hydropower Project, located in the Kiriwaneliya village of the Nuwara Eliya district in the central hills, utilises the water resources of the Maskeli Oya to generate electricity.

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 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."

Natural Capital (Contd.)

All three projects are run-of-the-river MHPPs which means that they draw water directly from the streams to power the turbines that generate electricity then return the water to the river, unchanged. Mini hydropower projects do not deplete or change the water quality or quantity of the water used from rivers, so there is no negative impact on water sources as a result of this withdrawal.

Surface Water Usage - Water flow used for Hydropower Generation

	Erathna MHPP		KI MHPP		DE MHPP		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Plant Capacity (MW)	10	10	4.65	4.65	7.2	7.2	21.85	21.85
Power Generation (kWh)	35,437,707	44,140,609	10,171,564	12,634,372	14,578,335	19,604,414	60,187,606	76,379,395
Plant Factor %	40%	50%	w25%	31%	23%	31%		
Designed Flow (m3/s)	2.7	2.7	3	3	27	27		
Volume of water used (m3/per annum)	34,445,451	42,904,672	23,624,278	29,344,348	196,807,523	264,659,589	254,877,251	336,908,609
Destination of Withdrawal	Kuru Ganga - Warangala, Erathna		Maskeli Oya - Koththellana		Denawaka Ganga Rambukketiya			
Destination of Discharging	Kuru Ganga - Adawikanda, Erathna		Maskeli Oya - Kiriwaneliya		Denawaka Ganga Durekkanda			

Assumptions - Each plant was functioning at the optimum efficiency throughout the year.

While releasing an environmental flow, water withdrawn from the river for generating energy is returned to the source with zero contamination. Apart from the power generation, water is being utilised for the living needs of site people which has not been quantified.

Total Water Usage by Source

Location	Water usage (m3)							
	Surface Water		Ground Water		Municipal Water		Bottled Water	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Head Office	Nil	Nil	Nil	Nil	Nil	Nil	13.19	11.48
Erathna MHPP	34,445,451	42,904,672	Nil	Nil	Nil	Nil	Nil	Nil
KI MHPP	23,624,278	29,344,348	Nil	Nil	Nil	Nil	Nil	Nil
DE MHPP	196,807,523	264,659,589	Nil	Nil	Nil	Nil	Nil	Nil
Total	**254,877,251**	**336,908,609**	Nil	Nil	Nil	Nil	**13.19**	**11.48**

Land

Our three power plants occupy state and private lands for which we pay an annual rental. State lands were provided by Divisional Secretaries, the LRC and the JEDB. We take our role as custodians of these lands very seriously, and make it our personal duty and responsibility to protect and utilise their resources effectively because we know the importance of preserving the pristine nature of our environment for the enjoyment of future generations.

Land extents of the projects are as follows:

Unit	Land Holdings Extent (Ha)				Location
	Freehold/ Private	State Owned	LRC	JEDB	
Erathna MHPP	2.27	0.28	2.20	Nil	Erathna, Kuruwita - Rathnapura District
Denawaka Ganga MHPP	0.53	2.76	Nil	1.20	Durekkande, Malwala - Rathnapura District
Kiriwaneliya MHPP	3.03	Nil	Nil	Nil	Vidulipura, Norton Bridge - Nuwara Eliya District
Head Office	NA	NA	NA	NA	World Trade Center, Colombo 01
Total	5.83	3.04	2.20	1.20	

Energy Consumption

As a clean energy producer, the Company is fully aware of the significance and strives to switch over to sustainable energy sources and thereby, reduce the dependence on fossil fuels. Energy consumption is mainly occurred from the electricity consumption of the power houses, company offices, staff quarters and fuel consumption of Company's vehicles.

We initiated to reduce the direct and indirect energy consumption in daily operations is set out below:

Description	Consumption of Energy - GJ	
	2016/17	2015/16
Primary Usage - Electricity	32.7	17.5
Indirect Usage - Electricity	118.2	109.7
- Diesel	728.8	631.3
- Petrol	370.7	549.3
	1,250.4	1,307.8

Mitigating Impact

A number of initiatives have been introduced on all our sites to mitigate the negative impact of our business on the environment. These range from precautionary measures to prevent potential land erosion, to initiatives that consider the needs of other users of environment services, to methods that protect the safety of fauna that accesses the project sites. Main highlights are itemised below:

Natural Capital (Contd.)

Mitigatory measures have been introduced at all three projects from inception during the construction stages, to reduce slope failures and erosion of the river bank. At the construction process of our projects, for instance, carefully considered potential areas for soil erosion and took the necessary precautionary measures to minimise negative environment impacts. The weir was strengthened with flood barrier walls, and this structure was used as the base for constructing the headrace channel. Further natural streams in the vicinity were untapped and undisturbed when the headrace channels / forebay tank was constructed. Natural water paths were also facilitated through the channel path/ forebay tank via drainage systems to enable the water to flow to the river without eroding soil, and the water released at tail race was confined to a concrete channel to minimise bank erosion.

Water released to concrete channel at Tail Race Surface

Vegetation to prevent Soil Erosion

Sustaining the Eco System

Considering the needs of other users

The company considers it to be of paramount importance that its business activities do minimal harm to the ecosystem and cause no interruption to ecosystem services. As such, each project prioritises the needs of the other users of ecosystem services, be they human, fauna or flora, and ensures availability of sufficient water for their needs. Accordingly, water from every project is released continuously for their use. Despite the fact that the river between intake to powerhouse is seldom used for agriculture, animal husbandry or as drinking water due to difficult terrain condition, the company ensures that a sufficient and uninterrupted quantity of water is discharged to the area in accordance with Central Environmental Authority approvals. This effectively maintains the eco system balance and meets the water needs of fauna and flora in the vicinity.

Environment release opening

Downstream of weir

Considering the safety of other users

Every project has in built safeguards that prevent animals from entering the water conveyance system by ensuring closed concrete channel paths.

All projects have been constructed to facilitate the safe and easy movement of people and animals across the water channels. At Erathna MHPP, the entire headrace channel path is closed with a concrete slab that forms a bridge for people and animals to walk across. Soil filled paths are built especially to facilitate animal movement across the channel. The project structures also incorporate concrete/steel steps to give all jungle inhabitants a throughway across the project.

Head Race Channel closed with a concrete slab

soil-filled path across channel for animal crossing

Empowering Green

Empowering
GREEN
VPEL's 100,000 trees planting program

As an environmentally responsible citizen, the company initiated replanting programmes in the project areas to replenish these natural resources. The project "Empowering Green" was launched during the last year as the company's flagship project, which has a long term goal of planting 100,000 trees around the country. The programme is in partnership with the Forestry Department and supported by the divisional secretary offices of some areas. By 2016 March, 595 trees were planted. However, the company has fine- tuned the programme in the first quarter of this year to explore more avenues to plant more trees in various parts of the country.

2,930 Trees

Planted during the year

LKR 373,705

Total Cost incurred during the year

Natural Capital (Contd.)

Details of the programe held during the year 2016/17

Month	Location	No.of Plants
April 2017	Erathna Hospital, Kuruwita	10
July 2016	Paradise Lake, Kuruwita	200
October 2016	Sudagala Galawala Forest, Erathna	200
November 2016	Kande Ela Forest Garden, Nuwara Eliya	500
March 2017	Samanala Watta Vidyala, Balangoda	2,020
Total		2,930

Planting at Paradise Lake, Kuruwita

Planting at Kande Ela Forest Garden, Nuwara Eliya

Planting at Sudagala Galwala Forest, Erathna

Planting at Samanala Watta Vidyalaya, Balangoda

Reducing Emissions

Reducing noise and vibration

The noise and vibration that usually occur with the power plant operations has been substantially reduced by the special construction of the powerhouses, which are designed to muffle sounds. Despite this, all employees are provided with ear muffs and ear plugs that must be used at all times within the powerhouse, as a health and safety measure.

Green initiatives have also been taken to reduce noise. For instance, in the Erathna project, an avenue of bamboo tress planted along the tail race absorbs the noise of the gushing water released back to the river.

Bamboo Trees planted at Tail race of Erathna MHPP

Noise Control Panel Installed at Erathna MHPP

Reducing CO2 emissions

Direct greenhouse gas emissions (Scope 1) of the Group arises mainly from fuel consumed by standby generators at the project sites, but this is not a continuous cost. Vehicles operated by the company are also a source of GHG emissions but these are few in number, so emissions are negligible. Scope 2– electricity is consumed by the power houses, living quarters of staff at the project sites and company offices.

	Emission of CO2 - MT	
	2016/17	2015/16
Scope-1	11.64	12.92
Scope-2	25.78	21.73

By its very nature, our hydropower operations are to reduce GHG emissions by producing, clean, renewable energy.

	Reduction in CO2 - MT	
	2016/17	2015/16
Erathna MHPP	22,149	27,588
Denawaka Ganga MHPP	9,111	12,253
Kiriwaneliya MHPP	6,357	7,896

Managing Waste and Effluent

Decaying vegetation on the sites and natural debris in the river water are collected and used as compost for cultivation, solid waste at the sites are collected, separated into bio-degradable and non biodegradable waste, and disposed of as per Environmental Policy of the Company. However the Company has not quantified the waste disposal during the year under review.

The water withdrawn for the power generation is discharged with zero contamination.

Waste Grading Bins kept at site

Natural Capital (Contd.)

Composted Debris for fertilising

Environmental Grievance Mechanism

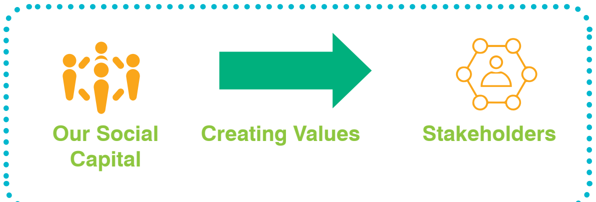
There have been no complaints on any material issues concerning the impacts of the company's business on the environment operation of the project. However, the "Stakeholder Complaints Log" at the project offices at every site is open for the communities to register any complaints against the company, its operations and environmental concerns, and offer any suggestions for improving current practices.

Compliances

All our projects have been developed by complying with environmental rules and regulations directed by the statutory bodies and they are continued. No any incident has been occurred pertaining to the non-compliances of environmental laws and regulation.

Social Capital

The key long-term relationship which we cultivated with the society, particularly enhance the Economic Empowerment and facilitates to add a value to the society.



Overview and Approach

As key stakeholders of the company, the communities in the areas that surround our power plants are integral to our success and continuity. Over the years, we have developed and nurtured proactive relationships with them that have remained strong and vibrant through a structured approach that disseminates to them a host of benefits accrued through a variety of CSR projects. We believe that this process of regular engagement with our communities is vital for maintaining community goodwill and also to realise reputational gains for the Company. This ultimately contributes towards the future sustainability of our business.

We have a structured approach to community development that supports a dedicated social development plan for engaging these communities at various touch points of their lives. Initiatives introduced include sourcing employment for our projects from among this indigenous talent pool, participating in community meetings and group discussions, sponsoring community and infrastructure development programmes, as well as having in place a well- managed grievance mechanism that entertains any complaints on the societal impacts of our projects.

Promoting an Indigenous Talent Pool

Our first talent resource is the communities we work in, and our social development plan prioritises tapping these indigenous human resources for staffing our three projects. This initiative has proved a win-win situation for both sides, because an established job provides these families with a continuous income that sustains them and improves living standards, and the company gains enthusiastic employees who are committed to developing themselves for the betterment of their families and the community. This approach has a trickle- down effect that improves the overall living standards of the community. Employment provided to communities begins at entry level positions from which the employee is promoted to more skilled areas of the business once he is exposed to capacity building programmes provided by the company.

68 Employees

Hired from the Local Vicinity

Middle Management	2
Executive	1
Technical	4
Skilled	15
Semi Skilled & Labour	46

An essential strategy for building and forging ongoing community relationships is through regular participating in community meetings, discussions and social events. The teams at the three project sites have established cordial relationships among many strata of village life, and are well accepted at community meetings, discussions and other social gatherings. This networking extends to attending and supporting community events like funerals and other occasions at which their presence and the company's contributions in cash and kind, is warmly welcomed.

Developing Community Infrastructure

We are also committed to developing the infrastructure of the areas that surround our project sites, while keeping in mind the importance of preserving the natural habitats with minimal human impact.

Social Capital (Contd.)

Accordingly, we rebuilt the roads in the vicinity of the Erathna power plant during the year with the necessary material and manpower. The incumbents of the Gilimale Meditation Monastery situated in the Ratnapura region also benefitted from our support, as they had been facing difficulties as a result of the dilapidated state of the approach roads. These were improved with financial assistance from the company, giving due care to the preservation of forest resources. Gilimale is in the vicinity of the Denawaka Ganga MHPP.

Enhancing lives

Giving New Hope to the Young

We believe that children are the world's most valuable resource and its best hope for the future, and continue to promote their education and well being through various programmes.

During the year, we donated a laptop computer to a disadvantaged child in Sudagala, Kuruwita for who had excelled in her studies and was keen to pursue higher education. We also supplied school bags for students of low income families in nursery schools in Durekkanda, and school shoes for students from impoverished families in Durekkanda, Atikehelpala, Meegasthenna and Galabada.

Presentation of Laptop Computer to a disadvantaged HNDA student

Presentation of 123 shoes for students from impoverished families in Durekkanda, Atikehelpala, Meegasthenna & Galabada

Presentation of 42 school bags for disadvantaged pre-school students

Hope for Communities

Our social development programme is geared to be responsive to community disasters as and when they occur. We were pleased to have been able to provide financial help to the victims of the May 2016 floods whose homes were inundated by the overflowing of the Kelani River.

Involving ourselves in the lives of our communities extends to supporting their religious observances, and we provided substantial financial Assistance for organising the Saman Devalaya Maha Perahera in Rathnapura and Poson Kalapaya in Erathna.

We believe that nourishing young bodies as well as their souls is essential for their future well being, and embarked on an extensive project that provides milk packets to over 300 students in three daham pasala (Sunday schools) in Kuruwita. This project is being carried out weekly which was begun in April 2016 and still continues, and has proved immensely popular among the students and substantially promoted attendance at the Sunday schools.

Providing milk packets to over 300 students of Sunday Schools weekly

Details of Provided Milk Packets

Month	No of students received	Value (Rs.)
Apr-16	250	6,187.50
May-16	250	6,187.50
Jun-16	535	14,487.50
Jul-16	300	8,700.00
Aug-16	300	8,700.00
Sep-16	300	8,700.00
Oct-16	400	11,600.00
Nov-16	500	14,500.00
Dec-16	100	2,900.00
Jan-17	400	11,600.00
Feb-17	800	23,200.00
Mar-17	350	10,150.00
Total	4,485	126,912.50

Health and Nutrition

We believe that a healthy community is a happy one, and step in to take care of their health needs whenever neccessary, especially the needs of those who cannot afford advanced and costly medical treatments. One key initiatives this year was to provide finances to a heart patient at the Erathna MHPP that enabled him to seek advanced medical care.

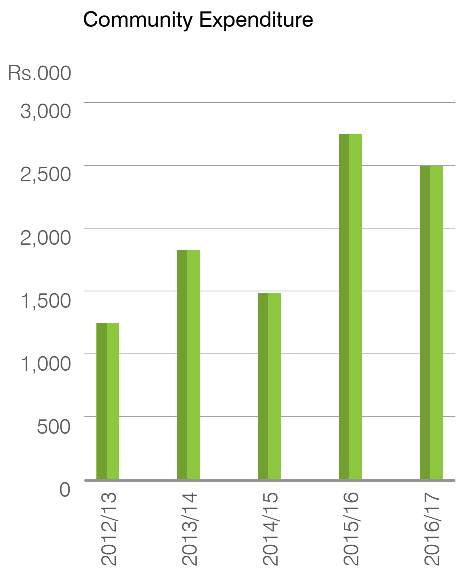
Corporate Social Responsibility (CSR) Budget

Since developing our communities comes high on our list of priorities, we have an allocated annual CSR budget to support forthcoming activities. This allocation is based on assessments made by the onsite staff as well as from evaluations made by visiting teams.

