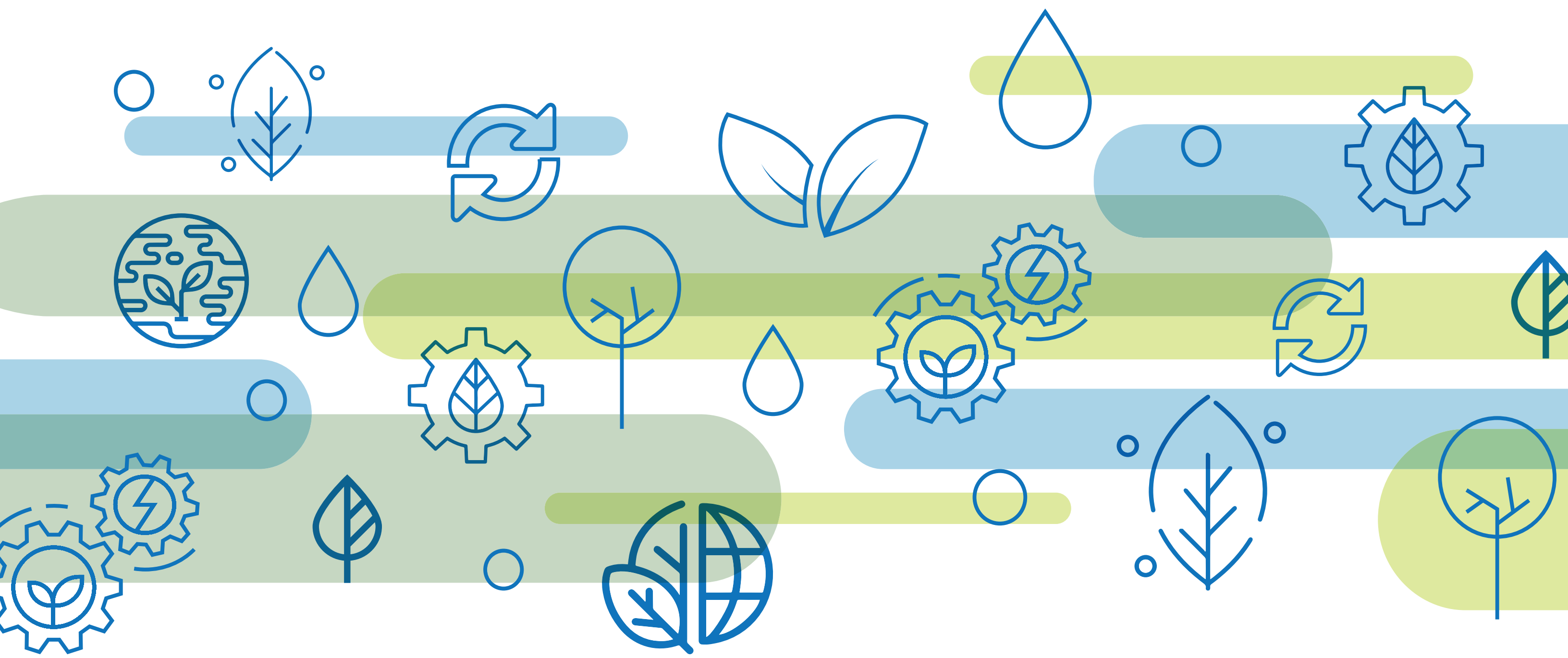
RESILIENT UNDETERRED

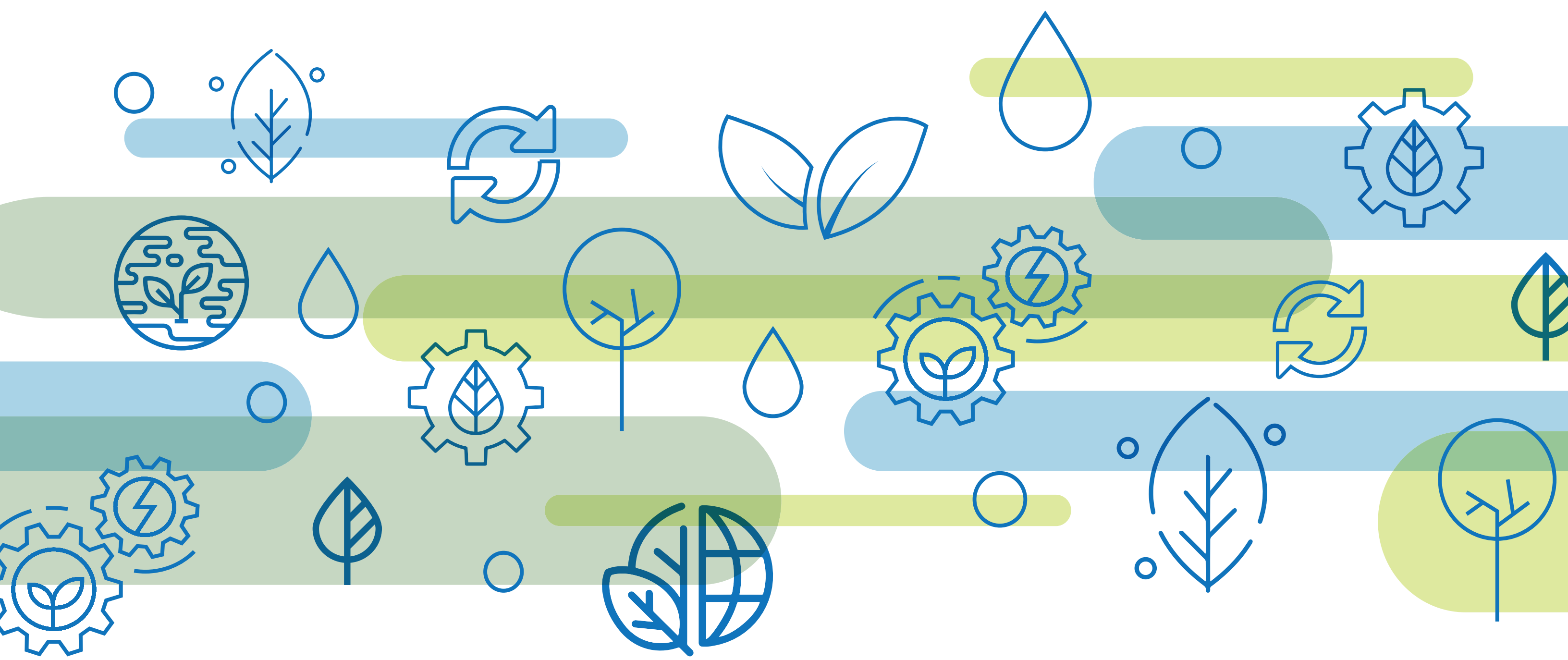


VALLIBEL POWER ERATHNA PLC

ANNUAL REPORT 2019/2020

At Vallibel Power Erathna, championing the green energy movement provides the impetus for our resilience in the face of challenges and upheavals.

Undeterred and determined, we will continue to reinforce our social impact, provide exemplary service and use the backdrop of our successful completion of more than one and a half decades of supplying renewable energy, to power us in the forthcoming decade and beyond.



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VISION MISSION AND CORE VALUES

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 THE AVAILABLE WATER RESOURCES WITH MINIMAL ENVIRONMENTAL POLLUTION, BY OPTIMISING OPERATIONAL EFFICIENCIES OF OUR ASSETS.

OUR VALUES

INTEGRITY

We act with trust, honesty, fairness and transparency

RESPONSIBILITY

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

SAFETY

We consider the safety of our people both within and outside the organisation

EXPLORATION

We encourage innovation and seek new and innovative renewable energy solutions

CORPORATE SOCIAL RESPONSIBILITY

We consciously manage our impact on the environment and indigenous communities in the vicinity of our plant sites

DELIVERY TO OUR KEY STAKEHOLDERS

INVESTORS

We optimise the operational efficiencies of existing assets to give high returns and acquire new renewable energy opportunities that create shareholder wealth

EMPLOYEES

We care for our employees and create a positive and healthy working environment to give them pride in their work and increase their productivity.

ENVIRONMENT & COMMUNITY

We minimise the impact of our operations on the environment and conduct our business in a socially responsible manner through cordial engagement and partnership with communities

ABOUT THE COMPANY

Vallibel Power Erathna PLC (VPEL) began its operations in 2001 as 'Zyrex Power Company Erathna Limited' to develop and operate mini hydro power projects in Sri Lanka. In 2004, VPEL commissioned its first power plant in Erathna, Kuruwita, with a total capacity of 9.9 MW, as the largest mini hydro power project in Sri Lanka. VPEL went public in 2006 and listed its shares in the Colombo Stock Exchange. We are presently one of the largest public quoted renewable energy companies in Sri Lanka and we manage and operate three mini hydro power projects at Kuruwita, Ratnapura, and Norton Bridge, namely Erathna Mini Hydro Power Project, Denawaka Ganga Mini Hydro Power Project and Kiriwaneliya Mini Hydro Power Project with a cumulative capacity of 21.75 MW. VPEL supplies electricity of about 80 GWh to national grid of Sri Lanka annually.

From the three projects VPEL operates, the Erathna Mini Hydro Power Project located in Kuruwita reached the end of its first term of SPPA on 14th July 2019 and is now at the final stage of concluding the agreement for extension of SPPA with Ceylon Electricity Board. Our other two mini hydro power projects, Kiriwaneliya MHPP and Denawaka Ganga MHPP, have another 6 years of their first term of SPPA, that are due to expire in 2026 and 2027 respectively.

	Vallibel Power Erathna PLC	Country Energy (Pvt) Ltd	
			
	ERATHNA MHPP	**DENAWAKA GANGA MHPP**	**KIRIWANELIYA MHPP**
Capacity	9.9 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
Location	Kuruwita, Rathnapura District	Malwala, Rathnapura District	Norton Bridge, Nuwara Eliya District
River	Kuru Ganga	Denawaka Ganga	Maskeli Oya
Invested Company	Vallibel Power Erathna PLC	Country Energy (Pvt) Ltd	Country Energy (Pvt) Ltd
No. of Employees	35	43	19

HIGHLIGHTS OF THE YEAR

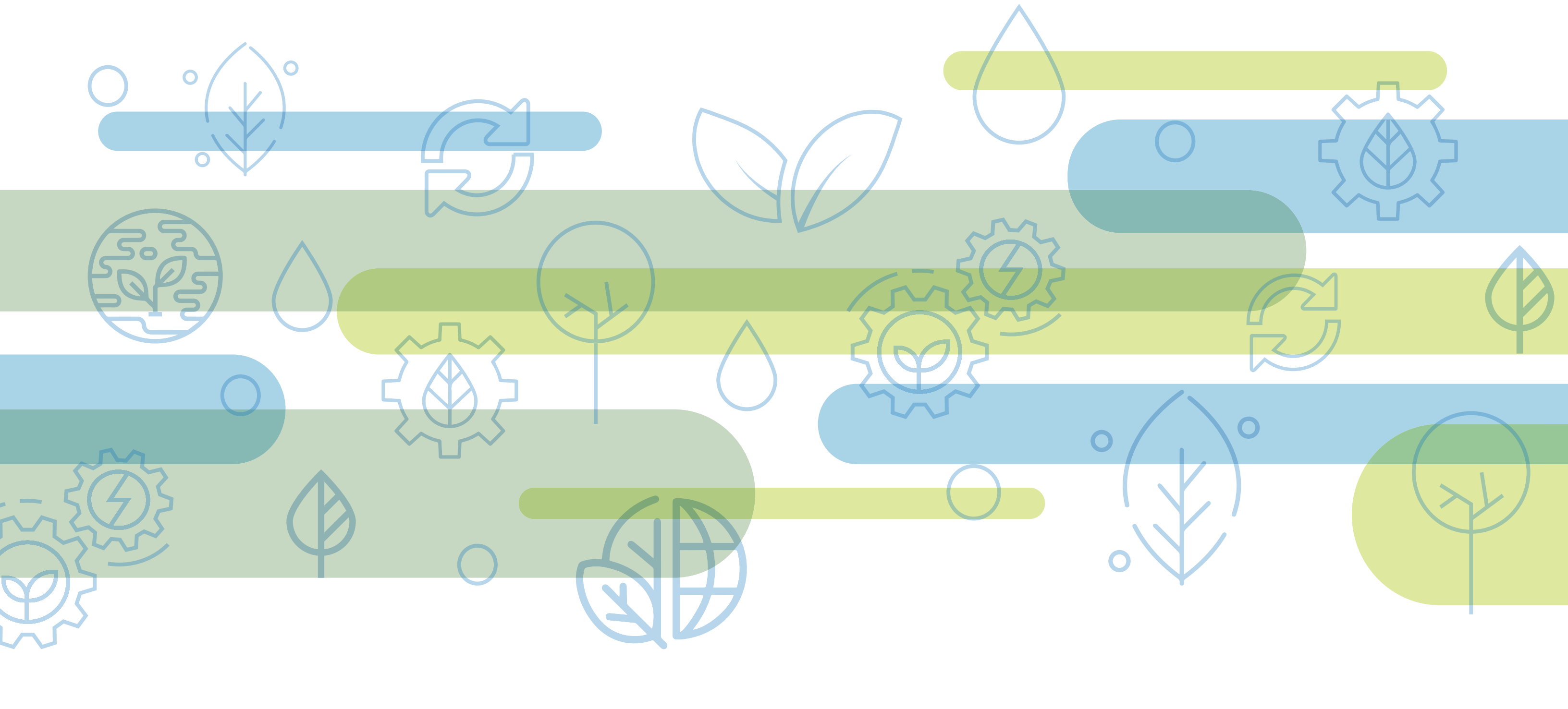
LKR 1.0 BN
GROUP REVENUE

LKR 911 MN
GROSS PROFIT

LKR 707 MN
NET PROFIT AFTER TAX

		2019/20	2018/19	Change %
Performance				
Power Generation	GWh	74.0	79.9	-7%
Revenue	Rs.Mn	1,058.3	1,286.7	-18%
Gross Profit	Rs. Mn	911.5	1,134.9	-20%
Net Profit After Tax	Rs. Mn	707.6	889.9	-20%
Net Cash generated from Operating Activities	Rs. Mn	555.4	874.1	-36%
Financial Position				
Total Assets	Rs. Mn	3,552.8	3,072.2	16%
Total Liabilities	Rs. Mn	301.0	285.3	6%
Shareholders' Fund	Rs. Mn	2,983.8	2,561.1	17%
Net Current Assets	Rs.Mn	1,177.3	622.1	89%
Share Information (per share)				
Earnings	Rs.	0.87	1.12	-22%
Net Assets value	Rs.	3.99	3.43	16%
Dividend*	Rs.	0.70	0.70	0%
Dividend Payout	%	80%	63%	29%
Market Price	Rs.	5.4	5.9	-8%

**Dividend per share represents the Interim Dividend of Rs. 0.30 per share paid on 12th July 2019 and Final Dividend of Rs. 0.40 per share paid on 23rd and 30th June 2020.*



CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

I am pleased to welcome you to the 19th Annual General Meeting of Vallibel Power Erathna PLC and present our Annual Report and Audited Financial Statements for the financial year 2019/2020. This Annual Report does not follow the integrated format introduced in recent years due to a decision taken to reduce costs during these challenging times.

This fiscal year has encompassed the devastating Easter Sunday attacks in April 2019 and culminated in the ongoing Covid-19 pandemic which has affected many businesses in Sri Lanka.

Your Company however was fortunate in that the energy sector was one of the least affected by either of these two events.

LOCAL ENERGY OUTLOOK

The drought that prevailed during the first seven months of 2019 caused a decline in generation of both large hydropower as well as mini-hydropower plants, but generation picked up somewhat during the latter part of the year as rainfall in the catchment areas improved. However, this reduction in the generated power of mini hydropower plants resulted in a corresponding lowering of the contribution of NCREs to the country's energy mix.

Although coal looks the more profitable option to both producers and consumers in Sri Lanka due to the purported low cost of fossil-fuel based power plants, its potential environmental impact too must be considered in the long term. The environment costs of carbon, soil degradation and air-quality and other related issues could be substantial.

Pollution in Sri Lanka is not at significantly high levels when compared with several other countries in the region, but we are still very vulnerable to local and regional weather conditions in terms of our geography, location and rainfall patterns brought on by climate change. Therefore, it is imperative that we pursue more options in renewal energy that take advantage of our tropical climatic conditions. The mini-hydropower sector is near saturation and hydropower energy generation is itself susceptible to the erratic patterns of floods and droughts we experience continually, so investing in solar and wind power, for instance, could be the way forward to meet the country's energy needs.

All these facts confirm the importance of expanding green energy initiatives.

OUR PEOPLE

The fundamental pillars of our success are our skilled, experienced and dedicated workforce who continue to harness their diverse synergies to move the Company forward. Our corporate culture fosters a collaborative and nurturing environment that promotes accountability. We have, in place, a continuous improvement programme that strives to develop the job-related as well as soft skills of staff, both in the executive and non-executive cadres. Company-sponsored outings and events are also organised to support their work-life balance.

The ongoing pandemic has prompted us to introduce far-reaching health and safety guidelines, over and beyond the guidelines already in place. These assure a healthy working environment for our employees as well as all other stakeholders who visit our premises.

THE ENVIRONMENT

We continue to ensure that best practices are followed in preserving the pristine natural environment of our catchment areas. All environment rules and regulations are strictly complied with, and we have in place an environment policy which further ensures such compliance. The benefits of this stringent protection are two-fold: the fragile surroundings of our power plants remain untrammelled, while ensuring a continuous and uncontaminated supply of the liquid wealth that powers our business.

Our pioneering tree planting initiative, Empowering Green spread its reach to several other areas of the country during this year of review. Our efforts under the Empowering Green initiative is detailed in the Management Discussion and Analysis section of this report.

OUR SOCIAL RESPONSIBILITY

This year was no exception for us as a socially responsible entity, where we contributed to communities surrounding our power plants in order to uplift their daily lives.

"I am delighted to announce that we have continued our commitment to you, our esteemed shareholders, despite the adverse circumstances. Accordingly, an Interim Dividend of cents 30 per share was paid by the Board on 12th of July 2019 and a Final Dividend of 40 cents per share was paid on 23rd of June and 30th of June 2020."

CHAIRMAN'S MESSAGE

THE EQUIPMENT THAT POWERS OUR BUSINESS

We continued to operate and maintain state-of the-art machinery in the power plants while adhering, at all times, to schedules and maintenance needs.

YOUR COMPANY'S PERFORMANCE

Climate change took its toll on the weather this year too, affecting the inflows and volumes generated by all three MHPPs, Erathna, Denawaka Ganga and Kiriwaneliya. Consequently, the Group experienced a 7% decline in generation during the current financial year. This downturn in generated power resulted in a decline in Group Revenue by 18%, to Rs.1,058 million, from Rs. 1,286 million in 2018/2019. This loss caused a corresponding drop of 21% in Group Net Profit to Rs. 707.5 million, from Rs. 890 million recorded a year earlier.

