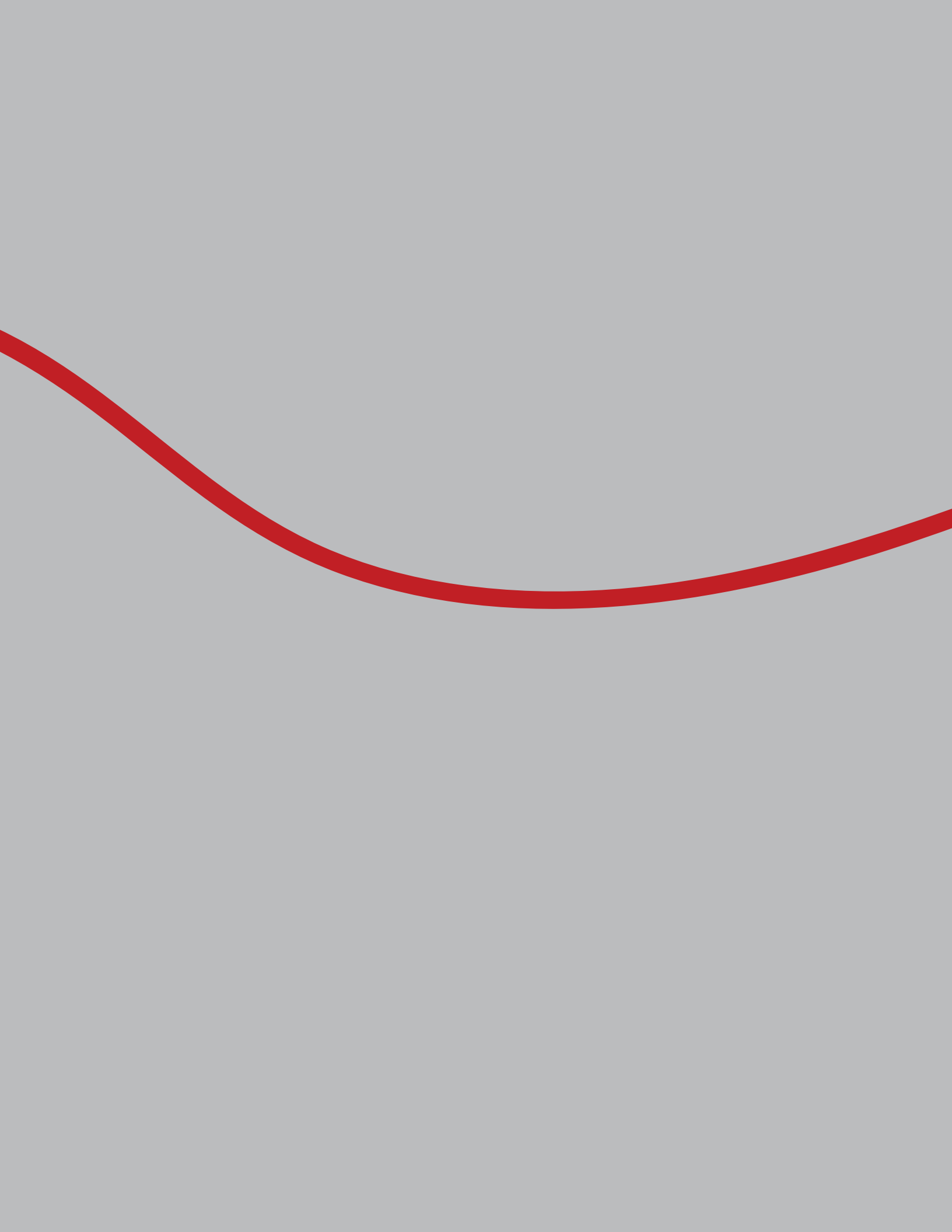


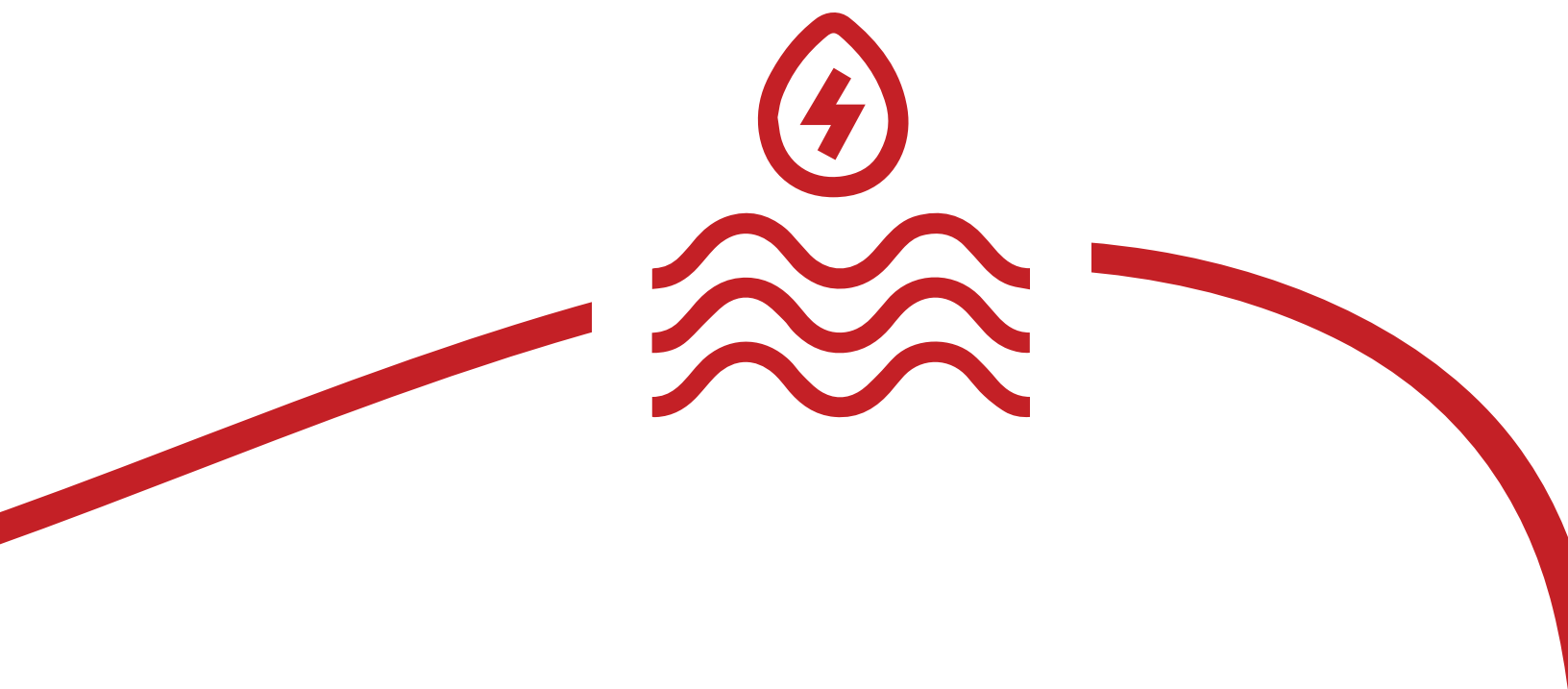
A nation  
powered  
by us



**Vallibel Power  
Erathna PLC**

VALLIBEL POWER ERATHNA PLC  
ANNUAL REPORT 2022/23





We at Vallibel Power Erathna PLC are continuing to build and grow as we generate power, through cleaner, greener energy solutions that are not only sustainable but also in high demand. And although it was a year that tested us and despite the fluctuations that plagued the industry, we were able to pull through with hard work and an indefatigable sense of purpose that kept our heads above water. With this spirit we were able to meet the country's long term aspirations, and our own growth targets, while we continued to invest in new ideas by looking beyond the traditional in order to recognise and unleash the unlimited possibilities that will help us create and manage this utility of the future. We are enhancing lives, in more ways than one, unequivocally supporting the furtherment of a nation that is powered by us.

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Online Version



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## ABOUT THE REPORT



### OUR INTEGRATED ANNUAL REPORT 2022/2023

In this our fifth (5th) Integrated Annual Report for the period ending 31 March 2023, VPE provides a holistic picture of how we created value for all stakeholders by employing all six capitals efficiently. As the principal publication for our shareholders, the report outlines the methodology with which we devised our value creation strategies, the operational landscape that influenced these decisions, our corporate governance initiatives, risk management policies and practices, and our performance and outlook of the future. With this objective information, we aim to enable our stakeholders, including our investors, to make informed decisions based on our prospects of long-term sustainability.

### REPORT SPEC

|                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <b>Report Scope and Boundary</b><br>    | This IAR covers the annual reporting cycle of Vallibel Power Erathna PLC from 1 April 2022 to 31 March 2023 which is the corporate fiscal year. It gives an integrated and balanced overview of the Company and its subsidiary, Country Energy (Pvt) Ltd. All information presented in this IAR, together with related activities and the facets of both financial and non-financial performance, have been consolidated. The report is structured on the sustainable value creation process. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
| <b>Methodology</b><br>                  | <b>Internal information</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"><li>➤ The financial data and information on performance are prepared using the accounting data for the period from 1 April 2022 to 31 March 2023.</li><li>➤ The non-financial information of the Group, including sustainability reporting matters, has been obtained from a variety of sources within the VPE Group. This information has been verified for its comprehensiveness, comparability, accuracy, reliability, timeliness and clarity in accordance with the VPE Group's disclosure policies.</li></ul> |  |