LKR 28.3 Mn

Community Expenses incurred by the end of 2016/17

Social Capital (Contd.)



Mitigating impacts

Our CSR programme is designed to carefully assess the direct and indirect social impacts that our business may have on the communities that live in the environs of our projects. All programme are planned and implemented to take care of their wellbeing while mitigating the negative impacts that our operations may have on the lives.

Grievance Mechanism

A key initiative we have introduced at our projects is to place a Stakeholder Complaints Log at the project offices at every site for communities to register any complaints against the company, its operations and environmental concerns, and offer any suggestions for improving current practices. A procedure is in place to respond to all entries recorded within 7 days of the written submission and to take actions as necessary. No grievances were raised from the society during the year under review.

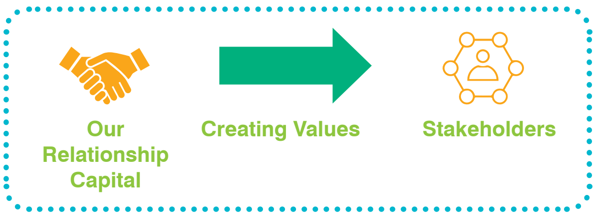
Anti – Corruption and Compliance

The company is not assessed for any anti corruption behaviour during the year under review.

Further, the company was not imposed for any fine or sanction in case of any types of non-compliances during the year.

Relationship Capital

Relationships with customers, vendors and other important constituencies are driven to create value.



Overview and Approach

Our relationship capital involves close interactions with the Ceylon Electricity Board (CEB) who is our sole customer, as well as numerous suppliers, contractors, statutory bodies and government officials. Our approach has been to build cordial and positive relationships with all these stakeholders in line with the principles of product responsibility. We make every effort to promote mutual cooperation and goodwill and believe that it is the value of these relationships that have ensured the continuity of our business.

Over the years, we have nurtured relationships through the sharing of knowledge, solving of problems and creation of connections from which we have reaped many benefits in terms of reduced costs and better service standards.

Customer – Ceylon Electricity Board (CEB)

As is the nature of our business, we supply our energy output to the National Grid, which makes the CEB our sole customer. Our relationship with CEB is governed by the SPPA (Standardised Power Purchase Agreement) of every project, and plant operations are carried out in accordance with CEB regulations and guidelines. As the source of our value creation, we follow all CEB requirements for the supply of clean energy and work closely with them to create clean, sustainable energy.

Our relationship has been enhanced over the years through our generous support of relevant events and programmes, carried out in an ethical manner. We also keep cordial relationships and continuous dialogue with the officials at the CEB head office and area offices.

We have had no incidents with the CEB for non-compliance with laws and regulations, breach of SPPA provisions or for substandard engineering inputs and violation of safety regulations on the project sites or other operational areas.

Suppliers and Contractors

Our approach to suppliers is built on-long term relationships. But here, too the nature of our business refutes the need for an extensive supplier base. Procurement of supplies for our daily operations is centralised at our head office in Colombo.

As a responsible generator of clean energy company, we know that responsibly sourcing our suppliers is integral to operating a responsible business, and have an established procurement procedure that evaluates local and foreign suppliers to ensure that they conform to stipulated quality standards and follow sustainable practices. We do not have a routine screening process to assess labour and human rights practices of our suppliers, but rely on longstanding relationships and reputations built and nurtured over the years to determine their credibility. Most of our key suppliers are certified by ISO and other standards which advocate best practices in business and society. We do not have an established procedure for screening, new suppliers either, but as far as possible access new suppliers for their market reputation for ethical and socially responsible business practices.

We give preference to reputed local suppliers wherever feasible, and also commit to creating value for local suppliers and contractors by prioritising procurement from the areas of the projects. This contributes to the economic growth of those areas.

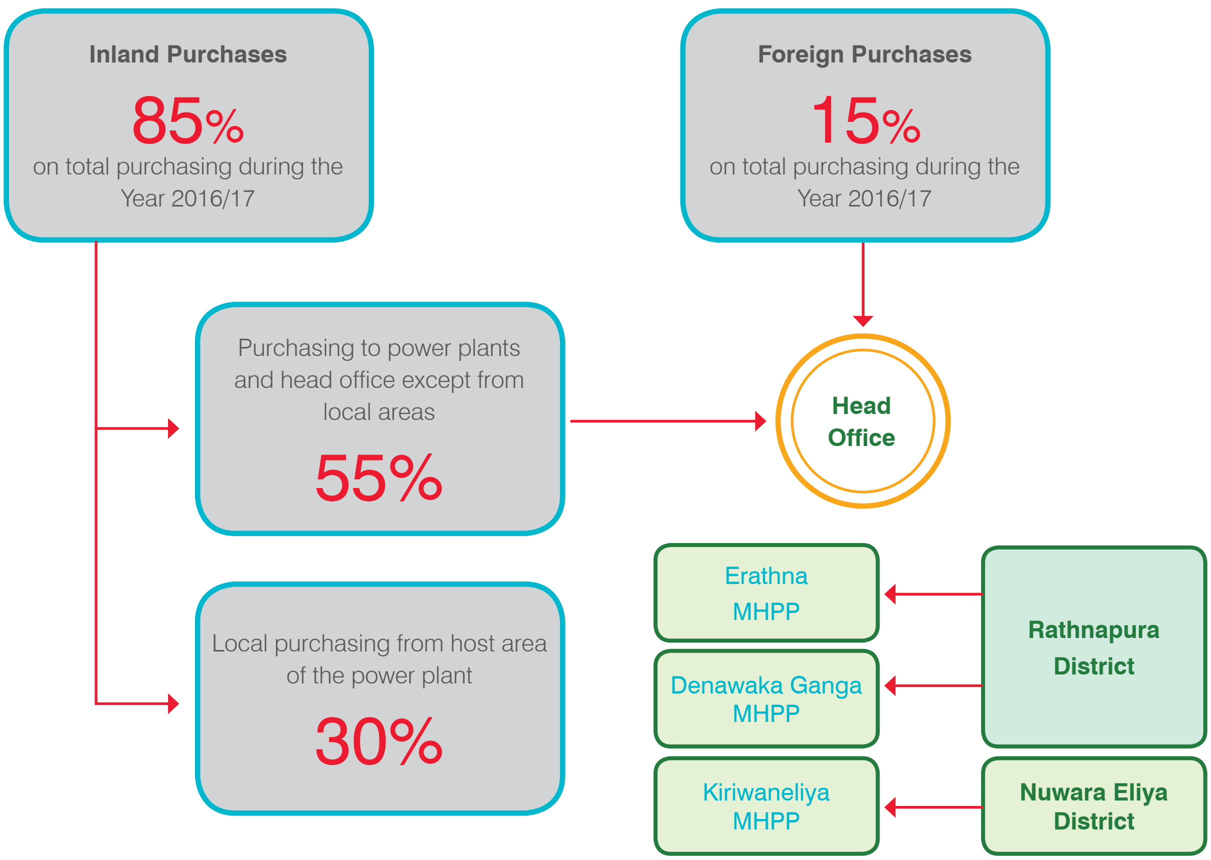
We ensure that all payments are promptly met, and do not keep any dues to suppliers or contractors for over 30 days except on grounds of a dispute, in the event of which we ensure that the issue is sorted out speedily and in a mutually acceptable manner. Our approach to sorting out disputes is to have open dialogue that will resolve matters in the most amicable way.

These many initiatives have reaped dividends because suppliers have demonstrated their continued willingness to supply us with the products and services we wish to procure.

At the initial stage of construction, we utilised the products and services of various local and international suppliers and contractors. For the construction of the power plants we utilised the services of well reputed suppliers in the industry, mainly from overseas. We used EM options suitable for the specific requirements of each plant, and continue to keep cordial dialogues with these suppliers for maintenance of the machinery and purchase of spares. Our machinery is of high quality and durability and is designed to operate at optimal capacity. It complies with all the rules and regulations stipulated in the SPPAs, including safety regulations in building and operating hydropower plants.

There have been no actual or potential negative human rights impacts on the value chain.

Values spread on Group's purchasing



Government and Regulatory Bodies

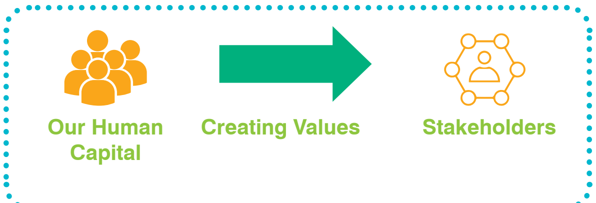
We operate under the licences and approvals of all relevant institutions, statutory bodies and associated government Institutions. In maintaining these relations, we step beyond the requirements of compliance. For instance, we now partner with the Forestry Department and various divisional secretariats in our flagship project, 'Empowering Green' which promotes the building of 100,000 trees throughout the island.

No any financial assistance received from the Government other than the tax holidays given to the projects under the Board of Investment. More information for the tax holidays are stated in the Financial Statements. There have not been any significant actual or potential negative impacts on society, negative impacts for labour practices or negative human rights impacts in the supply chain during the year under review, nor have legal actions been taken against us for anti-competitive behaviour, anti-trust, and monopoly practices by customer, supplier or contractor.

Human Capital

Overview and Approach

The skills and experience vested in our employees and good relationship enable us to implement our strategy and create value.



The HR mandate of the company is people excellence, which underscores our aim to achieve sustainable success though exceptional people performance. This level of achievement identifies people who are skilled, competent, and committed. Accordingly, the company partners our human capital to achieve career success with human resources solutions that combine personal and professional development with business know-how.

Our diversity based culture has enriched the company and supports our philosophy that varied ideas from various backgrounds breed individualism and inspire the power to innovate.

Inclusive recruitment

We have an inclusive recruitment process that keeps us focused and committed to diversity and inclusion, which creates a level playing field for candidates who may have been overlooked in traditional recruitment practices. This has enabled us to recruit from a much wider talent pool that ensures we have the most suitable candidate in place for the job at hand, irrespective of ethnicity, religion, gender or social status. We also give priority in our recruitment process, to suitable candidates from the communities that live in the vicinity of our projects. In support of our policy of non-discrimination, we went a step further by committing to recruit at least one differently - abled person from these indigenous communities from each project area. As a result of this inclusive policy of recruitment, we have faced no incidents of discrimination whatsoever.

However, because of the very nature of our business which involves the operation of electromechanical equipment, recruitment leans towards males, but we provide equal opportunities for women for jobs in which they do not face physical or cultural limitations. In these positions, women compete alongside men and are given the same pay and benefits as their male counterparts.

Employee Mix of the year

Employment Type	Gender & Age Analysis								Total		
	18-25 Years		26-35 Years		36-45 Years		Above 45 Years				
	M	F	M	F	M	F	M	F	M	F	Total
Corporate Mgt.	-	-	-	-	3	-	-	-	3	-	3
Middle Mgt.	-	-	2	1	2	1	1	-	5	2	7
Executive	-	-	6	2	3	1	-	-	9	3	12
Technical	-	-	6	-	5	-	-	-	11	-	11
Clerical	-	2	-	-	-	-	-	-	-	2	2
Skilled	-	-	5	-	11	-	5	-	21	-	21
Semi Skilled	-	-	18	-	13	-	7	-	38	-	38
Un-skilled	3	-	4	-	-	-	1	-	8	-	8
Total	3	2	41	3	37	2	14	-	95	7	102

Human Capital (Contd.)

Employment Type	Gender & Age Analysis								Total		
	18-25 Years		26-35 Years		36-45 Years		Above 45 Years				
	M	F	M	F	M	F	M	F	M	F	Total
Colombo	-	1	1	1	2	1	1	-	4	3	7
Gampaha	-	1	2	1	3	-	-	-	4	2	6
Kalutara	-	-	4	-	1	-	-	-	5	-	5
Rathnapura	1	-	23	-	20	-	9	-	55	-	55
Kurunegala	-	-	2	-	-	-	-	-	2	-	2
Kandy	-	-	1	1	2	-	1	-	4	1	5
Nuwara Eliya	2	-	3	-	7	-	1	-	13	-	13
Matara	-	-	3	-	-	1	-	-	3	1	4
Kegalle	-	-	1	-	2	-	-	-	3	-	3
Matale	-	-	2	-	-	-	-	-	2	-	2
Total	3	2	41	3	37	2	14	-	95	7	102

Age Category	Employee movement during the year	
	Recruitment	Turnover
18-25	-	1
26-35	2	2
36-45	-	-
Above 45	-	1
Total	2	4

Human Resources Strategy

The company is fully committed to creating a 'great place to work.' Our HR strategy is geared towards creating a success-driven environment of high performers who forge a long- term commitment with the company. Career paths and opportunities for skills development are designed to augment strengths and mitigate weaknesses. Incentive- based performance, benefits and compensation are addressed, and nationally establishes remuneration structures are followed.

In line with this strategy, a human resources manual was introduced in English last year, which is the link language of all employees. The company is now in the process of translating the manual into Sinhala, the vernacular language of the employees in the region of the projects. This process will be completed in the near future.

The professional, responsive and committed team now in place proves the efficacy of this carefully thought through strategy.

Salary and Benefits

The salaries and benefits enjoyed by our employees are on par with industry standards, and in several situations, exceed them, because we believe that a satisfied employee is a productive employee who gives of his best and commits to a long term relationship with the company. All our employees are paid above the minimum wage stipulated by the government and other entitled allowances stipulated by the government. They also enjoy a host of other benefits as below.

1. Insurance coverage:

Head office employees whose duties require on-the-job travel are covered by Personal Accident insurance, while staff with desk- bound jobs receive Workmen Compensation Insurance. Site employees whose duties require travel are protected with Personal Accident insurance. In the event of an accident or injury while at work, compensation will be paid according to the terms of the insurance policy held by the Company.

2. Health Care:

This is a medical scheme for employees at executive level and above, which entitles the employee and three other members of his/her family, namely, spouse and two children, to healthcare benefits.

3. Leave Facilities Provided are:

- Maternity/ Paternity Leave – A female employee is granted maternity leave or pregnancy leave in accordance with the Shop and Offices Act. A male employee in the permanent cadre is allowed a period of 3 working days of paternal child care leave with pay in respect of the birth of a child to his spouse. This leave must be utilised within three months from the date of birth of the child. One employee has availed himself of this benefit of maternity leave during the current financial year.
- Emergency Accident Leave an employee is entitled to emergency accident leave if he/she sustains injury while at work. This leave can be extended to 90 working days with full pay, based on a doctor's recommendation.

4. Funeral Allowance:

In the event of the death of a family member, the employee is granted a funeral allowance of Rs. 25,000/-. This can be either on the death of the mother or father, and if the employee is unmarried, on the demise of an unmarried sibling, if married, on the death of a spouse, child or parents-in-law.

5. Company Loan Scheme:

A loan from the company will be extended to permanent employees confirmed in service which must be guaranteed by two permanent employees. The loan is recovered with monthly deductions that commence from the following month. The employees can avail themselves annually of a festival loan of one month's salary either during the month of April / December.

6. Other Non - Monetary Benefits:

- Uniforms - all on-site staff are provided with uniforms, and, depending on the work type and work environment, may also be supplied with appropriate footwear and Personal Protective Equipment (PPE) that must be worn in accordance with company safety procedures.
- Snacks and tea is provided to shift workers.
- Accommodation for site employees who work away from home is also supplied.

Engagement, Rewards and Recognition.

The company engages closely with our staff because we know that engaged employees feel connected to the company and feel that the work they do contribute towards furthering the company's growth and prosperity. This, in turn, promotes better on- the- job performance that has an overall positive impact on profitability.

Accordingly, the company has in place a system of rewards and recognition for good performance that is designed to make an employee feel valued and appreciated, and promotes a strong performance based culture within the organisation.

