

CHARTING THE COURSE

VALLIBEL POWER ERATHNA PLC
ANNUAL REPORT 2021/22



CHARTING THE COURSE

Riding on the wave of a historic year of our company, we are ever cognizant of our exceptional track record that has witnessed us delivering continuous returns to our loyal customers and stakeholders. We remained true to the spirit of our enterprise, and preserved our values to record a timeline that has positively impacted our view. And while we celebrate our past, we look bravely ahead to the future, in seeing and utilizing energy in bold new ways that not only meet demand but also set the standard in sustainability. We are determined to grow through the storm, charting our course to new horizons.

Contents

INTRODUCTION

- 04 About this Report
- 06 About Us
- 08 Milestones of Success
- 10 Financial Year 2021/22 - At a Glance

LEADERSHIP

- 14 Chairman's Statement
- 17 Jt. CEO's Review
- 20 Board of Directors

HOW WE OPERATE

Strategic Approach

- 24 Our Business Model
- 26 Operational Review
- 33 Risk Management

Capital Management

- 38 Financial Capital
- 45 Natural Capital
- 53 Social and Relationship Capital
- 59 Human Capital
- 68 Manufactured Capital
- 70 Intellectual Capital

Sustainability Approach

- 74 Statement of Sustainability
- 75 Stakeholders Engagement and Analysis
- 79 Assessment of Material Topics
- 82 Independent Assurance Report on Sustainability Reporting
- 84 GRI Standards Content Index

GOVERNANCE

- 92 Corporate Governance
- 105 Report of the Audit Committee
- 106 Report of the Remuneration Committee
- 107 Report of the Related Party Transactions Review Committee

ANNUAL FINANCIAL STATEMENTS

- 110 Financial Calendar
- 111 Annual Report of the Board of Directors on the Affairs of the Company
- 114 Statement of Directors' Responsibility
- 115 Independent Auditors' Report
- 118 Consolidated Statement of Profit or Loss
- 119 Consolidated Statement of Comprehensive Income
- 120 Consolidated Statement of Financial Position
- 121 Consolidated Statement of Changes in Equity
- 122 Consolidated Statement of Cash Flows
- 123 Notes to the Financial Statements

SUPPLEMENTARY INFORMATION

- 156 Ten Years Financial Summary
- 158 Investor Information
- 160 Glossary of Terms
- 162 Notes
- 166 Notice of Annual General Meeting
- 167 Form of Proxy

KEY HIGHLIGHTS

14 Chairman's Statement

17 Jt. CEO's Review

24 Our Business Model

26 Operational Review

33 Risk Management

92 Corporate Governance



vallibel-hydro.com

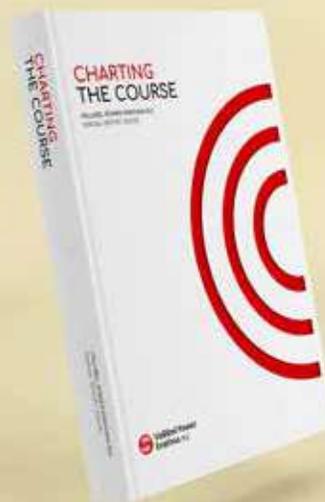


About this Report

GRI - 102-12, 46, 48, 49, 50, 51, 52

WELCOME TO OUR 2021/22 INTEGRATED ANNUAL REPORT

Vallibel Power Erathna PLC (VPE) is proud to present our fourth Integrated Annual Report (IAR) for the year 2021/22, which we present you after an interruption of two years due to the adverse circumstances of the country. Our integrated reporting approach aims to enable our stakeholders to make a more informed assessment of the value of the Vallibel Power Group and its future prospects. In this report, we strive to fully integrate operational, financial and sustainability reporting in line with business practices that create value for our stakeholders through the financial, environmental, social and relationship, human and intellectual capitals of the Company.



SCOPE AND BOUNDARY

This IAR covers the annual reporting cycle of Vallibel Power Erathna PLC from 1 April 2021 to 31 March 2022 which is the corporate financial year. It provides an overview of the Company and its subsidiary, Country Energy (Pvt) Ltd., which has consolidated all information presented in this IAR. The report is structured on the sustainable value creation process together with related activities and performance in terms of both financial and non-financial facets for the reporting period.

The report presented for the recent corresponding year has not complied with the GRI sustainability reporting standards and integrated reporting <IR> framework. Comparative information has been presented for the recent corresponding year ended 31 March 2021 without restating the information.

There were no any material changes to the scope and information reported in the current year, unless otherwise stated. We have identified any changes in material topics and their boundaries and disclosed them in this year's report.

METHODOLOGY

GRI - 102 - 56

The financial data and information on performance is prepared using the accounting data for the period from 1 April 2021 to 31 March 2022, audited by M/s. PricewaterhouseCoopers, Chartered Accountants. The non-financial information of Sustainability Reporting was audited by M/s. Ernst & Young, Chartered Accountants, according to the Sri Lanka Standard on Assurance Engagements (SLASE 3000) – “Assurance Engagements other than Audits or reviews of Historical Financial Information”. The data and information on the macroeconomic environment and the power and energy industry are based on the available statistics published by the Central Bank of Sri Lanka, the Ceylon Electricity Board and other authentic information sources.

REPORTING FRAMEWORK GRI - 102 - 12, 102 - 54

		Report Coverage Level			
		Overall Report	Financial Report	Corporate Governance	Sustainability Report
Framework	Company's Act No. 07 2007	✓		✓	
	Regulatory requirements of Securities and Exchange Commission of Sri Lanka	✓	✓	✓	
	Listing Rules of Colombo Stock Exchange	✓	✓	✓	
	Integrated Reporting <IR>Framework	✓			
	Sri Lanka Accounting & Auditing Standards Act No.15 of 1995		✓		
	Sri Lanka Financial Reporting Standards (SLFRS & LKAS)		✓		
	Code of Best Practice on Corporate Governance			✓	✓
	GRI Sustainability reporting Standards - "In accordance - Core"				✓

NAVIGATING OUR REPORT

The objective of presenting this IAR is to communicate with our valued stakeholders an analysis of our performance during the year of review whilst examining the efficacy of the strategies utilised to create long-term value. Here, we have categorised the entire report into six sections to meet the readers' requirements for information when navigating this report.

What you can find?		Where you can find?	
	Overview about VPE	Outlines what the Company is about, the factors that inspired our journey, and the model we pursue to create value for all our stakeholders	About Us Pages 06 - 07 Milestone of Success Pages 08 - 09 Our Business Model Page 24 Corporate Information IBC
	Leadership and governance	This describes the leaders who manage our business, who they are, their methods of governing as well as the key messages they communicate through their executive reviews	Chairman's Statement Pages 14 - 16 Joint CEOs' Review Pages 17 - 19 Board of Directors Pages 20 - 23 Corporate Governance Pages 92 - 104 Board sub-committee reports Pages 105 - 107
	Strategic approach, operating environment and value creation	Provides an operational overview in terms of value creation through our seven capitals and how we manage external influences	Our Business Model Page 24 Operational Review Pages 26 - 32 Risk Management Pages 33 - 35 Capital Management Reports Pages 38 - 71 Stakeholder Engagement and Analysis Pages 75 - 78
	Financial results and financial stability of VPE Group	This has the monitored information on our performance during the year as well as the trends in historical movements that influence our performance	Financial Year 2021/22 - At a Glance Pages 10 - 11 Annual Financial Statements Pages 110 - 154 Financial Capital Report Pages 38 - 44 Ten Years Financial Summary Pages 156 - 157
	Investor Relation matters	Provides in depth analyses on how value is created for our shareholders and also gives the supplementary information related to this report	Financial Capital Report Pages 38 - 44 Investor Information Pages 158 - 159 Notice of Annual General Meeting Page 166 Form of Proxy Page 167
	Sustainability Reporting matters	Gives an overview of our approach and the processes we use in sustainability reporting and related topics	Statement of Sustainability Page 74 Assessment of Material Topics Pages 79 - 81 GRI Standards Content Index Pages 84 - 89

FORWARD LOOKING STATEMENTS

This report contains forward looking statements with respect to Vallibel Power's financial position, the results of our operations, business strategies, operating efficiencies, growth opportunities for the existing business, as well as the plans and objectives of the management. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. As such, the Company does not undertake to review or revise such forward-looking statements.

GRI - 102-53



For more information;
www.vallibel-hydro.com



Send us your feedback

To ensure that we report on issues that matter to our stakeholders please provide any feedback and questions to:

Accountant

Vallibel Power Erathna PLC
 No. 25, Foster Lane,
 Colombo 10

energy@vallibel.com



+94 11 238 1111



About Us

GRI – 102-2

From our inception at the onset of the millennium, Vallibel Power Erathna charted a steady course towards the summit of success while delivering green energy to power the people. We embarked on this momentous journey with the state-owned Ceylon Electricity Board (CEB), to reinforce the CEB’s capacity on renewable energy to power the nation.

and just one year later we transformed into ‘Vallibel Power Erathna Limited (VPEL), the name we retain to this day. VPEL opened its business to public participation in 2006, by listing our shares in the Colombo Stock Exchange. Over the ensuing years, we confirmed our shareholders’ confidence in us by posting a performance that provided them with appreciable dividends every year.

the Kiriwaneliya MHP, are based in prime catchment areas and were constructed to generate a cumulative capacity of 21.85 MW. They provide close to 82 GWh to the national grid every year, which is equal to reducing over 50,000 MT of CO2 emissions annually.

The brainchild of a master plan generated in the boardroom, we first saw the light of day in 2001 as ‘Zyrex Power Company Erathna Limited. A name change in 2004 resulted in ‘Power Company Erathna Limited’ in 2004,

Today, we sit at the apex of the energy industry, as one of the largest public quoted mini hydropower companies in Sri Lanka. Our three mini hydropower plants - Erathna MHP, Denawaka Ganga MHP and

We will continue to chart a course to a future of sustainable energy as we explore exciting new opportunities for further expansion in the sector. This, we are confident, will contribute substantially to realising Sri Lanka’s vision of becoming an energy sustainable nation within the next decade.

GRI – 102-16, 45



Vision

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



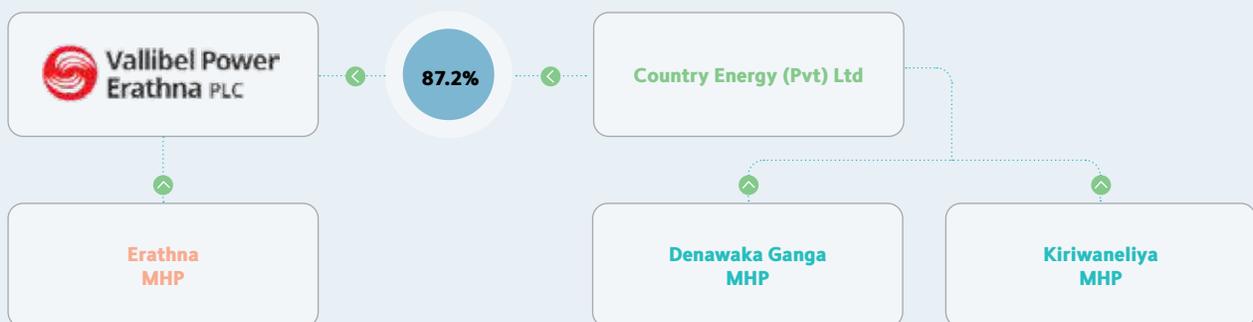
Core Values

- Integrity
- Responsibility
- Safety
- Exploration
- Corporate Social Responsibility



Mission

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



PROJECT PORTFOLIO



ERATHNA MHP

Year of Commissioning	2004
Net Head	420 Meters
Penstock Length	2250 Meters
Channel Length	300 Meters
EM Plant Supplier	Voith Seimens
Location	Kuruwita, Rathnapura District
River	Kuru Ganga
Invested Company	Vallibel Power Erathna PLC
Direct Workforce	20



9.9 MW
Plant Capacity



42 GWh
Annual Average Energy



DENAWAKA GANGA MHP

Year of Commissioning	2012
Net Head	33 Meters
Penstock Length	97 Meters
Channel Length	1800 Meters
EM Plant Supplier	Dongfeng Electric
Location	Malwala, Rathnapura District
River	Denawaka Ganga
Invested Company	Country Energy (Pvt) Ltd
Direct Workforce	34



7.2 MW
Plant Capacity



25 GWh
Annual Average Energy



KIRIWANELIYA MHP

Year of Commissioning	2011
Net Head	200 Meters
Penstock Length	1690 Meters
Channel Length	300 Meters
EM Plant Supplier	VS Energy
Location	Norton Bridge, Nuwara Eliya District
River	Maskeli Oya
Invested Company	Country Energy (Pvt) Ltd
Direct Workforce	19



4.65 MW
Plant Capacity



16 GWh
Annual Average Energy

Milestones of Success

2006/07

- Listing of Company's shares on Secondary Board of Colombo Stock Exchange.
- Strategic investment made in shares of Fortress Resort Ltd.a

2011/12

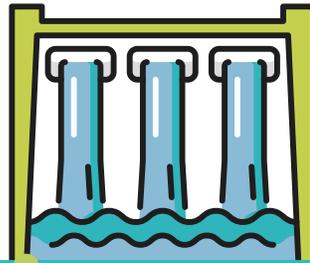
- Commencement of commercial operations of Kiriwaneliya MHPP and Denawakaganga MHPP.
- Bronze Award Winner - ICASL Annual Report Competition 2011.

2013/14

- Kiriwaneliya project and Denwakaganga project were qualified for Clean Development Mechanism (CDM) under United Nations Framework Convention on Climate Change (UNFCCC).
- Silver Award Winner- ICASL Annual Report Competition 2013.

2001/02

- Incorporation of the Company Erathna and commencement of the construction of Erathna MHPP.



2004/05

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

2009/10

- Acquisition of Country Energy (Pvt) Ltd as a subsidiary.
- Commencement of the construction of Kiriwaneliya & Denawakaganga MHPPs under the Subsidiary.
- Transferring to the Main Board of Colombo Stock Exchange.

2012/13

- Gold Award Winner- ICASL Annual Report Competition 2012.
- Winner of ACCA Sustainability Reporting Award 2012
- Bronze Award to Erathna MHP - National Green Award 2012 organised by CEA.
- Visiting of Erathna MHP Project by the Delegation of Seychelles government to study mini power projects industry.

2014/15

- Company and its Subsidiary were certified for ISO 9001 & 14001 for the implementation of Quality and Environmental Management Systems.
- Silver Award Winner- ICASL Annual Report Competition 2014.
- Bronze Award to Kiriwaneliya MHP - National Green Award-2013 organised by CEA.

2015/16

- “Best Under A Billion Award” to the Company held by Forbes Asia.
- Bronze Award Winner- ICASL Annual Report Competition 2015.
- Silver Award to Kiriwaneliya MHP - National Green Award-2015 organised by CEA
- Commencement of “Empowering Green” tree planting program as a CSR initiative.

2018/19

- Bronze Award Winner- ICASL Annual Report Competition 2018.
- Bronze Award to Kiriwaneliya MHP - Presidential Environmental Awards- 2018
- Winner of ACCA Sustainability Reporting Award 2018
- Winner as Asia’s best integrated Report - “SME category” Asia Sustainability reporting Awards - 2018

2021/22

- Highest annual generation of electricity – three power plants combined, Group generated 99.4 GWh, the highest ever energy generation since the inception of the company
- Highest ever Group Revenue recorded for a year – Rs. 1.32 billion
- Highest Dividend paid in a year – Rs. 1.05 /- share amounted to Rs. 784.4 Mn

2016/17

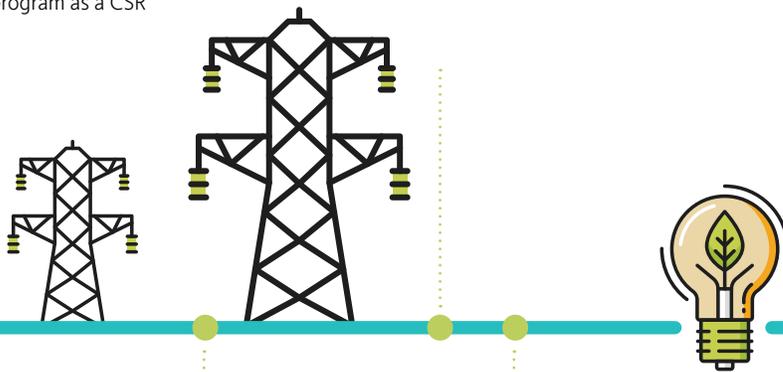
- Bronze Award Winner- ICASL Annual Report Competition 2016.

2017/18

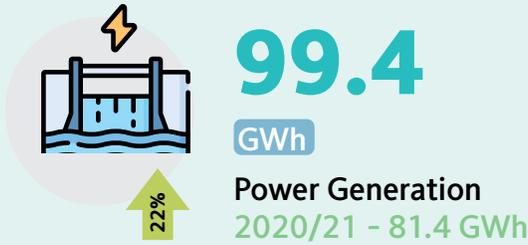
- Silver Award Winner-ICASL Annual Report Competition 2017.
- Silver Award to Kiriwaneliya MHP - National Green Award-2017 organised by CEA
- Winner of ACCA Sustainability Reporting Award 2017

2019/20

- Bronze Award Winner- ICASL Annual Report Competition 2019.
- Bronze Award to Kiriwaneliya MHP - Presidential Environmental Awards- 2019
- Winner of ACCA Sustainability Reporting Award 2019.



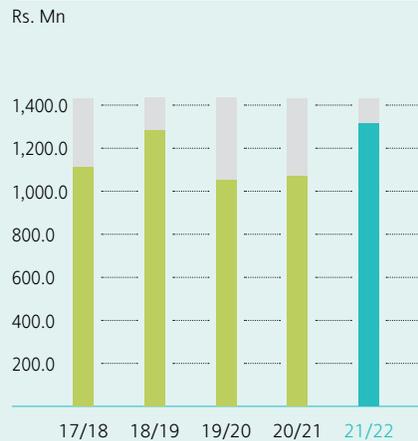
Financial Year 2021/22 - At a Glance



Power Generation

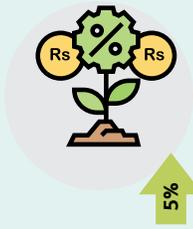


Group Revenue



Profit After Tax (PAT)





Rs. 784.5

Mn

Dividend
2020/21 - Rs. 747.1 Mn

5%



32 %

Return on equity (ROE)
2020/21 - 23%

39%

GRI – 102-7

Performance		2021/22	2020/21	Change %
Power generation	GWh	99.4	81.4	22%
Revenue	Rs.Mn	1,322.3	1,077.0	23%
Gross profit	Rs. Mn	1,171.9	928.3	26%
Profit before tax (PBT)	Rs. Mn	1,087.3	865.3	26%
Net profit after tax (PAT)	Rs. Mn	854.8	622.0	37%
Dividend	Rs. Mn	784.5	747.1	5%
Net cash generated from operating activities	Rs. Mn	727.8	811.4	-10%

Financial Position		2021/22	2020/21	Change %
Total assets	Rs. Mn	3,049.9	3,062.9	0%
Shareholders fund	Rs. Mn	2,712.0	2,712.5	0%
Net current assets	Rs.Mn	819.4	743.0	10%

Share Information		2021/22	2020/21	Change %
Earnings/share	Rs.	1.02	0.74	38%
Net assets value/share	Rs.	3.31	3.33	0%
Dividend/share	Rs.	1.05	1.00	5%
Market price/share	Rs.	7.20	7.40	-3%

Other		2021/22	2020/21	Change %
Economic value added (EVA)	Rs.Mn	594.0	355.0	67%
Market value added (MVA)	Rs.Mn	2,667.0	2,816.0	-5%
Return on equity (ROE)	%	32%	23%	39%
Net profit margin	%	65%	58%	12%
Current assets ratio	times	7 times	6.7 times	4%
PE ratio	times	7 times	10 times	-30%



CHARTING THE COURSE OF EXPANSIONARY MEASURES

We are looking above and beyond in growing our brand and sharing long term energy solutions.



Chairman's Statement



GRI - 102 - 14

Dear Shareholders,

It gives me great pleasure to welcome you to the 21st Annual General Meeting of Vallibel Power Erathna and present you with our integrated Annual Report and audited Financial Statements for the year ended 31 March 2022.

This has been a landmark year. I am delighted to inform you that your Company achieved the highest-ever revenue, having reached a record high in generation volumes. Group revenue surged to Rs 1,322.20 million this

year, which is an increase of 23% over Rs. 1,077.0 million recorded in the previous year.

This substantial growth was the result of a 22% increase in the accumulated generation of our three power plants to 99.4 GWh, over the previous year's contribution of 81.4 GWh. The rise in revenue augmented Net Profit after Tax, which escalated by a gratifying 37% to Rs. 854.8 million, from Rs 622.0 million reported in the previous year.

This remarkable achievement in a difficult environment clearly demonstrates our capabilities to weather the storms of adversity

with aplomb and fortitude, and create long-term shareholder value despite the odds. It also makes us realise that we are equipped with the right tools to emerge from the present crisis, stronger than ever before.

CURRENT ECONOMIC CHALLENGES AND IMPACT

We are, however, mindful of the ongoing macro-economic and geo-political volatilities such as the possibility of further waves of COVID-19 variants, the tightening of monetary policies, and rising interest and inflation rates. All this will continue to create uncertainties, but barring extreme



This has been a landmark year. I am delighted to inform you that your Company achieved the highest-ever revenue, having reached a record high in generation volumes.



weather vagaries and any other unforeseen circumstances, the Group is well-positioned to capitalise on this growth cycle and attain further profitability in the coming years.

We cannot, however, rest on our laurels until the outstanding payments of the CEB are settled, as these arrears continue to impede our cash flow. The CEB is now considerably in the red as a result of the deepening economic crisis in the country, but it is of note that despite its challenging position, CEB does its utmost to remit outstanding payments. One of the major reasons for CEB's debt increase to the Company by 38% to Rs. 774.8 million, from Rs 560.1 million in 2020/2021 is the Company's increase in generation during the financial year.

SUSTAINABLE ENERGY INITIATIVES

Green energy has become one of the most important factors in determining the life expectancy of this planet, so investments in renewable energy must grow substantially if climate change is to be averted. Governments across the world need to introduce policy and regulatory measures aimed at promoting sustainable hydropower and other renewable energy alternatives if the global goal of net zero emissions by 2050 is to be achieved, as confirmed by the International Energy Agency (IEA). Failure to build sufficient new sustainable energy alternatives could compromise climate targets, and therefore energy security.

It is encouraging to note that more and more governments are indeed taking steps in this direction by setting climate objectives and committing themselves to achievable sustainable goals. Herein lies an opportunity for corporates. We, too, could support these initiatives and be in the vanguard of investing in sustainable technologies. This is necessary not just for altruistic purposes but also for our personal benefit because taking on board sustainable technologies secures us important competitive advantages in global

markets in terms of innovative and efficient digitalized products, as well as enables us to meet regulatory requirements.

Over the years, we have increased overall profitability and continued to deliver robust shareholder returns. Our financial discipline has enabled us to maintain a healthy financial position and a strong balance sheet that enabled us to post profits even in lean years.

DIVIDEND

The profits achieved this year were returned to our shareholders in a dividend of Rs. 1.05/share valued at a total of Rs. 784.5 million, a 5% increase over the Rs. 747.1 million allocated to shareholders in a dividend of Rs. 1.0/share in the preceding year.

FUTURE OUTLOOK

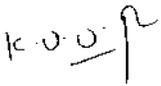
Given the country situation, we have no plans at present to pursue new investment initiatives, but will, instead, explore new avenues of enterprise. We will utilise our people strength to position ourselves as a knowledge hub for the service and repair of hydro electrical equipment in the local and overseas power sector. Our team is arguably the most skilled and experienced in the local hydropower industry, and their expertise is a knowledge-rich repository that can be outsourced for the benefit of other hydropower companies as well.

ACKNOWLEDGEMENT

Our performance this year makes me confident that the Company is on the right track to achieving our aim of sustainable growth. Our success has been a collective effort and I take this opportunity to thank every member of the VPE team. I thank my Board of Directors for their vision and guidance that steered us through challenging times. I am also deeply appreciative of my management team and staff for their hard work, dedication and stewardship of the many resources

Chairman's Statement

that brought us to the apex of the mini hydropower industry. Together we will continue to build on our success of the past year, reinforce our position as a provider of clean energy, deliver against our strategic priorities and in doing so, accelerate the momentum that will make us more responsive to change. Above all, we will make the most of our unique strengths and our motivated and professional people who help us to meet the expectations of our stakeholders, who include our shareholders, the CEB, regulatory authorities and communities. I take this opportunity to thank our stakeholders for their trust and confidence in us as they partner with us in our journey to the summit of success.



Dhammika Perera
Chairman

25 May 2022
Colombo

Jt. CEO's Review



Vallibel Power Erathna PLC delivered an exceptional performance during this fiscal year, with all plants functioning at optimal efficiency. This achievement was the result of steady rainfall in the catchment areas during most of the year coupled with operational efficiencies of each plant and risk mitigation strategies instituted across the board, which promoted resilience and enhanced the performance of all key business units. Group output increased by 22% to 99.4 GWh, from 81.4 GWh supplied to the national grid during the preceding year. The increased output of all three mini hydro plants augmented Group Revenue to Rs 1,322.3 million, a 23% increase over the previous year's revenue of Rs. 1,077.0 million.

The higher revenues strengthened the Company's bottom line and resulted in a commendable 26% increase in Group Net Profit Before Tax to Rs. 1,087.3 million, from Rs. 865.3 million in the previous financial year. Group Net Profit After Tax also increased by an appreciable 37% to Rs. 854.8 million, from Rs. 622.0 million posted a year earlier. This positive performance enabled the Company to pay out a Dividend during the year, of Rs 1.05 per share, which enabled the Company to continue maintaining its reputation as the mini hydropower company that consistently provides shareholders with the highest returns in the sector.



The higher revenues strengthened the Company's bottom line and resulted in a commendable 26% increase in Group Net Profit before Tax to Rs. 1,087.3 million, from Rs. 865.3 million in the previous financial year.



Jt. CEO's Review



We will continue to maintain our strong balance sheet and healthy liquidity profile for future capital deployment that will provide steady returns to our shareholders, create resilient strategies to maximise our financial performance.

OPERATIONAL EFFICIENCIES

The unprecedented challenges of COVID-19 during the past two years have thrown into sharp relief the importance of strategic planning and decision-making for initiating operational efficiencies that assure long-term resilience. As the pandemic becomes a constant and no longer a crisis, we seized opportunities to reimagine our progress while putting into place the right strategies that provided us with the essential intelligence and foresight to navigate this period of heightened uncertainty.

SUSTAINABLE DEVELOPMENT

The pandemic has accelerated the urgency of adopting more sustainable practices across companies, and strengthened the

call for transparency around environmental, social and governance (ESG) factors in corporate strategy and governance. Corporates must now integrate climate-related risks and opportunities into their enterprise strategy and factor in new metrics that combine financial and sustainable performance in order to fuel innovation and strengthen strategic decision-making. It is this approach that will empower companies to embrace change.

OUR RESPONSIBILITY TO OUR PEOPLE

Our people are the cornerstone of our enterprise, and an integral component of our sustainability journey. We celebrate their diversity and inclusiveness, and have no gender or ethnic bias when recruiting.



We are committed to enhancing their quality of life and morale, and so create an environment that fosters, creativity and innovation through providing them with job-specific and soft skills training. They are rewarded generously for their performance and commitment. We also support Initiatives that promote their work-life balance, and for the first time in two years, organised the annual staff outing, which had been put on hold due to COVID-19 concerns.

We are also proud of the tremendous resilience, responsibility and resolve they displayed during the COVID-19 crisis, and the numerous ways in which they supported each other and our many stakeholders during the pandemic, and in doing so, served our shareholders. To adapt our business to the current environment, we introduced several initiatives that ensured the health and safety of our entire staff and workforce.

CARING FOR OUR COMMUNITIES

VPE is a service-centered organisation and as such, has always believed in serving the communities we live and work in. We have introduced innumerable initiatives to enhance the quality of their lives, especially the lives of the indigenous communities who have lived for generations in the vicinities of our power houses. Their approval of our actions and activities is essential for the continuity of our business. Over the years, we have developed cordial and symbiotic relationships with them that have elevated their lives and livelihoods. We support them in the areas of poverty, education, health and unemployment. A key initiative is prioritising recruitment from these communities to our powerplants.

PROTECTING THE PLANET

As a provider of clean energy and driver of sustainability, we aim to introduce sustainability into every area of our operations. Since we generate renewable and replenishable energy, our business produces zero emissions. Additionally, since all three projects are run-of-the-river, we utilise the water to generate the electricity, then re-channel it to the river, unchanged in quality and quantity. Water is the liquid

wealth of our business and so it is in our interest to nurture and protect the pristine nature of the environment it originates from.

Our reforestation programme “Empowering Green” is in line with our vision of sustainability. Progress though, has been limited due to the pandemic. This year, we also initiated a clean-up campaign at the Sri Pada site, organizing a series of clean-up events throughout the pilgrim season along two of the three main footpaths, to facilitate a pleasant journey for pilgrims. The program was extremely successful and fulfilling as it was well received by state officials and villagers alike.

OUTLOOK FOR THE FUTURE

As we prepare for a future of renewed growth, we will continue to maintain our strong balance sheet and healthy liquidity profile for future capital deployment that will provide steady returns to our shareholders, create resilient strategies to maximise our financial performance. Despite the fact that economic activities were considerably reduced during this year, the company perceived its usual business operations that included actively participating in SLGov tender process of renewable energy sector. VPE will continue to perceive similar activities in the forthcoming year as well.

We are also thinking out-of-the-box this time, as is warranted by the unusual circumstances in which we live, and have plans in the pipeline to promote our professional expertise to new levels of business avenues and achievement within both local and overseas.

The years have brought greater stability and continuity to the business, and deepened relationships with our stakeholders. However, these are times of great unpredictability, and we estimate that the challenges of the pandemic will likely reach into 2023 and beyond. So, we will continue to evaluate emerging risks while readying ourselves for new opportunities in the evolving energy market, by developing innovative new solutions. Protecting our commitment to our stakeholders will be at

the core of our planning, risk assessment, and business continuity plans. Whatever the steps we take in the future, we will, undoubtedly, continue to successfully embed the concept of sustainability into everything we do.

ACKNOWLEDGEMENTS

Our heartfelt thanks go out to our Chairman and Board of Directors without whose invaluable support and guidance we would have not been able to realise our business strategy nor counter the challenges and recognise the opportunities of these challenging times. Our success in the midst of these catastrophic circumstances could not have been realized either, if not for the contributions of each of our many and varied stakeholders – our shareholders, the CEB, suppliers, government officials and members of the community. We are greatly indebted to each one of them for their commitment and loyalty, and look forward to delivering on more promises as we progress together into the future. Last but not the least, our deeply appreciation to our valued staff whose commitment and dedication enabled us to overcome the challenges of the times and reach the pinnacle of success. We look forward to moving together into a new era of prosperity and transparency, and freedom from a pandemic that has debilitated the world as we knew it.



Russell De Zilva
Jt. CEO



A K Dheerasinghe
Jt. CEO

25 May 2022
Colombo

Board of Directors



MR. DHAMMIKA PERERA

Appointed to the Board	01 st February 2002
Directorship nature	Chairman - Non-Executive Director

Skills and experience

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 Resorts 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 Hayleys Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

Expertise	Entrepreneurship and/or leadership	Engineering	Finance acumen	Legal and/or compliance	Risk and strategy
	✓				✓

Board sub committee membership	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
		✓	



MR. S H AMARASEKERA

Appointed to the Board	28 th April 2005
Directorship nature	Deputy Chairman – Independent Non-Executive Director

Skills and experience

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 Hayleys Leisure PLC. He is also the Chairman of CIC Agri Businesses (Private) Ltd.

Expertise	Entrepreneurship and/or leadership	Engineering	Finance acumen	Legal and/or compliance	Risk and strategy
	✓		✓	✓	✓

Board sub committee membership	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
	✓	✓	✓



Mr. P K SUMANASEKERA

Appointed to the Board	28 th April 2005
Directorship nature	Independent Non-Executive Director

Skills and experience

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

Expertise	Entrepreneurship and/or leadership	Engineering	Finance acumen	Legal and/ or compliance	Risk and strategy
	✓	✓			✓

Board sub committee membership	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
	✓	✓	



Mr. H SOMASHANTHA

Appointed to the Board	25 th January 2010
Directorship nature	Non- Executive Director

Skills and experience

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

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

He is the 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.

Expertise	Entrepreneurship and/or leadership	Engineering	Finance acumen	Legal and/ or compliance	Risk and strategy
	✓		✓	✓	✓

Board sub committee membership	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
	✓		

Board of Directors



Mr. S Shanmuganathan

Appointed to the Board	25 th January 2012
Directorship nature	Independent Non-Executive Director

Skills and experience

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 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.

Expertise	Entrepreneurship and/or leadership	Engineering	Finance acumen	Legal and/ or compliance	Risk and strategy
			✓		✓

Board sub committee membership	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
	✓		✓



Mr. C V Cabraal

Appointed to the Board	08 th January 2014
Directorship nature	Non-Executive Director

Skills and experience

Mr. 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 Senior Manager – Estate Management. 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.

Expertise	Entrepreneurship and/or leadership	Engineering	Finance acumen	Legal and/ or compliance	Risk and strategy
	✓	✓			✓

Board sub committee membership	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
			✓



Ms. Dinusha Bhaskaran

Appointed to the Board	15 th May 2020
Directorship nature	Non-Executive Director

Skills and experience

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.

Expertise	Entrepreneurship and/or leadership	Engineering	Finance acumen	Legal and/ or compliance	Risk and strategy
	✓		✓		✓

Board sub committee membership	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
	✓		

Our Business Model

Input Capital



Financial capital

Access to and management of financial capital to support the execution of strategy, and investment in growth opportunities through retaining financial market support.

Page 38



Natural capital

Access to and stewardship and use of scarce natural resources, and VPE's impact on the natural environment, both directly and as a result of the products and services provided

Page 45



Social and relationship capital

The strength of working relationships and trust built with key stakeholders; brand and reputation.

Page 53



Human capital

The competencies, experience, behaviours, engagement and well-being of VPE's people.

Page 59



Manufactured capital

Effective and efficient use of assets throughout the value chain that VPE uses, owns or has control of, to enable delivery of energy to the market and to customers.

Page 68



Intellectual capital

Availability and development of processes, knowledge, insights, systems and data, including energy portfolio management and customer analytics, to support and enhance business activities.

Page 70

Business Value Drivers

Stated Capital

Rs. 1.2 Bn

Revenue reserves

Rs. 1.3 Bn

Land

12.3 Ha

Water resources

Energy

Environmental Compliance

CUSTOMER

Ceylon Electricity Board

Suppliers

Community

Regulatory and Social Compliance

Employees 92

Skills and competencies

HR Policy

Electro-mechanical equipment

Rs. 1.1 Bn

Civil constructions

1.7 Bn

Other infrastructure

Rs. 59 Mn

Licence, permits and approvals

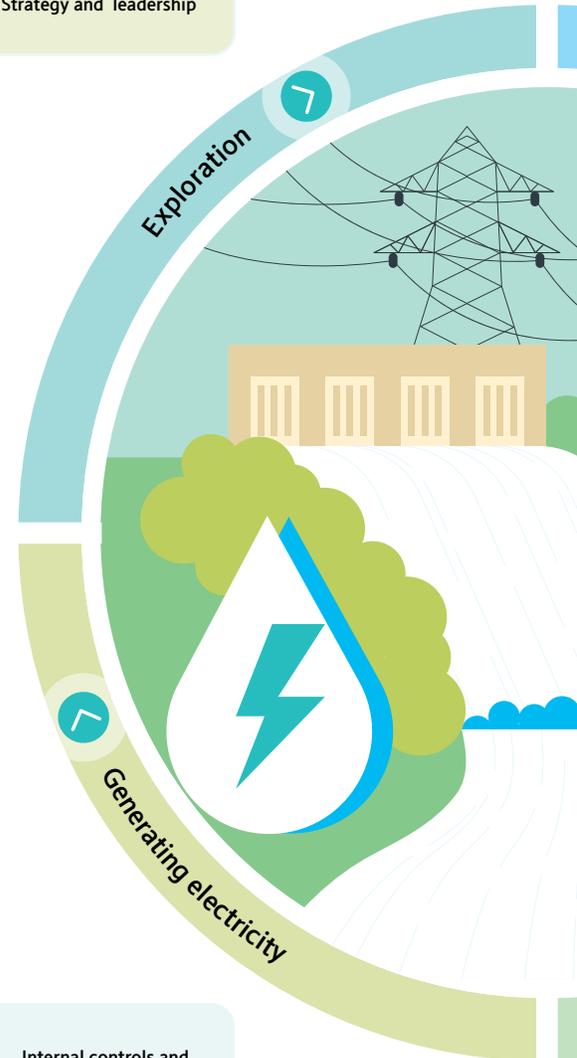
Tacit knowledge,

Technology and systems

Value Creation Process

Vision, mission and values

Strategy and leadership



Internal controls and procedures

Integrated risk management processes



Output

Financial capital

- Profit after tax **Rs. 855 Mn**
- Return on Equity **32%**
- Earning per Share **Rs. 1.02/share**
- Dividend paid **Rs. 784 Mn**
- Net operating cashflow **Rs. 728 Mn**

Natural capital

- Clean Energy **99.4 GWh**
- Reduction in CO2 emission **>60,000 MT**
- Investment in the environment **Rs.0.2 Mn**
- Number of trees planted **1,670 trees**
- Energy consumption **492 GJ**

Social and relationship capital

- Taxes and levies paid **Rs. 240 Mn**
- CSR investments **Rs. 0.4 Mn**
- Payments to local suppliers **Rs. 34 Mn**
- Local employment **70 employees**

Human capital

- Salaries and benefits **Rs. 115 Mn**
- Lost work-day case accident **Zero**
- Minimum wage ratio **1:1**
- Performance based promotions **2**

Manufactured capital

- Production of electricity units **99.4 GWh**
- Capital additions to assets **Rs. 0.8 Mn**
- Maintain of power plants **Rs. 5 Mn**
- Incidents of Major Breakdowns **Zero**

Intellectual capital

- Market Capitalisations **Rs. 5.4 Bn**
- The "Vallibel" brand
- Improved recognitions and reputation

Outcomes

To the shareholders

- Enhanced shareholder value
- Financial growth and stability
- Highest market price



To the nature

- Being a partner of renewable energy
- Protecting nature
- Zero emission



To the community and society

- Improved stakeholder relationships
- Local community development
- Contribution to the government



To the employees

- Efficient and motivated workforce
- Enhanced well-being of employees
- Employees productivity



To the shareholders

- Well maintained infrastructure
- Lowest machine failures
- High return on assets



To the shareholders

- Efficiency in operations
- New energy solutions



Operational Review

GRI - 102-15

GLOBAL ECONOMIC OUTLOOK

Global socio-economic prospects worsened significantly this year. The world experienced an economic unwinding driven by the COVID-19 pandemic, climate pressures, and the degradation of international political and economic systems, which contributed to a significant slowdown in global growth in 2022 and added to inflation. Global growth slowed from an estimated 5.9% in 2021 to 4.4 % 2022.