The PPA with Erathna MHPP concluded on July 14 last year and is now in the final stage of signing the extension, although the new agreement will be at a lower tariff. From the date of expiry of the Erathna agreement to the conclusion of this financial year (14 July 2019 – 31 March 2020), Erathna has been supplying the grid on the plant factor based method, while the other two MHPPs, namely Denawaka Ganga and Kiriwaneliya, supply power based on the avoided cost method which is at a higher tariff.

The volatility of recent events prompted us to introduce systems and processes that will proactively ensure seamless business continuity in the face of similar future events. I am proud to say that the processes we had in place during the duration of these events were effective in ensuring continuity of business even during the most trying times.

We remain committed to the values, ideals and objectives that ignited our success from inception. These values ensure zero compromise on quality, continuous investment in our human resources, and a strong commitment to maximize value for our shareholders.

Despite these challenging times, I am confident that your Company will continue to be able to give a fairly sustainable return to its shareholders.

AWARDS AND ACCOLADES

We once again, received the Bronze Award under Power and Energy Sector for VPEL Annual Report 2018/2019 at the awards ceremony conducted by the Institute of Chartered Accountants, Sri Lanka. We were also the proud recipients of Winner award under SME category at ACCA Sri Lanka Sustainability Awards 2019 and Bronze trophy for Kiriwaneliya MHPP under Renewable Energy Projects category of President Environment Awards 2019 presented by Central Environmental Authority.

DIVIDEND

I am delighted to announce that we have continued our commitment to you, our esteemed shareholders, despite the adverse circumstances. Accordingly, an Interim Dividend of cents 30 per share was paid by the Board on 12th of July 2019 and a Final Dividend of cents 40 per share was paid on 23rd of June and 30th of June 2020. This brings the dividend declared and paid for the fiscal year to a total Rs. 523 million and enables us to retain our position as the mini-hydropower company that pays the highest dividends, despite the odds.

APPRECIATION

I will be remiss in my duties if I fail to appreciate my Board for their collective vision and initiative for the growth and development of the Company during a difficult period. I take this opportunity to welcome Ms. Yogadinusha Bhaskaran and wish her every success and a productive tenure in office as she takes her place on the VPEL Board. I express my grateful thanks to our valued shareholders and other stakeholders for your unwavering loyalty over the years. Your faith has enabled us to pursue long-term goals and strategies that are vital to ensure our success into the future. Last but not least, I express my gratitude to the Joint CEOs and staff of VPEL for their hard work and dedication in a particularly challenging year. I take pleasure in inviting each one of you to continue to accompany us on our journey to excellence.

Dhammika Perera
Chairman

July 03, 2020

BOARD OF DIRECTORS

Mr. Dhammika Perera
Chairman – NED

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including manufacturing, banking & finance, leisure, plantations and hydro power generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies. Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Greener Water Ltd, Unidil Packaging Ltd, Delmege Ltd, and LB Microfinance Myanmar Company Ltd. He is the Co- Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC & Dipped Products PLC. Also the Director of Dhammika & Priscilla Perera Foundation.

Mr. S H Amarasekara
Deputy Chairman - INED

Mr. Harsha Amarasekera, President Counsel is a leading light in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include 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), Swisstek (Ceylon) PLC (Chairman), & Swisstek Aluminium Limited (Chairman), Vallibel One PLC, Royal Ceramics Lanka PLC, Expolanka Holdings PLC. Chevron Lubricants Lanka PLC, Ambeon Capital PLC, and Amaya Leisure PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

Mr. P K Sumanasekera
Director - INED

Mr. Prabodha Sumanasekera holds a Degree in Physics from the Colombo University and has over 25years experience in the small hydro power sector.

He has been involved in formulating and developing 35 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, and in Africa.

BOARD OF DIRECTORS

Mr. H Somashantha
Director - NED

Mr. Haresh Somashantha counts 20 years of dynamic leadership career with a rich mix of finance and operations. He possesses an intimate knowledge of internal/ external processes, business planning and development, strategic and financial management. He is an expert with a track record in executing team driven process improvements with innovative solutions to increase revenue, operational efficiency, customer satisfaction and overall profitability.

He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, a Fellow member of the Institute of Certified Management Accountants of Sri Lanka and an Associate member of CPA Australia, further to holding Bsc in Mathematics.

He is the Head of Finance & Treasury of Royal Ceramics Lanka PLC (Rocell Group). He serves on the Board of Hayleys Fabric PLC further to being its Audit Committee Chairman. Mr. Somashantha also serves as a Director/ Audit Committee Member on the Board of Unidil Packaging Limited. His further Directorships include several subsidiary companies in the Delmege Group.

Mr. 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 agriculture Industry and in addition also functions as Senior Advisor to large privately held corporate houses. He is also a council member of the Institute of Chartered Accountants of Sri Lanka.

Mr. 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 Assistant Manager – Estate Management in the Strategy and Business Development Department. He also serves as a Director on the Export Development Board of Sri Lanka. He previously worked at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011-2014) in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. He is the co-owner and co- founder of Royal Orchids (Pvt) Ltd. which owns and operates a floriculture farm. He also serves on the board of Kelani Valley Plantations PLC and The Fortress Resort and Spa PLC.

Ms. Yogadinusha Bhaskaran
Director - NED

Appointed w.e.f. 15th May 2020

Ms. Yogadinusha Bhaskaran is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and an Associate Member of the Institute of Bankers, Sri Lanka. Her positions in listed companies in Sri Lanka includes the Chief Executive Officer of Vallibel One PLC, Non-Executive Director of LB Finance PLC, and Alternate Director to Mr. Dhammika Perera on the Boards of Dipped Products PLC, Hayleys Fabric PLC, and Haycarb PLC. She also serves as the Director of Delmege Limited, Delmege Air Line Services (Private) Limited, and Delmege Aero Services (Private) Limited. In addition to these positions, Ms. Bhaskaran serves as the Chairperson of the Audit Committee and member of the Remuneration Committee of LB Finance PLC. Former appointments of Ms. Bhaskaran includes Assistant General Manager (Finance & Planning) of Pan Asia Banking Corporation PLC, and Financial Controller of several Australian companies in Melbourne.

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

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ENERGY INDUSTRY

Many countries are keenly pursuing renewable energy technologies since the convergence of smart energy networks and digital solutions have the potential to considerably reduce their dependence on fossil fuels. These new technologies are also lowering the cost of solar panels, wind turbines and other sources of renewable energy. For instance, the average costs of utility- scale solar photovoltaic (PV) projects have plummeted by 73% since 2010. Thus, affordability is bringing the ability to produce green electricity to the people rather than confining it to the operations of utility conglomerates.

The growth of renewables generation during the current year was faster than the growth of any other fuel including fossil fuels like coal and natural gas. Wind power and solar photovoltaic (PV) power, in particular, experienced another year of double-digit growth, with wind power, solar PV and hydropower together making up over 85% of renewables growth, complemented mainly by bioenergy.

The demand for renewables grew during the year by 3.7% to 75 Mtoe, but electricity demand grew at the slowest rate since the financial crisis although energy efficiency continued to improve. Slow demand growth paired with the strong growth of renewables and nuclear power drove down fossil-fuelled generation globally for the first time in four decades, with low carbon generation exceeding that of coal for the first time, providing 37% of global electricity supply. The demand for oil and coal declined substantially during the year, electricity generated from coal-fired power plants fell by the largest amount ever due to cheap gas prices and expanding renewables and nuclear power.

The Covid-19 pandemic that was rampant from the beginning of 2020 is predicted to bring about a global recession, described by Kristalina Georgieva, Managing Director of IMF as being "a recession at least as bad as during the Global Financial Crisis or worse." All economies are expected to feel its impact. (Source. Energyworld https://www.energyworldmag.com/the-impact-of-covid-19-crisis-on-global-energy-sector/)

The energy sector is already feeling its impact. The pandemic is having an especially negative impact on the renewables sector, mainly in relation to the delivery of power plant equipment. China, for instance, among the countries most heavily affected by the coronavirus, is the main global producer of many clean energy technologies such as solar panels, wind turbines and batteries. The pandemic has delayed deliveries from China and renewable energy companies are not able to comply with deadlines for equipment installation.

LOCAL ENERGY INDUSTRY

Sri Lanka's continued its dismal performance in terms of real economic growth into this year too, although macroeconomic measures helped stabilize external sector imbalances to a certain extent, while inflation pressures remained muted. The spillover effects of the Easter Sunday attacks in April 2019 were felt throughout the economy, which worsened the slow growth. The shock to the country's economy from the coronavirus pandemic is expected to slow down economic activity further and contract the economy. This will impact the growth of all sectors, especially the external, fiscal and financial sectors, and could trigger further uncertainties about the country's economic performance in subsequent years. However, Sri Lanka's energy sector was one of the least affected by the Covid-19 pandemic.

The Central Bank Annual Report lists the country's energy mix in 2019 as composed of hydropower - 24 %, fuel oil - 32 %, coal - 34 % and NCRE power generation - 11 %. Power plants owned by the CEB contributed 71.1 % of the total power generated during the year, while the remainder was purchased from independent power producers (IPPs). Electricity sales increased by a 3.7 % to 14,612 GWh in 2019, from 14,091 GWh in 2018.

The financial performance of CEB weakened substantially in 2019, where losses recorded by the utility, according to unaudited provisional financial statements, have more than doubled during the year to Rs. 85.4 billion, as against a loss of Rs. 30.5 billion recorded in 2018. A key reason for the CEBs operating losses is its consumer tariff, which has not been revised since 2013, which is about 10%-15% below the average cost of production of electricity. The government should adopt a tariff structure for electricity that reflects the cost of production and distribution. It is noteworthy to mention here that the tariff provided by the CEB for NCRE energy is lower than that for fossil fuels, which is one more reason for encouraging the expansion of NCRE. Introducing a cohesive national policy on energy which prioritises energy security and is designed to ensure the provision of affordable, reliable and clean energy primarily from indigenous renewable energy sources, is vital to guarantee investors security of their investment.

A UNDP study, *Assessment of Sri Lanka's power sector, estimates* that the country's electricity generation demand could increase to 20,000 GWh in 2025 from 14,000 GWh in 2016. It is vital that this expanded demand is met by renewables if the country's energy sector is to remain sustainable.

The fact that the government is continuing its efforts to promote NCRE projects indicates that there is hope on the horizon.

The preliminaries of the Mannar wind park project, expected to add 100 MW to the national grid, have been finalised and on-site construction work commenced during 2019. In 2019 the Soorya Bala Sangramaya, project, together with tendered projects added 300 MW to the national grid.

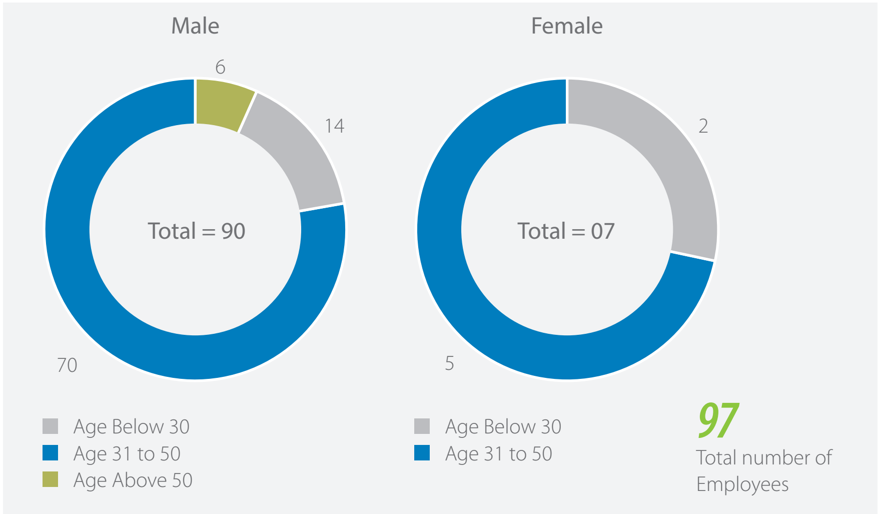
The Cabinet also granted approval for the construction of two 300 MW natural gas combined cycle power plants in Kerawalapitiya, and a 300 MW coal fired plant as an extension to the existing complex in Norochcholai, which are expected to contribute to the national grid by 2023.

FOSTERING OUR HUMAN TALENT

We foster a culture of care and accountability in which the needs and aspirations of each employee are considered and catered to. Our work environment is free from prejudice, discrimination and victimization and policies and processes have been introduced to ensure it stays this way.

Our human resources processes are designed to recruit the best talent for the job, identified in terms of capability and competence, irrespective of whether they are referrals or direct applicants. Recruitment is carried out in line with the plans, goals and requirements of the Company. Equal opportunities of employment and advancement are provided to all, irrespective of age, sex, marital status, family status, disability, race, nationality or religion. As part of our culture of care, we extend our recruitment net to the marginalised residents of our catchment areas, which is aimed at elevating their living standards and providing the recruits with personal development opportunities they would otherwise not receive.

Age Analysis of Employees



Every year, several training and development programmes are identified to equip a cross section of staff with job-specific skills as well as soft skills. This ensures that our employees receive the right opportunities that utilise their talents, widen their exposure and further their careers.

We recognise the contributions of each employee and identify the best performers with rewards, promotions and benefits commensurate with their achievements.

As site staff work in a hazardous environment, they are provided with personal protection equipment and are mandated to follow a Health and Safety policy designed to consider every aspect of risk.

During the year under review, the company has not experienced any material issue pertaining to the employees or industrial relations of the company.

NURTURING NATURE

We are in the business of generating sustainable energy which has geared us to pursue sustainability in every aspect of our business and prompted us to pursue a reciprocal agreement with Mother Nature. Therefore, protecting and nurturing the sensitive environment in which we operate is a chief concern, since our natural resources touch our business at every point. Our Quality and Environment Policy, drafted in line with international guidelines on environment protection, serves as a continuous reminder of the importance of preserving our vulnerable environment and keeping it free of pollution, whether of sound, air or solid materials.

As the liquid wealth of our business, we are committed to protecting our precious water resources and this commitment extends to caring to the needs of the occupants within the catchment area, be they human, fauna or flora, by preserving the pristine nature of their habitation. We are cognisant of the fact that the water we use also sustains their lives, so we ensure that it remains uncontaminated and fit for human consumption at all locations. As all three mini hydropower projects are run-of-river, the water utilised in generating power is returned to the rivers unchanged, both in quality and quantity.

MANAGEMENT DISCUSSION AND ANALYSIS

We have introduced a series of far-flung measures to mitigate the impacts of our activities. We have also ensured that no construction is carried out in areas that protect endemic species and that every construction is carried out in consideration of the needs and concerns of the inhabitants and the preservation of the ecosystem. From the planning stages to ongoing operations, all three power plants have been constructed in a manner that prevent soil erosion and riverbank failures, and allow natural waterways for returning the water utilised in generating power, back to the river.

We have also taken every step necessary to ensure that all inhabitants, whether human or animal, have safe and secure pathways through our power plants, with stone slabs, steps and gravel paths built to protect them and ease their through-passage.

The noise and vibrations of powerplant operations are, to a great extent, contained within the structures which are purpose-built, and sound is further muffled by vegetation grown to encircle the powerplants.

By the very nature of mini hydropower plant operations that generate renewable energy, we are responsible for zero GHG emissions.

Waste generated from business operations and human occupation of the sites is carefully collected, sorted out into appropriate bio-degradable and non- bio-degradable categories, and disposed of safely in a manner that causes least harm to the environment according to environment guidelines. Hazardous waste is collected separately by licensed operators and disposed of in accordance with the guidelines supplied by environment authorities.

All greenery cleared for construction purposes is on state approvals and permits. Trees and vegetation removed are replanted in areas of scarce vegetation and also regrow to blend the constructions with their environment.

All three power plants occupy state and private lands, and we, as custodians, maintain, protect and utilise their resources effectively.

Empowering Green, our flagship project, was introduced three years ago for the specific purpose of replanting depleted species of trees in sparse areas and has brought employee volunteerism to the forefront. During the current fiscal year, 141,174 trees were planted around the country. More avenues for plantation will be explored in the coming years.

Highlights of the year;

Donation of 10,000 plants to schools of Sabaragamuwa Province

Planting 5,000 trees at Wilpattu National Forest

Donation of 1,500 plants to Army Camp, Kuruwita

Planting 750 trees at Durekanda, Rathnapura

OUR RESPONSIBILITY TO SOCIETY

Over the years, we have built strong and reciprocal relationships with the impoverished indigenous communities that inhabit the catchment areas in which we operate because we know them as a critical stakeholder group whose approval is vital for our long-term growth and success, and thus, necessary for our value creation process. They, in turn, appreciate our support in providing them with employment, building village infrastructure and supplying them with amenities and supporting educational opportunities, all of which are designed to elevate their living standards and secure their futures.

Highlights of the year;

Donation of roof materials for construction of a hall for a temple in Kiriwaneliya

Donation for construction of an outdoor classroom at Erathna primary school

Rehabilitation of Sripada ambalama in Warnagala, Kuruwita

Donation of stationery items for first graders of low income families in the vicinity of Kiriwaneliya MHPP

MAINTAINING THE MACHINERY THAT POWERS OUR BUSINESS

Our three projects, Erathna, Denawaka Ganga and Kiriwaneliya, are powered by state-of-the-art equipment built and installed on- site and use cutting-edge power generation technologies to maximise energy yield. This high- efficiency electromechanical equipment has been built and supplied by world renowned hydropower equipment manufacturing specialists from Europe, Asia and Sri Lanka, namely Voith Seimens, Germany, Dongfeng Electric Corporation, Asia, and VS Energy, Sri Lanka.

Careful and rigorous maintenance carried out in accordance with preplanned schedules according to the guidelines provided by the manufacturers, ensures they operate with optimum efficiency and that machinery downtime is minimised. These state-of-the-art turbines, generators and control equipment are supported by professionally designed civil constructions that optimise power generation and minimise power interruptions.

All three power plants are protected by insurance, are in compliance with the regulations specified in their respective SPPAs, and meet international standards of mini hydro power operations. Due to the hazardous nature of the generation process, they also follow a range of health and safety precautions that ensure safe and hazard-free operation.

ENGAGING OUR STAKEHOLDERS

We engage with a wide range of key stakeholders who each contribute to a different aspect of our value creation process in the medium and long term. They include our shareholders, employees, suppliers and other service providers, regulatory bodies and the government, our sole customer- the Ceylon Electricity Board, banks and financial Institutions, industry bodies and associations, environmental organisations, the media, the local communities that inhabit the catchment areas as well as the general public.