Developing Our People

Performance and Career Development Reviews

All employees receive Annual Performance Reviews conducted by the management in accordance with our Performance Appraisal System (PAS). The PAS is designed to evaluate the performance of every employee annually against ten competencies identified by his/ her immediate superior as Appraiser I and a member of the management staff as Appraiser II. The employee receives an evaluation score based on the preceding year's productivity and this determines the salary increment in the forthcoming year.

PAS has the dual objective of reviewing performance as well as identifying opportunities for career advancement. The discussion during the PAS session helps the member of management present to identify existing gaps that need to be bridged by training and development programmes. These identified gaps could be due either to a shortfall between the targeted performance and actual performance, or to competencies needed to develop his/ her career for the next rung up the corporate ladder.

Training and Development

We have a strong focus on developing our talent because we commit to building a happy and high performing team. Staff at all levels are provided with training opportunities for personal and professional advancement in a variety of areas, to enhance their potential.

Training provided is of two types:

a) To Fill Gaps in Existing Skills and Knowledge;

Some training programmes are facilitated to fill knowledge gaps in employees whose skills have been identified during the PAS, as needing enhancement to reach optimal levels of performance.

b) To expand the employee's knowledge in a new area or skill

This type of training is for lifelong learning. The training programmes are designed to promote employability as well as career development. At the PAS, the employee is evaluated for his/her interest in pursuing training for enhancing career skills, and the HR department is tasked with identifying appropriate programmes for enhancing employees' skills and knowledge to the next level of advancement.

During the reporting period, employees were trained in the following areas that are considered vital for improving their skills on the job which covered a total of 647 hours and average of 6.34 hours of training per employee:

- Emergency Preparedness Training Program
- ISO 14001:2015 Environment Management System Internal Auditor Training Program
- ISO 9001:2015 Quality Management System Internal Auditor Training Program
- Hydropower Technology

Accordingly, on an average, 24.64 hours of training has been provided per female employee and 4.99 hours per male employee.

Skills Management Programmes

We maintain a job competency matrix that defines the skills requirements for each job category. Employees are continuously mentored and monitored to ensure that they attain the skills needed for developing professionally and gain more experience and knowledge in their area of competency.

Occupational Health and Safety

We recognize the responsibility that comes with managing hydropower operations and understand the gravity of the potential consequences of failing to operate safely. Keeping our people and assets safe, and being good stewards of the environment are critical to running our business. Accordingly, we have introduced wide-ranging safeguards on health and safety to our plants and offices, aligned with international standards of industrial safety.

We know that the benefits of creating a culture of safety goes beyond lowering the lost time injury rate and bring substantial economic and social gains. Therefore, our approach to health and safety is a proactive one in which we closely monitor the impacts of potential hazards and take steps to eliminate them before they occur. A safe work environment also enhances the brand value and goodwill of the company and reduces the costs of insurance claims.

There are no workers who are involved in occupational activities who have a high incidence or high risk of specific diseases and no work-related accident or occupational disease has been reported in the year of review. This also means that the company has lost no operational days due to occupational injuries, diseases or work-related fatalities. However, an Accident Log is made available at all power plants to log an accident / incident / injury if it occurred while on duty.

Nevertheless, as a preventive measure, we have provided PPE to employees to enhance their safety during the performance of duties within the precincts of the power plant and in other operational areas where PPE is required. Safety signboards are placed around the power plant premises to alert visitors to prospective hazards.

Emergency Evacuation Drill

It is mandatory for both operational as well as head office staff to undergo this annual drill which prepares them for safe evacuation from the danger area, should an emergency arise.

Safety Guidelines

To further ensure a safe working environment, a safety guideline is made available at the Security office of each power plant which is provided to all external suppliers/ contractors/ visitors on arrival. The safety guideline ensures that all safety policies and regulations stipulated by the company are rigorously followed by every person on site.

Fire drill training conducted for site people

Safety symbols at site premises

Safety Protocol in place

Good Labour Practices and Relations

We follow all national and international regulations, statutes and standards on labour, including the stipulations of the International Labour Organisation.

Child Labour/ Underage Labour

We practice zero tolerance of child labour and comply with the principles set out by the International Labour Organisation (ILO) on this subject. We do not employ anyone below the age of 18, and strongly uphold the elimination of all forms of child labour.

Although we do not have a set policy on the subject, we also ensure that our suppliers follow our policies on child labour and do not partner with stakeholders who fail to comply with these principles.

On the same strength, we ensure that we do not subscribe to situations of forced or compulsory labour anywhere in our operations, and are committed to eliminate all forms of this labour, and do not engage suppliers who subscribe to situations of forced or compulsory.

Workforce Relations

We maintain an open and transparent process in all aspects of our dealings with our workforce, and consider good management of industrial relations as being an essential aspect of our business. As such, we are committed to upholding and improving relationships with our workforce, which includes endorsing their right to be treated with dignity, respect and fairplay. All applicable industrial laws, regulations, statutory obligations, awards, agreements and national codes of practice and guidelines are complied with, and an extensive grievance handling mechanism is in place to resolve any conflicts, focused on ensuring that work is carried out with minimal disruptions and with harmonious industrial relations.

We have no collective bargaining agreements, but due to our open work environment, keep our employees informed of all operational changes as and when they take place, in a timely manner. Although we do not have formal unions to cover topics of health and safety, the company provides regular health and safety checks and updates to workers, in accordance with our occupational health and safety guidelines.

Human Capital (Contd.)

The company has no trade or labour unions. All employees have the freedom of association and expression, and actively participate in a dynamic Welfare Society that take care of their needs. We do not support suppliers who do not share our approach to providing employees with a free and open work environment that promotes this freedom.

Grievance Mechanism

Communication within the company is not just top-down, but a two-way process. The company strives to create harmonious working relationships in an environment that promotes productivity, but should dissatisfaction arise, has in place an established procedure for handling grievances that promotes an acceptable resolution of the issue through mutual discussions and understanding. Employee may present their concern to their immediate superior, who will then respond to the grievance by discussing it with the employee or after consultation with the management. The immediate superior will record the discussion. Should the issue remain unresolved, the employee is given the facility of communicating with the CEO in writing. The CEO may then take steps to personally review the grievance form and will then personally inform the employee of his decision and forward his written response to the HR division for inclusion in the employee's personal file.

This process is carefully designed to develop mutually beneficial relationships between management and staff, which promote trust and confidence. This is a further step to ensuring efficiency and effectiveness in the work environment and also helps ensure job security for employees.

There have been no grievances on labour practices filed and addressed in the year of review.

Promoting the Work – Life Balance

The company promotes the importance of maintaining the work- life balance of our employees, which we believe, is essential for their continued good health and healthy relationships. A balanced work-life also promotes efficient performance by reducing job stress and completely eliminating burnout. Refreshment and rejuvenation outside the workplace is essential because it affects not only the well-being of the employees, but also the well being of their families and in turn, communities.

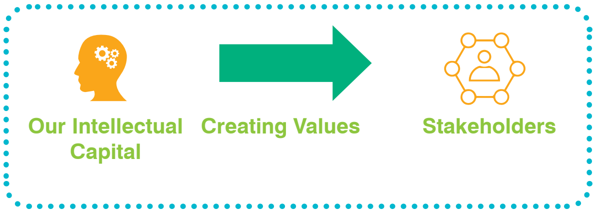
The following Initiatives were organised during the year to enhance the work life balance of our staff as well as to promote teamwork and fellowship.

Inter Staff Cricket tournament held at Seevali Public Ground Rathnapura

Staff Annual Outing for both head office and site based employees

Intellectual Capital

The intangibles that constitute our tacit knowledge and experience create value for our stakeholders



Intellectual capital in the company is created by the value generated from the know- how of our people, our brand reputation, and the processes, systems and procedures we have in place to ensure that we operate a sustainable business.

Knowledge and Experience

Our leadership of the mini hydropower sector for more than 13 years has gained us the invaluable experience and expertise that are substantial deposits in our base of intellectual capital. Added to this is the considerable experience gained in building and managing three sustainable projects that utilise the natural capital of the country in a manner that causes minimal impact to the environment, eco systems and surrounding communities, to provide environmentally-friendly solutions to the country's energy demands.

All this success has been due to the skills of our staff. The very nature of our business requires a highly skilled, competent and experienced technical team to operate the high powered modern hydropower equipment that supplies power to the national grid. The fact that the machinery is being operated at optimal capacity, depending on the river flow, and that there have been no project failures to date and machinery breakdowns have been kept to a minimum, bears testimony to the skill and expertise of those who operate them. We also have on board a professional team at our head office, who are well geared to optimise capital inputs through efficient capital management, risk management and impact management skills which have resulted in a positive impact on our bottom line this year too, despite experiencing a lean year. This positive bottom line impact has been translated into economic value that we have passed on to our shareholders.

Our Experienced Human Capital					
Employment Type	Service Age Analysis				
	Below 2 years	3 to 5 Years	6 to 10 Years	Over 10 years	Total
Corporate Mgt	-	-	2	1	3
Middle Mgt	1	2	1	2	7
Executive	2	0	8	2	12
Technical	-	3	4	4	11
Clarical	1	1	-	-	2
Skilled	-	7	6	8	21
Semi Skilled	1	23	7	7	38
Un-skilled	3	2	3	-	8
Total	8	38	31	25	102

We have introduced a knowledge-based approach to all areas of our business which reinforces our focus on quality, innovation, and sustainability. We invest substantially in upgrading the technical and professional skills and knowledge of our staff at all levels. This gives us a competitive advantage and helps us achieve our goal of business excellence.

We also have in place processes, systems and procedures that document the progress of our business, the experiences gained in the course of business, insights obtained, and the challenges faced, which are used as learning experiences when we set up our next projects. We have developed an effective Environmental Management System, Process Manuals, as well as implemented financial and accounting controls and systems to ensure that we do business in accordance with prescribed legal and statutory frameworks within set parameters. Our systems are reviewed by independent parties to confirm that our processes and procedures are effective in accomplishing our objectives.

Brand and Reputation

Our knowledge store has been augmented by our strong brand reputation, carefully built up through the years through our technological competencies, leadership market position, and deep sense of responsibility to ethical standards and practices. Our brand reputation subscribes to our mission to

Intellectual Capital (Contd.)

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

Certification

Our subsidiary, Country Energy (Pvt) Ltd is registered with Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change and generated 37,617 metric tonnes of CERs. The company has a substantial bank of CERs which it is waiting to sell to companies that wish to reduce their carbon footprint, once an equitable market price is reached.

Awards and Accolades

We have earned numerous accolades over the twelve years since inception, for good performance as well as for our contribution to environment sustainability.

We were feted by Forbes Asia as being among the Best 200 Under a Billion Companies in Asia, last year, and ranked by Forbes Asia as the most profitable company out of 17,000 listed companies under evaluation. This independent evaluation by international experts validates the company's performance and prowess among power companies in Sri Lanka, our positive impact on the national economy, and our contribution towards developing projects in other countries. The Kiriwaneliya power plant was also rewarded with the Silver Award at the National Green Awards 2015 conferred by the Central Environment Authority for its unique contribution to the field of environment conservation and protection. Both Kiriwaneliya and Erathna have been recognized with National Green Awards for three years.

The company was recognised, this year, too, for our high standards of reporting and disclosure at the Annual Report 2015/16 Awards conducted by the Institute of Chartered Accountants of Sri Lanka (ICASL) with the Bronze award in the Power and Energy category of companies. This is the sixth consecutive year of being placed within the top ICASL recognitions for clear and cohesive reporting which goes beyond the statutory requirements of corporate reportage, which have earned us gold, silver and bronze award in the industry category over the years.

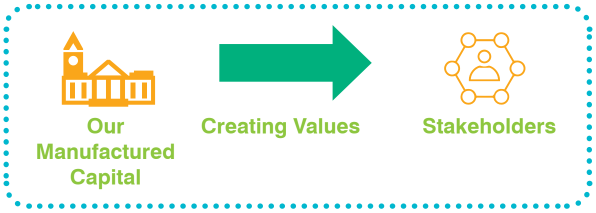
Bronze Award recognised for Annual Report 2015/16, conducted by CA Sri Lanka

VPEL is a member of the following associations to secure the level in the industry and smooth its operations.

- Small Hydropower Developers Association
- The Ceylon Chamber of Commerce
- The Employers' Federation of Ceylon (EFC)

Manufactured Capital

Well designed plants, machinery, civil constructions and general infrastructure throughout our projects enable us to maximize generation and supply electric power to the National Grid.



Overview and Approach

Manufactured capital plays a major role in our value creation process, because more than 70% of the project cost is on investments in the electro-mechanical equipment and related civil constructions of a mini hydropower project.

Each of our three projects have on site, professionally designed, state-of-the-art electromechanical equipment and solid, well designed, civil constructions. These modern turbines, generators and control equipment are manufactured and supplied by world renowned manufacturers of hydropower equipment in Europe (Voith Seimens), China (Dong Feng Electric) as well as Sri Lanka (VS Energy).

Maintenance of Power Plants

The company has in place a Q & E Process Manual (Quality and Environment) to identify, monitor and control, as far as is possible, the physical and human factors that affect the continuous supply of electricity. Two areas of the business have been identified as influencing the supply of electricity to the specifications and requirements of the customer (CEB), namely, a) the quality of the company's infrastructure, and b) the presence of work environment factors.

Infrastructure includes buildings, associated utilities, process equipment (both hardware and software) and supporting services such as transport, communication or information systems. VPEL ensures that this infrastructure is available and has the capacity and capability to ensure business continuity. Maintenance is necessary to ensure this, and accordingly, a structured programme is in place for preventive action as well as repairs, planned and carried out by personnel trained by the suppliers of the respective process equipment.

Work environmental factors include drought, flooding, land slips as well as lighting, humidity, dust level, temperature and ergonomics. Because the supply of electricity is vulnerable to changes in the environment, careful monitoring of these environmental factors could at least ensure that their worst effects are mitigated to some extent.

Further we follow the plant manufacturer's manual and guidelines when maintaining all plants. All maintenance is scheduled to minimise losses in operating hours. For instance, maintenance in scheduled to take place in the dry season, unscheduled maintenance is also carried out in a manner that minimises loss generation. Sufficient spare parts are available for maintenance and repairs throughout the year. All operational staff has been professionally trained to operate and maintain the equipment.

Manufactured Capital (Contd.)

Insurance

All the assets are insured at their market value against the risk of Fire, Machinery Break Downs, Natural Disasters and Hazards to electronic equipment.

Quality Assurance

The operational process conforms to the principles of the integrated Quality and Environmental system complying with the international standards.

Details of the assets of the three power plants are given below.

	Erathna MHPP	Denawaka Ganga MHPP	Kiriwaneliya MHPP
Installed Capacity	10 MW	7.2 MW	4.65 MW
Year of Commissioning	2004	2012	2011
Net Head	420 Meters	33 Meters	200 Meters
Penstock Length	2250 Meters	97 Meters	1690 Meters
Channel Length	300 Meters	1800 Meters	300 Meters
EM Plant Supplier	Voith Seimens	Dongfeng Electric	VS Energy
Country of Origin	German	China	Sri Lanka
Key Costs of Manufactured Capital - As at 31/03/2017			
• EM Equipments	Rs. 577.7 Mn	Rs. 234.4 Mn	Rs. 271.7 Mn
• Civil Constructions	Rs. 530.9 Mn	Rs. 685.2 Mn	Rs. 507.8 Mn

Manufactured building holdings of the Group;

Unit	Location	Building Holdings			
		Owned Buildings*		Leased Premises	
		Quantity	Total Sq. ft.	Quantity	Total Sq. ft.
Erathna MHPP	Erathna, Kuruwita - Rathnapura District	6	16,705	Nil	Nil
Denawaka Ganga MHPP	Durekkande, Malwala - Rathnapura District	3	13,450	Nil	Nil
Kiriwaneliya MHPP	Vidulipura, Norton Bridge - Nuwara Eliya District	3	4,610	Nil	Nil
Head Office	World Trade Center, Colombo 01	Nil	Nil	1	4,567
Total		**12**	**34,765**	**1**	**4,567**

**Note - Buildings other than civil concrete structures attached to the power plant.*

Expenditure on Manufactured Capital

We have a planned and carefully thought out approach to managing manufacturing capital. All capital expenditure is based on an annual plan that considers any gaps in technology between the plants in use and the technology now available on the market. Infrastructure requirements, costs and budgets are also considered. While we ensure the consistency in maintenance of power plants, we also make sure that quality and enough spares are readily available. We look at the long-term investments necessary to modernise plant operations as well.