As Russia is a major supplier of oil, gas, and metals, and together with Ukraine, of wheat and corn, supply disruptions of these commodities drive their prices up sharply. Persistent price pressures lead to a tightening of monetary policy in many countries. Prior to the crisis, inflation had surged in several economies due to soaring commodity prices as a result of pandemic-induced supply-demand imbalances. In 2022, inflation rose to a projected 5.7% in advanced economies and 8.7% in emerging markets and developing economies.

CLIMATE CHANGE INITIATIVES

Much was spoken about climate change but little action was actually taken during the period to combat its worst effects, with governments across the world failing to invest adequately in renewable energy that would enable green economic recovery. The key climate change indicators - greenhouse gas concentrations, sea level rise, ocean heat and ocean acidification rose significantly during 2021, which has harmful impacts on sustainable development and ecosystems. Continuing the planet's warming trend, 2021 tied with 2018 as Earth's sixth warmest year. Extreme weather led to hundreds of billions of dollars in economic losses and took a heavy toll on human lives and livelihoods, triggering shocks for food and water security and displacements that have heightened in 2022.

SRI LANKAN ECONOMIC HIGHLIGHTS

The Sri Lankan economy recorded a growth of 3.7 % in 2021, as against the contraction of 3.6 % experienced during the preceding year, with all sectors of the economy registering growth during the year. But even as the country was experiencing a muted recovery from the COVID-19 pandemic during the latter half of 2021 due to an extensive vaccination campaign, strong growth was held back by a series of macroeconomic challenges that arose from mounting debt, low foreign reserves, energy shortages and high inflation, which caused the worst economic and political crisis experienced by the country in decades. As a result of these pressures, ADB forecasts Sri Lanka's economic growth to dip to 2.4% in 2022.

The pandemic brought about escalating food, fuel, and commodity prices as a result of supply chain disruptions. The country also experienced a foreign exchange squeeze created by reduced export earnings from the country's two major export earners - worker remittance and tourism, a widening trade deficit as a result of high import costs despite expanded export volumes, exchange rate depreciation and demand side pressures. The depreciation of the rupee was a main contributor to the increased budget deficit during the year.

This resulted in shortages of fuel, essential food items and medicines, and drove up demand-side inflation and food inflation to the unprecedented levels of 30% as at April 2022. Implications of the global crisis will continue to be seen as oil and food prices escalate further, and tourism and exports earnings plunge.

The dwindling foreign reserves impacted businesses and people. Pressure on the depleting FOREX reserves compelled the country to default on foreign debt payments for the first time ever. In the absence of access to sustained balance of payment financing, foreign exchange reserves continue to be limited, and external sector vulnerabilities are likely to persist.

Predictions are that the uncertainties will remain for some time. It is therefore imperative that strategies are formulated at the earliest, to facilitate economic recovery at least in the medium term.

LOCAL ENERGY INDUSTRY

The country faced an unprecedented energy crisis during the period of review as a result of soaring global oil prices and a dearth of foreign exchange to purchase fuel. This triggered seismic shock waves across the economy, contributing to a slowing down of economic activity and rapidly rising inflation.

The lack of FOREX compelled the CEB to reduce the functioning of its thermal power plants that generated electricity, which resulted in prolonged power cuts islandwide, which curtailed economic activity. As a result of the continued escalation of global crude oil prices, the government increased the domestic retail prices of key petroleum products several times during 2021 and 2022, which led to soaring inflation and the near-doubling of prices of food and other essential items. This also reduced the topline of companies and constricted the disposable incomes of people. The FOREX crisis limited the supply of fuel to the country. People queued for many hours at fuel stations to obtain fuel on ration, which caused considerable down time in economic activity.

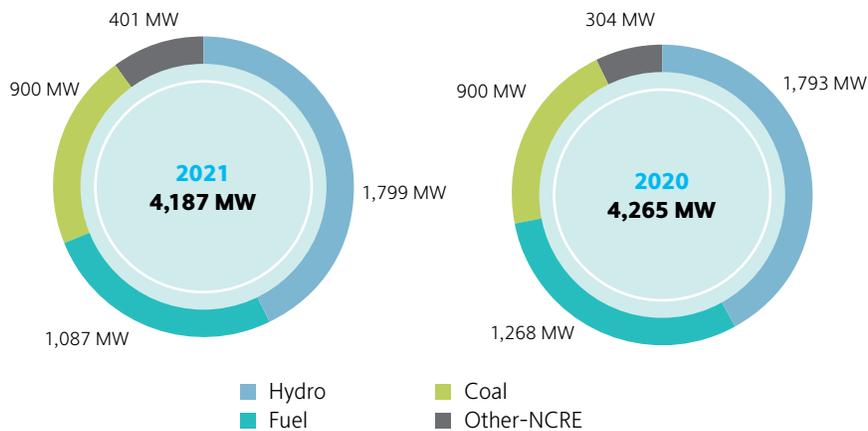
ELECTRICITY SECTOR HIGHLIGHTS

Heavy rainfall in the catchment areas during most of the year resulted in reservoir water levels rising by an appreciable average 60%. This resulted in a growth in electricity demand by 6.4% to 16,716 GWh, from 15,714 GWh recorded in the previous year, in line with the recovery in economic activity during 2021 as a result of the abatement in COVID-19.

The increased reliance on low-cost hydropower to meet generation demand improved total electricity generation through hydro sources including mini hydro by 45% to 7,208 GWh and expanded the share of hydropower in the total electricity generation to 43% in 2021, from 32% in 2020. Correspondingly, the increased generation of other renewable energy sources reduced the country's reliance on fuel oil-based power generation, which declined by 37.0% to 2,634 GWh and coal power generation which contracted by 4.1% to 5,519 GWh during the period. The Non-Conventional Renewable Energy (NCRE) resources including mini hydro, which recorded a noteworthy growth of 56.6% to 2,922 GWh.

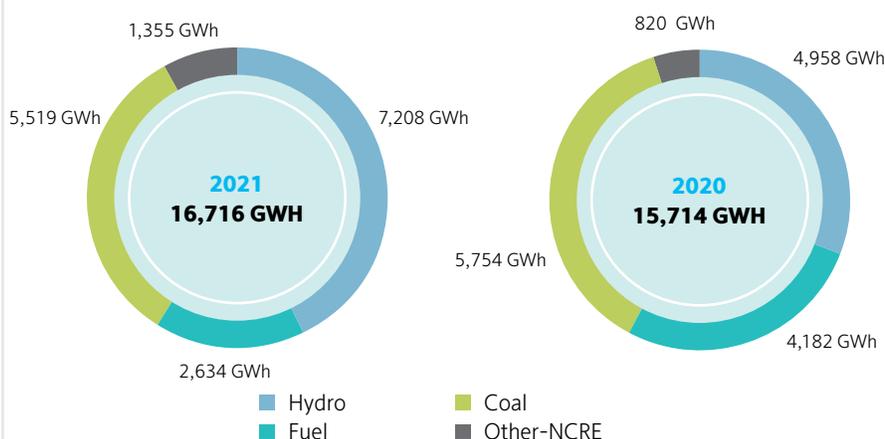
The addition of renewable energy plants to the national grid, particularly 100 MW wind power plant in Mannar has enabled the enhanced nation's NCRE contribution. Accordingly, the shares of fuel oil, coal, and NCRE power generation in the total generation mix comprised 16%, 33% and 17% respectively during 2021, of which the share of power generated by the CEB was 76.0% while the remainder was purchased from Independent Power Producers (IPPs).

NATIONAL ENERGY PORTFOLIO



Type	% of contribution	
	2021	2020
Hydro	43%	42%
Fuel	26%	30%
Coal	21%	21%
Other NCRE	10%	7%
	100%	100%

NATIONAL ELECTRICITY GENERATION



Type	% of total generation	
	2021	2020
Hydro	43%	32%
Fuel	16%	27%
Coal	33%	37%
Other NCRE	8%	5%
	100%	100%

Operational Review

From early 2022, however, hydro generation experienced a turnaround as the onset of dry weather led to the rapid depletion of reservoir water levels. To compensate for this, the country was compelled to rely on thermal-based power generation, so the demand for fossil-based fuels rose once more. This necessitated importing fuels at a high cost. However, foreign exchange shortfalls during the period resulted in difficulties in fuel procurement and this, coupled with soaring global fuel prices, led to the implementation of rolling power cuts island wide, from February 2022. The one positive development in this scenario, as confirmed by PUCSL, was the fact that the country once again turned to renewable energy in hydro, wind power and roof top solar panels, and more than 60% of the country's reliance on electricity is now obtained by renewable energy since the scarcity of fossil fuel compelled the CEB to cease operation of its thermal power plants intermittently.

VPE'S OPERATING ENVIRONMENT

The Group's favourable performance during this financial year was the result of steady rainfall patterns experienced in the catchment areas throughout most of the year, added to the operational efficiencies of all three plants during the year.

As a result, all three plants functioned at optimal efficiency and generated an accumulated output of 99.4 GWh to the grid, which is a cumulative increase of 22% over the generation of 81.4 GWh recorded in 2020/2021. Individually, the increased energy contributions of Erathna MHPP was 50%; Denawaka Ganga – 29% and Kiriwaneliya – 21%. This earned a Group revenue of Rs. 1,322.3 million, which is a 23% increase over the preceding year's revenue of Rs. 1,077.0 million, which achieved a profit of Rs. 854.8million, an increase of 37% over the previous year's profit of Rs. 622.0 million.



SEGMENTAL PERFORMANCE



ERATHNA MHP

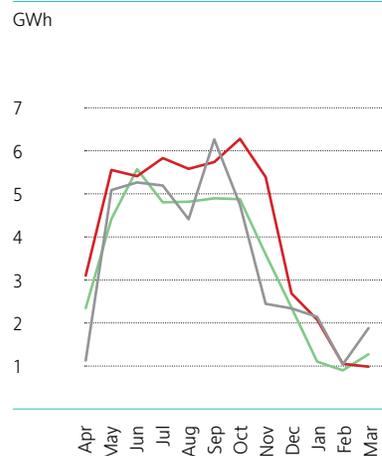
Company Name	Vallibel Power Erathna PLC		
Installed Capacity	9.9 MW		
Average Annual Energy	42 GWh		
Operational Highlights	2021/22	2020/21	Variance
Power Generation (GWh)	49.6	41.8	+19%
Plant Factor	57.2%	48.2%	+19%
Financial Highlights	2021/22	2020/21	Variance
Revenue (Rs.'Mn)	365.3	292.5	+25%
Segment profit (Rs.'Mn)	702.9	855.1	-18%
Tariff method	PF based tariff		

<1%
Outages due to machine failures
(2020/21 - <1%)

1%
Outages due to Grid failures
(2020/21 - 1%)

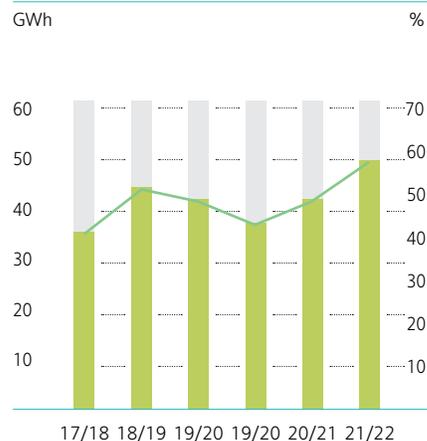
30,989 MT
Reduction in CO₂ emission
(2020/21 - 26,133 MT)

Monthly Power Generation - Erathna MHPP



— Expected Power Generation (GWh)
— Actual Power Generation - 2021/22(GWh)
— Actual Power Generation - 2020/21(GWh)

Annual Power Generation - Erathna MHPP



■ Annual Power Generation (GWh)
— Plant Factor %

Operational Review



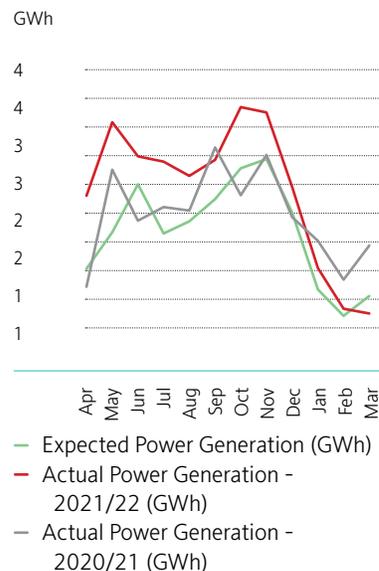
Company Name	Vallibel Power Erathna PLC		
Installed Capacity	7.2 MW		
Average Annual Energy	25 GWh		
Operational Highlights	2021/22	2020/21	Variance
Power Generation (GWh)	28.9	24.8	+16%
Plant Factor	46%	39%	+16%
Financial Highlights	2021/22	2020/21	Variance
Revenue (Rs.'Mn)	556.1	494.1	+13%
Segment profit (Rs.'Mn)	404.2	341.7	+18%
Tariff method	Avoided cost tariff		

<1%
Outages due to machine failures
(2020/21 - <1%)

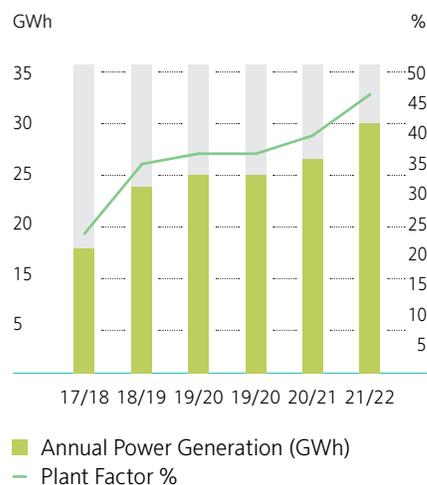
<1%
Outages due to Grid failures
(2020/21 - <1%)

18,084 MT
Reduction in CO₂ emission
(2020/21 – 15,531 MT)

Monthly Power Generation - Denawaka Ganga MHPP



Annual Power Generation - Denawaka Ganga MHPP





KIRIWANELIYA MHP

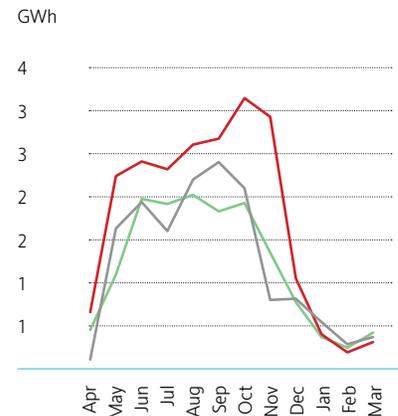
Company Name	Vallibel Power Erathna PLC		
Installed Capacity	4.65 MW		
Average Annual Energy	16 GWh		
Operational Highlights	2021/22	2020/21	Variance
Power Generation (GWh)	20.9	14.8	+42%
Plant Factor	51%	36%	+42%
Financial Highlights	2021/22	2020/21	Variance
Revenue (Rs.'Mn)	400.8	290.3	+38%
Segment profit (Rs.'Mn)	297.4	204.5	+45%
Tariff method	Avoided cost tariff		

<1%
Outages due to machine failures
(2020/21 - <1%)

<1%
Outages due to Grid failures
(2020/21 - <1%)

18,084 MT
Reduction in CO₂ emission
(2020/21 – 15,531 MT)

Monthly Power Generation - Kiriwaneliya MHPP



— Expected Power Generation (GWh)
— Actual Power Generation - 2021/22 (GWh)
— Actual Power Generation - 2020/21 (GWh)

Annual Power Generation - Kiriwaneliya MHPP



■ Annual Power Generation (GWh)
— Plant Factor %

Operational Review

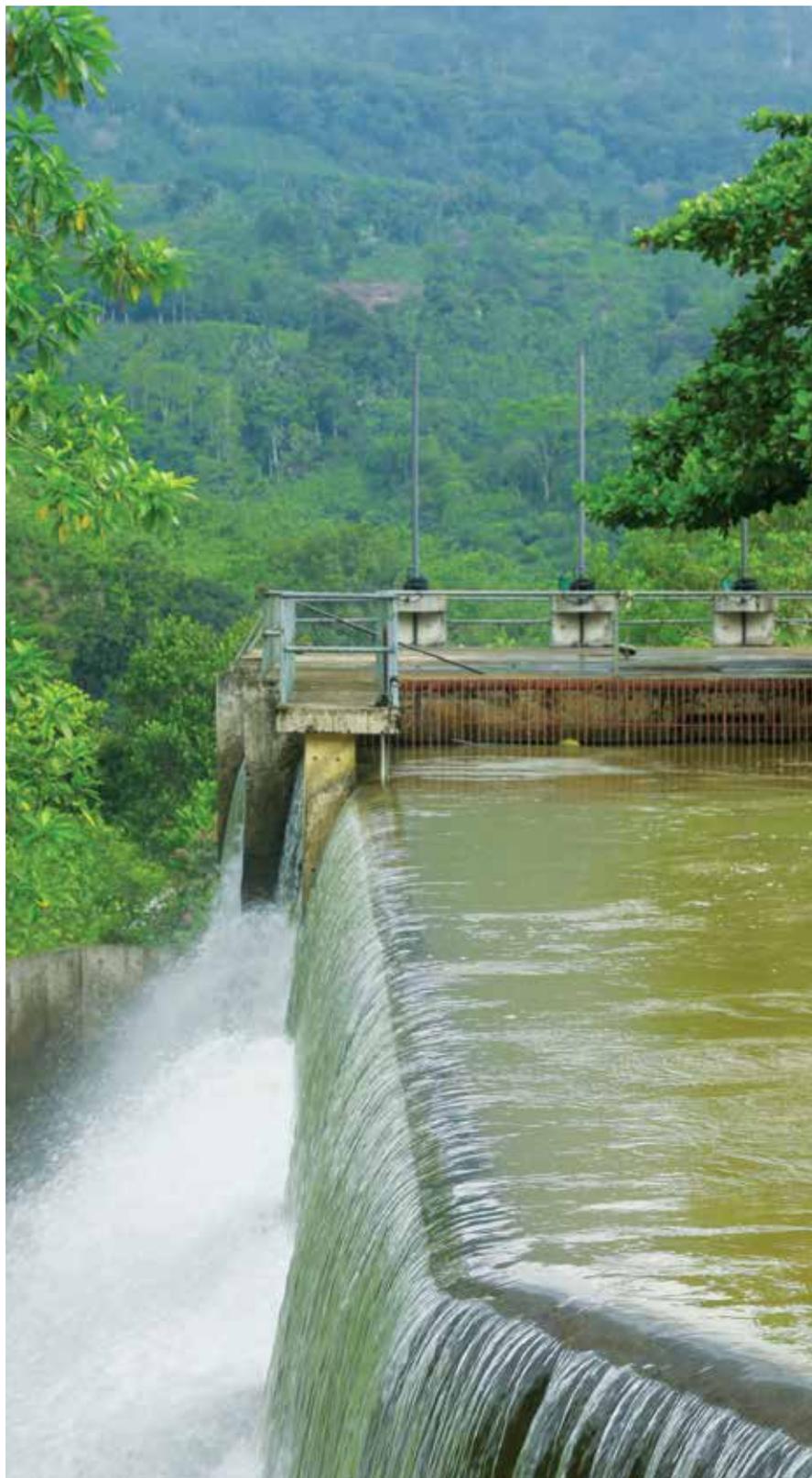
COVID-19 RESPONSE

The Company rigorously followed all government regulations for mitigating the pandemic. This included insistence on 100% compliance with all COVID-19 protection initiatives at our power plants and offices. We also stepped-up health and safety drives with frequent health checks at all locations. Digital transformation was another area we entered into as we introduced remote working platforms for executive staff, which ensured business continuity during the crisis. It is of note that remuneration levels were maintained and no layoffs were reported during the year. All employees received their due emoluments during the year of review.

PROSPECTS FOR THE FUTURE

The future is bright for renewable energy, if countries care to take and pass on the green baton. But despite its many advantages, many countries have still to step up their investments in renewable energy by, as a first step, introducing supportive policies focused on combatting climate change.

The present fuel crisis in our own country brings home the importance of increasing the country's generation mix in favour of green energy, and the stark reality of the consequences of depending too much on costly fossil fuel imports. All points are in favour of clean energy: firstly, it is low-cost, easily available energy of choice in a tropical country, and of course, it is environment-friendly, continuous and can be replenished, and therefore assures the continuity of Earth as we know it. But although much is discussed at various climate summits and conferences, little action is taken in reality to encourage its use in economies around of the world.



Risk Management

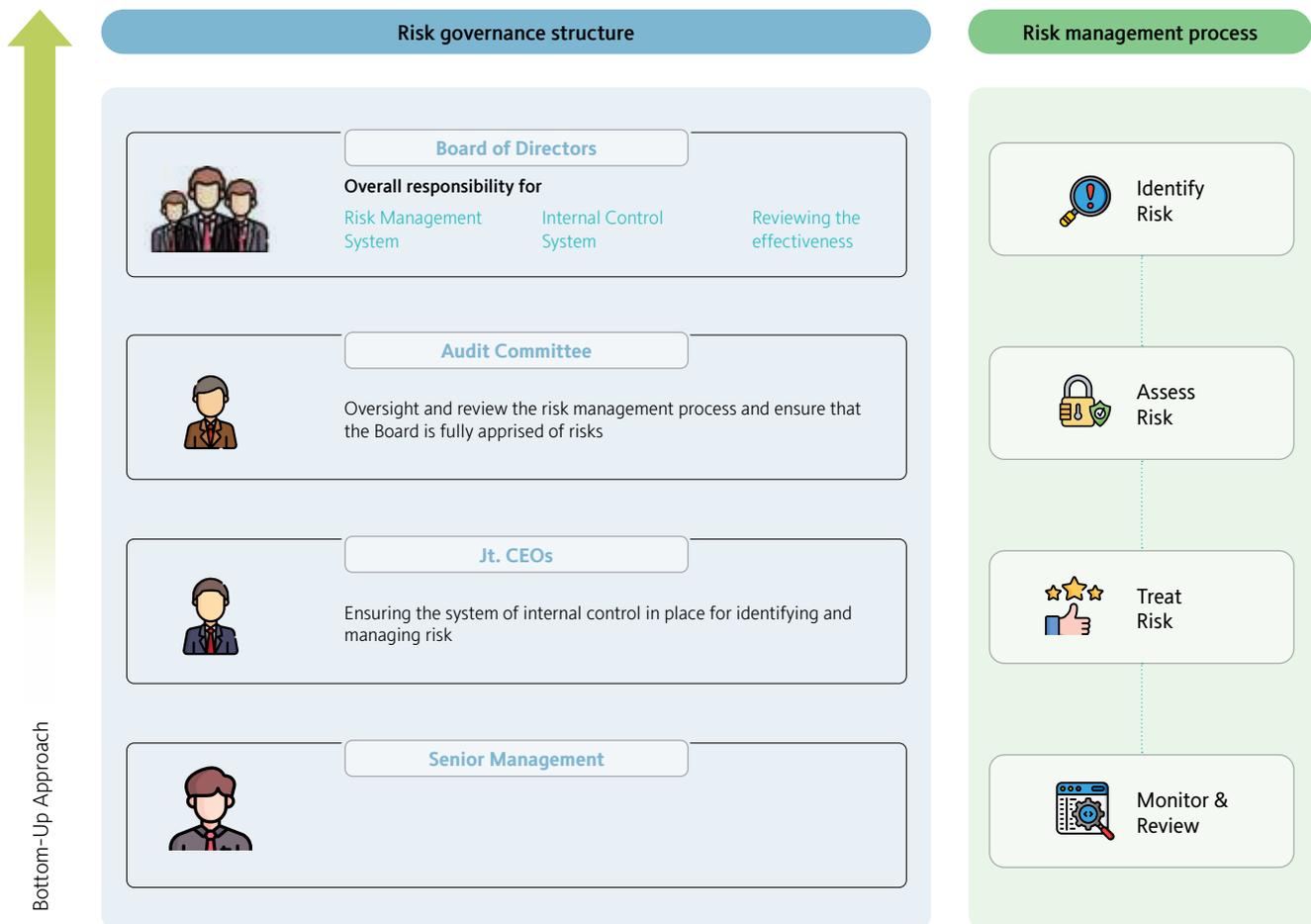
OUR APPROACH

Risks in our operational environment arise from a variety of sources that could range from political, economical and financial uncertainties, legal liabilities, technology malfunctions and strategic mismanagement, to accidents and natural disasters. We realise that if these potential risks are not identified and assessed before they occur, and managed and controlled if and when they do, we could incur heavy losses to our capital/ earnings or to our reputation, or to both. This will affect our ongoing operations as well as continuity into the future.

The political turmoil and resultant socio-economic crisis experienced in Sri Lanka during the year of review is a case in point. Foreign debt, currency devaluation, high inflation and the scarcity of essential goods as well as fuel have severely impacted business confidence and compelled several small businesses to put up shutters. The fuel crisis has had a direct impact on the energy sector in particular, and also contributed to a contraction in economic growth during the year. These catastrophic events, exacerbated by the global challenges of the pandemic, have impacted the risk landscape of the Company.

This situation prompted us to realise that although our traditional risk management processes served us well in the past, the scope, complexity, and interdependencies of emerging risks necessitated the adoption of a more responsive and integrated approach. The Company also recognises that given the nature of the mini hydropower sector, strategic risk management is of necessity to be a qualitative procedure that is safe as well as environmentally, economically and socially sustainable.

In response, VPE put in place a structured and even more comprehensive risk management strategy this year, which not only protects us from future events but also enables us to re-assess and re-evaluate the practices and processes of earlier ERM strategies in order to facilitate flexibility and continuous improvement that meets the changing expectations of key stakeholders.



Risk Management

MATERIAL RISK TOPICS – 2021/22

GRI - 102-15

In the light of current circumstances, the Company identified the following risks as having a high potential of occurrence and consequently, of materially impacting business performance during its operation in the year under review.

Economic risk									
Risk potential	Likelihood of disruptions to Company performance due to adverse macroeconomic conditions experienced in this fiscal year. Further adversities followed the pandemic outbreak at the start of the fiscal year, which included movements in macro-economic variables and changes in government fiscal and monetary policies that stemmed from political instability.								
Managing strategy	<ul style="list-style-type: none"> • Close and continuous monitoring of ongoing trends for possible vicissitudes in the business and economy environments that could impact business returns. • Fostering of professional relationships, both intra- industry as well as inter-industry, to promote solidarity when combating uncertainties. • Foresight and a flexible outlook to counter any movements in the socio -economic and political spheres. 								
Business risk									
Risk potential	Barriers for business expansion due to indecisive government support for RE development and a lack of incentives for private RE partnerships, also adverse movements in NCRE tariffs.								
Managing strategy	<ul style="list-style-type: none"> • Reduction of operational risk through the uninterrupted generation of energy at maximum capacity to dilute impacts to profitability. • Lobbying at company and industry level to negotiate more favourable terms of business. • Participation in government tenders that are deemed feasible. • Continuous exploration of overseas projects that correspond to Group returns and risk profiles. 								
Financial risk									
Risk potential	Presently this risk is low impact for the business, but its management is critical to performance and continuity.								
	<table border="1"> <thead> <tr> <th>Interest risk</th> <th>Currency risk</th> <th>Inflation risk</th> <th>Liquidity risk</th> </tr> </thead> <tbody> <tr> <td>Adverse impacts due to interest rate volatility</td> <td>Adverse impacts due to foreign currency rates changes</td> <td>Adverse impacts due to inflated commodity prices</td> <td>Adverse impacts to liquidity due to delayed/ non-payment of CEB dues</td> </tr> </tbody> </table>	Interest risk	Currency risk	Inflation risk	Liquidity risk	Adverse impacts due to interest rate volatility	Adverse impacts due to foreign currency rates changes	Adverse impacts due to inflated commodity prices	Adverse impacts to liquidity due to delayed/ non-payment of CEB dues
Interest risk	Currency risk	Inflation risk	Liquidity risk						
Adverse impacts due to interest rate volatility	Adverse impacts due to foreign currency rates changes	Adverse impacts due to inflated commodity prices	Adverse impacts to liquidity due to delayed/ non-payment of CEB dues						
Managing strategy	<ul style="list-style-type: none"> • As a debt-free company, interest risk is nil. Instead, the Company took this opportunity to generate higher rates on short-term deposits. • The Group is not subjected to direct foreign currency exposure except when importing equipment spare parts from foreign suppliers. In order to mitigate exposure, sufficient stocks of spares are maintained to meet urgent requirements, local solutions are pursued as well. However, adverse movements in foreign currency impacts the business just as much as they impact other businesses. • Sufficient inventory for consumables is maintained wherever necessary and priority is given for in-house solutions when procuring the services of suppliers in order to manage generating costs. • As an entity with highly liquid assets, liquidity risk is very low. Despite the fact that the agreements are legally enforceable, close relationships are also forged with CEB officials, and appropriate representation is provided as and when required. 								

GENERAL RISK TOPICS AND MANAGING STRATEGIES

The following other general risks have been identified by the Company during its operation.

Operational risk	
Risk potential	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.
Managing strategy	<ul style="list-style-type: none"> • The operational functions are amended based on the corporate contingency plan during the pandemic period. • Timely maintenance of machinery and equipment. • Regular upgrading of H & S policies and measures, and conducting workshops, meetings, etc. to apprise employees of these upgrades. • Adoption of an effective human resource policy. • Compliance with a Quality Management System of international acceptance • Conducting of periodic internal audit reviews and submission of reports to the Audit Committee. • Comprehensive insurance policies to cover every aspect of the operation.
Regulatory and legal risk	
Managing Strategy	Risk of changes in laws and regulations that have material impact on business costs of operation and the attractiveness of business investments.
Managing Strategy	<ul style="list-style-type: none"> • Compliance with any new laws or regulations that are from time to time introduced, in the interests of good governance.
Human Resource Risk	
Risk potential	Lack of positive employee relations and risk of an inability to acquire and retain suitable talent.
Managing strategy	<ul style="list-style-type: none"> • providing a healthy work environment for all employees that recognises and rewards performance, supports training and development opportunities, ensures that remuneration is kept at industry levels, and also maintains close and cordial worker relationships. • Adoption of a comprehensive human resource policy.
Environmental risk	
Risk potential	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.
Managing strategy	<ul style="list-style-type: none"> • commitment to an Environmental Management System that follows exacting international standards. • Immediate mitigation of any adverse environmental impacts if and when they arise.
Social risk	
Risk potential	Negative impacts on the organisation from local communities which are linked with the surrounding areas of the project.
Managing strategy	<ul style="list-style-type: none"> • development of a reciprocal relationship with the communities by providing them with the resources necessary to uplift their lives and livelihoods. • Provision of employment at project sites.
It risk	
Risk potential	Includes the risk of system failure, outdated systems and loss of data.
Managing strategy	<ul style="list-style-type: none"> • introduction of a modern IT system that is on par with similar organisations in the industry. • Carrying out regular maintenance and upgrades in processes. • Regular upgrading of cyber security.
Reputation risk	
Risk potential	Adverse impact of the business on society and unfavorable response from the public.
Managing strategy	<ul style="list-style-type: none"> • adoption of an established and effective mechanism for stakeholder engagement that reinforces relationships.



CHARTING THE COURSE OF RESOURCE MANAGEMENT

We employ the best processes to ensure effective and efficient productivity at every level.



Financial Capital



Our profitability is due to the financial acumen we exercised over the years, which enables us to evaluate the impact of every business decision on our financial statements. With prudent financial management, we allocate our funds in ways that assure us of the profitability and sustainable growth necessary to achieve our financial objective as well as short and long-term goals. This has ensured our financial well-being well into the future.

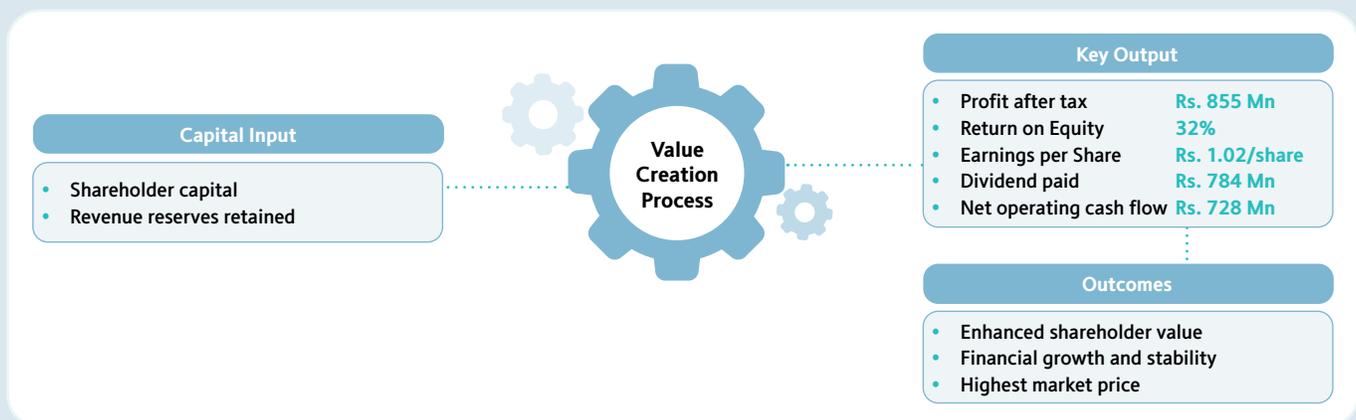
OUR APPROACH

GRI - 103 - 2, 3

Prudent financial management is critical to our continuity in this rapidly evolving business landscape and the volatility of numerous factors beyond our control. As a debt-free company, our financial capital comprises only the equity investment of our shareholders and retained revenue reserves. We employ this productively to raise economic business value and maximise shareholder wealth whilst meeting operational and maintenance costs.

The following financial initiatives we have pursued since inception have placed us on a solid financial footing:

- Maintaining a healthy statement of financial position
- Proactively managing cash flow to ensure the availability of sufficient funds for business continuity
- Pursuing opportunities for process and cost efficiencies
- Pursuing investments that provide the best returns
- Enhancing credibility and establishing strong stakeholder relationships by distributing returns
- Reducing overheads through efficiency strategies that reduce energy and manage waste



MATERIAL GRI TOPICS DISCUSSED

- GRI 201 - Economic performance
- GRI 207 - Tax

SDG IMPACT LINKED



The operational efficiencies achieved during this fiscal year together with the favourable weather conditions that prevailed during most of the year, enabled us to maximise energy production.

Given below are the main highlights of our performance.

PERFORMANCE AT A GLANCE

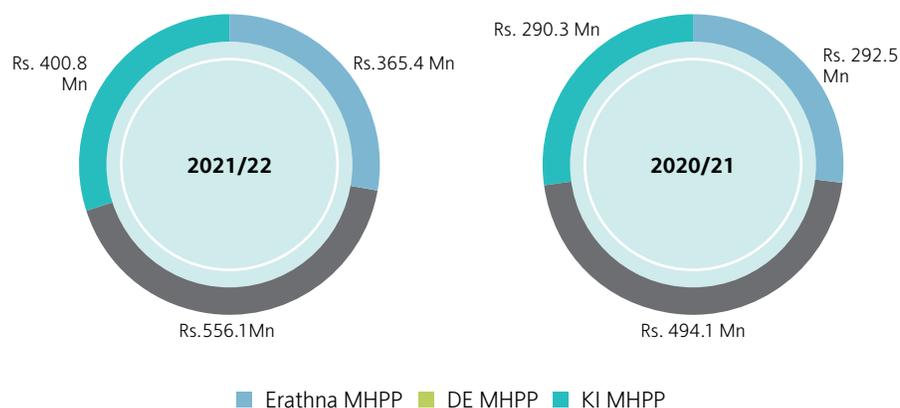
Item	2021/22 Rs. Mn	2020/21 Rs. Mn	Change
Revenue	1,322.3	1,077.0	23%
Gross profit	1,171.9	928.3	26%
EBITDA	1,166.5	934.8	25%
Income tax expense	232.5	243.3	4%
Net profit	854.8	622.0	37%

FINANCIAL POSITION AS AT REPORTING DATE

Item	2021/22 Rs. Mn	2020/21 Rs. Mn	Change
Total assets	3,049.9	3,062.8	0%
Total liabilities	337.9	350.4	(3%)
Shareholders fund	2,476.3	2,487.7	(0.5%)
Non-controlling interest	235.7	224.8	5%
Total Equity	2,712.0	2,712.4	0%
Net current assets	819.3	743.0	10%

REVENUE

As a result, Group revenue increased by 23% in 2021/22, reaching Rs. 1,322.3 million, from Rs. 1,077.0 million recorded last year, which is the highest generation documented in the Company's history. Denawaka Ganga MHP recorded the highest revenue contribution to the Group while Erathna MHP logged the highest power generation in terms of units.



OPERATIONAL AND MAINTENANCE COST

The Group's operational and maintenance cost reduced by 4% to Rs. 156.2 million, from Rs. 163.6 million in 2020/2021, mainly due to less plant maintenance than in the previous year. The aggregated value of all cost items (direct and indirect) excluding non-cash depreciation and amortisation is considered as the operational and maintenance cost of the Group.

