VALLIBEL POWER ERATHNA PLC

ANNUAL REPORT 2020/21

STEADFASTLY RESILIENT

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Negotiating through a time of adversity has been a great teacher; and a paramount lesson from the year under review has been the potential of resilience. While the year can be considered modest in comparison, we learned that our power really was grounded in our ability to persevere against the odds. While the future remains uncertain, we will continue to look ahead with confidence and hope while building on our strength and resilience; achieving our long term goals and being exemplary in all we do.

CONTENTS

VISION

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

MISSION

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

CORE 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) commenced operations as 'Zyrex Power Company Erathna Limited' in 2001, with the mandate to develop and operate mini hydro power projects in Sri Lanka. In 2004, VPEL commissioned its first power plant in Erathna, Kuruwita, the largest mini hydro power project in Sri Lanka which has a total generation capacity of 9.9 MW. VPEL went public in 2006 and listed its shares in the Colombo Stock Exchange. To date, this is 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 the National Grid of Sri Lanka annually.

The Erathna Mini Hydro Power Plant located in Kuruwita reached the end of the first phase of its operations following the conclusion of its SPPA on 14th July 2019. Erathna is now on the second phase of its operations following the signing of the new PPA in July 2020 with the Ceylon Electricity Board. Phase II is for an initial period of 5 years with provision to extend for a further 15 years. The Company's other two mini hydro power projects, Kiriwaneliya MHPP and Denawaka Ganga MHPP, have another 6 years to complete before the first term of their SPPA is completed, in 2026 and 2027 respectively.

	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	2,250 Meters	97 Meters	1,690 Meters
Channel Length	300 Meters	1,800 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	34	44	20

HIGHLIGHTS OF THE YEAR

Power Generation

81.4 GWh

Group Revenue

LKR 1076.9 Mn

Net Profit After Tax

LKR 621.9 Mn

Performance		2020/21	2019/20	Change %
Power Generation	GWh	81.4	73.9	10
Revenue	Rs. Mn	1,076.9	1,058.3	2
Gross Profit	Rs. Mn	928.3	911.5	2
Net Profit After Tax	Rs. Mn	621.9	707.6	(12)
Net Cash Generated from Operating Activities	Rs. Mn	811.3	421.5	92
Financial Position				
Total Assets	Rs. Mn	3,062.8	3,552.8	(14)
Total Liabilities	Rs. Mn	350.3	301.0	16
Shareholders Fund	Rs. Mn	2,487.6	2,983.8	(17)
Net Current Assets	Rs. Mn	743.0	1,177.3	(37)
Share Information (per share)				
Earnings	Rs.	0.74	0.87	(15)
Net Assets value	Rs.	3.33	3.99	(17)
Dividend	Rs.	1.0	0.7	43
Dividend Payout	%	135	80	68
Market Price	Rs.	7.40	5.40	37

CHAIRMAN'S STATEMENT

Dear Shareholders

It is my privilege to welcome you to the 20th Annual General Meeting of Vallibel Power Erathna PLC and to present you with our Annual Report and Audited Financial Statements for the financial year 2020/21. This year marks a significant milestone in our business as we celebrate two decades of our presence in the mini-hydropower sector in Sri Lanka. It has been an exciting and challenging journey, one that has brought us to the apex of the industry and enabled us to garner numerous honours, accolades and awards along the way.

We live in unprecedented times. The hardships brought on by the pandemic have prompted companies to think out-of-the box and reinvent the ways in which we operate. Your Company had the foresight to put in place strategies that assure seamless business continuity during adversities such as these, which has enabled us to weather the storm.

Local Energy Outlook

Rainfall in the catchment areas was steady during the year, so hydropower generation from both large as well as mini-hydropower plants was substantially higher than during the same period in the previous year. This resulted in a marginal increase in the contribution of NCREs to the energy mix.

The impact of the COVID-19 outbreak on the local power sector was relatively low. Most power plants continued to function as an essential service during this period of crisis, but given the slowdown of overall economic activities, total power consumption in Sri Lanka declined.

Our People

We continue to value the contribution of our skilled, and committed workforce and took steps to safeguard the jobs of every member of staff during the pandemic. The safe environment we have maintained for our employees throughout our electricity generating business since inception was taken to new heights of health and safety with the onset of COVID-19. Stringent guidelines are now in place to ensure that the risk of contamination and transmission at all our locations is minimised.

Our Commitment to Communities and the Environment

Caring for the communities that have made the vicinities of our power plants their home is now firmly entrenched in our stakeholder engagement initiatives. Initiatives were organised to educate them on the health and safety measures needed to keep the pandemic at bay.

As a producer of clean energy, we follow all rules and regulations pertaining to environment protection, which are formalised in our detailed environment policy. Accordingly, we expanded our flagship project, Empowering Green to several more areas of the country, during this fiscal year.

Your Company's Performance

A regular rainfall in the catchment areas enabled your Company to post a healthy revenue due to the improved generation of all three MHPPs. Consequently, Group Revenue for the fiscal year increased by 2% to Rs. 1,076.9 million, from Rs.1,058.3 million a year earlier. Group Net Profit Before Tax (NPBT) increased very marginally to Rs. 865.3 million in the current fiscal year, from Rs. 861.4 million in 2019/2020, due to the slight increase of top line.

Erathna MHPP entered the second phase of its operations following the signing of the new PPA signed in July 2020, albeit at a much lower tariff, which will affect profitability in the future. The PPA is for an initial 5 years with a provision to extend for a further 15 years. The PPAs for Denawakaganga and Kiriwaneliya MHPPs will conclude in five years, and we are hopeful that the new PPAs will also be signed on favourable terms.

The pandemic has increased focus on the need for clean energy alternatives. We are planning to enter a tri-party agreement with owners of rooftops and the CEB for the generation of solar power, but this has yet to come to fruition due to delays. The tri-party agreement would enable rooftop owners who lack the necessary financial outlay, to obtain solar power at very competitive terms while we, in turn, will be contributing towards promoting environment-friendly green energy.

"Group Revenue for the fiscal year increased by 2% to Rs. 1,076.9 million, from Rs. 1,058.3 million a year earlier. Group Net Profit Before Tax (NPBT) increased very marginally to Rs. 865.3 million in the current fiscal year, from Rs. 861.4 million in 2019/2020, due to the slight increase in top line"

Dividend

It gives me great pleasure to inform you that despite the turbulence of this fiscal year we continue to honour our commitment to you, our esteemed shareholders, with a dividend payout of Rs. 1/- per share. This brings the dividend declared and paid for the current year to a total Rs. 747.1 million which is a 43% increase over the dividend paid in the preceding year. This serves to further reinforce our position as the mini-hydropower company that values and rewards your unwavering commitment in all weathers.

Appreciation

I thank my Board members for contributing their business expertise and industry knowledge that continues to gives us the edge over our competitors even in challenging times. I also appreciate the continued trust and loyalty of our shareholders, business partners and other stakeholders. I express my gratitude to the Joint CEOs as well, for capably executing our business strategy in difficult circumstances. I value the numerous ways in which our employees rise to meet every challenge and opportunity, and thank them for taking that dedication to new heights this past year as we adapted to the challenges of a global pandemic. I take pleasure in inviting each one of you to continue to accompany us on our journey to further achievements in the decades to come.

Looking Forward

As we gear up for further growth, we will continue to leverage on our expertise and strive to identify unique opportunities that will help us serve our country's energy needs more holistically.

Dhammika Perera
Chairman

May 28, 2021

BOARD OF DIRECTORS

Mr. Dhammika Perera
Chairman – NED

Mr Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower 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 unquoted companies.

Mr Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Greener Water Limited, Delmege Limited, and LB Microfinance Myanmar Company Limited. 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 and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

Mr. S H Amarasekera
Deputy Chairman – INED

Mr Harsha Amarasekera, President's Counsel is a leading luminary 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 listed companies in the Colombo Stock Exchange including Sampath Bank PLC, CIC Holding PLC, Swisstek Ceylon PLC, Swisstek Aluminium Ltd as Chairman. He is also an Independent Non-Executive Director of Royal Ceramics Lanka PLC, Vallibel One PLC, Expolanka Holdings PLC, Ambeon Capital PLC and Amaya Leisure PLC. He is also the Chairman of CIC Agri Businesses (Private) Ltd.

Mr. P K Sumanasekera
Director – INED

Mr. Prabodha Sumanasekera holds a Degree in Physics from the Colombo University and has over 25 years of 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.

Mr. H Somashantha
Director – NED

Mr. Haresh Somashantha counts 21 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 Director Finance 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 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 also serves on the board of Kelani Valley Plantations PLC, Renuka City Hotel PLC and The Fortress Resort and Spa PLC.

Ms. Dinusha Bhaskaran
Director – NED

Appointed to the Board of Vallibel Power Erathna PLC in 2020. Ms. Dinusha Bhaskaran is a Financial and Accounting professional currently serving as the Chief Executive Officer of Vallibel One PLC. She also presently serves on the Board of Delmege Ltd as a Director. Non – Executive Director of LB Finance PLC and Chairperson of LB Finance Audit Committee.

She also serves on the Boards of Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC as an Alternate Director to Mr. Dhammika Perera.

Ms. Dinusha Bhaskaran has previously worked as a Financial Controller with several Australian companies in Melbourne for a number of years. She has in the past served as the Assistant General Manager (Finance & Planning) at Pan Asia Banking Corporation PLC.

She is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and a Fellow Member of the Institute of Bankers, Sri Lanka.

MANAGEMENT DISCUSSION AND ANALYSIS

Global Energy Framework

The COVID-19 pandemic has disrupted economies and affected lives and livelihoods across the world. Entire industries have been upended, raising the spectre of a global economic downturn on a scale unseen since the Great Depression.

According to the International Energy Agency (IEA) Report 2021, renewable electricity has been the energy source most resilient to COVID 19 lockdown measures in 2020. Despite looming economic uncertainties, investor appetite for renewables also remained strong, the shares of publicly listed renewable equipment manufacturers and project developers are outperforming most major stock market indices.

The pandemic came at an important juncture in the clean energy transition. The Special Report by the Intergovernmental Panel on Climate Change (IPCC) reiterates the need to reduce global warming to 1.5 ^{0}C, which entails reaching net zero by 2050. Therefore, the coming decade is critical and requires a decline in global emissions of more than 50% by 2030. This requires speedy and extensive changes in how communities the world over fuel their economies.

For the future, solar and wind power are set to rise steeply at a much faster pace than prior to the pandemic. Solar PV and onshore wind are the cheapest ways of adding new electricity-generating plants, and in countries where good resources and cheap financing are available, wind and solar PV plants will challenge existing fossil fuel plants. Overall, renewables are forecasted to account for 95% of the net increase in global power capacity through 2025.

Local Energy Framework

Electricity demand reduced during the year due to lockdown measures imposed to combat the COVID-19 outbreak. According to the Central Bank Annual Report 2020, these lockdown measures resulted in a 4.3% decline to 8,987 GWh in total electricity generated between January and July 2020 compared to 9,386 GWh in the corresponding period of 2019. As a result, total electricity generation declined by 1.3% to 15,714 GWh. This reduction was mainly due to the decline in generation by 8.0%, 16.4% and 12.9% respectively in the lockdown months of March, April, and May 2020 Y0Y. However, June 2020 saw total electricity generation increasing with the lifting of the lockdown, but reducing again towards the latter part of the year due to the second wave of the pandemic.

The CEB generated 70.9% of the total power generation in the country, while the balance 29.1% was generated by IPPs. The total installed electricity generation capacity of the country during the year was 4,263 MW, and the total units generated was 15,714 GWh, of which the CEB generated 3,911 GWh hydro, an increase from 3,783 GWh generated in 2019, while MHPPs increased generation to 1,047 Gwh during the current year, from 1,011 GWh generated during the previous year.

The average reservoir level remained healthy during the year due to rainfall in the catchment areas, so hydropower generation increased by 24.9% to 3,911 GWh during 2020. Coal power generation also increased by 7.3% to 5,754 GWh due to uninterrupted supplies from the Kerawelapitiya plant, so the CEB opted for coal power due to its relatively low financial cost when compared to fuel oil.

Power generation through non-conventional renewable energy sources (NCRE), including mini-hydro and rooftop solar, also increased marginally to 11.9% during the year, up from 11.1% in 2019, and the contribution of hydro, coal, fuel, and NCRE to the total power generation during the year was 24.9%, 36.6%, 26.6% and 11.9%, respectively.

Although the demand for electricity declined last year to 2.2% the demand for electricity grows at an average annual rate of 5%, so 42 GWh is needed to meet this average daily demand. This requires an approximate 100 MW to be added to the existing installed capacity annually which could be met with renewable energy.

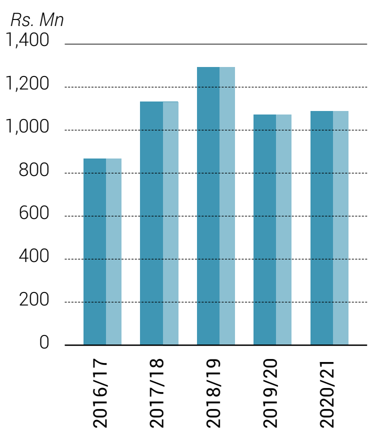
It is vital that a cohesive energy plan is introduced soon which has an increased focus on renewables. Sri Lanka experienced a number of power outages over the past four years due to the country's inability to supply burgeoning needs, as mini hydropower reached saturation while large hydropower reached capacity and began to decline due to less predictable weather patterns.

A carefully thought-out expansion plan that takes into account a range of factors is vital if the country is to improve its renewable energy quotient. The plan should consider, a) energy security; b) fuel price and exchange rate fluctuations; c) technological development and skilled job creation; d) new avenues for investment; e) regional development; f) alignment with climate change concerns, and; g) meeting the needs of sectors like exporters and the tourist industry that focus on external accreditation and therefore seek 'green credentials'.

Group Performance

Group Revenue for the fiscal year increased slightly by 2% to Rs. 1,076.9 million, from Rs.1,058.3 million a year earlier. This was the composite of the revenues of Rs. 292.5 million, Rs.494.1 million and Rs. 290.3 million generated by Erathana MHP, Denawaka Ganga MHP and Kiriwaneliya respectively. Despite this increase, however, Group Net Profit Before Tax (NPBT) increased very marginally to Rs. 865.3 million during the year, from Rs. 861.4 million in 2019/2020, due to a slight increase in top line revenue. Net Profit After Tax dropped by a significant 12% however, to Rs.622 million from Rs. 707.6 million posted in 2019/ 2020, due to a substantial 58% increase in taxation.

Group Revenue



With the signing of the new PPA in July 2020, Erathna MHPP embarked on the second phase of its operations, although at a much lower tariff that continues to be calculated on the plant factor based method. Initially, the PPA is for 5 years but it has the provision to be extended for a further 15 years to July 2039. Denawaka Ganga MHPP is still in the first phase of its operations and has been generating power to the grid for the 9 years, and its SPPA is valid until February 2027. Kiriwaneliya MHPP is also in the first phase of operations and has completed 9 years to date as well, where its SPPA is valid until December 2026.