|                                                                                                                          | <b>External information</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 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.                                                                                                                                                                                                                                                                                                  |  |
| <b>Assurance</b><br>                  | <ul style="list-style-type: none"><li>➤ The financial statements of this report were audited by Messrs. PricewaterhouseCoopers, Chartered Accountants who have expressed their opinion that the annual financial statements provide a true and fair view as shown on pages 113 to 115.</li><li>➤ The non-financial information, including sustainability reporting component of this report is presented on self-assurance basis.</li></ul>                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
| <b>Restatement of Information</b><br> | No material changes to the scope and information were reported in the current year unless stated otherwise.                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |

### REPORTING FRAMEWORK

|           |                                                                            | 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                                    | ✓                     | ✓                | ✓                    |                       |
|           | Sri Lanka Accounting & Auditing Standards Act No.15 of 1995                |                       | ✓                |                      |                       |
|           | Sri Lanka Financial Reporting Standards (SLFRS & LKAS)                     |                       | ✓                |                      |                       |
|           | Code of Best Practice on Corporate Governance                              |                       |                  | ✓                    | ✓                     |
|           | Integrated Reporting <IR>Framework                                         | ✓                     |                  |                      |                       |
|           | ESG Reporting guidelines                                                   |                       |                  |                      | ✓                     |

## NAVIGATING OUR REPORT BY FAQS

This IAR strives to communicate to our valued stakeholders an analysis of our performance during the year of review and examines the efficacy of the strategies utilised to create long-term value. We have categorised the report into six clear and concise sections to facilitate easy navigation for the reader and enable the information to be easily understood.