We recognise that each stakeholder is different and has diverse needs and expectations from us, and tailor our communication accordingly, to reach them at various touchpoints of engagement. We ensure that our communication is open, honest and timely, and encourage their feedback even if and when it is negative, in the firm belief that all such interactions serve to fine-tune our focus on business excellence.

For the future, we will continue to invest time and effort to improving our understanding and interaction on the issues of specific interest to each stakeholder group, and explore the most effective means by which to engage them to promote a healthy and mutually beneficial relationship.

AWARDS AND ACCOLADES

The Company strives to raise the bar at every turn of our journey to excellence and we continually benchmark ourselves against the best, to ensure that our place at the helm of the mini hydropower industry is well secured.

The systems, procedures, processes and policies we have in place are carefully designed to ensure that best practices are followed in every area and every aspect of business and that we have the necessary resources to pursue sustainable growth well into the future.

Accordingly, this year too, we competed in the Annual Report awards presented by the Institute of Chartered Accountants, Sri Lanka, one of the most sought- after annual report rating awards, and the VPEL Annual Report 2018/2019 was recognised with a Bronze placement in the Power and Energy Sector. Our commitment to sustainability was once again awarded as the winner in SME category at the ACCA Sri Lanka Sustainability Awards 2019. Kiriwaneliya MHPP was the proud recipient of the Bronze award under Renewable Energy Projects category of President Environment Awards 2019 presented by the Central Environmental Authority.

Bronze Award-Power & Energy Sector, Annual Report Award Competition-2019, CA Sri Lanka

MANAGEMENT DISCUSSION AND ANALYSIS

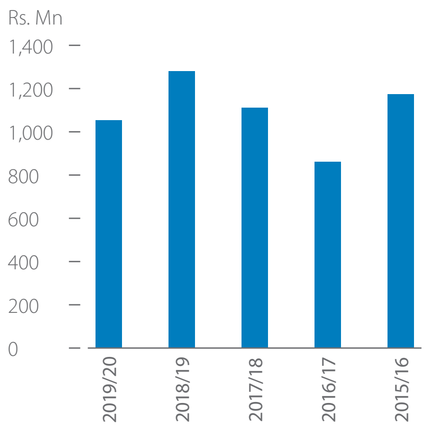
Winner-SME Category, Sustainability reporting Award-2019, ACCA Sri Lanka

Bronze-Renewable Energy Category, President Environment Award-2019, CEA

GROUP PERFORMANCE

The drought that prevailed during the first seven months of 2019 reduced the output of all three power plants. This apathetic performance was offset somewhat by rainfall experienced in the catchment areas in the third quarter of the year. However, the volumes generated during the wet period were insufficient to offset the shortfall experienced during the drought earlier in the year, and cumulative generation output reduced by 7% in 2019/2020. Consequently, Group Revenue during this fiscal year contracted by 17.5% to Rs. 1,058 million, from Rs. 1,287 million achieved in 2018/2019. To this was added the drop in tariff experienced during the fiscal year by Erathna MHPP, the Group's largest power plant. The signing process of the extension of Erathna SPPA agreement is at the final stage, although the new agreement will be at a reduced tariff.

Group Revenue



This revenue is the composite revenues delivered during the year by Erathna, Denawaka Ganga and Kiriwaneliya MHPPs of Rs. 392.56 million, Rs. 417.68 million and Rs. 248.07 million respectively, which for Erathna MHPP declined by 42%, from Rs. 671.66 million in 2018/2019, although Denawaka Ganga achieved a 12% increase over the preceding fiscal year's Rs.374.28 million and Kiriwneliya MHPP recorded a marginal increase of 3% over Rs. 240.78 million achieved last year.

SEGMENTAL PERFORMANCE

Erathna MHPP

During 2019/2020, Erathna MHP's power generation dropped by 11% to 37,174,462 kWh, from 41,796,220 kWh generated the preceding fiscal year, as a result of the aforesaid erratic weather patterns. Revenue however, fell by a substantial 42% to Rs. 392.56 million, when compared with the revenue of Rs. 671.66 million generated in the previous year. This immense drop in the income generated can be attributed to the change in the plant tariff awarded, which was reduced from the much higher Avoided Cost method (Rs. 19.96 – dry, Rs 17.80 – wet) to the substantially lower plant- based tariff that averages at Rs. 7.09. The Avoided Cost based tariff was effective upto the expiry of the MHPP's PPA on 14 July 2019 and the proposed plant factor-based tariff was considered from the date of expiry to the present. This resulted in a receivable amount of Rs. 182.1 million from CEB as of the year end which is to be realised once the SPPA is signed. The Company has been informed by the CEB that the extension of SPPA will be signed shortly.

Denawaka Ganga MHPP

Denawaka Ganga MHPP is also a run-of-river mini hydro power project and developed by VPEL's subsidiary Country Energy (Pvt) Ltd., was built with an installed capacity of 7.2 MW and designed energy of about 25 GWh. The project is located near Durekkanda, in the Ratnapura Divisional secretariat of the Ratnapura District and uses the water flow of the Denawaka Ganga, the main tributary of the Kalu Ganga to generate electricity to the national grid.

In the year of review, the plant supplied the national grid with a generated power of 22,986,110 kWh, which is marginally lower than the power of 23, 002,642 kWh generated in 2018/2019. Despite the marginal decrease, the power generated brought in a revenue of Rs. 417.68 million, compared to Rs. 374.28 million recorded last year, which is an increase in revenue of 12% due to increase in avoided cost based tariff 2019 compaired to that of 2018. In a year of dismal performance, Denawaka Ganga MHPP was the highest performing MHPP.

Kiriwaneliya MHPP

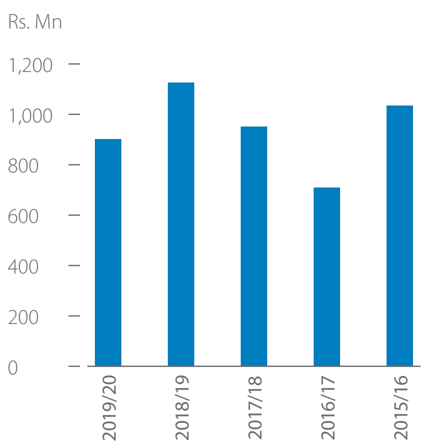
Kiriwaneliya MHPP was constructed by VPEL's subsidiary Country Energy (Pvt) Ltd., and is located in the Kiriwaneliya village of the Nuwara Eliya district in the Central province. This MHPP also generates hydroelectric power, utilising the water flow of Maskeli Oya. It has a total installed capacity of 4.65 MW and designed energy of 15 GWh.

This MHPP generated 13,817,089 kWh, to the national grid during this fiscal year, which is 9% less than the 15,131,104 kWh generated in 2018/2019. This year's generation earned a revenue of Rs. 248.07 million, 3% higher than the Rs. 240. 78 million achieved last year.

Both the Denawaka Ganga MHPP and Kiriwaneliya MHPP supplied power to the national grid on the Avoided Cost Tariff method which in 2018 was Rs. 17.58/kWh during the dry season and Rs. 15.70/kWh in the wet season. The tariff was increased in 2019 to Rs. 19.96/kWh in the dry season and- Rs. 17.80/kWh in the wet season, which affected the top line of Group positively. Both projects have nearly six more years before expiry of the first term of their 15- year operation.

OTHER KEY FINANCIALS

Gross Profit



As a result of the drop in Group Revenue, Gross Profit during the current fiscal year declined by 20% to Rs. 911.53 million, from Rs. 1,134.95 million recorded in 2018/2019.

Finance Cost

Finance cost increased by 24% to Rs. 5.20 million, from Rs. 4.20 million a year earlier, due to the recognition, for the first time, of the Group's lease liability in accordance with the SLRS 16 which is disclosed in notes to the Financial Statements.

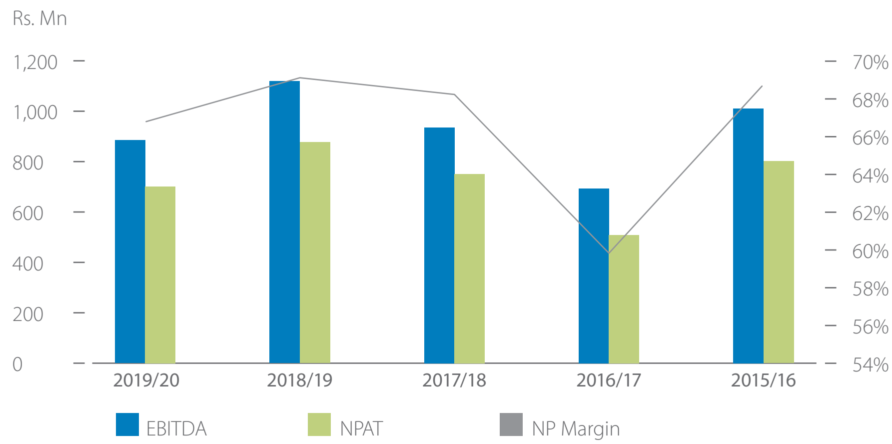
Taxation

Group tax expenses fell by 21% to Rs. 114.9 million from Rs. 145.5 million in the preceding fiscal year due mainly to the reduced topline of the Group.

Description	2019/20 Rs. Mn	2018/19 Rs. Mn	Change
Income tax on Business Income	114.9	145.5	-21.0%
(-) Reversal of over Provision	(3.0)	(0.8)	-
Income Tax on Other Income	16.0	13.7	9.4%
Deferred tax charge / (reversal)	9.6	10.7	10%
Tax on Inter-Company Dividend	16.3	26.2	37.8%
Total	153.8	195.3	-21.2%

Profitability

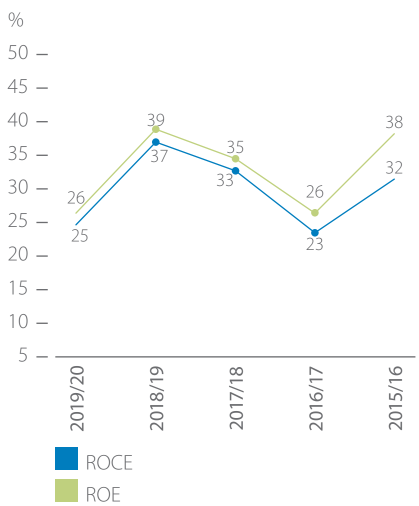
Despite the decline in EBITDA by Rs. 232 million to Rs 898.4 million in 2019/2020, as against Rs. 1,130.8 million in the preceding year, NPAT reduced by Rs. 182 million during the year because of the increase in interest income by Rs. 10 million. The Group's NP margin stood at 67% during the year.



MANAGEMENT DISCUSSION AND ANALYSIS

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

The substantial drop in revenue had a corresponding effect on the Group ROCE and ROE in the current fiscal year. ROCE declined to 25%, from 37% achieved in 2018/2019, while ROE declined to 26% from 39% reported last year.

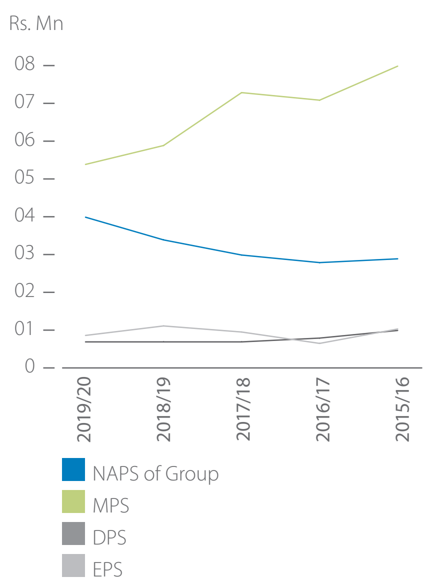


Working Capital

The Working capital position of the Group as of year- end, however, reported a healthy increase by 89% to Rs. 1,177.3 million as a result of increased short- term investments and trade receivables. This resulted in a very comfortable rise of the current ratio to 12.2 times in the current year, which is more than double the current ratio of the previous year of 5.2 times. This confirms the Company's financial health and operational success.

Share Performance

Net Assets per Share (NAPS) of the Group increased by 17% to Rs. 4/- per share from Rs. 3.43, mainly due to the increase in the un-distributed reserves of the Group. However, the Earnings Per Share (EPS) of the Group declined from Rs. 1.12 per share to Rs. 0.87 per share due to the lower performance of the current year and Market Price Per Share (MPS) declined correspondingly. The Company paid an interim dividend of Cents 30/ share during the year and a final dividend of Cents 40/ share for year 2019/20 after the reporting date.



CORPORATE GOVERNANCE

OVERVIEW

Corporate governance dictates the shared philosophy, practices and culture of an organisation, and comprises the various duties, obligations and rights that control and direct it. In short, it balances the interests of a company's many stakeholders such as shareholders, the board of directors, senior management executives, customers, suppliers, financiers, the government, and the community, and provides the framework for achieving a company's objectives. This means that it covers virtually every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

APPROACH

VPEL recognises that sound principles of Corporate Governance are essential for maintaining the Company's public image because such principles increase accountability by clearly and equitably defining responsibilities among those who participate in the various activities and areas of management of the Company.

As such, the Company ensures that it maintains the highest levels of corporate governance by creating a transparent set of rules and controls in which shareholders, directors, and officers of the Company have aligned incentives. This is achieved by strengthening roles and controls and promoting transparency and disclosures.

The Company's approach to corporate governance remains unchanged from the rules and principles adopted in the preceding year and is based on the current codes of best practices.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

As Chairman of the Board of Directors of Vallibel Power Erathna PLC (VPEL), I endorse the high standards of governance set by the Board. I confirm that stewardship and good governance of our Company remains a high priority for the Board and hereby affirm that we will continue to ensure that our strong governance framework and practices will be updated and refined in accordance with changes to the governance agenda.

The Board perceives its role to be that of assuring the Company's success well beyond their own terms of office by ensuring that the Company is equipped to take advantage of economic trends and market conditions that will sustain its business well into the future.

The standards and values that define the integrity and competency of the Board are set out in the codes of best practices on corporate governance of the Company.

I affirm that VPEL's Code of Conduct and Ethics as well as the procedure for disseminating, monitoring and compliance with that code has been introduced throughout the Company. I am not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics, to date.

Dhammika Perera
Chairman

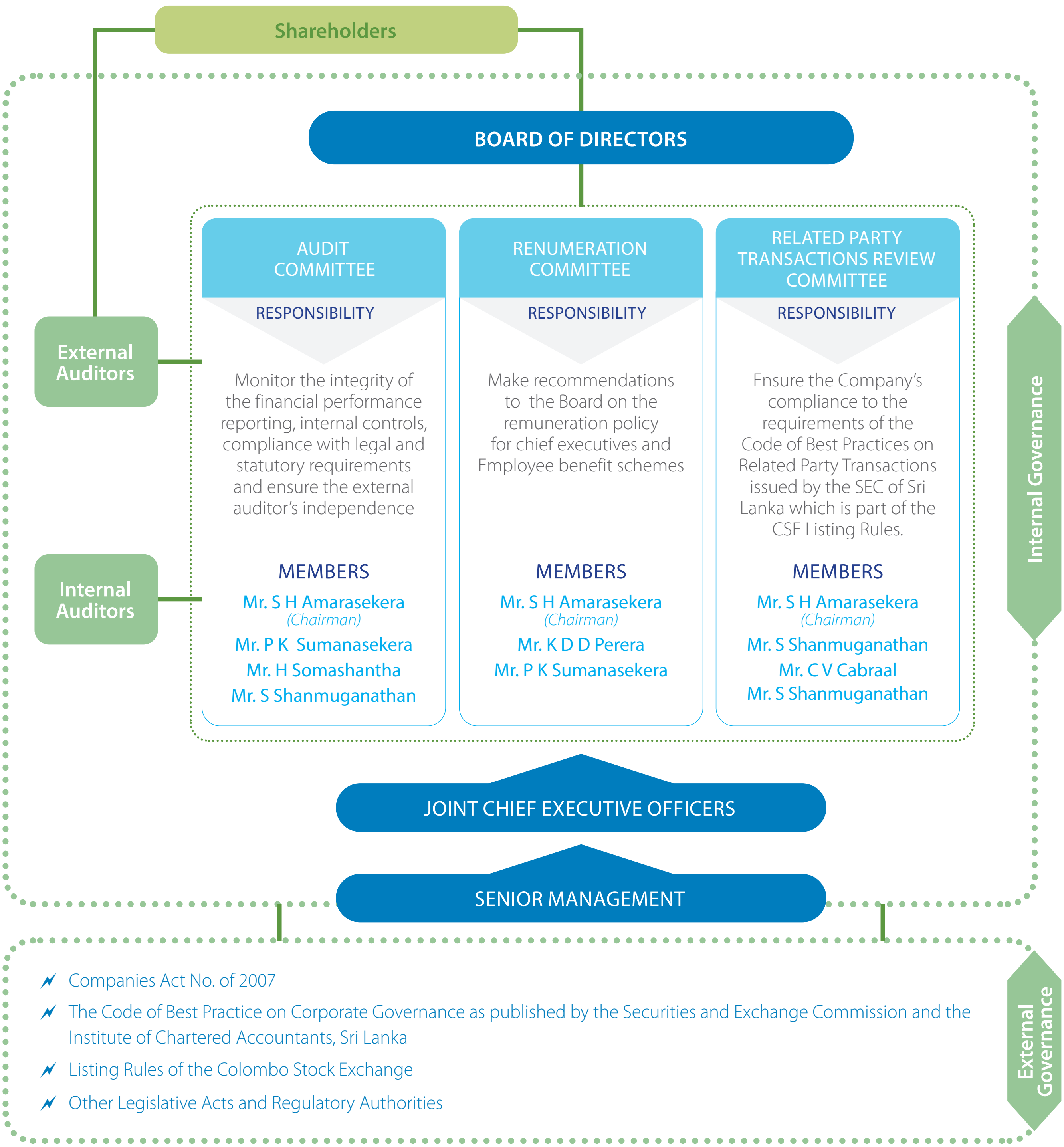
July 03, 2020

CORPORATE GOVERNANCE INTEGRAL TO MITIGATE RISK

VPEL recognises the value of Corporate Governance in ensuring the continuity of business and utilises it as a self-policing function that ensures honesty and ethical dealings that build stakeholder trust, which, in turn creates sustainable value. To ensure and enhance this value, the Company has developed corporate governance practices with risk management as a priority, because it understands that careful risk management is essential to succeed in every area of business.

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE



Internal Governance

The Company has in place a comprehensive internal framework of governance that assures a four-fold objective;

a) to enhance accountability to shareholders and other stakeholders,

b) to ensure timely and accurate disclosures of all material matters,

c) to deal fairly with shareholders and other stakeholder interests, and

d) to maintain high standards of business ethics and integrity.

It has been designed specifically to enable VPEL to discharge its statutory duty of ensuring risks are managed prudently while pursuing its business objectives.