Performance of Our Power Plants

Erathna MHPP

The Erathna Mini Hydropower plant is the Group's largest MHP and is constructed in the Kuruwita Divisional Secretariat in the Ratnapura district. This "run-of-river' project generates electricity from the waters of the upper reaches of the Kuru Ganga. It has a generation capacity of 40 GWh and is built on 4.7 ha. of land in proximity to the villages of Pelendakanda and Adavikanda.

Generation from Erathna MHPP increased by 12% during the year, from 37,174,462 KWh in 2019/2020, to 41,812,594 KWh in the current fiscal year.

Despite the increased power generation, however, revenue from Erathna MHP declined by 25% to Rs. 292.5 million, from Rs. 392.5 million during the same period of the preceding year. This decline was due to the impact of the plant factor-basedtariff, which, commencing from Rs. 7.02/kWh, is paid with a 3% annual increase. The plant factor-based tariff is lower than the tariff calculated on the avoided cost method, on which payment is made to the other two MHPPs. Segmental NPBT of Erathna was increased by a substantial 140% as a result of the dividend income from subsidiary Country energy (Pvt) Ltd.

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., it has 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.

Denawaka Ganga MHP increased power generation by 8% to 24,849,726 KWh during the current fiscal year, from 22,986,110 KWh during 2019/2020, reporting improved generation in the dry season over the previous year's volumes (dry season volumes improved by 192% over the preceding year while the volumes during the wet season declined by 3% over volumes generated last year). The revenue of the MHPP also increased by 18% to Rs. 494.1 million, from Rs, 417.7 million realised in 2019/2020. This was due to an increase in the tariff paid on the Avoided Cost method as well as an increase in the generation volumes contributed in equal proportions.
As a result of the increases in both generation and tariff, segmental NPBT rose by 19%.

Kiriwaneliya MHPP

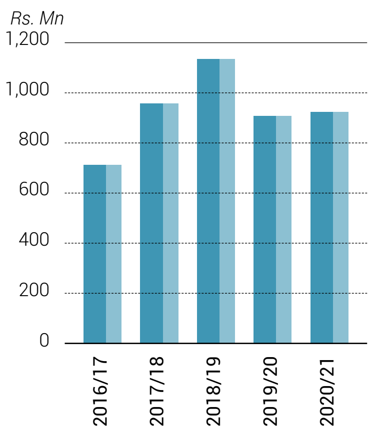
Kiriwaneliya MHPP was constructed by VPEL's subsidiary Country Energy (Pvt) Ltd., and is located in the Kiriwaneliya village of the Nuwara Eliya district in the Central province. This MHPP generates hydroelectric power utilising the water flow of Maskeli Oya. It has a total installed capacity of 4.65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

Kiriwaneliya MHP improved generation performance by 7% this year, to 14,773,125 KWh, in the current year from 13,817,089 KWh generated a year earlier. This MHPP also reported a higher generation in the dry season of the current year when compared with volumes generated last year.(dry season volumes improved by 90% over the preceding year while the volumes during the wet season improved by a marginal 4% over the previous fiscal year). With the overall impact from both increased power generation and tariff increase, plant revenue increased by 17%, to Rs. 290.3 million, from Rs. 248.1 million realised a year earlier. Segmental NPBT rose by 14% as a result of the increase in both tariff and output.

Other Key Financials

Gross Profit (GP)

Group gross profit increased marginally by 2%, from Rs. 911.5 million in the previous year, to Rs. 928.3 million in the year of review, as a result of the slight increase of 2% in topline revenue. The increase in the of cost of sales was insignificant, so it had no impact on the GP of the Group.



Net Finance Income

The Finance income of the Group comprises the returns on short term investments made in fixed deposits and treasury bills. During the year under review, this was reduced from Rs. 52.4 million (2019/20) to Rs. 27.1 million (2020/21) due to the reduced deposit rates and lower investments made when compared to the previous year.

Taxation

The Group's tax expenses increased by 58%, mainly due to the tax on dividend income which had to be paid on inter-company dividend receipts of Rs. 770.5 million (Gross), as against last year's net dividend income of Rs. 100.4 million.

The detailed movements of tax expenditure are given below.

Profitability

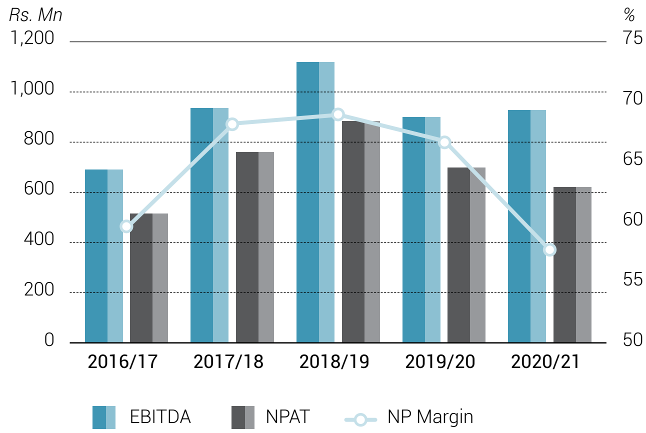
Group EBITDA increased slightly by 3.6% during the current fiscal year and amounted to Rs. 938.1 million, from Rs. 905.4 million in 2019/20, as a result of the marginal increase in topline revenue.

However, Group net profit after tax declined by 12%, to Rs. 622 million, from Rs. 707.5 million in 2019/20 due to the impact of the income tax increase. Parallelly, the net profit margin of the Group dropped from 67% in the previous fiscal year to 58% in the current year.

Tax expenditure

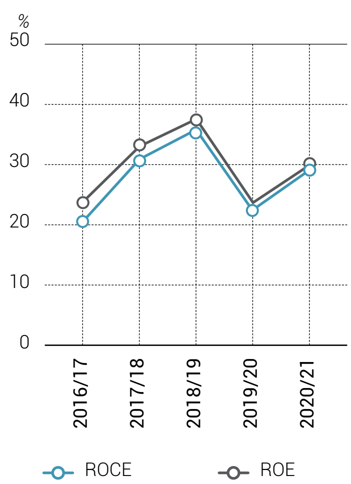
Tax component	2020/21 Rs. Mn	2019/20 Rs. Mn	Change Rs. Mn	%	Key reason
Income tax on business profits	117.9	114.9	3.0	2.6%	No material change in profits
Income tax on finance income	7.1	16.1	(8.9)	55.6%	Decrease of finance income
Income tax on dividend income	107.9	-	107.9	100%	Increase of dividend income
Group dividend tax cost of inter-company dividends receipts.	-	16.3	(16.3)	(100%)	
(-) Reversal of income tax over provision	-	(3.0)	3.0	100%	Adjustment on reversal of over provided tax is marginal
Deferred tax charge/(reversal)	10.5	9.6	0.9	9.4%	Deferred tax charge originated from Subsidiary
Total	**243.4**	**153.9**	**89.5**		

Profitability



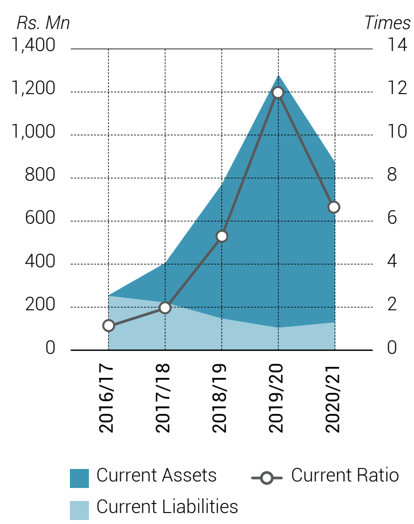
Return on Capital Employed (ROCE) and Return on Equity (ROE)

The Group's ROCE & ROE as at the reporting date has increased when compared to last year, due to the distribution of revenue reserves to shareholders by means of dividends amounting to Rs. 1.1 billion during the FY 2020/21. ROCE also increased to 31%, from 25% in the FY 2019/20, while ROE increased to 32% this fiscal year, from 26% in 2019/20.



Working Capital Management

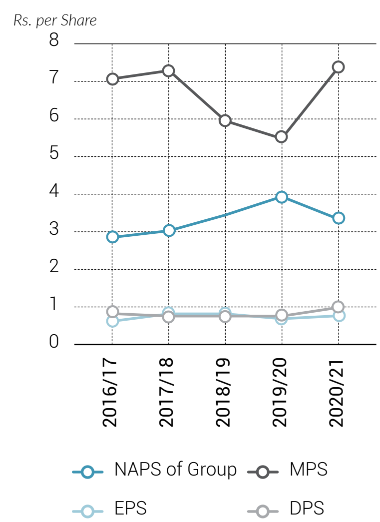
When compared with the previous year, the working capital position as at the reporting date dropped from Rs. 1,177.3 million (2019/20) to Rs. 743.0 million this year due to the decrease in cash and cash equivalents. Despite this, the Group has maintained a healthy current ratio of 6.7 times. Although the Group is presently experiencing delays in receiving outstanding payments from the CEB amounting to Rs. 193.9, overdue by more than 180 days, we are confident that these monies will be recovered in the near future.



Share Performance

The Company paid out Rs. 1/- per share as dividend for the FY 2020/21 during the current fiscal year, which is a 43% increase when compared with 70 cents per share paid for FY 2019/2020. Correspondingly, the market price of the share as of the reporting date was listed as Rs. 7.40, which was a 7% increase when compared to Rs. 5.40/ share recorded last year.

Earnings per share (EPS) reduced in line with the decreased net profits due to the increase in Group taxes. The Group's net assets per share also decreased, from Rs. 4.00 to Rs. 3.33, due to the dividend distributed during the year.



Management Discussion and Analysis (contd.)

Maintenance of Plant and Machinery

The Group incurred a comfortable Rs.5.8 million on routine maintenance expenses as all power plants functioned at optimum efficiency throughout. This figure does not differ significantly from last year's costs, as there were no major breakdowns that necessitated substantial repairs during the year of review. Thus, the Company was able to generate an uninterrupted power supply through the year, despite the challenges of the pandemic.

Routine plant maintenance is carried out regularly during the year, along with the preplanned schedules that follow manufacturer's guidelines. Maintenance is carried out either by trained in-house personnel or by the suppliers of the equipment themselves. Any machinery breakdowns are also attended promptly and efficiently. This ensures that all machinery operates with optimum efficiency with minimum downtime.

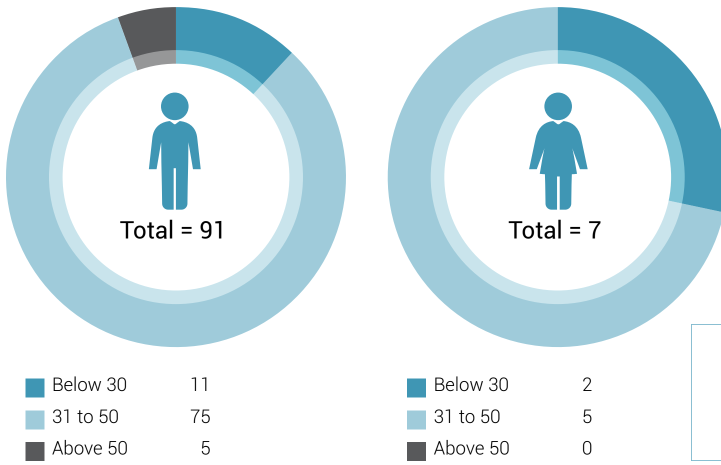
Fostering our Human Talent

Our people are the cornerstone of our success and we recognise human talent as being a key driver of innovation, growth and stability. In order to stay abreast of the challenging environment, the Company continuously invests in building the best talent.

As part of its commitment to fostering relationships with and among its people, the Company upholds the precepts of diversity and inclusiveness in its offices and plants. This includes the right to be treated with dignity, respect and fair play. The Company's approach to industrial relations is two-way, and employees are free to engage in open dialogue.

New and heightened health and safety guidelines were introduced during the pandemic which is in line with the Company's mission of protecting the health and safety of its people while producing and delivering safe and reliable electricity in a crisis situation. The skilled and dedicated workers at each power plant were supplied with all required PPE to eradicate contamination and transmission, and shifts were carefully re-organised to ensure uninterrupted power generation and the continuity of an essential service. No work-related accidents were reported this year too, which confirms the efficacy of Company policies on maintaining a safe and healthy work environment.

Age Analysis of Employees



98 Nos Total Employee

Engaging with the Community and Nurturing Nature

No significant activities were carried out among communities living in the areas surrounding the power plantsas a result of the COVID pandemic, since mandatory social distancing was required. But these indigenous communities were guided on the protocols necessary to protect themselves from the outbreak.

However, a donation of GI pipes was made to the Lakshapana army camp in the vicinity of the Kiriwaneliya MHP, as a contribution towards the rehabilitation work of the camp.

Empowering Green

The pandemic brought to the fore the importance of greening in all forms, so the Company's Empowering Green programme continued to grow. During the current fiscal year, 15,940 plants were supplied to various areas, which brings the aggregate of plants supplied from the inception of the project four years ago, to 179,506 saplings planted in 144 ha. of land.

Donation of 1,213 plants for Rathnapura District programe

Donation of plants to a Community Based Soceity, Athwelthota

Donation of plants for a plantation programe, Batugedara, Rathnapura

Stakeholder Engagement

The Company continued to engage with its wide and varied stakeholder groups this year too, in the usual course of business. These groups include shareholders, indigenous communities, the general public, employees, the government and other regulatory bodies. Communications with its sole customer, the CEB, were stepped up during the year. The cordial relationships held with the utility over the past decades were further reinforced, and close contacts maintained with CEB officials at all levels in an attempt to recover outstanding payments of Rs. 193.9 million in respect of the dues for the previous SPPA of Erathna MHP.

The Group also reinforced relationships with the Small Hydro Power Association during this fiscal year, to promote solidarity in addressing, obtaining consensus, and countering industry issues.

Corporate COVID-19 Response

VPEL took wide-ranging measures that balanced the health and safety of its employees on the one hand, and assured seamless business continuity, on the other. These measures enabled the Company, as a provider of an essential service, to fulfill its commitment to its people as well as to the nation during a critical period.

The measures taken to prevent the spread of COVID-19 at its facilities included:

- Initiating remote working for office staff
- Accelerating remote connectivity by providing staff with the necessary equipment and skills to stay connected to each other and to the business
- Stepping up health and safety guidelines and measures at all facilities
- Postponement of non-critical international and domestic business travel.
- Postponement of corporate events, conferences, stakeholder gatherings.
- Advising and educating staff on the importance of practising social distancing, regular hand washing and other initiatives to avoid contamination and transmission
- Taking the necessary action if staff were exposed to confirmed COVID-19 cases
- Introducing measures to ensure that stakeholders stay protected during various initiatives

The IT department was assigned an active role in taking remote connectivity forward, and in bringing employees up to date with the necessary know-how to work online from home.

The already stringent Health and Safety regulations at all facilities were stepped up and initiatives introduced were closely monitored to ensure compliance. The workforce at the power plants was assigned rotating shifts and their schedules were optimised to minimise face-to-face meetings. All plant employees were also provided with PPE. Offices were treated daily with disinfectants, and ventilation systems were disabled.