Detailed costs incurred by the Group on manufactured capital during the year are set out below;

Expenditure Type	2016/17 (Rs.'000)
CAPEX	
• Plant & Machinery	Nil
• Civil Constructions	Nil
• Equipments	2,458
• Furniture & Fixtures	1,811
• Infrastructures	482
• Motor Vehicles	420
• Computers	106
• Other	78
	5,355
Maintenance Cost of Plants	10,620
Total	15,975

Group's Value Addition of the Year

Vallibel Power Erathna PLC believes in the importance of creating and delivering value in an effective and efficient manner, and from inception, has generated substantial value for all our stakeholders. Some of this value can be quantified whereas others cannot be. The quantifiable values generated during the year are given below, and compared with the figures of the preceding year.

Overview

Creating value for all our stakeholders is what our business is all about. It defines who we are, what we do, and why we do it. So to us, value creation begins right at the start of our value chain, continues throughout our business, and reached completion only once we have given back value to all those whose contributions made our business a success.

Our value creation journey starts from the point of supplying the energy generated by our three MHPP to the national grid of the CEB. This energy, purchased by the CEB for a monetory value, is the revenue we generate from our business operations. We utilise this value to meet the commitments of our business operations, namely to pay for the raw material we use, compensate for the overheads expended and contribute taxes in support of the economy that sustains us.

The value that remains once these commitments are met, we distribute to our shareholders as dividends; our employees as remuneration and benefits for work performed; the communities in which we lives and work, in the form of socially responsible initiatives that uplift their lives; to nature and the environment in appreciation of the natural resource they supply us, by replenishing depleted natural supplies or augmenting what natural resources are already there.

This process enriches our lives and the lives of all our stakeholders, which in turn, ensures the health and continuity of our business.

833 Mn

Total Value Created

Year 2016/17

Total Power Generated	60.2 GWh
Share of contribution to national hydropower generation	1.4%
Total Revenue and other income	Rs. 908 Mn
(Less) Cost of material and services obtained	Rs. (75 Mn)
Value Addition	Rs. 833 Mn
Employment	102 employees
Trees planted	2,930
Emission of CO2	37,617 MT

1,146 Mn

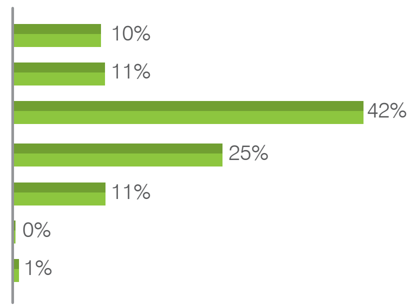
Total Value Created

Year 2015/16

Total Power Generated	76.4 GWh
Share of contribution to national hydropower generation	1.3%
Total Revenue and other income	Rs. 1,218 Mn
(Less) Cost of material and services obtained	Rs. (72 Mn)
Value Addition	Rs. 1,146 Mn
Employment	104 employees
Trees planted	340
Emission of CO2	47,737 MT

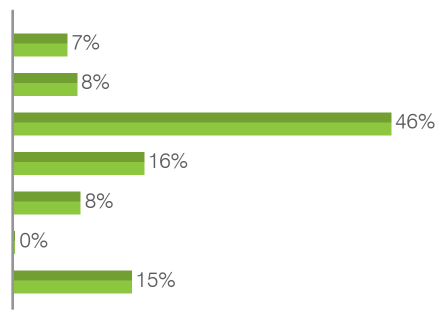
Detailed Value Distribution – Year 2016/17

Value created for;	Value (Rs. Mn)
Employees	87
Government of Sri Lanka	91
Shareholders	347
Lenders of Capital	207
Retained for future as depreciation	92
Donation and CSR	3
Profit for Equity Holders and Minority	6
Total	833

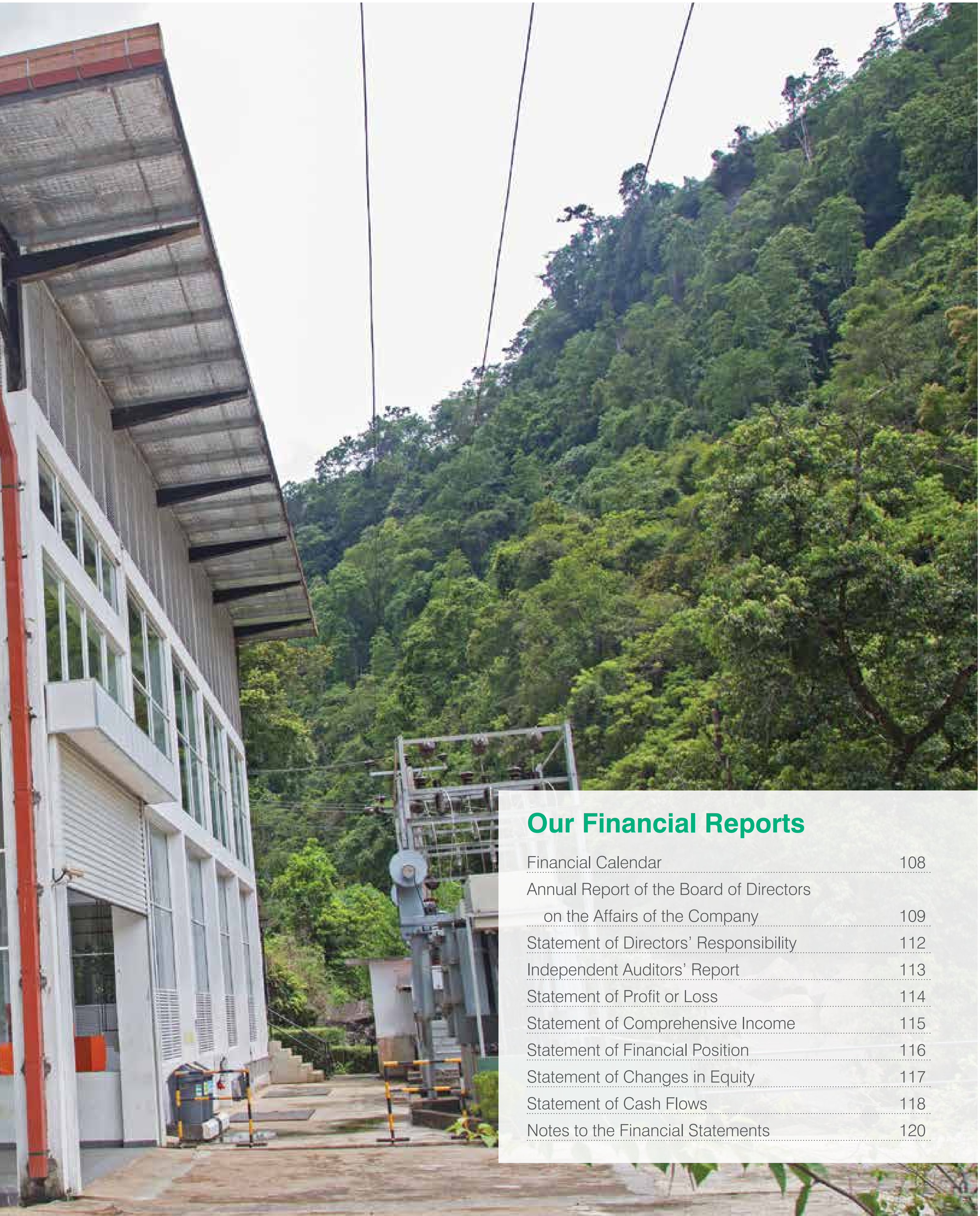


Detailed Value Distribution – Year 2015/16

Value created for;	Value (Rs. Mn)
Employees	77
Government of Sri Lanka	90
Shareholders	531
Lenders of Capital	184
Retained for future as depreciation	95
Donation and CSR	2
Profit for Equity Holders and Minority	167
Total	1,146



"Meeting the aspirations of our stakeholders is at the focal point of our vision of being one of the nation's significant producers of clean energy. Every aspect of our strategy takes into account the environment impact of our actions, our Staff, the communities in which we operate and our investors by optimising operational efficiencies from existing assets and by acquisition of new, renewable energy opportunities."



Our Financial Reports

Financial Calendar

Interim Report - 1st Quarter	27th July 2016
Rs. 0.50 per share interim dividend for the financial year 2016/17	23rd September 2016
Interim Report - 2nd Quarter	09th November 2016
Interim Report - 3rd Quarter	07th February 2017
Rs. 0.30 per share interim dividend for the financial year 2016/17	02nd March 2017
Interim Report - 4th Quarter	26th May 2017
Annual Report 2016/17	29th June 2017
16th Annual General Meeting	29th June 2017

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 2017.

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 18 to 22 of the Annual Report. This report forms an integral part of the Annual Report of the Directors.

Summarised Financial Position

The summarized financial position of the Company is as follows:

As at 31st March	2017 Rs. '000	2016 Rs. '000
Profit brought forward	597,097	674,341
Net Profit for the Year	525,340	667,958
Other Comprehensive Income/(loss) Recognized in the accumulated Profit	696	1,908
Dividends	(597,688)	(747,110)
Profit carried forward	525,445	597,097

The Financial Statements of the Company and the Group are given in pages 113 to 156 of the Annual Report.

Financial Statements

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

Independent 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 2017 was Rs.1,174,365,278/- (2015/16-Rs. 1,174,365,278/-).

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 120 to 135 and are consistent with those of the previous period.

Reserves

The reserves of the Company stand at Rs. 525,444,554/- comprising revenue reserves of Rs. 525,444,554/- (2015/16 – Rs. 597,096,745/-).

Taxation

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

Statutory Payments

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

Annual Report of the Board of Directors on the Affairs of the Company (Contd.)

Dividends

The Company made two interim dividend payments for the financial year 2016/2017 of Fifty Cents (Rs.0.50 cents) and Thirty Cents (Re.0.30 cents) per share which were paid on 23rd September 2016 and on 2nd March 2017 respectively.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 2,607,396/- (2015/16 - Rs. 1,218,996/-) details of which are given in Note 03 on page 136 of the Annual Report.

Property, Plant & Equipment

The movement in property, plant and equipment of the Company are given in Note 03 to the Financial statements on page 136 of the Annual Report.

Shareholdings

As at 31st March 2017 there were 4,103 registered shareholders. The distribution of shareholders is indicated on pages 159 and 160 of the Annual Report.

Share Information

Information on share trading is given on page 161 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 23 to 24 of the Annual Report.

Mr. K D D Perera (Chairman)
Mr. P K Sumanasekera
Mr. S H Amarasekera
Mr. H Somashantha
Mr. S Shanmuganathan
Mr. P B Perera *
Mr. C V Cabraal
Mr. W D N H Perera (Alternate to Mr. P B Perera)*

** Resigned w.e.f 08.03.2017*

Mr. P K Sumanasekera and Mr. H Somashantha retire by rotation in terms of Article 25(10) of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

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

Country Energy (Private) Limited

Mr. G A R D Prasanna
Mr. K D A Perera
Mr. K D H Perera
Mr. P K Sumanasekera
Mr. J P Lenihan

Interest Register

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

Directors' Holding

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

	As at 31st March 2017	As at 31st March 2016
Mr. K D D Perera	144,812,225	144,812,225
Mr. P K Sumanasekera	150,000	150,000
Mr. S H Amarasekera	30	30
Mr. H Somashantha	15,000	15,000
Mr. S Shanmuganathan	NA	NA
Mr. P B Perera *	NA	NA
Mr. C V Cabraal	NA	NA
Mr. W D N H Perera (Alternate to Mr. P B Perera)*	NA	NA

**Resigned w.e.f. 08.03.2017*

Directors Remuneration

The Directors Remuneration is disclosed under key management personnel compensation in Note 24.2 to the Financial Statement on Page 155 of the Annual Report.

Land and Building Holdings

The Company and Subsidiary hold freehold lands, leasehold lands and state lands within the districts of Rathnapura and Nuwara Eliya. The details of the land holdings and building holdings are stated in the pages 81 and 102 of this Annual Report.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2017 are given in Note 04 to the Financial Statements on pages 159 of the Annual Report.

Donations

The Company made donations amounting to Rs. 1,554,613/- (2015/16 – Rs. 1,202,666/-) 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 43 to 48 of the Annual Report.

Corporate Governance

The report on Corporate Governance is given on pages 31 to 42 of the Annual Report.

Internal Controls

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

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

Going Concern

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

Events Occurring after the date of Statement of Financial Position

No circumstances have arisen and no material events have occurred since the date of financial positions, 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 2017 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. 693,000/-. (2015/2016 – Rs. 673,500/-). In addition they were paid Rs. 127,500/- (2015/16 – Rs. 127,500/-) by the Company for solvency provisions and other opinions. As far as the Directors were aware, the Auditors do not have any relationship other than that of the Auditor with the Company.

Annual General Meeting

The 16th Annual General Meeting of the Company will be held at the Kingsbury Hotel, Colombo 1 on Thursday, 29th day of June 2017 at 9.00 a.m. The Notice of the Annual General Meeting is on page 178 of this Report.

For and on behalf of the Board

S H Amarasekara
Director

S H Somashantha
Director

P W Corporate Secretarial (Pvt) Limited
Secretaries

Colombo

26 May 2017

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 113 of this 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 114 to 156 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the Financial Statements since adequate resources are available to continue operations in the foreseeable future.

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

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

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

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

Compliance Report

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

For and on behalf of the Board

VALLIBEL POWER ERATHNA PLC

Secretaries
P W CORPORATE SECRETARIAL (PVT) LTD

Colombo
26 May 2017

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

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, 2017 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 controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 misstatements.

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 controls 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 controls.

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, 2017, 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, 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, 2017, 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

26 May 2017
Colombo

Statement of Profit or Loss

For the year ended 31 March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Revenue	14	507,868,739	682,132,882	863,722,046	1,181,807,085
Cost of Sales		(52,928,318)	(46,230,299)	(149,702,512)	(138,593,135)
Gross Profit		454,940,420	635,902,583	714,019,534	1,043,213,950
Other Income	15	154,119,600	140,116,941	536,385	37,595
Administration Expenses		(48,507,869)	(48,029,828)	(102,927,802)	(114,133,687)
Other Operating Expenses		(1,944,386)	(1,931,361)	(3,401,636)	(5,097,046)
Finance Income		22,000,133	17,249,262	43,429,794	35,871,262
Finance Cost	16	(146,221)	(351,175)	(59,393,648)	(59,712,626)
Profit Before Taxation	17	580,461,678	742,956,422	592,262,627	900,179,449
Income Tax Expense	18.1	(55,122,266)	(74,998,217)	(76,462,854)	(87,151,417)
Net Profit for the Year		525,339,412	667,958,206	515,799,773	813,028,032
Attributable To:					
Equity Holders of the Parent		525,339,412	667,958,206	493,966,513	773,396,696
Non-Controlling Interest		-	-	21,833,260	39,631,337
		525,339,412	667,958,206	515,799,773	813,028,032
Basic Earnings Per Share	19	0.70	0.89	0.66	1.04
Dividend Per Share		0.80	1.00	0.80	1.00

The Accounting Policies and Notes on Pages 120 through 156 form an integral part of the Financial Statements.