| FAQ                                                                                    | Which section do I look in?         | What do I find there?                                                                                                                                                                      | Page Ref.       |
|----------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| What is the <b>overview</b> of Vallibel Power Erathna PLC about?                       | About Us                            | In this section, you will find out what VPE is all about, the many factors that have influenced and inspired our journey and the model we pursue to create value for all our stakeholders. | 6               |
|                                                                                        | Milestones of Success               |                                                                                                                                                                                            | Pages 08 - 09   |
|                                                                                        | Our Business Model                  |                                                                                                                                                                                            | Pages 24 - 25   |
|                                                                                        | Corporate Information               |                                                                                                                                                                                            | IBC             |
| Who leads the business and how is it <b>governed</b> ?                                 | Chairman's Statement                | You will find information on our board members and senior management, and details of how they managed the business and their methods of governance.                                        | Pages 14 - 16   |
|                                                                                        | Joint CEOs' Review                  |                                                                                                                                                                                            | Pages 18 - 20   |
|                                                                                        | Board of Directors                  |                                                                                                                                                                                            | Pages 21 - 23   |
|                                                                                        | Corporate Governance                |                                                                                                                                                                                            | Pages 90 - 102  |
|                                                                                        | Board sub-committee reports         |                                                                                                                                                                                            | Pages 103 - 105 |
| What <b>challenges</b> did VPE encounter during the year and how did they manage them? | Chairman's Statement                | Here you discover VPE's management approach for dealing with challenging macro and micro environment factors and how we managed external influences that might have disrupted our business | Pages 14 - 16   |
|                                                                                        | Joint CEOs' Review                  |                                                                                                                                                                                            | Pages 18 - 20   |
|                                                                                        | Business Review                     |                                                                                                                                                                                            | Pages 26 - 32   |
|                                                                                        | Risk Management                     |                                                                                                                                                                                            | Pages 34 - 37   |
| How did VPE deploy the <b>six capitals</b> to create value for its stakeholders?       | Financial Capital                   | This is where you will read about the management approach and strategies and how we created value for our various stakeholders from VPE capital inputs.                                    | Pages 50 - 56   |
|                                                                                        | Natural Capital                     |                                                                                                                                                                                            | Pages 57 - 64   |
|                                                                                        | Social and Relationship Capital     |                                                                                                                                                                                            | Pages 65 - 70   |
|                                                                                        | Human Capital                       |                                                                                                                                                                                            | Pages 71 - 78   |
|                                                                                        | Manufactured Capital                |                                                                                                                                                                                            | Pages 79 - 82   |
|                                                                                        | Intellectual Capital                |                                                                                                                                                                                            | Pages 83 - 86   |
| How did VPE <b>perform</b> , operationally and financially?                            | Business Review                     | You will see our annual operational and financial results including VPE's financial position upto the date of reporting.                                                                   | Pages 26 - 32   |
|                                                                                        | Annual Financial Statements         |                                                                                                                                                                                            | Pages 108 - 153 |
| How committed is VPE to a <b>sustainable</b> business?                                 | Statement of Sustainability         | Read about our management approach to the sustainability factors that relate to our business, and how we quantify and report them.                                                         | Pages 40 - 42   |
|                                                                                        | Stakeholder Engagement and Analysis |                                                                                                                                                                                            | Pages 43 - 47   |
|                                                                                        | Capital Management Reports          |                                                                                                                                                                                            | Pages 50 - 86   |

## FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this report are based upon what the management of VPE believes to be reasonable assumptions of the Company's financial position, its operations, growth opportunities, plans and business objectives. There can be no assurance however, that these forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable laws.

### For more information;

 [www.vallibel-hydro.com](http://www.vallibel-hydro.com)

 +94112381111

 [energy@vallibel.com](mailto:energy@vallibel.com)

### We welcome your feedback

Integrated reporting is an evolving process and we want to ensure that we report on issues that matter to you, our stakeholder, in a transparent and readable manner. So please provide your comments, suggestions and queries to:

**Accountant**  
**Vallibel Power Erathna PLC**  
27-2, East Tower,  
World Trade Centre, Echelon Square,  
Colombo 01,  
Sri Lanka



[www.vallibel-hydro.com](http://www.vallibel-hydro.com)