In addition, as a company that cares for the well-being of its staff, VPEL took a policy decision to retain all staff and to pay all salaries and other emoluments, including rewards and bonuses to non-executive staff.

The Management team provided executive governance and oversight throughout the entire operation.

Awards and Accolades

Despite the fact that the pandemic precluded the holding of ceremonies to reward and award significant achievements, the Company did not compromise on its high standards of integrity, accountability and performance, and continued to follow established good practices in all areas of operation.

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 the 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 are based on the current code of best practices.

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 success in every area of business.

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 affirms 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.

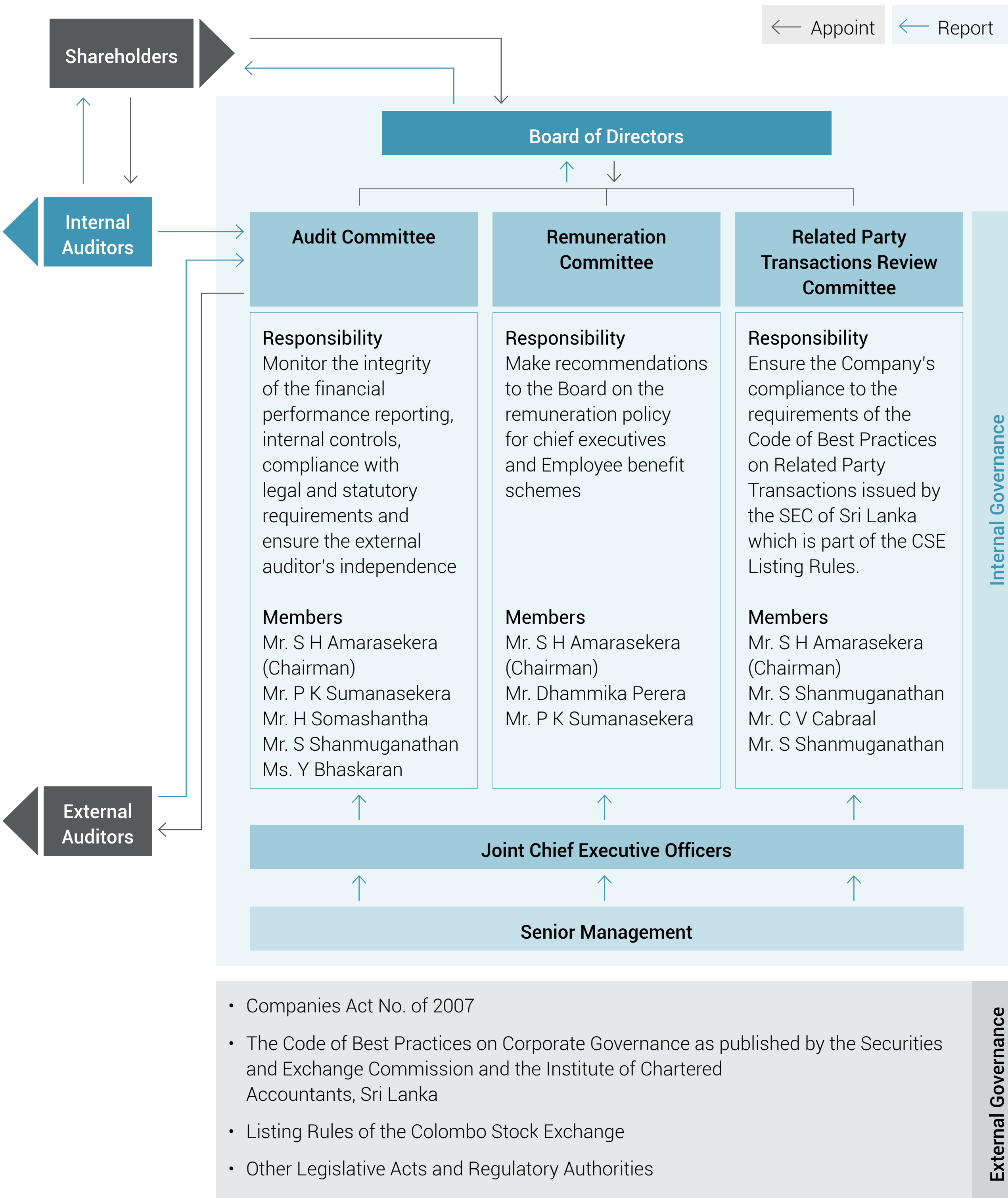
I affirm that VPEL's Code of Conduct and Ethics as well as the procedure for disseminating, monitoring and compliance with that code have been introduced throughout the Company. I am not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics, to date.

Dhammika Perera
Chairman

May 28, 2021

Corporate Governance (contd.)

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 Seven 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 Seven non-executive directors apply their specialised expertise in diverse areas of management by engaging in decision making and overseeing business execution. Furthermore, the Board of Directors can request reports on matters that are decided by the Joint Chief Executive Officers (Jt. CEOs). In this manner, the Company strengthens governance from the perspectives of sharing information and monitoring, thereby creating systems for ensuring the soundness of management.

Three Committees, namely the Audit, Remuneration and Related Party Transactions have been appointed by the Board from among its members, to extend implementation and monitoring functions. Each committee has a charter and operating procedures which are reviewed regularly. The Board also has the right to establish other committees it deems 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 relevant governing bodies.

Responsibilities of the Management

The Jt. CEOs 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. CEOs 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 Jt. CEOs to the top-level management team, which has a varied set of skills and experience to action the plan.

The responsibilities of the Board and the Jt. CEOs are itemised 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 ensuring sustainable practices in the communities and the environment it functions in.

Corporate Governance (contd.)

Meetings of Board and Sub-Committees

The number of meetings of the Board and the Sub-Committees and the individual attendance by members are as follows:

Name of Director	Directorship Status	Attendance		
		BM	ACM	RPTRC
Mr. Dhammika Perera (Chairman)	Non-Executive	2/4	NA	NA
Mr. S H Amarasekera	Independent Non-Executive	4/4	3/3	4/4
Mr. P K Sumanasekera	Independent Non-Executive	0/4	0/3	NA
Mr. H Somashantha	Non-Executive	4/4	3/3	NA
Mr. S Shanmuganathan	Independent Non-Executive	4/4	3/3	4/4
Mr. C V Cabraal	Non-Executive	4/4	NA	4/4
Ms. Y Bhaskaran	Non-Executive	4/4	1/1*	NA

Board Meeting - BM
Audit Committee Meeting - ACM
Related Party Transactions Review Committee - RPTRC

**Ms. Y Bhaskaran was appointed to the Audit Committee w.e.f 02nd February 2021*

The following table illustrates the extent of compliance to the Code of Best Practices 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 are subjected to the internal audit reports for such periods. • Financial and operational decisions taken by the Jt. CEOs within their delegated authority.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
A.1.1	Board Meetings (contd.)	Complied	• 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 29. • Any other matters the Board be aware of. The attendances at these meetings have been depicted in the table given in this section.
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 Jt. CEOs and management team. • Approving budgets and major capital expenditure. • Ensuring compliance with laws, regulations and maintaining ethical standards. • Ensuring all stakeholder interests are considered in corporate decisions. • Recognising sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting integrated reporting. • Ensuring effective systems to secure the integrity of information, internal controls and 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 an 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 with 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 Secretary, 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.

Corporate Governance (contd.)

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
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.
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 them selves 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 Jt. CEOs 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 are 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.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
A.3.1	Chairman's Role (contd.)	Complied	• 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.
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 organisations. Hence the Board is equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.
A.5	Board Balance		
A.5.1	Non-Executive Directors	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 calibre 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 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 the 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 8 and 9. The Board believes the Independency of Mr. S H Amarasekera, Mr. P K Sumanasekara and Mr. S Shanmuganathan is not compromised by being Board members for more than nine years.
A.5.6	Alternate Director	Complied	There are no Alternate Directors as at 31/03/2021.
A.5.9	Chairman's meetings with Non-Executive Directors	Complied	Separate meetings are not required since all the Directors are Non-Executive Directors.

Corporate Governance (contd.)

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
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 the matters discussed or consent for an effective meeting. The Minuets of the meetings are ordinarily provided within the considerable time frame.
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.
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 these provisions, Mr. H Somashantha and Mr. S Shanmuganathan retire by rotation and offer themselves for re-election at the AGM.
A8.3	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.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
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 8 to 9 of this Report) • Directors' interest in contracts (Refer pages 85 to 88 of the Annual Report) • Number of meetings of the Board and Committees held, attendance, names of Committees in which the Director serves as the Chairman or member (Refer page 20 of this Report)
A.11	**Appraisal of Chief Executive Officer**		
A.11.1 & 11.2	Setting annual targets and appraisal of the performance of the Chief Executive Officer by the Board	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 is appointed by the Board. Mr. S H Amarasekara (Chairman) Mr. Dhammika Perera Mr. P K Sumanasekara
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 a 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.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
B.2	The level and makeup 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 the remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
B.2.4	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.
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 30.6 the Financial Statements.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
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 takes 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.
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.

Corporate Governance (contd.)

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
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 presents 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 reflects on, before it approves the Company's financial statements for a financial period, obtain from its Jt.CEOs 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 were 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 44 to 47 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 xx of this Annual Report and the Auditor's responsibilities are set out on the 'Independent Auditors' Report' on pages 49 to 51 of the Annual Report.
D.1.6	Management Discussion and Analysis	Complied	A comprehensive coverage of key initiatives undertaken during the year, business model, capital& risk management, stakeholder engagement, external impacts, internal controls and performances, achievements and future outlook, human resources/ industrial relation actives, awards won are available in the relevant sections of this integrated annual report.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
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 with the continuing Listing Rules of CSE. All the transactions with related parties to the organisation are disclosed adequately and accurately in pages 85 to 88 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 Chairman's Message, Joint CEOs' Report and Business Reports of this annual Report
D.2.3	Internal audit function	Complied	The Company has its own internal audit function and also employs an independent professional accounting firm, Messrs. KPMG, Chartered Accountant to compliment the work done by the Company.
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 47 of this Report.
D.3	Audit Committee		
D.3.1	Composition of Audit Committee	Complied	The Audit Committee consists of Three Independent Directors and two Non-Executive Directors. 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 pages 36 to 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 on pages 85 to 88 of this Report.
D.4.2	Compassion of Related Party Transaction Committee	Complied	The related Party Transaction 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 the Related Party Transaction Review Committee is give on pages 39 to 40 of this report.
D.5	**Code of Business Conduct and Ethics**		
D.5.1	Disclosure on the 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 place 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 affirms that Company has a code of business conduct and ethics in place and which are not violated as stated in the Chairman's Message on page 17 of this Report
D.6	**Corporate Governance Disclosures**		
D.6.1	Disclosure of Corporate Governance	Complied	This Report from pages 17 to 32 sets out the manner and extent to which the Company has complied with the principles and provisions of relevant Codes.

Section 01		The Company	
Code	**Principle**	**Status**	**Level of Compliance**
Section 02		**Shareholders**	
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 23 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 8 to 9 of this Report.

Corporate Governance (contd.)

CSE Rule No.	Rule	Compliance Status	Extent of Compliance
7.10.3 (d)	Disclosure relating to New Directors	Complied	Brief resumes of new Directors appointed have been provided to the CSE when it 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 25 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 25 and Remuneration Committee Report on page 38. The remuneration paid to the Directors is given on page 88 of this Report.
7.10.6 (a)	Composition of the Audit Committee	Complied	The Audit Committee consists of Three Independent Directors and two Non-Executive Directors 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 29 and Audit Committee Report on pages 36 to 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 the above table in relation to the Code of the Corporate Governance of SEC and CASL with reference D.3.1 on page 29 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.

<table>
<tr><th rowspan="2">Risk Identification</th><th colspan="2">Risk Evaluation</th><th rowspan="2">Risk Managing Strategies</th></tr>
<tr><th>Level</th><th>Reason</th></tr>
<tr><td colspan="4">01. Business Risk</td></tr>
<tr><td>• Revision of current Tariff on adverse terms
• Low potentiality for growth of the mini hydro power industry.</td><td>Moderate</td><td>• Two MHPs 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</td><td>• Tariff of Erathna MHP for five years is provided in new SPPA.
• Collaboration at the industry level in pursuit of positive change in tariff.
• Continuously looking for new business avenues including local and overseas opportunities of renewable energy sector</td></tr>
<tr><td colspan="4">02. Operational Risk</td></tr>
<tr><td>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</td><td>Moderate</td><td>The impact of COVID-19 pandemic has affected every aspect of the country. However impact on Group is moderate and the risk is low for other operational aspects.</td><td>• The operational functions are amended based on corporate contingency plans.
• Timely maintenance of machinery 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
• Performing periodic internal audit reviews and submission of reports to the Audit Committee</td></tr>
<tr><td colspan="4">03. Hydrological Risk</td></tr>
<tr><td>Risk of lower power generation caused by a lower water flow.</td><td>High</td><td>The inherent risk of lower rainfall is uncontrollable. There may be a risk of designing projects based on hydrological data.</td><td>Hydrological risk primarily comprises of risk of drought. The projects are designed based on past hydrological data analyses to minimise the risk of any deviation from their designed energy.</td></tr>
</table>

Enterprise Risk Management (contd.)

Risk Identification	Risk Evaluation		Risk Managing Strategies
	Level	Reason	
04. Financial Risks			
04.1. Interest Risk			
Adverse impact on profitability due to high interest cost resulting from an increase in interest rates	Low	The Group has no borrowings other than land leases.	The appropriate financial strategies have been adopted in terms of the Group's credibility, reputation, strength and financial depend an ability that influences the negotiation of concessionary rates at any debt requirement.
04.2. Credit Risk			
Risk of not settling the due payments by CEB to the Company and impact on the cash liquidity due to borrower's failure to repay contractual obligation	High	Group experienced a delay by CEB in settling due payments and incurred an outstanding amount of Rs. 193 million from CEB as of reporting date.	• The Group has an effective mechanism for recoveries that provides protection through legally enforceable agreements. • Carry out necessary and appropriate representative effort and negotiate relevant documents with CEB to enforce the due settlements.
05. Economic & Political			
The likelihood of an investment being affected by adverse macroeconomic conditions including government regulations, exchange rates and political stability or impact for the current operations from same aspects.	Low	• Current operation is covered under the SPPA. • No new investments were made during the year under review.	The Company carries out periodical in-depth macro-economic analysis and economic feasibility prior to project investments.
06. 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 arise during a change of government laws and when new policies are introduced.	Compliance with any new laws or regulations that are introduced and maintain them for good governance.
07. 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.

Risk Identification	Risk Evaluation		Risk Managing Strategies
	Level	Reason	
08. 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.
9. 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.
10. 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.
11. 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.
12. 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 by 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.

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 five 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
Ms. Y Bhaskaran*	Non-Executive

**Appointed w.e.f. 02.02.2021*

The Chairman of the committee, Mr. Harsha Amarasekara 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 8 and 9 of this report.