Statement of Comprehensive Income

		Company		Group	
For the year ended 31 March		2017	2016	2017	2016
	Note	Rs.	Rs.	Rs.	Rs.
Net Profit for the year		525,339,412	667,958,206	515,799,773	813,028,032
Other Comprehensive Income / (Loss)					
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	791,117	2,312,083	1,951,093	1,692,400
Income Tax Effect	18.2	(94,934)	(404,615)	(268,930)	(311,662)
		696,183	1,907,468	1,682,163	1,380,738
Other comprehensive income / (loss) for the year, net of tax		696,183	1,907,468	1,682,163	1,380,738
Total comprehensive income for the year, net of tax		526,035,595	669,865,674	517,481,936	814,408,770
Figures in brackets indicate deductions.					
Attributable To:					
Equity Holders of the Parent		526,035,595	669,865,674	495,522,472	774,844,855
Non-Controlling Interest		-	-	21,959,464	39,563,915
		526,035,595	669,865,674	517,481,936	814,408,770

The Accounting Policies and Notes on Pages 120 through 156 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	3	871,304,392	901,794,334	2,370,671,974	2,445,639,568
Investments	4.1	821,619,980	821,619,980	-	-
Intangible Assets	5	3,200,000	4,800,000	104,992,089	116,948,753
Deposit on Leasehold Land	6	-	-	4,500,000	4,500,000
Deferred Tax Asset	12.1	-	-	10,332,335	8,724,013
		1,696,124,372	1,728,214,314	2,490,496,398	2,575,812,333
Current Assets					
Trade & Other Receivables	7	39,264,659	33,172,995	72,274,406	64,386,512
Amount Due from Related Parties	8	2,854,049	2,800,785	1,067,593	986,171
Short Term Investment	4.2	72,958,162	168,357,927	161,575,339	433,094,636
Cash and Bank Balances		13,006,567	8,068,001	19,884,034	30,580,632
		128,083,437	212,399,708	254,801,372	529,047,952
Total Assets		1,824,207,809	1,940,614,022	2,745,297,770	3,104,860,285
EQUITY AND LIABILITIES					
Equity attributable to Equity Holders of the Parent					
Stated Capital	9	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278
Accumulated Profit		525,444,554	597,096,745	899,422,159	1,001,587,474
		1,699,809,832	1,771,462,023	2,073,787,437	2,175,952,752
Non-Controlling Interest		-	-	162,694,800	165,859,338
Total Equity		1,699,809,832	1,771,462,023	2,236,482,237	2,341,812,090
Non Current Liabilities					
Interest Bearing Loans and Borrowings	10	-	-	157,403,056	365,189,799
Retirement Benefit Obligations	11	13,929,171	11,966,468	18,785,895	16,407,209
Deferred Tax Liability	12.2	81,377,602	82,862,224	81,377,602	82,862,224
		95,306,773	94,828,692	257,566,553	464,459,232
Current Liabilities					
Trade and Other Payables	13	26,470,707	52,211,037	38,730,972	66,461,926
Interest Bearing Loans and Borrowings	10	-	-	208,320,382	208,532,976
Tax Payables		2,620,496	22,112,270	4,197,626	23,594,061
		29,091,203	74,323,308	251,248,980	298,588,963
Total Equity and Liabilities		1,824,207,809	1,940,614,022	2,745,297,770	3,104,860,285

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

Sajithra Thanoj
Accountant

Russell De Zilva
Jt. CEO

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

Dhammika Perera
Chairman

Harsha Amarasekara
Director

The Accounting Policies and Notes on Pages 120 through 156 form an integral part of the Financial Statements.

26 May 2017, Colombo

Statement of Changes in Equity

For the year ended 31 March

Company	Stated Capital Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 1 April 2015	1,174,365,278	674,340,802	1,848,706,080
Net Profit for the Year	-	667,958,206	667,958,206
Other Comprehensive Income/(Loss)	-	1,907,468	1,907,468
Dividends	-	(747,109,731)	(747,109,731)
Balance as at 31 March 2016	1,174,365,278	597,096,745	1,771,462,023
Net Profit for the Year	-	525,339,412	525,339,412
Other Comprehensive Income/(Loss)	-	696,183	696,183
Dividends	-	(597,687,785)	(597,687,785)
Balance as at 31 March 2017	1,174,365,278	525,444,554	1,699,809,832

Group	Stated Capital Rs.	Accumulated Profit Rs.	Non-controlling Interest Rs.	Total Rs.
Balance as at 1 April 2015	1,174,365,278	973,852,350	149,135,427	2,297,353,055
Net Profit for the Year	-	773,396,696	39,631,337	813,028,032
Other Comprehensive Income/(Loss)	-	1,448,160	(67,422)	1,380,738
Dividends	-	(747,109,731)	(22,840,004)	(769,949,735)
Balance as at 31 March 2016	1,174,365,278	1,001,587,474	165,859,338	2,341,812,090
Net Profit for the Year	-	493,966,513	21,833,260	515,799,773
Other Comprehensive Income/(Loss)	-	1,555,957	126,206	1,682,163
Dividends	-	(597,687,785)	(25,124,004)	(622,811,789)
Balance as at 31 March 2017	1,174,365,278	899,422,159	162,694,800	2,236,482,237

The Accounting Policies and Notes on Pages 120 through 156 form an integral part of the Financial Statements.

Statement of Cash Flows

		Company		Group	
For the year ended 31 March	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash Flows From / (Used in) Operating Activities					
Net Profit before Tax Expense		580,461,678	742,956,422	592,262,627	900,179,449
Adjustments for					
Amortization of Intangible Assets	5	1,600,000	1,600,000	11,956,664	11,956,670
Depreciation	3	32,571,983	32,879,297	79,747,755	83,117,592
Provision for Retirement Benefits Obligation	11	2,753,820	2,353,219	4,788,329	3,403,309
Dividend Income	15	(154,103,396)	(140,093,996)	-	-
(Profit) / Loss on Disposal of Property, Plant & Equipment		(16,204)	8,833	33,635	8,833
Adjustment for Property, Plant & Equipment		-	-	-	343,200
Finance Income		(22,000,133)	(17,249,262)	(43,429,794)	(35,871,262)
Finance Costs	16	146,221	351,175	59,393,648	59,712,626
Operating Profit/(Loss) before Working Capital Changes		441,413,968	622,805,688	704,752,863	1,022,850,416
(Increase)/ Decrease in Trade and Other Receivables		(6,146,364)	41,696,968	(9,251,523)	86,055,676
(Increase)/Decrease in Amounts Due from Related Parties		(53,264)	818,264	(81,422)	2,322,565
Increase /(Decrease) in Trade and Other Payables		(25,043,894)	36,818,472	(26,947,064)	41,587,556
Increase/(Decrease) in Amounts Due to Related Parties		-	-	-	-
Cash Generated from /(used in) Operating Activities		410,170,446	702,139,392	668,472,855	1,152,816,213
Finance Costs Paid		(146,221)	(351,175)	(59,481,100)	(59,875,939)
Finance Income Received		22,054,834	17,350,039	44,793,423	35,518,679
Retirement Benefits Obligations Paid	11	-	(1,432,475)	(458,550)	(2,084,388)
Taxes Paid		(76,193,597)	(68,340,288)	(99,221,165)	(88,202,572)
Net Cash from/(used in) Operating Activities		355,885,462	649,365,493	554,105,462	1,038,171,994
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(2,607,396)	(1,218,996)	(5,355,355)	(3,820,652)
Proceeds from Disposal of Property, Plant & Equipment		541,559	193,000	541,559	193,000
Net Investment in Fixed Deposits		70,299,765	(5,193,598)	211,653,998	(19,300,626)
Dividend Received		154,103,396	140,093,996	-	-
Net Cash Flows from/(Used in) Investing Activities		222,337,324	133,874,402	206,840,202	(22,988,278)

		Company		Group	
For the year ended 31 March	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash Flows from /(Used in) Financing Activities					
Repayments of Interest Bearing Loans & Borrowings		-	-	(206,346,743)	(185,766,716)
Dividend Paid		(598,384,220)	(747,699,953)	(623,508,224)	(770,539,957)
Lease Rental Paid		-	-	-	(701,091)
Net Cash Flows from/(Used in) Financing Activities		(598,384,220)	(747,699,953)	(829,854,967)	(957,007,764)
Net Increase/(Decrease) in Cash and Cash Equivalents		(20,161,434)	35,539,942	(68,909,303)	58,235,951
Cash and Cash Equivalents at the Beginning of the Period (Note A)		39,168,001	3,628,059	135,147,368	76,911,417
Cash and Cash Equivalents at the end of the Period (Note B)		19,006,567	39,168,001	66,238,065	135,147,368
Note A					
Cash and Cash Equivalents at the beginning of the period					
Cash in Hand & at Bank		8,068,001	1,628,059	28,394,388	3,837,963
Savings Accounts & REPO		31,100,000	2,000,000	106,752,980	73,073,454
		39,168,001	3,628,059	135,147,368	76,911,417
Note B					
Cash and Cash Equivalents at the end of the period					
Cash in Hand & at Bank		13,006,567	8,068,001	19,350,384	28,394,388
Savings Accounts & REPO		6,000,000	31,100,000	46,887,681	106,752,980
		19,006,567	39,168,001	66,238,065	135,147,368

The Accounting Policies and Notes on Pages 120 through 156 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

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

The Consolidated financial statements of the company for the year ended 31 March 2017 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 hydropower generation too. It comprises two power generating plants situated at Malwala in Rathnapura District & Norton Bridge in Nuwara Eliya District.

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

1.1 Principal Activities and Nature of Operations

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

1.2 Parent Enterprise and Ultimate Parent Enterprise

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

1.3 Date of Authorisation for Issue

The financial statements of Vallibel Power Erathna PLC for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 26 May 2017.

2. BASIS OF PREPERATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

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

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

2.3 Functional and Presentation Currency

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

2.4 Materiality and Aggregation

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

2.5 Summary of Significant Accounting Policies

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

2.5.1 Comparative Information

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

2.5.2 Going Concern

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

2.5.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2017. 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 acquiree are assigned to those units.

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

2.6 Current Versus Non-Current Classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

2.7 Fair Value Measurement

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

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

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

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

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

2.8 Foreign Currencies

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

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

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

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

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

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

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

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

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

2.10 Taxes

Company

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

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

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

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

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

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

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

Tax on Dividend

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

2.11 Intangible Assets

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

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

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

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

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

2.12 Research and Development

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

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

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

2.13 Financial Instruments

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

2.13.1 Financial Assets

i) Initial Recognition and Measurement

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

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

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

ii) Subsequent Measurement

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

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

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

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

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

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Profit or Loss 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 counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers.

2.14.2 Liquidity Risk

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

2.14.3 Currency Risk

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

2.14.4 Interest Rate Risk

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

2.15 Cash and Cash Equivalents

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

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

2.16 Property, Plant & Equipment

Cost

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions and Provisions for further information about the recorded decommissioning Provision.

Depreciation

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

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

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

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

2.17 Leases

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

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.

Notes to the Financial Statements (Contd.)

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

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

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

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

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

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

2.19 Provision

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

2.20 Employees Benefits

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

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

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

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

(b) Defined Benefit Plan

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

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

The Liability is not externally funded.

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

	2017	2016
Discount Rate	12%	12%
Expected Salary Increment Rate	10%	10%
Staff Turnover Rate	10%	10%
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 Statement of Profit or Loss.

c) Dividends

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

d) Rental Income

Rental income is recognized on an accrual basis.

e) Gains and Losses

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

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

f) Other Income

Other income is recognized on an accrual basis.

2.29 Use of Estimates and Judgments

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

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

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

2.29.3 Segment Information

Reporting Segments

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

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

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

2.30 Standards Issued but not yet Effective

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

Impending Accountings standards / Standards issued not yet effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 March 2017 reporting periods. None of those have been early adopted by the Company.

SLFRS 9 Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on measurement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard is effective for the annual periods beginning on or after 01 January 2018.

SLFRS 15 Revenue from Contracts with Customers

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

SLFRS 16 -Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "low value" assets and short term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

3. PROPERTY, PLANT & EQUIPMENT

Year Ended 31 March 2017 Gross Carrying Amounts	Company Balance As at 01.04.2016 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2017 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	1,389,694	10,500	-	1,400,194
Tools & Accessories	3,256,074	-	-	3,256,074
Motor Vehicle	8,758,500	-	-	8,758,500
Motor Bicycle	537,909	-	(62,349)	475,560
Furniture & Fittings	11,133,351	1,796,544	(2,920,679)	10,009,216
Computer	3,990,105	106,050	(129,000)	3,967,155
Office Equipment	1,113,686	288,536	(145,890)	1,256,332
Fire Extinguisher	524,600	383951	-	908,551
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	89,809	21,815	(28,900)	82,724
	1,296,707,218	2,607,396	(3,286,818)	1,296,027,796
Total	1,296,707,218	2,607,396	(3,286,818)	1,296,027,796

Depreciation At Cost	Company Balance As at 01.04.2016 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2017 Rs.
Civil Constructions	158,093,968	13,273,461	-	171,367,429
Plant & Machinery	203,857,913	17,330,772	-	221,188,685
Project Equipment	1,032,503	101,356	-	1,133,860
Tools & Accessories	2,851,282	178,653	-	3,029,935
Motor Vehicle	8,758,500	-	-	8,758,500
Motor Bicycle	537,909	-	(62,349)	475,561
Furniture & Fittings	8,096,883	964,649	(2,433,899)	6,627,632
Computer	3,588,234	242,253	(129,000)	3,701,487
Office Equipment	661,401	107,783	(110,927)	658,257
Fire Extinguisher	524,600	-	-	524,600
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Generator	1,135,316	79,517	-	1,214,833
Web Development	1,583,573	250,699	-	1,834,272
Mobile Phones & Accessories	42,448	42,839	(25,288)	59,999
	394,912,884	32,571,983	(2,761,463)	424,723,404
Total	394,912,884	32,571,983	(2,761,463)	424,723,404
Carrying Amount	901,794,334			871,304,392

The cost of fully depreciated Property, Plant & Equipment which are still in use at the reporting date is Rs. 24,555,187/= (Rs.22,735,803/- as at 31/03/2016)

	Group			
Year Ended 31 March 2017 Gross Carrying Amounts	Balance As at 01.04.2016 Rs.	Additions for the Year Rs.	(Disposals)/ Transfers Rs.	Balance As at 31.03.2017 Rs.
At Cost				
Free Hold Land	177,181,919	-	-	177,181,919
Civil Constructions	1,723,965,311	-	-	1,723,965,311
Plant & Machinery	1,083,774,316	-	-	1,083,774,316
Project Equipment	1,389,694	10,500	244,075	1,644,269
Tools & Accessories	7,203,037	478,964	(27,599)	7,654,402
Motor Vehicle	20,783,915	420,000	10,942,463	32,146,378
Motor Bicycle	1,535,549	-	(62,349)	1,473,200
Furniture & Fittings	12,088,582	1,811,104	(2,960,089)	10,939,597
Computer	4,859,105	106,050	(134,000)	4,831,155
Office Equipment	2,551,504	350,436	(526,857)	2,375,083
Fire Extinguisher	959,435	383,951	-	1,343,386
Generator	2,039,000	1,234,265	-	3,273,265
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Web Development	1,888,305	-	-	1,888,305
Mobile Phones & Accessories	378,314	77,715	34,202	490,231
	3,044,746,342	4,872,985	7,509,846	3,057,129,172
Assets on Finance Lease				
Motor Vehicle	10,942,463	-	(10,942,463)	-
	10,942,463	-	(10,942,463)	-
WIP - Civil Constructions	-	482,370	-	482,370
Total	3,055,688,805	5,355,355	(3,432,617)	3,057,611,542