## ABOUT US



### VISION

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



### MISSION

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



### VALUES

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

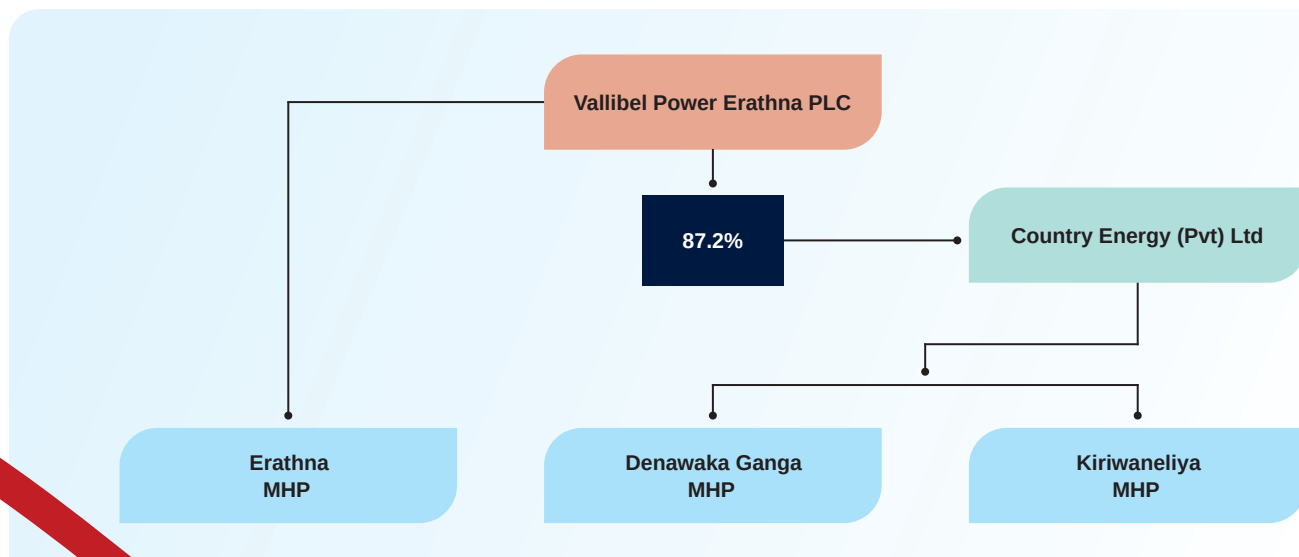
Vallibel Power Erathna PLC (VPE) is a leading light in the Sri Lankan power sector, promoting clean energy and energy-efficient technologies since commencing business over two decades ago, in 2001 as the 'Zyrex Power Company Erathna Limited. Three years later, we decided on a name change, and Vallibel Power Erathna Limited saw the light of day. It is by this name that we are known today, which has become synonymous with our success. In 2006, we invited the people to power the business and listed our shares on the Colombo Stock Exchange. Over the years, we confirmed our prowess in the energy sector by providing our shareholders with consistently high dividends.

We work consistently to improve our ESG performance by using sustainability as the guide in our choice of investments and strategies. We are committed to integrating the UN SDGs into Company policies, to reduce the poverty in our communities and mitigate climate change impacts. It is this approach that underpins our commitment to the country and motivates the performance of our knowledge-driven team, who have expertise in the fields of renewable energy technologies, sustainable development and engineering, management and finance.

We are also proud of the performance of our three mini hydropower plants, Erathna MHP, Denawaka Ganga MHP and Kiriwaneliya MHP, all situated near water resources located in prime catchment sites. They were built to generate a cumulative capacity of 21.85 MW and provide close to 83 GWh to the national grid annually - equal to reducing over 50,000 MT of CO<sub>2</sub> emissions every year. This is discharged while ensuring that the pristine nature of the environment that holds the liquid resources that power their performance remains unchanged in both quality and quantity.

We enter an exciting new era for energy, which has paved the way for new innovations and new initiatives. We will be in the vanguard of these new opportunities, rethinking the way we innovate and how we could truly heighten the industry by developing technologies and solutions that drive sustainable progress and make energy more reliable and affordable. We light the way to a brighter future. To a nation powered by us.

## ORGANISATIONAL STRUCTURE





## 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

2001/02

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

2004/05

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

2006/07

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

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.

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.

2016/17

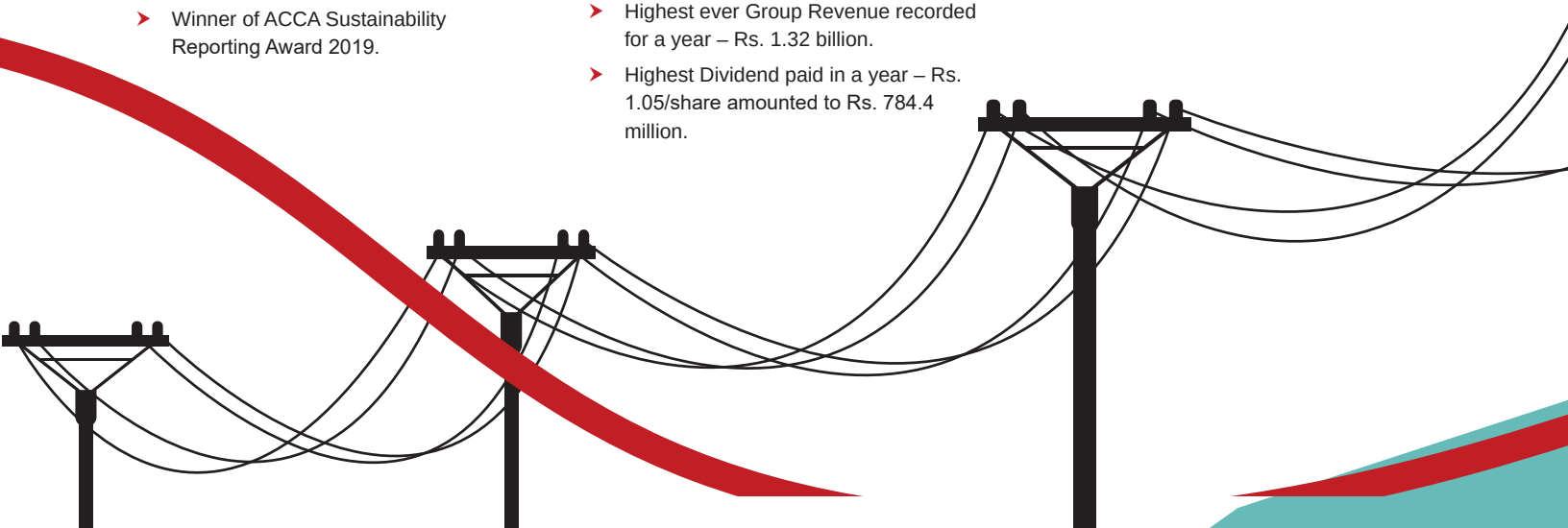
- Bronze Award Winner- ICASL Annual Report Competition 2016.