Meetings

Three 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			
	10/08/2020	04/11/2020	02/02/2021	Total
Mr. S H Amarasekera	✓	✓	✓	3/3
Mr. P K Sumanasekera	-	-	-	0/3
Mr. H Somashantha	✓	✓	✓	3/3
Mr. S Shanmuganathan	✓	✓	✓	3/3
Ms. Y Bhaskaran	NA	NA	✓	1/1

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 a 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 Messrs. PricewaterhouseCoopers, Chartered Accountants, be re-appointed as the auditors of the Company for the financial year ending 31st March 2022, subject to the approval of the Shareholders at the Annual General Meeting. The Audit Committee is of the view that Messrs. PricewaterhouseCoopers, 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

May 28, 2021

Other Members

P K Sumanasekera
S Shanmuganathan
H Somashantha
Y Bhaskharan (Ms.)

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 emoluments 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 staff.
- 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

May 28, 2021

Other Members
Dhammika Perera
P K Sumanasekera

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition of the 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 execution 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, and
- to make appropriate disclosures on Related Party Transactions in the Annual Report and 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 Meetings Dates				
	04/06/2020	10/08/2020	04/11/2020	02/02/2021	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.

Report of the Related Party Transactions Review Committee (contd.)

Task of the Committee

The Committee reviews the related party transactions and their compliance is communicated to the Board.

The Committee in its review process recognised 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 30 to the financial statements given on pages 85 to 88 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 Amarasekara
Chairman - Related Party Transaction Review Committee

May 28, 2021

Other Members

S Shanmuganathan
C V Cabraal

Financial Reports

FINANCIAL CALENDAR

Financial Reports

	Year 2020/21	Year 2019/20
Interim Financial Statements - 1st Quarter	August 12,2020	July 22,2019
Interim Financial Statements - 2nd Quarter	November 05, 2020	October 29, 2019
Interim Financial Statements - 3rd Quarter	February 03, 2021	February 03, 2020
Interim Financial Statements - 4th Quarter	May 28, 2021	July 03, 2020
Annual Report	June 07, 2021	July 09, 2020

Dividend Payments

	Year 2020/21		Year 2019/20	
	Rs. Per Share	Date	Rs. Per Share	Date
1st Interim Dividend Payment	Cents 40	August 25, 2020	Cents 30	July 12, 2019
2nd Interim Dividend Payment	Cents 30	November 19, 2020	Nil	Nil
3rd Interim Dividend Payment	Cents 30	February 18, 2021	Nil	Nil
Final Dividend Payment	Nil	Nil	Cents 40	June 30, 2020

	Year 2020/21	Year 2019/20
Annual General Meeting	June 30, 2021	July 31, 2020

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 2021.

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 and the subsidiaries during the financial year under review

Principal Activities of Subsidiary Companies

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 Statement on pages 6 to 7 of the Annual Report. This report forms an integral part of the Annual Report of the Directors.

Summarised Financial Position

The summarised financial position of the Company is as follows:

As at 31st March	2021 Rs. '000	2020 Rs. '000
Profit brought forward	744,313	**600,168**
Net Profit for the Year	855,129	369,105
Other Comprehensive Income/(loss) Recognised in the accumulated Profit	(1,171)	(827)
Dividends	(1,045,954)	(224,133)
Profit carried forward	552,317	**744,313**

The Financial Statements of the Company and the Group are given in pages 52 to 89

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 on pages 49 to 51.

Stated Capital

The Stated Capital as at 31st March 2021 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 57 to 68 and are consistent with those of the previous period.

Reserves

The reserves of the Company stand at Rs. 552,316,791/- 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 hydropower at 14%. Other income is taxable at the tax applicable rate.

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 the following dividends, per share for the Financial Year 2020/2021.

a. Interim dividend of Forty Cents (Rs. 0.40) paid on 25th August 2020.

b. Interim dividend of Thirty Cents (Rs, 0.30) paid on 19th November 2020.

c. Interim dividend of Thirty Cents (Rs, 0.30) paid on 18th February 2021.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 1,103,065/- details of which are given in Note 14 on page 73.

Property, Plant & Equipment

The movement in property, plant and equipment of the Company are given in Note 14 to the Financial Statements.

Shareholdings

As at 31st March 2021 there were 6,498 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 91 to 93 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 8 to 9.

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

Mr. H Somashantha and Mr. S Shanmuganathan retire by rotation in terms of Article 25(10) of the Articles of Association of the Company and being eligible and 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
Ms. Y Bhaskaran

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 31/03/2021 are as follows:

	As at 31st March 2021	As at 31st March 2020
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
Ms. Y Bhaskaran	Nil	Nil

Directors Remuneration

The Directors Remuneration is disclosed under key management personnel compensation in Note 30.6 to the Financial Statement on Page 88.

Land Holdings

The Company's land holdings referred to in Note 14 of the financial statements are detailed below.

Company	Unit	Land Holdings				
		Extent (Ha)				Location
		Freehold/ Private	State Owned	LRC	JEDB	
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 2021 are given in Notes 16 and 21 to the Financial Statements on pages 76,77 and 80.

Donations

The Company made donations amounting to Rs. 786,399/- in total, during the year under review.

Total donations of the Group amounted to Rs. 1,813,578/- 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 on pages 33 to 35 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..

The period of service of Messers S H Amarasekera, P K Sumanasekera and S Shanmuganathan exceeds nine years. The Board is of the view that the period of service Messers S H Amarasekera, P K Sumanasekera and S Shanmuganathan 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 on pages 17 to 32 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
Ms. Y Bhaskaran

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 2021.

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 reasonably 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 the 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

The Company was eligible to apply a concessionary income tax rate with effect from 1 April 2018 upon the introduction of the Inland Revenue Act, No. 24 of 2017 for the period of three years which expired on 31 March 2021. Subsequent to the first reading on 26 March 2021, the Inland Revenue (Amendment) Act was passed in Parliament on 4 May 2021. This Amendment Act brings into law the Government budget proposals which were announced in November 2020 and other announcements made in January 2020 including the extension of the concessionary income tax rate of 14% for the supply of electricity to the national grid using renewable energy sources by a company. The event was considered as an adjusting event based on the fact as substantively enacted as at the reporting date and the financial statements were prepared accordingly.

No other 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 the disclosed above.

Auditors

The Financial Statements for the year ended 31st March 2021 have been audited by Messrs PricewaterhouseCoopers, 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 authorising 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 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 Companies on account of Audit Fees and for permitted financial invoices are set out in Note. 11 to the Financial Statements on page 70.

Annual General Meeting

The Notice of the Annual General Meeting appears on page 94 of this Report.

For and on behalf of the Board

S H Amarasekara
Director

H Somshantha
Director

PW Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
May 28, 2021

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 49 to 51.

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 52 to 89 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
May 28, 2021

INDEPENDENT AUDITOR'S REPORT

pwc

To the Shareholders of Vallibel Power Erathna PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Vallibel Power Erathna PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 March 2021;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

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.

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.

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T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

The Group:

Key audit matter	How our audit addressed the Key audit matter
Estimation of useful life period of items of asset categories in Property, Plant & Equipment	The following audit procedures were performed on the management's estimation of useful life periods of asset categories under Property, Plant & Equipment:
(Refer Accounting Policy 3.16 and Note 14 to the financial statements) The items of asset categories in property, plant and equipment of the Group are depreciated on the straight-line method by systematically allocating the depreciable amount of the individual asset categories over their useful life, as estimated by the management. These estimations are based on changes in the expected level and period/s of usage, technological developments and obsolescence, level of wear and tear, which involves a high degree of judgement and could affect the depreciation expense and carrying value of the property, plant and equipment in the financial statements. We considered the estimation of the useful life period of asset categories as a Key Audit Matter, since the carrying value of property, plant and equipment of Rs. 2,073 Mn, is substantial as at the statement of financial position date, which is 68% of the total assets of the Group and also due to the level of judgement required to estimate the useful life.	Assessed the consistency of the Group's expected consumption pattern of economic benefits embodied in the respective categories of assets and future operating plans including acquisitions and retirements of property, plant and equipment; Compared with the depreciation policies, including estimated useful lives of asset categories, adopted by other comparable/ similar mini hydro power plant operators; Considered the Group's historical experience, the equipment model information from the third-party vendors and relied on our cumulative knowledge of the power and energy industry. Checked the reasonability of the assumptions and critical judgements used by the management in estimating the useful life of asset categories, by comparing the management's past estimates and plans with the current year's estimates and plans taking into account recent development in the power and energy industry and market conditions. Based on the work performed by us, we have not identified any circumstances that would have impacted the reasonability of the judgement made by management in estimating the useful life of items of asset categories making up the property, plant and equipment balance at the statement of financial position date

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 separate/ consolidated financial statements, management is responsible for assessing the Company's/ 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 Company/ 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 Company's and the Group's internal control.
- 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 Company's/ 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 separate/ consolidated 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 Company/ 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.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number 2857
COLOMBO
28 May 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(all amounts in Sri Lankan Rupees)

		Company 31 March		Group 31 March	
	Note	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Revenue from contracts with customers	7	292,529,302	392,556,077	1,076,977,605	1,058,308,162
Direct costs	11	(51,336,488)	(52,155,357)	(148,631,005)	(146,774,141)
Gross profit		241,192,814	340,400,720	928,346,600	911,534,021
Other income	8	788,264,017	106,765,488	21,485,338	11,735,864
Administrative expenses	11	(45,645,794)	(47,709,881)	(105,170,951)	(103,974,038)
Other operating expenses	11	(764,034)	(2,845,606)	(1,845,369)	(5,067,969)
Operating profit		983,047,003	396,610,721	842,815,618	814,227,878
Finance income	9	10,839,666	16,939,260	27,137,085	52,431,613
Finance costs	10	(323,804)	(155,829)	(4,604,376)	(5,203,222)
Finance income - net		10,515,862	16,783,431	22,532,709	47,228,391
Profit before income tax		993,562,865	413,394,152	865,348,327	861,456,269
Income tax expense	12.1	(138,433,639)	(44,289,513)	(243,351,984)	(153,879,109)
Profit for the period		**855,129,226**	**369,104,639**	**621,996,343**	**707,577,160**
Profit is attributable to:					
Owners of Vallibel Power Erathna PLC		855,129,226	369,104,639	552,073,258	648,171,398
Non-controlling interests		-	-	69,923,085	59,405,762
		855,129,226	**369,104,639**	**621,996,343**	**707,577,160**
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	13	1.14	0.49	0.74	0.87
Dividend per share	26	1.00	0.70	1.00	0.70

The notes on pages 57 to 89 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees)

		Company 31 March		Group 31 March	
	Note	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit for the period		855,129,226	369,104,639	621,996,343	707,577,160
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit obligation	23	(1,541,658)	(962,192)	(2,970,020)	(1,627,516)
Deferred tax effect on the remeasurement of retirement benefit obligation	12.2	369,998	134,707	584,252	234,506
Other comprehensive income for the period, net of tax		(1,171,660)	(827,485)	(2,385,768)	(1,393,010)
Total comprehensive income for the period		**853,957,566**	**368,277,154**	**619,610,575**	**706,184,150**
Total comprehensive income for the period is attributable to:					
Owners of Vallibel Power Erathna PLC		853,957,566	368,277,154	549,842,896	646,850,775
Non-controlling interests		-	-	69,767,679	59,333,375
		853,957,566	**368,277,154**	**619,610,575**	**706,184,150**

The notes on pages 57 to 89 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees)

		Company 31 March		Group 31 March	
	Note	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
ASSETS					
Non-current sssets					
Property, plant and equipment	14	746,936,516	777,212,163	2,072,808,765	2,150,859,107
Right-of-use assets	15	4,539,727	1,446,980	45,637,882	38,617,496
Investment in subsidiary	16.1	821,619,980	821,619,980	-	-
Intangible assets	17	5,194,407	5,479,032	65,559,829	76,201,120
Other non-current asset	18	-	-	4,500,000	4,500,000
Total non-current assets		1,578,290,630	1,605,758,155	2,188,506,476	2,270,177,723
Current Assets					
Trade and other receivables	19	273,153,349	230,876,200	576,713,645	504,518,750
Amount due from related parties	20	2,495,254	9,205,296	997,913	3,706,167
Other financial assets at amortised cost	16.2	-	93,256,553	-	133,256,553
Cash and cash equivalents	21	66,279,924	156,626,711	296,637,846	641,166,867
Total current assets		341,928,527	489,964,760	874,349,404	1,282,648,337
Total assets		**1,920,219,157**	**2,095,722,915**	**3,062,855,880**	**3,552,826,060**
EQUITY					
Stated capital	22	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278
Retained earnings		552,316,791	744,312,848	1,313,301,901	1,809,412,628
Capital and reserves attributable to owners of Vallibel Power Erathna PLC		1,726,682,069	1,918,678,126	2,487,667,179	2,983,777,906
Non-controlling interests		-	-	224,789,541	268,079,882
Total equity		1,726,682,069	1,918,678,126	2,712,456,720	3,251,857,788
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	23	26,864,212	21,551,272	41,162,030	32,121,124
Deferred tax liabilities	24	99,781,158	104,756,362	131,524,504	121,632,952
Lease liabilities	15	3,245,078	1,441,310	46,368,298	41,865,060
Total non-current liabilities		129,890,448	127,748,944	219,054,832	195,619,136
Current liabilities					
Accruals and other payables	25	10,481,119	27,217,472	41,697,493	53,920,970
Lease liabilities	15	1,469,243	61,273	4,910,439	867,183
Current tax liabilities		51,696,278	22,017,100	84,736,396	50,560,983
Total current liabilities		63,646,640	49,295,845	131,344,328	105,349,136
Total equity and liabilities		**1,920,219,157**	**2,095,722,915**	**3,062,855,880**	**3,552,826,060**

The notes on pages 57 to 89 form an integral part of these financial statements.

We certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007

Sajithra Thanoj
Accountant
May 28, 2021

Russell De Zilva
Jt. CEO
May 28, 2021

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors.