The Board of Directors headed by the Chairman has the overall responsibility of running the company. VPEL's Board comprises 7 Non-Executive directors of whom three are Independent. In principle, the Board of Directors meets quarterly to consider important management proposals made by the Chairman, the highest authority for corporate management who is responsible for protecting investors' interests and for overseeing the Company as a whole. The 7 outside directors apply their specialized expertise in diverse areas of management by engaging in decision making and oversight of business execution. Furthermore, the Board of Directors can request reports on matters that are decided by the Jt. Chief Executive Officers. In this manner, the Company strengthens governance from the perspectives of sharing information and monitoring, thereby creating systems for better ensuring the soundness of management.

Three committees, namely the Audit, Remuneration and Related Party Transactions Committees have been appointed by the Board from among its members, they are to extend its implementation and monitoring functions. Each committee has a charter and operating procedures which is reviewed regularly. The Board also has the right to establish other committees it deems be necessary to address matters of special importance.

External Governance

In pursuit of achieving the highest standards of corporate governance, the Company follows an approach that complies with all the regulations, codes and best practices adopted by different and relevant governing bodies.

Responsibilities of the Management

The Jt. Chief Executive Officers report directly to, and are accountable to, the Board of Directors for the performance of the Company. They manage the daily affairs of the Company and are responsible for leading the development and execution of the Company's short and long-term strategies, with the goal of increasing shareholder value. These functions are formally delegated to them by the Board.

The Jt Chief Executive Officers are responsible for delivering results according to the strategic plan, within the policies and budgets approved by the board. Implementation of the strategic plan is delegated by the Joint CEOs to the top-level management team, which has the varied set of skills and experience to action the plan.

The responsibilities of the Board and the Joint Chief Executive Officers are itemized in the Company's Code of Best Practices and are reviewed regularly.

VPEL does not have a dedicated sustainability committee because the management assumes full accountability for ensuring the implementation of sustainability within the Company. This especially involves to ensuring sustainable practices in to the communities and the environment it functions in.

MEETINGS OF BOARD AND SUB-COMMITTEES

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

Name of Director	Directorship Status	Attendance		
		Board Meeting	Audit Committee Meeting	Related Party Transactions Review Committee
Mr. Dhammika Perera (Chairman)	Non Executive	4/4	NA	NA
Mr. S H Amarasekera (Deputy Chairman)	Independent Non-Executive	4/4	4/4	4/4
Mr. P K Sumanasekera	Independent Non-Executive	0/4	0/4	NA
Mr. H Somashantha	Non Executive	4/4	4/4	NA
Mr. S Shanmuganathan	Independent Non-Executive	4/4	4/4	4/4
Mr. C V Cabraal	Non-Executive	4/4	NA	4/4
Ms. Y Bhaskaran*	Non Executive	NA	NA	NA

**Appointed w.e.f. 15th May 2020*

CORPORATE GOVERNANCE

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 as follows.

Section 01		The Company	
Code	Principle	Status	Level of Compliance
A	Directors		
A.1	The Board		
A.1.1	Board Meetings	Complied	The Board meets quarterly. Ad-hoc meetings are held as and when required. During the year under review, the Board met on four occasions. and the following operational and financial information are considered at the meetings; - Financial and operational results with KPIs - Financial performance compared to previous periods, budgets and targets, - Impact of risk factors on financial and operating results and actions to mitigate such risks. - Forecast for the next period, compliance with laws and regulations and any non-compliances of operations. - Internal control breaches or frauds during the period and related actions taken which is subjected to the internal audit reports for such periods. - Financial and operational decisions taken by the Joint Chief Executive Officers within their delegated authority. - Share trading of the Company and related party transactions by Key Management Personnel and the further indications as mentioned in the section of D.1.8 on page 30. - Any other matters the board be aware of. The attendance at these meetings have been depicted in the table given in this section.

Section 01		The Company	
Code	Principle	Status	Level of Compliance
A.1.2	Responsibilities of the Board	Complied	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. - Approving budgets and major capital expenditure. - Ensuring compliance with laws, regulations and ethical standards. - Ensuring all stakeholder interests are considered in corporate decisions. - Recognising sustainable business development in Corporate Strategy, decisions and activities. - Ensuring effective systems to secure integrity of information, internal controls, business continuity - Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks - Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company. - 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	Complied	The Board collectively, and Directors individually act in accordance with the Laws and Regulations of the country, and to the Company's policies. At any time, 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	Complied	The advice and services of the Company Secretaries, Messers P W Corporate Secretarial (Pvt) Ltd, are available to all members of the Board. They keep the Board informed of new laws and revisions, regulations and requirements coming into effect which are relevant to individual Directors and collectively to the Board. The removal of the Secretary would be at the discretion of the Board.
A.1.5	Independent judgment of Directors	Complied	All Directors bring independent judgment to bear, in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.

CORPORATE GOVERNANCE

Section 01		The Company	
Code	Principle	Status	Level of Compliance
A.1.6	Dedication of adequate time and effort of the Directors	Complied	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.1.8	Training for new and existing Directors	Complied	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	Complied	Two Joint Chief Executive Officers function at the highest executive position in the Company who are not members of the Board. A clear division of responsibility, power and authority is maintained between the Chairman and the Jt. CEOs ensuring that the balance of power and authority is reserved.
A.3	Chairman's Role		
A.3.1	Chairman's role	Complied	The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that: - The agenda for board meetings is developed in consultation with the Joint CEOs, Directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. - Sufficiently detailed information of matters included in the agenda are provided to Directors in a timely manner. - All directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities. - 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; - All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda. - A balance of power between Executive and Non-executive Directors is maintained. - The views of Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes. - The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.

Section 01		The Company	
Code	Principle	Status	Level of Compliance
A.4	Financial Acumen		
A.4.1	Financial Acumen	Complied	The Board includes two Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. They serve as members of the Audit Committee too. Other members of the Board have ample experience in handling the matters of finance by serving in different organizations. Hence the Board is equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.
A.5	Board Balance		
A.5.1	Non-Executive Directors	Complied	All Directors are Non-Executive Directors including Chairman.
A.5.2	Independence of Non-Executive Directors	Complied	Three of seven Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules.
A.5.3	Independence of Non-Executive Directors	Complied	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	Complied	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	Complied	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 09 and 11. The Board believes the Independency of Mr. S H Amarasekera and Mr. P K Sumanasekara is not compromised by being a Board members for more than nine years.
A.5.6	Alternate Director	Complied	There are no Alternate Directors as at 31/03/2020.
A.5.9	Chairman's meetings with Non-Executive Directors	Complied	Separate meetings are not required since all the Directors are Non-Executive Directors.
A.5.10	Recording of concerns in the Board Minutes	Complied	No concerns have been raised by the Directors which could not be unanimously resolved during the year.
A.6	Supply of Information		
A.6.1	Timely and appropriate information to the board	Complied	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	Complied	The Directors are provided, the agenda and the Board papers in advance to prepare and clearly comprehend with the matters discussed or consent for an effective meeting. The minuets of the meetings are ordinarily provided within the considerable time frame.

CORPORATE GOVERNANCE

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
A.7	**Appointments to the Board**		
A.7.1 & A.7.2	Appointment to the Board	Complied	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 in accordance with this provisions, Ms. Y. Bhaskaran has been appointed and offers herself for re-election at the AGM.
A.7.3	Disclosure of new appointments	Complied	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	Complied	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 re-appointment by the shareholders at that meeting. As per the provisions of Company's Articles, at each Annual General Meeting (AGM) one third of the Directors for the time being subject to retirement by rotation shall retire from office. Retiring Directors are generally eligible for re-election. In accordance with this provisions, the Mr. P. K. Sumanasekera retires and offer himself for re-election at the AGM.
A. 8.3	Resignation of Directors	Complied	No resignation during the year. In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the Board of his reasons for resignation.
A.9	**Appraisal of Board Performance**		
A.9.1, A.9.2, A.9.3 & A.9.4	Annual performance evaluation of the Board and its Sub Committees	Complied	The performance of the Board and Sub-Committees are evaluated annually on a self-assessment basis.
A.10	**Disclosure of Information in Respect of Directors**		
A.10.1	Disclosures about Directors	Complied	Information in relation to Directors is disclosed as given below. - Name, qualifications, brief profile and nature of expertise - (Refer pages 09 to 11 of this Report) - Directors' interest in contracts (Refer pages 84 to 86 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 21 of this Report)

Section 01		The Company	
Code	Principle	Status	Level of Compliance
A.11	Appraisal of Chief Executive Officer		
A.11.1 & A.11.2	Setting annual targets and appraisal of the performance of the Chief Executive Officer by the Board	Complied	At the commencement of every year, short, medium and long-term objectives including financial and non-financial targets that should be met by the both Jt.CEOs are set. The annual appraisals of the Jt.CEOs are carried out by the Board at pre-agreed performance targets.
B.	Directors' Remuneration		
B.1	Remuneration Procedure		
B.1.1	Remuneration Committee	Complied	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	Complied	The Remuneration Committee consists of two independent Directors and one Non-Executive Director. It is chaired by an independent non-Executive Director who appointed by the Board. Mr. S H Amarasekara (Chairman) Mr. Dhammika Perera Mr. P K Sumanasekera
B.1.4	Remuneration of the Non-Executive Directors	Complied	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.	Complied	The Committee consults the Chairman on proposals relating to the remuneration of the Senior management and has access to professional advice in discharging their duties.
B.2	The Level and Make Up of Remuneration		
B.2.1 & B.2.3	Levels of remuneration For members of the Board and Senior Management Executives	Complied	Remuneration package is designed to attract, retain and motivate both executive and Non-Executive directors and senior management needed to run the Company successfully. The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
B.2.4	Positioning Company remuneration levels relative to other companies	Complied	The Remuneration Committee is sensitive to remuneration and employment conditions of other Group companies, especially when determining annual salary increases.
B.2.6	Executive share options	Complied	The Company does not have executive share option schemes.
B.2.7	Designing performance related Remuneration	Complied	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.8 & B.2.9	Compensation, commitments in the event of early termination and dealing with early termination	Complied	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.

CORPORATE GOVERNANCE

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
B.2.10	Levels of remuneration for Non-Executive Directors	Complied	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. A Board approved policy on Directors' Remuneration is in place.
B.3	Disclosure of the remuneration		
B.3.1	Disclosure of Remuneration	Complied	Remuneration policy is disclosed in Remuneration Committee Report on page 38 of the Annual Report The total remuneration of the Directors is disclosed in Note 28.5 to the Financial Statements.
C	Relations with Shareholders		
C.1	Constructive use of the AGM and conduct of General Meetings		
C.1.1	Notice of the AGM and related papers	Complied	Company arranges for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.
C.1.2	Separate resolution for all separate issues at the Annual General Meeting	Complied	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	Use of proxy	Complied	The Company counts all proxies lodged on each resolution and the percentage of votes for and against on each resolution. Also that the following information is given at the meeting - The number of shares in respect of which proxy appointments have been validly made; - The number of votes for the resolution; - The number of votes against the resolution; - The number of shares in respect of which the vote was directed to be withheld. - When, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board take steps to understand the reasons behind the vote results and determine if any actions are required.
C.1.4	Response to queries at the Annual General Meeting	Complied	The Chairman ensures that the Chairmen of the Sub- Committees are available to answer questions at the Annual General Meeting, if so required.
C.1.5	Notice of the Annual General Meeting and General Meetings,	Complied	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.

Section 01		The Company	
Code	Principle	Status	Level of Compliance
C.2	Communication with Shareholders		
C.2.1 to C.2.7	Communication with shareholders	Complied	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& C.3.2	Disclosure of Major Transactions to Shareholders and rules and regulation of Securities Exchange Commission and by the CSE	Complied	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	Publishing of annual report including financial statements	Complied	The company present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.
D.1.2	Balanced and understandable information	Complied	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.1.3	Declaration of Joint CEO and Accountant with regard to the Financial Statements	Complied	The Board reflect on, before it approves the Company's financial statements for a financial period, obtain from its Chief Executive Officer and Accountant a declaration that, in their opinion, the financial records of the entity have been properly maintained and comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively.
D.1.4	Directors' Report in the Annual Report	Complied	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 42 to 45 of this Annual Report which contains the required declarations.
D.1.5	Statement of Directors' and Auditor's responsibility for the Financial Statements	Complied	The 'Statement of Directors' Responsibilities' for the preparation and presentation of Financial Statements is given on page 46 of this Annual Report and the Auditor's responsibilities are set out on the 'Independent Auditors' Report' on page 48 of the Annual Report.

CORPORATE GOVERNANCE

Section 01		The Company	
Code	Principle	Status	Level of Compliance
D.1.6	Management Discussion and Analysis	Complied	A comprehensive coverage of key business activities undertaken during the year, opportunities and threats, risk management, stakeholder engagement, external impacts including social and environmental, internal controls and performances, achievements and future outlook, human resources / industrial relation actives, awards won are available in the relevant sections of this annual report.
D.1.7	Summon an EGM to notify serious loss of capital	Complied	Reason for such an Extraordinary General Meeting has not arisen as yet but would be complied with if such a situation arises.
D.1.8	Related party transactions	Complied	Company has adequate mechanism to record and disclose the Related Party Transaction in accordance to the continuing Listing Rules of CSE. All the transactions with related parties to the organisation are disclosed adequately and accurately in pages 84 to 86 of this report.
D.2	Risk Management and Internal Control		
D.2.1	Directors to review internal controls	Complied	The Board together with the Audit Committee are responsible and reviews the risks faced by the Company and the effectiveness of the system of internal controls quarterly.
D2.2	Directors Confirmation	Complied	The directors have carried out an assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. This has been addressed in the Annual Report of Board of Directors on the Affairs of the company
D.2.3	Internal audit function	Complied	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work done by them.
D.2.4	Review of effectiveness of the risk management and internal audit function	Complied	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.2.5	Responsibility of Directors	Complied	Directors take responsibility in maintaining a sound system of internal controls and the Internal Control Statement as described in Annual Report of the Board of Directors on the Affairs of the Company is given on page 45 of this Report.
D.3	Audit Committee		
D.3.1	Composition of Audit Committee	Complied	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	Terms of Reference, Purpose, Duties and responsibilities of the Audit Committee	Complied	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.3.3	Disclosures of the Audit Committee	Complied	The members and its disclosures of the Audit Committee are reported in the Audit Committee Report which is given on page 37 of this Report.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
D.4	**Related Party Transactions Review Committee**		
D.4.1	Identification of Related Party Transaction	Complied	The related party transactions were identified and disclosed under the LKAS 24 and relevant disclosures are given in pages 84 to 86 of this Report.
D.4.2	Composition of Related Party Transaction Committee	Complied	The Related Party Transactions Committee consists of two independent Non- Executive Directors with One Non-Executive Director.
D.4.3	Terms of Reference of Related Party Transaction Committee	Complied	The Terms of Reference of the Related Party Transactions Review 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. The report of Related Party Transaction Review Committee is give on the page 39 of this report.
D.5	**Code of Business Conduct and Ethics**		
D.5.1	Disclosure on presence of Code of Business Conduct and Ethics	Complied	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.5.2& D.5.3	Monitoring and Disclosure of material and price sensitive information and share purchasing transactions.	Complied	The Company has a process in placed to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.
D.5.4	Affirmation of code in the annual report by the chairman	Complied	The chairman affirmers that company has a code of business conduct and ethics in placed and which are not violated as stated in the Chairman's Message in page 19 of this Report
D.6	**Corporate Governance Disclosures**		
D.6.1	Disclosure of Corporate Governance	Complied	This Report from pages 19 to 33 sets out the manner and extent to which the Company has complied with the principles and provisions of relevant Codes.

CORPORATE GOVERNANCE

Section 02		Shareholders	
Code	Principle	Status	Level of Compliance
E	Institutional Investors		
E.1	Shareholder Voting	Complied	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.
E.2	Evaluation of governance disclosure	Complied	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	Investing / Divesting Decision	Complied	Individual investors are encouraged to carry out adequate analysis or seek independent advice in making investing or divesting decisions.
F.2	Shareholder Voting	Complied	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.

COMPLIANCE WITH CORPORATE GOVERNANCE RULES OF THE COLOMBO STOCK EXCHANGE

The Following disclosures are made in conformity with Section 7.10 of the Rules of the Colombo Stock Exchange;

CSE Rule No.	Rule	Compliance Status	Extent of Compliance
7.10.1	Non Executive Directors	Complied	All Directors are Non-Executive Directors. (Number of Directors is Seven)
7.10.2	Independent Directors	Complied	Three of seven Non-Executive Directors are independent. Each Non-Executive Director submits a signed and dated declaration annually.
7.10.3 (a)	Disclosure relating to Directors	Complied	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 25 of this Report.
7.10.3 (b)	Disclosure relating to Directors	Complied	The Board has determined that Three of Seven Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules. These independent directors are, Messrs S H Amarasekera, P K Sumanasekera and S Shanmuganathan.
7.10.3 (c)	Disclosure relating to Directors	Complied	A Brief resume of each Director is given on pages 09 to 11 of this Report.
7.10.3 (d)	Disclosure relating to New Directors	Complied	Brief resumes of new Directors appointed have been provided to the CSE when required.
7.10.5 (a)	Composition of Remuneration Committee	Complied	Comprises of three Non-Executive Directors including two Independent Directors.
7.10.5 (b)	Functions of the Remuneration Committee	Complied	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 27 and Remuneration Committee Report on page 38.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Complied	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 27 and Remuneration Committee Report on page 38. The remuneration paid to the Directors is given in page 86 of this Report.
7.10.6 (a)	Composition of the Audit Committee	Complied	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	Complied	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 30 and Audit Committee Report on page 37 for the details of the functions of the Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Complied	Refer above table in relation to the Code of the Corporate Governance of SEC and CASL with reference D.3.1 on page30 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 37 under section D.3.4 of the Code.

ENTERPRISE RISK MANAGEMENT

The table below provides a comprehensive analysis of the risks identified by the Company during the course of its operation, as well as the evaluation and mitigatory actions adopted during the year of review.