Item	2021/22 Rs. Mn	2020/21 Rs. Mn
Revenue	1,322.3	1,077.0
Operational & maintenance cost (O&M)	156.2	163.6
% of O&M cost on revenue	12%	15%

Operational and Maintenance Cost



Financial Capital

TAXATION

GRI - 207-3

Group tax expenses fell by 4% over the preceding year, mainly due to the decrease in income tax on dividend income. However, the income tax on business profits increased by 33% as a result of the higher profits reported during the current year, whereby the tax on dividend income at Group level reduced by 30% as a result of the decrease in dividend income received from our subsidiary. Both parent and subsidiary companies were entitled to income tax at the rate of 14% on the hydro power business and at the rate of 24% on other income. More details on tax expenses are given on page 134 under the Note 11 of financial statements.

Tax component	2021/22 Rs. Mn	2020/21 Rs. Mn	%
Income tax on business profits	157.0	117.9	33%
Income tax on finance income	5.1	7.1	(28%)
Income tax on dividend income	75.7	107.9	(30%)
Deferred tax charge/(reversal)	(5.3)	10.5	(150%)
Tax charge for the year	232.5	243.4	4%
Income tax paid	225.4	135.3	67%

PROFITABILITY

The Group's profitability accelerated in all areas this year as a result of the highest-ever power generation achieved. No material deviations were experienced in the financials of the VPE Group, except for the topline increases and the decrease in tax expenses recorded this year.

Profit before tax (PBT) and profit after tax (PAT)

Profit before tax reached Rs. 1,087.2 million, which is an increase of 26% over the preceding year's Rs. 865.3 million. Profit after tax (PAT) was increased by 37% (Rs. 854.3 million in 2021/2022; Rs. 622 million in 2020/2021). The decrease in tax expenses caused a 37% increase in PAT, as against the 26% PBT increase reported in the preceding year.

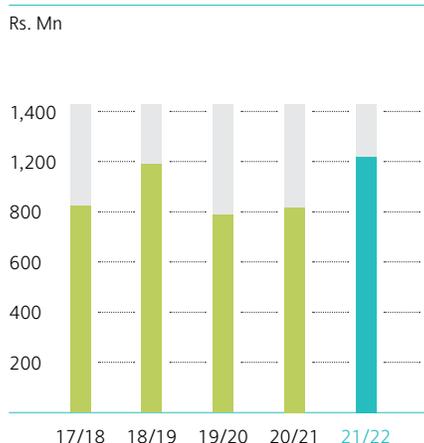
Profit before tax



Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA stood at Rs. 1,166.5 million, which shows a 25% increase over last year's Rs. 934.8 million.

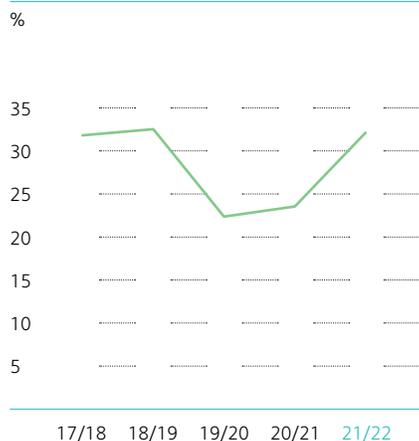
EBITDA



Return on Equity-ROE

ROE also rose to 32%, from 23% in 2020/21, which is an indication of the effectiveness with which shareholders' funds were managed by the Company.

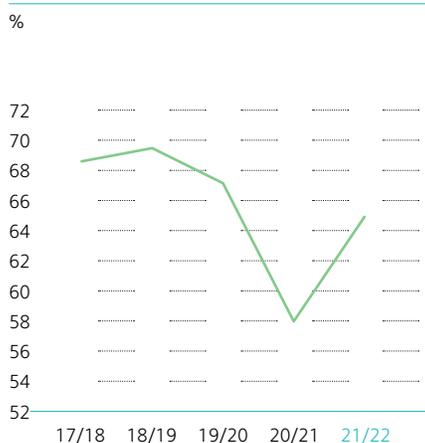
Return on equity



NP Margin

The Group was able to achieve an NP margin of 65% on revenue, which is in line with the average pattern reported by the Company in past years. The NP margin in the previous year was 58% on revenue.

NP margin



CAPITAL STRUCTURE

Shareholders' fund

VPE has a strong capital structure as at the end of 2021/2022 as stated below.

	2021/22 Rs. Mn	2020/21 Rs. Mn
Stated Capital	1,174.4	1,174.4
Accumulated Profits	1,302.0	1,313.3
Total	2,476.4	2,487.7

Non- controlling interest

Non-controlling interest (NCI) of the Group is the 12.8% minority stake in the subsidiary. No changes have occurred to the NCI holding during this fiscal year.

	2021/22 Rs. Mn	2020/21 Rs. Mn
NCI	235.7	224.8

Gearing

Zero
Gearing

VPE Group is totally debt free as at the end of the current year, so gearing is nil.

Financial Capital

WORKING CAPITAL/LIQUIDITY

Trade receivables

Trade receivables comprise the outstanding payments from the CEB on the sale of electricity. There has been a 60% increase in the delays in settlement that exceed 60 days, when compared with the previous year.

Aging	2021/22 Rs. Mn	2020/21 Rs. Mn
< 30 days	29.2	56.5
30 – 60 days	28.5	54.5
60 – 180 days	470.8	255.1
>180 days	246.4	193.9
Total	774.8	560.1

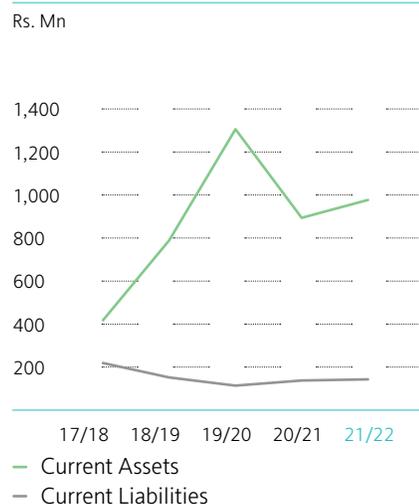
Net current asset position

The Company reports a healthy short-term liquidity position, with net current assets standing at Rs. 819.3 million during the year. Although VPE has high trade receivables that reflect outstanding of several months beyond the due date, its cash and cash equivalents amounted to Rs. 155.9 million over its current liabilities of Rs. 137.6 million.

The Current Ratio of the group is 7 times as at end year (2020/21-6.7 times)

Working capital movement

Working capital movement



CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at Rs. 155.9 million (2020/21 – Rs. 296.6 million) which comprise the short-term investments made on below three months' tenures as well as cash and bank balances. The Group has not obtained any overdraft balances as of the reporting date.

As a routine financial management function, the excess cash arriving from the operating cash flows are invested in short-term investments such as fixed deposits, government TBs and savings to create value to shareholders. Interest income received from such investments amounted to Rs. 21.3 million, from Rs. 27.1 million in the previous year, which is a decline of 21%.

Interest on short-term investment



SHAREHOLDER PROSPECTS

The Company has been creating substantial value for its shareholders since inception. In addition to optimising operations to maximise performance, we strategically invest our financial capital by pursuing prudent and value-creating opportunities, strategies that have enabled us to pay dividends even during lean years. The following metrics confirm the value achieved by the Group.

Share Performance

	2021/22	2020/21	% of Change
Earnings per share-EPS	1.02	0.74	38%
Dividend per share-DPS	1.05	1.0	5%
Market price per share	7.20	7.40	(3%)
Nets assets per share	3.31	3.33	(0%)
P/E ratio	7 times	10 times	(30%)
Dividend payout ratio	103%	135%	(24%)
Dividend yield	14.6%	13.5%	8%
Market capitalisation	Rs. 5.4 Bn	Rs. 5.5 Bn	(2%)

The Group's EPS stands at Rs. 1.02 which shows a 38% increase compared to the last years' Rs. 0.74 due to the improved performance. The improved earnings resulted in an increased dividend payment and the DPS stands at Rs 1.05. Therefore, the Dividend yield to an investor has increased from to 14.6%, from 13.5% in the previous year.

More information related Company's share and shareholders are given in Investor Information report of this report.

VALUE CREATION THROUGH FINANCIAL CAPITAL

Economic Value Added (EVA)

EVA is the incremental change in the returns earned by the Company, over and above its expected returns, and is used to measure the value created from funds invested. A positive EVA denotes a company that is generating value.

	2021/22 Rs. Mn	2020/21 Rs. Mn
Operating profits after tax (a)	837.9	599.5
Total Equity	2,712.0	2,712.4
*Economic cost %	9%	9%
Economic cost (b)	244.1	244.1
EVA (a-b)	593.8	355.4

* Economic cost % is assumed based on the cost of equity arrived at by the average TB rate + risk premium over the average market return

Market Value Added (MVA)

MVA is a calculation that shows the difference between the market value of the company and the capital contributed by its investors. Since VPE has no debts, the incremental value over its total shareholders' funds represents the MVA of the Company.

	2021/22 Rs. Mn	2020/21 Rs. Mn
Market capitalisation (x)	5,379.2	5,528.5
Shareholders' fund (y)	2,712.0	2,712.4
MVA (x-y)	2,667.2	2,816.1

Share Performance



Financial Capital

FINANCIAL VALUED ADDED DISTRIBUTION FOR THE YEAR

GRI - 103-2, 3, 201-1, 203-2

As a good corporate citizen, the Company distributes financial value created during the year not only to its investors but to its other stakeholders as well, in line with the areas itemised by several of the Sustainable Development Goals (SGDs).

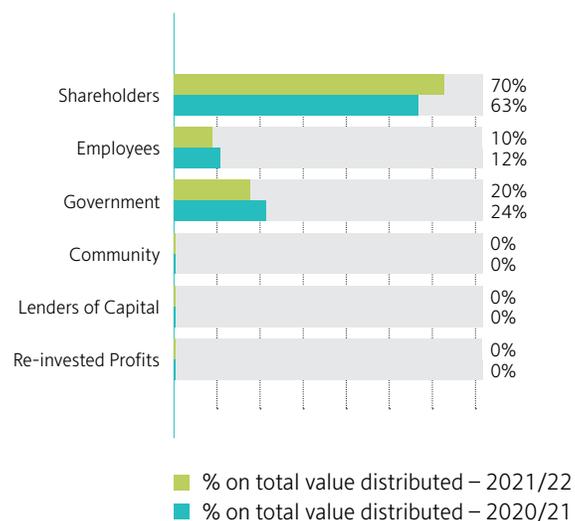
The following table illustrates the financial value addition generated by the VPE Group and how this added value was distributed among the different stakeholders.

	2021/22 Rs. Mn	2020/21 Rs. Mn	Change %
Revenue generated from power generation	1,322.3	1,077.0	23%
(+) Other Income	21.8	48.6	(55%)
Total Value generated	1,344.1	1,125.6	19%
(-) Cost of supplies (Goods and services obtained)	(32.2)	(37.5)	14%
Amount set aside for Depreciations, amortisation and provisions	(90.8)	(105.7)	(14%)
Value distributed	1,221.1	982.4	24%

VALUE DISTRIBUTION ANALYSIS

To	By way of;	2021/22 Rs. Mn	2020/21 Rs. Mn	Change %
Shareholders	Dividend	854.8	622.0	37%
Employees	Wages, Salaries and benefits	121.2	118.6	2%
Government	Taxes & Levies	240.3	235.3	2%
Community	CSR & donation activities	0.4	1.9	(79%)
Lenders of Capital	Interest and capital payments	4.4	4.6	(4%)
Re-invested profits		Nil	Nil	-
Total Distributed		1,221.1	982.4	24%

Value added distribution as percentage of total value added;



Natural Capital



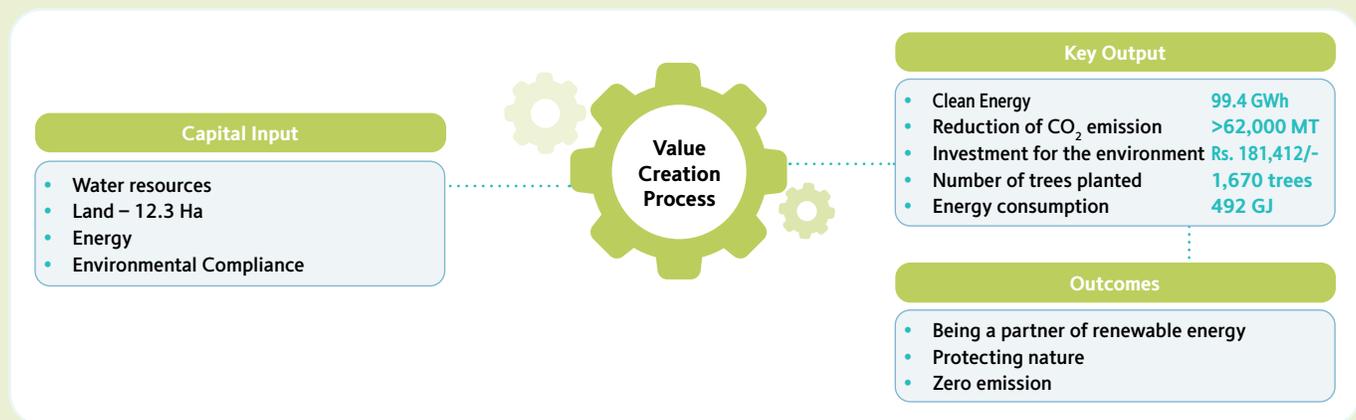
The hydropower business is completely dependent on natural capital because water is its primary resource. This enables us to understand and promote the importance of practicing sustainability in all aspects of business operations, and take steps to protect precious water resources and the ecosystems in which they are situated. We are also keenly aware of the key role that sustainable practices play in enabling us to attract and retain high-calibre employees as well as draw responsible shareholders. This gives us added impetus to adapt to our environment.

OUR APPROACH

GRI - 103 - 2, 3

As a generator of renewable energy, our carbon footprint is negligible. But VPE is conscious of the potential environmental and social impact of our development activities, as certain areas of our operations are responsible for carbon emission. Consequently, we pursue planet-positive initiatives and subscribe to the precepts of the circular economy by seeking to minimise our carbon footprint in our generating of carbon emissions, waste, and pollution. To ensure this, we have introduced environmental risk assessment and management processes that are aligned with all applicable environmental regulations of individual project sites as well as the standards imposed by local regulatory authorities.

In accordance with regulatory guidelines, we evaluate the potential impact of our activities on human well-being, the natural environment (such as air, noise, soil, and water quality) and ecosystems. The impact of each project is assessed from the development stage onwards, and areas of potential impact are identified and suitable mitigatory steps are taken to circumvent or mitigate these impacts. We follow environmental and social management systems (ESMS) that ensure our power houses maintain operations within the terms and conditions of their permits and regulatory approvals, which include adhering to clauses that specify the reduction of their environment and social impact.



MATERIAL GRI TOPICS DISCUSSED

- GRI 301 – Materials
- GRI 302 – Energy
- GRI 303 – Water and Effluent
- GRI 304 – Bio Diversity
- GRI 305 – Emission
- GRI 306 – Waste
- GRI 307 – Environmental compliance

SDG IMPACT LINKED



Natural Capital

ENVIRONMENTAL MANAGEMENT POLICY



VPE'S QUALITY & ENVIRONMENTAL POLICY

We have on board a comprehensive Environmental management policy that details all key areas of environmental management.

We also strictly implement an environmental monitoring programme at all three project sites which evaluates all operational activities according to their impact on the environment. Mitigatory measures are introduced thereafter.

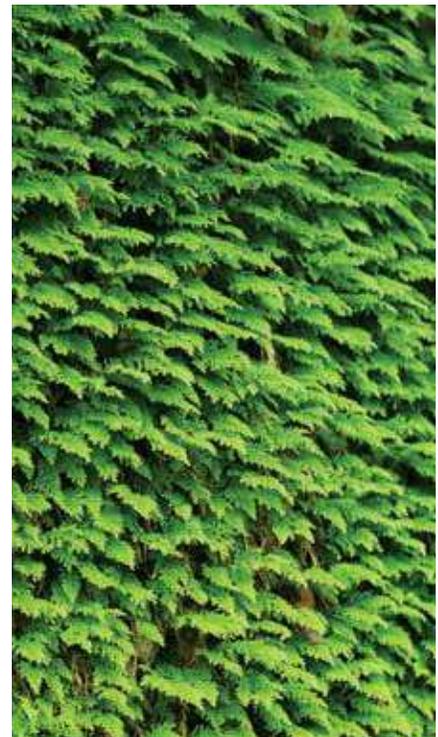
OUR QUALITY AND ENVIRONMENTAL POLICY

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

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



Vallibel Power Erathna PLC



CONSTRUCTIONAL IMPACT MANAGEMENT

GRI - 102 - 11

The powerplants have been carefully designed to manage and reduce their impacts on nature. Prior to commencing of the project, an impact assessment survey was carried out to understand the environment we would build in and the extent of our impact. A series of measures were then taken to ensure that our actions did the least harm to the environment, the ecosystems as well as the pristine nature of the catchment areas. These mitigatory measures ranged from introducing efficient land management practices to minimise erosion, leaving streams in the vicinity undisturbed when the plants were built, ensuring that there is little or no ponding upstream that could inundate and destroy land, as well as designing measures that will enable people and animals to move safely and easily on the project sites.



Concrete steps to facilitate movement of inhabitants across the channel



Drainage system constructed under the channel

ENVIRONMENTAL APPROVALS

As mini hydro power plants must of necessity be situated in sensitive catchment areas, it is vital that the objectives of renewable energy are aligned with the objectives of conservation in order to ensure that least harm is done to the fauna, flora and human inhabitants of those areas, from construction stage and throughout the daily ongoing operations of the power plants.

VPE has been accorded all relevant environment approvals from provincial institutions as well as state authorities for the construction and operation of our power plants, and have rigorously conformed to their stipulations from inception.

The following environmental approvals have been obtained by each project.

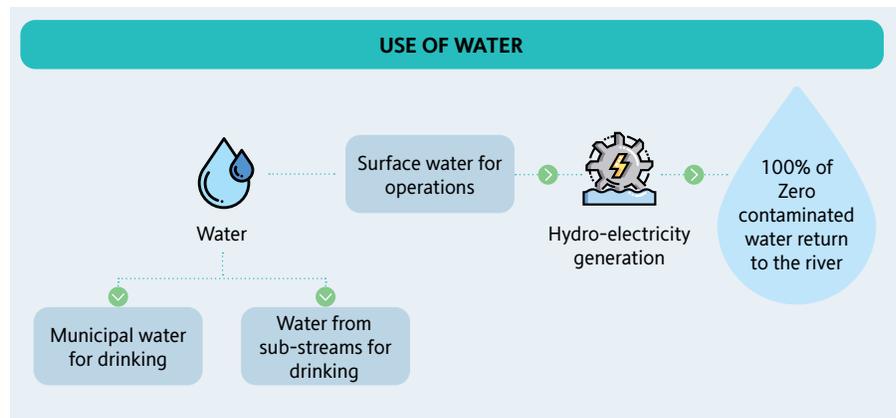
Type of Approval	Regulating Authority
Environmental approval	<ul style="list-style-type: none"> Central Environmental Authority
Geological approval	<ul style="list-style-type: none"> Geological Survey and Mines Bureau
Other environmental related approvals	<ul style="list-style-type: none"> Irrigation Department National Water Supply & Drainage Board

WATER RESOURCE MANAGEMENT

GRI - 303-1, 2, 303-4, 5

All three projects are run-of-the-river MHPPs and draw water directly from the rivers in the catchment areas in which they are situated. Surface water is the renewable input material utilised to power the turbines that generate electricity. This water is then returned to the river, unchanged in both quality and quantity. Once the water flow is discharged to the river following its use in generating power, it is not reused again. Mini hydropower projects have no negative impact on water sources as a result of this system of water use.

The Company pays a tax to the government for the diversion of water flow on the basis of plant capacity. In the year of review, the taxes paid by the Company amount to Rs. 2.1 million.



Natural Capital

QUANTIFYING WATER CONSUMPTION

GRI - 301-1, 303-3, 303-5

In addition to the surface water utilised in the operation of our power plants, municipal water is consumed in negligible quantities by employees at the project sites for drinking, bathing and sanitation purposes, as well as by employees at the head office, for the purposes of drinking and sanitation. The drinking and other water consumptions have not been quantified.

Surface water

Project	2021/22	2020/21
Erathna MHP	48,682 mL	41,052 mL
Denawaka Ganga MHP	390,621 mL	335,471 mL
Kiriwaneliya MHP	48,579 mL	34,312 mL
Total	487,882 mL	410,835 mL

Note - Approximate figures have been arrived assuming each plant was running at the optimum efficiency throughout the year

IMPACT MANAGEMENT

GRI - 303-2

Our daily operations are conducted with minimal disturbance to the natural habitats that surround the power plants, and our presence causes no disruption to ecosystem balances. We are aware of the importance of preserving the pristine nature of the natural environment in which we operate, and ensure that every project prioritises the needs of the other users of the ecosystem services - human, fauna and flora, by ensuring the availability of sufficient and uninterrupted quantities of running water that is easily accessible to them, in compliance with the environment flow requirements of a MHP. In fact we go beyond this requirement to ensure that sufficient quantities of water are continuously discharged even to areas that are not utilised for human needs, in order to maintain the eco system balance and meet the water needs of fauna and flora in the vicinity - as practiced at all power plants.

To ensure that water quality is maintained at all times, the water released from the plants is tested whenever necessary. For instance, water quality of the Erathna MHPP was tested by Industrial Technology Institute on our request during this period and reports indicate that no foreign substance is added to the river by our operation.



MANAGING NOISE

The powerhouses have been designed to muffle the noise and reduce the vibration of power plant operations, with the use of insulation materials. Green solutions were also garnered to reduce noise. An avenue of Bamboo trees have been planted along the tail race of the powerhouses to absorb the noise of the gushing water as it is returned to the river. Rubber flaps are installed at tailrace to further retain the noise of water released to the river from powerhouse. Additionally, noise control panels are installed in powerhouses to control the emittance of noise generated from machinery within power houses.

NOISE

minimised



As an additional measure to promote health and safety, all employees are also equipped with ear muffs and ear plugs that are mandatory wear in the power houses during all times of power plant operations.

There have been no complaints on any material issues concerning the impacts of the Company's business on the environment, including noise and vibration during the operations of the power houses.



Noise Control Panel Installed at Erathna MHPP



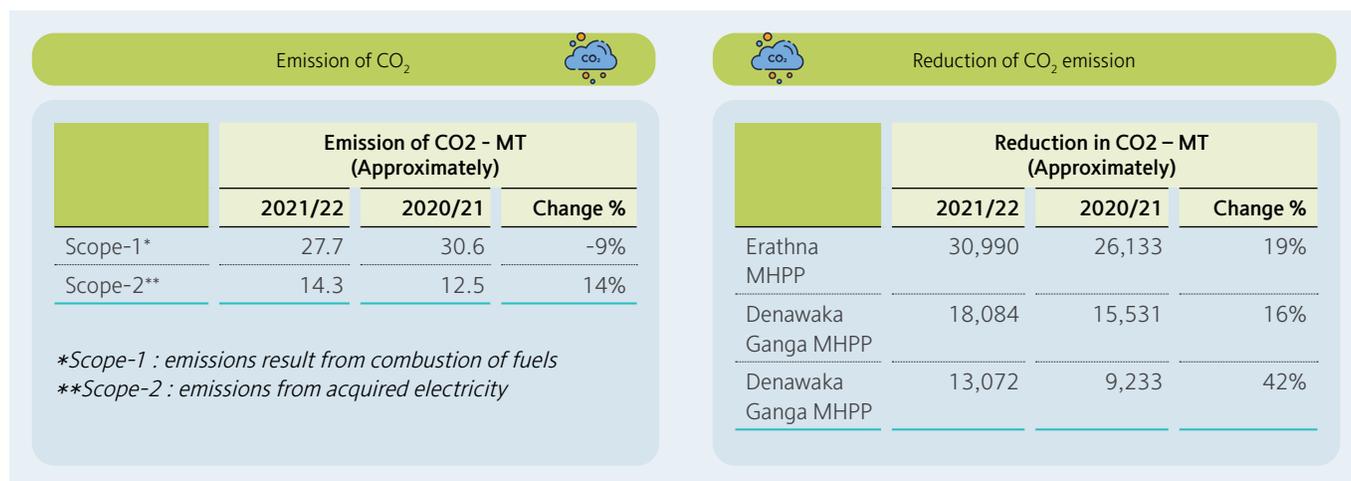
Bamboo trees planted at tailrace to minimise noise

MINIMISING CO₂ EMISSION

GRI - 103-2, 3, 305-1, 2, 5

Since hydropower plants generate renewable energy, the operation itself is devoid of GHG emissions, or is responsible for zero GHG emissions. But direct GHG emissions arise from the fuel consumption of standby generators on the project sites, which occurs only occasionally. Vehicles operated by the company are also a source of GHG emission but they are few in number, so emissions are negligible and therefore have not been quantified.

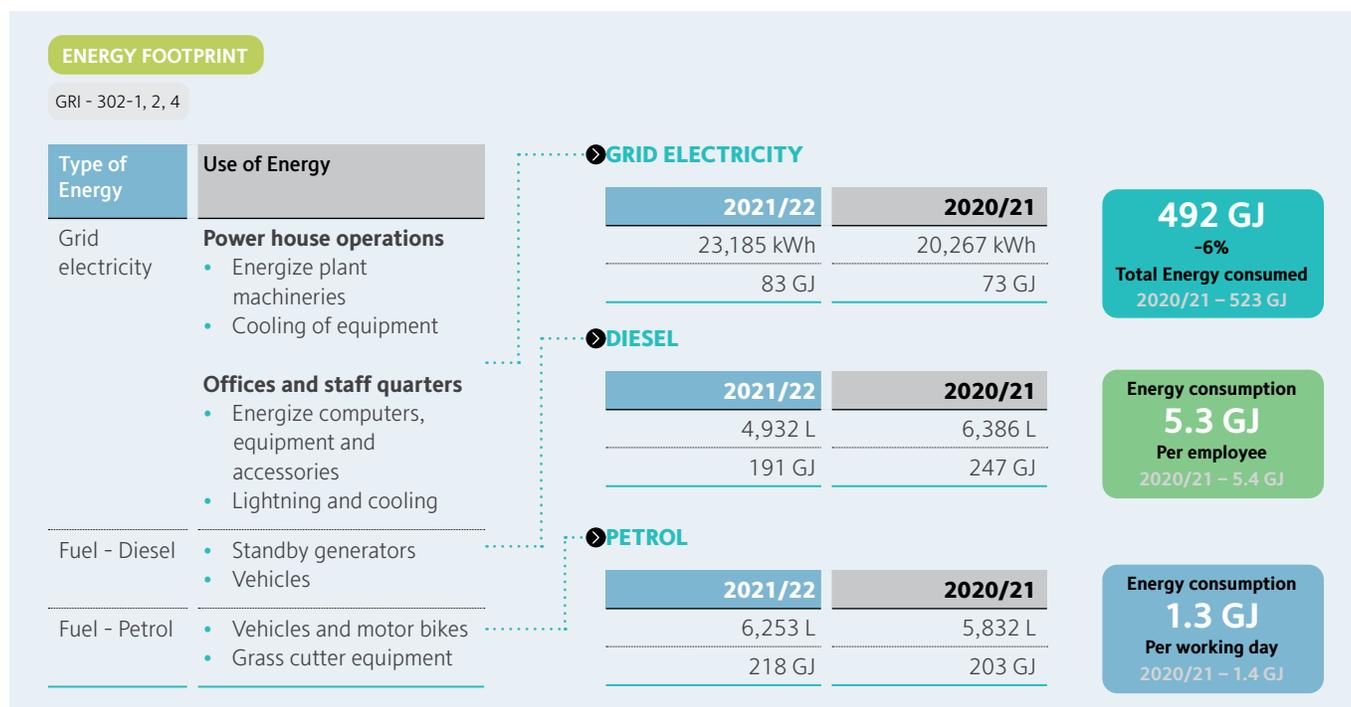
We follow regular maintenance schedules according to the stipulations of our environment policy, and all machinery in use on site is in good condition, so any emissions discharged are at low levels. All electromechanical equipment at our three MHPPs are provided by renowned suppliers from Europe and China, and manufactured according to internationally accepted industry standards of quality and reliability.



ENERGY MANAGEMENT

GRI - 103-2, 3

Hydropower companies play the dual roles of creating as well as using energy, so energy conservation is a key focus in our operations. We generate clean energy with the ultimate aim of reducing fossil fuel consumption so as to protect the environment. But due to the country's dependency on fossil fuels, we are compelled to rely on environmentally detrimental fuels for lack of alternative energy options, as and when needed, but try as far as is possible to reduce our fossil fuel consumption. Therefore, our power houses, staff living quarters and head office utilise electricity to operate machinery as well as for our lighting and cooling requirements.



Natural Capital

Energy Saving Strategies

- Use of high-tech energy efficient machineries and equipment
- Use of energy saving techniques
- Use of natural light maximally
- Improve the employee awareness on energy saving tips
- Monitoring and analyzing energy consumption data

MATERIAL WASTE MANAGEMENT

GRI - 103-2, 3, 301-1, 2, 3, 306-1, 2, 3

According to the hydro power industry specifics, the negligible quantities of other materials were consumed which were not quantified. Therefore the quantum of waste consumed by the hydro power industry is also negligible when compared to the value of the business. Despite this fact, the Company follows a strict policy of grading other waste and minimising effluents on its plant sites and also in its offices. The Company has not quantified the waste disposed during the year. Our waste management practices are based on the 3R concept of 'reduce, recycle and re-use, and itemised as follows:

Decaying vegetation on site and natural debris in the river water are collected and used as compost for cultivation. As mentioned above, water is returned to its source, unaltered in quality and quantity in the process of generating energy, so there is no necessity to ensure the recycling of water for use in the business.

Solid waste at the sites is collected then separated into bio-degradable and non- bio-degradable waste. Non- bio degradable waste is further separated into polythene, glass and cardboard waste and responsibly disposed of to third party contractors. Non-bio- degradable waste like oil, lubricants and waste material used in the operation and maintenance of the power plants are collected regularly by licensed operators and disposed of for use in accordance with internationally accepted Q & E standards.

The project sites use negligible quantities of paper, but paper is one of the main consumables in the daily operations of the head office. This paper is collected under a paper recycling programme initiated about 4 years ago and provided to third party suppliers for recycling which has not quantified during the year.

Further no any recycled input or reclaimed products are being used for the operations.

Waste Management Strategies

- Disposal of waste by separating bio-gradable and non-bio-gradable categories.
- Creating a paperless work environment by promoting e-communication through mobile phones and computers
- Re-use of material where as possible (i.e. re-use of one side printed papers)
- Disposal of e-waste through a responsible party
- Improve the employee awareness on paper saving tips



USE OF LAND

GRI - 304 - 1

Our three power plants occupy state and private lands for which we pay annual rentals. State lands were provided by Divisional Secretaries, the LRC and the JEDB. We take our role as custodians of these lands very seriously, and make it our mission to protect and utilise their resources effectively.

Land extents of the projects are as follows:

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

SOIL CONSERVATION

GRI - 102 - 11

From the initial stages of the business, the construction process of all three MHPPs carefully considered areas that had the potential for soil erosion and took precautionary measures to minimise erosion. Initiatives like strengthening the weir with flood barrier walls, leaving streams in the vicinity undisturbed when the headrace channels and forebay tank were constructed and carving natural water paths through the channel path/forebay tank that enables water discharged to return to the river were a few of the initiatives pursued which achieved this aim. The projects were also constructed to ensure that there is little or no ponding caused upstream, so no land is inundated and consequently destroyed.



Concrete channel of Forebay spill to prevent soil erosion



Surface vegetation and draining system to prevent soil erosion

BIODIVERSITY

GRI - 103 - 2, 3, 304 - 2

We realise the fact that our power plants are constructed in the catchment areas of sensitive habitats which are rich in diversity, and consequently, ensure that these eco systems remain unaltered by our operations. All approvals are obtained from state authorities based on the undertaking that the projects will cause minimal disruptions to the bio diversity of the area and we rigorously ensure compliance with this undertaking, with internal reviews conducted in a timely and systematic manner.

However, most of the lands we occupy are not within protected areas.



Natural Capital

ENVIRONMENTAL COMPLIANCE

GRI - 103 - 2, 3, 307 - 1

We comply with all environmental regulations stipulated by local authorities and state agencies, and monitor this compliance periodically. No incidents of non-compliance with environmental laws and regulations were reported during this year of review. Although most of the lands that we occupy have a biodiversity impact, all approvals obtained from state authorities were based on the understanding that the projects would cause minimal disruptions to the bio diversity of the area. We rigorously ensure compliance with this undertaking, with internal reviews conducted in a timely and systematic manner.

EMPOWERING GREEN



This continues to be our flagship project, and was carried out throughout the year, in many areas of the country. But due to the prevalent COVID-19 pandemic, progress was slower than planned earlier.

No. of plants donated/planted during the year;

Location/name of the organisation	No. of plants
Galle District silviculture	1,000
BOC-Kuruwita branch	400
Kuruganga river bank	200
Kegalle District Secretary	20
Cultural center-Kuruwita	50
Total	1,670

SRI PADA CLEAN-UP CAMPAIGN

Determined to make a bigger difference to protect our environment this year, we initiated a clean-up campaign as a part of our 'Empowering Green' initiative along the main two footpaths to Sri Pada (Adam's Peak Holy Mountain), from Erathna and Hatton which was continued throughout the Sri Pada season. A total of 5 clean-up campaigns were organized during the Sri Pada Season where our employees at power plants contributed their free time voluntarily and tirelessly to make the campaign a success.

Over 200 kg of degradable and non-degradable material was collected over a three month period and the collected garbage was handed over to garbage collection and processing units operated by relevant Pradeshiya Sabha.



213.2 Kg

Total collected garbage

32

No. of employees participated

5 days

No. of days of cleaning programme



"I have been working as a PHI for ten years and I recognize your company as a main contributor which facilitates this route during Sri Pada period. I highly appreciate that your staff provide their massive support for many Sri Pada activities. I like to mention some aids your company provided during the last ten years, including food and beverages provided for 100 students and parents during a pilgrimage, sponsoring warning boards for disaster management activities, supporting construction of Sri Pada route, and the recent garbage removal program carried out by your staff"

Pradeep Kumarasinghe
Public Health Inspector-PHI - Erathna (Sri Pada services)

Social and Relationship Capital



Social and Relationship capital refer to the Company’s stakeholders, who are valuable business assets to the Company, and integral to our value creation process and corporate strategy. They include indigenous communities, our sole customer the CEB, regulatory bodies and government officials as well as the suppliers of diverse inputs. We realise that some of our business activities could impact aspects of their lives and livelihoods and understand the importance of keeping them informed of our operation, and addressing any areas of concern. The continuity of our business will be at risk if they stopped supporting our development initiatives.

OUR APPROACH

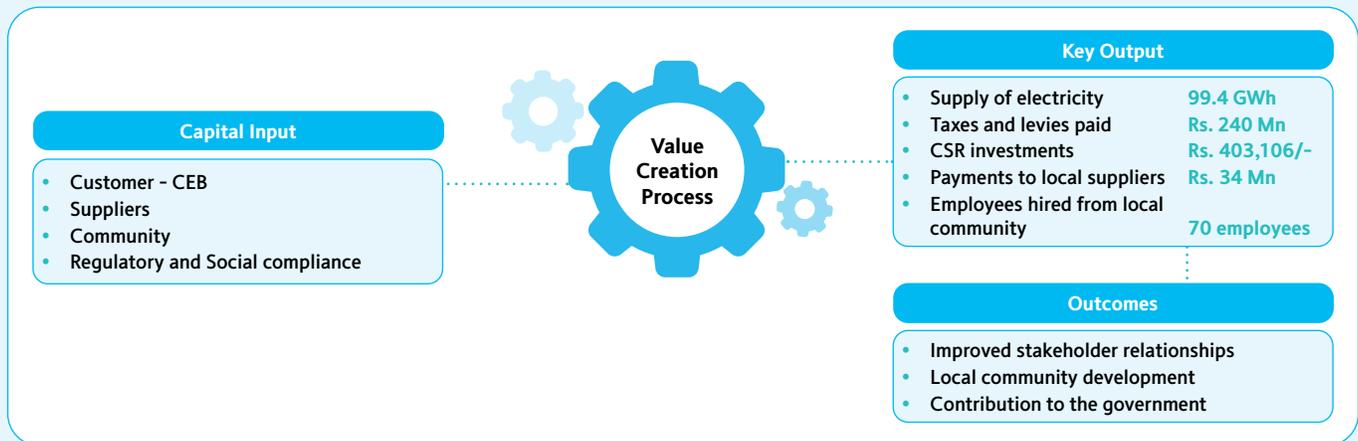
GRI - 103 - 2, 3, 203 - 2

We believe that it is the value of these relationships that have ensured our success, and network regularly with our stakeholders to form strong and reciprocal relationships. Close contact with them has enabled us to see the impacts of our activities from their

perspectives, which has gained us invaluable insights into the fact that these communities are not against development *per se*, but rather, wish to benefit from our business growth and be involved in the development process.

This close association enables us to anticipate and address areas of concern even

before they arise, or in worst case scenarios, if and when they do arise. It has also enabled us to build relationships that enhance their lives and livelihoods in a supportive and mutually beneficial manner. These relationships, cultivated over the years, have enabled economic empowerment and helped us to, collectively, add value to society.



MATERIAL GRI TOPICS DISCUSSED

- GRI 203 – Indirect economic impacts
- GRI 204 – Procurement practices
- GRI 205 – Anti-Corruption
- GRI 206 – Anti-competitive behavior
- GRI 207 – Tax
- GRI 413 – Local communities
- GRI 416 – Customer health and safety
- GRI 419 – Socioeconomic compliance

SDG IMPACT LINKED



Social and Relationship Capital

KEY VALUE DRIVERS

Substantial value is generated from networking with our diverse groups of stakeholders in an ethical manner. These values include: developing interpersonal relationships, a shared understanding, sharing of information, cooperation and collaboration, trust, strong social support, shared norms and values, as well as a shared sense of identity.