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.

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 million.



2009/10

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

2011/12

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

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.

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.

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.

2013/14

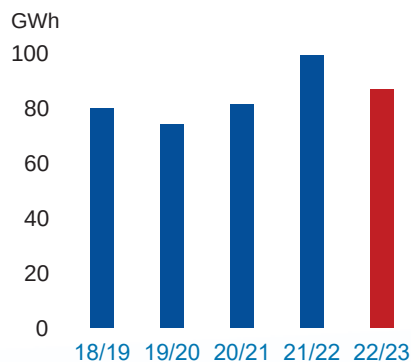
- Kiriwaneliya project and Denwaka Ganga project were qualified for Clean Development Mechanism (CDM) under United Nations Framework Convention on Climate Change (UNFCCC).
- Silver Award Winner- ICASL Annual Report Competition 2013.

2022/23

- Gold Award Winner- ICASL Annual Report Competition 2022.
- Best Integrated Report in Energy Sector- CMA Excellence in Integrated Reporting Award – 2022.
- Merit Award- CMA Excellence in Integrated Reporting Award - 2022.
- Silver Award to Kiriwaneliya MHP - Presidential Environment Awards 2021-22.

## FINANCIAL YEAR AT A GLANCE

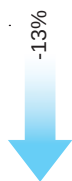
Power generation



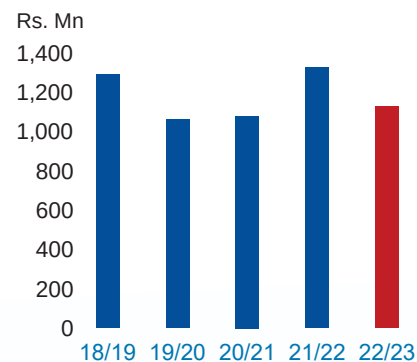
Power Generation

86.8 GWh

2021/22 - 99.4 GWh



Group revenue



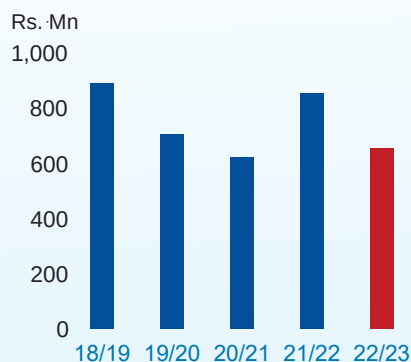
Group Revenue

Rs. 1,122.6 Mn

2021/22 - Rs.1,322.3 Mn



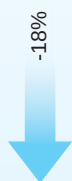
Profit after tax



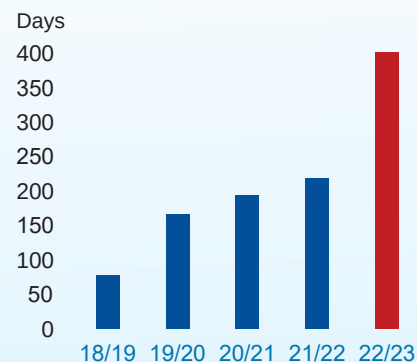
Group PBT

Rs. 894.6 Mn

2021/22 - 1,087.2 Mn



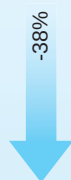
Average debtor collection period



Return on Equity (ROE)

20 %

2021/22 - 32%



Group PAT

Rs. 655.1 Mn

2021/22 - 854.8 Mn



Net Operating Cashflows

Rs. 348.9 Mn

2021/22 - Rs.727.8 Mn



| Performance                                  |        | 2022/23 | 2021/22 | Change % |
|----------------------------------------------|--------|---------|---------|----------|
| Power generation                             | GWh    | 86.8    | 99.4    | -13%     |
| Revenue                                      | Rs. Mn | 1,122.6 | 1,322.3 | -15%     |
| Gross profit                                 | Rs. Mn | 961.4   | 1,171.9 | -18%     |
| Profit before tax                            | Rs. Mn | 894.6   | 1,087.3 | -18%     |
| Net profit after tax                         | Rs. Mn | 655.1   | 854.8   | -23%     |
| Dividend                                     | Rs. Mn | -       | 784.5   | -100%    |
| Net cash generated from operating activities | Rs. Mn | 348.8   | 727.8   | -52%     |

| Financial Position |        | 2022/23 | 2021/22 | Change % |
|--------------------|--------|---------|---------|----------|
| Total assets       | Rs. Mn | 3,751.1 | 3,049.9 | +23%     |
| Shareholders fund  | Rs. Mn | 3,348.8 | 2,712.0 | +23%     |
| Net current assets | Rs. Mn | 1,653.8 | 819.4   | +102%    |

| Share Information (per share) |     | 2022/23 | 2021/22 | Change % |
|-------------------------------|-----|---------|---------|----------|
| Earnings                      | Rs. | 0.78    | 1.02    | -24%     |
| Net assets value              | Rs. | 4.07    | 3.31    | +23%     |
| Dividend                      | Rs. | -       | 1.05    | -100%    |
| Market price (closing)        | Rs. | 6.70    | 7.20    | -7%      |

| Other                      |        | 2022/23  | 2021/22 | Change % |
|----------------------------|--------|----------|---------|----------|
| Market capitalisation      | Rs. Mn | 5,005.6  | 5,379.2 | -7%      |
| Economic value added (EVA) | Rs. Mn | 105.0    | 594.0   | -82%     |
| Market value added (MVA)   | Rs. Mn | 1,964.4  | 2,902.9 | -32%     |
| Return on equity (ROE)     | %      | 20%      | 32%     | -38%     |
| Net profit margin          | %      | 58%      | 65%     | -10%     |
| Current assets ratio       | Times  | 18 times | 7 times | +157%    |



#### TAGS AWARDS 2022

VPE has won "Gold Award" under the 'Power and Energy Sector' category at the coveted TAGS Awards 2022, organized by The Institute of Chartered Accountants of Sri Lanka.