Dhammika Perera
Chairman
May 28, 2021

Harsha Amarasekara
Deputy Chairman
May 28, 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lankan Rupees)

Company	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31 March 2019	1,174,365,278	600,168,614	1,774,533,892
Profit for the period	-	369,104,639	369,104,639
Other comprehensive income	-	(827,485)	(827,485)
Total comprehensive income for the period		368,277,154	368,277,154
Transactions with owners in their capacity as owners:			
Dividends paid	-	(224,132,919)	(224,132,919)
Balance as at 31 March 2020	1,174,365,278	744,312,848	1,918,678,126
Profit for the period	-	855,129,226	855,129,226
Other comprehensive income	-	(1,171,660)	(1,171,660)
Total comprehensive income for the period		853,957,566	853,957,566
Transactions with owners in their capacity as owners:			
Final dividend for the financial year 2019/20		(298,843,892)	(298,843,892)
Interim dividends for the financial year 2020/21		(747,109,731)	(747,109,731)
Total dividends paid		(1,045,953,623)	(1,045,953,623)
Balance as at 31 March 2021	**1,174,365,278**	**552,316,791**	**1,726,682,069**

Group	Stated Capital Rs.	Retained earnings Rs.	Non-controlling interests Rs.	Total Rs.
Balance as at 31 March 2019	1,174,365,278	1,386,694,773	225,876,507	2,786,936,558
Profit for the period	-	648,171,398	59,405,762	707,577,160
Other comprehensive income	-	(1,320,624)	(72,387)	(1,393,011)
Total comprehensive income for the period		646,850,774	59,333,375	706,184,149
Transactions with owners in their capacity as owners:				
Dividends paid	-	(224,132,919)	(17,130,000)	(241,262,919)
		422,717,855	42,203,375	464,921,230
Balance as at 31 March 2020	1,174,365,278	1,809,412,628	268,079,882	3,251,857,788
Profit for the period	-	552,073,258	69,923,085	621,996,343
Other comprehensive income	-	(2,230,362)	(155,406)	(2,385,768)
Total comprehensive income for the period		549,842,896	69,767,679	619,610,575
Transactions with owners in their capacity as owners:				
Final dividend for the financial year 2019/20		(298,843,892)	(64,523,011)	(363,366,904)
Interim dividends for the financial year 2020/21		(747,109,731)	(48,535,009)	(795,644,740)
Total dividends paid		(1,045,953,623)	(113,058,020)	(1,159,011,643)
Balance as at 31 March 2021	**1,174,365,278**	**1,313,301,901**	**224,789,541**	**2,712,456,720**

The notes on pages 57 to 89 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in Sri Lankan Rupees)

	Note	Company 31 March		Group 31 March	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities					
Profit before income tax		993,562,865	413,394,152	865,348,327	861,456,269
Adjustments for					
Amortisation of intangible assets	11	284,625	213,469	10,641,292	10,570,136
Deprecation of right-of-use assets	11	1,179,324	111,306	4,924,178	2,634,290
Depreciation of property, plant and equipment	11	31,378,712	31,331,290	79,683,585	77,953,274
Provision for retirement benefits obligation	23	4,176,813	3,619,997	6,669,343	5,677,680
Dividend income and interest classified as investing cash flows	8	(772,713,809)	(106,765,488)	(2,679,044)	(6,955,864)
Gain on disposal of property, plant & equipment		-	-	(3,256,086)	(4,700,957)
Finance income	9	(10,839,666)	(16,939,260)	(27,137,085)	(52,431,613)
Finance costs	10	323,804	155,829	4,604,376	5,203,222
Operating profit before working capital changes		247,352,668	325,121,293	938,798,886	899,406,437
(Increase) / Decrease in trade and other receivables		(45,010,200)	(71,120,733)	(80,398,613)	(206,432,658)
(Increase) / Decrease in amounts due from related parties		6,710,042	(6,919,167)	2,708,254	(2,802,643)
(Increase) / Decrease in other financial assets at amortised cost		93,256,553	(93,256,553)	133,256,553	(128,256,553)
Increase / (Decrease) in trade and other payables		(16,736,353)	2,239,679	(17,023,477)	2,945,335
Cash generated from operations		285,572,710	**156,064,519**	977,341,602	**564,859,918**
Finance interest paid		(323,804)	(155,829)	(610,289)	(155,829)
Finance interest received		12,377,737	18,372,200	33,959,000	51,280,617
Retirement benefit obligations paid	23	(405,531)	(152,895)	(598,457)	(424,534)
Income taxes paid		(113,359,667)	(65,106,924)	(198,700,767)	(194,013,381)
Net cash inflow from operating activities		183,861,445	109,021,071	811,391,090	421,546,791
Cash flows from investing activities					
Payments for property, plant and equipment		(1,103,065)	(538,456)	(1,633,245)	(12,162,214)
Payments for intangible asset		-	(5,692,500)	-	(5,692,500)
Interest received on financial assets held as investments		3,391,809	5,169,810	4,060,850	5,589,360
Proceeds from sale of property, plant and equipment		-	-	3,256,086	4,780,000
Dividend received		770,516,980	100,400,697	-	-
Net cash inflow / (outflow) from investing activities		772,805,724	99,339,551	5,683,691	(7,485,354)
Cash flows from financing activities					
Dividends paid to company's shareholders		(1,045,953,623)	(224,132,919)	(1,159,011,643)	(241,262,919)
Principal elements of lease payments		(1,060,333)	(55,703)	(2,592,159)	(55,703)
Net cash (outflow) from financing activities		(1,047,013,956)	(224,188,622)	(1,161,603,802)	(241,318,622)
Net increase / (decrease) in cash and cash equivalents		(90,346,787)	(15,828,000)	(344,529,021)	172,742,815
Cash and cash equivalents at the beginning of the financial year		156,626,711	172,454,711	641,166,867	468,424,052
Cash and cash equivalents at end of year		**66,279,924**	**156,626,711**	**296,637,846**	**641,166,867**

The notes on pages 57 to 89 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in the notes are in Sri Lanka Rupees unless otherwise stated)

1 Corporate information

Vallibel Power Erathna PLC ('the Company') and Country Energy (Private) Limited ('the Subsidiary') (together 'the Group') generate and supply electricity to the national grid via hydroelectric power. The Company manages its own power plant situated at Erathna, Rathnapura ('Erathna') while the subsidiary operates two power plants situated at Malwala, Rathnapura ('Denawaka') and Norton Bridge, Nuwara Eliya ('Kiriwaneliya'). The Company and the Subsidiary are limited by shares, incorporated and domiciled in Sri Lanka. The principal place of business of the Group is located at No. 25, Foster Lane, Colombo 10.

The financial statements are presented in Sri Lankan Rupees (LKR).

The financial statements were authorised for issue by the directors on 28 May 2021. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Investor Relations page on our website: http://vallibel-hydro.com/index.php"

2 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the renewal of the Standardised Power Purchase Agreement ('SPPA') between the Ceylon Electricity Board ('CEB') with regards to the Erathna power plant which extends the period of electricity supply until 20 July 2024.

In March 2020, the World Health Organisation 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 organisations. As a result, during the latter part of March 2020, there was a restriction on operations of the Group. However, After Government has declared the power sector as an essential service, normal operations were continued. 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, sanitisation and other safety measures have been implemented at all our locations. Due to the uninterrupted supply, the Group is holding adequate cash reserves to ensure solvency. Therefore, our investors can maintain the same level of confidence entrusted upon the Group before the outbreak as the Group stability remains the same.

3 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these separate and consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Vallibel Power Erathna PLC and Country Energy (Private) Limited.

3.1 Basis of preparation

(i) Compliance with SLFRS

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Branch's accounting policies.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

- Definition of Material – amendments to LKAS 1 and LKAS 8
- Definition of a Business – amendments to SLFRS 3
- Interest Rate Benchmark Reform – amendments to SLFRS 9, LKAS 39 and SLFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.9).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Joint Chief Executive Officers ('Jt. CEO'). Refer Note 32 for further information on segement reporting.

3.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Sri Lankan Rupees' ('LKR'), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.5 Revenue from contracts with customers

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 upon satisfaction of performance obligation.

The Group derives revenue from the transfer of services at a point in time from the below geographical regions.

1) Erathna mini hydro power plant ('EMHPP')
2) Denawaka mini hydro power plant ('DMHPP')
3) Kiriwaneliya mini hydro power plant ('KMHPP')

The Group has entered into an SPPA with the CEB in order to sell energy output generated from the respective power projects. This agreement shall continue for a period of 15 years beginning on the commercial operations date. The commercial operations of each project 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.

The electricity units (also known as the Energy Output) generated are measured via the metering equipment (owned by the CEB) located at each power plant. The title of the Energy Output shall transfer to the CEB at the metering point upon susbtantially satisfying the specifications of the SPPA.

The receipts are based on the applicable tariff specified in the SPPA which is subject to increase by 3% annually. The CEB is required to settle the balance due of each invoice within 30 days from the billing date.

3.6 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

3.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.8 Leases

The Group leases various land and office premises. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases

- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of office premises and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

3.9 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.
The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.10 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

3.12 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See Note 19 for further information about the Group's accounting for trade receivables and Note 5.1 for a description of the Group's impairment policies.

3.13 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

3.14 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5.1 for further details.

3.15 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under SLFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of SLFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3.16 Property, plant and equipment

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

Civil constructions	40 years
Plant & machinery	33 1/3 years
Furniture, fittings & other equipment	10 years
Generator	10 years
Project equipment	5 years
Motor Vehicle	5 years
Computers	4 years
Tools & accessories	3 years
Motor cycle	3 years
Mobile phones & accessories	2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

3.17 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 3.9. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 31).

(ii) Trademarks, licences and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits

- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

3.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.22 Employee benefits

The Group operates defined benefit post-employment scheme. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

3.23 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.24 Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

3.25 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

4 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

- estimation uncertainties and judgements made in relation to lease accounting
- estimation of defined benefit pension obligation
- estimated useful life of intangible asset
- estimated useful life of property, pland and equipment
- estimated fair value of certain financial assets

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

5 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables	Aging analysis, credit ratings	Diversification of bank deposits, regular follow-ups
Liquidity risk	Accruals and other liabilities	Rolling cash flow forecasts	Maintaining sufficient short-term deposits

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk and investment of excess liquidity.

5.1 Credit risk

Credit risk arises from cash and cash equivalents via deposits with banks and financial institutions, as well as credit exposures from outstanding trade receivables.

Risk management and impairment of financial assets

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB' are accepted. The trade receivables are due from the Ceylon Electricity Board which is the primary government institution responsible for distributing electricity to the general public. Credit risk in relation to electricity sales to the government institution is extremely low as the probability of default is insignificant; therefore the provision for expected credit losses is immaterial in respect of receivables from this customer. Further, in the past experience the customer has not defaulted payments at any occasion. The maintains a regular and healthy communication relationship in order to recover all the balances due. While cash and cash equivalents are also subject to the impairment requirements of SLFRS 9, the identified impairment loss was immaterial.

5.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held short-term investments at banks and financial insitutions of Rs. 276,003,486 (2020 - Rs. 624,084,439) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents (Note 21) on the basis of expected cash flows. This is generally carried out at local level in the operating segments of the Group, in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances of accruals and other payables equal their carrying balances as the impact of discounting is not significant.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	Rs.	Rs.	Rs.	Rs.	Rs.
31 March 2021					
Lease liabilities	9,424,227	9,424,227	16,314,619	63,880,721	99,043,794
Accruals and other payables (excluding statutory liabilities)	14,868,924	6,480,590	16,051,241	3,609,893	41,010,647
	24,293,151	**15,904,817**	**32,365,860**	**67,490,614**	**140,054,441**
31 March 2020					
Lease liabilities	5,011,532	5,011,532	15,034,595	68,892,253	93,949,911
Accruals and other payables (excluding statutory liabilities)	14,860,164	6,181,317	18,686,134	13,052,513	52,780,128
	19,871,696	**11,192,849**	**33,720,729**	**81,944,766**	**146,730,039**

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	Rs.	Rs.	Rs.	Rs.	Rs.
31 March 2021					
Lease liabilities	1,775,004	1,775,004	1,025,463	1,480,721	6,056,192
Accruals and other payables (excluding statutory liabilities)	5,872,548	1,680,590	1,651,241	1,079,220	10,283,598
	7,647,552	**3,455,594**	**2,676,704**	**2,559,941**	**16,339,790**
31 March 2020					
Lease liabilities	211,532	211,532	634,595	1,692,253	2,749,911
Accruals and other payables (excluding statutory liabilities)	6,047,309	1,381,317	6,555,461	13,050,944	27,035,031
	6,258,841	**1,592,849**	**7,190,056**	**14,743,197**	**29,784,942**

6. Capital management

6.1 Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Group maintains zero debt policy. However, the Group holds significant liquid reserves to satisfy its funding requirements.

7. Revenue from contracts with customers

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Electricity generation:				
Erathna MHPP	292,529,302	392,556,077	292,529,302	392,556,077
Denawakaganga MHPP	-	-	494,135,688	417,687,029
Kiriwaneliya MHPP	-	-	290,312,615	248,065,056
	292,529,302	392,556,077	1,076,977,605	1,058,308,162

8. Other income

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Dividend income	770,516,980	100,400,697	-	-
Unclaimed dividend write-off	15,550,208	-	15,550,208	-
Interest income on financial assets held as investments	2,196,829	6,364,791	2,679,044	6,955,864
Profit on disposal of property, plant and equipment	-	-	3,256,086	4,780,000
	788,264,017	106,765,488	21,485,338	11,735,864

9. Finance income

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interest income from financial assets held for cash management purposes	10,839,666	16,939,260	27,137,085	52,431,613
	10,839,666	16,939,260	27,137,085	52,431,613

10. Finance costs

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interest on lease liabilities	323,804	155,829	4,604,376	5,203,222
	323,804	155,829	4,604,376	5,203,222

11. Breakdown of expenses by nature

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Directors' remuneration	4,250,000	3,733,334	4,250,000	3,733,334
Auditors' remuneration	1,011,420	1,059,725	1,391,420	1,441,888
Depreciation	32,558,036	31,442,596	84,607,763	80,587,565
Amortisation	284,625	213,469	10,641,292	10,570,136
Employee benefits expenses	38,668,871	36,557,181	108,739,740	99,898,530
Maintenance expenses	4,730,591	4,984,260	12,693,539	10,456,618
Other expenses	16,242,773	24,720,279	33,323,570	49,128,078
Total direct cost, administrative expenses and other operating expenses	**97,746,316**	**102,710,844**	**255,647,325**	**255,816,148**

12. Income tax expense

12.1 Statement of profit or loss

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
(I) Current tax expense				
Income tax on current year profit (Note 12.3)	143,096,107	52,022,104	232,933,442	130,953,689
Dividend tax	-	-	-	16,344,300
Less: Previous year over-provision	(57,262)	(3,040,695)	(57,262)	(3,040,695)
	143,038,845	48,981,409	232,876,180	144,257,294
(II) Deferred tax expense				
Deferred taxation expense / (income) (Note 24)	(4,605,206)	(4,691,896)	10,475,804	9,621,815
Income tax expense reported in the statement of profit or loss	138,433,639	**44,289,513**	243,351,984	**153,879,109**

12.2 Statement of other comprehensive income

Deferred tax effect on the remeasurement of retirement benefit obligation	(369,998)	(134,707)	(584,252)	(234,506)
Income tax expense / (income) reported in the statement of other comprehensive income	**(369,998)**	**(134,707)**	**(584,252)**	**(234,506)**

12.3 Reconciliation between tax expense as per the taxable profit and the accounting profit

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Net profit before tax	993,562,865	413,394,152	865,348,327	861,456,269
Add: Disallowable expenses	38,244,612	38,465,721	101,123,229	103,100,988
Less: Allowable expenses	(3,454,004)	(1,512,193)	(116,531,197)	(153,349,872)
Add: Dividend income from subsidiary	-	-	770,516,980	-
Total assessable income	1,028,353,473	**450,347,680**	1,620,457,339	**811,207,385**
Less: Tax exempted profit from business	(15,550,208)	(100,400,697)	(18,806,294)	(4,780,000)
Taxable income	1,012,803,265	**349,946,983**	1,601,651,045	**806,427,385**
Distribution of taxable income				
Business profit liable at 14%	229,249,790	326,642,932	229,249,790	326,642,932
Business profit liable at 15%	-	-	572,068,147	461,260,402
Dividend income liable at 14%	770,516,980	-	770,516,980	-
Other income liable at 28%	-	17,478,038	-	17,478,038
Other income liable at 24%	13,036,495	5,826,013	29,816,128	5,826,013
	1,012,803,265	**349,946,983**	1,601,651,045	**811,207,385**
Income tax on business profit at 14%	32,094,971	45,730,010	32,094,971	45,730,010
Income tax on business profit at 15%	-	-	85,810,222	69,189,060
Income tax on dividend income at 14%	107,872,377	-	107,872,378	-
Income tax on other income at 28%	-	4,893,851	-	12,471,370
Income tax on other income at 24%	3,128,759	1,398,243	7,155,871	3,563,249
Income tax expense on liable income	143,096,107	**52,022,104**	232,933,442	**130,953,689**
Tax rate	14%	15%	15%	16%

12.4 Reconciliation between tax expense as per the taxable profit and the accounting profit

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Accounting profit before tax	993,562,865	413,394,152	865,348,327	861,456,269
Applicable tax rate of the reporting entity	14%	14%	14%	14%
Expected total tax expense	139,098,801	57,875,181	121,148,766	120,603,878
Tax effects on:				
- Expenses not deductible for tax purposes	123,667	405,157	1,788,977	2,545,719
- Income taxed at a different tax rate	1,303,650	3,029,527	2,981,613	7,720,372
- Income taxed as WHT	-	(14,056,098)	-	-
- Dividend income	-	-	107,872,377	16,344,300
- Income not subject to tax	(2,177,029)	-	(2,177,029)	-
- Prior year over provision	(57,262)	(3,040,695)	(57,262)	3,040,695
- Rate differentials (Refer below)	-	-	6,371,153	(804,699)
- Other	141,812	76,441	5,423,389	4,428,844
Income tax expense	**138,433,639**	**44,289,513**	**243,351,984**	**153,879,109**

The standard corporate tax rate for any year of assessment is 24%. However, the Company is eligible to apply the income tax rate of 14% on the business income which is a concessionary rate provided for the renewable energy industry. The investement income is subject to tax under the applicable tax rate of 24%.