Depreciation At Cost	Group Balance As at 01.04.2016 Rs.	Charge for the year/ Transfers Rs.	(Disposals)/ Transfers Rs.	Balance As at 31.03.2017 Rs.
Civil Constructions	281,753,272	43,132,804	-	324,886,076
Plant & Machinery	267,601,350	32,507,519	-	300,108,868
Project Equipment	1,032,503	101,356	-	1,133,860
Tools & Accessories	5,523,913	552,825	(26,220)	6,050,518
Motor Vehicle	20,519,665	315,501	10,942,463	31,777,629
Motor Bicycle	1,489,906	8,391	(62,349)	1,435,948
Furniture & Fittings	8,590,680	1,029,762	(2,460,008)	7,160,434
Computer	4,457,233	239,387	(134,000)	4,562,620
Office Equipment	1,114,429	142,309	(149,559)	1,107,179
Fire Extinguisher	687,113	43,479	-	730,592
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Generator	1,417,425	220,523	-	1,637,948
Web Development	1,583,572	250,699	-	1,834,271
Mobile Phones & Accessories	186,439	204,120	(25,288)	365,271
	600,105,854	78,748,675	8,085,039	686,939,568
Assets on Finance Lease				
Motor Vehicle	9,943,383	999,080	(10,942,463)	-
	9,943,383	999,080	(10,942,463)	-
Total	610,049,237	79,747,755	(2,857,424)	686,939,568
Carrying Amount	2,445,639,568	-	-	2,370,671,974

The cost of fully depreciated Property, Plant & Equipment which are still in use at the reporting date is Rs.45,030,630 /= (Rs.27,561,818/- as at 31/03/2016)

Year Ended 31 March 2017

4. INVESTMENTS

	Holding %		No. of Shares		Company	
As at 31 March	2017	2016	2017 No.	2016 No.	2017 Rs.	2016 Rs.
4.1 Non Current Investments						
Investment in Equity Securities (Unquoted)						
Investment in Subsidiary						
Country Energy (Pvt) Limited	87.2%	87.2%	77,829,998	77,829,998	821,619,980	821,619,980
					821,619,980	821,619,980

4.2 Short Term Investments

	Company		Group	
As at 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Investment in Fixed Deposits	66,958,162	137,257,927	114,687,658	326,341,657
Repo	6,000,000	31,100,000	46,887,681	106,752,980
	72,958,162	168,357,927	161,575,339	433,094,636

4.3. Summarized Financial Information of Subsidiary,

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

For the year ended 31 March	2017 Rs.	2016 Rs.
Statement of Profit or Loss		
Revenue	355,853,307	499,674,202
Cost of Sales	(87,884,195)	(83,472,836)
Other Income	520,181	14,650
Finance Income	21,429,661	18,622,000
Administration Expenses	(54,419,932)	(66,103,859)
Other Operating Expenses	(1,457,250)	(3,165,686)
Finance Cost	(59,247,427)	(59,361,451)
Profit Before Tax	174,794,345	306,207,020
Net Profit for the Year	170,576,356	309,619,819
Other Comprehensive Income	985,980	(526,731)
Total Comprehensive Income	171,562,336	309,093,088
Attributable to Non Controlling Interest	21,959,464	39,563,915
Earnings Per Share	1.92	3.46
Statement of Financial Position		
Non Current Assets	1,528,624,918	1,572,960,921
Current Asset	128,504,390	318,462,858
Total Assets	1,657,129,308	1,891,423,779
Non Current Liabilities	162,259,779	369,630,539
Current Liabilities	223,944,240	226,080,287
Total Liabilities	386,204,020	595,710,826
Net Assets	1,270,925,288	1,295,712,953
Cash Flows		
Net Cash Flows from Operating Activities	215,342,597	404,372,502
Net Cash Flows used in Investment Activities	138,606,276	(16,708,684)
Net Cash Flows used in Financing Activities	(402,696,743)	(364,967,809)
Total Net Cash Flows	(48,747,870)	22,696,009
Dividend Paid to Non Controlling Interest	25,124,004	22,840,004
Dividend Per Share	2.20	2.00

5. INTANGIBLE ASSET - Right to Generate Hydropower

	Company		Group	
As at 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 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	19,200,000	17,600,000	62,401,247	50,444,578
Amortization for the period	1,600,000	1,600,000	11,956,664	11,956,670
Accumulated amortisation C/F	20,800,000	19,200,000	74,357,911	62,401,247
Net carrying amount at the end of the year	3,200,000	4,800,000	104,992,089	116,948,753

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

6. DEPOSIT ON LEASEHOLD LAND

	Group	
As at 31 March	2017 Rs.	2016 Rs.
At the beginning of the year	4,500,000	4,500,000
Paid during the year	-	-
At the end of the year	4,500,000	4,500,000

The above balance represents refundable security deposit paid to the Janatha Estate Development Board in respect of Land obtained on a operating lease basis for a period of 30 years subject to review the rental amendment at the laps of every 5 years.

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

	Company		Group	
For the year ended 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Lease Rental	141,021	141,021	5,738,781	5,575,581
	141,021	141,021	5,738,781	5,575,581

Notes to the Financial Statements (Contd.)

7. TRADE AND OTHER RECEIVABLES

	Company		Group	
As at 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Advances & Pre Payments	10,257,099	9,401,561	15,340,783	13,458,005
Trade Receivable	25,365,428	20,403,331	50,899,588	43,652,617
Staff Debtors	2,625,314	2,296,583	4,137,437	4,015,664
Interest Receivable	1,016,818	1,071,519	1,896,598	3,260,226
	39,264,659	33,172,995	72,274,406	64,386,512

8. AMOUNT DUE FROM RELATED PARTIES

	Relationship	Company		Group	
As at 31 March		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Country Energy (Pvt) Ltd					
- Kiriwaneliya MHPP	Subsidiary Company	677,886	719,540	-	-
- Denewakaganga MHPP		1,108,571	1,095,074	-	-
Alternate Power Systems (Pvt) Ltd					
- Current Account Balance	Related Company	980,247	986,171	980,247	986,171
Greenerwater Ltd					
- Current Account Balance	Related Company	87,346	-	87,346	-
		2,854,049	2,800,785	1,067,593	986,171

9. STATED CAPITAL

	Company		Group	
As at 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Issued and Fully Paid Number of Shares				
Ordinary Shares	747,109,731	747,109,731	747,109,731	747,109,731
Value of Issued and Fully Paid Shares				
Ordinary Shares	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278

10. INTEREST BEARING LOANS AND BORROWINGS

	Group		
	Long Term Loan	Bank Overdraft	Total
	Rs.	Rs.	Rs.
Balance as at 31 March 2016 (Note 10.1)			
Repayable within one year from year-end	206,346,732	2,186,244	208,532,976
Repayable between 2 and 3 years from year-end	365,189,799	-	365,189,799
	571,536,531	2,186,244	573,722,775
Balance as at 31 March 2017			
Repayable within one year from year-end	207,786,732	533,650	208,320,382
Repayable between 2 and 3 years from year-end	157,403,056	-	157,403,056
	365,189,788	533,650	365,723,438

10.1 Long-Term Loans

	Group				
As at 31 March				2017	2016
	DFCC	HNB	Commercial Bank of Ceylon PLC		
	Rs.	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	219,774,322	226,432,209	125,330,000	571,536,531	757,303,247
Repayments during the year	(79,893,474)	(79,173,269)	(47,280,000)	(206,346,743)	(185,766,716)
Obtained during the year	-	-	-	-	-
At the end of the year	139,880,848	147,258,940	78,050,000	365,189,788	571,536,531
Analysis of Long-Term Interest Bearing Loans & Borrowings by Year of Payment					
Repayable within one year from year-end	80,613,372	80,613,360	46,560,000	207,786,732	206,346,732
Repayable between 2 and 3 years from year-end	59,267,476	66,645,580	31,490,000	157,403,056	365,189,799
	139,880,848	147,258,940	78,050,000	365,189,788	571,536,531

10.1.1 Finance Lease

	Group	
As at 31 March	2017	2016
	Rs.	Rs.
At the beginning of the year	-	701,091
Repayments during the year	-	(701,091)
At the end of the year	-	-

10.2 Details of Long Term Loans (Group)

Lender	Approved Facility	Purpose	Repayment Terms	Security
Subsidiary				
DFCC Bank	Rs. 200,000,000/-	To part finance Kiriwaneliya Mini Hydro 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	Rs. 253,000,000/-	To part finance Denawaka ganga Mini Hydro 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 Hydro 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 Hydro 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

Lender	Approved Facility	Purpose	Repayment Terms	Security
Commercial Bank of Ceylon PLC	Rs. 253,000,000/-	To part finance Denawaka ganga Mini Hydro 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

10.3 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.)
2016/17	+1%	4,709,864
	-1%	(4,709,864)
2015/16	+1%	6,684,180
	-1%	(6,684,180)

10.4 Liquidity Risk

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

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

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

As at 31st March 2017					
Group	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 3 years Rs.	Total Rs.
Borrowings	21,025,682	41,492,508	178,919,569	164,386,738	405,824,498
	21,025,682	41,492,508	178,919,569	164,386,738	405,824,498

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

	Company		Group	
As at 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	11,966,468	13,069,956	16,407,209	16,505,158
Current Service cost	1,317,844	1,225,282	2,819,465	1,928,761
Interest cost	1,435,976	1,127,937	1,968,864	1,474,548
Actuarial (gain)/loss	(791,117)	(2,312,083)	(1,951,093)	(1,692,400)
	13,929,171	13,111,092	19,244,445	18,216,067
Benefit paid	-	(1,432,475)	(458,550)	(2,084,388)
Transfers	-	287,852	-	275,530
At the end of the year	13,929,171	11,966,468	18,785,895	16,407,209

The weighted average duration of the Defined Benefit Plan Obligation of the Company and Subsidiary at the end of the reporting period is 10.85 years and 10.68 years respectively.

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

	Company		Group	
As at 31 March	2017	2016	2017	2016
Within the next 12 months	1,591,548	1,380,140	1,650,254	1,380,140
Between 2 and 5 years	655,786	493,337	1,153,206	1,042,982
Beyond 5 years	11,681,837	10,092,991	12,982,435	13,984,086
	13,929,171	11,966,468	15,785,895	16,407,208

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:

Company	Rs.	Rs.
A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2017	(1,261,080)	1,442,792
As at 31 March 2016	(605,028)	669,237
A one percentage point change in the salary increment rate.	+1%	-1%
As at 31 March 2017	1,499,920	(1,328,797)
As at 31 March 2016	707,116	(649,043)

Group	Rs.	Rs.
A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2017	(1,692,078)	1,851,768
As at 31 March 2016	(1,003,873)	1,116,722
A one percentage point change in the salary increment rate.	+1%	-1%
As at 31 March 2017	1,908,896	(1,749,886)
As at 31 March 2016	1,151,677	(1,051,313)

12 DEFFERED TAX ASSET /LIABILITY

12.1 Deferred Tax Asset

As at 31 March	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	-	-	8,724,013	-
Originating of the asset recognised to Profit/(Loss)	-	-	1,782,317	8,631,061
Decreasing of the asset recognised to Other Comprehensive Income/(Loss)	-	-	(173,996)	92,952
At the end of the year	-	-	10,332,335	8,724,013

12.1.1 As at 31 March

Group	2017		2016	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 April	58,160,088	8,724,013	-	-
Asset originating during the year	10,722,147	1,608,322	58,160,088	8,724,013
As at 31 March	68,882,235	10,332,335	58,160,088	8,724,013
Temporary difference of Property, Plant and Equipment	64,025,512	9,603,827	53,719,348	8,057,901
Temporary difference of Retirement Benefit Obligation	4,856,723	728,508	4,440,740	666,112
As at 31 March	68,882,235	10,332,335	58,160,088	8,724,013

12.2 Deferred Tax Liability

As at 31 March	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	82,862,224	84,289,848	82,862,224	84,289,848
Reversal recognised to Profit/(Loss)	(1,579,556)	(1,832,239)	(1,579,556)	(1,832,239)
Provision recognised to Other Comprehensive Income/(Loss)	94,934	404,615	94,934	404,615
At the end of the year	81,377,602	82,862,224	81,377,602	82,862,224

12.2.1 As at 31 March

Company	2017 Temporary Difference Rs.	2017 Tax Effect Rs.	2016 Temporary Difference Rs.	2016 Tax Effect Rs.
As at 1 April	690,518,536	82,862,224	702,415,398	84,289,848
Amount originating/(reversing) during the year	(12,371,848)	(1,484,622)	(11,896,862)	(1,427,624)
As at 31 March	678,146,689	81,377,602	690,518,536	82,862,224
Temporary difference of Property, Plant and Equipment	692,075,860	83,049,103	702,485,004	84,298,200
Temporary difference of Retirement Benefit Obligation	(13,929,171)	(1,671,501)	(11,966,468)	(1,435,976)
As at 31 March	678,146,689	81,377,603	690,518,536	82,862,224

12.2.2 As at 31 March

Group	2017 Temporary Difference Rs.	2017 Tax Effect Rs.	2016 Temporary Difference Rs.	2016 Tax Effect Rs.
As at 1 April	690,518,536	82,862,224	702,415,398	84,289,848
Amount originating / (reversing) during the year	(12,371,848)	(1,484,622)	(11,896,862)	(1,427,624)
As at 31 March	678,146,689	81,377,602	690,518,536	82,862,224
Temporary difference of Property, Plant and Equipment	692,075,860	83,049,103	702,485,004	84,298,200
Temporary difference of Retirement Benefit Obligation	(13,929,171)	(1,671,501)	(11,966,468)	(1,435,976)
As at 31 March	678,146,689	81,377,603	690,518,536	82,862,224

13. TRADE AND OTHER PAYABLES

As at 31 March	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Accrued Expenditure	3,983,300	3,840,854	12,937,670	8,646,580
Dividend Tax Payable	-	30,291,392	-	30,291,392
Retention Money	77,662	77,662	79,231	597,843
Other Payable	22,409,745	18,001,129	25,714,071	26,926,110
	26,470,707	52,211,037	38,730,972	66,461,926

14. REVENUE

	Company		Group	
For the year ended 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Sales from Electricity Generation:				
Erathna MHPP	507,868,739	682,132,882	507,868,739	682,132,882
Denawaka Ganga MHPP	-	-	210,520,951	305,446,215
Kiriwaneliya MHPP	-	-	145,332,356	194,227,988
	507,868,739	682,132,882	863,722,046	1,181,807,085

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

15. OTHER INCOME

	Company		Group	
For the year ended 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Dividend Income	154,103,396	140,093,996	-	-
Sundry Income	16,204	22,945	536,385	37,595
	154,119,600	140,116,941	536,385	37,595

16. FINANCE COST

For the year ended 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Loan Interest	-	-	59,090,676	59,100,055
Bank Charges & OD Interest	146,221	351,175	302,972	587,489
Lease Interest	-	-	-	25,082
	146,221	351,175	59,393,648	59,712,626

17. PROFIT / (LOSS) BEFORE TAXATION

For the year ended 31 March Stated after Charging / (Crediting):	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Directors' Remuneration	4,333,333	4,522,222	4,333,333	4,522,222
Auditors' Remuneration	693,000	673,500	938,552	911,900
Depreciation & Amortisation	34,171,982	34,479,297	91,704,419	95,074,262
Personnel Costs includes				
- Defined Benefit Plan Cost - Retirement Benefit Obligation	2,753,820	2,353,219	4,788,329	3,403,309
- Defined Contribution Plan Costs - EPF & ETF	2,793,977	2,436,754	7,784,012	7,116,017
- Staff Salaries	18,626,514	16,245,026	51,893,411	47,440,113
- Other Staff Costs	9,207,944	7,192,289	25,956,063	24,972,592

18. INCOME TAX EXPENSES

Pursuant to the supplementary agreement dated 08th October 2002 entered into with Board of Investment under section 17 of the Board of Investment Law, the company is exempt from income tax arising from the business of the generation of hydropower, for a period of 10 years commencing from 15th July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the company. Accordingly,currently the Company is liable for income tax arising from the business of the generation of hydropower at the 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 6 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 2 years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as may be specified in a certificate issued by the Board. After the expiration of the aforesaid tax exemption period referred to in above, the profits and income of the enterprise shall for any year of assessment be charged at the rate of 15%. However, other income is taxed at the applicable tax rate.