#### PRESEIDENTIAL ENVIRONMENT AWARDS 2021-2022

The Kiriwaneliya Mini Hydro Power Project was recognised with a "Silver Award" at the Presidential Environment Awards 2021-2022 under Renewable Energy Generation Project Category.



#### CMA EXCELLENCE IN INTEGRATED REPORTING AWARDS-2022

VPE has won 'Best Integrated Report' under the Energy Sector at CMA Excellence in Integrated Reporting Awards 2022 and it was also recognised with a Merit Award at CMA excellence in Integrated Reporting Awards 2022.



A new  
generation of  
Sri Lankans  
powered by us









## CHAIRMAN'S MESSAGE



---

**“Generation output exceeded anticipated volumes this year too thereby resulting in an output of 86.8 GWh and Group Revenue of Rs. 1,122.6 million. While this is a 15% drop from the highest-ever generation output volume which was recorded last year, it is nevertheless well above the historic average for the Company and is a commendable achievement given the straitened circumstance in which your Company operated.”**

---

Dear Shareholders,

It is my privilege to address you today as your new Chairman. On behalf of the Board of Directors, I am very pleased to welcome you to the 22nd Annual General Meeting of Vallibel Power Erathna PLC and present you with our integrated annual report and audited financial statements for the fiscal year ending 31 March 2023.

All things considered, it has been a satisfactory year for your Company. We weathered numerous storms - high inflation, import regulations, foreign exchange restrictions, the sharp depreciation of the LKR as well as the substantial and protracted debt arrears of our sole off-taker, to post a solid performance that realised profitable growth. Generation output exceeded anticipated volumes this year too thereby resulting in an output of 86.8 GWh and Group Revenue of Rs. 1,122.6 million. While this is a 15% drop from the highest-ever generation output volume which was recorded last year, it is nevertheless well above the historic average for the Company and is a commendable achievement given the straitened circumstance in which your Company operated. The reduced revenue lowered the Net Profit after Tax to Rs. 655.1 million, which is a drop of 23% from the NPAT of Rs. 854.8 million reported a year earlier. The decreased figures are attributed to the doubling of the taxation rate

## Chairman's Message

from the third quarter of the year from 14% to 30% and the inflationary operation and maintenance expenses that rose by 25% during the period.

Our sturdy performance was, in large part, due to the swift institution of responsive measures to contain the fallout complemented by prudent risk management strategies, business resilience and a strong balance sheet, all of which are slowly but surely steering us in the right direction.

### CURRENT ECONOMIC CHALLENGES AND IMPACT

Having already endured a challenging and unprecedented 2021/2022, Sri Lanka commenced this fiscal year with the suspension of its external debt servicing in April 2022 as a result of dwindling forex reserves. This was followed by restrictions on the imports of non-essential products to further conserve foreign reserves, which had a negative impact on the Company as it reduced the availability of spare parts and other items necessary for smooth business operations. The government also introduced several other macroeconomic measures to address the country's woes, which further disrupted business operations. Tightening of the monetary policy to contain soaring inflation reduced the disposable incomes of the people and constricted the profitability of businesses. In addition, the release of the LKR to free float in the market resulted in its depreciation against the USD by almost 44.8%, which increased import costs and raised the cost of production. These responses culminated in shortages of fuel, food and other essentials and resulted in soaring inflation that curtailed private sector credit.

It is reassuring to note that the economy has now started to improve as a result of prudent policies adopted by the government and supported by an IMF bailout of USD 2.9 billion. Although a full economic recovery is not predictable as

yet, its positive and continuous growth holds promising prospects.

### SUSTAINABLE ENERGY INITIATIVES

Despite its many challenges, the global economic crisis served to heighten awareness of the need for clean and low-cost sources of energy. It is heartening to note that more RE projects are now being initiated around the world. In Sri Lanka too, the establishment of RE companies has begun with many entering the bidding process. However, the appreciation of the USD against the LKR has elevated interest rates and investment costs. It is hoped that steps would be taken to provide clean energy companies with loans on favourable terms, rebates, and tax concessions in order to boost private sector participation in Sri Lanka's RE energy production.

### FUTURE OUTLOOK

As the economy stabilizes, the Company will be moving forward with cautious optimism to support the resurgence of a country that has shifted to a new trajectory of growth. The Company, like many others, has participated in tenders for RE Projects this year and will continue to compete in more tender processes that are deemed feasible. The RE industry is now pursuing innovative ideas for clean energy solutions in both the commercial and domestic sectors that will create a win-win situation for businesses such as the Company as well as its clients. However, the Company's ability to remain profitable will depend on our success in either reducing our dependency on the CEB or on the government's success in restructuring the CEB to make it agile and profitable.

### SHAREHOLDER VALUE

We are fully cognizant of the importance of meeting our shareholders' expectations and delivering long-term value. During the current year, however, the diminished liquidity of our business has imposed significant financial pressure on our

operations. This is primarily due to extensive delays in recovering payments from the CEB, with no payments having been received for the energy supplied throughout this year. These factors compelled the Board to make the difficult but necessary decision to retain the Company's financial resources in order to meet future challenges and execute its growth plans. Consequently, no dividends were paid during this year. However, we are hopeful that the ongoing economic recovery will enable the Company to return to normalcy in the near future.