In terms of an agreement entered into with the Board of Investment of Sri Lanka, the Subsidiary is exempt from income tax for a period of 06 years reckoned from the year of assessment as may be determined by the Board. For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profit in relation to its transactions in that year or any year of assessment not later than 02 years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as may be specified in a certificate issued by the Board. After the expiration of the aforesaid tax exemption period referred to in above, the profits and income of the enterprise shall for any year of assessment be charged at the rate of 15%. However, investment income is taxed at the applicable tax rate of 24%.

13. Earnings per share

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit attributable to ordinary shareholders of the company	855,129,226	364,278,036	552,073,258	648,171,398
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	747,109,731	747,109,731	747,109,731	747,109,731
Basic earnings per share (Rs.)	1.14	0.49	0.74	0.87

14. Property, plant and equipment

Company	Freehold land	Civil constructions	Plant & machinery	Project equipment	Tools & accessories	Motor vehicle	Motor bicycle	Furniture & fittings	Computer	Office equipment	Fire extinguisher	Generator	Site fixtures & fittings	Web development	Mobile phones & accessories	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost																
Balance as at 01.04.2019	150,000,000	530,938,434	577,692,396	1,170,699	3,105,297	8,758,500	310,660	10,159,331	2,184,559	1,231,312	908,551	1,246,000	4,148,354	1,888,305	143,622	1,293,886,020
Adddition	-	-	-	262,411		-	-		143,055	63,600	-	-	-	-	69,390	538,456
Disopsals	-	-	-	(289,891)		-	-	-	-	-	-	-	-	-	(34,910)	(324,801)
Balance as at 31.03.2020	150,000,000	530,938,434	577,692,396	1,143,219	3,105,297	8,758,500	310,660	10,159,331	2,327,614	1,294,912	908,551	1,246,000	4,148,354	1,888,305	178,102	1,294,099,675
Accumulated Depreciation																
Balance as at 01.04.2019		197,914,350	255,850,227	1,090,837	3,083,082	8,758,500	310,660	7,959,369	2,106,303	837,452	601,390	1,236,833	4,148,354	1,888,305	86,868	485,872,530
Charge for the year		13,273,461	17,330,774	57,151	9,135		-	400,356	76,799	87,544	38,395	9,167		-	48,508	31,331,290
Disopsals		-	-	(281,398)	-	-	-	-	-	-	-	-	-	-	(34,910)	(316,308)
Balance as at 31.03.2020	-	211,187,811	273,181,001	866,590	3,092,217	8,758,500	310,660	8,359,725	2,183,102	924,996	639,785	1,246,000	4,148,354	1,888,305	100,466	516,887,512
Net book value as at 31.03.2020	**150,000,000**	**319,750,623**	**304,511,395**	**276,629**	**13,080**	**-**	**-**	**1,799,606**	**144,512**	**369,916**	**268,766**	**-**	**-**	**-**	**77,636**	**777,212,163**
Cost																
Balance as at 01.04.2020	150,000,000	530,938,434	577,692,396	1,143,219	3,105,297	8,758,500	310,660	10,159,331	2,327,614	1,294,912	908,551	1,246,000	4,184,354	1,888,305	178,102	1,294,099,675
Adddition	-	-	-	-	18,000	-	-	844,545	-	211,620	-	-	-	-	28,900	1,103,065
Disopsals	-	-	-	-	(13,500)	-	-	-	-	-	-	-	-	-	(30,000)	(43,500)
Balance as at 31.03.2021	150,000,000	530,938,434	577,692,396	1,143,219	3,109,797	8,758,500	310,660	11,003,876	2,327,614	1,506,532	908,551	1,246,000	4,184,354	1,888,305	177,002	1,295,159,240
Accumulated Depreciation																
Balance as at 01.04.2020		211,187,811	273,181,001	866,591	3,092,217	8,758,500	310,660	8,359,725	2,183,102	924,996	639,785	1,246,000	4,148,354	1,888,305	100,465	516,887,512
Charge for the year	-	13,273,461	17,330,772	94,004	9,135	-	-	434,760	50,267	82,957	38,395	-	-	-	64,962	31,378,712
Disopsals	-	-	-	-	(13,500)	-	-	-	-	-	-	-	-	-	(30,000)	(43,500)
Balance as at 31.03.2021	-	224,461,272	290,511,773	960,595	3,087,852	8,758,500	310,660	8,794,485	2,233,369	1,007,953	678,180	1,246,000	4,148,354	1,888,305	135,426	548,222,724
Net book value as at 31.03.2021	**150,000,000**	**306,477,162**	**287,180,623**	**182,624**	**21,945**	**-**	**-**	**2,209,391**	**94,246**	**498,579**	**230,371**	**-**	**-**	**-**	**41,576**	**746,936,516**

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is Rs. 30,096,859 (Rs. 27,416,710 as at 31 March 2020).

The below mentioned class of assets were revalued on 31 March 2005 by M/s Sunil Fernando & Associates (Private) Limited (Chartered Valuation Surveyors, Property Managers and Property Consultants) which is an independent firm of professional valuers and the results of such valuation were incorporated in these financial statements as at that date. Such assets were valued on the basis of Depreciated Replacement Cost (DRC) method. The surplus arising from the revaluation was transferred to a revaluation reserve. The carrying amounts of revalued assets that would have been included in the financial statements as at the date of revaluation had the assets been carried at cost less depreciation, is as follows,

Class of asset	Cost	Accumulated depreciation	Carrying amount	Revalued amount
	Rs.	Rs.	Rs.	Rs.
Freehold land	4,622,387	-	4,622,387	150,000,000
Civil constructions	273,106,006	(4,059,697)	269,046,309	511,439,952
Plant and machinery	354,133,484	(10,224,189)	343,909,295	540,631,393
Total	**631,861,877**	**(14,283,886)**	**617,577,991**	**1,202,071,345**

14. Property, plant and equipment (contd/-)

Group	Freehold land	Civil constructions	Plant & machinery	Project equipment	Tools & accessories	Motor vehicle	Motor bicycle	Furniture & fittings	Computer	Office equipment	Fire extinguisher	Generator	Site fixtures & fittings	Web development	Mobile phones & accessories	Total
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01.04.2019	177,181,919	1,724,897,952	1,083,774,316	1,414,774	7,283,900	18,758,270	1,306,130	11,049,592	2,887,649	2,361,482	1,343,386	3,273,265	4,148,354	1,888,305	314,926	3,041,884,220
Adddition	-	246,383	-	262,411	124,105	11,000,000	-	-	271,325	188,600	-	-	-	-	69,390	12,162,214
Disopsals	-	-	-	(289,891)	(223,100)	(5,634,355)	-	-	(188,000)	(242,894)	-	-	-	-	(92,910)	(6,671,150)
Balance as at 31.03.2020	177,181,919	1,725,144,335	1,083,774,316	1,387,294	7,184,905	24,123,915	1,306,130	11,049,592	2,970,974	2,307,188	1,343,386	3,273,265	4,148,354	1,888,305	291,406	3,047,375,284
Accumulated Depreciation																
Balance as at 01.04.2019	-	411,084,343	365,135,328	1,090,837	6,739,585	17,931,271	1,133,853	8,644,653	2,732,184	1,439,948	894,349	2,065,400	4,148,354	1,888,305	218,105	825,146,515
Charge for the year	-	43,108,848	32,513,231	57,151	442,316	617,667	73,650	475,796	107,201	193,744	81,879	211,883	-	-	69,908	77,953,274
Disopsals	-	-	-	(281,398)	(205,119)	(5,634,355)	-	-	(188,000)	(181,830)	-	-	-	-	(92,910)	(6,583,612)
Balance as at 31.03.2020	-	454,193,191	397,648,559	866,591	6,976,781	12,914,583	1,207,503	9,120,449	2,651,385	1,451,862	976,228	2,277,284	4,148,354	1,888,305	195,103	896,516,177
Net book value as at 31.03.2020	**177,181,919**	**1,270,951,144**	**686,125,757**	**520,703**	**208,124**	**11,209,332**	**98,628**	**1,929,144**	**319,589**	**855,326**	**367,158**	**995,981**	**-**	**-**	**96,303**	**2,150,859,107**
Cost																
Balance as at 01.04.2020	177,181,919	1,725,144,335	1,083,774,316	1,387,294	7,184,905	24,123,915	1,306,130	11,049,592	2,970,974	2,307,188	1,343,386	3,273,265	4,148,354	1,888,305	291,406	3,047,375,284
Adddition	-	-	-	-	18,000	-	-	885,815	409,500	291,030	-	-	-	-	28,900	1,633,245
Disopsals	-	-	-	(156,950)	(13,500)	(3,110,415)	-	-	(75,000)	-	-	-	-	-	(62,400)	(3,418,265)
Balance as at 31.03.2021	177,181,919	1,725,144,335	1,083,774,316	1,230,344	7,189,405	21,013,500	1,306,130	11,935,407	3,305,474	2,598,218	1,343,386	3,273,265	4,148,354	1,888,305	257,906	3,045,590,264
Accumulated Depreciation																
Balance as at 01.04.2020		454,193,191	397,648,559	866,591	6,976,781	12,914,583	1,207,503	9,120,449	2,651,385	1,451,863	976,228	2,277,284	4,148,354	1,888,305	195,103	896,516,177
Charge for the year	-	43,160,676	32,513,229	283,739	9,135	2,451,000	61,375	486,170	167,453	188,281	81,879	197,936	-	-	82,712	79,683,585
Disopsals	-	-	-	(4,950)	(165,500)	(3,110,415)	-	-	-	(75,000)	-	-	-	-	(62,400)	(3,418,265)
Balance as at 31.03.2021	-	497,353,868	430,161,788	1,145,380	6,820,416	12,255,168	1,268,878	9,606,618	2,818,838	1,565,144	1,058,106	2,475,220	4,148,354	1,888,305	215,415	972,781,497
Net book value as at 31.03.2021	**177,181,919**	**1,227,790,467**	**653,612,528**	**84,964**	**368,989**	**8,758,332**	**37,253**	**2,328,789**	**486,636**	**1,033,074**	**285,280**	**798,045**	**-**	**-**	**42,491**	**2,072,808,766**

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is Rs. 36,800,768 (Rs. 35,783,033 as at 31 March 2020).

15. Leases

15.1 Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Company 31 March	
	2021 Rs.	2020 Rs.
Right-of-use assets		
Land	1,335,674	1,446,980
Office space	3,204,053	-
	4,539,727	1,446,980
Lease liabilities		
Current	1,469,243	61,273
Non-current	3,245,078	1,441,310
	4,714,321	1,502,584

Additions to the right-of-use assets during the 2020/21 financial year were Rs. 4,272,070 (2019/20 - nil).

	Group 31 March	
	2021 Rs.	2020 Rs.
Right-of-use assets		
Land	36,521,515	38,617,496
Office space	9,116,367	-
	45,637,882	38,617,496
Lease liabilities		
Current	4,910,439	867,183
Non-current	46,368,298	41,865,060
	51,278,737	42,732,242

Additions to the right-of-use assets during the 2020/21 financial year were Rs. 11,944,565 (2019/20 - nil).

15.2 Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Company 31 March	
	2021 Rs.	2020 Rs.
Depreciation charge of right-of-use assets		
Land	111,306	111,306
Office space	1,068,018	-
	1,179,324	111,306
Interest expense (included in finance cost)	323,803	155,829
Expense relating to short-term leases (included in administrative expenses)	1,227,904	3,904,266

The total cash outflow for leases in 2020/21 was Rs. 1,384,137 (2019/20 - Rs. 211,532)

	Group 31 March	
	2021 Rs.	2020 Rs.
Depreciation charge of right-of-use assets		
Land	2,095,981	2,634,290
Office space	2,828,197	-
	4,924,178	2,634,290
Interest expense (included in finance cost)	4,604,374	5,203,222
Expense relating to short-term leases (included in administrative expenses)	3,056,429	9,723,073

The total cash outflow for leases in 2020/21 was Rs.3,202,448 (2019/20 - Rs. 211,532)

16. Investments

16.1 Investment in subsidiary

	Company 31 March	
	2021	2020
Country Energy (Private) Limited		
Ownership interest held by the Company	87.2%	87.2%
Ownership interest held by non-controlling interests	12.8%	12.8%
No. of shares issued by the Subsidiary	89,250,000	89,250,000
No. of shares acquired by the Company	77,829,998	77,829,998
Value of investment by the Company (Rs.)	821,619,980	821,619,980

16.2 Other financial assets at amortised cost

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Investment in fixed deposits (Maturity period > 3 months)	-	93,256,553	-	133,256,553
	-	**93,256,553**	-	**133,256,553**

Due to the short-term nature of the investments, their carrying amount is considered to be the same as their fair value.