18.1 Statement of Profit or Loss

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
(I) Current Tax Expense				
Income tax on current year profit (Note 18.3)	56,701,822	76,972,732	62,702,127	82,190,994
Dividend Tax	-	-	17,122,600	15,566,000
Less-: Previous year over provision	-	(142,276)	-	(142,276)
	56,701,822	76,830,456	79,824,727	97,614,717
(II) Deferred Tax Expense				
Deferred Taxation Charge / (Reversal) (Note 12)	(1,579,556)	(1,832,239)	(3,361,873)	(10,463,300)
Tax charge reported in the Statement of Profit or Loss	55,122,266	74,998,217	76,462,854	87,151,417

18.2 Statement of Other Comprehensive Income

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Tax effect on actuarial gains and loss of Defined Benefit Plans (Note 12)	94,934	404,615	268,930	311,662
Tax charged directly to other comprehensive income	94,934	404,615	268,930	311,662

18.3 Reconciliation between tax expense and the product of accounting profit

	Company		Group	
For the year ended 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Net profit before tax	580,461,678	742,956,422	592,262,627	900,179,449
Add: Disallowable Expenses	39,448,204	39,084,574	100,415,554	107,174,760
Less: Allowable Expenses	(22,624,814)	(23,506,584)	(133,806,537)	(142,062,599)
Total Statutory Income	597,285,067	758,534,412	558,871,643	865,291,610
Tax exempt (profit)/loss from business	(154,103,396)	(140,093,996)	(94,260,311)	(228,214,544)
Taxable Income;	443,181,671	618,440,415	464,611,332	637,077,066
liable @ 12%	421,181,538	601,191,154	421,181,538	601,191,154
liable @ 28%	22,000,133	17,249,262	43,429,795	35,885,912
	443,181,671	618,440,415	464,611,332	637,077,066
Income Tax @ 12%	50,541,785	72,142,938	50,541,785	72,142,938
Income Tax @ 28%	6,160,037	4,829,793	12,160,343	10,048,055
Income Tax Expense on Liable Income	56,701,822	76,972,732	62,702,127	82,190,994
Effective Tax Rate	13%	12%	13%	13%

Notes to the Financial Statements (Contd.)

19. EARNINGS/(LOSS) PER SHARE

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

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

	Company		Group	
For the year ended 31 March Amounts Used as the Numerators:	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Profit Attributable to Ordinary Shareholders for basic Earnings Per Share (Rs.)	525,339,412	667,958,206	493,966,513	773,396,695
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.)	0.70	0.89	0.66	1.04

20. DIVIDENDS PAID DURING THE YEAR

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Rs. 0.80/- per share by the Company (2015/2016 - Rs.1/-)	597,687,785	747,109,731	597,687,785	747,109,731
	597,687,785	747,109,731	597,687,785	747,109,731

21. EVENTS OCCURING AFTER THE REPORTING DATE

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

22. COMMITMENTS AND CONTINGENCIES

22.1 Capital Expenditure Commitments

There are no capital commitments as at the reporting date .

22.2 Contingencies

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

23. FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are carried in the financial statements.

23.1 Financial Assets

	Company				Group			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
As at 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Loans and Receivables at amortised cost:								
Trade & Other Receivables	39,264,659	33,172,995	39,264,659	33,172,995	72,274,406	64,386,512	72,274,406	64,386,512
Amount Due from Related Parties	2,854,049	2,800,785	2,854,049	2,800,785	1,067,593	986,171	1,067,593	986,171
Short Term Investment	72,958,162	168,357,927	72,958,162	168,357,927	161,575,339	433,094,636	161,575,339	433,094,636
Cash and Bank Balances	13,006,567	8,068,001	13,006,567	8,068,001	19,884,034	30,580,632	19,884,034	30,580,632
Total	128,083,437	212,399,708	128,083,437	212,399,708	254,801,372	529,047,952	254,801,372	529,047,952

23.2 Financial Liabilities

	Company				Group			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
As at 31 March	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Other Financial Liabilities at amortised cost:								
Interest Bearing Loans & Borrowings	-	-	-	-	365,723,438	573,722,775	365,723,438	573,722,775
Trade and Other Payables	26,470,707	52,211,037	26,470,707	52,211,037	38,730,972	66,461,926	38,730,972	66,461,926
Total	26,470,707	52,211,037	26,470,707	52,211,037	404,454,410	640,184,701	404,454,410	640,184,701

Fair value of the above assets and liabilities approximate their carrying amount largely due to the short term maturities of such assets and liabilities.

24. RELATED PARTY DISCLOSURES

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

24.1 Transactions with the Company

For the year ended 31 March Company	Relationship	Nature of Transaction	2017 Rs.	2016 Rs.
Country Energy (Pvt) Ltd. (CEPL)	Subsidiary Company	Operating Expenses incurred on behalf of CEPL	(24,893,855)	(25,459,626)
		Reimbursement of expenses by CEPL	24,560,035	23,443,185
		Operating Expenses incurred on behalf of the Company by CEPL	361,977	499,816
		Other Transactions		
		Dividend Received from CEPL	154,103,396	140,093,996
Vallibel Finance PLC	Related Company	Investment in Fixed Deposits	(343,527,850)	(393,532,417)
		Withdrawals of Fixed Deposits	413,827,615	388,338,819
		Interest Received	19,030,944	14,179,856
LB Finance PLC	Related Company	Investment in Fixed Deposits	(10,480,822)	(81,240,987)
		Withdrawals of Fixed Deposits	10,480,822	81,240,987
		Interest Received	534,247	1,378,874
Alternate Power Systems (Pvt) Ltd (APSL)	Related Company	Operating Expenses incurred on behalf of APSL	(13,739,699)	(14,441,239)
		Reimbursement of expenses by APSL	34,619	16,218,483
		Funds received from Alternate Power Systems (Pvt) Ltd	13,711,004	269,793
Greener Water Limited (GWL)	Related Company	Operating Expenses incurred on behalf of GWL	(5,751,799)	NIL
		Reimbursement of expenses by GWL	5,664,453	NIL
The Kingsbury PLC	Related Company	Payments made for services obtained	(338,580)	(306,250)
Transaction with the Subsidiary				
LB Finance PLC	Related Company	Investment in Fixed Deposits	-	(18,865,025)
		Withdrawals of Fixed Deposits	58,321,052	69,319,824
		Interest Received	5,905,204	4,338,743
Vallibel Finance PLC	Related Company	Investment in Fixed Deposits	(63,364,752)	(175,581,299)
		Withdrawals of Fixed Deposits	157,322,243	111,019,471
		Interest Received	9,240,535	8,167,779

The above transactions were carried out on normal trading terms.

24.2 Transactions with the Key Management Personnel of the Company

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

Key Management Personnel Compensation

	2017 Rs.	2016 Rs.
Directors' Emoluments	4,333,333	4,522,222
Other Key Management Personel	5,226,836	5,120,561

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

24.3 Related Party Transactions

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

Notes to the Financial Statements (Contd.)

25. OPERATING SEGMENT INFORMATION

	Erathna MHPP		Denawaka Ganga MHPP		Kiriwaneliya MHPP		Total	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Revenue	507,869	682,133	210,521	305,446	145,332	194,228	863,722	1,181,807
Cost of sales	(52,928)	(46,230)	(52,596)	(51,053)	(35,288)	(32,420)	(149,703)	(138,593)
Gross profit	454,940	635,903	157,925	254,393	110,044	161,808	714,020	1,043,214
Other income	154,120	140,117	-	-	520	15	536	38
Administrative expenses	(48,508)	(48,030)	(36,354)	(44,871)	(18,066)	(21,233)	(102,928)	(114,134)
Other expenses	(1,944)	(1,931)	(788)	(1,104)	(669)	(2,062)	(3,402)	(5,097)
Finance Income	22,000	17,249	13,512	13,019	7,918	5,603	43,430	35,871
Finance Cost	(146)	(351)	(39,368)	(39,510)	(19,879)	(19,851)	(59,394)	(59,713)
Profit before tax	580,462	742,955	94,926	181,927	79,868	124,280	592,263	900,179
Tax expenses	(55,122)	(74,998)	(2,828)	677	(1,562)	2,736	(76,463)	(87,151)
Profit after tax	525,339	667,957	92,098	182,604	78,306	127,016	515,800	813,028
Other comprehensive income/(loss)	696	1,907	1,561	175	(401)	(701)	1,682	1,381
Total comprehensive income	526,036	669,865	93,659	182,779	77,905	126,315	517,482	814,409
Segmental assets								
Non-current assets	1,696,124	1,728,214	819,906	843,350	708,721	729,611	2,490,496	2,575,812
Current assets	128,083	212,400	72,997	208,100	55,507	110,363	254,801	529,048
Total assets	1,824,208	1,940,614	892,003	1,051,450	764,226	839,974	2,745,298	3,104,860
Segmental liabilities								
Borrowings	-	-	240,723	381,664	125,000	192,058	365,723	573,723
Deferred tax liability	81,377	82,862	-	-	-	-	81,377	82,862
Retirement benefit obligations	13,929	11,966	3,940	2,861	916	1,580	18,786	16,407
Current liabilities	29,091	74,323	11,506	4,548	4,119	12,999	42,929	90,056
Total liabilities	124,397	169,152	256,169	389,074	130,035	206,637	508,815	763,048
Other Segment Information								
Total depreciation	32,572	32,879	25,090	26,692	22,086	23,546	79,748	83,118
Amortisation	1,600	1,600	1,000	1,000	467	467	11,957	11,957
Capital expenditure	2,607	1,219	1,023	1,169	1,725	1,433	5,355	3,881

Annexures to the Report

Decade at a Glance

	2016/17 Rs'000	2015/16 Rs'000	2014/15 Rs'000	2013/14 Rs'000	2012/13 Rs'000	2011/12 Rs'000	2010/11 Rs'000	2009/10 Rs'000	2008/09 Rs'000	2007/08 Rs'000
Operating Results										
Revenue	863,722	1,181,807	1,317,931	1,064,991	693,032	399,665	533,588	437,692	365,826	303,837
Gross profit	714,020	1,043,214	1,171,084	929,273	557,140	345,257	497,120	396,821	330,441	266,900
Other Income	536	38	44,394	64	704	10,356	10,876	36,882	29,743	142,401
Administration expenses	102,928	114,134	107,584	104,242	99,752	73,083	64,607	50,378	35,966	28,299
Finance cost	59,394	59,713	87,024	162,716	181,645	46,627	20,989	14,394	2,008	1,042
Net profit before tax	592,263	900,179	1,042,342	688,857	302,078	248,616	425,380	418,675	310,793	348,796
Net profit after tax	515,800	813,028	960,092	667,111	293,891	244,006	422,179	414,081	305,848	346,382
Funds Employed										
Stated capital	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365
Revaluation Reserve										
Revenue reserves	899,422	1,001,587	973,852	823,343	648,389	562,094	547,041	303,647	76,343	300,943
Non-controlling interest	162,695	165,855	149,135	122,340	99,585	92,087	63,067	-	-	
Borrowings										
(Both non-current & current)	365,723	573,723	758,879	947,300	1,173,247	1,292,463	476,001	145,051	8,207	2,577
	2,602,206	2,915,530	3,056,232	3,067,348	3,095,585	3,121,009	2,260,475	1,623,063	1,258,915	1,477,885
Assets Employed										
Non Current Assets	2,490,496	2,575,812	2,658,887	2,830,474	2,923,021	3,005,032	2,144,961	1,525,072	1,182,753	1,215,644
Current Assets	254,801	529,048	537,950	357,875	276,885	264,490	217,904	123,108	85,637	268,956
Current Liabilities	(42,929)	(90,057)	(39,810)	(23,683)	(22,209)	(67,868)	(21,307)	(20,412)	(7,533)	(5,479)
Retirement Benefit Obligations	18,786	(16,407)	(16,505)	(11,629)	(9,714)	(7,116)	(7,088)	(4,704)	(1,942)	(1,235)
Diferred tax liability	(81,378)	(82,862)	(84,290)	(85,689)	(72,398)	(73,529)	(73,995)	-	-	-
	2,639,777	2,915,534	3,056,232	3,067,348	3,095,585	3,121,009	2,260,475	1,623,063	1,258,915	1,477,885
Key Indicators										
Earnings Per Share - Company (Rs.)	0.70	0.89	0.98	0.65	0.37	0.37	0.60	0.53	0.41	0.47
Net Assets Per Share - Company (Rs.)	2.28	2.37	2.47	2.51	2.47	2.37	2.31	1.95	1.67	1.97
Market Price of Share- Closing (Rs.)	7.10	8.00	7.90	5.60	5.60	6.60	8.60	5.25	3.10	2.40
Dividend Per Share (Rs.)	0.80	1.00	1.00	0.60	0.25	0.25	0.20	0.25	0.41	0.57
Price earning ratio (times)	10.14	8.99	8.06	8.59	15.14	17.84	14.33	9.91	7.56	5.11
Return on equity (%)	26.48	38.44	45.37	32.49	15.71	13.60	23.84	28.33	24.85	23.64
Dividend payout (%)	114.29	112.36	102.04	92.06	67.57	67.57	33.33	47.17	100.00	121.28

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. (Stock Code - VPEL.N0000)

3. Public Shareholding

The percentage of Ordinary Shares held by the public was 40.413% of the issued share capital as at 31st March 2017. It represents 4,095 of shareholders as at 31st March 2017.

4. Distribution of Shareholding as at 31st March 2017

There were 4,103 Registered shareholders as at 31st March 2017.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	1,725	42.04	709,524	0.10
1,001	10,000	1,635	39.85	6,905,642	0.92
10,001	100,000	582	14.19	18,465,835	2.47
100,001	1,000,000	136	3.31	36,512,867	4.89
Over 1,000,000		25	0.61	684,515,863	91.62
Total		4,103	100.00	747,109,731	100.00

5. Analysis report of Shareholders as at 31st March 2017

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individuals	3,939	96.00	255,897,354	34.25
Institutions	164	4.00	491,212,377	65.75
Total	4,103	100.00	747,109,731	100.00
Resident	4,054	98.81	728,589,247	97.52
Non-resident	49	1.19	18,520,484	2.48
Total	4,103	100.00	747,109,731	100.00

Investor Information (Contd.)