Risk Identification	Risk Evaluation		Risk Managing Strategies
	Level	Reason	
01. Business Risk			
- Extension of SPPA. - Revision of current Avoided Cost Based Tariff on adverse terms. - Low potentiality for growth of the mini hydro power industry.	High	- SPPA of First 15 years' term of Erathna MHPP has expired in July 2019. - Other two MHPPs of Subsidiary are currently paid under Avoided Cost Based Tariff, subjected to annual revision - Tariff setting decisions are controlled by government regulatory bodies - Lack of hydro resources and opportunities for new developments	- Completion of all requisite approvals to extend the SPPA - Collaboration at industry level in pursuit of positive change - Continuously looking for new business avenues including local and overseas opportunities of renewable energy sector
02. 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 the stage of new investments. Currently the Group is assessing new investments and no new investments concluded by the Company	- Any proposed investments are subjected to a rigorous evaluation and feasibility process supported seeking expert advice to ensure maximum returns on investment, and Board approval is obtained prior to embarking on a proposed investment. - Furthermore, the Company closely monitors progress to ensure project deliverables are achieved within given budgets and timelines.
03. Operational Risk			
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 only a moderate level risk in the operational activities. However, impact of COVID-19 pandemic was very minimal to its operations since it is being an essential service.	- Timely maintenance of machineries and equipment whilst upgrading health and safety measures on a regular basis, conducting of workshops, meetings, etc. to apprise employees of same. - Adoption of an effective human resource policy. - The Company is committed to a Quality Management System that complies with international Standards - Conduct of periodic internal audit reviews and submission of reports to the Audit Committee

Risk Identification	Risk Evaluation		Risk Managing Strategies
	Level	Reason	
04. Hydrological Risk			
Risk of lower power generation caused by a lower water flow.	High	The inherent risk of lower rainfall is uncontrollable. There may be a risk of designing projects based on hydrological data.	Hydrological risk primarily comprises drought risk. The projects are designed based on past hydrological data analyses to minimise the risk of any deviation from their designed energy.
05. Financial Risks			
05.1. Interest Risk			
Adverse impact on profitability due to high interest cost resulting from increase in interest rates	Low	The Group has no any borrowings other than Land Leases.	The appropriate financial strategies have been adopted in terms of, the Group's credibility, reputation, strength and financial dependability which influence the negotiation of concessionary rates at any debt requirement.
05.2. Credit Risk			
Risk of not settling the CEB dues and impact on the cash liquidity due to borrower's failure to repay contractual obligation	Low	No serious failures experienced in the past. Protection through legally enforceable agreements and acceptance of delivered energy/invoices.	The Group has an effective mechanism for recoveries which provides protection through legally enforceable agreements. Company has negotiated relevant documents with CEB to enforce the due settlements
06. Economic & Political			
The likelihood of an investment being affected by adverse macroeconomic conditions including government regulations, exchange rates and political stability.	Low	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
07. Regulatory and Legal			
Risk of changes in laws and regulations that have material impact on business costs of operation and the attractiveness of Investment in the business	Moderate	Risk is present during a change of government and new policies introduced	Compliance with any new laws or regulations that are introduced every now and then for good governance.

ENTERPRISE RISK MANAGEMENT

Risk Identification	Risk Evaluation		Risk Managing Strategies
	Level	Reason	
08. Human Resources Risk			
Lack of positive employee relations and risk of inability to acquire and retain suitable talent	High	The risk will result in low productivity in the business as well as industrial disputes.	A healthy work environment is provided for all employees and close and cordial worker relationships have been created. Remuneration is also kept at industry levels. A comprehensive human resource policy has been adopted.
09. Reputation Risk			
Adverse impact of the business on society and unfavourable response from the public	Low	Risk is low due to established and continuously maintained relationships	The Group has adopted an effective mechanism for stakeholder engagement to build better relationships
10. Environmental Risk			
Risk of actual and potential threats to the environment and inhabitants as a result of effluents and resource depletion arising from the organisation's activities	Moderate	No environmental enforcements were experienced. However the possibility of such an event must be considered.	We are committed to an Environmental Management System that follows exacting international standards. Care is also taken to mitigate any adverse environmental impacts immediately they arise.
11. 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	The existing IT system has been established using modern technology. regular maintenance and upgrades in processes are carried out and unauthorised access to the information system prevented.
12. Social Risk			
Negative impacts on the organisation from local communities which are linked with the surrounding areas of the project.	Moderate	Risk is low due to established and continuously maintained relationships. But the possibilities must be considered nevertheless	The Group has developed relationships with communities, religious and other voluntary groups by helping them uplift their lives and livelihoods.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by the Board of Directors of Vallibel Power Erathna PLC comprises of following four Non- Executive Directors.

Name of Director	Directorship Status
Mr. S H Amarasekera (Chairman)	Independent Non-Executive
Mr. P K Sumanasekera	Independent Non-Executive
Mr. H Somashantha	Non Executive
Mr. S Shanmuganathan	Independent Non-Executive

The Chairman of the committee, Mr. S H Amarasekera is an Independent Non -Executive Director. He is a President's Counsel having wide experience in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. Additionally, it comprises two members of the Institute of Chartered Accountant of Sri Lanka and one industry expert.

Brief profiles of each member are given on pages 09 and 11 of this report.

MEETINGS

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

Name of Director	Attendance and Meetings Dates				
	24/05/2019	22/07/2019	29/10/2019	31/01/2020	Total
Mr. S H Amarasekera	✓	✓	✓	✓	4/4
Mr. P K Sumanasekera	-	-	-	-	0/4
Mr. H Somashantha	✓	✓	✓	✓	4/4
Mr. S Shanmuganathan	✓	✓	✓	✓	4/4

The Company secretaries acts as the secretary to the Audit Committee. The two Joint Chief Executive Officers and the 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.

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.

INTERNAL AUDITS

The Committee assess the effectiveness of the Internal Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The function of Internal Audit is outsourced to a leading audit firm, Messers KPMG in line with an agreed annual audit plan. The Committee has recommended to the Board of Directors that Messrs KPMG be re-appointed as the internal auditors of the Group for the next financial year.

EXTERNAL AUDITS

The Committee meets the External Auditors at least once a year to review their findings, issues raised, as well as the effectiveness of the internal controls in place.

The Committee has recommended to the Board of Directors that M/s Ernst & Young, Chartered Accountants, be re-appointed as the auditors of the Company for the financial year ending 31st March 2021, 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.

S H Amarasekera
Chairman

Audit Committee
03 July 2020

REPORT OF THE REMUNERATION COMMITTEE

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

Name of Director	Directorship Status
Mr. S H Amarasekera (Chairman)	Independent Non-Executive
Mr. Dhammika Perera	Non-Executive
Mr. P K Sumanasekara	Independent Non-Executive

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

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

S H Amarasekera
Chairman

Remuneration Committee
03 July 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

The Related Party Transaction Review Committee (RPTRC) is appointed by the Board of Directors of Vallibel Power Erathna PLC in terms of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka (SEC).

The committee comprises of following three Non- Executive Directors as stipulated by the Listing Rule 9.2 on Related Party Transactions Review Committee issued by the Colombo Stock Exchange.

Name of Director	Directorship Status
Mr. S H Amarasekera (Chairman)	Independent Non-Executive
Mr. S Shanmuganathan	Independent Non-Executive
Mr. C V Cabraal	Non-Executive

ROLE OF THE COMMITTEE

The key duties of the committee;

- to develop a Related Party Transaction Policy as directed by the CSE and SEC and to recommend the adoption of same to the Board of Directors of the Company and its subsidiary,
- to review in advance all related party transactions prior to the executive of the transaction,
- to update the Board of Directors on the related party transactions of each company of the Group,
- to make immediate market disclosures on applicable related party transactions, as required by Section 9 of the Continuing Listing Requirements of the CSE,
- to monitor all related party transactions of the entity which are transacted on normal commercial terms to make sure that they are not prejudicial to the interests of the entity and its minority shareholders
- to make appropriate disclosures on Related Party Transactions in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE

MEETINGS

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

Name of Director	Attendance and Meeting Dates				
	24/05/2019	22/07/2019	29/10/2019	31/01/2020	Total
Mr. S H Amarasekera	✓	✓	✓	✓	4/4
Mr. S Shanmuganathan	✓	✓	✓	✓	4/4
Mr. C V Cabraal	✓	✓	✓	✓	4/4

The Company Secretaries acts as the secretary to the Committee. Two Joint Chief Executive Officers and the Accountant attend these meetings by invitation.

TASK OF THE COMMITTEE

The Committee re-views the related party transactions and their compliances of Vallibel Power Erathna PLC and communicates the same to the Board.

The Committee in its re-view process recognized the adequacy of the content and quality of the information forwarded to its members by the management.

DISCLOSURES

A detailed disclosure of the recurrent related party transactions entered into by the Company during the year under review is disclosed in Note 28 to the financial statements given in page xx of this report. There were no non-recurrent related party transactions during the year under review.

DECLARATION

It is declared affirmatively by the committee that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the year under review.

S H Amarasekera
Chairman

Related Party Transaction Review Committee
03 July 2020

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

Financial Reports	Year 2019/20	Year 2018/19
Interim Financial Statements - 1st Quarter	July 22,2019	July 24, 2018
Interim Financial Statements - 2nd Quarter	October 29, 2019	October 26, 2018
Interim Financial Statements - 3rd Quarter	February 03, 2020	January 31, 2019
Interim Financial Statements - 4th Quarter	July 03, 2020	May 27, 2019
Annual Report	July 09, 2020	June 04, 2019

Dividend Payments	Year 2019/20		Year 2018/19	
	Rs. Per Share	Date	Rs. Per Share	Date
1st Interim Dividend Payment	Cents 30	July 12, 2019	Cents 30	August 15, 2018
Final Dividend Payment	Cents 40	June 23 & 30, 2020	Cents 40	February 22, 2019

	Year 2019/20	Year 2018/19
Annual General Meeting	July 31, 2020	June 27, 2019

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 2020.

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 and re-registered as per the Companies Act No. 7 of 2007 on 14th February 2008 under registration No. PQ 103.

PRINCIPAL ACTIVITY OF THE COMPANY

The principal activities of the Company are the generation and sale of hydroelectricity to the Ceylon Electricity Board.

There had been no significant changes in the nature of the activities of the Company during the financial year under review.

PRINCIPAL ACTIVITIES OF SUBSIDIARY COMPANY

The principal activities of the Subsidiary are the generation and sale of hydroelectricity to the Ceylon Electricity Board.

There had been no significant changes in the nature of the activities of the Subsidiary during the financial year under review.

BUSINESS REVIEW

A review of the operations of the Group business during the financial year and results of those operations are contained in the Chairman's Review in pages 07 to 08 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	2020 Rs. '000	2019 Rs. '000
Profit brought forward	600,168	456,051
Net Profit for the Year	369,105	665,315
Other Comprehensive Income/(loss) recognized in the accumulated Profit	(827)	1,779
Dividends	(224,133)	(522,977)
Profit carried forward	744,313	600,168

The Financial Statements of the Company and the Group are given in pages 47 to 87.

FINANCIAL STATEMENTS

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

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiary Companies are given in pages 47 to 49.

STATED CAPITAL

The Stated Capital as at 31st March 2020 was Rs. 1,174,365,278/- represented by 747,109,731 ordinary shares. There were no changes in the stated capital of the Company in the year.

ACCOUNTING POLICIES

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

RESERVES

The reserves of the Company stand at Rs. 744,312,848/- comprising totally revenue reserves.

TAXATION

Pursuant to the Supplementary Agreement dated 8th October 2008 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 hydro-power at 14%. Other income is taxable at the rate as per the prevailing provision of Inland Revenue Act No. 24 of 2017.

STATUTORY PAYMENTS

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

DIVIDENDS

The Company paid an interim dividend of 30 cents (Rs. 0.30) per share on 12th July 2019 and a final dividend of forty Cents (Rs. 0.40) per share on 23rd and 30th of June 2020 for the financial year 2019/2020.

CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs.538,456/- details of which are given in Note 12 on page 73.

PROPERTY, PLANT & EQUIPMENT

The movement in property, plant and equipment of the Company are given in Note 12 to the Financial Statements.

SHAREHOLDINGS

As at 31st March 2020 there were 4,513 registered shareholders.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net asset per share, twenty largest shareholders of the Company, public holdings as per the Listing Rules of the Colombo Stock Exchange are given on pages 89 to 91 under Share Information and the ten year summary of the Company.

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 09 to 11.

Mr. Dhammika Perera (Chairman)
Mr. P K Sumanasekera
Mr. S H Amarasekera
Mr. H Somashantha
Mr. S Shanmuganathan
Mr. C V Cabraal

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

Ms. Y Bhaskaran who was appointed to the Board on 15th May 2020 shall retire in terms of Article 25(3) of the Article of Association of the Company, and being eligible is 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

INTEREST REGISTER

The Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007 and relevant disclosures have been made in the Report.

DIRECTORS' SHAREHOLDING

The Directors' Interest in shares of the Company as at 31/03/2020 and 31/03/2019 are as follows:

As at 31st March	2020	2019
Mr. Dhammika 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	Nil	Nil
Mr. C V Cabraal	Nil	Nil

DIRECTORS REMUNERATION

The Directors Remuneration is disclosed under key management personnel compensation in Note 28.5 to the Financial Statement on Page 86.

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

LAND HOLDINGS

The Company's land holdings referred to in Note 12 and 13 of the Financial Statements are detailed below.

Company	Unit	Land Holdings				
		Extent (Ha)				
		Freehold/ Private	State Owned	LRC	JEDB	Location
Vallibel Power Erathna PLC	Erathna MHPP	2.27	0.28	2.20	Nil	Erathna, Kuruwita - Rathnapura District
Country Energy (Pvt) Ltd	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
Total		**5.83**	**3.04**	**2.20**	**1.20**	

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2020 are given in Note 14 to the Financial Statements on page 76.

DONATIONS

The Company made donations amounting to Rs 248,650/- in total, during the year under review.

Total donations of the Group amounted to Rs.1,467,690/- 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.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management in pages 34 to 36 of the Annual Report.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

Mr. S Shanmuganathan qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Director has determined that he is an Independent Director.

The period of service of Messers S H Amarasekera and P K Sumanasekera exceeds nine years. The Board is of the view that the period of service Messers S H Amarasekera and P K Sumanasekera do not compromise their independence and objectively in discharging their functions as Directors and therefore based on declarations submitted by the said Directors, has determined that those Directors shall nevertheless be "Independent" as per the Listing Rules.

The report on Corporate Governance is given in pages 20 to 33 of the Annual Report.

BOARD SUB COMMITTEES

An Audit Committee, Remuneration Committee and a Related Party Transaction Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees is as follows.

Audit Committee

Mr. S H Amarasekera - Chairman
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S Shanmuganathan

Remuneration Committee

Mr. S H Amarasekera - Chairman
Mr. Dhammika Perera
Mr. P K Sumanasekera

Related Party Transaction Review Committee

Mr. S H Amarasekera - Chairman
Mr. S Shanmuganathan
Mr. P K Sumanasekera
Mr. C V Cabraal

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2020.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to give assurance, inter alia with regard to 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 reporting date which would require adjustments to, or disclosure in the accounts other than those disclosed in the Financial Statements and this Report.

AUDITORS

The Financial Statements for the year ended 31st March 2020 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. A total amount of Rs. 787,500 is payable by the Company to the Auditors for the year under review comprising of Rs 787,500 as Audit Fees and Rs. 135,000 as non- Audit Fees.

Directors were aware, the Auditors do not have any relationship other than that of the Auditor with the Company.

Details of payment to Auditors of the subsidiary Company on account of Audit Fees and for permitted non-audit services are set out in Note 09 to the Financial Statements on page 71.

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting appears on page 92 of this Report.

For and on behalf of the Board

S H Amarasekara
Director

H Somshantha
Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
03 July 2020

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 pages 47 to 49.

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

The Directors consider that, in preparing Financial Statements set out on pages 50 to 87 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the Financial Statements since adequate resources are available to continue operations in the foreseeable future.

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

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

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

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

COMPLIANCE REPORT

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

For and on behalf of the Board
VALLIBEL POWER ERATHNA PLC

P W CORPORATE SECRETARIAL (PVT) LTD
Secretaries

Colombo
03 July 2020

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/TN

TO THE SHAREHOLDERS OF VALLIBEL POWER ERATHNA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Vallibel Power Erathna PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Carrying value of Plant & Machinery and Civil Constructions – Erathna Plant	
Property plant & Equipment includes Rs. 624Mn worth of Plant & Machinery and Civil Constructions relating to Erathna power Plant as described in Note 12. Due to the revision of the rate per energy unit upon renewal of Power Purchase Agreement with the Ceylon Electricity Board, the Management performed an impairment test with respect to above specified assets. Management assessed the recoverability of such assets using significant judgements and estimates, as disclosed in Accounting Policy Note 3.22.2 to the financial statements. This assessment was important to our audit due to the magnitude of the carrying value of the related assets as well as the subjective assumptions and judgment involved.	Our audit procedures focused on the assessment of the recoverable amount of specified assets, included the following, among others: - We engaged our internal specialised resources to assist us in evaluating the appropriateness of the key assumptions and cash flow projections made on power project by the Company's management. - Read and understood the demand for hydro electric energy through CEB publicly available resources to corroborate the management's assumptions. We also assessed the adequacy of the related disclosures given in Accounting Policy Note 3.22.2 in the financial statements

Other information included in The Company's 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M- 2440.