### ACKNOWLEDGEMENTS

It has been my great privilege to have worked with and learned from our founder Chairman Mr Dhammika Perera, a visionary whose business acumen, foresight and drive has brought the Company to its present success. I express my deep appreciation to him for his leadership over the past two decades and feel immense pride in accepting the baton from him. I also take this opportunity to thank my Board of Directors whose expertise and experience have added tremendous value to the deliberations of the Board. I thank our shareholders for their confidence in us and continued support amidst all the economic uncertainties, and look forward to journeying with them in the years to come. Our people have shown extraordinary commitment and dedication during these trying times for which I am truly grateful. In closing, I wish to express my gratitude to our stakeholders. Their loyalty and support have facilitated yet another successful year.



**Harsha Amarasekera**  
Chairman

26 May 2023  
Colombo







## JOINT CEO'S REVIEW



**Russell De Silva**  
Jt. CEO



**A K Dheerasinghe**  
Jt. CEO

The Company posted a creditable and resilient performance under challenging conditions during the current fiscal year. Although Group profitability declined as a result of lower power generation coupled with substantial increases in both O&M costs and taxation, we successfully introduced timely strategies for streamlining our systems and processes and strengthening capacity management, which reduced costs and explored the generation of new revenue streams.

Despite the fact that generation output exceeded anticipated volumes this year too, to 86.8 GWh, this was 13% less than last year's highest-ever generation of 99.4 GWh. Consequently, Group Revenue declined by 15% to Rs. 1,122.6 million from Rs. 1,322.3 million earned last year. The lowered earnings during the current year were not only the result of the lower energy volume generated but were also due to the doubling of the taxation rate of the Company in 3rd quarter of financial year 2022/23 to 30%, from 14% remitted earlier, added to the inflationary Operation and Maintenance expenses of the Group that surged by 25%. Consequently, Net profit after tax declined by 23% to Rs. 655.1 million, from the NPAT of Rs. 854.1 million achieved in the preceding year.

Plant wise, Erathna MHP clocked in the highest generation at 49%, but its revenue was accounted for at a lower tariff, which enabled Denawaka Ganga MHP to take the lead in generating the highest revenue to the Group at 43%.

#### OPERATIONAL EFFICIENCIES

Our performance in these difficult circumstances is a testament to our prudent management, business resilience and strong balance sheet, and demonstrates our potential to continue our journey of growth and deliver better returns for stakeholders despite the shifting external complexities. We introduced operational efficiencies across the board to circumvent the uncertain economic climate by fostering a culture of continuous improvement. Processes were streamlined and unnecessary bottlenecks were eliminated; measures were introduced to optimize

**“Our performance in these difficult circumstances is a testament to our prudent management, business resilience and strong balance sheet, and demonstrates our potential to continue our journey of growth and deliver better returns for stakeholders despite the shifting external complexities.”**

resource usage by focusing our resources on critical tasks and core competencies, which resulted in a more sustainable operation.

#### **COMMITMENT TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)**

We remain committed to our corporate citizen mandate and values-driven philosophy which is reflected in our plans to increase emphasis on Environmental, Social and Governance (ESG) throughout the Company. As a generator of clean energy, we prioritised sustainable practices whilst upholding the principles of good corporate governance through the stewardship of resources, accountability for our actions, transparency in our business dealings and integrity in our practices. We

remain committed to our role of shaping a better future for our country and our people through growing a sustainable business.

#### **OUR RESPONSIBILITY TO OUR PEOPLE**

Our people play a pivotal role in our success and in shaping and maintaining Company culture, values, and ethics. They enable a positive and inclusive work culture that aligns with the Company's vision, mission and goals. We provide very competitive salaries and benefits designed to attract and retain the industry's best, as we realise that skilled and talented staff have a direct impact on our productivity and performance. They are also provided with many training opportunities both locally and overseas that equip them to climb the corporate ladder as well

as to develop them to make a lasting contribution to society. We implement employee recognition programmes as well, in which top performers are rewarded with increments, bonuses and promotions that boost motivation, morale and engagement. Several wellness programmes introduced promote their health and safety and maintain their work-life balance. They are also provided with additional workplace perks and special allowances, depending on the situation. This year, we paid them a special allowance to tide them over the economic crisis.

#### **CARING FOR OUR COMMUNITIES**

The indigenous communities in the vicinities of our powerhouses are critical to business continuity as it is they who provide us with the social license to operate, as our power plants are of necessity, situated in the catchment areas they have inhabited for generations. We have a symbiotic relationship with them which enables us to establish mutually beneficial partnerships and engage positively with them. We respect their rights and concerns and help enhance their living standards by building village infrastructure and supplying them with health, education and spiritual benefits as well as employing them at our power plants. These initiatives have been instrumental in having them regard us and our business in a favourable light and support our business activities.

#### **PROTECTING THE PLANET**

Protecting the planet is not only an ethical obligation but also a strategic imperative for a hydropower company like ours that harnesses the power of natural water resources in sensitive catchment areas to generate our income. We position ourselves as a reliable and responsible energy provider by embracing sustainability initiatives at every stage of our business and demonstrate environmental stewardship by taking steps to mitigate the impact of our business activities.

## Joint CEO's Review

We continued our reforestation programme "Empowering Green" this year too. This is our flagship project and supports our vision of sustainability. Our commitment in protecting the environment continued this year with our Sri Pada clean-up campaign which was held during the pilgrimage season with the active participation of our workforce in Erathna power plant. This community activity was successful in reinforcing our brand image among state officials, villagers and the general public as being the sustainability company that walks its talk on sustainability.