16.3 Summarised financial information of subsidiary

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

	31 March	
	2021 Rs.	2020 Rs.
Statement of profit or loss		
Revenue from contracts with customers	784,448,303	665,752,085
Direct costs	(88,404,517)	(85,728,784)
Other income	3,738,301	5,371,073
Administration expenses	(59,525,157)	(56,264,155)
Other operating expenses	(1,081,335)	(2,222,364)
Finance income	16,297,419	35,492,353
Finance cost	(4,280,572)	(5,047,393)
Profit before income tax	651,192,441	557,352,815
Income tax expense	(104,918,345)	(93,245,297)
Profit for the year	546,274,096	464,107,518
Other comprehensive income	(1,214,108)	(565,525)
Total comprehensive income	**545,059,988**	**463,541,993**
Attributable to non controlling interest	69,767,679	59,333,375
Earnings per share	6.11	5.20
Statement of financial position		
Non-current assets	1,380,028,746	1,425,342,465
Current assets	533,987,348	798,486,403
Total assets	1,914,016,094	2,223,828,868
Non-current liabilities	89,164,389	67,870,191
Current liabilities	69,264,179	61,856,139
Total liabilities	158,428,568	129,726,330
Net assets	**1,755,587,526**	**2,094,102,538**
Statement of cash flows		
Net cash flows from operating activities	627,529,645	328,870,027
Net cash flows used in investment activities	3,394,947	(6,424,209)
Net cash flows used in financing activities	(885,106,828)	(133,875,000)
Total net cash flows	**(254,182,236)**	**188,570,818**
Dividend paid to non-controlling interests	**(113,058,020)**	**17,130,000**
Dividend per share	9.90	1.50

17. Intangible assets

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cost				
Gross carrying amount B/F	29,692,500	24,000,000	185,042,500	179,350,000
Acquisitions during the year	-	5,692,500	-	5,692,500
Gross carrying amount C/F	**29,692,500**	**29,692,500**	**185,042,500**	**185,042,500**
Accumulated amortisation				
Accumulated amortisation B/F	24,213,468	24,000,000	108,841,380	98,271,242
Amortisation for the period	284,625	213,469	10,641,292	10,570,138
Accumulated amortisation C/F	**24,498,093**	**24,213,468**	**119,482,671**	**108,841,380**
Net carrying amount at the end of the year	**5,194,407**	**5,479,032**	**65,559,829**	**76,201,120**

The above balance represents amount paid to purchase an exclusive right to generate hydro electric power. The Group amortises 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. 24,000,000 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.

18. Other non-current asset

	Group 31 March	
	2021 Rs.	2020 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 the land obtained on a lease basis for a period of 30 years.

19. Trade and other receivables

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade receivables	264,587,112	212,676,919	560,069,173	472,004,882
Advances and prepayments	5,519,275	12,720,282	10,190,612	17,783,896
Other receivables	3,046,962	5,478,999	6,453,860	14,729,972
	273,153,349	**230,876,200**	**576,713,645**	**504,518,750**

19.1 Age analysis of trade receivables

Below 30 days	13,493,740	2,548,821	56,549,557	10,628,110
30 to 60 days	22,769,887	2,521,434	54,503,426	10,652,200
60 to 180 days	34,405,806	114,076,206	255,098,511	357,194,114
Over 180 days	193,917,679	93,530,458	193,917,679	93,530,458
	264,587,112	**212,676,919**	**560,069,173**	**472,004,882**

19.2 Classification as trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

19.3 Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

19.4 Risk exposure

Information about the group's exposure to credit risk can be found in Note 5.1

20. Amount due from related parties

			Company 31 March		Group 31 March	
			2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Country Energy (Private) Limited	- Kiriwaneliya MHPP	Subsidiary	665,710	2,222,067	-	-
	- Denewakaganga MHPP	Subsidiary	883,947	3,580,766	-	-
Alternate Power Systems (Private) Limited	- Current account balance	Affiliate	945,597	3,203,708	928,783	3,203,707
Greenerwater Limited	- Current account balance	Affiliate	-	198,755	52,877	415,281
Summer Season Limited	- Current account balance	Affiliate	-	-	16,253	87,179
			2,495,254	**9,205,296**	**997,913**	**3,706,167**

20.1 Fair value of amounts due from related parties

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

21. Cash and cash equivalents

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Investments in short-term deposits (Matuiry period ≤ 3 months)	47,006,047	141,644,206	276,003,486	624,084,439
Cash at bank and in hand	19,273,877	14,982,505	20,634,361	17,082,427
	66,279,924	156,626,711	296,637,846	641,166,867

21.1 Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Balances as above	66,279,924	156,626,711	296,637,846	641,166,867
Balances per statement of cash flows	66,279,924	156,626,711	296,637,846	641,166,867

21.2 Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no or insignificant loss of interest. Due to the short-term nature of the term deposits, their carrying amount is considered to be the same as their fair value.

21.3 Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include LKR 44,000 which are held by the entity. These deposits are subject to bank restrictions and are therefore not available for general use by the entity.

22. Stated capital

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Issued and fully paid number of shares				
Ordinary shares	747,109,731	747,109,731	747,109,731	747,109,731
Value of issued and fully paid shares				
Ordinary shares	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278

Ordinary shares have a par value of Rs. 1. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

The authorised share capital of the Company is 1,500,000,000.

23. Retirement benefit obligation

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	21,551,272	17,121,978	32,121,124	25,240,460
Current service cost	2,021,686	1,736,579	3,457,231	2,901,231
Interest cost	2,155,127	1,883,418	3,212,112	2,776,450
Actuarial (gain)/loss	1,541,658	962,192	2,970,020	1,627,516
	27,269,743	21,704,167	41,760,487	32,545,657
Benefits paid	(405,531)	(152,895)	(598,457)	(424,533)
At the end of the year	**26,864,212**	**21,551,272**	**41,162,030**	**32,121,124**

The Group operates a defined benefit plan under the regulatory frameworks in Sri Lanka under the Payment of Gratuity Act, No. 12 of 1983. The level of benefits provided depends on members' length of service and their monthly salary in each year leading up to retirement. This plan is not subject to receive inflationary increases once in payment. The Group doe not maintain any trustee-adminstered funds instead the plan is funded by the group as and when the obligation falls due.

The weighted average duration of the retirement benfit obligation of the Company and the Subsidiary at the end of the reporting period is 7.64 years and 10 years respectively. The expected maturity analysis of undiscounted retirement benefit obligation is as follows:

	Company 31 March		Group 31 March	
	2021	2020	2021	2020
Less than a year	1,401,704	1,145,656	2,383,185	1,965,771
Between 1 - 2 years	1,141,075	809,525	2,246,013	1,687,823
Between 2 - 5 years	2,196,563	2,268,161	4,189,635	5,042,433
Over 5 years	45,207,783	51,311,017	76,737,370	80,141,266
	49,947,125	**55,534,359**	**85,556,203**	**88,837,293**

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	Company 31 March		Group 31 March	
	2021	2020	2021	2020
Discount rate	7.50%	10.00%	7.5% - 8.00%	10.00%
Salary growth rate	8.00%	8.00%	8.00%	8.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the territory.

The sensitivity of the retirement benefit obligation to changes in the weighted principal assumptions is:

	Company		Group	
	Rs.	Rs.	Rs.	Rs.
A one percentage point change in the discount rate.	+1%	-1%	+1%	-1%
As at 31 March 2021 (Increase / (Decrease)	**(1,827,842)**	**2,030,847**	**(3,068,369)**	**3,463,618**
As at 31 March 2020 (Increase / (Decrease)	(1,592,578)	1,779,822	(2,459,250)	2,777,696
A one percentage point change in the salary increment rate.	+1%	-1%	+1%	-1%
As at 31 March 2021 (Increase / (Decrease)	**2,084,999**	**(1,909,245)**	**3,483,431**	**(3,307,678)**
As at 31 March 2020 (Increase / (Decrease)	1,837,561	(1,670,105)	2,827,012	(2,544,046)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Risk exposure

Through its retirement benefit obligation, the group is exposed to a number of risks, the most significant of which is the changes in bond yields resulting in the increase of the liabilities

24. Deferred tax liability

	Company 31 March		Group 31 March	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	104,756,362	109,582,965	121,632,952	112,245,642
Charge/(reversal) recognised to profit/(loss)	(4,605,206)	(4,691,896)	10,475,804	9,621,815
Charge/(reversal) recognised to other comprehensive income/(loss)	(369,998)	(134,707)	(584,252)	(234,506)
At the end of the year	**99,781,158**	**104,756,362**	**131,524,504**	**121,632,952**

24.1 Company

	2021		2020	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
As at 1 April	748,259,725	104,756,362	782,735,462	109,582,965
Amount originating/(reversing) due to change in tax rate	-	-	-	-
Amount originating/(reversing) during the year	(35,537,175)	(4,975,204)	(34,475,737)	(4,826,603)
As at 31 March	**712,722,551**	**99,781,157**	**748,259,725**	**104,756,362**
Temporary difference of property, plant and equipment	594,383,744	83,213,724	624,488,988	87,428,458
Temporary difference of right-of-use assets	4,539,727	635,562	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	(26,864,213)	(3,760,990)	(21,551,272)	(3,017,178)
Temporary difference of lease liabilities	(4,714,321)	(660,005)	(1,502,584)	(210,362)
As at 31 March	**712,722,551**	**99,781,157**	**748,259,725**	**104,756,362**

24.2 Group

As at 1 April	860,770,330	121,632,952	800,486,648	112,245,642
Amount originating/(reversing) due to change in tax rate	-			
Amount originating / (reversing) during the year	63,574,539	9,891,552	60,283,682	9,387,310
As at 31 March	**924,344,869**	**131,524,504**	**860,770,330**	**121,632,952**
Temporary difference of property, plant and equipment	825,770,140	117,921,682	751,628,586	106,499,398
Temporary difference of right-of-use assets	45,637,881	6,800,285	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	(41,162,028)	(5,905,662)	(32,121,121)	(4,602,655)
Temporary difference of lease liabilities	(51,278,737)	(7,644,667)	(42,732,243)	(6,394,811)
As at 31 March	**924,344,869**	**131,524,504**	**860,770,330**	**121,632,952**

The effective tax rate used to calculate the deferred tax liability of the Company for all the temporary differences is 14% (2019/20 - at 14%) and tax rate of 15% is used for deferred tax liability of the Subsidiary (2019/20 - at 15%).

25. Accruals and other payables

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Accrued expenses	2,613,615	2,594,426	30,901,379	26,056,319
Unclaimed dividend	6,359,007	23,220,194	6,359,021	23,220,194
Other statutory liabilities	197,521	182,442	686,846	1,140,843
Other payables	1,310,976	1,220,410	3,750,247	3,503,614
	10,481,119	**27,217,472**	**41,697,493**	**53,920,971**

All payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of accruals and other payables are considered to be the same as their fair values, due to their short-term nature.

26. Dividends paid during the year

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Interim dividend	747,109,731	224,132,919	747,109,731	224,132,919
Final dividend	-	298,843,892	-	298,843,892
	747,109,731	**522,976,812**	**747,109,731**	**522,976,812**
Dividend per share (Rs.)	1.00	0.70	1.00	0.70

27. Events occurring after the reporting period

The Company was eligible to apply a concessionary income tax rate with effect from 1 April 2018 upon the introduction of the Inland Revenue Act, No. 24 of 2017 for period of three years which expired on 31 March 2021. Subsequent to the first reading on 26 March 2021, the Inland Revenue (Amendment) Act was passed in Parliament on 4 May 2021. This Amendment Act brings into law the Government budget proposals which were announced in November 2020 and other announcements made in January 2020 including the extension of the concessionary income tax rate of 14% for the supply of electricity to the national grid using renewable energy sources by a company. The event was considered as an adjusting event based on the fact as substantively enacted as at the reporting date and the financial statements were prepared accordingly.

28. Commitments and contingencies

Capital expenditure commitments

There are no capital commitments as at the reporting date .

Contingencies

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

29. Financial assets and financial liabilities

The group holds the following financial instruments:

29.1 Financial assets

	Company 31 March		Group 31 March	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Financial assets at amortised cost:				
Trade and other receivables	273,153,349	230,876,200	576,713,645	504,518,749
Amount due from related parties	2,495,254	9,205,296	997,913	3,706,167
Other financial assets at amortised cost	-	234,900,759	-	757,340,993
Cash and cash equivalents	66,279,924	14,982,505	296,637,846	17,082,427
Total	**341,928,527**	**489,964,760**	**874,349,404**	**1,282,648,336**

29.2 Financial liabilities

	Company 2021 Rs.	Company 2020 Rs.	Group 2021 Rs.	Group 2020 Rs.
Liabilities at amortised cost:				
Lease liabilities	4,714,321	1,502,584	51,278,737	42,732,242
Accruals and other payables	10,481,119	27,217,472	41,697,493	53,920,971
Total	**15,195,440**	**28,720,056**	**92,976,230**	**96,653,213**

The group's exposure to various risks associated with the financial instruments is discussed in Note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

30. Related party disclosures

30.1 Parent

The group is controlled by the following parties:

Name	Type	Place of incorporation	Ownership interest	
			31 March 2021	31 March 2020
Vallibel Power Limited	Immediate parent entity	Sri Lanka	40.08%	40.08%
Mr. Dhammika Perera	Ultimate parent and controlling party	Not apicable	59.46%	59.46%

30.2 Subsidiaries

Interests in subsidiaries are set out in Note 16.1

30.3 Transactions with the related parties by the Company

Company	Relationship	Nature of Transaction	Aggregate amount of transactions 31 March	
			2021	2020
			Rs.	Rs.
Country Energy (Private) Limited (CEPL)	Subsidiary	Net operating expenses incurred on behalf of CEPL	(24,221,082)	(26,405,416)
		Reimbursement of expenses by CEPL	28,474,259	21,985,187
		Dividend received from CEPL	700,516,980	100,400,697
Vallibel Finance PLC	Affiliate	Investment in fixed deposits	(680,171,059)	(284,222,898)
		Withdrawals of fixed deposits	713,517,264	226,265,373
		Interest received	5,435,409	3,529,498
LB Finance PLC	Affiliate	Investment in fixed deposits	(1,517,973)	(2,608,177)
		Withdrawals of fixed deposits	29,126,149	-
		Interest received	147,626	-
Alternate Power Systems (Private) Limited (APSL)	Affiliate	Net operating expenses incurred on behalf of APSL	(15,231,164)	(14,889,661)
		Funds received from APSL	17,489,274	12,499,929
Greener Water Limited (GWL)	Affiliate	Operating expenses incurred on behalf of GWL	(3,005,021)	(9,566,213)
		Reimbursement of expenses by GWL	3,203,776	9,448,511
Hayeleys PLC	Affiliate	Payment of ground rent, electricity, parking	(5,545,260)	-
Hayeleys Power Limited (HPL)	Affiliate	Operating expenses incurred on behalf of HPL	(2,111,048)	-
		Reimbursement of expenses by HPL	2,111,048	-
The Kingsbury PLC	Affiliate	Payments made for services obtained	-	(398,825)

30.3 Transactions with the related parties by the Subsidiary

Company	Relationship	Nature of Transaction	Aggregate amount of transactions 31 March	
			2021	2020
			Rs.	Rs.
LB Finance PLC	Affiliate	Investment in fixed deposits	-	(93,586)
		Withdrawals of fixed deposits	-	7,624,777
		Interest received	-	93,586
Vallibel Finance PLC	Affiliate	Investment in fixed deposits	(633,519,835)	(368,010,248)
		Withdrawals of fixed deposits	937,282,961	194,864,880
		Interest received	17,828,219	3,044,690
Greener Water Limited (GWL)	Affiliate	Operating expenses incurred on behalf of GWL	(2,705,339)	(1,600,466)
		Reimbursement of expenses by GWL	2,868,987	1,383,941
Summer Season Limited (SSL)	Affiliate	Operating expenses incurred on behalf of SSL	(536,366)	(536,213)
		Reimbursement of expenses by SSL	607,291	449,035
Alternate Power Systems (Private) Limited (APSL)	Affiliate	Operating expenses incurred by APSL	16,814	-

The above transactions were carried out on normal trading terms.