Ernst & Young

Ernst & Young
Chartered Accountants

03 July 2020
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Revenue From Contracts with customers	5	392,556,077	671,659,215	1,058,308,162	1,286,724,547
Cost of Sales		(52,155,357)	(54,129,517)	(146,774,141)	(151,777,516)
Gross Profit		340,400,720	617,529,698	911,534,021	1,134,947,031
Other Income	6	100,400,697	160,691,116	4,780,000	9,275,000
Administration Expenses		(47,709,882)	(46,296,639)	(103,974,038)	(100,302,919)
Other Operating Expenses		(2,845,607)	(1,756,999)	(5,067,969)	(3,365,350)
Finance Income	7	23,304,051	20,689,511	59,387,477	48,966,029
Finance Cost	8	(155,829)	-	(5,203,222)	(4,178,476)
Profit Before Taxation	9	413,394,152	750,856,687	861,456,269	1,085,341,315
Income Tax Expense	10.1	(44,289,513)	(85,541,421)	(153,879,109)	(195,341,917)
Net Profit for the Year		**369,104,639**	**665,315,266**	**707,577,160**	**889,999,398**
Attributable To:					
Equity Holders of the Parent		369,104,639	665,315,266	648,171,398	836,192,534
Non-Controlling Interest		-	-	59,405,762	53,806,864
		369,104,639	**665,315,266**	**707,577,160**	**889,999,398**
Basic Earnings Per Share	11	0.49	0.89	0.87	1.12
Dividend Per Share		0.30	0.70	0.30	0.70

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 56 through 87 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Net Profit for the year		369,104,639	665,315,266	707,577,160	889,999,398
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	20	(962,192)	2,068,851	(1,627,516)	3,329,830
Deferred tax impact on Actuarial Gain/(loss)	21	134,707	(289,639)	234,506	(478,786)
		(827,485)	1,779,212	(1,393,010)	2,851,044
Other comprehensive income / (loss) for the year, net of tax		(827,485)	1,779,212	(1,393,010)	2,851,044
Total comprehensive income for the year, net of tax		**368,277,154**	**667,094,478**	**706,184,150**	**892,850,444**
Attributable To:					
Equity Holders of the Parent		368,277,154	667,094,478	646,850,775	838,906,385
Non-Controlling Interest		-	-	59,333,375	53,944,059
		368,277,154	**667,094,478**	**706,184,150**	**892,850,444**

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 56 through 87 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	12	777,212,163	808,013,490	2,150,859,107	2,216,737,704
Right-of-use Assets	13	1,446,980	-	38,617,496	-
Investments	14.1	821,619,980	821,619,980	-	-
Intangible Assets	15	5,479,032	-	76,201,120	81,078,758
Deposit on Leasehold Land	16	-	-	4,500,000	4,500,000
		1,605,758,155	1,629,633,470	2,270,177,723	2,302,316,462
Current Assets					
Trade & Other Receivables	17	230,876,200	159,993,428	504,518,750	295,568,601
Amount Due from Related Parties	18	9,205,296	2,277,635	3,706,167	895,029
Short Term Investment	14.2	234,900,759	154,386,706	757,340,993	441,155,662
Cash and Bank Balances		14,982,505	18,068,006	17,082,427	32,268,390
		489,964,760	334,725,775	1,282,648,337	769,887,681
Total Assets		2,095,722,915	1,964,359,244	3,552,826,060	3,072,204,144
EQUITY AND LIABILITIES					
Equity attributable to Equity Holders of the Parent					
Stated Capital	19	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278
Accumulated Profit		744,312,848	600,168,614	1,809,412,628	1,386,694,773
		1,918,678,126	1,774,533,892	2,983,777,906	2,561,060,051
Non-Controlling Interest		-	-	268,079,882	225,876,507
Total Equity		1,918,678,126	1,774,533,892	3,251,857,788	2,786,936,558
Non Current Liabilities					
Retirement Benefit Obligations	20	21,551,272	17,121,978	32,121,124	25,240,460
Deferred Tax Liability	21	104,756,362	109,582,965	121,632,952	112,245,642
Lease Liability	22	1,441,310	-	41,865,060	-
		127,748,944	126,704,943	195,619,136	137,486,102
Current Liabilities					
Trade and Other Payables	23	27,217,472	24,977,793	53,920,970	47,464,414
Lease Liability	22	61,273	-	867,183	-
Tax Payables		22,017,100	38,142,616	50,560,983	100,317,070
		49,295,845	63,120,409	105,349,136	147,781,484
Total Equity and Liabilities		2,095,722,915	1,964,359,244	3,552,826,060	3,072,204,144

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 these Financial Statements. Signed for and on behalf of the Board by.

Dhammika Perera
Chairman

S H Amarasekera
Deputy Chairman

The Accounting Policies and Notes on Pages 56 through 87 form an integral part of the Financial Statements.
03 July 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 1 April 2018	1,174,365,278	456,050,947	1,630,416,225
Net Profit for the Year	-	665,315,266	665,315,266
Other Comprehensive Income/ (Loss)	-	1,779,212	1,779,212
Dividends	-	(522,976,812)	(522,976,812)
Balance as at 31 March 2019	1,174,365,278	600,168,614	1,774,533,892
Balance as at 1 April 2019	1,174,365,278	600,168,614	1,774,533,892
Net Profit for the Year	-	369,104,639	369,104,639
Other Comprehensive Income/ (Loss)	-	(827,485)	(827,485)
Dividends	-	(224,132,919)	(224,132,919)
Balance as at 31 March 2020	**1,174,365,278**	**744,312,848**	**1,918,678,126**

Group	Stated Capital Rs.	Accumulated Profit Rs.	Non-controlling Interest Rs.	Total Rs.
Balance as at 1 April 2018	1,174,365,278	1,070,765,201	199,340,454	2,444,470,933
Net Profit for the Year	-	836,192,534	53,806,864	889,999,398
Other Comprehensive Income/ (Loss)	-	2,713,850	137,194	2,851,044
Dividends	-	(522,976,812)	(27,408,005)	(550,384,817)
Balance as at 31 March 2019	1,174,365,278	1,386,694,773	225,876,507	2,786,936,558
Balance as at 1 April 2019	1,174,365,278	1,386,694,773	225,876,507	2,786,936,558
Net Profit for the Year	-	648,171,398	59,405,762	707,577,160
Other Comprehensive Income/ (Loss)	-	(1,320,624)	(72,387)	(1,393,011)
Dividends	-	(224,132,919)	(17,130,000)	(241,262,919)
Balance as at 31 March 2020	**1,174,365,278**	**1,809,412,628**	268,079,882	3,251,857,788

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 56 through 87 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Cash Flows From / (Used in) Operating Activities					
Net Profit before Tax Expense		413,394,152	750,856,687	861,456,269	1,085,341,315
Adjustments for					
Amortization of Intangible Assets	15	213,469	1,600,000	10,570,136	11,956,667
Amortisation of Right of Use Assets	13	111,306	-	2,634,290	-
Depreciation	12	31,331,290	31,414,721	77,953,274	77,772,695
Provision for Retirement Benefits Obligation	20	3,619,997	3,291,858	5,677,680	5,050,297
Dividend Income	6	(100,400,697)	(160,641,116)	-	-
(Profit) / Loss on Disposal of Property, Plant & Equipment		-	12,148	(4,700,957)	(9,192,208)
Finance Income	7	(23,304,051)	(20,689,511)	(59,387,477)	(48,966,029)
Finance Costs	8	155,829	-	5,203,222	4,178,476
Operating Profit/(Loss) before Working Capital Changes		325,121,293	605,844,787	899,406,437	1,126,141,213
(Increase)/ Decrease in Trade and Other Receivables		(71,120,733)	(102,900,522)	(206,432,558)	(190,398,527)
(Increase)/Decrease in Amounts Due from Related Parties		(6,919,167)	554,695	(2,802,643)	261,189
Increase /(Decrease) in Trade and Other Payables		2,239,678	2,635,359	2,945,335	7,488,777
Increase/(Decrease) in Amounts Due to Related Parties		-	(1,851,281)	-	(1,851,282)
Cash Generated from /(used in) Operating Activities		249,321,071	504,283,039	693,116,471	941,641,370
Finance Costs Paid		(155,829)	-	(155,829)	(4,711,665)
Finance Income Received		23,542,010	17,775,974	56,869,977	44,443,450
Retirement Benefits Obligations Paid	20	(152,895)	(370,189)	(424,534)	(575,044)
Taxes Paid		(65,106,924)	(74,444,351)	(194,013,381)	(106,731,641)
Net Cash from/(used in) Operating Activities		**207,447,433**	**447,244,473**	**555,392,705**	**874,066,470**
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(538,456)	(213,950)	(12,162,214)	(644,442)
Acquisition of Intangible Assets		(5,692,500)	-	(5,692,500)	-
Proceeds from Disposal of Property, Plant & Equipment		-	50,000	4,780,000	9,275,000
Net Investment in Fixed Deposits		(78,514,052)	(111,200,290)	(310,181,432)	(271,351,968)
Dividend Received		100,400,697	160,641,116	-	-
Net Cash Flows from/(Used in) Investing Activities		**15,655,689**	**49,276,876**	**(323,256,147)**	**(262,721,410)**

For the year ended 31 March	Note	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Cash Flows from /(Used in) Financing Activities					
Repayments of Interest Bearing Loans & Borrowings		-	-	-	(157,403,048)
Dividend Paid		(224,132,919)	(524,505,998)	(241,262,919)	(551,914,003)
Lease Rental Paid		(55,703)	-	(55,703)	-
Net Cash Flows from/(Used in) Financing Activities		**(224,188,622)**	(524,505,998)	**(241,318,622)**	(709,317,051)
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,085,501)	(27,984,650)	(9,182,064)	(97,971,992)
Cash and Cash Equivalents at the Beginning of the Period (Note A)		18,068,006	46,052,656	41,294,683	139,266,675
Cash and Cash Equivalents at the end of the Period (Note B)		**16,982,505**	18,068,006	**32,112,619**	41,294,683
Note A					
Cash and Cash Equivalents at the beginning of the period					
Cash in Hand & at Bank		18,068,006	22,840,142	32,268,390	33,442,347
Savings Accounts & REPO		-	23,212,514	9,026,293	105,824,329
		18,068,006	46,052,656	**41,294,683**	139,266,675
Note B					
Cash and Cash Equivalents at the end of the period					
Cash in Hand & at Bank		14,982,505	18,068,006	17,082,427	32,268,390
Savings Accounts & REPO		2,000,000	-	15,030,192	9,026,293
		16,982,505	18,068,006	**32,112,619**	41,294,683

The Accounting Policies and Notes on Pages 56 through 87 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 2020 comprise the Company and its Subsidiary namely Country Energy (Pvt) Ltd (together referred as the "Group").

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

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 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 03 July 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

2.3 New accounting standards, interpretations and amendments adopted by the group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements in the previous financial year, except for the adoption of new standards effective as of 01st April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied SLFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Group.

2.3.1 SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of financial position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 01 April 2019. The Group elected to use the transitional practical expedient to not to reassess whether a contract is, or contains, a lease at 01 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short term leases), and lease contracts for which the underlying asset is low value (low-value asset).

The Group has accounted Right of Use Land and Right of Use Building under

SLFRS 16. The accounting policy for the Right of Use Assets and Lease liabilities is included in detail in the Note 3.9 Leases (3.9.1 Right of Use Assets and 3.9.2 Lease Liabilities).

2.3.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.
The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities

2.4 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.

2.5 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.

3. 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.

3.1 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.

Impact on COVID-19 and Going Concern Assessment

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a pandemic. There have been mandates from Government authorities requiring forced closures of various schools, businesses and other facilities and organizations. As a result, during the latter part of March 2020, there was a restriction on operations of the Company. However, After Government has declared the power sector as an essential service, normal operations were continued.

Impact on Internal Operations & Business Continuity

Since power plants are mainly based in districts which are not severely affected by the COVID 19 and also due to the Government policies on power industry as an essential service, it allowed us soon to operate normally while implementing strict health care & safety measures. However, the operations at Head office level got disrupted due to the strict enforcement of curfew in Colombo but operational work continued under the concept of work from home.

The company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees to control the outbreak of Corona Virus.

In this context, ensuring health and safety of our employees is of paramount important and we have facilitated work from home for head office employees, sanitization and other safety measures have been implemented at all our locations.

Company's responses on the impact of COVID 19 on the future operations and the financial condition of the company.

Except for cash flow deficits emerged due to the delay in signing of SPPA extension of Erahtna MHPP, the Company is holding adequate cash reserves to ensure solvency. Therefore our investors can maintain the same level of confidence entrusted upon the company before the outbreak as company stability remains the same.

NOTES TO THE FINANCIAL STATEMENTS

3.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2020. 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.

3.2.1 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.

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.

3.3 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

- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

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

3.4 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

3.5 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.

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).

3.6 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.

3.7 Property, Plant & Equipment

3.7.1 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.

3.7.2 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
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.

3.8 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.

3.8.1 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.

3.9 Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Company recognises lease liability to make lease payments and right to use of assets representing the right to use the underlying assets.

3.9.1 Right of Use Assets

The Group recognises right to use of assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right to use of assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.9.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable

NOTES TO THE FINANCIAL STATEMENTS

lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflect the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.10 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.

3.10.1 Financial assets

3.10.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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 recognized on the trade date, 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, investments, trade and other receivables.

3.10.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Assets at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through OCI.

c) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. However, the Group does not have any Financial assets at fair value through OCI.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 the statement of profit or loss. However, the Group does not have any Financial assets at fair value through profit or loss.

3.10.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised 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.

3.10.1.4 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

3.10.2 Financial liabilities

3.10.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

3.10.2.2 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.

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

(b) Financial liabilities at amortized cost

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

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

3.10.2.3 De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

3.10.3 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.

3.11 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.

3.12 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

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

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

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

3.13 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.

3.14 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.

NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
Discount Rate	10%	11%
Expected Salary Increment Rate	10%	10%
Staff Turnover Rate	5%	5%
Normal Retirement Age	55 Years	55 Years

3.15 Capital Commitments and Contingencies

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

3.16 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.

3.17 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.

3.18 Statement of Profit or Loss

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.

3.18.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

3.18.1.1 Revenue from Contract with customers

a) Rendering of Services

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognized at the point of hydro energy releases to the national grid at a pre-determined unit price.

3.18.1.2 Other Sources of Income

Revenue recognition criteria for other sources of income are as follows;

- Rental Income

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- Dividend Income

Dividend income is recognized when the right to receive payment is established.

- Interest Income

Interest income is recognized based on effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

3.18.2 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.

3.18.2.1 Finance Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Foreign currency gains and losses are reported on a net basis

3.19 Taxes

3.19.1 Company

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

3.19.2 Subsidiary

Pursuant to the agreement entered into with the Board of Investment of Sri Lanka, the Subsidiary 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%.

3.19.3 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.

3.19.4 Tax on Dividend

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

NOTES TO THE FINANCIAL STATEMENTS

3.20 Financial Risk Management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. 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.

3.20.1 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.

3.20.2 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.

3.20.3 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.

3.20.4 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.

3.21 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.

3.22 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:

3.22.1 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.

Further details about Retirement benefit obligations are provided in Note 20.

3.22.2 Assessment of carrying value of Plant & Machinery and Civil Constructions

Group policy is to depreciate Plant & Machinery and Civil Constructions over 33 years and 40 years respectively, which is the estimated useful life of those assets. However, due to downward revision of the rate per energy unit upon renewal of Standardized Power Purchase Agreement (SPPA) entered into with the Ceylon Electricity Board (CEB) in respect of Erathna Power Plant, the Management assessed the recoverability of such assets using following significant judgements and estimates.

1) Ceylon Electicity Board has informed that the Company is eligible for an extension of another 20 years of the SPPA which will be signed shortly.
2) Currently, Hydro is the cheapest renewable energy option available and this aspect was considered by the CEB in forecasting country's energy requirement. (20 year plan)
3) Cash flow forecast prepared by the company using following assumptions revels positive net cash flows on the power plant.
    a) Cash Flow forecast is prepared for next 20 years period.
    b) Average generation for last 15 years considered for future forecast
    c) Rs. 7.02/kWh is considered as tariff for the 1st year and 3% of annual escalation will be there for 20 years period.
    d) Operating and maintenance costs are projected based on prevailing general inflation.

3.22.3 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating.

3.23 Segment Information

Reporting Segment

The segments are determined based on the company's geographical spread of operations. The geographical analysis of turnover and profit are based on location.

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

No operating segment 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 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 explain in the operating segment information, is measured differently form operating profit or loss in the financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

4.2 Amendments to LKAS1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Company		Group	
For the year ended 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Electricity Generation:				
Erathna MHPP	392,556,077	671,659,215	392,556,077	671,659,215
Denawakaganga MHPP	-	-	417,687,029	374,280,867
Kiriwaneliya MHPP	-	-	248,065,056	240,784,465
	392,556,077	671,659,215	1,058,308,162	1,286,724,547

Company and the subsidiary have 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. Erathna MHPP agreement already expired during the year and steps are being taken to sign the new agreement in due course. 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.

6. OTHER INCOME

	Company		Group	
For the year ended 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Dividend Income	100,400,697	160,641,116	-	-
Profit on Disposal of PPE	-	50,000	4,780,000	9,275,000
	100,400,697	160,691,116	4,780,000	9,275,000

7. FINANCE INCOME

	Company		Group	
For the year ended 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Interest Income	1,017,144	1,370,737	1,271,109	1,690,856
Interest on Fixed Deposit	21,677,876	18,559,871	56,121,132	43,850,628
Interest on Repo	609,030	758,904	1,995,236	3,424,545
	23,304,051	20,689,511	59,387,477	48,966,029

8. FINANCE COST

For the year ended 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Loan Interest	-	-	-	4,178,476
Interest on Lease Liability	155,829	-	5,203,222	-
	155,829	-	**5,203,222**	4,178,476

9. PROFIT BEFORE TAXATION

For the year ended 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Stated after Charging / (Crediting):				
Directors' Remuneration	3,733,333	3,711,111	3,733,333	3,711,111
Auditors' Remuneration	787,500	750,000	1,066,275	1,015,000
Depreciation & Amortisation	31,656,065	33,014,722	91,157,698	89,729,362
Personnel Costs includes				
- Defined Benefit Plan Cost - Retirement Benefit Obligation	3,619,997	3,291,857	5,677,680	5,050,297
- Defined Contribution Plan Costs - EPF & ETF	3,087,531	2,829,768	8,829,860	8,166,379
- Staff Salaries	20,583,541	18,865,122	58,866,300	54,442,743
- Other Staff Costs	10,455,996	9,032,610	28,230,302	24,625,313

10. INCOME TAX EXPENSES

For the year ended 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
10.1 Statement of Profit or Loss				
(I) Current Tax Expense				
Income tax on current year profit (Note 10.3)	52,022,104	90,356,229	130,953,690	159,227,157
Dividend Tax	-	-	16,344,300	26,150,879
Less-: Previous year over provision	(3,040,695)	(779,590)	(3,040,695)	(779,590)
	48,981,409	89,576,639	144,257,294	184,598,446
(II) Deferred Tax Expense				
Deferred Taxation Charge / (Reversal) (Note 21)	(4,691,896)	(4,035,218)	9,621,815	10,743,471
Tax charge reported in the Statement of Profit or Loss	**44,289,513**	85,541,421	**153,879,109**	195,341,917
10.2 Statement of Other Comprehensive Income				
Deferred tax effect on actuarial gains and loss of Defined Benefit Plans	(134,707)	289,639	(234,506)	478,786
Tax charged/(reversed) directly to other comprehensive income	**(134,707)**	289,639	**(234,506)**	478,786

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES (CONTD)

10.3 Reconciliation between tax expense and the product of accounting profit

	Company		Group	
For the year ended 31 March	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Net profit before tax	413,394,152	750,856,687	861,456,269	1,085,341,315
Add: Disallowable Expenses	38,465,721	38,830,998	103,100,988	99,095,870
Less: Allowable Expenses	(1,512,193)	(4,284,446)	(153,349,872)	(115,816,857)
Total Business Income	450,347,680	785,403,239	811,207,385	1,068,620,328
Less: Tax exempted profit from business	(100,400,697)	(160,691,115)	(4,780,000)	(9,275,000)
Taxable Income;	349,946,983	624,712,124	806,427,385	1,059,345,328
Liable at 14%	326,642,932	604,022,613	326,642,932	604,022,613
Liable at 15%	-	-	461,260,402	406,356,687
Liable at 28%	17,478,038	20,689,511	17,478,038	48,966,029
Liable at 24%	5,826,013	-	5,826,013	-
	349,946,983	624,712,124	811,207,385	1,059,345,329
Income Tax at 14%	45,730,010	84,563,166	45,730,010	84,563,166
Income Tax at 15%	-	-	69,189,060	60,953,503
Income Tax at 28%	4,893,851	5,793,063	12,471,370	13,710,488
Income Tax at 24%	1,398,243	-	3,563,249	-
Income Tax Expense on Liable Income	52,022,104	90,356,229	130,953,690	159,227,157
Effective Tax Rate	15%	14%	16%	15%