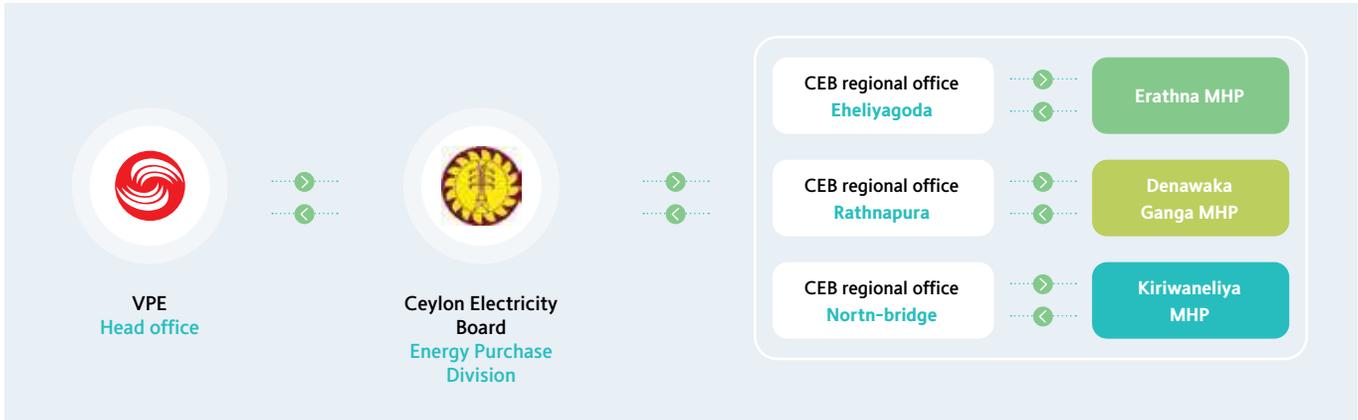
ENGAGING WITH CEYLON ELECTRICITY BOARD

GRI - 102 - 6, 103 - 2, 3, 416 - 2

The nature of our business is to generate electricity to the National Grid, which is purchased and paid for by the state-owned Ceylon Electricity Board (CEB). So the CEB, is our sole customer and the source of our value creation. The SPPAs (Standardised Power Purchase Agreement) of each project dictate our relationship with this entity, and we work closely with them and carry out all plant operations in conformity with CEB regulation.

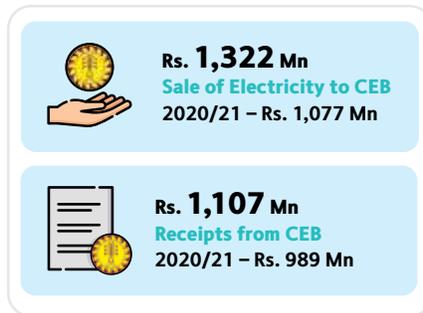
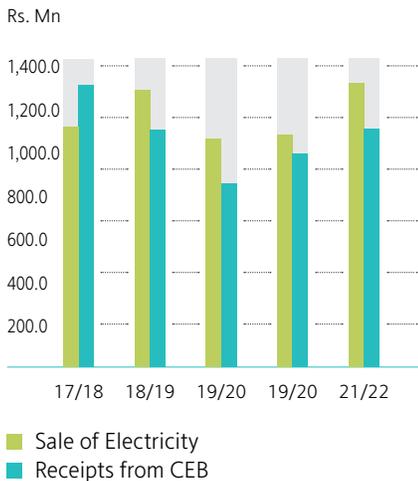
We support the CEB in an ethical manner through financial and non-financial contributions to their events and programmes. Over the years, we have also built cordial relationships through continuous dialogues with CEB officials, at the head office as well as area offices.

ENGAGING METHOD



Standard power purchase agreement (SPPA)

Project	Capacity	SPPA term			Tariff type
		Years	From	To	
Erathna MHP	9.9 MW	25 years	July-2019	July-2024	Plant factor based tariff
Denawaka Ganga MHP	7.2 MW	15 Years	February-2012	February-2027	Avoided cost based tariff
Kiriwaneliya MHP	4.65 MW	15 Years	December-2011	December-2026	Avoided cost based tariff



We conform with all mandatory requirements set out in the SPPA agreements, which includes compliance with all applicable laws and regulations stipulated by the CEB and also confirm that no incident of non-compliance concerning health and safety impacts of our products and services during the year under review.

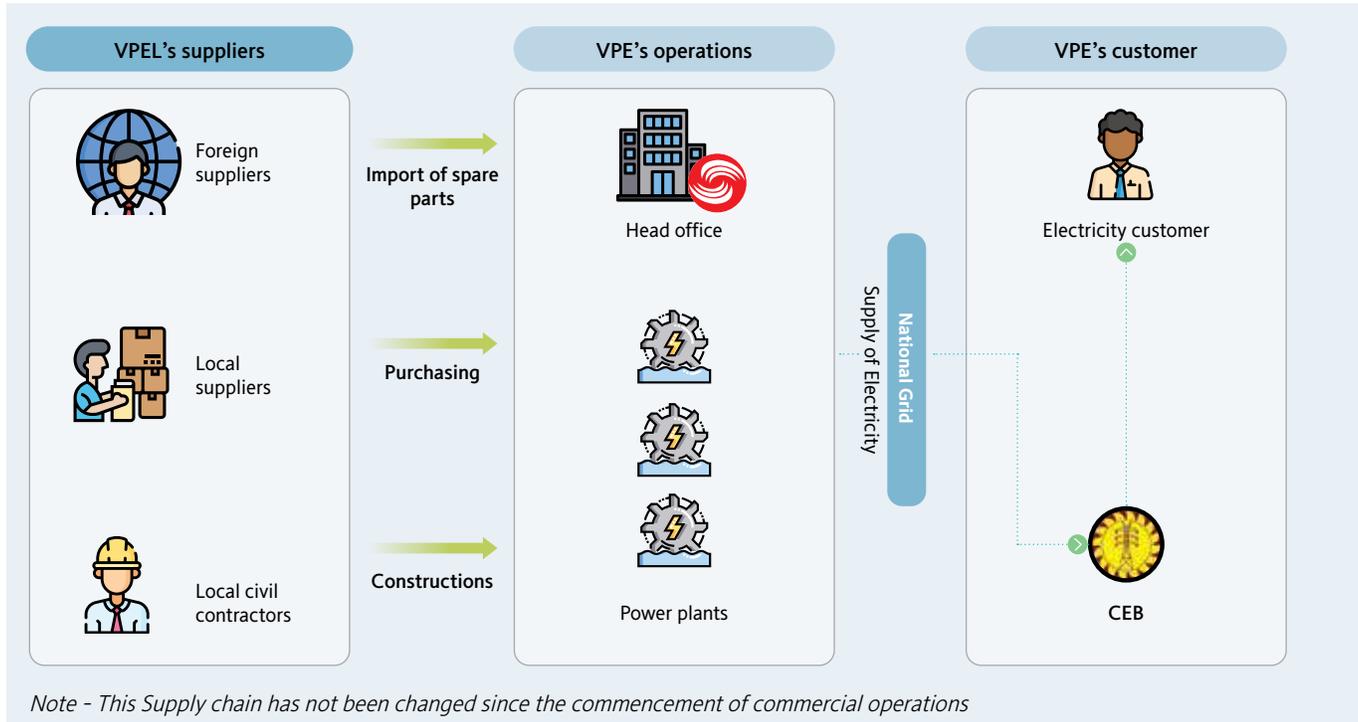
SUPPLY CHAIN MANAGEMENT

GRI - 102 - 9, 10

We have established an effective procedure for managing our supply chain by leveraging on the logistical advantages of our local and overseas suppliers. We source quality products from suppliers with a market reputation or through reliable third-party referrals. We ensure that all payments are made promptly within 30 – 60 days, except in the event of a crisis. In such an instance, steps are taken to arrive at a mutually agreeable solution at the earliest, in an atmosphere of open dialogue.

Since most purchases of a mini hydropower business are affected at the point of construction of the power plants, we no longer keep an extensive supplier base and no significant changes are happened to the current supply chain process. At the initial stages however, we did utilise the products and services of several local and international suppliers and contractors.

Social and Relationship Capital



FOREIGN SUPPLIERS

The Company manages a resource base of reputed foreign suppliers including plant manufacturers, mainly for the provision of spare parts for its power plant machinery. Purchases of these machinery spares come under the purview of the head office.

Purchasing from foreign suppliers
Rs. **9.6 Mn**
5 suppliers

the consumables, maintenance material and utility services required for the daily operations of their respective plants.

It has not measured the values spread to the local suppliers on our geographical operation basis.

Supplies from local suppliers
Rs. **33.9 Mn**
>200 suppliers

Followings are the main government agencies in addition to the government organisations mentioned in “Natural Capital” report which are related to the environmental related matters.

- Sustainable Energy Authority
- Public Utility Commissions of Sri Lanka
- Board of Investments of Sri Lanka
- Divisional Secretariat Offices
- Local Councils

LOCAL SUPPLIERS AND CONTRACTORS

GRI - 103 - 2, 3, 204 - 1

About 80% of supplies are procured from inland suppliers. Here, suppliers from local communities are given priority. Procurement of local supplies is centralised at the Company Head Office in Colombo which purchases most of the consumables, maintenance material and utility services for the Company where the three project offices in the three power plants have a limited authority to purchase certain of

REGULATORY COMPLIANCE

Since we do business under the licenses and approvals granted by a range of government institutions, provincial authorities, statutory bodies and associations related to the mini hydro sector, it is mandatory that we comply with all the other rules and regulations stipulated by these bodies.

PROFESSIONAL NETWORKING

GRI - 102 - 13

The relationships we have established with our stakeholders over the years have proved invaluable in the past, and are also essential for our future progress as a corporate entity. These relationships are further established and confirmed through our memberships in professional organisations that are related to our industry.

Memberships with professional associations

Small Hydropower Developers Association (SHDA)

The Ceylon Chamber of Commerce (CCC)

The Employers' Federation of Ceylon (EFC)

TAXES TO GOVERNMENT

GRI - 207 - 1, 2, 3

As a good corporate citizen, VPE has, since inception, complied with all state requirements for the payment of corporate taxes. Responsibility for compliance with local tax regulations rests with the Audit committee, which functions through the Board of Directors and has a strategic approach for tax payment and compliance. Although both companies of the Group are BOI companies, the tax holidays accorded them have now expired, so tax is paid on a quarterly basis in accordance with the general provisions of the Inland Revenue Act. No. 24 of 2017, with final adjustments made on or before 30th September of the following year and the annual income tax returns are filed online. In addition to internal controls in place to ensure tax compliance, the tax consultancy is outsourced to a reputed professional. The financial team engages closely with tax officials to resolve any tax matters if and when they arise.

Tax paid by VPE Group



COMMUNITY ENGAGEMENT

GRI - 103 - 2, 3, 203 - 1, 2

The indigenous communities that live in the vicinities of our powerhouses are a critical stakeholder category. They have lived in the catchment areas for generations, and our projects have a direct impact on their lives, lifestyles, activities and the environment in which they live. Therefore, building cordial and mutually beneficial relationships with them is of the utmost importance to the Company's survival. This enables the communities to contribute to and benefit from our growth processes in ways that recognise the value of their contributions, respect their dignity, and enable a fairer distribution of the benefits of growth. These initiatives have been cordially received and have served to strengthen community relationships and interactions through the years.

The Company follows a need-based approach to helping these communities and to date, has provided them with a range of benefits that have improved their lives and livelihoods. These benefits range from building village infrastructure, youth education - supporting academic and sports, which includes supplying students with items essential for furthering their studies and sports interests; community health initiatives; spiritual life – donations in cash and kind to temples and *Daham paselas*. The communities are also provided with employment at the project sites.

Due to the prevalence of the COVID-19 pandemic throughout the year, the Company carried out only few donations and CSR activities with our communities during the year other than the "Sri Pada Clean-up Campaign" mentioned in the Natural Capital report.

CSR activities held during the year;



COVID-19 precautionary measures taken at Erathna Sri Pada road



Refurbishment of kids play area of Erathna Maha Vidyalaya



Blood donation camp organized by Kiriwaneliya MHP

Social and Relationship Capital

MITIGATING THE IMPACTS OF OUR ACTIONS

GRI - 103 - 2, 3, 413 - 1, 2

Impact assessment surveys are carried out prior to the commencement of every project, and at any other point in time when deemed necessary. This is in keeping with our commitment to ensure that our business activities are realised in a manner that causes least harm to all inhabitants, both people, animals and the environment.

To further enable two- way interaction with our stakeholders, we have in place a Stakeholder Complaints Log at the project offices of every power plant site to enable communities and other stakeholders to register any complaint or provide suggestions for improving, any aspect of the Company's operations. We respond to all entries recorded within 7 days of the written submission and take any action necessary.

As a result of these steps, we have not experienced any significant actual or potential negative impacts on nature and society due to our operations, nor have any complaints been registered in the log books during this financial year.

ETHICAL BUSINESS CONDUCTS

GRI - 103 - 2, 3, 205 - 1, 206 -1, 419 -1

The Company conducts all aspects of its operations in an ethical and transparent manner. That is to say that we follow ethical procurement practices and give priority to partners with ethical business practices. We have no history of corruption or non-compliance, nor have any incidents of anti-competitive behavior been recorded for which legal action was taken against the Company, a supplier or a contractor during the period of review. Our operations were not assessed for risk- related corruption during the year of review.

There are also no anti-trust and monopoly practices recorded during the year, either. We are also proud of record of our zero convictions on human rights violations on the value chain in this financial year also within the year.

We also confirm that there were no incidents of non-compliance with the laws and regulations in social and economic areas during the year.

Human Capital



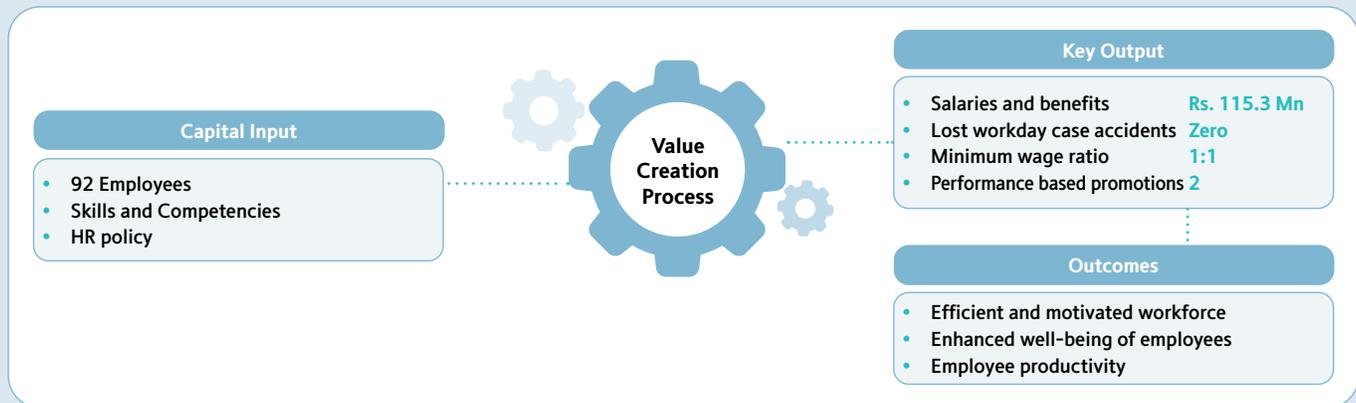
Our human capital is integral to our sustainability journey because it is our people who are the producers of the green energy that keeps us in business. We provide them with the skills and competencies that empower them to respond with agility and intelligence to the exigencies of a fast-evolving business landscape, thereby ensuring our continuity. Their professionalism and motivation are the bedrock on which we have built our company, its goals and values.

OUR APPROACH

GRI - 103 - 2, 3

The guiding principle of our human resources management is to treat people at all levels of the Company with dignity and respect, to celebrate diversity as being a pathway to achieving creativity and innovation, and to ensure a transparent and two-way process in all dealings with staff. We inspire our teams to take ownership of our corporate values, push beyond boundaries and focus on the single vision of making a difference in the communities in which they live and work.

Our Human Resources strategy is designed to understand and cater to our employees' needs and aspirations, and to equip them with the resources necessary to further their personal and professional development. This is our formula for achieving a high- performance culture which also fuels our corporate strategy.



MATERIAL GRI TOPICS DISCUSSED

- GRI 202 – Market Presence
- GRI 401 - Employment
- GRI 403 – Occupational Health and Safety
- GRI 404 – Training and Education
- GRI 405 – Diversity and Equal Opportunity
- GRI 406 – Non-Discrimination
- GRI 408 – Child Labour
- GRI 409 – Forced or Compulsory Labour

SDG IMPACT LINKED



Human Capital

VPE'S HUMAN RESOURCE POLICY

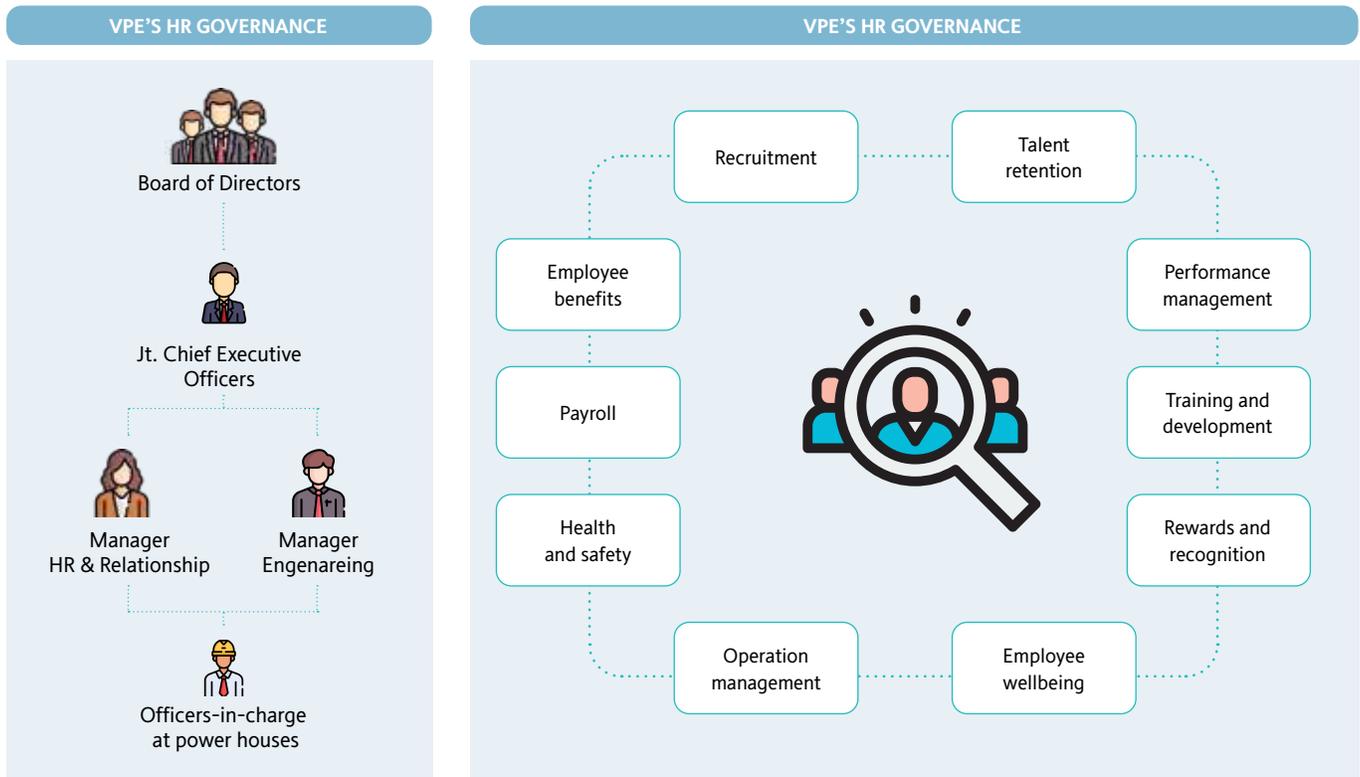
GRI - 102 - 41

Our human resources policies are designed to develop the potential of our people by upgrading both their job-specific as well as soft skills, and providing them with opportunities for career advancement that meet our corporate strategies and goals.

VPE's human resource policies are embedded in a written document in English that is available to employees at the Human Resources department. A facility to translate content into the vernacular language is also provided, on request.

We have no collective bargaining agreements since the Company has no trade unions, but all operational changes are communicated as and when they take place.

The Company has a HR governance structure that effectively complements our corporate strategy. At the apex of its management structure are the Joint CEOs who bear responsibility for ensuring the implementation of the Company's HR principles and policies at all staff levels. They report directly to the Board on HR-related matters and are also responsible for ensuring that the Company conforms with all applicable local labour laws as well as ILO laws applicable locally.



RECRUITMENT

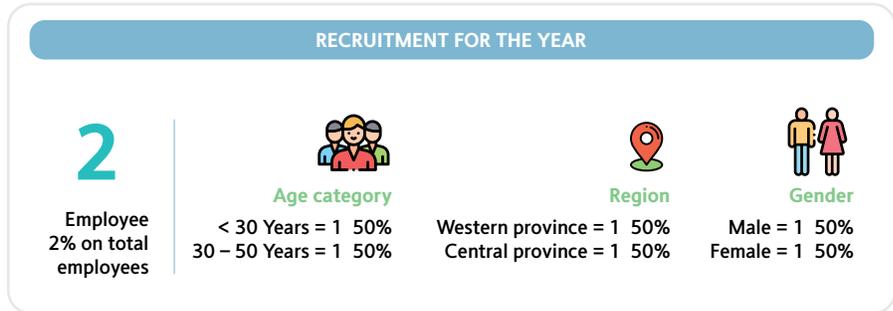
GRI - 102 - 16, 103 - 2, 3, 406 - 1

Our recruitment process is committed to diversity and inclusiveness. This facilitates the identification of talent that may otherwise have slipped through the cracks of traditional recruitment practices and also enables recruitment from a much wider talent pool. Prioritising recruitment to our powerhouses from among the indigenous communities that live in the precincts of the powerplants is a case in point. Further, we are committed to ensure non-discrimination of differently-abled individuals from these indigenous communities during our recruitment process. As a result of this inclusive recruitment policy, we have faced no incidents of discrimination from inception. There have not been any recruitment made to the senior management employment category from local community as to date.

VPE has an established process of recruitment that involves advertising for vacant positions and formal interviews with candidates shortlisted, which creates a level playing field for the talent available. This also ensures that we have the most suitable candidate in place for the job in hand, irrespective of ethnicity, religion, gender or social status.

On recruitment, new employees follow a carefully designed induction programme that apprisers them of the various facets of the organisation's functions, its culture, mission, vision as well as H&S practices.

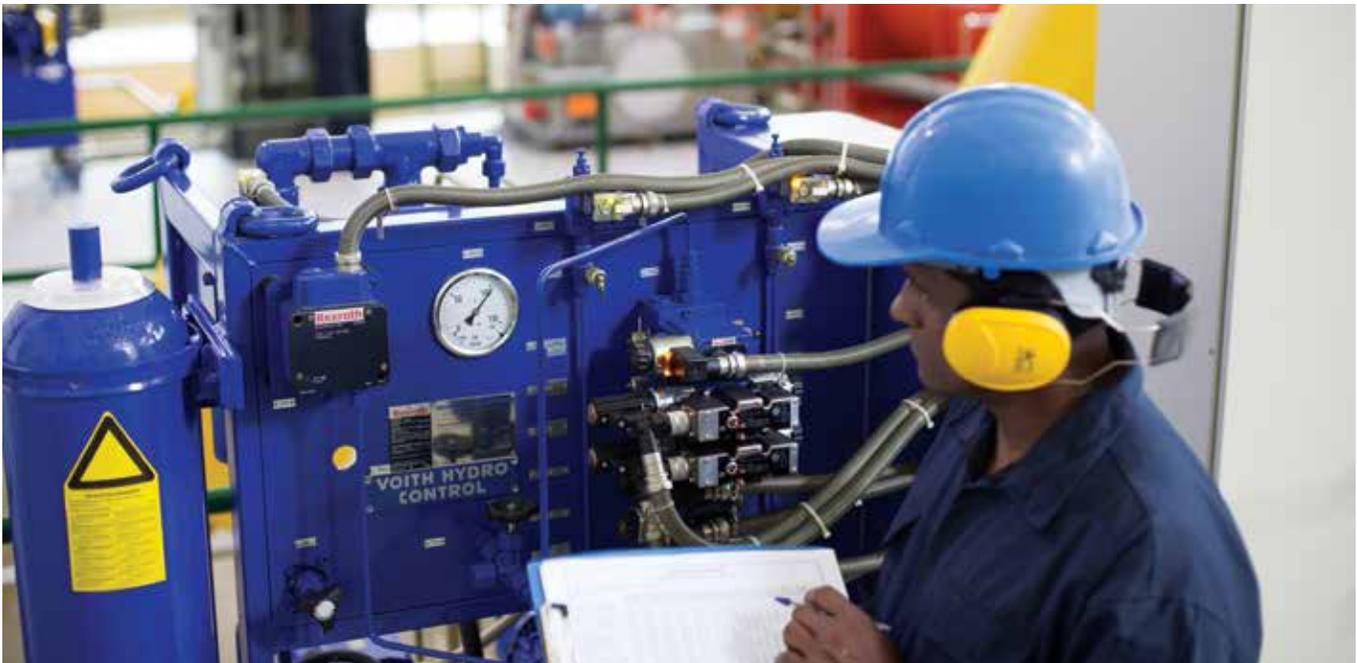
GRI - 401 - 1



POLICY ON CHILD AND FORCED/COMPULSORY LABOUR

GRI - 103-2,3, 408-1, 409-1

We have zero tolerance of child labour and do not recruit persons below the age of 18 years. We uphold the elimination of all forms of child labour in the country, and comply with all principles set out on the subject by the International Labour Organisation (ILO). In the same manner, the Company does not support forced/compulsory labour in any form. Hence, we confirmed that any incident of child labour or forced/compulsory labour was not experienced by the Company during the period of review.



Human Capital

Company pursues a gender equitable recruitment policy. However, our staff strength comprises a higher portion of males as female candidates within the indigenous communities that live in the precincts of the powerplants have not yet sought jobs relevant to operation of electromechanical equipment. Nevertheless, female candidates are provided with equal opportunities for recruitment and there are female employees who work alongside their male counterparts and earn the same pay and benefits.

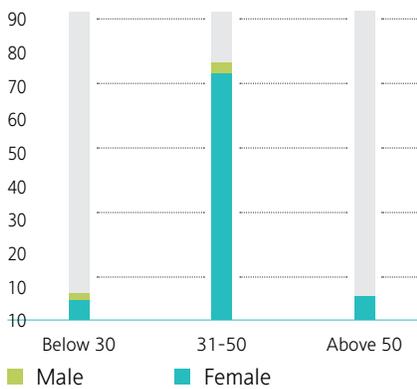
GRI - 102-8, 203-2, 405-1

DIVERSITY OF EMPLOYEES BY AGE, CATEGORY AND REGION AS OF MARCH 31, 2022

EMPLOYEES BY AGE AND GENDER

Employees by Age

Rs. Mn



92

Total employees at the year-end**

PERCENTAGE OF EMPLOYEES BY;

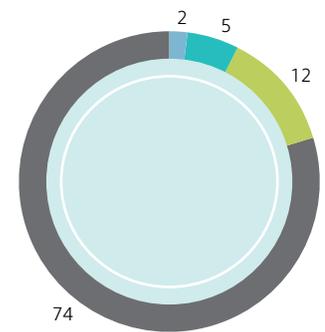
AGE

- Below 30 Years - 9%
- 30 - 50 Years - 84%
- Above 50 Years - 8%

GENDER

- Male  - 95%
- Female  - 5%

NO. OF EMPLOYEES BY JOB CATEGORY



- Corporate Mgt
- Middle Mgt
- Executive
- Below Executive

PERCENTAGE OF EMPLOYEES BY JOB AND GENDER CATEGORY

Job Category	M	F	Total
Corporate Mgt.	2%	0%	2%
Middle Mgt.	4%	40%	5%
Executive	10%	40%	12%
Below Executive	84%	20%	81%
	100%	100%	100%

District	Permanent		Fixed Term Contract	
	Male	Female	Male	Female
Western	10	3	2	1
Central*	14	1	5	-
Southern	3	-	-	-
Sabaragamuwa*	48	-	3	-
North Western	1	-	-	-
North Central	1	-	-	-
Total	77	4	10	1

Employment from local community



71

Employees

77%

Note

*The provinces of Sri Lanka are considered as regions and provinces where the power plants are operating are considered in determining local community.

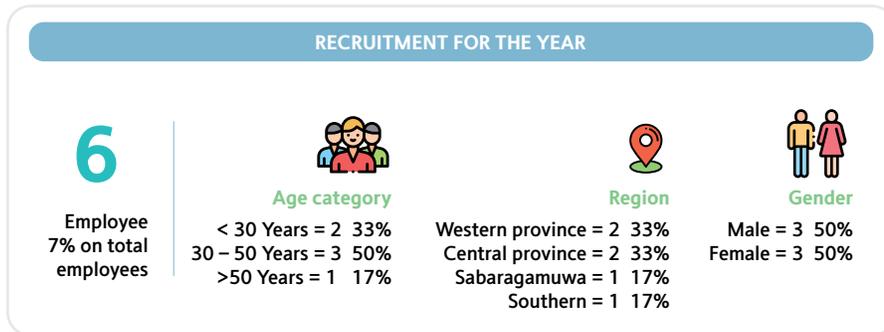
**All employees of the Group are full time employees.

TALENT RETENTION

The Company boasts of a congenial work atmosphere that fosters camaraderie and cordial relationships at all staff levels. We believe that cultivating a healthy and happy workplace experience is integral to job satisfaction which in turn, is a key factor for retaining our talent.

Since staff turnover is very low, the majority of staff have been with the Company since inception, and have grown with us in capabilities and experience over the years.

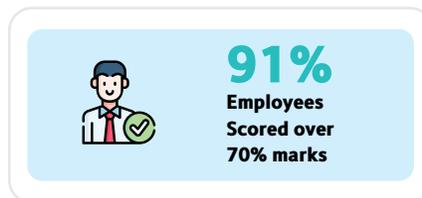
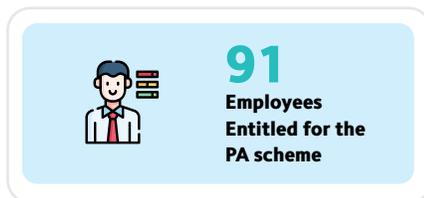
GRI - 401 - 1



PERFORMANCE MANAGEMENT

GRI - 404 - 3

All employees, both permanent and contract, receive Annual Performance Reviews conducted by the management, in accordance with the guidelines of our Performance Appraisal System (PAS). The employee's performance is evaluated on ten competencies identified by the employee's immediate superior as the first Appraiser and a member of the management staff as the second Appraiser. Evaluation is compared with the previous year's performance, which determines the salary increment in the forthcoming year. The PAS is designed to both identify opportunities for career advancement as well as recognise existing competency gaps that can be bridged by training.



TRAINING AND DEVELOPMENT

GRI - 103-2, 3, 404-1, 2

Available data as well as personal experience has proved time and again that developing our people has substantially improved their efficiency and productivity as well as motivated them, which has minimized absenteeism and forged their loyalty to the Company. Developing our staff is central to our strategy of reinforcing our resources, and staff training is fostered in a learning culture that encourages innovation. This fortifies our employees to meet the challenging and competitive climate of contemporary business.

Staff are trained in technical job specific areas as well as soft skills. Fire training is provided periodically in line with the Company's H&S policy. Professional trainers, Industry experts as well as senior professionals in their respective fields are seconded to train employees and bridge knowledge gaps as well as upgrade and equip high- performers with the wider skills necessary to climb the corporate ladder. These training opportunities are provided to employees at all levels to ensure that they are on par with the best talent in the industry.



Fire training session at power hose

Training was provided in the following areas

Human Capital

during this fiscal year to the following staff levels:

Training type	No of participants	Total training hours
Welding (Part Time)	1	24
BreakTheBias- Building an Inclusive Workplace	2	4
Fire training	64	222
MS Excel for Data Analysis & Logical Problem Solving	1	4
Total	68	254



2.7 Hrs
Average training
hours per employee

Employee gender wise



2.8 Hrs
employee



1.6 Hrs
employee

Employee category wise

Executive and above



2.1 Hrs
employee

Executive and above



29.1 Hrs
employee

REWARDS AND RECOGNITION

We believe that recognising and rewarding our people is integral to our mission of building a high performance culture, and celebrate achievements with performance-related benefits that include remuneration in par with industry standards, attractive increments, promotions as well as bonuses. This has been integral to keeping a loyal and engaged staff.

EMPLOYEE BENEFITS AND WELLBEING

GRI - 103-2, 3, 202-1, 401-2

The Company promotes an enabling work environment that engages its employees, by providing them with competitive compensation packages and benefits as well as welfare facilities and other perks that assure an equitable standard of living. Further, to ensure the physical as well as mental wellbeing of the employees, company strives to provide financial as well as moral support during personal hardships

employees endure. The compensation and benefit packages which Company provides are on par with, and at times exceed, industry standards, and have been instrumental in attracting and retaining the best talent within and outside the industry. Category-wise, both women and men receive the same remuneration. All salaries and wages are above the minimum wage and all statutory payments such as EPF, ETF and gratuity conform to the stipulations of local labour laws. The Company's minimum wage ratio is 1.1.

KEY EMPLOYEE BENEFITS PAID BY VPE

Type of benefit	2021/22 Rs. Mn	2020/21 Rs. Mn
Salaries and wages	86.5	81.1
Employer contribution to EPF	8.1	7.6
Employer contribution to ETF	2.0	1.9
Provision for Gratuity	2.1	2.1
Staff bonus	11.0	11.3
Interest free staff loan (as of year-end)	2.0	2.4
Festival Advances loan (as of year-end)	3.5	3.1
Total	115.3	109.5

EMPLOYEE BENEFITS ENTITLED FOR THE YEAR 2021/22;

GRI - 401-2, 3

Type of benefit	Description	No. of employees entitled/obtained
Interest free staff loan Scheme	Permanent employees are granted a facility of applying for an interest free loan.	Entitled – All employees Obtained - 41 employees
Festival Advance	The employees are entitled to an annual festival allowance during the month of December.	Entitled – All employees Obtained - 62 employees
Insurance covers on work life	Personal Accident insurance scheme covers head office and site employees whose duties require them to travel. Staffs with desk-bound jobs are protected by Workman’s Compensation Insurance.	Entitled - All employees
Healthcare	An in-house medical scheme is established for employees at and above executive grade	Entitled - All employees above executive category Obtained – 1 Employee
Maternity/ Paternity Leave	A female employee is granted maternity leave/ pregnancy leave in terms of the Shop and Office Employees Act No. 19 of 1954 A male employee in the permanent cadre is allowed a period of 3 working days of paternal child care leave with pay in respect of the birth of a child to his spouse.	Entitled – All employees Obtained: <ul style="list-style-type: none"> • Maternity leave - 1 female employee • Parental leave – 1 male employee <i>(All employees who utilized the leave benefit has returned to employment, thus, Employee return rate is 100 %.)</i> <ul style="list-style-type: none"> • Retain rate is 100%
Medical Leave	Employees are entitled for medical leave as necessary.	Entitled – All employees Obtained - 13 Employees
Short leave	As per the Shop and Office Employees Act.	Entitled – All employees Obtained - All employees
Emergency Accident Leave	This leave is for injury sustained while at work.	Nil
Uniforms & Safety Packs	All on-site staff is provided with uniforms and according to work type and environment, are also supplied with appropriate footwear and Personal Protective Equipment (PPE).	All employees at power plants
Food and beverages	Company has facilitated for the preparation of meals for the shift workers of power plants and other snacks and tea are provided too.	All shift based employees at power plants
Accommodation	Staff quarters are located at each power plant for the purpose of accommodation facility to shift workers.	All shift based employees at power plants
Incentives to Employees	The Company may pay employees a Special Incentive Payment based on the annual performance evaluation.	All employees
Gifts / Alimonies	In the event of a wedding of the employee, employee is granted a wedding gift and in the event of a death of a family member of the employee, employee is granted a Funeral Allowance.	Entitled – All employees Obtained – 3 employees
Training & Development	The company would provide and fund for the training & development programs and study courses if it is beneficial to the company and to the employees	Entitled – All employees Obtained – 68 employees

Human Capital

WORK-LIFE BALANCE

As part of our people-centric initiatives, the Company also cultivates a healthy work-life balance that keeps staff happy, engaged and productive by ensuring adequate focus on recreational and team building activities. The annual staff outing has been one such initiative. Although the outing did not take place during the preceding two years, staff enjoyed a day out this year, with health and safety guidelines adhered to.



Religious event held at power house

OPERATIONS MANAGEMENT

With the nature of our business and dynamism of operations at power projects, it is critical to ensure the uninterrupted 24/7 operation at site level. Our human capital is wholly committed to meet this objective by working on roster basis with the flexibility offered to the employee to change the allocated roster on approval in emergencies. Rosters are scheduled on a monthly basis by the officers in charge of the respective power houses. Preplanned maintenance activities are scheduled during dry season of the year to ensure operations are not affected.

EMPLOYEES' HEALTH AND SAFETY MEASURES

GRI - 403 - 1, 2, 3, 4, 5, 6, 7, 8, 9, 10

Despite the absence of a legal requirement to do so, the Company has introduced a comprehensive H & S policy and procedure in line with similar local and overseas operations, because of the nature of the business we are in. These procedures apply to all staff and H & S awareness is disseminated throughout the Company. All workers at the power plants are covered under this H & S policy. No outside workers are within the premises of the power plants or corporate office. Guidelines on fire hazards and safety are provided to all employees at the initial stage of their induction.