6. Twenty Major Shareholders as at 31st March 2017

	Name of the Shareholder	Number of shares as at 31.03.2017	(%) in issued Capital	Number of shares as at 31.03.2016	(%) in issued Capital
1	Vallibel Power Limited	299,425,830	40.08	299,425,830	40.08
2	Mr K D D Perera	144,812,225	19.38	144,812,225	19.38
3	Seylan Bank PLC/Thirugnanasambandar Senthilverl	84,026,526	11.25	82,510,987	11.04
4	Sampath Bank PLC/Dr T Senthilverl	54,024,835	7.23	48,801,437	6.53
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	9,636,723	1.29
8	Ms K D C Samanthi	9,375,000	1.26	9,375,000	1.26
9	HSBC Intl Nom Ltd-UBS AG Zurich	5,267,117	0.71	11,196,608	1.50
10	Employees Trust Fund Board	5,197,715	0.70	5,197,715	0.70
11	HINL - UBS AG Zurich - MR Capital Management Ltd	5,000,000	0.67	Nil	Nil
12	Global Rubber Industries Private Limited	4,569,000	0.61	1,793,952	0.24
13	Mr P P Subasinghe	3,803,235	0.51	1,231,682	0.17
14	Mr B C Tay	3,000,000	0.40	3,000,000	0.40
15	DFCC Bank PLC A/C 1	2,400,000	0.32	2,400,000	0.32
16	Seylan Bank PLC/Lasantha Chandika Ranaweera Pathirana	2,176,503	0.29	446,241	0.06
17	Mr D D Gunaratne	2,040,000	0.27	2,100,000	0.28
18	Deutsche Bank AG as Trustee to Candor Opportunities Fund	2,000,000	0.27	1,250,000	0.17
19	Perera And Sons (Bakers) Limited	1,900,000	0.25	1,900,000	0.25
20	Mr M F Hashim	1,666,154	0.22	1,631,154	0.22
	Total	677,820,863	90.73	664,209,554	88.90
	Others	69,288,868	9.27	82,900,177	11.10
	Grand Total	747,109,731	100.00	747,109,731	100.00

7. Share Trading Information

	2016/2017	2015/2016
Highest (Rs.)	9.70	9.90
Lowest (Rs.)	6.90	7.70
Closing (Rs.)	7.10	8.00
Value of Shares Trades (Rs)	345,861,184	997,102,636
No. of Shares Traded	40,056,363	109,408,853
No. of Trades	5,536	9,924

8. Equity Information

	2016/2017	2015/2016
Earnings per share (Rs.)	0.70	0.89
Dividend per sahre (Rs.)	0.80	1.00
Net Asset Value per share (Rs.)	2.27	2.37
Dividend pay out ratio (%)	114.29	112.36

Independent Assurance Report on Sustainability Reporting

EY
Building a better working world

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Independent Assurance Report to Vallibel Power Erathna PLC on the Sustainability Reporting Criteria Presented in the Annual Report- 2016/17

Introduction and scope of the engagement
The management of Vallibel Power Erathna PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators in the annual report- 2016/17 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 104 and 105 of the Report.
- Limited assurance on other information presented in the Report (General Standard Disclosures and Specific Standard Disclosures of the GRI Index page 164 to page 174), prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

Basis of Our Work and Level of Assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the Report
The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's Responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 09 March 2017. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2017.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and Considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on pages 104 and 105 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2017.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

Ernst & Young

Chartered Accountants

26 May 2017
Colombo

GRI - G4 Content Index

GRI Contend Index "In Accordance" - Core

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision maker	Chairman's Message	18 to 22	-
ORGANIZATIONAL PROFILE				
G4-3	Name of the organisation	Corporate Information	Inner Back Cover	-
G4-4	Primary brands, products, and services	About Us	06 and 07	-
G4-5	Location of the organization's headquarters	Corporate Information	Inner Back Cover	-
G4-6	Number of countries where the organization operates	NA	NA	No other than local operations
G4-7	Nature of ownership and legal form.			
	- Ownership structure	About Us - Organisational Structure	07	
	- Legal form	Corporate Information	Inner Back Cover	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	NA	NA	Market is the National Grid of Sri Lanka
G4-9	Scale of the organization - employees, operations, net sales, capitalization, products	Highlights of our performance About Us - Organisational Structure Human Capital	07 14 93	-
G4-10	Total number of employees by contract and gender, permanent employees, supervised workers, region	Human Capital	93 and 94	-
G4-11	Percentage of total employees covered by collective bargaining agreements	Human Capital	97	-
G4-12	Describe the organization's supply chain	Relationship Capital	92	-
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	-	NA	No Significant changes
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Natural Capital Enterprise Risk Management	81 and 82 47 and 48	-
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Intellectual Capital	100	-

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Intellectual Capital	100	-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	About Us Notes to the Financial Statement	07 120	-
G4-18	Process for defining the report content and the aspect boundaries, reporting Principles for defining report content	About this Report Materiality Assessment, Aspects and Boundaries	02 67 to 72	-
G4-19	List all the material aspects identified in the process for defining report content	Materiality Assessment, Aspects and Boundaries	67 to 72	-
G4-20	For each material aspect, report the aspect boundary within the organization	Materiality Assessment, Aspects and Boundaries	67 to 72	-
G4-21	For each material aspect, report the aspect boundary outside the organization	Materiality Assessment, Aspects and Boundaries	67 to 72	-
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	About this Report	02	-
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	About this Report	02	-
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organization.	Our Stakeholders and Engagement	62	-
G4-25	The basis for identification and selection of stakeholders with whom to engage	Our Stakeholders and Engagement	62 to 66	-
G4-26	Approach to stakeholder engagement, including frequency of engagement and an indication if the engagement was specifically a part of the report preparation process	Our Stakeholders and Engagement	62 to 66	-
G4-27	"Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns."	Our Stakeholders and Engagement	62 to 66	-
REPORT PROFILE				
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About this Report	02	-
G4-29	Date of most recent previous report	About this Report	02	-
G4-30	Reporting cycle (such as annual, bi-annual)	About this Report	02	-

GRI - G4 Content Index (Contd.)

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
G4-31	Provide the contact point for questions regarding the report or its contents	About this Report	02	-
G4-32	Report the 'in accordance' option the organization has chosen.	About this Report	02	-
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	About this Report Assurance Report	02 162 to 163	-
GOVERNANCE				
G4-34	"Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts"	Corporate Governance	31	-
ETHICS AND INTEGRITY				
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Our DNA of Success Human Capital	11 94	-
SPECIFIC STANDARD DISCLOSURES				
CATEGORY : ECONOMIC				
Aspect: Economic Performance				
G4-EC1	Direct economic value generated, distributed and retained.	Group's Value Addition of the Year	104 and 105	-
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	-	-	Not Reported
G4-EC3	Coverage of the organization's defined benefit plan obligations	Notes to the Financial statements	132 and 133	-
G4-EC4	Financial assistance received from government	Relationship Capital	92	-
Aspect: Market Presence				
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Human Capita	94	-
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	Social Capital	87	-

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
Aspect: Indirect Economic Impacts				
G4-EC7	Development and impact of infrastructure investments and services supported.	Social Capital	87 and 88	-
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Social Capital	87 and 89	-
Aspect: Procurement Practices				
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Relationship Capital	92	-
CATEGORY: ENVIRONMENTAL				
Aspect: Materials				
G4-EN1	Materials used by weight or volume.	Natural Capital	79 and 80	-
G4-EN2	Percentage of materials used that are recycled input materials	Natural Capital	79 and 80	-
Aspect: Energy				
G4-EN3	Energy consumption within the organization.	Natural Capital	81	
G4-EN4	Energy consumption outside of the organization.	-	-	Not Reported
G4-EN5	Energy intensity.	-	-	Not Reported
G4-EN6	Reduction of energy consumption.	Natural Capital	81	
G4-EN7	Reductions in energy requirements of products and services.			Not Reported
Aspect: Water				
G4-EN8	Total water withdrawal by source	Natural Capital	80	-
G4-EN9	Water sources significantly affected by withdrawal of water.	Natural Capital	80	-
G4-EN10	Percentage and total volume of water recycled and reused	Natural Capital	80	-
Aspect: Biodiversity				
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Natural Capital	81	-
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Natural Capital	81 and 83	-

GRI - G4 Content Index (Contd.)

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
G4-EN13	Habitats protected or restored.	-	-	Not Reported
G4-EN14	"Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk."	-	-	Not Reported
Aspect: Emissions				
G4-EN15	Direct greenhouse gas emissions (Scope 1)	Natural Capital	85	-
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2).	Natural Capital	85	-
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	-	-	Not Reported
G4-EN18	Greenhouse gas emissions intensity.	-	-	Not Reported
G4-EN19	Reduction of greenhouse gas emissions.	Natural Capital	85	
G4-EN20	Emissions of ozone-depleting substances (ODS).	-	-	Not Reported
G4-EN21	NOx, SOx, and other significant air emissions.	-	-	Not Reported
Aspect: Effluents and Waste				
G4-EN22	Total water discharge by quality and destination.	Natural Capital	80	-
G4-EN23	Total weight of waste by type and disposal method.	Natural Capital	85	-
G4-EN24	Total number and volume of significant spills.	-	-	Not Reported
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention 2 annex i, ii, iii, and viii, and percentage of transported waste shipped internationally.	-	-	Not Reported
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	-	-	Not Reported
Aspect: Products and Services				
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	Natural Capital	81 and 82	-
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	-	-	Not Reported

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
Aspect: Compliance				
G4-EN29	"Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations"	Natural Capital	86	-
Aspect: Transport				
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	-	-	Not Reported
Aspect: Overall				
G4-EN31	Total environmental protection expenditures and investments by type.	Natural Capital	83 and 84	-
Aspect: Supplier Environmental Assessment				
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	-	-	Not Reported
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	-	-	Not Reported
Aspect: Environmental Grievance Mechanisms				
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	Natural Capital	86	-
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK				
Aspect: Employment				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group.	Human Capital	94	-
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	Human Capital	94 and 95	-
G4-LA3	Return to work and retention rates after parental leave, by gender	Human Capital	95	-
Aspect: Labor/Management Relations				
G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements.	-	-	Not Reported
Aspect: Occupational Health and Safety				
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees.	-	-	Not Reported

GRI - G4 Content Index (Contd.)

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender.	Human Capital	96	-
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Human Capital	96	-
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	-	-	Not Reported
Aspect: Training and Education				
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital	96	-
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human Capital	95 and 96	-
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Human Capital	95	-
Aspect: Diversity and Equal Opportunity				
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Human Capital	93	-
Aspect: Equal Remuneration for Women and Men				
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	-	-	Not Reported
Aspect: Supplier Assessment for Labor Practices				
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	Relationship Capital	-	-
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	-	-	Not Reported

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
Aspect: Labor Practices Grievance Mechanisms				
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	Human Capital	98	-
SUB-CATEGORY: HUMAN RIGHTS				
Aspect: Investment				
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	-	Not Reported
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	-	-	Not Reported
Aspect: Non-Discrimination				
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	Human Capital	93	-
Aspect: Freedom of Association and Collective Bargaining				
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	Human Capital	98	-
Aspect: Child Labor				
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Human Capital	97	-
Aspect: Forced or Compulsory Labor				
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Human Capital	97	-
Material Aspects: Security Practices				
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	-	-	Not Reported

GRI - G4 Content Index (Contd.)

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
Material Aspects: Indigenous Rights				
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	-	-	Not Reported
Material Aspects: Assessments				
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	-	-	Not Reported
Aspect: Supplier Human Rights Assessment				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	Relationship Capital	91	-
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	-	-	Not Reported
Aspect: Human Rights Grievance Mechanisms				
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	Social Capital	90	-
SUB-CATEGORY: SOCIETY				
Aspect: Local Communities				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	Social Capital	87 to 90	-
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	-	-	Not Reported
Aspects: Anti-Corruption				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Social Capital	90	-
G4-SO4	Communication and training and anti-corruption policies and procedures.	Relationship Capital	92	-
G4-SO5	Confirmed incidents of corruption and actions taken.	-	-	Not Reported
Aspects: Public Policy				
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	-	-	Not Reported

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
Aspects: Anti-Competitive Behavior				
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Relationship Capital	92	-
Aspects: Compliance				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Social Capital	90	Not Reported
Aspects: Supplier Assessment for Impacts on Society				
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	-	-	Not Reported
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	-	-	Not Reported
Aspects: Grievance Mechanisms for Impacts on Society				
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	Social Capital	90	-
SUB - CATEGORY: PRODUCT RESPONSIBILITY				
Aspects: Customer Health and Safety				
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	-	-	Not Reported
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Relationship Capital	91	-
Aspects: Product and Service Labeling				
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	-	-	Not Reported

GRI - G4 Content Index (Contd.)

Standard Disclosure	GRI - G4 Definition	Reference in the Report	Page/s of Reference	Reason(s) for not Disclosing
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	-	-	Not Reported
G4-PR5	Results of surveys measuring customer satisfaction	-	-	Not Reported
Aspects: Marketing Communications				
G4-PR6	Sale of banned or disputed products.	-	-	Not Reported
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	-		Not Reported
Aspects: Customer Privacy				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	-	-	Not Reported
Aspects: Compliance				
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Relationship Capital	91	-

Glossary of Financial and Non Financial Terms

Financial Terms

Accounting Policies

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

Accrual Basis

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

Amortisation

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

Available-for-Sale (AFS)

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

Basic Earnings per Share

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

Borrowings

All interest-bearing liabilities.

Capital Employed

Total equity, minority interest and interest-bearing borrowings.

Cash Equivalents

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

Contingent Liability

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

01. The obligation is crystalised by the occurrence or non occurrence of one or more future events or,
02. A probable outflow of economic resources is not expected or,
03. It is unable to be measured with sufficient reliability.

Current Ratio

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

CSR

Corporate Social responsibility

Deferred Taxation

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

Dividends

Distribution of profits to holders of equity investments.

Dividend Cover

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

Dividend Yield

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

EBITDA

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

Effective Tax Rate

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

Equity

Shareholders' fund.

Equity Instruments

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

Financial Instruments

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

Fair Value

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

Glossary of Financial and Non Financial Terms (Contd.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-Financial Terms

CSE
Colombo Stock Exchange.

CEB
Ceylon Electricity Board.

CSR
Corporate Social Responsibility

CEA
Central Environment Authority

CER
Certified Emission Reduction

CO2
Carbon Dioxide.

CDM
Clean Development Mechanism.

FDI
Foreign Direct Investments

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

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

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

GRI
Global Reporting Initiatives.

GDP
Gross Domestic Product

Kilowatt (kW)
Equal to 1000 watt.

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

MHPP
Mini Hydropower Project

NCRE
Non Conventional Renewable Energy

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.

JEDB
Janatha Estate Development Board

LRC
Land Reform Commission

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of Vallibel Power Erathna PLC will be held at the Kingsbury Hotel, Colombo 1, on Thursday, 29th June 2017 at 9.00 a.m. for the following purposes:

1) To receive and consider the Annual Report of the Board of Directors, Financial Statements of the Company, for the year ended 31st March 2017 together with the Report of the Auditors thereon.
2) To re-elect Mr. P K Sumanasekera 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. H Somashantha who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company
4) To re-appoint Messrs Ernst & Young, as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
5) To authorize the Directors to determine and make donations for the year ending 31st March 2018 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
26 May 2017

Note:
- A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend instead of him/her.
- A form of Proxy is enclosed in this Report.
- The completed form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, by 9.00 a.m. on 27th June 2017.
- For security reasons shareholders / proxy holders are requested to bring their National Identity Card or Passport when attending the meeting

Form of Proxy

*I/We……………………………………………………………………..………………………………………........................………

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

hereby appoint …………………....................……………… of……………...............………………………………or failing *him/her

Mr. K D D Perera	of Colombo or failing him
Mr. P K Sumanasekera	of Colombo or failing him
Mr. S H Amarasekera	of Colombo or failing him
Mr. H Somashantha	of Colombo or failing him
Mr. S Shanmuganathan	of Colombo or failing him
Mr. 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 16th ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Kingsbury Hotel, Colombo 1, on Thursday, the 29th day of June 2017 at 9.00 a.m, and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
1) To receive and consider the Annual Report of the Boardof Directors, Financial Statements of the Company for the year ended 31st March 2017 together with the Report of the Auditors thereon.		
2) To re-elect Mr. P K Sumanasekera 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. 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.		
4) To re-appoint Messrs Ernst & Young, as Auditors and to authorize the Directors to determine their remuneration.		
Special Business		
5) To authorize the Directors to determine and make Donations for the financial year 2017/2018 and up to the date of the next Annual General Meeting.		

Signed this……...……… day of ……….................……………….. Two Thousand and Seventeen.

……...............………………
*Signature/s

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

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, by 9.00 a.m. on 27th June 2017.

Please provide the following details:

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

Corporate Information

Name of Company
Vallibel Power Erathna PLC

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

Date of Incorporation
07 th November 2001

Company Registration Number
P.Q. 103

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

Board of Directors
Mr. K D D Perera – Chairman
Mr. S H Amarasekera
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S Shanmuganathan
Mr. C V Cabraal
Mr. P B Perera *
Mr. W D N H Perera* (Alternate to Mr. P B Perera)

* Resigned w.e.f 08.03 .2017

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

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

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

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

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

Vallibel Power Erathna PLC

www.vallibel-hydro.com