11. 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	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Amounts Used as the Numerators:				
Profit Attributable to Ordinary Shareholders for basic Earnings Per Share (Rs.)	369,104,639	665,315,266	648,171,398	836,192,534
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.)	0.49	0.89	0.87	1.12

12. PROPERTY, PLANT & EQUIPMENT

Company Gross Carrying Amounts	Balance As at 01.04.2019 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost				
Freehold 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	1,170,699	262,411	(289,891)	1,143,219
Tools & Accessories	3,105,297	-	-	3,105,297
Motor Vehicle	8,758,500	-	-	8,758,500
Motor Bicycle	310,660	-	-	310,660
Furniture & Fittings	10,159,330	-	-	10,159,330
Computer	2,184,559	143,055	-	2,327,614
Office Equipment	1,231,312	63,600	-	1,294,912
Fire Extinguisher	908,551	-	-	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	143,622	69,390	(34,910)	178,102
Total	1,293,886,020	538,456	(324,801)	1,294,099,675

Company Depreciation	Balance As at 01.04.2019 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost				
Civil Constructions	197,914,350	13,273,461	-	211,187,811
Plant & Machinery	255,850,227	17,330,774	-	273,181,001
Project Equipment	1,090,837	57,151	(281,398)	866,591
Tools & Accessories	3,083,082	9,135	-	3,092,217
Motor Vehicle	8,758,500	-	-	8,758,500
Motor Bicycle	310,660	-	-	310,660
Furniture & Fittings	7,959,369	400,356	-	8,359,724
Computer	2,106,303	76,799	-	2,183,102
Office Equipment	837,452	87,544	-	924,996
Fire Extinguisher	601,390	38,395	-	639,785
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Generator	1,236,833	9,167	-	1,246,000
Web Development	1,888,305	-	-	1,888,305
Mobile Phones & Accessories	86,867	48,508	(34,910)	100,465
Total	485,872,530	31,331,290	(316,308)	516,887,512
Carrying Amount	808,013,490			777,212,163

The cost of fully depreciated Property, Plant & Equipment which are still in use at the reporting date is Rs. 27,416,710/= (Rs. 28,651,348 as at 31/03/2019)

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT & EQUIPMENT (CONTD)

Group Gross Carrying Amounts	Balance As at 01.04.2019 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost				
Frehold Land	177,181,919	-	-	177,181,919
Civil Constructions	1,724,897,952	246,383	-	1,725,144,335
Plant & Machinery	1,083,774,316	-	-	1,083,774,316
Project Equipment	1,414,774	262,411	(289,891)	1,387,294
Tools & Accessories	7,283,900	124,105	(223,100)	7,184,905
Motor Vehicle	18,758,270	11,000,000	(5,634,355)	24,123,915
Motor Bicycle	1,306,130	-	-	1,306,130
Furniture & Fittings	11,049,592	-	-	11,049,592
Computer	2,887,649	271,325	(188,000)	2,970,974
Office Equipment	2,361,482	188,600	(242,894)	2,307,188
Fire Extinguisher	1,343,386	-	-	1,343,386
Generator	3,273,265	-	-	3,273,265
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Web Development	1,888,305	-	-	1,888,305
Mobile Phones & Accessories	314,924	69,390	(92,910)	291,404
	3,041,884,219	12,162,214	(6,671,150)	3,047,375,284

Group Depreciation	Balance As at 01.04.2019 Rs.	Charge for the year/ Transfers Rs.	(Disposals)/ Transfers Rs.	Balance As at 31.03.2020 Rs.
At Cost				
Civil Constructions	411,084,343	43,108,848	-	454,193,191
Plant & Machinery	365,135,328	32,513,231	-	397,648,559
Project Equipment	1,090,837	57,151	(281,398)	866,591
Tools & Accessories	6,739,585	442,316	(205,119)	6,976,781
Motor Vehicle	17,931,271	617,667	(5,634,355)	12,914,583
Motor Bicycle	1,133,853	73,650	-	1,207,503
Furniture & Fittings	8,644,653	475,796	-	9,120,449
Computer	2,732,184	107,201	(188,000)	2,651,385
Office Equipment	1,439,948	193,744	(181,830)	1,451,863
Fire Extinguisher	894,349	81,879	-	976,228
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Generator	2,065,400	211,883	-	2,277,284
Web Development	1,888,304	-	-	1,888,304
Mobile Phones & Accessories	218,106	69,908	(92,910)	195,104
	825,146,515	77,953,274	(6,583,612)	896,516,177
Carrying Amount	2,216,737,704			2,150,859,107

The cost of fully depreciated Property, Plant & Equipment which are still in use at the reporting date is Rs. 44,489,128/-. (50,311,430/- as at 31/03/2019)

12.1 Written Down value of Assets

For the year ended 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Freehold Land	150,000,000	150,000,000	177,181,919	177,181,919
Civil Constructions	319,750,623	333,024,084	1,270,951,143	1,313,813,609
Plant & Machinery	304,511,395	321,842,169	686,125,756	718,638,988
Project Equipment	276,628	79,862	276,628	323,937
Tools & Accessories	13,080	22,215	452,200	544,315
Motor Vehicle	-	-	11,246,584	826,999
Motor Bicycle	-	-	61,375	172,278
Furniture & Fittings	1,799,606	2,199,962	1,929,145	2,404,940
Computer	144,513	78,257	319,588	155,465
Office Equipment	369,916	393,860	855,331	921,534
Fire Extinguisher	268,766	307,161	367,156	449,037
Generator	-	9,167	995,984	1,207,865
Mobile Phones & Accessories	77,637	56,755	96,300	96,819
	777,212,163	808,013,490	2,150,859,107	2,216,737,704

13. RIGHT OF USE ASSETS

13.1 Right-of-use asset-land

This Right-of-use asset-land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. With the adoption of SLFRS 16 w.e.f. 01st April 2019, Company and the Group recognised Right of Use Asset and Lease Laibility during the current financial year with regard to the land lease agreements entered with Land Reform Commission (LRC) and Janatha Estate Development Board (JEDB)

Company Gross Carrying Amount	Initial Recognition of ROU as per SLFRS 16 Rs.	Balance as at 01.04.2019 Rs.	Additions/ Transfers Rs.	Balance as at 31.03.2020 Rs.
Cost				
Right to use of land	1,558,286	1,558,286	-	1,558,286
Total vale of right to use of asset	1,558,286	1,558,286	-	1,558,286

Gross Carrying Amount	Balance as at 01.04.2019	Charge for the year/Transfers	Disposals/ Transfers	Balance as at 31.03.2020
Cost				
Right to use of land	-	111,306	-	111,306
Total vale of right to use of asset	-	111,306	-	111,306
Total Carrying Amount of Right To Use of Assets				1,446,980

NOTES TO THE FINANCIAL STATEMENTS

13. RIGHT OF USE ASSETS (CONTD)

Group Gross Carrying Amount	Initial Recognition of ROU as per SLFRS 16 Rs.	Balance as at 01.04.2019 Rs.	Additions/ Transfers Rs.	Balance as at 31.03.2020 Rs.
Cost				
Right to use of land	41,251,786	41,251,786	-	41,251,786
Total vale of right to use of asset	41,251,786	41,251,786	-	41,251,786

Gross Carrying Amount	Balance as at 01.04.2019	Charge for the year/Transfers	Disposals/ Transfers	Balance as at 31.03.2020
Cost				
Right to use of land	-	2,634,290	-	2,634,290
Total vale of right to use of asset	-	2,634,290	-	2,634,290
Total Carrying Amount of Right To Use of Assets				38,617,496

14. INVESTMENTS

As at 31 March	Holding % 2020	Holding % 2019	No. of Shares 2020 No.	No. of Shares 2019 No.	Company 2020 Rs.	Company 2019 Rs.
14.1 Non Current Investments						
Investment in Equity Securities (Un -Quoted)						
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		

14.2 Short Term Investments

As at 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Investment in Fixed Deposits	232,900,759	154,386,706	742,310,801	432,129,368
Repo	2,000,000	-	15,030,192	9,026,294
	234,900,759	154,386,706	757,340,993	441,155,662

14.3 Summarized Financial Information of Subsidiary

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

Statement of Profit or Loss

For the year ended 31 March	2020 Rs.	2019 Rs.
Revenue from contracts with customers	665,752,085	615,065,332
Cost of Sales	(85,728,784)	(88,757,999)
Other Income	4,780,000	9,225,000
Finance Income	36,083,426	28,276,518
Administration Expenses	(56,264,155)	(54,006,279)
Other Operating Expenses	(2,222,364)	(1,608,352)
Finance Cost	(5,047,393)	(4,178,475)
Profit Before Tax	557,352,815	504,015,745
Tax Expense	(93,245,297)	(83,649,618)
Net Profit for the Year	464,107,518	420,366,126
Other Comprehensive Income	(565,525)	1,071,832
Total Comprehensive Income	**463,541,993**	**421,437,958**
Attributable to Non Controlling Interest	59,333,375	53,944,059
Earnings Per Share	5.20	4.72

Statement of Financial Position

For the year ended 31 March	2020 Rs.	2019 Rs.
Non Current Assets	1,425,342,465	1,424,715,885
Curruent Asset	798,486,401	436,544,509
Total Assets	2,223,828,866	1,861,260,395
Non Current Liabilities	67,870,191	10,781,159
Current Liabilities	61,856,138	86,043,692
Total Liabilities	129,726,329	96,824,851
Net Assets	2,094,102,537	1,764,435,544

Cash Flows

For the year ended 31 March	2020 Rs.	2019 Rs.
Net Cash Flows from Operating Activities	364,289,576	452,972,875
Net Cash Flows used in Investment Activities	(238,511,139)	(151,357,170)
Net Cash Flows used in Financing Activities	(133,875,000)	(371,603,048)
Total Net Cash Flows	(8,096,562)	(69,987,343)
Dividend Paid to Non Controlling Interest	17,130,000	27,408,005
Dividend Per Share	1.50	2.40

NOTES TO THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSET - RIGHT TO GENERATE HYDRO POWER

	Company		Group	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Cost				
Gross carrying amount B/F	24,000,000	24,000,000	179,350,000	179,350,000
Acquisitions during the year	5,692,500	-	5,692,500	-
Gross carrying amount C/F	29,692,500	24,000,000	185,042,500	179,350,000
Amortisation				
Accumulated amortisation B/F	24,000,000	22,400,000	98,271,242	86,314,575
Amortization for the period	213,469	1,600,000	10,570,138	11,956,667
Accumulated amortisation C/F	24,213,468	24,000,000	108,841,380	98,271,242
Net carrying amount at the end of the year	5,479,032	-	76,201,120	81,078,758

The above balance represents amount paid to purchase an exclusive right to generate hydro electric power. The Group amortise this right over 15 years (first term) on a straight line basis beginning from the year of commercial operations. The Company has fully amortised its initial intangible asset of Rs. 24 Mn during its first term of 15 years period and subsequently the company has paid Rs. 5,692,500 /- for the energy permit which is being amortising over its next term of 20 years period.

16. DEPOSIT ON LEASEHOLD LAND

	Group	
	2020	2019
As at 31 March	Rs.	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 lease basis for a period of 30 years.

17. TRADE AND OTHER RECEIVABLES

	Company		Group	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Advances & Pre Payments	12,720,282	13,065,782	17,783,896	18,599,806
Trade Receivable	212,676,919	141,075,185	472,004,882	264,860,611
Staff Debtors	2,612,993	2,748,493	5,631,177	5,523,777
Interest Receivable	2,866,006	3,103,967	9,098,795	6,584,407
	230,876,200	159,993,428	504,518,750	295,568,601

17.1 Age Analysis of Trade Receivables

As at 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Below 30 days	2,548,821	12,610,591	10,628,110	27,819,313
30 to 60 days	2,521,434	119,030,857	10,652,200	227,607,560
60 to 180 days	114,076,206	9,433,737	357,194,114	9,433,738
Over 180 days	93,530,458	-	93,530,458	-
	212,676,919	141,075,185	472,004,882	264,860,611

18. AMOUNT DUE FROM RELATED PARTIES

As at 31 March			**Company 2020 Rs.**	**Company 2019 Rs.**	**Group 2020 Rs.**	**Group 2019 Rs.**
Country Energy (Pvt) Ltd	- Kiriwaneliya MHPP	Subsidiary Company	2,222,067	579,498	-	-
	- Denewakaganga MHPP		3,580,766	803,108	-	-
Alternate Power Systems (Pvt) Ltd	- Current A/C Balance	Related Company	3,203,707	813,977	3,203,707	813,977
Greenerwater Ltd	- Current A/C Balance	Related Company	198,755	81,052	415,281	81,052
Summer Season Limited	- Current A/C Balance	Related Company	-	-	87,179	-
			9,205,296	2,277,635	3,706,167	895,029

19. STATED CAPITAL

As at 31 March	Company 2020	Company 2019	Group 2020	Group 2019
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 (Rs.)				
Ordinary Shares	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278

NOTES TO THE FINANCIAL STATEMENTS

20. RETIREMENT BENEFIT OBLIGATION

As at 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
At the beginning of the year	17,121,978	18,120,442	25,240,460	25,946,318
Current Service cost	1,736,579	1,479,813	2,901,230	2,455,666
Interest cost	1,883,418	1,812,044	2,776,450	2,594,631
Actuarial (gain)/loss	962,192	(2,068,851)	1,627,516	(3,329,830)
	21,704,167	19,343,448	32,545,657	27,666,785
Benefit paid	(152,895)	(370,189)	(424,534)	(575,044)
Transfer-in/(out)	-	(1,851,281)	-	(1,851,281)
At the end of the year	21,551,272	17,121,978	32,121,124	25,240,460

The weighted average duration of the Defined Benefit Plan Obligation of the Company and Subsidiary at the end of the reporting period is 8.52 years and 9.62 years respectively.

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

As at 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Within the next 12 months	1,099,435	1,110,788	1,869,869	1,714,124
Between 2 and 5 years	2,254,789	3,320,899	4,963,033	5,747,330
Beyond 5 years	18,197,048	12,690,291	25,288,222	17,779,006
	21,551,272	17,121,978	32,121,124	25,240,460

Sensitivity Analysis

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

	Rs.	Rs.
Company		
A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2020	(1,592,578)	1,779,822
As at 31 March 2019	(1,187,889)	1,321,557
A one percentage point change in the salary increment rate.	+1%	-1%
As at 31 March 2020	1,837,561	(1,670,105)
As at 31 March 2019	1,378,018	(1,257,233)
Group		
A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2020	(2,459,250)	2,777,696
As at 31 March 2019	(1,834,298)	2,064,525
A one percentage point change in the salary increment rate.	+1%	-1%
As at 31 March 2020	2,827,012	(2,544,046)
As at 31 March 2019	2,117,401	(1,910,857)

21. DEFERRED TAX LIABILITY

As at 31 March	Company (Note 21.1) 2020 Rs.	Company (Note 21.1) 2019 Rs.	Group (Note 21.2) 2020 Rs.	Group (Note 21.2) 2019 Rs.
At the beginning of the year	109,582,965	113,328,544	112,245,642	113,328,544
Asset at the beginning of the year	-	-	-	(12,305,159)
Charge/(Reversal) recognised to Profit/(Loss)	(4,691,896)	(4,035,218)	9,621,815	10,743,471
Charge/(Reversal) recognised to Other Comprehensive Income/(Loss)	(134,707)	289,639	(234,506)	478,786
At the end of the year	**104,756,362**	**109,582,965**	**121,632,952**	**112,245,642**

As at 31 March	2020 Temporary Difference Rs.	2020 Tax Effect Rs.	2019 Temporary Difference Rs.	2019 Tax Effect Rs.
21.1 Deferred Tax Liability - Company				
As at 1 April	782,735,462	109,582,965	809,489,603	113,328,544
Amount originating/(reversing) during the year	(34,475,737)	(4,826,603)	(26,754,141)	(3,745,579)
As at 31 March	748,259,725	104,756,362	782,735,462	109,582,965
Temporary difference of Property, Plant and Equipment	624,488,988	87,428,458	654,479,828	91,627,176
Temporary difference of Right-of-use Assets	1,446,980	202,577	-	-
Revaluation surplus on freehold land	145,377,613	20,352,866	145,377,613	20,352,866
Temporary difference of Retirement Benefit Obligation	(21,551,272)	(3,017,178)	(17,121,979)	(2,397,077)
Temporary difference of Lease Liabilities	(1,502,584)	(210,362)	-	-
As at 31 March	748,259,725	104,756,362	782,735,462	109,582,965
21.2 Deferred Tax Liability - Group				
As at 1 April				
Deferred Tax Liability	800,486,648	112,245,642	809,489,603	113,328,544
Deferred Tax Asset	-	-	(82,034,393)	(12,305,159)
Amount originating / (reversing) during the year	60,283,682	9,387,310	73,031,438	11,222,257
As at 31 March	860,770,330	121,632,952	800,486,648	112,245,642
Temporary difference of Property, Plant and Equipment	751,628,586	106,499,398	680,349,493	95,507,625
Temporary difference of Right-of-use Assets	38,617,495	5,778,154	-	-
Revaluation surplus on freehold land	145,377,613	20,352,866	145,377,613	20,352,866
Temporary difference of Retirement Benefit Obligation	(32,121,121)	(4,602,655)	(25,240,458)	(3,614,849)
Temporary difference of Lease Liabilities	(42,732,243)	(6,394,811)	-	-
As at 31 March	860,770,330	121,632,952	800,486,648	112,245,642

The effective tax rate used to calculate the deferred tax liability of the Company for all the temporary differences is 14% (2018/19 - at 14%) and tax rate of 15% is used for deferred tax liability of the Subsidiary (2018/19- at 15%).