VPE'S HEALTH AND SAFETY POLICY

We are committed to protecting and promoting the Health and Safety of all employees and non-Company personnel in our premises. It is our responsibility to conduct our operations with no injuries, accidents, or illnesses to employees, contractors and the public. We believe that the following principles, and their application throughout the Company, are the core of this effort:

- Provide and maintain a safe and healthy work environment, in compliance with legal requirements and industry standards.
- All our employees and non-Company personnel in our premises are equally responsible and accountable for Health and Safety and well-being at work. Safety is the direct responsibility of the Board, CEOs, all managers, employees, and contractors.
- Our standard of Zero Accidents at workplace can be maintained through a combination of good management and active employee involvement.
- All management activities will comply with company safety requirements as they relate to planning, operation and maintenance of facilities and equipment.





Safety signs displayed at channel

The workers play an active role in the implementation of the H&S practices which are assessed and monitored in-house on a regular basis, by the management. The quality of these practices is monitored by internal audits. Additionally, fire training and training on extinguishing inflammable items is also provided.

The Company promotes the personal health of workers and over the years has made special efforts to ensure the health and wellbeing of its employees. Further the Company always ensures that all matters related to the personal health of employees are kept confidential. As a result of meticulously conforming to H&S practices and procedures, no hazard- related risks have been identified, nor have any work-related injuries occurred, during the current period of review.



Training on fire extinguishers

COVID-19 RESPONSE

The Group introduced a series of wide-ranging measures that addressed the H&S aspects of staff welfare as well as ensured seamless business continuity during a critical period of its business, and as a provider of an essential service, fulfilled its commitment to the nation as well. During the year of review, employees were provided with awareness on personal hygiene on regular basis with the use of notices, and visual guidelines on maintaining precautionary measures to prevent spread of COVID-19 virus.

Also, as a Company that cares for the well-being of its staff, VPE took a policy decision to retain all staff at every level, and paid all salaries and emoluments, including rewards and bonuses to non-executive staff throughout the period of lockdown.

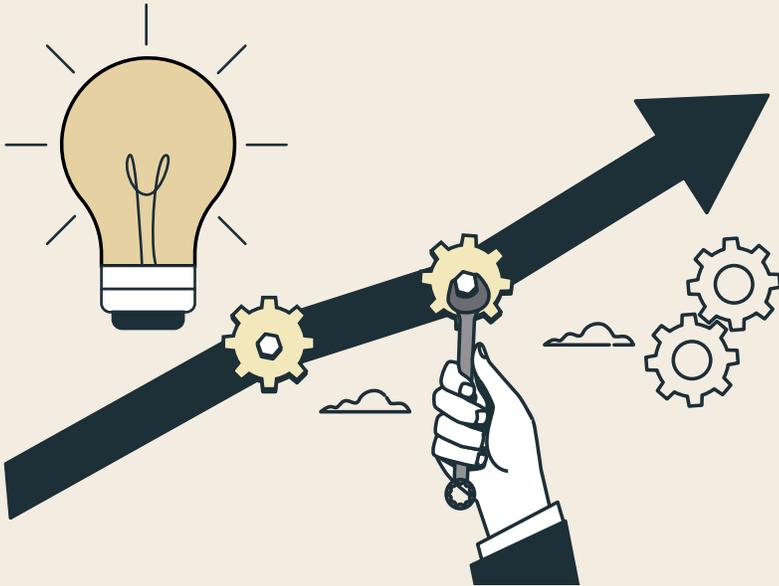


Employees equipped with PPE

GRIEVANCE MECHANISM

We consider cordial worker relationships as being essential to the success of our business and as such, take all necessary steps to establish and improve relationships at both non-executive and executive levels. Accordingly, the Company has in place an effective grievance procedure designed to ensure that employees concerns are speedily addressed and resolved in an atmosphere of mutual cordiality in which workable solutions are arrived at, which ensure minimal work disruptions and labour disputes. No grievances have arisen in the year under review.

Manufactured Capital

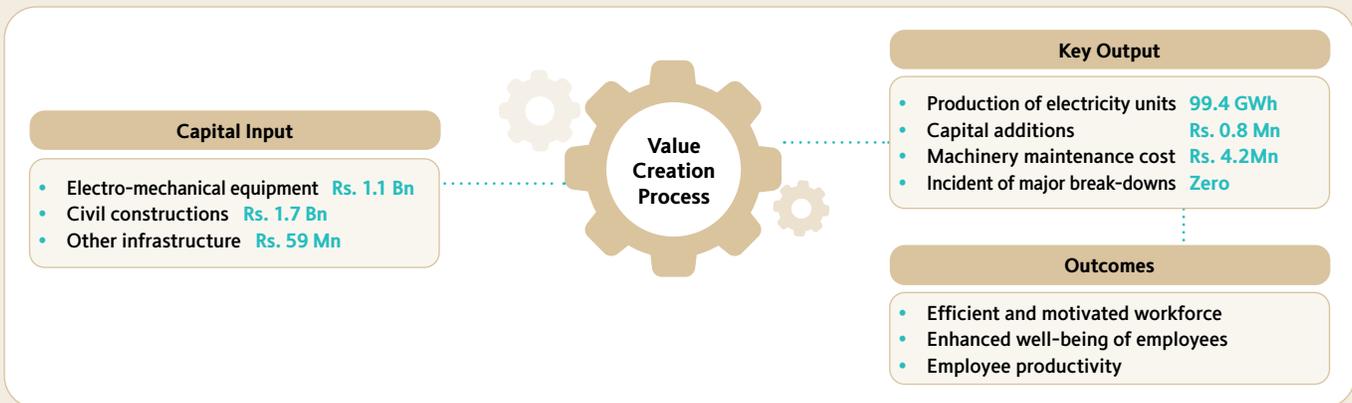


Top- of- the- range manufactured capital is essential for creating value in the hydropower industry because it improves generation efficiency, reduces downtime and, as a generator of green energy, contributes to the sustainability of the nation. This enhances the overall productivity of the business and ensures a smooth operation well into the future.

OUR APPROACH

We understand the critical importance of manufactured capital in the mini hydropower business and have expended nearly half of our project cost on technologically advanced electro-mechanical equipment for our three mini hydropower projects. A substantial portion of the balance half of the Company’s investment is in civil constructions.

We ensure that the electro mechanical equipment we have invested in is cutting- edge and conforms to all relevant manufacturing and environment standards, regulations and guidelines pertaining to hydro mechanical equipment. Experienced and qualified in-house technical teams ensure the equipment functions at optimum efficiency during 24 hours.



SDG IMPACT LINKED



GROUP'S MANUFACTURED CAPITAL BASE

Environmental guidelines were followed when designing and constructing the capital assets and their supporting infrastructure to ensure that they function in a manner that minimises their environmental impacts, both at the construction stages as well as when the power plants is in operation.

The Company has three projects, Erathna, Denawaka Ganga and Kiriwaneliya that are equipped with high efficiency high-tech electromechanical equipment made and supplied by world renowned hydropower equipment manufacturers in Europe, Asia and Sri Lanka, namely, Voith Seimens, Germany, Dongfeng Electric Corporation, China, and VS Energy, Sri Lanka. The civil constructions are also professionally designed to optimise power generation and minimise breakdown time. Cutting-edge power generation technologies are used in the state-of-the-art turbines, generators and control equipment to maximise energy yield. The infrastructure that supports the power plants- channels, weirs, forebay tanks, penstocks, turbines- was built to facilitate uninterrupted waterflow to and from the power plants.

	Electro-mechanical equipment (Rs.Mn)	Civil constructions (Rs.Mn)	Other infrastructure (Rs.Mn)	Total (Rs.Mn)
Erathna MHP	577.7	530.9	36.4	1,145.0
Denawaka Ganga MHP	234.4	685.2	6.6	926.2
Kiriwaenliya MHP	271.7	509.0	16.2	796.9
Total	1,083.8	1,725.1	59.2	2,868.1

EFFICIENT DEPLOYMENT OF ASSETS

Our technical team of experienced and qualified professionals maintains regular servicing schedules to ensure that the hydro electrical equipment functions at maximum capacity and efficiency at all times. The Company also maintains open lines of communication with the overseas manufacturers of our hydroelectric equipment, which assures us of their speedy response and inputs whenever necessary.



ADDITIONS TO MANUFACTURED CAPITAL

Upgrades to our manufacturing capital were very marginal this year as there was no special requirement for upgrading. However, the Company is constantly on the look-out for upgrades for its plants and the supportive infrastructure related to human welfare in order to improved efficiencies in all areas, whenever the need arises.

BREAK-DOWN MANAGEMENT

The Company has a clear line of reporting breakdowns. It is the responsibility of the respective plant in-charge officers to report the malfunction to the technical heads as and when it occurs, who keep the joint CEOs informed of the occurrence. Most routine breakdowns are repaired by the inhouse technical team, while some breakdowns are outsourced to third party professionals.

No major breakdowns occurred during this reporting year, although required upgrades were carried out throughout the year.

45 Hours
Plant break-down time
2020/21 – 29 Hours

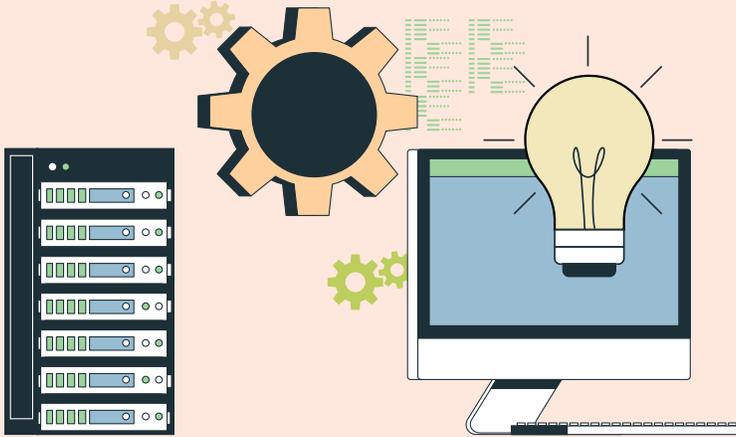
UPGRADE AND MAINTENANCES

All technical upgrades have been completed to date. Maintenance is carried out periodically according to the manufacturer's guidelines, and in addition, a maintenance check list is followed by the inhouse team on a daily, weekly, monthly, bi-annual and annual basis depending on the nature of the equipment. The on-site technical staff are responsible for regular maintenance.

RISK MITIGATION THROUGH INSURANCE

All manufactured assets of the business are insured at market value with reputed insurers against Fire, Business Interruption Electronic All Risk and Natural Disasters. The electronic equipment is additionally insured for Machinery Breakdown and Hazards.

Intellectual Capital

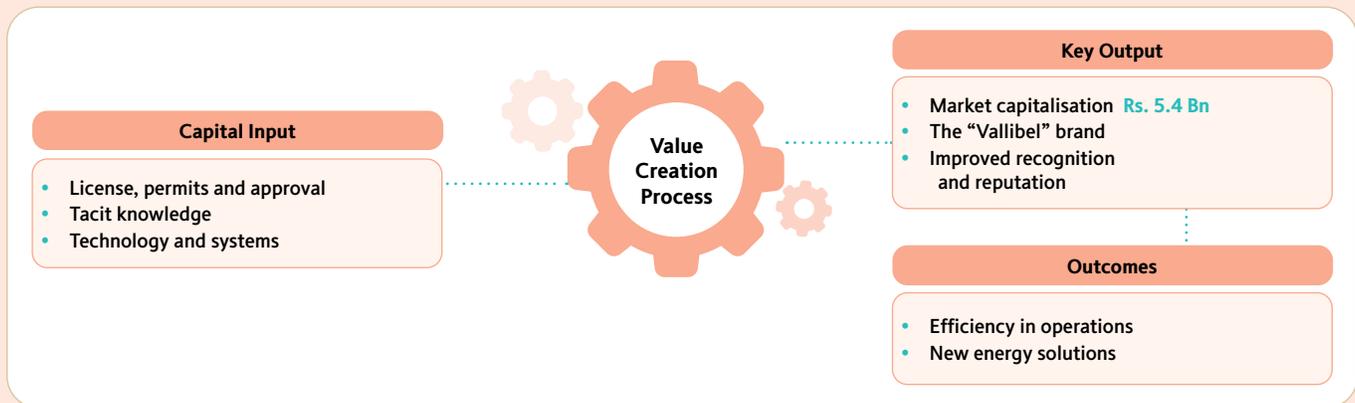


Intellectual capital is the intangible asset and is therefore not reflected in the Group’s financials fully. Nevertheless, it is the real driver of our business growth and creates non-monetised value for our stakeholders. This capital can be broadly defined as being the sum of all informational resources the Company has at its disposal that ultimately determine our market competitiveness.

OUR APPROACH

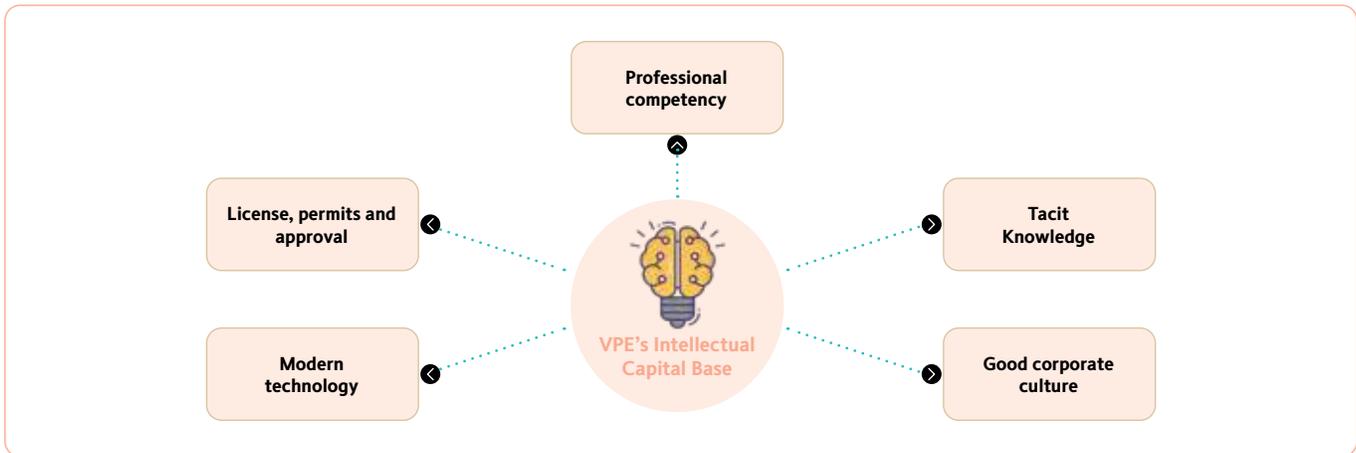
Our intellectual capital defines our corporate identity and is created by the value generated by the wealth of our accumulated industry knowledge, the ‘tacit knowledge’ of our employees, namely the knowledge, skills and training that our people bring to their jobs, the technologies, processes, systems and procedures we use, the licenses and permits we obtain to conduct our daily business activities, as well as the reputation and goodwill we have painstakingly built up with our stakeholders over the years. These make a cohesive whole within a corporate culture unique to us, and contribute substantially to our bottom line, and are, in turn, translated into economic value that we pass on to our shareholders.

We understand that our business success is determined by how we leverage our intellectual capital because this is a key capital that ensure the business stays sustainable well into the future. Having commenced business over two decades earlier, we have established our position as a leader in the mini hydropower sector. The many challenges we have overcome over the years confirm our resilience born out of an ability to innovate and move with the times, which are key capabilities and substantial deposits in our base of intellectual capital.



SDG IMPACT LINKED





LICENSE, PERMITS AND APPROVALS

Given the nature of our business, it is mandatory that we obtain several environmental and operational licenses, permits and approvals to conduct business activities in a transparent and ethical manner. These are determined as a valued non-tangible capital of the Company which create value for our stakeholders. We follow the stipulations of these permits stringently, and ensure that the relevant renewals are obtained in the specified time periods.

PROFESSIONAL COMPETENCY

The professionalism and educational competencies of our staff is vital for business success. Our Human Resource strategy has in place policies that ensure we hire the best human talent in the business. We build on their professionalism and competencies by providing our employees with many training opportunities to expand their work- related knowledge and both bridge identified gaps in skills and knowledge and optimise performance on-the-job, as well as to equip top performers with the skills necessary to climb the corporate ladder. We also lay importance on softs skills training to enhance their personal development.

TACIT KNOWLEDGE

This is the knowledge possessed by our staff at all levels of the business, and ranges from the industry experience, expertise and professionalism of the Chairman, Board of Directors and the management team, the professionalism and business knowledge of our executives, the competencies of our

non-executives, as well as the technical skills and experience of the workforce at our power plants. The skills and knowledge possessed by these diverse groups is extensive and comprehensive because it comprises vital expertise on every aspect of our business, built up over two decades of our operations in the energy sector. It is therefore an invaluable and irreplaceable deposit in our knowledge repository. The technical knowledge and competencies of our inhouse teams of engineers and technicians, for example, has the capability to provide solutions to most technical issues in the power plants. It is their competency that enabled the three power plants to achieve higher plant factors than the industry benchmark. This enabled all three plants to operate at maximum efficiency, thereby generating the record revenue that the Company boasts of this year.

Our knowledge capital creates continuous value only because we have a record of very high employee retention and are therefore able to retain, develop and fine-tune this knowledge base in order to keep in step with evolving market needs and thereby attain sustainable business success.

USE OF MODERN TECHNOLOGY, SYSTEMS AND PROCEDURES

The technologies, systems, processes and procedures we have on board are the building blocks of our business, and are designed to contribute to our business strategy. We use state-of-the-art technologies to ensure that we stay abreast

of the latest developments in our industry, communicate better, and manage costs more efficiently. Systems and procedures as guidelines for enhancing our operations and controls for our financial and accounting systems. They provide confirmation that the Company does business within the framework of established legal and statutory requirements, and are reviewed systematically by independent professional third parties to ensure conformity with the regulations of the industry and with business goals.

VPE'S CORPORATE CULTURE

Our corporate culture is collaborative and performance- based. Our people share commonalities, and maintain strong bonds of loyalty and camaraderie, irrespective of caste and creed. We foster fellowship, and encourage a work-life based culture that includes staff events that encourage participation and interaction. We have also instituted several initiatives that reward, recognise and motivate employees to high performance. This approach creates considerable corporate value and contributes to the growth and success of the Company.

AWARDS AND ACCOLADES

VPE has been recognised and rewarded in a number of areas of achievement since inception, including for our business prowess, corporate reporting and environment sustainability initiatives. The current environment of business uncertainty precluded us from participating in awards processes during the year of review.



CHARTING THE COURSE OF SUSTAINABLE IDEAS

We believe in exploring new ways of generating power that ensures the well being of our surroundings.



Statement of Sustainability

Sustainability is the cornerstone of our corporate strategy, as we aim to deliver stable, long-term performance and profitability to all our stakeholders. We believe that sustainable development requires consistent and continuous stakeholder engagement, so have built a strong and resilient business by engaging our stakeholders at each stage of our business.

OUR APPROACH

Our sustainability strategy is underpinned by our core values of integrity, fair play and respect for people and the planet. These principles, together with the principles and processes introduced throughout the organisation, provide the blueprint of the way we do business and interact with the communities in which we live and work. Sustainability is core to all aspects of our operational activities. Since inception in 2001, we have worked to embed our sustainability commitment into our strategy, our business processes and decision-making.

OUR COMMITMENT TO SUSTAINABILITY

Our sustainability principles form the foundation of our business model and we strive to continuously expand and improve our standards with the aim of becoming a model of excellence in ESG practices. In addition to providing affordable, clean renewable energy to the grid, our sustainability goals aim at sustaining the overall well-being of our indigenous communities by supporting quality healthcare, infrastructure for essential services, and fostering economic growth through job creation and provision of quality education. We are also committed to preserving the pristine nature of the environment in the catchment areas of our projects, and have rigorously followed the Environment Policy we introduced from inception, as well as all regulations and standards imposed by the Central Environment Authority.

OUR IMPACT ON THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

We have clustered the SDGs according to the impact we can have on them.



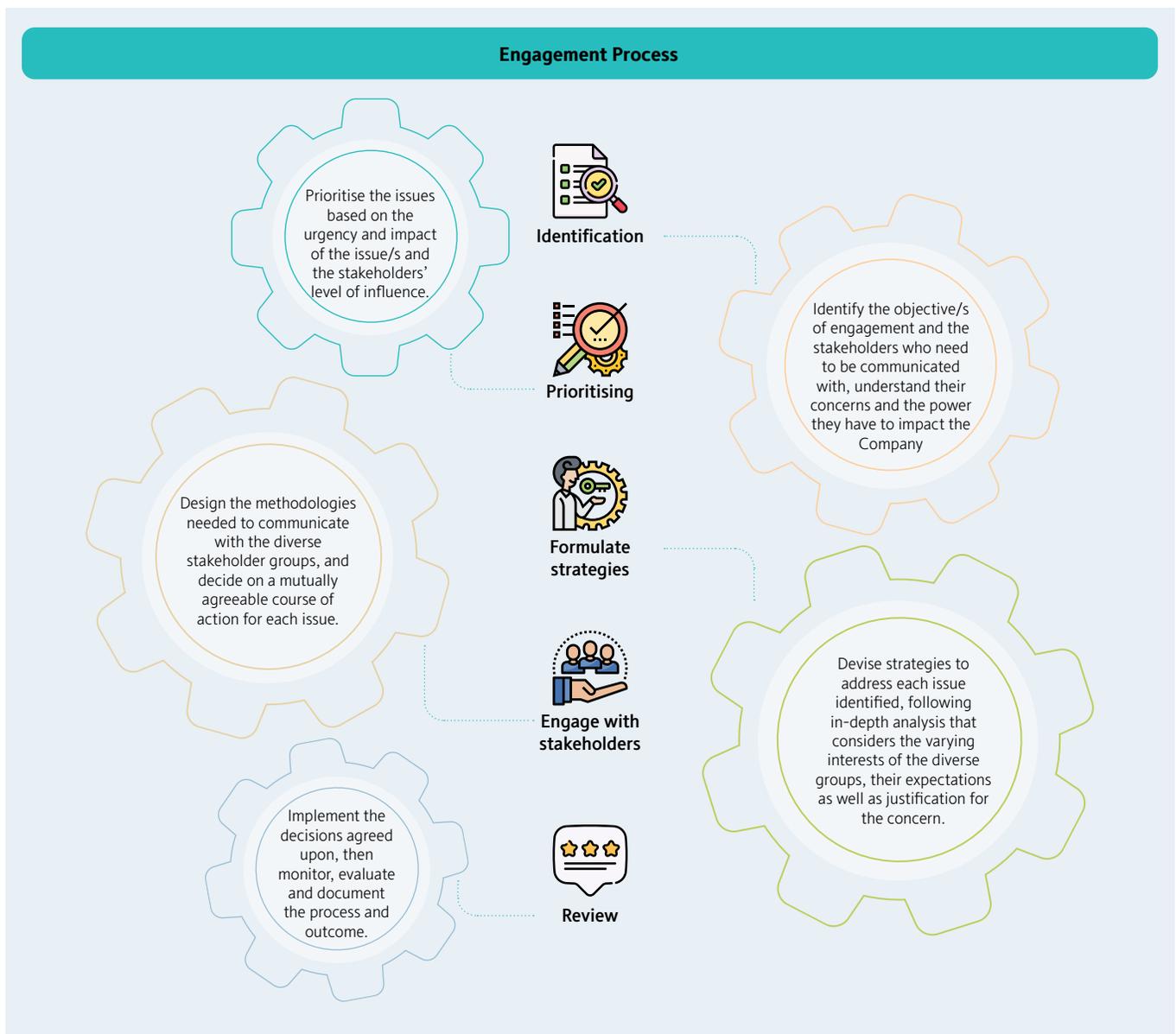
Stakeholders Engagement and Analysis

OUR APPROACH

Meaningful stakeholder engagement is vital for running the Company responsibly and for creating a win-win situation between us and the society in which we operate. By meaningfully engaging with our stakeholders, we listen to and understand their interests and concerns. This enables us to analyse their wants and needs and align them with the objectives and activities of the Company. This attitude of give and take has built trust and mutual respect over the years, which has been integral to the success of the Company's Corporate Responsibility and Sustainability initiatives.

Stakeholder engagement at VPE is a responsive two-way process that follows a structured five-tiered approach. It strives to understand the urgency of the issues that interest our stakeholders as well as their level of influence and the legitimacy of their concerns. This strategy has been critical to profiling and prioritising them as well as ascertaining their reactions to the course of action proposed by the Company, which has led to the adoption of mutually acceptable solutions for each issue.

GRI - 102 - 42



Stakeholders Engagement and Analysis

OUR STAKEHOLDERS

GRI - 102 - 40

Key stakeholder	Objective of engagement	Priority level	Link to the “Capital Management” reports
Shareholders	To maximise wealth creation and grow sustainably	●	 Financial capital
Ceylon Electricity Board	To meet the sole customer’s requirements and levels of satisfaction	●	 Social and Relationship capital
Community and Environment	To facilitate community well-being and promote a sustainable environment	●	 Social and Relationship capital
			 Natural Capital
Regulatory Bodies and Government	To comply with regulatory and legislative requirements	●	 Social and Relationship capital
Industry Bodies/Associations	To promote industry synergies collaboratively	●	 Social and Relationship capital
Employees	To provide a workplace conducive to their personal and professional well-being	●	 Human Capital
Bank and Financial Institutions	To meet the Company’s capital budgeting needs by accessing the best financial solutions	●	 Social and Relationship capital
Suppliers and Service Providers	To strengthen relationships that enhance the efficiency of the supply chain process	●	 Social and Relationship capital

Manage closely
 Keep satisfied
 Keep informed
 Engage when required

ENGAGING WITH STAKEHOLDERS

GRI - 102 - 43, 44

Shareholders 	Key concerns <ul style="list-style-type: none"> • Profit and growth • Wealth creation • Future prospects • Responsible corporate management • Sustainability aspects 	Mode of engagement <ul style="list-style-type: none"> • Quarterly Interim Financial Reports • Annual Report • Annual General Meeting • Dividend payouts • Corporate disclosures • Press releases • Open-door policy 	Frequency <ul style="list-style-type: none"> • Annually • Quarterly • As and when required
Value created for shareholders		<ul style="list-style-type: none"> • Improved share price and increased dividends • Well- maintained project assets 	
Customer/ Ceylon Electricity Board 	Key concerns <ul style="list-style-type: none"> • Matters relating to compliance with Standard Power Purchase Agreement (SPPA) • Monthly invoicing and settlements • NCRE Tariff • Routine operational matters 	Mode of engagement <ul style="list-style-type: none"> • Consultations on operational matters as and when required. • Compliance with provisions of the SPPA. • Monthly invoicing in accordance with the SPPA and obtaining due settlements 	Frequency <ul style="list-style-type: none"> • Regularly
Value created for customer		<ul style="list-style-type: none"> • Supplied 99.4 GWh of un-interrupted clean energy during the year • Built good rapport with senior CEB officials 	
Community and environment 	Key concerns <ul style="list-style-type: none"> • Sustainability aspects • Environmental effects • Corporate social responsibility initiatives 	Mode of engagement <ul style="list-style-type: none"> • Community meetings • Infrastructure development activities/ programmes • Sponsorships for community developments • Forest plantation programmes in the surrounding areas • Compliance with environmental regulations • Environmental impact mitigation and protection programmes • Hiring of employees from indigenous communities 	Frequency <ul style="list-style-type: none"> • Regularly
Value created for community and environment		<ul style="list-style-type: none"> • Jobs and business opportunities through host community procurement • Support of community development events, including education, health and well-being, environment and infrastructure 	
Regulatory bodies and Government 	Key concerns <ul style="list-style-type: none"> • Profitability and growth • Regulatory approvals and legal compliances • Sustainability aspects • Responsible corporate management 	Mode of engagement <ul style="list-style-type: none"> • Obtaining all required approvals and licenses • Payment of taxes and levies • Compliance with other periodical statutory requirements • Industry-level meetings 	Frequency <ul style="list-style-type: none"> • As and when required
Value created for Regulatory bodies and Government		<ul style="list-style-type: none"> • On-time payment of all relevant government levies, licenses and taxes • Supports the government policy of clean energy • In-country procurement of jobs and supplies 	

Stakeholders Engagement and Analysis

Industry bodies/associations 	Key concerns <ul style="list-style-type: none"> • Company performance • Quality and standards • Regulatory and legal compliance • Synergy with the industry 	Mode of engagement <ul style="list-style-type: none"> • Industry- related meetings • Obtain consultancies • Keep continuous dialogues with members 	Frequency <ul style="list-style-type: none"> • As and when required
Value created for industry bodies/associations		<ul style="list-style-type: none"> • Payment of annual subscriptions and establishment of strong professional relationships 	
Employees 	Key concerns <ul style="list-style-type: none"> • Remuneration • Profit and growth • Responsible corporate management • Occupational health and safety • Better work life balance • Career stability and future prospects 	Mode of engagement <ul style="list-style-type: none"> • Annual staff performance appraisals • Regular staff meetings • Involvement in negotiations when required • Training and workshops • Performance based salary increments and bonuses • Welfare • Team building activities and programmes 	Frequency <ul style="list-style-type: none"> • Regularly
Value created for Employees		<ul style="list-style-type: none"> • Paid competitive salaries with a strong performance-based component • Optimised business processes and operational efficiencies • Established a stringent safety and health environment to minimise the COVID-19 impact 	
Bank and financial institutions 	Key concerns <ul style="list-style-type: none"> • Project financing • Profitability and growth • Investment opportunities • Finance transactions 	Mode of engagement <ul style="list-style-type: none"> • Short term investments • Regular meetings, dialogues and interactions • Publishing of financial statements and annual reports 	Frequency <ul style="list-style-type: none"> • As and when required
Value created for banks and financial institutions		<ul style="list-style-type: none"> • Invested excess funds in short term investment products of banks and financial institutions. 	
Suppliers and service providers 	Key concerns <ul style="list-style-type: none"> • New business opportunities • Price and profitability • Settlements and credit periods • Reliability • Sustainable business practices 	Mode of engagement <ul style="list-style-type: none"> • Regular dialogue and interactions • Continuation of good procurement practices 	Frequency <ul style="list-style-type: none"> • As and when required
Value created for suppliers and service providers		<ul style="list-style-type: none"> • 78% of the total procurement spend is from in-country businesses • Built strong relationships by complying with their payment terms 	

The development of meaningful relationships with our stakeholders has added substantial value to the Company's operations by establishing an engagement process based on common values and a shared vision. This has minimised business risk and enhanced opportunities to better understand the rapidly evolving PESTEL (Political, Economic, Social, Technological, Environment and Legal) environment that impact the Company's continuity and success.

It is therefore imperative that we make a detailed assessment of the topics that are material to our stakeholders' interests and which also impact the Company's performance in the dimensions of our triple bottomline, namely the social, environmental and financial sustainability framework within which we operate.

Assessment of Material Topics

OUR APPROACH

GRI - 102 - 46

To succeed as an organisation, we realise the need to identify, understand and manage our performance by considering the concerns of our stakeholders in all our business decisions. This is the compass we use for assessing our material topics, which ensures that we manage our value chain responsibly and are accountable for our actions. This also enables us to focus our internal resources on priority areas and understand the challenges that face the industry. In keeping with GRI guidelines, we revise and update our sustainability materiality assessment processes whenever necessary, and relate them to our business strategy. In this way, we equip ourselves to better inform our investors, communities, regulators and other key stakeholders on the impacts, risks and opportunities of our business on the people, the planet and governance mandates.

Process

Ours is a straightforward process that identifies, assesses and weighs the different stakeholder interests against the Company's priorities. Stakeholder concerns are defined as being high, medium or low against set criteria based on whether the stakeholder can

a) significantly impact our business' ability to create corporate value,

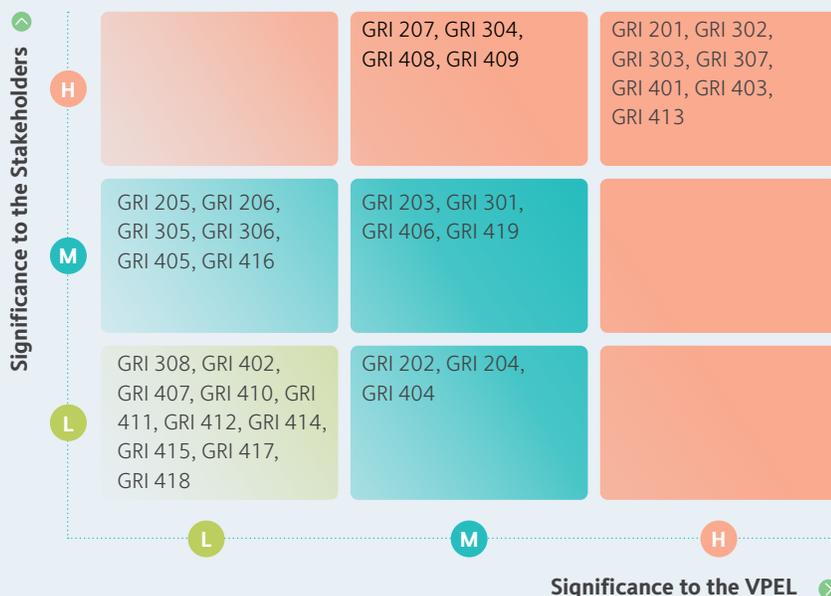
b) represents a substantial group with a legitimate concern based on the impact of the issue,
c) whether the topic can be quantitatively or qualitatively assessed.

We then set the priorities that underpin our strategy, commitment and reporting through a structured materiality analysis process.



Materiality matrix

The results of this analysis are mapped in the Company's materiality matrix, which helps identify and define the objectives to be included in the Company's Strategic and Sustainability plans and also defines the topics to be covered in the Sustainability Report. The topics with the highest priority for stakeholders and the biggest estimated impact on our business or on society are mapped out below. GRI topics shown in the top right corner of the circle are considered material and high priority.



The issues are classified into business, governance and social matters as well as environmental topics and represented by the priorities assigned by stakeholders (horizontal axis of the matrix) and the Company (vertical axis of the matrix).

Assessment of Material Topics

FOCUSING ON WHAT MATTERS MOST

GRI - 102 - 47

Economic				
What are the material topics to VPE?		Why it is material to us?	What we do about it?	How we measure what we do?
Topic	Corresponding GRI Standard	GRI - 103 - 1	GRI - 103 - 2	GRI - 103 - 3
Economic performance	GRI 201	<ul style="list-style-type: none"> Conducting an ethical business that considers the concerns of all stakeholders is of high materiality to us because it is only with their support are we able to generate the economic value that is determined by increased profitability, higher growth, an established reputation and market presence in the industry and country. 	<ul style="list-style-type: none"> Set goals and formulate strategies to improve performance over the achievements of the previous year Explore initiatives for contributing towards the sustainable growth of the industry and country as a whole. 	<ul style="list-style-type: none"> Internal evaluations based on targets and objectives, external evaluations via financial audits and third-party assurances on sustainable reporting. Internal mechanisms to evaluate regulatory compliance. Grievance mechanisms to address stakeholder concerns.
Market Presence	GRI 202			
Indirect Economic Impacts	GRI 203			
Procurement practices	GRI 204			
Anti - Corruption	GRI 205			
Anti-competitive	GRI 206			
Tax	GRI 207			

SDG Alignment



Capital reports linked

- Financial Capital Report Page 38
- Social and Relationship Capital Report Page 53

Environmental

Environmental				
What are the material topics to VPE?		Why it is material to us?	What we do about it?	How we measure what we do?
Topic	Corresponding GRI Standard	GRI - 103 - 1	GRI - 103 - 2	GRI - 103 - 3
Materials	GRI 301	<ul style="list-style-type: none"> Water availability is critical to our business of generating electricity, so preserving the integrity of the environment that sustains these water resources is of high materiality to us. 	<ul style="list-style-type: none"> Policies and measures to promote a circular economy in which materials are recycled and re-used, waste is disposed of responsibly, and the use of contaminants is reduced 	<ul style="list-style-type: none"> Periodic review of activities to ensure compliance with sustainability standards, environment legislation, national policies, relevant multilateral agreements as well as local environment awards Accolades received for conformity with sustainability standards.
Energy	GRI 302			
Water	GRI 303			
Biodiversity	GRI 304			
Emissions	GRI 305			
Effluents and Waste	GRI 306			
Environmental Compliance	GRI 307			

SDG Alignment



Capital reports linked

- Natural Capital Report Page 45

Social				
What are the material topics to VPE?		Why it is material to us?	What we do about it?	How we measure what we do?
Topic	Corresponding GRI Standard	GRI - 103 - 1	GRI - 103 - 2	GRI - 103 - 3
Employment	GRI 401	<ul style="list-style-type: none"> The well-being of both our employees and the local communities living in the catchment areas of our projects, are of high materiality to us because the former group achieves our goals and objectives, while the latter gives us the social license to operate 	<ul style="list-style-type: none"> A work environment that incentivises employees to give the best to their jobs, by providing them with T & D opportunities that fulfil personal and professional aspirations, and health and safety measures that safeguard their well-being, in line with industry standards and local and international labour laws Developing a reciprocal relationship with the communities by providing them with a range of benefits that elevate their living standards, as well as employment at our power plants. 	<ul style="list-style-type: none"> Annual Performance Appraisals that address employee concerns and remedy competency gaps. Employee Engagement surveys that assess employees' job satisfaction. Regular safety drills and checks on fire and safety Grievance mechanisms that address the concerns of employees and the communities A transparent evaluation system that assesses our business activities and ascertains their impact
Occupational Health and Safety	GRI 403			
Training and Education	GRI 404			
Diversity and Equal Opportunity	GRI 405			
Non-Discrimination	GRI 406			
Child Labour	GRI 408			
Forced or Compulsory Labour	GRI 409			
Local Communities	GRI 413			
Customer health and Safety	GRI 416			
Socioeconomic Compliance	GRI 419			

SDG Alignment



Capital reports linked



Independent Assurance Report on Sustainability Reporting



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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

Independent Assurance Report to the Board of Directors of Vallibel Power Erathna PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2021/22

SCOPE

We have been engaged by the management of Vallibel Power Erathna PLC (“the Company”) to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the sustainability reporting criteria presented in the Integrated Annual Report for the year ended 31 March 2022 (the “Report”).