30.4 Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders. Outstanding balances are unsecured and are repayable in cash. All other related party transactions are carried out in the ordinary course of business on an relevant commercial terms.

30.5 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 2021 audited financial statements.

30.5 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 2021 audited financial statements. Details of related party disclosures are as follows,

Name of the related party - Vallibel Finance PLC

Relationship - Affiliate

Nature of transaction - Investment in fixed deposits

	31 March	
	2021	2020
	Rs.	Rs.
Aggregate value of related party transactions entered into during the financial year	680,171,059	284,222,898
Revenue as per latest audited financial statements	292,529,302	392,556,077
Aggregate value of related party transactions as a % of net revenue/income	233%	72%

30.6 Transactions with the key management personnel of the Company

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

Key management personnel compensation (Short-term)

	31 March	
	2021	2020
	Rs.	Rs.
Directors' emoluments	4,250,000	3,733,333
Other key management personnel	7,653,112	6,957,376

Post-employment benefits

	31 March	
	2021	2020
	Rs.	Rs.
Other key management personnel	2,335,452	1,871,389

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.

30.7 Outstanding balances arising from the related party transactions

Information on the outstanding balances arising from the related party transactions are set out in Note 20.

31. Reclassifications

The short-term deposits with maturity of three months were previously presented under short-term investments (hereinafter referred to as 'Other financial assets at amortised cost') in the Company and Group consolidated statement of financial position. However, the management considers it more relevant if such deposits are presented under cash and cash equivalents. Prior year comparatives as at 31 March 2020 have been restated by reclassifying Rs. 141,644,206 and Rs. 624,084,440, from short-term investments to cash and cash equivalents, for the Company and the Group respectively.

Consistent with the above basis, prior year comparatives in the consolidated statement of comprehensive income for the year ended 31 March 2020 have been restated by reclassifying interest income from financial assets held as investments from finance income to other income for the Company and the Group amounting to Rs. 6,364,791 and Rs. 6,955,864 respectively. The aforementioned changes are also incorporated in the consolidated statement of cash flows for the year ended 31 March 2020 by reclassifying the interest received on financial assets held as investment from cash flows generated from operating activities to cash flows generated from investing activities for the Company and the Group amounting to Rs. 5,169,810 and Rs. 5,589,360 respectively.

32. Segment information

	EMHPP		DMHPP		KMHPP		Group adjustments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	292,529	392,556	494,136	417,687	290,313	248,065	-	-	1,076,978	1,058,308
Cost of sales	(51,336)	(52,155)	(53,116)	(51,836)	(35,288)	(33,892)	(8,890)	(8,890)	(148,631)	(146,774)
Gross profit	241,193	340,401	441,020	365,851	255,024	214,173	(8,890)	(8,890)	928,347	911,534
Other income	786,067	100,400	-	-	3,256	4,780	(770,517)	(100,400)	18,806	4,780
Administrative expenses	(45,646)	(47,710)	(40,455)	(38,014)	(19,071)	(18,250)	-	-	(105,171)	(103,974)
Other expenses	(764)	(2,846)	(715)	(639)	(366)	(1,584)	-	-	(1,845)	(5,068)
Finance income	13,036	23,304	11,901	20,807	4,879	15,276	-	-	29,816	59,387
Finance cost	(324)	(156)	(4,200)	(5,047)	(81)	-	-	-	(4,604)	(5,203)
Profit before tax	993,563	413,394	407,551	342,957	243,642	214,396	(779,407)	(109,290)	865,348	861,457
Tax expenses	(138,434)	(44,290)	(65,824)	(56,979)	(39,094)	(36,266)	-	(16,344)	(243,352)	(153,879)
Profit after tax	855,129	369,104	341,727	285,978	204,547	178,130	(779,407)	(125,634)	621,996	707,577
Other comprehensive income / (loss)	(1,172)	(827)	(947)	(534)	(267)	(32)	-	-	(2,386)	(1,393)
Total comprehensive income	853,958	368,277	340,780	285,444	204,280	178,098	(779,407)	(125,634)	619,611	706,184
Segmental assets										
Non-current assets	1,578,291	1,605,758	752,086	774,809	627,943	650,533	(769,813)	(760,923)	2,188,506	2,270,178
Current assets	341,929	489,965	359,305	493,611	174,665	304,875	(1,550)	(5,803)	874,349	1,282,648
Total assets	1,920,219	2,095,723	1,111,391	1,268,420	802,609	955,408	(771,363)	(766,726)	3,062,856	3,552,826
Segmental liabilities										
Lease liabilities	3,245	1,441	42,253	40,424	870	-	-	-	46,368	41,865
Deferred tax liability/(asset)	99,781	104,756	20,727	11,718	11,017	5,159	-	-	131,525	121,633
Retirement benefit obligations	26,864	21,551	11,814	8,686	2,484	1,884	-	-	41,162	32,121
Current liabilities	63,647	49,296	55,583	46,149	13,665	15,707	(1,550)	(5,803)	131,344	105,349
Total liabilities	193,537	177,045	130,376	106,977	28,035	22,749	(1,550)	(5,803)	350,399	300,968

	EMHPP		DMHPP		KMHPP		Group adjustments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other segment information										
Total depreciation	32,558	31,442	27,940	27,343	24,110	21,803	-	-	84,608	80,588
Amortisation	285	213	1,000	1,000	467	467	8,890	8,890	10,641	10,570
Capital expenditure	1,103	538	530	322	-	11,302	-	-	1,633	12,162

The Jt. CEOs examine the group's performance from a geographic perspective and have identified three reportable segments of its business:

1) Erathna mini hydro power plant ('EMHPP')
2) Denawaka mini hydro power plant ('DMHPP')
3) Kiriwaneliya mini hydro power plant ('KMHPP')

The Jt. CEOs primarily use a measure of operating profit to assess the performance of the operating segments. However, the Jt. CEOs also receive the information about the segments' revenue and assets on a quarterly basis.

TEN YEARS FINANCIAL SUMMARY

	2020/21 Rs'000	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
Operating Results										
Revenue	1,076,977	1,058,308	1,286,725	1,117,602	863,722	1,181,807	1,317,931	1,064,991	693,032	399,665
Gross profit	928,346	911,534	1,134,947	955,252	714,020	1,043,214	1,171,084	929,273	557,140	345,257
Other Income	21,485	11,735	9,275	90	536	38	44,394	64	704	10,356
Administration expenses	105,170	103,974	100,302	100,852	102,928	114,134	107,584	104,242	99,752	73,083
Finance cost	4,604	5,203	4,178	35,645	59,394	59,713	87,024	162,716	181,645	46,627
Net profit before tax	865,348	861,456	1,085,341	849,086	592,263	900,179	1,042,342	688,857	302,078	248,616
Net profit after tax	621,996	707,577	889,999	763,383	515,800	813,028	960,092	667,111	293,891	244,006
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	1,313,301	1,809,412	1,386,695	1,070,765	899,422	1,001,587	973,852	823,343	648,389	562,094
Non-controlling interest	224,789	268,079	225,877	199,340	162,695	165,859	149,135	122,340	99,585	92,087
Borrowings (Both non-current & current)	-	-	-	157,403	365,723	573,723	758,879	947,300	1,173,247	1,292,463
Lease Liability (Both non-current & current)	51,278	42,732	-	-	-	-	-	-	-	-
	2,763,733	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
Assets Employed										
Non Current Assets	2,188,506	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
Current Assets	874,349	1,282,648	769,888	401,848	254,801	529,048	537,950	357,875	276,885	264,490
Current Liabilities	(126,433)	(104,483)	(147,780)	(64,488)	(42,929)	(90,057)	(39,810)	(23,683)	(22,209)	(67,868)
Retirement Benefit Obligations	(41,162)	(32,121)	(25,240)	(25,946)	(18,786)	(16,407)	(16,505)	(11,629)	(9,714)	(7,116)
Diferred tax liability	(131,525)	(121,632)	(112,246)	(113,329)	(81,378)	(82,862)	(84,290)	(85,689)	(72,398)	(73,529)
	2,763,733	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
Key Indicators										
Earnings Per Share (Rs.)	0.74	0.87	1.12	0.96	0.66	1.04	1.21	0.85	0.39	0.33
Net Assets Per Share (Rs.)	3.33	3.99	3.43	3.01	2.78	2.91	2.88	2.67	2.44	2.32
Market Price of Share-Closing (Rs.)	7.40	5.40	5.90	7.30	7.10	8.00	7.90	5.60	5.60	6.60
Dividend Per Share (Rs.)	1.00	0.70	0.70	0.70	0.80	1.00	1.00	0.60	0.25	0.25
Price earning ratio (times)	10.01	6.22	5.27	7.59	10.74	7.73	6.52	6.61	14.46	19.83
Dividend payout (%)	135.33	80.68	62.54	72.78	121.00	96.60	82.58	70.82	64.54	75.10

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 2021. It represents 6,493 of shareholders as at 31st March 2021.

4 Float Adjusted Market Capitalisation

The Float Adjusted Market Capitalisation as at 31st March 2021 is Rs.2,240,029,180.40. The Company complies with option 5 of the Listing Rules 7.13.1 (a) – Less than Rs.2.5 Bn Float Adjusted Market Capitalisation.

5. Distribution of Shareholding as at 31st March 2021

There were 6498 Registered shareholders as at 31st March 2021.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	2,510	39	1,008,937	0.14
1,001	10,000	2,548	39	11,018,846	1.47
10,001	100,000	1,183	18	40,994,099	5.49
100,001	1,000,000	224	3	68,095,225	9.11
Over 1,000,000		33	1	625,992,624	83.79
	Total	**6,498**	**100**	**747,109,731**	**100**

6. Analysis report of Shareholders as at 31st March 2021

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individuals	6,295	96.88	331,434,121	44.36
Institutions	203	3.12	415,675,610	55.64
Total	**6,498**	**100.00**	**747,109,731**	**100.00**
Resident	6,442	99.14	730,308,043	97.75
Non-resident	56	0.86	16,801,688	2.25
Total	**6,498**	**100.00**	**747,109,731**	**100.00**

7. Twenty Major Shareholders as at 31st March 2021

	Name of the Shareholder	Number of shares as at 31.03.2021	(%) in issued Capital	Number of shares as at 31.03.2020	(%) in issued Capital
1	Vallibel Power Limited	299,425,830	40.08	299,425,830	40.08
2	Mr K D D Perera	144,812,225	19.38	144,812,225	19.38
3	Sri Lanka Insurance Corporation Ltd - Life Fund	33,296,740	4.46	-	-
4	Sri Lanka Insurance Corporation Ltd - General Fund	27,500,000	3.68	-	-
5	Mr K D H Perera	18,750,000	2.51	18,750,000	2.51
6	Mr K D A Perera	18,750,000	2.51	18,750,000	2.51
7	Ms K D C Samanthi	9,375,000	1.25	9,375,000	1.25
8	Employees Trust Fund Board	8,931,225	1.20	5,197,715	0.70
9	DFCC Bank Plc A/C 1	6,400,000	0.86	2,400,000	0.32
10	HSBC Bank PLC - Mckinley Capital Measa Fund Oeic Limited	5,846,105	0.78	-	-
11	Mr P P Subasinghe	5,173,190	0.69	5,303,190	0.71
12	Mr A R Grero	5,052,969	0.68	2,261,653	0.30
13	Perera and Sons Bakers Pvt Limited	4,500,000	0.60	3,008,630	0.40
14	Mr B C Tay	3,000,000	0.40	3,000,000	0.40
15	Acuity Partners (Pvt) Limited / Mr. Anthony Romesh Grero	2,796,493	0.37	9,229,607	1.24
16	Mr. D C C Joseph	2,642,143	0.35	-	-
17	Mr M F Hashim	2,612,989	0.35	2,017,989	0.27
18	Sampath Bank PLC / Mr. Arunasalam Sithampalam	2,500,000	0.33	-	-
19	Hatton National Bank PLC / Yonmeregna Simon Hewage Ruchanka Sulakshana Silva	2,500,000	0.33	-	-
20	Mr. M I M Shafie & Mrs. F R Shafie	2,500,000	0.33	-	-
	Total	606,364,909	81.16	525,531,839	70.07
	Others	140,744,822	18.84	223,577,892	29.93
	Grand Total	747,109,731	100.00	747,109,731	100.00

8. Share Trading Information

	2020/2021	2019/2020
Highest (Rs.)	8.60	6.60
Lowest (Rs.)	4.80	5.40
Closing (Rs.)	7.40	5.40
Value of Shares Trades (Rs.)	2,936,569,258	724,376,036
No. of Shares Traded	378,118,364	122,412,201
No. of Trades	33,740	6,149

9. Equity Information

	2020/2021	2019/2020
Earnings per share-Basic (Rs.)	0.74	0.87
Dividend per share (Rs.)	1.00	0.70
Net Asset Value per share (Rs.)	3.33	3.99
Dividend pay out ratio (%)	135.14	80.46

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE 20TH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF ELECTRONIC MEANS ON 30TH JUNE 2021 AT 4.00 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 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. H Somashantha, who retires by rotation in terms of Article 25(10) of the Articles of Association, as a Director of the Company;
3. To re-elect Mr. S Shanmuganathan who retires in terms of Article 25 (10) of the Articles of Associations, as a Director of the Company.
4. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.

By Order of the Board
VALLIBEL POWER ERATHNA PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
May 28, 2021

Notes:
1. 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.
2. A proxy need not be a shareholder of the Company.
3. 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.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process enclosed herewith.

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. S H Amarasekera	of Colombo or failing him
Mr. P K Sumanasekera	of Colombo or failing him
Mr. H Somashantha	of Colombo or failing him
Mr. 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 30th June 2021 at 4.00 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. H Somashantha, who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.		
2. To re-elect Mr. S Shanmuganathan, who retires by in terms Article 25(10) of the Articles of Association, as a Director of the Company.		
3. To re-appoint Messrs PricewaterhouseCoopers , Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.		
4. To authorise the Directors to determine payments for the year 2021/2022 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 One.

....

Signature

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 4.00 p.m on 28th June 2021.

CORPORATE INFORMATION

Name of Company
Vallibel Power Erathna PLC

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

Date of Incorporation
07th November 2001

Company Registration Number
P.Q. 103

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. K D D 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

Registered Office
27-2, East Tower, World Trade Center
Echelon Square, Colombo 01.
E-mail: energy@vallibel.com
Web Site: www.vallibel-hydro.com

Business Office
No. 25, Foster Lane, Colombo 10
Telephone: 011 2381111
Fax: 011 2381115

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
PricewaterhouseCoopers
P. O. Box 918
100, Braybrooke Place,
Colombo 2
Telephone : 011 771 9700
Fax : 011 230 3197
Web site : www.pwc.com/lk

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

www.vallibel-hydro.com