NOTES TO THE FINANCIAL STATEMENTS

22. LEASE LIABILITY

	Company		Group	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	1,558,286	-	41,251,786	-
Accretion of Interest	155,829	-	5,203,222	-
Paid during the year/transferred to accrued liability	(211,532)	-	(3,722,765)	-
Balance as at end of the year	**1,502,583**	-	**42,732,243**	-

22.1 Maturity analysis of lease liability as follows,

	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Payable within one year				
Gross Liability	211,532	-	5,011,532	-
Finance cost allocated to future periods	(150,258)	-	(4,144,349)	-
	61,273	-	**867,183**	-
Payable within two to five years				
Gross Liability	846,126	-	20,046,126	-
Finance cost allocated to future periods	(533,320)	-	(15,619,066)	-
	312,806	-	**4,427,060**	-
Payable after five years				
Gross Liability	1,692,252	-	68,892,252	-
Finance cost allocated to future periods	(563,747)	-	(31,454,253)	-
	1,128,505	-	**37,437,999**	-
Net Liability payable after one year	**1,441,310**	-	**41,865,060**	-

23. TRADE AND OTHER PAYABLES

	Company		Group	
As at 31 March	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Accrued Expenditure	2,594,426	2,682,157	26,056,319	22,797,715
Retention Money	110,115	110,115	111,684	111,684
Unclaimed Dividend	23,220,194	20,954,869	23,220,194	20,954,869
Other Payable	1,292,737	1,230,651	4,532,773	3,600,146
	27,217,472	24,977,793	53,920,970	47,464,414

24. DIVIDENDS PAID DURING THE YEAR

For the year ended 31 March	Company 2020 Rs.	Company 2019 Rs.	Group 2020 Rs.	Group 2019 Rs.
Interim Dividend paid	224,132,919	522,976,812	224,132,919	522,976,812
	224,132,919	522,976,812	224,132,919	522,976,812
Dividend per share (Rs.)	0.30	0.70	0.30	0.70
Final Dividend - 2019/20 (Paid on 23 and 30 of June 2020)	298,843,892	-	298,843,892	-
Dividend per share (Rs.)	0.40	-	0.40	-

25. EVENTS OCCURRING AFTER THE REPORTING DATE

In March 2020, the World Health Organization declared the novel corona-virus (COVID-19) outbreak as a pandemic. There have been mandates from Government authorities requiring forced closures of various schools, businesses and other facilities and organizations. As a result, during the latter part of March 2020, there was a restriction on operations of the Company. However, After Government has declared the power sector as an essential service, normal operations were continued.

Except for cash flow deficits emerged due to the delay in signing of SPPA extension of Erahtna MHPP, the Company is holding adequate cash reserves to ensure solvency. Therefore our investors can maintain the same level of confidence entrusted upon the company before the outbreak as company stability remains the same.

Other than the above there have been no material events occurring after the balance sheet date that require adjustment or disclosure in the financial statements.

26. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

There are no capital commitments as at the reporting date .

Contingencies

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

NOTES TO THE FINANCIAL STATEMENTS

27. 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.

	Company				Group			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
As at 31 March	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
27.1 Financial Assets								
Loans and Receivables at amortised cost:								
Trade & Other Receivables	230,876,200	159,993,428	230,876,200	159,993,428	504,518,750	295,568,601	504,518,750	295,568,601
Amount Due from Related Parties	9,205,296	2,277,635	9,205,296	2,277,635	3,706,167	895,029	3,706,167	895,029
Short Term Investment	234,900,759	154,386,706	234,900,759	154,386,706	757,340,993	441,155,662	757,340,993	441,155,662
Cash and Bank Balances	14,982,505	18,068,006	14,982,505	18,068,006	17,082,427	32,268,390	17,082,427	32,268,390
Total	489,964,760	334,725,775	489,964,760	334,725,775	1,282,648,337	769,887,681	1,282,648,337	769,887,682
27.2 Financial Liabilities								
Other Financial Liabilities at amortised cost:								
Lease Liability	1,502,584	-	1,502,584	-	42,732,243	-	42,732,243	-
Trade and Other Payables	27,217,472	24,977,793	27,217,472	24,977,793	53,920,970	47,464,414	53,920,970	47,464,414
Total	28,720,056	24,977,793	28,720,056	24,977,793	96,653,213	47,464,414	96,653,213	47,464,414

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

28. RELATED PARTY DISCLOSURES

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

28.1 Transactions with the Company

For the year ended 31 March			Aggregate Amount of Transactions	
Company	Relationship	Nature of Transaction	2020 Rs.	2019 Rs.
Country Energy (Pvt) Ltd. (CEPL)	Subsidiary Company	Net operating Expenses incurred on behalf of CEPL	(26,405,416)	(24,411,420)
		Reimbursement of expenses by CEPL	21,985,187	24,835,119
		Dividend Received from CEPL	100,400,697	160,641,115
Vallibel Finance PLC	Related Company	Investment in Fixed Deposits	(284,222,898)	(482,030,215)
		Withdrawals of Fixed Deposits	226,265,373	395,829,925
		Interest Received	3,529,498	15,646,333
LB Finance PLC	Related Company	Investment in Fixed Deposits	(2,608,177)	(25,000,000)

For the year ended 31 March			Aggregate Amount of Transactions	
Company	Relationship	Nature of Transaction	2020 Rs.	2019 Rs.
Alternate Power Systems (Pvt) Ltd (APSL)	Related Company	Net operating Expenses incurred on behalf of APSL	(14,889,661)	(12,023,986)
		Funds received from Alternate Power Systems (Pvt) Ltd	12,499,929	12,187,405
Greener Water Limited (GWL)	Related Company	Operating Expenses incurred on behalf of GWL	(9,566,213)	(9,032,979)
		Reimbursement of expenses by GWL	9,448,511	9,000,557
The Kingsbury PLC	Related Company	Payments made for services obtained	(398,825)	(347,250)

Transaction with the Subsidiary

For the year ended 31 March			Aggregate Amount of Transactions	
Company	Relationship	Nature of Transaction	2020 Rs.	2019 Rs.
LB Finance PLC	Related Company	Investment in Fixed Deposits	(93,586)	(759,261)
		Withdrawals of Fixed Deposits	7,624,777	-
		Interest Received	93,586	759,261
Vallibel Finance PLC	Related Company	Investment in Fixed Deposits	(368,010,248)	(395,720,737)
		Withdrawals of Fixed Deposits	194,864,880	223,250,470
		Interest Received	3,044,690	14,166,972
Greener Water Limited (GWL)	Related Company	Operating Expenses incurred on behalf of GWL	(1,600,466)	(1,538,846)
		Reimbursement of expenses by GWL	1,383,941	1,669,037
Summer Season Ltd (SSL)	Related Company	Operating Expenses incurred on behalf of SSL	(536,213)	-
		Reimbursement of expenses by SSL	449,035	-

The above transactions were carried out on normal trading terms.

28.2 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on an relevant commercial terms. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

28.3 Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2020 audited Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTY DISCLOSURES (CONTD)

28.4 Recurrent related party transactions

There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/income of the Company as per 31 March 2020 audited Financial Statements. Details of related party disclosures are as follows,

Name of the Related Party - Vallibel Finance PLC
Relationship - Related Company
Nature of transaction - Investment in Fixed deposits

For the year ended 31 March	2020 Rs.	2019 Rs.
Aggregate value of related party transactions entered into during the financial year	284,222,898	482,030,215
Revenue as per latest audited financial statements	392,556,077	671,659,215
Aggregate value of related party transactions as a % of net revenue/income	72%	72%

28.5 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 (Short term)

For the year ended 31 March	2020 Rs.	2019 Rs.
Directors' Emoluments	3,733,333	3,711,111
Other Key Management Personnel	6,957,376	6,324,488

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.

28.6 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 14, 18 & 28 to the Financial Statements.

29. OPERATING SEGMENT INFORMATION

	Erathna MHPP		Denawaka Ganga MHPP		Kiriwaneliya MHPP		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	392,556	671,659	417,687	374,281	248,065	240,784	1,058,308	1,286,725
Cost of sales	(52,155)	(54,130)	(51,836)	(53,268)	(33,892)	(35,490)	(146,774)	(151,778)
Gross profit	340,401	617,530	365,851	321,013	214,173	205,295	911,534	1,134,947
Other income	100,400	160,691	-	6,400	4,780	2,825	4,780	9,275
Administrative expenses	(47,710)	(45,891)	(38,014)	(36,421)	(18,250)	(17,466)	(103,974)	(100,303)
Other expenses	(2,846)	(1,757)	(639)	(878)	(1,584)	(730)	(5,068)	(3,365)
Finance Income	23,304	20,690	20,807	12,441	15,276	15,835	59,387	48,966
Finance Cost	(156)	(406)	(5,047)	(2,841)	-	(1,457)	(5,203)	(4,178)
Profit before tax	413,394	750,857	342,957	299,714	214,396	204,301	861,457	1,085,341
Tax expenses	(44,290)	(85,541)	(56,979)	(48,829)	(36,266)	(34,821)	(153,879)	(195,342)
Profit after tax	369,104	665,315	285,978	250,886	178,130	169,481	707,577	889,999
Other comprehensive income / (loss)	(827)	1,779	(534)	930	(32)	142	(1,393)	2,851
Total comprehensive income	368,277	667,094	285,444	251,815	178,098	169,623	706,184	892,850
Segmental assets								
Non-current assets	1,605,758	1,629,633	774,809	763,214	650,533	661,502	2,270,177	2,302,316
Current assets	489,965	334,726	493,611	243,658	304,875	192,523	1,282,648	769,888
Total assets	2,095,723	1,964,359	1,268,420	1,006,871	955,408	854,025	3,552,825	3,072,204
Segmental liabilities								
Lease Liability	1,441	-	40,424	-	-	-	41,865	-
Deferred tax liability/(asset)	104,756	109,583	11,718	3,154	5,159	(491)	121,633	112,246
Retirement benefit obligations	21,551	17,122	8,686	6,483	1,884	1,636	32,121	25,240
Current liabilities	49,296	63,120	46,149	56,384	15,707	29,295	105,349	147,781
Total liabilities	177,045	189,825	106,977	66,021	22,749	30,440	300,968	285,268
Other Segment Information								
Total depreciation	31,331	31,415	24,819	24,851	21,803	21,507	77,953	77,773
Amortisation	325	1,600	3,523	1,000	467	467	13,204	11,957
Capital expenditure	538	214	322	165	11,302	266	12,162	644

TEN YEARS FINANCIAL SUMMARY

	2019/20 Rs'000	2018/19 Rs'000	2017/18 Rs'000	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
Operating Results										
Revenue	1,058,308	1,286,725	1,117,602	863,722	1,181,807	1,317,931	1,064,991	693,032	399,665	533,588
Gross profit	911,534	1,134,947	955,252	714,020	1,043,214	1,171,084	929,273	557,140	345,257	497,120
Other Income	4,780	9,275	90	536	38	44,394	64	704	10,356	10,876
Administration expenses	103,974	100,302	100,852	102,928	114,134	107,584	104,242	99,752	73,083	64,607
Finance cost	5,203	4,178	35,645	59,394	59,713	87,024	162,716	181,645	46,627	20,989
Net profit before tax	861,456	1,085,341	849,086	592,263	900,179	1,042,342	688,857	302,078	248,616	425,380
Net profit after tax	707,577	889,999	763,383	515,800	813,028	960,092	667,111	293,891	244,006	422,179
Funds Employed										
Stated capital	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365
Revenue reserves	1,809,412	1,386,695	1,070,765	899,422	1,001,587	973,852	823,343	648,389	562,094	547,041
Non-controlling interest	268,079	225,877	199,340	162,695	165,859	149,135	122,340	99,585	92,087	63,067
Borrowings (Both non-current & current)	-	-	157,403	365,723	573,723	758,879	947,300	1,173,247	1,292,463	476,001
Lease Liability (Both non-current & current)	42,732	-	-	-	-	-	-	-	-	-
	3,294,588	2,786,937	2,601,874	2,602,205	2,915,534	3,056,232	3,067,348	3,095,585	3,121,009	2,260,475
Assets Employed										
Non Current Assets	2,270,177	2,302,316	2,403,789	2,490,496	2,575,812	2,658,887	2,830,474	2,923,021	3,005,032	2,144,961
Current Assets	1,282,648	769,888	401,848	254,801	529,048	537,950	357,875	276,885	264,490	217,904
Current Liabilities	(104,483)	(147,780)	(64,488)	(42,929)	(90,057)	(39,810)	(23,683)	(22,209)	(67,868)	(21,307)
Retirement Benefit Obligations	(32,121)	(25,240)	(25,946)	(18,786)	(16,407)	(16,505)	(11,629)	(9,714)	(7,116)	(7,088)
Diferred tax liability	(121,632)	(112,246)	(113,329)	(81,378)	(82,862)	(84,290)	(85,689)	(72,398)	(73,529)	(73,995)
	3,294,588	2,786,937	2,601,874	2,602,205	2,915,534	3,056,232	3,067,348	3,095,585	3,121,009	2,260,475
Key Indicators										
Earnings Per Share (Rs.)	0.87	1.12	0.96	0.66	1.04	1.21	0.85	0.39	0.33	0.57
Net Assets Per Share (Rs.)	3.99	3.43	3.01	2.78	2.91	2.88	2.67	2.44	2.32	2.30
Market Price of Share-Closing (Rs.)	5.40	5.90	7.30	7.10	8.00	7.90	5.60	5.60	6.60	8.60
Dividend Per Share (Rs.)	0.70	0.70	0.70	0.80	1.00	1.00	0.60	0.25	0.25	0.20
Price earning ratio (times)	6.22	5.27	7.59	10.74	7.73	6.52	6.61	14.46	19.83	15.20
Dividend payout (%)	80.68	62.54	72.78	121.00	96.60	82.58	70.82	64.54	75.10	35.34

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 40.517% of the issued share capital as at 31st March 2020. It represents 4,508 of shareholders as at 31st March 2020.

4. FLOAT ADJUSTED MARKET CAPITALIZATION

The Float Adjusted Market Capitalization as at 31st March 2020 is Rs.1,634,615,888.40. The Company complies with option 5 of the Listing Rules 7.13.1 (a) – Less than Rs.2.5 Bn Float Adjusted Market Capitalization.

5. DISTRIBUTION OF SHAREHOLDING AS AT 31 MARCH 2020

There were 4,513 Registered shareholders as at 31st March 2020.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	1,913	42.39	750,045	0.10
1,001	10,000	1,752	38.82	7,498,430	1.00
10,001	100,000	683	15.13	23,309,151	3.12
100,001	1,000,000	140	3.10	37,355,562	5.00
Over 1,000,000		25	0.55	678,196,543	90.78
Total		**4,513**	**100.00**	**747,109,731**	**100.00**

6. ANALYSIS REPORT OF SHAREHOLDERS AS AT 31 MARCH 2020

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individuals	4,358	96.57	275,082,678	36.82
Institutions	155	3.43	472,027,053	63.18
Total	**4,513**	**100.00**	**747,109,731**	**100.00**
Resident	4,464	98.91	737,785,489	98.75
Non-resident	49	1.09	9,324,242	1.25
Total	**4,513**	**100.00**	**747,109,731**	**100.00**

INVESTOR INFORMATION

7. TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2020

	Name of the Shareholder	Number of shares as at 31.03.2020	(%) in issued Capital	Number of shares as at 31.03.2019	(%) in issued Capital
1	Vallibel Power Limited	299,425,830	40.08	299,425,830	40.08
2	Mr. Dhammika Perera	144,812,225	19.38	144,812,225	19.38
3	Seylan Bank PLC /Senthilverl Holding (Pvt) Ltd	79,675,549	10.67	-	-
4	Sampath Bank PLC/Dr. T Senthilverl	50,404,135	6.75	50,925,829	6.82
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	9,937,806	1.33	10,074,923	1.35
8	Ms. K D C Samanthi	9,375,000	1.26	9,375,000	1.25
9	Acuity Partners(Pvt)Limited / Mr. Anthony Romesh Grero	9,229,607	1.24	2,478,196	0.33
10	Mr. P P Subasinghe	5,303,190	0.71	5,278,190	0.71
11	Employees Trust Fund Board	5,197,715	0.70	5,197,715	0.70
12	Ayenka Holdings Private Limited	3,024,539	0.41	11,704,000	1.57
13	Perera and Sons (Bakers) Limited	3,008,630	0.40	2,900,000	0.39
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	Mr. A R Grero	2,261,653	0.30	354,303	0.05
17	Mr. D D Gunaratne	2,250,000	0.30	2,200,000	0.29
18	Mr. M F Hashim	2,017,989	0.27	1,796,059	0.24
19	Mr. M H M Nazeer	1,500,000	0.20	1,500,000	0.20
20	Dr. M Dewolage	1,433,721	0.19	168,750	0.02
Total		671,757,589	89.92	591,091,020	79.12
Others		75,352,142	10.08	156,018,711	20.88
Grand Total		**747,109,731**	**100.00**	**747,109,731**	**100.00**

8. SHARE TRADING INFORMATION

	2019/2020	2018/2019
Highest (Rs.)	6.60	7.50
Lowest (Rs.)	5.40	5.90
Closing (Rs.)	5.40	5.90
Value of Shares Trades (Rs.)	724,376,036	231,504,504
No. of Shares Traded	122,412,201	35,013,863
No. of Trades	6,149	4,628

9. EQUITY INFORMATION

	2019/2020	2018/2019
Earnings per share-Basic (Rs.)	0.87	1.12
Dividend per Share *(Rs.)	0.70	0.70
Net Asset Value per share (Rs.)	3.99	3.43
Dividend pay out ratio (%)	80.46	62.50

**Dividend per share represents the Interim Dividend of Rs. 0.30 per share paid on 12th July 2019 and Final Dividend of Rs. 0.40 per share paid on 23rd and 30th June 2020.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 19TH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF ELECTRONIC MEANS ON 31ST JULY 2020 AT 4.30 P.M. CENTERED AT THE BOARDROOM, OF ROYAL CERAMICS LANKA PLC AT NO. 20, R A DE MEL MAWATHA, COLOMBO 03

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2020 and 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 elect Ms. Y Bhaskaran who retires in terms of Article 25 (03) of the Articles of Associations, as a Director of the Company.
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors 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 2021 and upto 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
03 July 2020

Note:

- A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
- A proxy need not be a shareholder of the Company.
- Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
- For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process enclosed herewith.

NOTES

NOTES

FORM OF PROXY

*I/We..holder of NIC ....No

of..being a *Shareholder /Shareholders of Vallibel

Power Erathna PLC, do hereby appoint..holder of NIC No

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

Mr. Dammika 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 or failing him
Ms. Y Bhaskaran	of Colombo

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 31st July 2020 at 04.30 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1. 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.		
2. To elect Ms. Y Bhaskaran, who retires by in terms Article 25(03) of the Articles of Association, as a Director of the Company.		
3. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.		
4. To authorize the Directors to determine payments for the year 2020/2021 and upto the date of the next Annual General Meeting for Charitable and other purposes as set out in the Companies Donations Act (Cap 147).		

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

....

Signature

Note:

1) *Please delete the inappropriate words.

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

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall
   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to dineshg@vallibel.com by 01.00 p.m on 29th July 2020.

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 November 2001

Company Registration Number
P.Q. 103

Financial Year End
31st March

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

Stock Exchange Listing
The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. (Stock Code - VPEL.N0000)

Board of Directors
Mr. Dhammika Perera - Chairman
Mr. S H Amarasekera - Deputy Chairman
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S Shanmuganathan
Mr. C V Cabraal
Ms. Y. Bhaskaran*

**Appointed w.e.f. 15th May 2020*

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
Hatton National Bank PLC
Pan Asia Banking Corporation PLC

Concept & Designed by
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