- Reasonable assurance on the information on financial performance as specified on page 44 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards: Core option.

CRITERIA APPLIED BY VALLIBEL POWER ERATHNA PLC

The sustainability reporting criteria presented in the Report has been prepared in accordance with The Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines, publicly available at GRI’s global website www.globalreporting.org.

This Report has been prepared in accordance with the GRI Standards: Core option (the “criteria”).

VALLIBEL POWER ERATHNA PLC’S RESPONSIBILITIES

Vallibel Power Erathna PLC’s management is responsible for selecting the criteria, and for presenting the Report in accordance with the said criteria, in all material respects.

This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to support the sustainability reporting process of the Report, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG’S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Report in accordance with the GRI Standards: Core option based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with Vallibel Power Erathna PLC in the engagement letter dated 20 May 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be

made to the Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

OUR INDEPENDENCE AND QUALITY CONTROL

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D M Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangalagama FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Saleewani FCA N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudan ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCA FCMA

A member firm of Ernst & Young Global Limited



DESCRIPTION OF PROCEDURES PERFORMED

We performed our procedures to provide an independent assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance Indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our

procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- Perform a comparison of the content of the Report against the Global Reporting Initiative (GRI) - GRI Standards guideline.
- Interviewing relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Review and validation of the information contained in the Report.
- Check the calculations performed by the organisation on a sample basis through recalculation.
- Advice, make recommendations and suggestions on the Sustainability Reporting indicators to improve the presentation standard.
- Independently review the content of the Report and request changes if required.
- Express an independent assurance conclusion on the performance indicators presented in the Sustainability Reporting criteria.

EMPHASIS OF MATTER

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

RESTRICTED USE

This report is intended solely for the information and use of Vallibel Power Erathna PLC and is not intended to be and should not be used by anyone other than the specified party.

CONCLUSION

Based on our procedures and the evidence obtained, we conclude that:

- The information on financial performance as specified on page 44 of the Report is properly derived from the audited financial statements of the Company for the year ended 31 March 2022.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from the GRI Standards: Core option.

Chartered Accountant
Colombo

25 May 2022

GRI Standards Content Index

Global Reporting Initiative (GRI) Content Index - “In Accordance” - Core

GRI - 102 - 54, 55

GRI Standard Disclosures		Reference in the Report	Page number(s) of Reference
General Disclosures			
Organisational profile			
102-1	Name of the organisation	Cover Page Corporate Information	Cover page IBC
102-2	Activities, brands, products and services	About Us	Page 06
102-3	Location of headquarters	Corporate Information	IBC
102-4	Location of operations	About Us	Page 07
102-5	Ownership and legal form	Corporate Information	IBC
102-6	Markets served	Social and Relationship Capital	Page 54
102-7	Scale of the organisation	About Us Financial Year 2021/22 - At a Glance	Page 07 Page 11
102-8	Information on employees and other workers	Human Capital	Page 62
102-9	Supply chain	Social and Relationship Capital	Page 55
102-10	Significant changes to the organisation and its supply chain	Investor Information Social & Relationship Capital	Page 159 Page 55
102-11	Precautionary principle or approach	Natural Capital	Page 47
102-12	External initiatives	About this Report	Page 04
102-13	Membership of associations	Social and Relationship Capital	Page 56
Strategy			
102-14	Statement from senior decision-maker	Chairman's Statement	Page 14
102-15	Key impacts, risks, and opportunities	Risk Management Operational Review	Page 34 Page 26
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	About Us Human Capital	Page 06 Page 61
Governance			
102-18	Governance structure	Corporate Governance	Page 92
102-22	Composition of the highest governance body and its committees	Corporate Governance	Pages 94, 95
102-23	Chair of the highest governance body	Corporate Governance	Page 97
102-24	Nominating and selecting the highest governance body	Corporate Governance	Page 98
102-35	Remuneration policies	Corporate Governance	Page 99
102-36	Process for determining remuneration	Corporate Governance	Page 99
Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder Engagement and Analysis	Page 76
102-41	Collective bargaining agreements	Human Capital	Page 60
102-42	Identifying and selecting stakeholders	Stakeholder Engagement and Analysis	Page 75
102-43	Approach to stakeholder engagement	Stakeholder Engagement and Analysis	Pages 77 - 78
102-44	Key topics and concerns raised	Stakeholder Engagement and Analysis	Pages 77 - 78

GRI Standard Disclosures		Reference in the Report	Page number(s) of Reference
Reporting practice			
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statements About Us	Page 123 Page 06
102-46	Defining report content and topic boundaries	About this Report	Page 04
102-47	List of material topics	Assessment of Material Topics	Pages 80 - 81
102-48	Restatements of information	About this Report	Page 04
102-49	Changes in reporting	About this Report	Page 04
102-50	Reporting period	About this Report	Page 04
102-51	Date of most recent report	About this Report	Page 04
102-52	Reporting cycle	About this Report	Page 04
102-53	Contact point for questions regarding the report	About this Report	Page 05
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	Page 04
102-55	GRI content index	GRI Standards Content Index	Pages 84 - 89
102-56	External assurance	Independent Assurance Report on Sustainability Reporting	Pages 82 - 83
Topic-specific Standards			
Economic			
GRI 201: Economic performance			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics Financial Capital	Page 80 Page 38
103-3	Evaluation of the management approach	Assessment of Material Topics Financial Capital	Page 80 Page 38
201-1	Direct economic value generated and distributed	Financial Capital	Page 44
201-3	Defined benefit plan obligations and other retirement plans	Notes to the Financial Statements	Page 146
GRI 202: Market Presence			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics Human Capital	Page 80 Page 64
103-3	Evaluation of the management approach	Assessment of Material Topics Human Capital	Page 80 Page 64
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Human Capital	Page 64
GRI 203: Indirect Economic Impacts			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics Social and Relationship Capital	Page 80 Page 57
103-3	Evaluation of the management approach	Assessment of Material Topics Social and Relationship Capital	Page 80 Page 57
203-1	Infrastructure investments and services supported	Social and Relationship Capital	Page 57
203-2	Significant indirect economic impacts	Financial Capital Human Capital	Page 44 Page 62
GRI 204: Procurement practices			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics Social and Relationship Capital	Page 80 Page 56
103-3	Evaluation of the management approach	Assessment of Material Topics Social and Relationship Capital	Page 80 Page 56

GRI Standards Content Index

GRI Standard Disclosures		Reference in the Report	Page number(s) of Reference
204-1	Proportion of spending on local suppliers	Social and Relationship Capital	Page 56
GRI 205: Anti - Corruption			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics	Page 80
		Social and Relationship Capital	Page 58
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 80
		Social and Relationship Capital	Page 58
205-1	Operations assessed for risks related to corruption	Social and Relationship Capital	Page 58
GRI 206: Anti-competitive Behavior			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics	Page 80
		Social and Relationship Capital	Page 58
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 80
		Social and Relationship Capital	Page 58
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Social and Relationship Capital	Page 58
GRI 207: Tax			
207-1	Approach to tax	Social and Relationship Capital	Page 57
207-2	Tax governance, control, and risk management	Social and Relationship Capital	Page 57
207-3	Stakeholder engagement and management of concerns related to tax	Social and Relationship Capital	Page 57
Environmental			
GRI 301: Materials			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics	Page 80
		Natural Capital	Page 50
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 80
		Natural Capital	Page 50
301-1	Materials used by weight or volume	Natural Capital	Page 50
301-2	Recycled input materials used	Natural Capital	Page 50
301-3	Reclaimed products and their packaging materials	Natural Capital	Page 50
GRI 302: Energy			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics	Page 80
		Natural Capital	Page 49
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 80
		Natural Capital	Page 49
302-1	Energy consumption within the organisation	Natural Capital	Page 49
302-2	Energy consumption outside the organisation	Natural Capital	Page 49
302-4	Reduction of energy consumption	Natural Capital	Page 49
GRI 303: Water and Effluent			
303-1	Interactions with water as a shared resource	Natural Capital	Page 47
303-2	Management of water discharge-related impacts	Natural Capital	Page 47
303-3	Water withdrawal	Natural Capital	Page 48
303-4	Water discharge	Natural Capital	Page 47
303-5	Water consumption	Natural Capital	Pages 47 - 48

GRI Standard Disclosures		Reference in the Report	Page number(s) of Reference
GRI 304: Biodiversity			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics	Page 80
		Natural Capital	Page 51
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 80
		Natural Capital	Page 51
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural Capital	Page 51
304-2	Significant impacts of activities, products, and services on biodiversity	Natural Capital	Page 51
GRI 305: Emissions			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics	Page 80
		Natural Capital	Page 48
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 80
		Natural Capital	Page 48
305-1	Direct (Scope 1) GHG emissions	Natural Capital	Page 48
305-2	Energy indirect (Scope 2) GHG emissions	Natural Capital	Page 48
305-5	Reduction of GHG emissions	Natural Capital	Page 48
GRI 306: Waste			
306-1	Waste generation and significant waste-related impacts	Natural Capital	Page 50
306-2	Management of significant waste-related impacts	Natural Capital	Page 50
306-3	Waste generated	Natural Capital	Page 50
GRI 307: Environmental Compliance			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 80
103-2	The management approach and its components	Assessment of Material Topics	Page 80
		Natural Capital	Page 52
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 80
		Natural Capital	Page 52
307-1	Non-compliance with environmental laws and regulations	Natural Capital	Page 52
Social			
GRI 401: Employment			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics	Page 81
		Human Capital	Pages 59, 64
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 81
		Human Capital	Pages 59, 64
401-1	New employee hires and employee turnover	Human Capital	Page 63
401-2	Benefits provided to full-time employees that are not provided to temporary or part time employees	Human Capital	Pages 64, 65
401-3	Parental leave	Human Capital	Page 65
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	Human Capital	Page 66
403-2	Hazard identification, risk assessment, and incident investigation	Human Capital	Page 66
403-3	Occupational health services	Human Capital	Page 66

GRI Standards Content Index

GRI Standard Disclosures		Reference in the Report	Page number(s) of Reference
403-4	Worker participation, consultation, and communication on occupational health and safety	Human Capital	Page 66
403-5	Worker training on occupational health and safety	Human Capital	Page 66
403-6	Promotion of worker health	Human Capital	Page 66
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Capital	Page 66
403-8	Workers covered by an occupational health and safety management system	Human Capital	Page 66
403-9	Work-related injuries	Human Capital	Page 66
403-10	Work-related ill health	Human Capital	Page 66
GRI 404: Training and Education			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics	Page 81
		Human Capital	Page 63
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 81
		Human Capital	Page 63
404-1	Average hours of training per year per employee	Human Capital	Page 63
404-2	Programmes for upgrading employee skills and transition assistance programmes	Human Capital	Page 63
404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital	Page 63
GRI 405: Diversity and Equal Opportunity			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics	Page 81
		Human Capital	Page 61
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 81
		Human Capital	Page 61
405-1	Diversity of governance bodies and employees	Human Capital	Page 62
		Corporate Governance	Page 94
GRI 406: Non-Discrimination			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics	Page 81
		Human Capital	Page 61
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 81
		Human Capital	Page 61
406-1	Incidents of discrimination and corrective actions taken	Human Capital	Page 61
GRI 408: Child Labour			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics	Page 81
		Human Capital	Page 61
103-3	Evaluation of the management approach	Assessment of Material Topics	Page 81
		Human Capital	Page 61
408-1	Operations and suppliers at significant risk for incidents of child labour	Human Capital	Page 61

GRI Standard Disclosures		Reference in the Report	Page number(s) of Reference
GRI 409: Forced or Compulsory Labour			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics Human Capital	Page 81 Page 61
103-3	Evaluation of the management approach	Assessment of Material Topics Human Capital	Page 81 Page 61
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Human Capital	Page 61
GRI 413: Local Communities			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics Social and Relationship Capital	Page 81 Pages 53, 58
103-3	Evaluation of the management approach	Assessment of Material Topics Human Capital	Page 81 Pages 53, 58
413-1	Operations with local community engagement, impact assessments, and development programs	Social and Relationship Capital	Page 58
413-2	Operations with significant actual and potential negative impacts on local communities	Social and Relationship Capital	Page 58
GRI 416: Customer Health and Safety			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics Social and Relationship Capital	Page 81 Page 54
103-3	Evaluation of the management approach	Assessment of Material Topics Social and Relationship Capital	Page 81 Page 54
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Social and Relationship Capital	Page 54
GRI 419 : Socioeconomic Compliance			
103-1	Explanation of the material topic and its boundary	Assessment of Material Topics	Page 81
103-2	The management approach and its components	Assessment of Material Topics Social and Relationship Capital	Page 81 Page 58
103-3	Evaluation of the management approach	Assessment of Material Topics Social and Relationship Capital	Page 81 Page 58
419-1	Non-compliance with laws and regulations in the social and economic area	Social and Relationship Capital	Page 58



CHARTING THE COURSE TO PEOPLE EMPOWERMENT

We are in business of supporting our people and fostering the ideas of leadership and self improvement.



Corporate Governance

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

As Chairman of the Board of Directors of Vallibel Power Erathna PLC, I endorse the exceptional standards of governance established by our Board of Directors, and affirm that the Board is committed to maintaining the highest standards of integrity and transparency in its governance of the Company.

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. We believe that compliance with these codes strengthens our Company's ability to grow profitably and deliver returns to our shareholders that also benefit our wider stakeholders. The Company views ethical behaviour as being a competitive advantage in building trust with our partners and attracting and retaining high-performing staff.

As Chairman, I am primarily responsible for setting the Group's strategy in conjunction with the Board and for ensuring effective Board operations. This includes ensuring that the Board continues to develop its corporate governance, in response to changes in official standards and public expectations. This is accomplished through full and timely discussions at board level as well as by developing and communicating appropriate policies within the Company.

My Board of Directors and I are committed to ensuring that VPEL's Corporate Governance structures remain robust and as such, continue to commit to reviewing and adapting the said structures to ensure conformity to changes in the governance agenda.

We operate in a sector that is declared an emergency service and as such, have geared operations to ensure responsiveness in the long-term. We uphold the Company's Code of Conduct and Ethics and confirm that awareness of the code, the process for monitoring, and the necessity for compliance, have been disseminated throughout the Company.

There have been no significant changes to the Company's Corporate Governance framework, nor have there been any violations of the provisions of its Code of Business Conduct & Ethics during the year.



Dhammika Perera
Chairman

25 May 2022

OUR APPROACH

The Company's corporate governance philosophy dictates our commitment to the values that enhance our wealth generating capacity and is designed to ensure a stable and continuous business. This commitment prompts us to manage our business affairs in a fair and transparent manner by taking ethical business decisions that gain and retain the trust of our stakeholders.

In a nutshell, our corporate governance philosophy frames the following principles:

- Corporate governance standards that go beyond the law to also satisfy the spirit of the law
- A simple and transparent corporate structure driven solely by business needs
- Transparency and maintenance of a high level of disclosure
- Frank and open external communication on how the Company is run internally
- Compliance with the laws of the country in which we operate

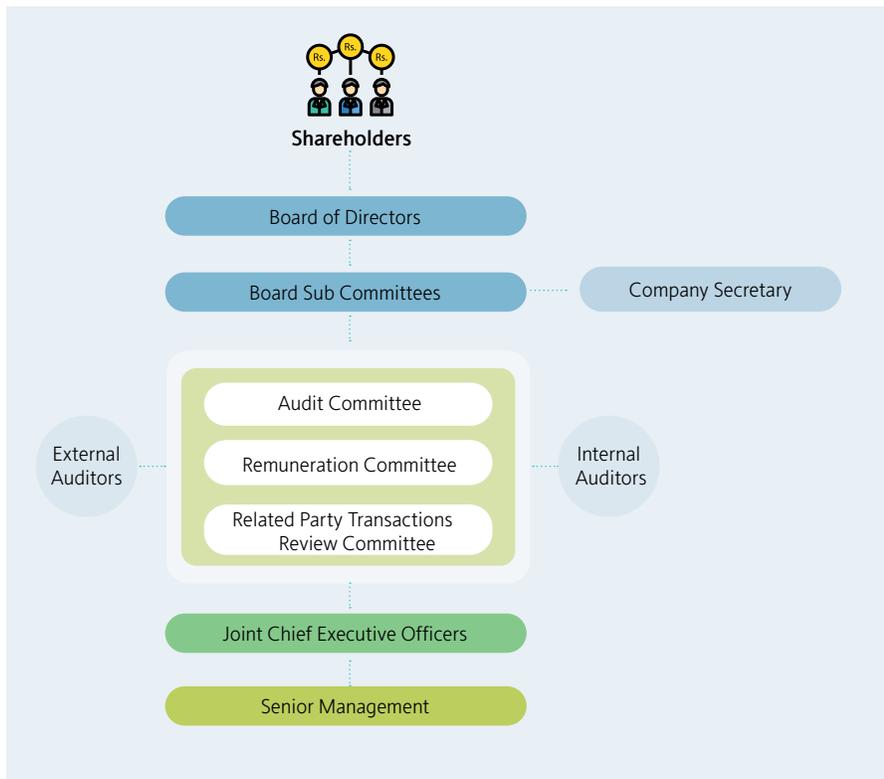
Accordingly, our Corporate Governance framework helps us evolve with the changing times as well as enables effective stakeholder engagement.

VPEL is cognisant of the fact that Corporate Governance is vital for attaining the Company's objectives, so every sphere of management activity, from action plans and internal controls, to performance measurement and corporate disclosures, is brought within its purview. These areas are strengthened by decision-making processes that clearly and equitably define responsibilities and accountability.

GOVERNANCE STRUCTURE

GRI - 102 - 18

VPEL has a two-tier management structure comprising a Board of Directors and Senior Management. The Board is responsible for the overall strategic management of the Company and supervises Company performance. The Senior Management has responsibility for the daily operations of the Company. The two bodies are separate in both functions and membership.



Significant risks are identified by the Board on an ongoing basis and appropriate procedures to evaluate and manage the risks identified are implemented.

Further details on the Company's Risk Management report are provided in the Risk Management report on pages 33 to 35.

APPOINTMENT OF DIRECTORS

The Company informs the Colombo Stock Exchange (CSE) of the appointment of all new Directors to the Board. A background document on the new Director is also provided to the CSE which includes details of the nature of the appointment, his/ her experience, areas of speciality, qualifications and Board appointments held in other companies.

RE-ELECTION OF DIRECTORS

Directors are appointed by the Board and serve until the subsequent Annual General Meeting, at which one third of the Directors are eligible for re-election by the shareholders. Board members cease to be directors of the Company when they reach 70 years.

BOARD COMMITMENT

The Board of Directors of VPEL is committed to maintaining the highest standards of integrity and transparency in its governance of the Company. In so doing, it is guided by the Code of Best Practice and the most recent principles of Corporate Governance.

The Board of Directors recognises the importance of a comprehensive system of corporate governance and internal controls, and works towards continuously improving the quality of Corporate Governance in the Company.

BOARD COMPOSITION

The Board of Directors conducts the affairs of the Company based on its diverse industry knowledge and experience, and ensures that its composition is appropriate for the effective execution of its responsibilities.

The Company believes that Board independence is essential to bring objectivity and transparency to the Management and to the dealings of the Company.

COMPLIANCE SUMMARY

VPEL operates within an Integrated Governance framework with due consideration being given to the following principles and codes:

Principle/Codes	Observance
The Companies Act No.7 of 2007 and regulations	Mandatory provisions
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars	Mandatory provisions
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions

The Company is also in compliance with the following Internal Benchmarks and Procedures.

- Recruitment and selection policies
- Article of Association of the Company
- Standard Operating Procedures
- Information technology framework, policies, and procedures
- Human resources policies and procedures

RISK MANAGEMENT

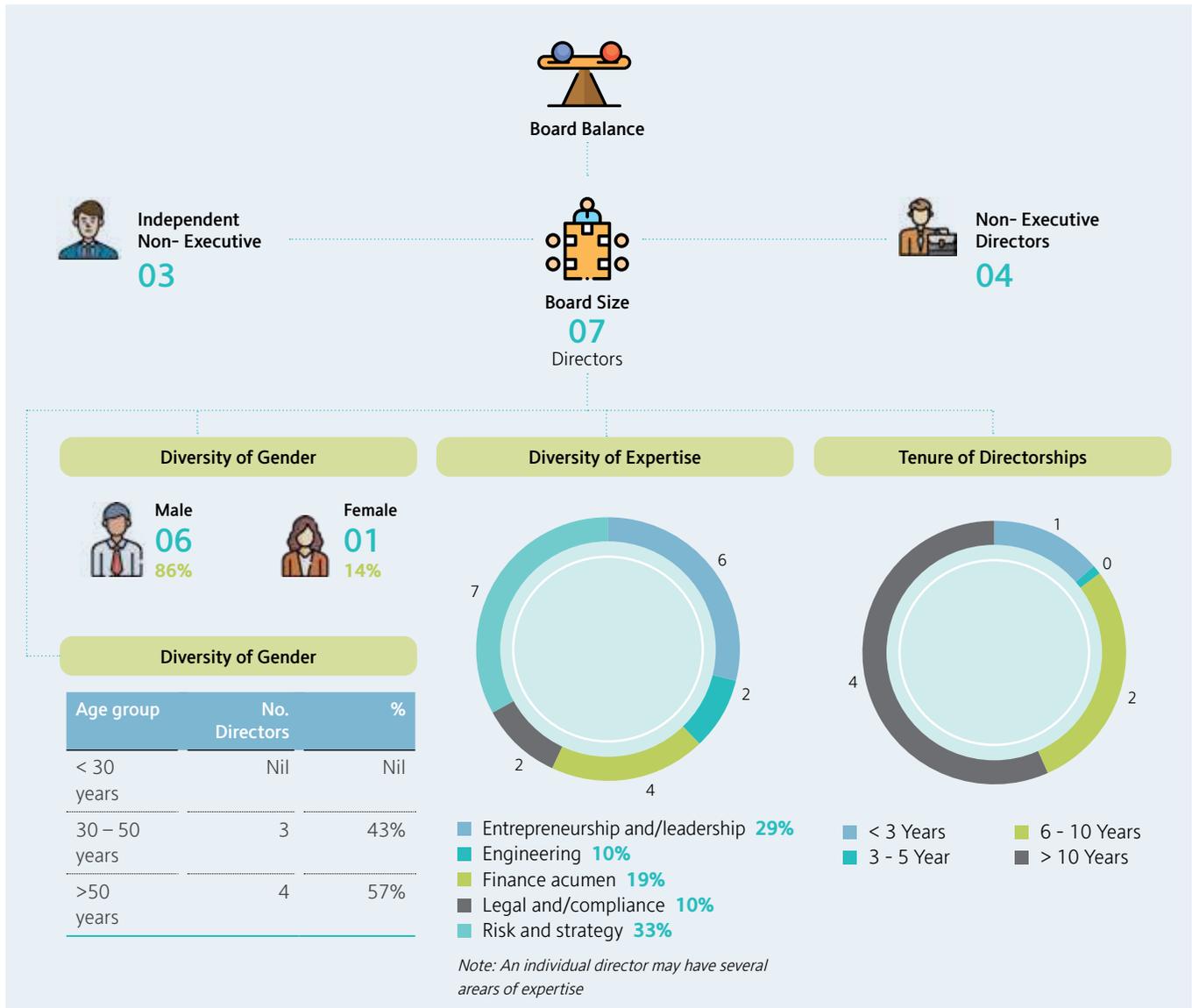
Effective risk management is central to the Company's success. The Board continuously reviews and strengthens the processes that the Company has put in place to identify and record operational and regional risk.

Corporate Governance

As such, the Board comprises three independent non-executive directors and four non-executive directors of which the Chairman is also a non-executive director while one senior independent non-executive director serves as the Deputy Chairman. This composition ensures an appropriate balance of power and authority among the various functions.

All our Board members have extensive experience in areas pertinent to the execution of the Company’s strategy. They remain professionally active, motivated and willing to broaden and deepen their knowledge, which are strengths that ensure the Company’s continuity well into the future.

GRI - 102-22, 405-1



BOARD FUNCTIONS

Over the years, the Board has developed and fine-tuned corporate governance guidelines, provided a framework for the manner in which the Board functions as well as discharges the Company’s corporate responsibility towards our stakeholders. The guidelines establish a solid foundation for management and oversight, and provide the necessary authority and processes to review and evaluate our operations as and when required, and allow the Board to make decisions that are independent of the Management.

The guidelines are in line with the Company’s core values of integrity, professionalism, respect for the individual and results orientation.

This framework for management and oversight is designed to:

- Enable the Board to provide strategic guidance for the Company
- Clarify the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and management accountability to both the Company and its shareholders
- Ensure a balance of authority

The Board meets quarterly to review the Company's operations and takes responsibility for:

Area of responsibility	Board oversight on responsibility
Strategic responsibility	<ul style="list-style-type: none"> • Formulation of policies • Input into and final approval of the Company's corporate strategy including new capital investments and performance objectives • Monitoring senior management's performance and implementation of the corporate strategy and ensuring appropriate resources are available to enable implementation
Financial responsibility	<ul style="list-style-type: none"> • Approving and monitoring financial and other reporting • Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures • Approving financial facilities whenever is required
Compliance and control responsibility	<ul style="list-style-type: none"> • Oversight of the Company, including its control and accountability systems • Reviewing and ratifying risk management and internal compliance and control systems, codes of conduct and legal compliance • Updating and maintaining organisational rules and policies to keep in step with changes in the power sector

The Board meetings held during the year and Directors' attendance are as below.

Board Meetings				
Members	No. of Meetings			
Mr. K D D Perera	✓	✓		
Mr. S H Amarasekera	✓	✓	✓	✓
Mr. P K Sumanasekera	✓			
Mr. H Somashantha	✓	✓	✓	✓
Mr. S Shanmuganathan	✓	✓	✓	✓
Mr. C V Cabraal	✓	✓	✓	✓
Ms. Y Bhaskaran	✓	✓	✓	

Total meetings held during the year = 4

BOARD SUB-COMMITTEES

GRI - 102 - 22

The Board has appointed sub-committees to discharge its functions, which serve as oversight mechanisms for enhancing the Board's monitoring of compliance and risk management. VPEL has three Board Committees, namely the Audit Committee, Remuneration Committee, Related Party Transaction Review Committee, each has its own terms of reference and is mandated by the Listing Rules of the Colombo Stock Exchange and meets all prescribed criteria of the Rules. All three

committees comprise Non-Executive Directors and a senior independent director is nominated as the chairperson of each committee. Sufficient resources are provided to enable the board committees to undertake their specific roles.

Audit Committee

Primary object				
Monitor the integrity of the financial performance reporting, internal controls, compliance with legal and statutory requirements and ensure the external auditor's independence				
Meetings				
Members	Attendance			
Mr. S H Amarasekera	✓	✓	✓	✓
Mr. P K Sumanasekera	✓			
Mr. H Somashantha	✓	✓	✓	✓
Mr. S Shanmuganathan	✓	✓	✓	✓
Ms. Y Bhaskaran	✓	✓	✓	

Total meetings held during the year = 4

Remuneration Committee

Primary object				
Make recommendations to the Board on the remuneration policy for chief executives and Employee benefit schemes				
Meetings				
Members	Attendance			
Mr. S H Amarasekera				✓
Mr. Dhammika Perera				✓
Mr. P K Sumanasekera				✓

Total meetings held during the year = 1

Related Party Transactions Review Committee

Primary object				
Make recommendations to the Board on the remuneration policy for chief executives and Employee benefit schemes				
Meetings				
Members	Attendance			
Mr. S H Amarasekera	✓	✓	✓	✓
Mr. S Shanmuganathan	✓	✓	✓	✓
Mr. C V Cabraal	✓	✓	✓	✓

Total meetings held during the year = 4

Corporate Governance

The committees work in accordance with an annual work plan with fixed agenda items following key events of relevance to the annual financial reporting cycle. In addition, the committees request topics to be discussed on their meetings from time to time.

SHAREHOLDER COMMUNICATION

The Company considers effective communication with shareholders as being essential to enable them to make have a clear assessment of company performance, understand the value of their investment

and ensure the accountability of the Board of Directors. Clear, accurate and timely communication is provided to shareholders on the Company's financial performance and future growth prospects through a range of channels, in a strategy of fair disclosure is adopted here. Major means of communication with shareholders of the Company are the Annual General Meetings, Annual Reports; Interim Financial Statements; Press releases and announcements to the Colombo Stock Exchange; social media platforms The Company website also includes

dedicated Investors Relations as well as Corporate Governance pages, which are reviewed regularly.

Shareholders are also provided with the facility of sending their enquiries and concerns to the Board in writing, through the Company Secretary.

All relevant information can be accessed on the VPEL website: [www.http://vallibel-hydro.com/investor-relations/](http://vallibel-hydro.com/investor-relations/)

COMPLIANCE

The following table illustrates the requirements laid down by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and the extent to which the Company has complied with each requirement.

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. Attendance at these meetings are been set out in the table given below in this section.
A.1.2	Responsibilities of the Board	Complied	The Directors are responsible for: <ul style="list-style-type: none"> • The formulation and implementation of a sound business strategy through skilled and experienced Joint Chief Executive Officers and the management team; • Ensuring that effective systems are in place to secure the integrity of information, internal controls and business continuity • Ensuring the establishment of the Company's values and standards with emphasis on the adoption of appropriate accounting policies and fostering compliance with financial regulations; as well as • Fulfilling such Board functions as are vital, given the scale, nature and complexity of the business.
A.1.3	Compliance with the laws of the country and approval to obtain independent professional advice	Complied	The Board collectively, and the Directors individually, act in accordance with the Laws and Regulations of the country and the Company's policies. At any given 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, Messrs. P W Corporate Secretarial (Pvt) Ltd., are available to all members of the Board. They keep the Board informed of all new laws and revisions, regulations and requirements that are coming into effect and are relevant to them collectively as the Board and individually as Directors. Removal of the Secretary will be made at the Board's discretion.
A.1.5	Independent judgment of Directors	Complied	All Directors bring independent judgment to issues of strategy, performance and resources including key appointments 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 the Company and Board are discharged. <p>Sufficient time is allocated 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, the Directors are able to familiarise themselves with business changes, operations, risks and controls which ultimately help them to satisfactorily discharge their duties and responsibilities to the Company.</p>

Section 01		The Company	
Code	Principle	Status	Level of Compliance
A.1.8	Training for new and existing Directors	Complied	An induction programme is in place for newly appointed Directors. In addition, Directors are encouraged to participate in continuous professional and self-development activities.
A.2	Chairman and Joint Chief Executive Officers (Jt. CEOs)		
A.2.1	Division of responsibilities of Chairman and Jt. CEOs	Complied	Two Joint Chief Executive Officers function at the highest executive position of the Company and 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 maintained.
A.3	Chairman's role GRI - 102 - 23		
A.3.1	Chairman's role	Complied	The Chairman is responsible for the efficient conduct of Board meetings and ensures <i>inter alia</i> , that: <ul style="list-style-type: none"> • The effective participation of all Directors is secured; • All Directors are encouraged to make an effective contribution within their respective capabilities, for the benefit of the Company; • The views of Directors on issues under consideration are ascertained; • The Board is in complete control of the Company's affairs and is alert to its obligations to all shareholders and other stakeholders. • The Chairman maintains close contact with all Directors
A.4	Financial acumen		
A.4.1	Financial Acumen	Complied	The Board includes two Chartered Accountants who possess the necessary knowledge and competencies to provide the Board with guidance on matters of finance. They serve as members of the Audit Committee as well. The other members of the Board have considerable experience in handling matters of finance, having served in senior capacities 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 including Chairman.
A.5.2	Independence of Non-Executive Directors	Complied	Three of the six Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules.
A.5.3	Independence of Non-Executive Directors	Complied	The profiles of the Non-Executive Directors reflect their calibre and confirm the weightage of their opinions during Board deliberations. All are independent of the management and free from any relationship that could affect their independent judgment.
A.5.4	Annual declaration of independence of Non-Executive Directors	Complied	Each Non-Executive Director has submitted declarations stating their independence or non-dependence 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 as being a fair representation of the basis for the determination given in the Code of Best Practices, and will continue to annually evaluate their independence on this basis. Brief resumes of all the Directors are available on pages 20 to 23. The Board believes that the Independency of Mr. S H Amarasekera, Mr. P K Sumanasekara and Mr. S Shanmuganathan is not compromised by serving on the Board for more than nine years.
A.5.6	Alternate Director	NA	There are no Alternate Directors as at 31/03/2022.

Corporate Governance

Section 01		The Company	
Code	Principle	Status	Level of Compliance
A.5.7	Senior Independent Director	NA	This does not arise as the Chairman does not perform the role of Chief Executive Officer.
A.5.8	Senior Independent Director's (SID) meetings with other Directors	NA	This is not required as the particular position is not available.
A.5.9	Chairman's meetings with Non-Executive Directors	NA	Separate meetings are not required since all Directors are Non-Executive Directors.
A.5.10	Recording of concerns in the Board Minutes	Complied	Concerns raised by the Directors that could not be unanimously resolved during the year, if any, were recorded in the Board Minutes.
A.6	Supply of Information		
A.6.1	Timely and appropriate information to the Board	Complied	The Management provides the Board with appropriate and timely information. In the event that the information provided by the Management is insufficient, the Directors are permitted to request more information. The Chairman ensures that all Directors are briefed adequately on issues arising at meetings.
A.6.2	Information provided in advance to the Board meetings	Complied	The Directors are provided with minutes, the agenda and the Board papers in advance to prepare and clearly comprehend the matters discussed or brought forward for consensus, to ensure an effective meeting.
A.7	Appointments to the Board		GRI - 102 - 24
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 its composition in order to assess whether potential candidates have the required mix of skills and experience that will add value to their deliberations.
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; <ul style="list-style-type: none"> • brief resume of the Director • nature of his expertise in relevant functional areas • names of the companies in which the Director holds directorships or memberships in Board Committees and • the 'independence' of such Director.
A.8	Re-election		
A.8.1 & A.8.2	Re-election of Directors	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 the Company's Articles, at each Annual General Meeting (AGM) one third of the Directors for the time being are subject to retirement by rotation and shall retire from office. Retiring Directors are generally eligible for re-election.

In accordance with this provisions, Mr. C V Cabraal and Ms. Y Bhaskaran retire and offer themselves for re-election at AGM.

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	Annual performance evaluation of the Board and its Sub Committees	Complied	The performance of the Board and Sub-Committee is evaluated annually on a self-assessment basis.
A.10	Disclosure of information in respect of Directors		
A.10.1	Disclosures about Directors	Complied	Information in relation to Directors is disclosed as given below. <ul style="list-style-type: none"> Name, qualifications, brief profile and area/ nature of expertise - (Refer pages 20 to 23 of this Report) Directors' interest in contracts (Refer page 151 - 153 of the Annual Report) Number of meetings of the Board and Committees held, attended, names of Committees in which the Director serves as Chairman or member (Refer page 95 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, the 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 according to pre-agreed performance targets.
B.	Directors' remuneration		
B.1	Remuneration procedure		GRI - 102 - 35, 36
B.1.1	Remuneration Committee	Complied	The Remuneration Committee makes recommendations to the Board within agreed Terms of Reference, based on the Company's framework of remunerating for 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 and is chaired by an independent Director. They are: Mr. S H Amarasekara (Chairman) Mr. K D D 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 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 related to the remuneration of Senior management executives and has access to professional advice provided in the discharge of their duties.
B.2	The level and make up of remuneration		
B.2.1 & B.2.2	Levels of remuneration for Senior Management Executives	Complied	The Remuneration package is designed to attract, retain and motivate the senior management needed to run the Company successfully. Such payment and benefits are in line with industry norms. The Committee ensures that the remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
B.2.3	Positioning Company remuneration levels relative to other companies	Complied	The Remuneration Committee is sensitive to remuneration and employment conditions of other Group companies, especially when determining annual salary increases.

Corporate Governance

Section 01		The Company	
Code	Principle	Status	Level of Compliance
B.2.4	Performance related elements of remuneration for Senior Management Executives	Complied	Performance- based incentives have been determined to ensure that the total earnings of Senior Management Executives are aligned with the achievement of the objectives and budgets of the Company.
B.2.5	Executive share options	Complied	The Company does not have executive share option schemes.
B.2.6	Designing performance related Remuneration	Complied	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.7 & B.2.8	Compensation, commitments in the event of early termination and dealing with early termination	Complied	There are no provisions for compensation for early termination in the letter of contract. However, the Board of Directors could determine this on a case- by -case basis.
B.2.9	Levels of remuneration for Non-Executive Directors	Complied	The Remuneration Committee determines the levels of remuneration for Non-Executive Directors, taking into consideration the time, commitment and responsibilities of their role, as well as 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	The Remuneration policy is disclosed in the Remuneration Committee Report on page 106 of the Annual Report The total remuneration of the Directors is disclosed in Note 30.6 to the Financial Statements.
C	Relations with shareholders		
C.1	Constructive use of the AGM and conduct of General Meetings		
C.1.1	Use of proxy	Complied	The Company counts all proxies lodged on each resolution and the percentage of votes for and against each resolution.
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, particularly in relation to the adoption of the Report of the Board of Directors and the Financial Statements of the Company.
C.1.3	Response to queries at the Annual General Meeting	Complied	The Chairman ensures that the Chairman of the Sub- Committees are available to answer questions at the Annual General Meeting, if so required.
C.1.4	Notice of the Annual General Meeting and General Meetings	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.1.5	Procedures of voting at the Annual General Meeting	Complied	A summary of the procedures governing voting at the General Meetings is circulated to shareholders with every Notice of the General Meeting.
C.2	Communication with shareholders		
C.2.1 to C.2.7	Communication with shareholders	Complied	The Company disseminates information pertaining to its performance through the publication of the Interim Financial Statements and the Annual Report in a timely manner. Information is also communicated immediately to the Colombo Stock Exchange on any data considered price sensitive. Furthermore, e- publications are made available on the Company's web site. Shareholders have access to the Company Secretary to discuss or clarify any matter related to shareholder interests.

Section 01		The Company	
Code	Principle	Status	Level of Compliance
C.3	Major and material transactions		
C.3.1	Disclosure of Major Transactions to shareholders	Complied	There have been no transactions during the year of review that fall within the definition of “Major Transactions” as set out in the Companies Act No. 7 of 2007.
D	Accountability and audit		
D.1	Financial reporting		
D.1.1	Publishing of annual report including financial statements	Complied	The company present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.
D.1.2	Balanced and understandable information	Complied	The Board ensures that the quarterly and annual Financial Statements of the Company and Group are prepared and published in compliance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards (LKASs and SLFRSs) and the Rules of the Colombo Stock Exchange.
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 111 to 113 of this Annual Report which contain 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 114 of this Annual Report, and the Auditor’s responsibilities are set out in the ‘Independent Auditors’ Report’ on page 115 of this Annual Report.
D.1.6	Management Discussion and Analysis	Complied	The Declaration on internal controls is given on page 113 of the Annual Report. A comprehensive coverage of key initiatives undertaken during the year, the business model, capital management, stakeholder engagement, external impacts, internal performance, achievements and future outlook are available in this Report.
D.1.7	Summoning an EGM to notify serious loss of capital	Complied	The necessity for holding an Extraordinary General Meeting did not arise during the year of review but would be complied with if such situations were to arise.
D.1.8	Related party transactions	Complied	The Company has adequate mechanisms to record and disclose Related Party Transactions in accordance with the continuing Listing Rules of CSE. All transactions with parties related to the organisation are disclosed adequately and accurately on pages 151 to 153 of this report.
D.2	Internal control		
D.2.1	Directors to review internal controls	Complied	The Board, together with the Audit Committee, accepts responsibility for and reviews the risks faced by the Company and the effectiveness of the system of internal controls in place, on a quarterly basis.
D.2.2	Internal audit function	Complied	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work completed by them.
D.2.3	Review of effectiveness of the risk management and internal audit function	Complied	The Audit Committee carries out reviews of the process and effectiveness of risk management and internal controls, and documents same to the Board, and the Board takes responsibility for the disclosure of the Company’s system of internal controls.
D.2.4	Responsibility of Directors	Complied	Directors take responsibility for maintaining a sound system of internal controls. The Internal Control Statement as described in Schedule K is given on page 113 of this Report.
D.3	Audit committee		
D.3.1	Composition of Audit Committee	Complied	The Audit Committee consists of three (03) Independent Directors and one Non-Executive Director. The Chairman of the Committee is an Independent Director appointed by the Board.
D.3.2	Duties of the Audit Committee	Complied	The Audit Committee is responsible for reviewing the scope and results of the Audit and the effectiveness, independence and objectivity of the Auditors.

Corporate Governance

Section 01		The Company	
Code	Principle	Status	Level of Compliance
D.3.3	Terms of Reference of the Audit Committee	Complied	The Terms of Reference of the Audit Committee have been agreed on by the Board. This addresses the purpose of the Committee, its duties and responsibilities, including its scope and functions.
D.3.4	Disclosures of the Audit Committee	Complied	The list of members and disclosures are reported in the Audit Committee Report which is given on page 105 of this Report.
D.4	Code of business conduct and ethics		
D.4.1	Disclosure on presence of Code of Business Conduct and Ethics	Complied	A comprehensive Corporate Governance and Code of Conduct and Business Governance has been adopted by the Board. All Directors and key management personnel have declared compliance with the Code of Conduct and Business Governance.
D.4.2	Affirmation of Code in the Annual Report by the Chairman	Complied	The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics in this Annual Report
D.5	Corporate governance disclosures		
D.5.1	Disclosure of Corporate Governance	Complied	This Report from pages 92 to 104 sets out the manner and extent to which the Company has complied with the principles and provisions of relevant Codes.

Section 02		Shareholders	
Code	Principle	Status	Level of Compliance
E	Institutional Investors		
E.1	Shareholder Voting	Complied	All investors are invited to attend the Annual General Meeting and are free to make comments/suggestions on matters raised. The Company encourages dialogue with institutional investors and supports their right of using their votes at the AGM, based on the weightage they place on issues of concern to them.
E.2	Evaluation of governance disclosure	Complied	Institutional investors are encouraged to give due weight to all relevant factors brought to their attention when evaluating the Company's governance arrangements, particularly in relation to Board structure and composition.
F	Other investors		
F.1	Individual shareholders	Complied	Individual investors are encouraged to carry out adequate analyses or seek independent advice when making investing or divesting decisions.
F.2	Individual shareholders 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 way forward of the Company.

Section 02		Shareholders	
Code	Principle	Status	Level of Compliance
G	Sustainability Reporting		
G.1.1	Economic sustainability	Complied	The Company takes responsibility for the impact of it's strategies, decisions and activities on economic performance and how they are integrated throughout the organisation.
G.1.2	The environment	Complied	The Company adopts an integrated approach that takes into account the direct and indirect economic, social, health and environmental implications of it's decisions and activities, including pollution prevention, sustainable resource use, protection of environment and restoration of natural resources.
G.1.3	Labour practice	Complied	The Company has covered all policies and practices in relation to work performed by or on it's behalf .
G.1.4	Society	Complied	The Company has committed to support and build relationships with the community and strives for sustainable development which includes responsible public policy participation, fair competition and responsible community involvement.
G.1.5	Product Responsibility	Complied	The Company operates its hydro power plants subject to CEB regulations and guidelines given by the Standard Power Purchase Agreement. Appropriate safety measures have been put in place.
G.1.6	Stakeholder identification, engagement and effective communication	Complied	Internal and external stakeholder groups are identified in relation to the Company's sphere of influence, impact and implication. Communication with them is proactive and transparent. Communications with stakeholders include reporting on economic, social, and environmental issues which are relevant, material and comparable with past performance, and focus on substance over form.
G.1.7	Sustainable reporting and disclosure	Complied	Sustainable reporting and disclosure is formalised on a regular basis as part of the Company's reporting process. The Company's sustainability reporting is carried out based on GRI standards.

Corporate Governance

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 of the Company are Non-Executive Directors. (the total number of Directors is seven (07))
7.10.2	Independent Directors	Complied	Three (03) of the seven (07) Non-Executive Directors are independent. Each Non-Executive Director submits a signed and dated declaration of Independence 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. This is disclosed 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 97 of this Report.
7.10.3 (b)	Disclosure relating to Directors	Complied	The Board has determined that three (03) of the seven (07) 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 20 to 23 of this Report.
7.10.3 (d)	Disclosure relating to New Directors	Complied	Brief resumes of new Directors appointed have been provided to the CSE when required.
7.10.5 (a)	Composition of Remuneration Committee	Complied	Comprises three (03) 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 99 and Remuneration Committee Report on page 106.
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 99 and Remuneration Committee Report on page 106. The remuneration paid to the Directors is given in page 153 of this Report.
7.10.6 (a)	Composition of the Audit Committee	Complied	The Audit Committee consists of Three Independent Directors and one Non-Executive Director which includes 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 101 and Audit Committee Report on page 105 for the details of the functions of the Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Complied	Please refer the above table in relation to the Code of the Corporate Governance of SEC and CASL with reference D.3.1 on page 101 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 105 under section D.3.4 of the Code.

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

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

Brief profiles of each member are given on pages 20 and 23 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				Total
	28/05/2021	06/08/2021	09/11/2021	09/02/2022	
Mr. S H Amarasekera	✓	✓	✓	✓	4/4
Mr. P K Sumanasekera	-	-	-	✓	1/4
Mr. H Somashantha	✓	✓	✓	✓	4/4
Mr. S Shanmuganathan	✓	✓	✓	✓	4/4
Ms. Y Bhaskaran	✓	-	✓	✓	3/4

The Company Secretaries acts as the secretary to the Audit Committee. The two Joint Chief Executive Officers and the Accountant attend these meetings by invitation. The other officials of the Company attend the meetings by invitation on 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 Audits 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 2023, 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

25 May 2022

Other Members

PK Sumanasekera, S Shanmuganathan, H Somashantha, Y Bhaskharan

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 Sumanasekera	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

25 May 2022

Other Members

Dhammika Perera, P K Sumanasekera

Report of the Related Party Transactions Review Committee

COMPOSITION OF THE AUDIT COMMITTEE

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

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

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

ROLE OF THE COMMITTEE

The key duties of the committee;

- to develop a Related Party Transaction Policy as directed by the CSE and SEC and to recommend the adoption of same to the Board of Directors of the Company and its subsidiary,
- to review in advance all related party transactions prior to the 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
- to make appropriate disclosures on Related Party Transactions in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE

MEETINGS

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

Name of Director	Attendance and Meeting Dates				
	28/05/2021	06/08/2021	09/11/2021	09/02/2022	Total
Mr. S H Amarasekera	✓	✓	✓	✓	4/4
Mr. S Shanmuganathan	✓	✓	✓	✓	4/4
Mr. C V Cabraal	✓	✓	✓	✓	4/4

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

TASK OF THE COMMITTEE

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

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

DISCLOSURES

A detailed disclosure of the recurrent related party transactions entered into by the Company during the year under review is disclosed in Note 30 to the financial statements given in pages 151 to 153 of this report. There were no non-recurrent related party transactions during the year under review.

DECLARATION

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



S H Amarasekera
Chairman

Related Party Transaction Review Committee

25 May 2022

Other Members

S Shanmuganathan, C V Cabraal,



CHARTING THE COURSE TO A BRIGHTER FUTURE

We are transforming the nation and lives
through our essential work



Financial Calendar

FINANCIAL REPORTS

	Year 2021/22	Year 2020/21
Interim Financial Statements - 1st Quarter	06 August 2021	12 August 2020
Interim Financial Statements - 2nd Quarter	10 November 2021	05 November 2020
Interim Financial Statements - 3rd Quarter	10 February 2022	03 February 2021
Interim Financial Statements - 4th Quarter	25 May 2022	28 May 2021
Annual Report	07 June 2022	07 June 2021

DIVIDEND PAYMENTS

	Year 2021/22		Year 2020/21	
	Amount	Date	Rs. Per Share	Date
1st Interim Dividend	Cents 70	08 September 2021	Cents 40	25 August 2020
2nd Interim Dividend	Cents 35	15 March 2022	Cents 30	19 November 2020
3rd Interim Dividend	NA	NA	Cents 30	18 February 2021

	Year 2021/22	Year 2020/21
Annual General Meeting	30 June 2022	30 June 2021

ANNUAL FINANCIAL STATEMENTS

- 111 Annual Report of the Board of Directors on the Affairs of the Company
- 114 Statement of Directors' Responsibility
- 115 Independent Auditors' Report
- 118 Consolidated Statement of Profit or Loss
- 119 Consolidated Statement of Comprehensive Income
- 120 Consolidated Statement of Financial Position
- 121 Consolidated Statement of Changes in Equity
- 122 Consolidated Statement of Cash Flows
- 123 Notes to the Financial Statements

Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of Vallibel Power Erathna PLC have pleasure in presenting to the shareholders their Report together with the audited consolidated financial statements of the Company and its Subsidiary (collectively referred to as the Group) for the year ended 31st March 2022.

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, Jt.CEO’s Review and Operational Review on pages 14 to 32 of the Annual Report. This report forms an integral part of the Annual Report of the Directors.

SUMMARISED FINANCIAL POSITION

The summarized financial position of the Company is as follows:

As at 31st March	2022 Rs. '000	2021 Rs. '000
Retained earnings brought forward	552,317	744,313
Net profit for the year	702,908	855,129
Other comprehensive Income/(loss) recognized in the accumulated profit	5,178	(1,172)
Dividends	(784,465)	(1,045,953)
Retained earnings carried forward	475,938	552,317

The Financial Statements of the Company and the Group are given in pages 115 to 154

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.

INDEPENDENT AUDITORS’ REPORT

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

STATED CAPITAL

The Stated Capital as at 31st March 2022 was Rs. 1,174,365,278/- (2020/21 – 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 123 to 132 and are consistent with those of the previous period.

RESERVES

The reserves of the Company As at 31st March 2022 stand at Rs. 475,937,531/- (2020/21 – 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 24%.

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 made two interim dividend payments for the financial year 2021/2022 of Seventy Cents (Rs. 0.70) and Thirty Five Cents (Rs.0.35) per share which were paid on 08th September 2021 and 15th March 2022 respectively.

Annual Report of the Board of Directors on the Affairs of the Company

CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 551,407/- (2020/21-Rs. 1,103,065/-) details of which are given in Note 13 on page 136.

PROPERTY, PLANT & EQUIPMENT

The movement in property, plant and equipment of the Company are given in Note 13 to the Financial Statements.

SHAREHOLDINGS

As at 31st March 2022 there were 7,002 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 158 to 159 under Investor 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 20 to 23.

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. C V Cabraal and Ms. Y Bhaskaran 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 31/03/2022 and 31/03/2021 are as follows:

As at 31st March	2022	2021
Mr. K D D Perera	144,812,225	144,812,225
Mr. P K Sumanasekera	150,000	150,000
Mr. S H Amarasekera	30	30
Mr. H Somashantha	15,000	15,000
Mr. S Shanmuganathan	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 153.

LAND HOLDINGS

The Company and Subsidiary hold freehold lands, leasehold lands and state lands within the districts of Rathnapura and Nuwara Eliya. The details of the land holdings and building holdings are stated in the page 51 of this Annual Report.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2022 are given in Notes 15 and to the Financial Statements on page 140.

DONATIONS

During the year the Company and Subsidiary made donations amounting to Rs. 82,773/- (2020/21-Rs. 786,399/-) and Rs. 82,623/- (2020/21-Rs.1,027,179/-) respectively.

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 92 to104 of the Annual Report.

BOARD SUB COMMITTEES

The 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. 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 2022.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to give assurance, inter alia with regard to

the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

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

GOING CONCERN

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

EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Except for matters disclosed in Note 27 to the financial statements there are no any 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 2022 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 authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting. The amounts of Rs 931,403/- and Rs. 387,000/- are payable by the Company and Subsidiary respectively 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 10 to the Financial Statements on page 133.

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting appears on page 166 of this Report.

For and on behalf of the Board,



S H Amarasekera
Director



H Somshantha
Director



PW Corporate Secretarial (Pvt) Ltd

Secretaries

Colombo

25 May 2022

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 115 to 116.

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 118 to 154 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.

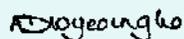
The Directors are required to prepare Financial Statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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

25 May 2022

Independent Auditors' Report



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 2022, 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 2022;
- 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 Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (“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.

*PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk*

Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Perera ACA, Ms S Hadgie FCA, N R Gunasekera FCA
T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda FCA, Ms W D A S U Perera ACA, Ms L A C Tillekeratne ACA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Independent Auditors' Report



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 2.17 and Note 13 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 lives, 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. 1,994 Mn, is substantial as at the statement of financial position date, which represents 65% 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.

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 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.

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 1581

Colombo

25 May 2022

Consolidated Statement of Profit or Loss

For the year ended 31 March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue from contracts with customers	6	365,362,011	292,529,302	1,322,265,167	1,076,977,605
Direct costs	10	(51,240,217)	(51,336,488)	(150,330,624)	(148,631,005)
Gross profit		314,121,794	241,192,814	1,171,934,543	928,346,600
Other income	7	541,389,586	788,264,017	471,100	21,485,338
Administrative expenses	10	(43,575,290)	(45,645,794)	(100,887,772)	(105,170,951)
Other operating expenses	10	(887,789)	(764,034)	(1,133,100)	(1,845,369)
Operating profit		811,048,301	983,047,003	1,070,384,770	842,815,618
Finance income	8	7,580,750	10,839,666	21,361,492	27,137,085
Finance costs	9	(305,761)	(323,804)	(4,492,106)	(4,604,376)
Finance income - net		7,274,989	10,515,862	16,869,386	22,532,709
Profit before income tax		818,323,290	993,562,865	1,087,254,156	865,348,327
Income tax expense	11.1	(115,415,447)	(138,433,639)	(232,462,321)	(243,351,984)
Profit for the period		702,907,843	855,129,226	854,791,835	621,996,343
Profit is attributable to:					
Owners of Vallibel Power Erathna PLC		702,907,843	855,129,226	764,975,197	552,073,258
Non-controlling interests		-	-	89,816,638	69,923,085
		702,907,843	855,129,226	854,791,835	621,996,343
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic / Diluted earnings per share	12	0.94	1.14	1.02	0.74
Dividend per share	26	1.05	1.00	1.05	1.00

The notes on pages 123 to 154 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit for the period		702,907,843	855,129,226	854,791,835	621,996,343
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit obligation	23	6,021,063	(1,541,658)	10,003,503	(2,970,020)
Deferred tax effect on the remeasurement of retirement benefit obligation	11.2	(842,949)	369,998	(1,400,490)	584,252
Other comprehensive income for the period, net of tax		5,178,114	(1,171,660)	8,603,013	(2,385,768)
Total comprehensive income for the period		708,085,957	853,957,566	863,394,848	619,610,575
Total comprehensive income for the period is attributable to:					
Owners of Vallibel Power Erathna PLC		708,085,957	853,957,566	773,139,822	549,842,896
Non-controlling interests		-	-	90,255,026	69,767,679
		708,085,957	853,957,566	863,394,848	619,610,575

The notes on pages 123 to 154 form an integral part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	13	716,113,287	746,936,516	1,994,118,758	2,072,808,765
Right-of-use assets	14	3,004,397	4,539,727	39,412,512	45,637,882
Investment in subsidiary	15.1	821,619,980	821,619,980	-	-
Intangible assets	16	4,909,782	5,194,407	54,918,537	65,559,829
Other non-current asset	17	-	-	4,500,000	4,500,000
Total non-current assets		1,545,647,446	1,578,290,630	2,092,949,807	2,188,506,476
Current assets					
Inventories	18	3,154,826	-	9,191,747	-
Trade and other receivables	19	186,976,860	273,153,349	789,437,277	576,713,645
Amount due from related parties	20	4,732,972	2,495,254	2,372,042	997,913
Cash and cash equivalents	21	103,027,542	66,279,924	155,986,053	296,637,846
Total current assets		297,892,200	341,928,527	956,987,119	874,349,404
Total assets		1,843,539,646	1,920,219,157	3,049,936,926	3,062,855,880
EQUITY					
Stated capital	22	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278
Retained earnings		475,937,531	552,316,791	1,301,976,505	1,313,301,901
Capital and reserves attributable to owners of Vallibel Power Erathna PLC		1,650,302,809	1,726,682,069	2,476,341,783	2,487,667,179
Non-controlling interests		-	-	235,675,553	224,789,541
Total equity		1,650,302,809	1,726,682,069	2,712,017,336	2,712,456,720
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	23	21,190,958	26,864,212	31,670,864	41,162,030
Deferred tax liabilities	24	96,253,848	99,781,158	127,487,877	131,524,504
Lease liabilities	14	1,684,984	3,245,078	41,125,081	46,368,298
Total non-current liabilities		119,129,790	129,890,448	200,283,822	219,054,832
Current liabilities					
Accruals and other payables	25	15,668,552	10,481,119	35,197,357	41,697,493
Lease liabilities	14	1,560,094	1,469,243	5,243,216	4,910,439
Current tax liabilities		56,878,401	51,696,278	97,195,195	84,736,396
Total current liabilities		74,107,047	63,646,640	137,635,768	131,344,328
Total equity and liabilities		1,843,539,646	1,920,219,157	3,049,936,926	3,062,855,880

The notes on pages 123 to 154 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



Russell De Zilva
Jt. CEO

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



Harsha Amarasekara
Deputy Chairman

25 May 2022

Consolidated Statement of Changes in Equity

Company	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 April 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 transactions with owners	-	(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
Profit for the period	-	702,907,843	702,907,843
Other comprehensive income	-	5,178,114	5,178,114
Total comprehensive income for the period	-	708,085,957	708,085,957
Transactions with owners in their capacity as owners:			
Interim dividend for financial year 2021/22	-	(784,465,218)	(784,465,218)
Balance as at 31 March 2022	1,174,365,278	475,937,531	1,650,302,809

Group	Stated Capital Rs.	Retained earnings Rs.	Non-controlling interests Rs.	Total Rs.
Balance as at 1 April 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	621,996,342
Other comprehensive income	-	(2,230,362)	(155,406)	(2,385,767)
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)	(363,366,903)
Interim dividends for the financial year 2020/21	-	(747,109,731)	(48,535,009)	(795,644,740)
Total transactions with owners	-	(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
Profit for the period	-	764,975,197	89,816,638	854,791,835
Other comprehensive income	-	8,164,625	438,388	8,603,013
Total comprehensive income for the period	-	773,139,822	90,255,026	863,394,848
Transactions with owners in their capacity as owners:				
Interim dividend for financial year 2021/22	-	(784,465,218)	(79,369,014)	(863,834,232)
Balance as at 31 March 2022	1,174,365,278	1,301,976,505	235,675,553	2,712,017,336

The notes on pages 123 to 154 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March	Note	Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash flows generated from operating activities					
Profit before income tax		818,323,290	993,562,865	1,087,254,156	865,348,327
Adjustments for					
Amortisation of intangible assets	10	284,625	284,625	10,641,292	10,641,292
Depreciation of right-of-use assets	10	1,535,329	1,179,324	5,892,669	4,924,178
Depreciation of property, plant and equipment	10	31,363,202	31,378,712	79,570,127	79,683,585
Provision for retirement benefits obligation	23	902,648	4,176,813	2,098,587	6,669,343
Dividend income and interest classified as investing cash flows	8	(350,234,991)	(772,713,809)	-	(2,679,044)
Loss/(gain) on disposal of property, plant & equipment		11,434	-	11,434	(3,256,086)
Finance income	9	(7,580,750)	(10,839,666)	(21,361,492)	(27,137,085)
Finance costs	10	305,761	323,804	4,492,106	4,604,376
Operating profit before working capital changes		494,910,549	247,352,668	1,168,598,878	938,798,886
(Increase)/ Decrease in Inventories		(3,154,826)	-	(9,191,747)	-
(Increase) / Decrease in trade and other receivables		101,165,164	(45,010,200)	(196,361,331)	(80,398,613)
(Increase) / Decrease in amounts due from related parties		(2,237,717)	6,710,042	(1,374,129)	2,708,254
(Increase) / Decrease in other financial assets at amortised cost		-	93,256,553	-	133,256,553
Increase / (Decrease) in trade and other payables		5,187,433	(16,736,353)	(11,300,136)	(17,023,477)
Cash generated from operations		595,870,603	285,572,710	950,371,534	977,341,602
Finance interest paid		(305,761)	(323,804)	(578,614)	(610,289)
Finance interest received		(7,407,926)	12,377,737	4,999,192	33,959,000
Retirement benefit obligations paid	23	(554,839)	(405,531)	(1,586,250)	(598,457)
Income taxes paid		(114,603,582)	(113,359,667)	(225,440,639)	(198,700,767)
Net cash inflow from operating activities		472,998,495	183,861,445	727,765,222	811,391,090
Cash flows generated from investing activities					
Payments for property, plant and equipment		(551,407)	(1,103,065)	(891,557)	(1,633,245)
Interest received on financial assets held as investments		-	3,391,809	-	4,060,850
Proceeds from sale of property, plant and equipment		-	-	-	3,256,086
Dividend received		350,234,991	770,516,980	-	-
Net cash inflow / (outflow) from investing activities		349,683,584	772,805,724	(891,557)	5,683,691
Cash flows generated from financing activities					
Dividends paid to company's shareholders		(784,465,218)	(1,045,953,623)	(863,834,231)	(1,159,011,643)
Principal elements of lease payments		(1,469,243)	(1,060,333)	(3,691,229)	(2,592,159)
Net cash (outflow) from financing activities		(785,934,461)	(1,047,013,956)	(867,525,459)	(1,161,603,802)
Net increase / (decrease) in cash and cash equivalents		36,747,618	(90,346,787)	(140,651,794)	(344,529,021)
Cash and cash equivalents at the beginning of the financial year (Note A)		66,279,924	156,626,711	296,637,847	641,166,867
Cash and cash equivalents at end of year (Note B)		103,027,542	66,279,924	155,986,053	296,637,846
Note A					
Cash and Cash Equivalents at the Beginning of the Period					
Cash in Hand & at Bank		19,273,877	14,982,505	20,634,361	17,082,427
Investments in short-term deposits (Maturity period < 3 months)		47,006,047	141,644,206	276,003,486	624,084,440
		66,279,924	156,626,711	296,637,847	641,166,867
Note B					
Cash and Cash Equivalents at the End of the Period					
Cash in Hand & at Bank		14,270,461	19,273,877	17,344,886	20,634,361
Investments in short-term deposits (Maturity period < 3 months)		88,757,081	47,006,047	138,641,167	276,003,485
		103,027,542	66,279,924	155,986,053	296,637,846

The notes on pages 123 to 154 form an integral part of these financial statements.

Notes to the Financial Statements

1 CORPORATE INFORMATION

GRI - 102-45

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 registered office of the Company and Subsidiary is located at No. 27-2, East Tower, World Trade Center, Echelon Square, Colombo 01. The business office 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 25 May 2022. 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 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.

2.1 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 standards and interpretations adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2021:

- COVID-19-Related Rent Concessions – amendments to IFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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 2022 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.

2.2 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 2.9).

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 for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. 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.

Notes to the Financial Statements

2.3 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 31 for further information on segment reporting.

2.4 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.

2.5 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 extension of the SPPA of Erathna MHPP is already signed with the CEB for a 5 years period with the provision for an extension of up to 14th July 2039.

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 substantially satisfying the specifications of the SPPA.

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

2.6 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.

2.7 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.

2.8 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.

Notes to the Financial Statements

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.

2.9 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.

2.10 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.

2.11 Inventories

Cost comprises direct expenses incurred to acquire the stocks. Costs of purchased inventory are determined after deducting rebates and discounts.

2.12 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.

2.13 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 4.1 for a description of the Group's impairment policies.

2.14 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.

2.15 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.

Notes to the Financial Statements

(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 4.1 for further details.

2.16 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.

2.17 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 2.10).

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

2.18 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2.9. 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

Notes to the Financial Statements

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.

2.24 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.

2.25 Earnings per share

(i) Basic 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.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Rounding of amounts

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

3 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, plant 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.

4 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.

4.1 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 Company 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.

4.2 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 institutions of Rs. 138,641,167 (2021 - Rs. 276,003,486) 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 Rs.	Between 1 and 2 years Rs.	Between 2 and 5 years Rs.	Over 5 years Rs.	Total contractual cash flows Rs.
31 March 2022					
Lease liabilities	9,424,226	6,291,557	15,034,595	58,869,189	89,619,567
Accruals and other payables (excluding statutory liabilities)	34,476,452	-	-	-	34,476,452
	43,900,678	6,291,557	15,034,595	58,869,189	124,096,019

Group	Less than 1 year Rs.	Between 1 and 2 years Rs.	Between 2 and 5 years Rs.	Over 5 years Rs.	Total contractual cash flows 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)	41,010,647	-	-	-	41,010,647
	50,434,874	9,424,227	16,314,619	63,880,721	140,054,441

Notes to the Financial Statements

4 FINANCIAL RISK MANAGEMENT (CONTD.)

4.2 Liquidity risk (Contd.)

Company	Less than 1 year Rs.	Between 1 and 2 years Rs.	Between 2 and 5 years Rs.	Over 5 years Rs.	Total contractual cash flows Rs.
31 March 2022					
Lease liabilities	1,775,004	602,400	634,595	1,269,189	4,281,188
Accruals and other payables (excluding statutory liabilities)	15,454,785	-	-	-	15,454,785
	17,229,789	602,400	634,595	1,269,189	19,735,973

Company	Less than 1 year Rs.	Between 1 and 2 years Rs.	Between 2 and 5 years Rs.	Over 5 years Rs.	Total contractual cash flows 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)	10,283,598	-	-	-	10,283,598
	12,058,602	1,775,004	1,025,463	1,480,721	16,339,790

5 CAPITAL MANAGEMENT

5.1 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.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Electricity generation:				
Erathna MHPP	365,362,011	292,529,302	365,362,011	292,529,302
Denawakaganga MHPP	-	-	556,134,009	494,135,688
Kiriwaneliya MHPP	-	-	400,769,147	290,312,615
	365,362,011	292,529,302	1,322,265,167	1,076,977,605

7 OTHER INCOME

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Dividend income	540,918,486	770,516,980	-	-
Unclaimed dividend write-off	471,100	15,550,208	471,100	15,550,208
Interest income on financial assets held as investments	-	2,196,829	-	2,679,044
Profit on disposal of property, plant and equipment	-	-	-	3,256,086
	541,389,586	788,264,017	471,100	21,485,338

8 FINANCE INCOME

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest income from financial assets held for cash management purposes	7,580,750	10,839,666	21,361,492	27,137,085
	7,580,750	10,839,666	21,361,492	27,137,085

9 FINANCE COSTS

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interest on lease liabilities	305,761	323,804	4,492,106	4,604,376
	305,761	323,804	4,492,106	4,604,376

10 BREAKDOWN OF EXPENSES BY NATURE

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Directors' remuneration	4,366,667	4,250,000	4,366,667	4,250,000
Auditors' remuneration - Statutory	931,403	1,011,420	1,318,403	1,391,420
Depreciation	32,898,531	32,558,036	85,462,796	84,607,763
Amortisation	284,625	284,625	10,641,292	10,641,292
Employee benefits expenses	37,949,067	38,668,871	110,090,389	108,739,740
Maintenance expenses	3,887,978	4,730,591	8,723,016	12,693,539
Legal & Professional fees	774,601	713,867	1,142,239	1,119,941
Secretaries Fees	373,881	339,116	575,688	473,755
Insurance	2,408,605	2,192,630	6,814,462	5,783,387
Share holder related expenses	1,899,054	2,817,962	1,899,054	2,817,962
Annual fees and subscription	1,279,548	913,250	1,693,623	1,293,974
Other operating expenses	8,649,337	9,265,947	19,623,870	21,834,551
Total direct cost, administrative expenses and other operating expenses	95,703,295	97,746,316	252,351,497	255,647,325

Notes to the Financial Statements

11 INCOME TAX EXPENSE

11.1 Statement of profit or loss

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
(I) Current tax expense				
Income tax on current year profit (note 11.3)	119,785,705	143,096,107	237,899,438	232,933,442
Less: Previous year over-provision	-	(57,262)	-	(57,262)
	119,785,705	143,038,845	237,899,438	232,876,180
(II) Deferred tax expense				
Deferred taxation expense / (income) (note 24)	(4,370,258)	(4,605,206)	(5,437,117)	10,475,804
Income tax expense reported in the statement of profit or loss	115,415,447	138,433,639	232,462,321	243,351,984

11.2 Statement of other comprehensive income

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Deferred tax effect on the remeasurement of retirement benefit obligation	842,949	(369,998)	1,400,490	(584,252)
Income tax expense / (income) reported in the statement of other comprehensive income	842,949	(369,998)	1,400,490	(584,252)

11.3 Reconciliation between taxable profit and the accounting profit

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Net profit before tax	818,323,290	993,562,865	1,087,254,156	865,348,327
Add: Disallowable expenses	35,248,788	38,244,612	104,070,117	101,123,229
Less: Allowable expenses	(2,903,621)	(3,454,004)	(47,748,166)	(116,531,197)
Add: Dividend income from subsidiary	-	-	540,918,486	770,516,980
Total assessable income	850,668,457	1,028,353,473	1,684,494,594	1,620,457,339
Less: Tax exempted profit from business	(471,100)	(15,550,208)	(471,100)	(18,806,294)
Taxable income	850,197,357	1,012,803,265	1,684,023,494	1,601,651,045
Distribution of taxable income				
Business profit liable at 14%	301,698,121	229,249,790	1,121,743,517	229,249,790
Business profit liable at 15%	-	-	-	572,068,147
Dividend income liable at 14%	540,918,486	770,516,980	540,918,486	770,516,980
Other income liable at 28%	-	-	-	-
Other income liable at 24%	7,580,750	13,036,495	21,361,491	29,816,128
	850,197,357	1,012,803,265	1,684,023,494	1,601,651,045
Income tax on business profit at 14%	42,237,737	32,094,971	157,044,092	32,094,971
Income tax on business profit at 15%	-	-	-	85,810,222
Income tax on dividend income at 14%	75,728,588	107,872,377	75,728,588	107,872,378
Income tax on other income at 24%	1,819,380	3,128,759	5,126,758	7,155,871
Income tax expense on liable income	119,785,705	143,096,107	237,899,438	232,933,442
Deferred taxation expense / (income) (note 24)	(4,370,258)	(4,605,206)	(5,437,117)	10,475,804
Less : Previous year over-provision	-	(57,262)	-	(57,262)
Income tax expense reported in the statement of profit or loss	115,415,447	138,433,639	232,462,321	243,351,984
Effective tax rate	14%	14%	14%	15%

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

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Accounting profit before tax	818,323,290	993,562,865	1,087,254,156	865,348,327
Applicable tax rate of the reporting entity	14%	14%	14%	14%
Expected total tax expense	114,565,261	139,098,801	152,215,582	121,148,766
Tax effects on:				
- Expenses not deductible for tax purposes	4,935,023	123,667	4,935,023	1,788,977
- Income taxed at a different tax rate	406,507	1,303,650	406,507	2,505,809
- Income taxed as WHT	-	-	-	-
- Dividend income	-	-	75,728,589	107,872,377
- Income not subject to tax	-	(2,177,029)	-	(2,177,029)
- Prior year over provision	-	(57,262)	-	(57,262)
- Rate differentials (Refer below)	-	-	-	6,371,153
- Other	(121,085)	4,747,018	4,613,738	(4,576,611)
Income tax expense	119,785,705	143,038,845	237,899,438	232,876,180
Deferred taxation expense / (income) (note 24)	(4,370,258)	(4,605,206)	(5,437,117)	10,475,804
Income tax expense reported in the statement of profit or loss	115,415,447	138,433,639	232,462,321	243,351,984

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 investment 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 2020 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% and investment income is taxed at the applicable tax rate of 24%.

However, the Subsidiary 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. Therefore Subsidiary has used the rate of 14 % as their applicable tax rate which is lower than they have been applied before.

12. EARNINGS PER SHARE

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit attributable to ordinary shareholders of the company	702,907,843	855,129,226	764,975,197	552,073,258
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.)	0.94	1.14	1.02	0.74

The diluted earnings per share is same as the basic earnings per share.

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

Company

	Freehold land Rs.	Civil constructions Rs.	Plant & machinery Rs.	Project equipment Rs.	Tools & accessories Rs.	Motor vehicle Rs.	Motor bicycle Rs.
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
Addition	-	-	-	-	18,000	-	-
Disposals	-	-	-	-	(13,500)	-	-
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
Accumulated Depreciation							
Balance as at 01.04.2020	-	211,187,811	273,181,001	866,591	3,092,217	8,758,500	310,660
Charge for the year	-	13,273,461	17,330,772	94,004	9,135	-	-
Disposals	-	-	-	-	(13,500)	-	-
Balance as at 31.03.2021	-	224,461,272	290,511,773	960,595	3,087,852	8,758,500	310,660
Net book value as at 31.03.2021	150,000,000	306,477,162	287,180,623	182,624	21,945	-	-
Cost							
Balance as at 01.04.2021	150,000,000	530,938,434	577,692,396	1,143,219	3,109,797	8,758,500	310,660
Addition	-	-	-	3,200	-	-	-
Disposals	-	-	-	(22,130)	-	-	-
Balance as at 31.03.2022	150,000,000	530,938,434	577,692,396	1,124,289	3,109,797	8,758,500	310,660
Accumulated Depreciation							
Balance as at 01.04.2021	-	224,461,272	290,511,773	960,595	3,087,852	8,758,500	310,660
Charge for the year	-	13,273,461	17,330,772	56,645	9,945	-	-
Disposals	-	-	-	(10,696)	-	-	-
Balance as at 31.03.2022	-	237,734,733	307,842,545	1,006,544	3,097,797	8,758,500	310,660
Net book value as at 31.03.2022	150,000,000	293,203,701	269,849,851	117,745	12,000	-	-

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is Rs. 29,921,557 (Rs. 30,096,859 as at 31 March 2021).

Furniture & fittings Rs.	Computer Rs.	Office equipment Rs.	Fire extinguisher Rs.	Generator Rs.	Site fixtures & fittings Rs.	Web development Rs.	Mobile phones & accessories Rs.	Total Rs.
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
844,545	-	211,620	-	-	-	-	28,900	1,103,065
-	-	-	-	-	-	-	(30,000)	(43,500)
11,003,876	2,327,614	1,506,532	908,551	1,246,000	4,148,354	1,888,305	177,002	1,295,159,240
8,359,725	2,183,102	924,996	639,785	1,246,000	4,148,354	1,888,305	100,465	516,887,512
434,760	50,267	82,957	38,395	-	-	-	64,962	31,378,712
-	-	-	-	-	-	-	(30,000)	(43,500)
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
2,209,391	94,246	498,579	230,371	-	-	-	41,576	746,936,516
11,003,876	2,327,614	1,506,532	908,551	1,246,000	4,148,354	1,888,305	177,002	1,295,159,240
15,360	144,500	361,247	-	-	-	-	27,100	551,407
-	(666,639)	-	-	-	-	-	-	(688,769)
11,019,236	1,805,475	1,867,779	908,551	1,246,000	4,148,354	1,888,305	204,102	1,295,021,878
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
447,097	76,753	95,659	38,395	-	-	-	34,475	31,363,202
-	(666,639)	-	-	-	-	-	-	(677,335)
9,241,582	1,643,483	1,103,612	716,575	1,246,000	4,148,354	1,888,305	169,901	578,908,591
1,777,654	161,993	764,167	191,976	-	-	-	34,201	716,113,287

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group

	Freehold land Rs.	Civil constructions Rs.	Plant & machinery Rs.	Project equipment Rs.	Tools & accessories Rs.	Motor vehicle Rs.	Motor bicycle Rs.
Cost							
Balance as at 01.04.2020	177,181,919	1,725,144,335	1,083,774,316	5,218,477	3,353,722	24,123,915	1,306,130
Addition	-	-	-	-	18,000	-	-
Disposals	-	-	-	(156,950)	(13,500)	(3,110,415)	-
Balance as at 31.03.2021	177,181,919	1,725,144,335	1,083,774,316	5,061,527	3,358,222	21,013,500	1,306,130
Accumulated depreciation							
Balance as at 01.04.2020	-	454,193,191	397,648,559	4,351,680	3,491,690	12,914,583	1,207,503
Charge for the year	-	43,160,676	32,513,229	283,739	9,135	2,451,000	61,375
Disposals	-	-	-	(4,950)	(165,500)	(3,110,415)	-
Balance as at 31.03.2021	-	497,353,868	430,161,788	4,630,469	3,335,325	12,255,168	1,268,878
Net book value as at 31.03.2021	177,181,919	1,227,790,467	653,612,528	431,058	22,897	8,758,332	37,253
Cost							
Balance as at 01.04.2021	177,181,919	1,725,144,335	1,083,774,316	5,061,527	3,358,222	21,013,500	1,306,130
Addition	-	-	-	76,950	-	-	-
Disposals	-	-	-	(22,130)	-	(420,000)	-
Balance as at 31.03.2022	177,181,919	1,725,144,335	1,083,774,316	5,116,347	3,358,222	20,593,500	1,306,130
Accumulated depreciation							
Balance as at 01.04.2021	-	497,353,868	430,161,788	4,630,469	3,335,325	12,255,168	1,268,878
Charge for the year	-	43,136,059	32,513,230	197,329	9,945	2,437,000	-
Disposals	-	-	-	(10,696)	-	(420,000)	-
Balance as at 31.03.2022	-	540,489,926	462,675,019	4,817,102	3,345,270	14,272,168	1,268,878
Net book value as at 31.03.2022	177,181,919	1,184,654,408	621,099,297	299,245	12,952	6,321,332	37,253

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is Rs. 36,380,768 (Rs. 36,800,768 as at 31 March 2021).

14. LEASES

14.1 Amounts recognised in the statment of financial position

As at 31 March	Company	
	2022 Rs.	2021 Rs.
Right-of-use assets		
Land	1,224,368	1,335,674
Office space	1,780,029	3,204,053
	3,004,397	4,539,727
Lease liabilities		
Current	1,560,094	1,469,243
Non-current	1,684,984	3,245,078
	3,245,078	4,714,321

Additions to the right-of-use assets during the 2021/22 financial year were nil (2020/21 - Rs. 4,272,070).

Furniture & fittings Rs.	Computer Rs.	Office equipment Rs.	Fire extinguisher Rs.	Generator Rs.	Site fixtures & fittings Rs.	Web development Rs.	Mobile phones & accessories Rs.	Total Rs.
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
885,815	409,500	291,030	-	-	-	-	28,900	1,633,245
-	(75,000)	-	-	-	-	-	(62,400)	(3,418,265)
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
9,120,449	2,651,385	1,451,863	976,228	2,277,284	4,148,354	1,888,305	195,103	896,516,175
486,170	167,453	188,281	81,879	197,936	-	-	82,712	79,683,585
-	-	(75,000)	-	-	-	-	(62,400)	(3,418,265)
9,606,618	2,818,838	1,565,144	1,058,106	2,475,220	4,148,354	1,888,305	215,415	972,781,495
2,328,789	486,636	1,033,074	285,280	798,045	-	-	42,491	2,072,808,766
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
15,360	263,400	361,247	-	-	-	-	174,600	891,557
-	(666,639)	-	-	-	-	-	-	(1,108,769)
11,950,767	2,902,235	2,959,465	1,343,386	3,273,265	4,148,354	1,888,305	432,506	3,045,373,052
9,606,618	2,818,838	1,565,144	1,058,106	2,475,220	4,148,354	1,888,305	215,415	972,781,495
486,526	258,156	196,804	78,448	188,402	-	-	68,232	79,570,131
-	(666,639)	-	-	-	-	-	-	(1,097,335)
10,093,144	2,410,355	1,761,947	1,136,554	2,663,622	4,148,354	1,888,305	283,647	1,051,254,292
1,857,623	491,880	1,197,517	206,832	609,643	-	-	148,859	1,994,118,758

As at 31 March	Group	
	2022 Rs.	2021 Rs.
Right-of-use assets		
Land	34,425,534	36,521,515
Office space	4,986,978	9,116,367
	39,412,512	45,637,882
Lease liabilities		
Current	5,243,216	4,910,439
Non-current	41,125,081	46,368,298
	46,368,298	51,278,737

Additions to the right-of-use assets during the 2021/22 financial year were nil (2020/21 - Rs. 11,944,565).

Notes to the Financial Statements

14. LEASES (CONTD.)

14.2 Amounts recognised in the statement of profit or loss

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

For the year ended 31 March	Company	
	2022 Rs.	2021 Rs.
Depreciation charge of right-of-use assets		
Land	111,306	111,306
Office space	1,424,023	1,068,018
	1,535,329	1,179,324
Interest expense (included in finance cost)	305,761	323,803
Expense relating to short-term leases (included in administrative expenses)	-	1,227,904

The total cash outflow for leases in 2021/22 was Rs. 1,775,004 (2020/21 - Rs. 1,384,137)

For the year ended 31 March	Group	
	2022 Rs.	2021 Rs.
Depreciation charge of right-of-use assets		
Land	2,095,981	2,095,981
Office space	3,796,688	2,828,197
	5,892,669	4,924,178
Interest expense (included in finance cost)	4,492,106	4,604,374
Expense relating to short-term leases (included in administrative expenses)	-	3,056,429

The total cash outflow for leases in 2021/22 was Rs.4,269,844 (2020/21 - Rs.3,202,448)

15. INVESTMENTS

15.1 Investment in subsidiary

As at 31 March	Group	
	2022 Rs.	2021 Rs.
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

15.2 Summarised financial information of subsidiary

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

For the year ended 31 March	2022 Rs.	2021 Rs.
Statement of profit or loss		
Revenue from contracts with customers	956,903,156	784,448,303
Direct costs	(90,200,407)	(88,404,517)
Other income	-	3,738,301
Administration expenses	(57,312,482)	(59,525,157)
Other operating expenses	(245,312)	(1,081,335)
Finance income	13,780,741	16,297,419
Finance cost	(4,186,345)	(4,280,572)
Profit before income tax	818,739,351	651,192,441
Income tax expense	(117,046,874)	(104,918,345)
Profit for the year	701,692,476	546,274,096
Other comprehensive income	3,424,899	(1,214,108)
Total comprehensive income	705,117,375	545,059,988
Attributable to non controlling interest	90,255,024	69,767,679
Earnings per share	7.90	6.11
Statement of financial position		
Non-current assets	1,326,005,262	1,380,028,746
Current assets	661,585,134	533,987,348
Total assets	1,987,590,396	1,914,016,094
Non-current liabilities	81,154,031	89,164,389
Current liabilities	66,018,964	69,264,179
Total liabilities	147,172,995	158,428,568
Net assets	1,840,417,401	1,755,587,526
Accumulated non-controlling interest	235,675,553	224,789,541
Statement of cash flows		
Net cash flows from operating activities	445,450,226	627,529,645
Net cash flows used in investment activities	(340,150)	3,394,947
Net cash flows used in financing activities	(622,509,486)	(885,106,828)
Total net cash flows	(177,399,410)	(254,182,236)
Dividend paid to non-controlling interests	(79,369,014)	(113,058,020)
Dividend per share	6.95	9.90

Notes to the Financial Statements

16. INTANGIBLE ASSETS

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cost				
Gross carrying amount B/F	29,692,500	29,692,500	185,042,500	185,042,500
Acquisitions during the year	-	-	-	-
Gross carrying amount C/F	29,692,500	29,692,500	185,042,500	185,042,500
Accumulated amortisation				
Accumulated amortisation B/F	24,498,093	24,213,468	119,482,671	108,841,380
Amortisation for the period	284,625	284,625	10,641,292	10,641,292
Accumulated amortisation C/F	24,782,718	24,498,093	130,123,963	119,482,671
Net carrying amount at the end of the year	4,909,782	5,194,407	54,918,537	65,559,829

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.

17. OTHER NON-CURRENT ASSET

As at 31 March	Group	
	2022 Rs.	2021 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.

18. INVENTORIES

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Spare parts	3,154,826	-	9,191,747	-
	3,154,826	-	9,191,747	-

19 TRADE AND OTHER RECEIVABLES

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade receivables	179,577,055	264,587,112	774,843,770	560,069,173
Advances and prepayments	4,017,557	5,519,275	8,716,611	10,190,612
Other receivables	3,382,248	3,046,962	5,876,896	6,453,860
	186,976,860	273,153,349	789,437,277	576,713,645

19.1 Age analysis of trade receivables

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Below 30 days	7,214,248	13,493,740	29,167,244	56,549,557
30 to 60 days	7,710,957	22,769,887	28,525,697	54,503,426
60 to 180 days	121,985,206	34,405,806	470,765,810	255,098,511
Over 180 days	42,666,644	193,917,679	246,385,019	193,917,679
	179,577,055	264,587,112	774,843,770	560,069,173

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 4.1

Notes to the Financial Statements

20 AMOUNT DUE FROM RELATED PARTIES

As at 31 March			Company		Group	
			2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Country Energy (Private) Limited	Subsidiary	- Kiriwaneliya MHPP	1,488,355	665,710	-	-
		- Denewakaganga MHPP	1,001,865	883,947	-	-
Alternate Power Systems (Private) Limited	Affiliate	- Current account balance	2,240,772	945,597	2,312,471	928,783
Greenerwater Limited	Affiliate	- Current account balance	-	-	42,823	52,877
Summer Season Limited	Affiliate	- Current account balance	-	-	14,768	16,253
Hayleys Power Ltd	Affiliate	- Current account balance	1,980	-	1,980	-
			4,732,972	2,495,254	2,372,042	997,913

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

As at 31 March		Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Investments in short-term deposits (Maturity period < 3 months)		88,757,081	47,006,047	138,641,167	276,003,486
Cash at bank and in hand		14,270,461	19,273,877	17,344,886	20,634,361
		103,027,542	66,279,924	155,986,053	296,637,846

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:

As at 31 March		Company		Group	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balances as above		103,027,542	66,279,924	155,986,053	296,637,846
Balances per statement of cash flows		103,027,542	66,279,924	155,986,053	296,637,846

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

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 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.

Notes to the Financial Statements

23 RETIREMENT BENEFIT OBLIGATION

GRI - 201-3

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	26,864,212	21,551,272	41,162,030	32,121,124
Current service cost	1,441,279	2,021,686	2,391,571	3,457,231
Interest cost	2,014,816	2,155,127	3,158,641	3,212,112
Past Service Cost	(2,553,447)	-	(3,451,625)	-
Actuarial (gain)/loss	(6,021,063)	1,541,658	(10,003,503)	2,970,020
	21,745,797	27,269,743	33,257,113	41,760,487
Benefits paid	(554,839)	(405,531)	(1,586,250)	(598,457)
At the end of the year	21,190,958	26,864,212	31,670,864	41,162,030

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 does not maintain any trustee-administered funds instead the plan is funded by the group as and when the obligation falls due. The actuarial valuation was carried out by a professional qualified firm of actuaries, Meserss. Actuarial Management Consultants (Pvt) Ltd as at 31 March 2022.

The weighted average duration of the retirement benefit obligation of the Company and the Subsidiary at the end of the reporting period is 7.73 years and 9 years respectively. The expected maturity analysis of undiscounted retirement benefit obligation is as follows:

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Less than a year	1,908,241	1,348,149	2,649,494	2,299,440
Between 2 - 5 years	6,042,503	2,720,714	9,552,213	5,228,974
Between 6 - 10 years	2,558,934	18,584,887	4,971,617	23,380,656
Over 5 years	10,681,281	4,210,462	14,497,540	10,252,961
	21,190,958	26,864,212	31,670,864	41,162,030

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Discount rate	15.00%	7.50%	15.00%	7.5% - 8.00%
Salary growth rate	10.00%	8.00%	10.00%	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 2022 (Increase / (Decrease))	(1,359,043)	1,509,596	(2,113,988)	2,374,590
As at 31 March 2021 (Increase / (Decrease))	(1,827,842)	2,030,847	(3,068,369)	3,463,618
A one percentage point change in the salary increment rate.	+1%	-1%	+1%	-1%
As at 31 March 2022 (Increase / (Decrease))	1,691,239	(1,539,050)	2,602,712	(2,343,199)
As at 31 March 2021 (Increase / (Decrease))	2,084,999	(1,909,245)	3,483,431	(3,307,678)

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

Notes to the Financial Statements

24 DEFERRED TAX LIABILITY

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the beginning of the year	99,781,158	104,756,362	131,524,504	121,632,952
Charge/(reversal) recognised to profit/(loss)	(4,370,258)	(4,605,206)	(5,437,117)	10,475,804
Charge/(reversal) recognised to other comprehensive income/(loss)	842,949	(369,998)	1,400,490	(584,252)
At the end of the year	96,253,848	99,781,158	127,487,877	131,524,504

24.1 Company

	2022		2021	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
As at 1 April	712,722,551	99,781,158	748,259,725	104,756,362
Amount originating/(reversing) due to change in tax rate	-	-	-	-
Amount originating/(reversing) during the year	(25,195,064)	(3,527,309)	(35,537,175)	(4,975,204)
As at 31 March	687,527,487	96,253,848	712,722,551	99,781,158

(a) The balance comprises temporary differences attributable to:

Company

Retirement benefit obligation	(21,190,958)	(2,966,734)	(26,864,213)	(3,760,990)
lease liabilities	(3,635,946)	(509,032)	(4,714,321)	(660,005)
Total deferred tax assets before offsetting	(24,826,904)	(3,475,767)	(31,578,533)	(4,420,995)

Offsetting Deferred Tax Liability on:

Property plant and equipment	563,972,380	78,956,133	594,383,744	83,213,724
Right of use assets	3,004,397	420,616	4,539,727	635,562
Revaluation surplus on freehold land	145,377,613	20,352,866	145,377,613	20,352,867
Total deferred tax liabilities before offsetting	712,354,390	99,729,615	744,301,084	104,202,153
Deferred tax assets / (liabilities) after offsetting	687,527,487	96,253,848	712,722,551	99,781,158

24.2 Group

	2022		2021	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
As at 1 April	924,344,869	131,524,504	860,770,330	121,632,952
Amount originating/(reversing) due to change in tax rate	-	(2,116,223)	-	-
Amount originating / (reversing) during the year	(13,717,171)	(1,920,404)	63,574,539	9,891,552
As at 31 March	910,627,698	127,487,877	924,344,869	131,524,504

(a) The balance comprises temporary differences attributable to:

Group

Retirement benefit obligation	(31,670,861)	(4,433,922)	(41,162,028)	(5,905,662)
lease liabilities	(46,773,123)	(6,548,237)	(51,278,737)	(7,644,667)
Total deferred tax assets before offsetting	(78,443,984)	(10,982,159)	(92,440,765)	(13,550,329)

Offsetting deferred tax liability on:

Property plant and equipment	804,281,556	112,599,418	825,770,140	117,921,682
Right of use assets	39,412,512	5,517,752	45,637,881	6,800,285
Revaluation surplus on freehold land	145,377,613	20,352,866	145,377,613	20,352,866
Total deferred tax liabilities before offsetting	989,071,681	138,470,035	1,016,785,634	145,074,833
Deferred tax assets / (liabilities) after offsetting	910,627,698	127,487,877	924,344,869	131,524,504

The applicable tax rate used to calculate the deferred tax liability of the Company for all the temporary differences is 14% (2020/21 - at 14%) and the applicable tax rate of 14% is also used for deferred tax liability of the Subsidiary (2020/21 - at 15%).

25 ACCRUALS AND OTHER PAYABLES

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Accrued expenses	3,308,292	2,613,615	19,764,207	30,901,379
Unclaimed dividend	10,010,953	6,359,007	10,010,995	6,359,021
Other statutory liabilities	213,767	197,521	720,905	686,846
Other payables	2,135,540	1,310,976	4,701,249	3,750,247
	15,668,552	10,481,119	35,197,357	41,697,493

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.

Notes to the Financial Statements

26 DIVIDENDS PAID DURING THE YEAR

For the year ended 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Interim dividend	784,465,218	747,109,731	784,465,218	747,109,731
	784,465,218	747,109,731	784,465,218	747,109,731
Dividend per share (Rs.)	1.05	1.00	1.05	1.00

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Impact on the recent economic downturn to financial statements.

Adverse movement on the foreign exchange rate

Since the beginning of this year Sri Lankan rupee have been depreciated severely. As of today, still exchange rate is under pressure due to continuous deterioration of the balance of payments and the depletion of the foreign reserves. Company conducts their business locally and there are no any major imports as well as forex outflows. Since the entity is engaged in providing services locally. Therefore, there won't be any direct consequences of the rupee depreciation to the operations.

Increasing inflation

Country is currently experiencing 30% YoY inflation rate. This is mainly due to the increase in import prices and domestic prices resulted from rupee depreciation and excessive money printing by CBSL.

Company's main source of input is the rainfall, and the demand won't be affected either since the electricity is much needed to the country even in the prevailing situation. However, there will be indirect consequences in the areas of payroll costs, Transportation costs etc. Other than that, there are no any significant impacts to the company's operations.

Increasing interest rates

Annual inflation rate in Sri Lanka is scaled up to 29.8% in April 2022 and will continue to increase further in coming months due to the inadequate foreign currency reserves and depletion of the Sri Lankan rupee. Further, prolonged power disruptions, a shortage of fuel, medicine and most of the essential goods together with unfavourable political conditions have resulted in significant challenges to the Sri Lankan economy which disrupts the business environment.

The Central Bank of Sri Lanka has tightened the Monetary Policy through increasing its policy rates to 14.5% in response to the prevailing economic crisis including depletion of foreign reserves. As a result of that interest income of the entity /group has notably increased amounting to Rs.838,175/- (approximately) including the yield on government securities.

Other negative impact

To the best of our knowledge, we did not note any significant impact on economy since provision of electricity services declared as an essential service by the government. The CEB being the sole consumer is bound to settle the cost of service obtained from the entity.

Going concern assessment

The company is continuing its zero-debt policy and the working capital position of the company have been decreased from 278,281,887 LKR to 223,785,154 LKR compared to last year due to the decrease of trade and other receivables. However, company have been able to maintain a healthy current ratio of 4 times. Therefore, company has sufficient resources to continue the operations and to absorb an economic shock due to the adverse economic impact in the country. And also, there are no any impacts to the underlying data and the assumptions used to make the going concern assumption.

Impact on revenue, provisions and the business operations

Demand for the electricity won't be impacted due to the adverse economic condition that prevails in the country and the power generation will mainly depend on the rainfall. Therefore, no controllable adverse impacts to the revenue and other provisions unless less rainfall in the future.

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

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Financial assets at amortised cost:				
Trade and other receivables	186,976,860	273,153,349	789,437,277	576,713,645
Amount due from related parties	4,732,972	2,495,254	2,372,042	997,913
Cash and cash equivalents	103,027,542	66,279,924	155,986,053	296,637,846
Total	294,737,374	341,928,527	947,795,372	874,349,404

29.2 Financial liabilities

As at 31 March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Liabilities at amortised cost:				
Lease liabilities	3,245,078	4,714,321	46,368,298	51,278,737
Accruals and other payables	15,668,552	10,481,119	35,197,357	41,697,493
Total	18,913,630	15,195,440	81,565,654	92,976,230

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	
			2022	2021
For the year ended 31 March				
Vallibel Power Limited	Immediate parent entity	Sri Lanka	40.08%	40.08%
Mr. Dhammika Perera	Ultimate parent and controlling party	Not applicable	59.46%	59.46%

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES (CONTD.)

30.2 Subsidiaries

Interests in subsidiaries are set out in note 15.1

30.3 Transactions with the related parties by the company

For the year ended			Aggregate amount of transactions	
			31 March	
Company	Relationship	Nature of Transaction	2022 Rs.	2021 Rs.
Country Energy (Private) Limited (CEPL)	Subsidiary	Net operating expenses incurred on behalf of CEPL	(23,915,512)	(24,221,082)
		Reimbursement of expenses by CEPL	22,974,948	28,474,259
		Dividend received from CEPL	540,918,486	770,516,980
Vallibel Finance PLC	Affiliate	Investment in fixed deposits	(363,847,786)	(680,171,059)
		Withdrawals of fixed deposits	331,090,711	713,517,264
		Interest received	53,508	5,435,409
Alternate Power Systems (Private) Limited (APSL)	Affiliate	Net operating expenses incurred on behalf of APSL	(14,964,175)	(15,231,164)
		Funds received from APSL	13,669,002	17,489,274
Hayleys PLC	Affiliate	Payment of ground rent, electricity, parking	(4,572,730)	(5,545,260)
Hayleys Power Limited (HPL)	Affiliate	Operating expenses incurred on behalf of HPL	(1,693,347)	(2,111,048)
		Reimbursement of expenses by HPL	1,691,368	2,111,048

Transaction with the related parties by the Subsidiary

For the year ended			Aggregate amount of transactions	
			31 March	
Company	Relationship	Nature of Transaction	2022 Rs.	2021 Rs.
Vallibel Finance PLC	Affiliate	Investment in fixed deposits	(372,967,724)	(633,519,835)
		Withdrawals of fixed deposits	575,121,837	937,282,961
		Interest received	10,011,727	17,828,219
Greenerwater Ltd (GWL)	Affiliate	Net operating expenses incurred on behalf of GWL	(641,900)	(2,705,339)
		Reimbursement of expenses by GWL	651,954	2,868,987
Summer Season Limited (SSL)	Affiliate	Operating expenses incurred on behalf of SSL	(174,132)	(536,366)
		Reimbursement of expenses by SSL	175,617	607,291
Alternate Power Systems (Private) Limited (APSL)	Affiliate	Net operating expenses incurred on behalf of APSL	(88,513)	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 2022 audited financial statements.

There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/income of the Company as per 31 March 2022 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

For the year ended 31 March	2022 Rs.	2021 Rs.
Aggregate value of related party transactions entered into during the financial year	363,847,786	680,171,059
Revenue as per latest audited financial statements	365,362,011	292,529,302
Aggregate value of related party transactions as a % of net revenue/income	100%	233%

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.

Short-term employee benefits

For the year ended 31 March	2022 Rs.	2021 Rs.
Directors' emoluments	4,366,667	4,250,000
Other key management personnel	8,418,423	7,653,112

Post-employment benefits

For the year ended 31 March	2022 Rs.	2021 Rs.
Other key management personnel	2,568,997	2,335,452

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.

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES (CONTD.)

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. SEGMENT INFORMATION

	EMHPP		DMHPP		KMHPP		Group adjustments		Total	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Revenue	365,362	292,529	556,134	494,136	400,769	290,313	-	-	1,322,265	1,076,978
Cost of sales	(51,240)	(51,336)	(54,158)	(53,116)	(36,042)	(35,288)	(8,890)	(8,890)	(150,331)	(148,631)
Gross profit	314,122	241,193	501,976	441,020	364,727	255,024	(8,890)	(8,890)	1,171,935	928,347
Other income	541,390	786,067	-	-	-	3,256	(540,918)	(770,517)	471	18,806
Administrative expenses	(43,575)	(45,646)	(36,047)	(40,455)	(21,265)	(19,071)	-	-	(100,888)	(105,171)
Other expenses	(888)	(764)	(35)	(715)	(211)	(366)	-	-	(1,133)	(1,845)
Finance income	7,581	13,036	9,016	11,901	4,765	4,879	-	-	21,361	29,816
Finance cost	(306)	(324)	(4,111)	(4,200)	(75)	(81)	-	-	(4,492)	(4,604)
Profit before tax	818,323	993,563	470,799	407,551	347,940	243,642	(549,808)	(779,407)	1,087,254	865,348
Tax expenses	(115,415)	(138,434)	(66,557)	(65,824)	(50,490)	(39,094)	-	-	(232,462)	(243,352)
Profit after tax	702,908	855,129	404,242	341,727	297,451	204,547	(549,808)	(779,407)	854,792	621,996
Other comprehensive income / (loss)	5,178	(1,172)	2,888	(947)	536	(267)	-	-	8,603	(2,386)
Total comprehensive income	708,086	853,958	407,130	340,780	297,987	204,280	(549,808)	(779,407)	863,395	619,611
Segmental assets										
Non-current assets	1,545,647	1,578,291	722,656	752,086	603,350	627,943	(778,703)	(769,813)	2,092,950	2,188,506
Current assets	297,892	341,929	471,860	359,305	283,785	174,665	(96,550)	(1,550)	956,987	874,349
Total assets	1,843,540	1,920,219	1,194,515	1,111,391	887,135	802,608	(875,253)	(771,363)	3,049,937	3,062,856
Segmental liabilities										
Lease liabilities	1,685	3,245	39,261	42,253	179	870	-	-	41,125	46,368
Deferred tax liability	96,254	99,781	19,063	20,727	12,171	11,017	-	-	127,488	131,525
Retirement benefit obligations	21,191	26,864	8,526	11,814	1,954	2,484	-	-	31,671	41,162
Current liabilities	74,107	63,647	44,188	55,583	115,891	13,665	(96,550)	(1,550)	137,636	131,344
Total liabilities	193,237	193,537	111,038	130,376	130,195	28,035	(96,550)	(1,550)	337,920	350,399
Other segment information										
Total depreciation	32,899	32,558	28,410	27,940	24,154	24,110	-	-	85,463	84,608
Amortisation	285	285	1,000	1,000	467	467	8,890	8,890	10,641	10,641
Capital expenditure	551	1,103	313	530	27	-	-	-	892	1,633

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.

CHARTING THE COURSE



SUPPLEMENTARY INFORMATION

- 156 Ten Years Financial Summary
- 158 Investor Information
- 160 Glossary of Terms
- 162 Notes
- 166 Notice of Annual General Meeting
- 167 Form of Proxy

Ten Years Financial Summary

	2021/22 Rs'000	2020/21 Rs'000	2019/20 Rs'000	2018/19 Rs'000
Operating results				
Revenue	1,322,265	1,076,977	1,058,308	1,286,725
Gross profit	1,171,935	928,346	911,534	1,134,947
Other Income	471	21,485	11,735	9,275
Administration expenses	100,888	105,170	103,974	100,302
Finance cost	4,492	4,604	5,203	4,178
Net profit before tax	1,087,254	865,348	861,456	1,085,341
Net profit after tax	854,792	621,996	707,577	889,999
Funds employed				
Stated capital	1,174,365	1,174,365	1,174,365	1,174,365
Revenue reserves	1,301,977	1,313,302	1,809,412	1,386,695
Non-controlling interest	235,676	224,790	268,079	225,877
Borrowings (Both non-current & current)	-	-	-	-
Lease liability (Both non-current & current)	46,368	51,278	42,732	-
	2,758,386	2,763,735	3,294,588	2,786,937
Assets employed				
Non current assets	2,092,950	2,188,506	2,270,177	2,302,316
Current assets	956,987	874,349	1,282,648	769,888
Current liabilities	(132,393)	(126,433)	(104,483)	(147,780)
Retirement benefit obligations	(31,671)	(41,162)	(32,121)	(25,240)
Diferred tax liability	(127,488)	(131,525)	(121,632)	(112,246)
	2,758,386	2,763,735	3,294,588	2,786,937
Key indicators				
Earnings per share (Rs.)	1.02	0.74	0.87	1.12
Net assets per share (Rs.)	3.31	3.33	3.99	3.43
Market price of share-closing (Rs.)	7.20	7.40	5.40	5.90
Dividend per share (Rs.)	1.05	1.00	0.70	0.70
Price earning ratio (times)	7.06	10.01	6.22	5.27
Dividend payout (%)	102.94	135.33	80.68	62.54

	2017/18 Rs'000	2016/17 Rs'000	2015/16 Rs'000	2014/15 Rs'000	2013/14 Rs'000	2012/13 Rs'000
	1,117,602	863,722	1,181,807	1,317,931	1,064,991	693,032
	955,252	714,020	1,043,214	1,171,084	929,273	557,140
	90	536	38	44,394	64	704
	100,852	102,928	114,134	107,584	104,242	99,752
	35,645	59,394	59,713	87,024	162,716	181,645
	849,086	592,263	900,179	1,042,342	688,857	302,078
	763,383	515,800	813,028	960,092	667,111	293,891
	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365
	1,070,765	899,422	1,001,587	973,852	823,343	648,389
	199,340	162,695	165,859	149,135	122,340	99,585
	157,403	365,723	573,723	758,879	947,300	1,173,247
	-	-	-	-	-	-
	2,601,874	2,602,205	2,915,534	3,056,232	3,067,348	3,095,585
	2,403,789	2,490,496	2,575,812	2,658,887	2,830,474	2,923,021
	401,848	254,801	529,048	537,950	357,875	276,885
	(64,488)	(42,929)	(90,057)	(39,810)	(23,683)	(22,209)
	(25,946)	(18,786)	(16,407)	(16,505)	(11,629)	(9,714)
	(113,329)	(81,378)	(82,862)	(84,290)	(85,689)	(72,398)
	2,601,874	2,602,205	2,915,534	3,056,232	3,067,348	3,095,585
	0.96	0.66	1.04	1.21	0.85	0.39
	3.01	2.78	2.91	2.88	2.67	2.44
	7.30	7.10	8.00	7.90	5.60	5.60
	0.70	0.80	1.00	1.00	0.60	0.25
	7.59	10.74	7.73	6.52	6.61	14.46
	72.78	121.00	96.60	82.58	70.82	64.54

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 2022. It represents 6,997 of shareholders as at 31st March 2022.

4 FLOAT ADJUSTED MARKET CAPITALISATION

The Float Adjusted Market Capitalisation as at 31st March 2022 is Rs.2,179,487,851.20. The Company complies with option 5 of the Listing Rules 7.13.1 (a).

5 DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2022

There were 7,002 Registered shareholders as at 31st March 2022.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	2,885	41.20	1,110,550	0.15
1,001	10,000	2,661	38.00	11,353,638	1.52
10,001	100,000	1,199	17.12	39,229,443	5.25
100,001	1,000,000	224	3.20	64,606,036	8.65
Over 1,000,000		33	0.47	630,810,064	84.43
Total		7,002	100.00	747,109,731	100.00

6 ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2022

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individuals	6,799	97.10	326,698,202	43.73
Institutions	203	2.90	420,411,529	56.27
Total	7,002	100.00	747,109,731	100.00
Resident	6,950	99.26	730,956,733	97.84
Non-resident	52	0.74	16,152,998	2.16
Total	7,002	100.00	747,109,731	100.00

7 TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2022

Name of the Shareholder	Number of shares as at 31.03.2022	(%) in issued Capital	Number of shares as at 31.03.2021	(%) 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	28,994,243	3.88	33,296,740	4.46
4 Sri Lanka Insurance Corporation Ltd - General Fund	26,450,000	3.54	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 Employees Trust Fund Board	9,688,029	1.30	8,931,225	1.20
8 Ms K D C Samanthi	9,375,000	1.25	9,375,000	1.25
9 Perera And Sons Bakers Pvt Limited	7,000,000	0.94	4,500,000	0.60
10 Mackenzie Capital Ltd	7,000,000	0.94	-	-
11 DFCC Bank Plc A/C 1	6,400,000	0.86	6,400,000	0.86
12 AIA Insurance Lanka Ltd A/C No. 07	6,304,463	0.84	-	-
13 HSBC Bank Plc - Mckinley Capital Measa Fund Oeic Limited	5,846,105	0.78	5,846,105	0.78
14 Mr P P Subasinghe	4,633,190	0.62	5,173,190	0.69
15 Mr S M Jayasooriya	4,010,000	0.54	1,958,615	0.26
16 Mr M F Hashim	3,594,154	0.48	2,612,989	0.35
17 Mr D D Gunaratne	3,021,000	0.40	2,403,000	0.32
18 Mr B C Tay	3,000,000	0.40	3,000,000	0.40
19 Hatton National Bank Plc / Yonmeregna Simon Hewage Ruchanka Sulakshana Silva	2,500,000	0.33	2,500,000	0.33
20 Mr M I M Shafie & Mrs F R Shafie	2,500,000	0.33	2,500,000	0.33
Total	612,054,239	81.92	597,734,919	80.01
Others	135,055,492	18.08	149,374,812	19.99
Grand Total	747,109,731	100.00	747,109,731	100.00

8 SHARE TRADING INFORMATION

For the year ended 31 March	2022	2021
Highest (Rs.)	9.60	8.60
Lowest (Rs.)	7.10	4.80
Closing (Rs.)	7.20	7.40
Value of Shares Trades (Rs.)	1,366,338,559	2,936,569,258
No. of Shares Traded	163,848,799	378,118,364
No. of Trades	29,574	33,740

9 EQUITY INFORMATION

For the year ended 31 March	2022	2021
Earnings per share-Basic (Rs.)	1.02	0.74
Dividend per share (Rs.)	1.05	1.00
Net Asset Value per share (Rs.)	3.31	3.33
Dividend pay out ratio (%)	102.94	135.14

Glossary of Terms

A

ACCOUNTING POLICIES

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

ACCUAL BASIS

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

ACTUARIAL GAINS AND LOSSES

Effect of difference between the previous actuarial assumptions and what has actually occurred and effects of changes in actuarial assumption related to retirement benefit obligation.

AMORTISATION

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

AVAILABLE-FOR-SALE (AFS)

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

B

BASIC EARNINGS PER SHARE

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

BORROWINGS

All interest-bearing liabilities.

C

CAPITAL EMPLOYED

Total equity, minority interest and interest-bearing borrowings.

CASH EQUIVALENTS

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

CEA

Central Environment Authority

CEB

Ceylon Electricity Board.

CEPL

Country Energy (Pvt) Ltd – Subsidiary

CER

Certified Emission Reduction

CONTINGENCIES

A condition or situation existing at reporting date where the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CO2

Carbon Dioxide.

CURRENT RATIO

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

CURRENT SERVICE COST

Increase in the present value of the defined benefit obligation resulting from employee service in the current period.

CSE

Colombo Stock Exchange.

CSR

Corporate Social Responsibility

D

DEFERRED TAXATION

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

DIVIDENDS

Distribution of profits to holders of equity investments.

DIVIDEND PAY-OUT

Earnings paid as Dividend by the Company as a percentage of total earnings.

DIVIDEND YIELD

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

E

EBITDA

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

EFFECTIVE TAX RATE (EIR)

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

ECONOMIC VALUE ADDED (EVA)

A measure of performance considering cost of total invested equity.

EQUITY

Shareholders' fund.

F

FINANCIAL INSTRUMENTS

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

FAIR VALUE

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

G

GEARING

Proportion of total interest-bearing borrowings to capital employed.

GHG

Greenhouse Gas Emission

GIGA JOULES (GJ)

Equal to one billion joules or to 1000 mega joules. Joule is a derived unit of energy transferred or used.

GRI

Global Reporting Initiatives.

GWH

Giga watt hours. Equal to one million kilowatt hours.

I**ICASL/CA SRI LANKA**

The Institute of Chartered Accountants of Sri Lanka

INTEGRATED REPORTING

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long term in its economic, social and environmental context.

K**KEY MANAGEMENT PERSONNEL**

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

KILOWATT (KW)

Equal to 1000 watt.

L**LTGEP**

Long-Term Generation Expansion Plan

M**MARKET CAPITALISATION**

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

MARKET VALUE ADDED (MVA)

The difference between the market value of a company and the capital contributed by all investors, both debtholders and shareholders.

MEGAWATT (MW)

Equal to one million watts or to 1000 kilowatts

MEGA LITRE (ML)

One million of litres

MHPP

Mini Hydro Power Project

N**NCRE**

Non-Conventional Renewable Energy

NET ASSETS PER SHARE

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

NON-CONTROLLING INTEREST

The part of equity in a subsidiary not attributable, directly or indirectly, to a parent.

O**OUTAGE**

Time period of an interruption or failure in the supply of electricity.

P**PRICE EARNINGS RATIO**

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

PAST SERVICE COST

Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods. The change in this cost may either be positive or negative.

PUCSL

Public Utility Commission of Sri Lanka.

R**RELATED PARTIES**

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

RETURN ON EQUITY - ROE

Attributable profits to the shareholders divided by shareholders' funds.

RETURN ON CAPITAL EMPLOYED - ROCE

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

REVENUE RESERVES

Reserves considered as being available for distribution and investments.

S**SEGMENTS**

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

SUBSIDIARY

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

SLFRS/LKAS

Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

SLSEA

Sri Lanka Sustainable Energy Authority.

SPPA

Standard Power Purchase Agreement

V**VALUE ADDITION**

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

VPE

Vallibel Power Erathna PLC - Company

W**WORKING CAPITAL**

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

WATT-HOUR

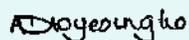
Unit of energy which expended for one hour of time.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 21ST ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF ELECTRONIC MEANS ON 30 JUNE 2022 AT 11.30 A.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 2022 and the Report of the Auditors thereon.
2. To re-elect Mr. C V Cabraal, who retires by rotation in terms of Article 25(10) of the Articles of Association, as a Director of the Company;
3. To re-elect Ms. Y Bhaskaran 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 authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine and make donations for the year ending 31st March 2023 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

25 May 2022

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 2022 at 11.30 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2022 and the Report of the Auditors thereon		
2. To re-elect Mr. C V Cabraal, who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.		
3. To re-elect Ms. Y Bhaskaran, who retires by in terms Article 25(10) of the Articles of Association, as a Director of the Company.		
4. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.		
5. To authorize the Directors to determine payments for the year 2022/2023 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 Two.

.....
Signature

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. 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 11.30 a.m on 28th June 2022.

Corporate Information

GRI - 102-1, 3, 5

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: +94 11 238 1111
Fax: +94 11 238 1115

SUBSIDIARY COMPANIES

Country Energy (Pvt) Ltd. (unquoted)

COMPANY SECRETARIES

P W Corporate Secretarial (Pvt) Limited
No.3/17, Kynsey Road,
Colombo 08.
Telephone : +94 11 464 0360
Fax : +94 11 474 0588
E-mail : pwcs@pwcs.lk

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
P. O. Box 918
100, Braybrooke Place,
Colombo 2
Telephone : 011 771 9700
Fax : +94 11 230 3197
Web site : www.pwc.com/lk

BANKERS

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