### OUTLOOK FOR THE FUTURE

The outlook is becoming more optimistic as the economic fundamentals improve. As the economy stabilises, we will move forward with cautious optimism to leverage our competitive advantages, capitalise on growth drivers and pursue operational efficiencies across the board that will fast-track profitability.

For the future, we at Vallibel, will continue to build and grow as we generate power through cleaner, greener energy solutions that are not only sustainable but are also in high demand. We are confident that we have the right strategies in place to continue on our growth trajectory despite external complexities. In order to minimise the impacts of these external shocks on our operations, we will realign ourselves and secure our fundamentals to drive value creation through a strategy of focused organic growth. However, one of the key factors that had a direct impact on the business was the massive backlog of arrears due from CEB resulted from their meager profitability and performance which must be addressed if we are to remain resilient.

### ACKNOWLEDGEMENTS

We take this opportunity to thank our founder Chairman Mr Dhammika Perera, who tirelessly gave of his knowledge, time and resources to navigate the Company to many successes during his long tenure with the Vallibel Group. We also express our deep appreciation to our incumbent Chairman Mr Harsha Amarasekera and our Board of Directors for their foresight and guidance that initiated the synergistic decisions that enabled us to ride out the storm. This was a year that tried and tested us, none more than our employees, and our special thanks to them for helping us to pull through with hard work and an indefatigable sense of purpose that kept our heads above water. In closing, we express our gratitude to our shareholders, the CEB, suppliers, government officials and members of the community at large for their continued trust and loyalty. We would not have been able to navigate the troubled waters without you. It was your unequivocal support that enables the furtherment of a nation powered by us.



**Russell De Zilva**  
Jt. CEO



**A K Dheerasinghe**  
Jt. CEO

26 May 2023  
Colombo

## BOARD OF DIRECTORS



**Mr. Harsha  
Amarasekera**

| Appointed to the Board                             | Directorship nature                              |
|----------------------------------------------------|--------------------------------------------------|
| 28th April 2005                                    | Chairman – Independent<br>Non-Executive Director |
| <i>Appointed as chairman w.e.f. 16th June 2022</i> |                                                  |

### 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. Mr Amarasekera also has significant experience in arbitration and cross-national disputes.

Mr Amarasekera was admitted to the Bar in November 1987 and took oath as a President's Counsel in November 2012.

He serves as an Independent Director in several companies listed on the Colombo Stock Exchange including Sampath Bank PLC, CIC Holdings PLC, Swisstek (Ceylon) PLC, Swisstek Aluminium Limited, Vallibel One PLC, Royal Ceramics Lanka PLC and CIC Agri Business (Private) Limited as Chairman. He is also a Non-Executive Independent Director of Expolanka Holdings PLC, Ambeon Capital PLC and Hayleys Leisure PLC.

### BOARD COMMITTEE MEMBERSHIP

| Audit Committee                     | Remuneration Committee              | Related Party Transactions Review Committee |
|-------------------------------------|-------------------------------------|---------------------------------------------|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>         |

### EXPERTISE

| Entrepreneurship and/ or Leadership | Engineering | Finance Acumen                      | Legal and/ or Compliance            | Risk and Strategy                   |
|-------------------------------------|-------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <input checked="" type="checkbox"/> |             | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |



**Mr. Prabodha  
Sumanasekera**

| Appointed to the Board | Directorship nature                   |
|------------------------|---------------------------------------|
| 28th April 2005        | Independent Non-Executive<br>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.

### BOARD COMMITTEE MEMBERSHIP

| Audit Committee                     | Remuneration Committee              | Related Party Transactions Review Committee |
|-------------------------------------|-------------------------------------|---------------------------------------------|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |                                             |

### EXPERTISE

| Entrepreneurship and/ or Leadership | Engineering                         | Finance Acumen | Legal and/ or Compliance | Risk and Strategy                   |
|-------------------------------------|-------------------------------------|----------------|--------------------------|-------------------------------------|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |                |                          | <input checked="" type="checkbox"/> |



## Board of Directors



**Mr. Haresh  
Somashantha**

| Appointed to the Board | Directorship nature       |
|------------------------|---------------------------|
| 25th January 2010      | Non-Executive<br>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.

**BOARD COMMITTEE MEMBERSHIP**

| Audit Committee                     | Remuneration Committee | Related Party Transactions Review Committee |
|-------------------------------------|------------------------|---------------------------------------------|
| <input checked="" type="checkbox"/> |                        |                                             |

**EXPERTISE**

| Entrepreneurship and/ or Leadership | Engineering | Finance Acumen                      | Legal and/ or Compliance            | Risk and Strategy                   |
|-------------------------------------|-------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <input checked="" type="checkbox"/> |             | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |



**Mr. Shan  
Shanmuganathan**

| Appointed to the Board | Directorship nature                   |
|------------------------|---------------------------------------|
| 25th January 2012      | Independent Non-Executive<br>Director |

**SKILLS AND EXPERIENCE**

Mr. Shan Shanmuganathan 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.

**BOARD COMMITTEE MEMBERSHIP**

| Audit Committee                     | Remuneration Committee | Related Party Transactions Review Committee |
|-------------------------------------|------------------------|---------------------------------------------|
| <input checked="" type="checkbox"/> |                        | <input checked="" type="checkbox"/>         |

**EXPERTISE**

| Entrepreneurship and/ or Leadership | Engineering | Finance Acumen                      | Legal and/ or Compliance | Risk and Strategy                   |
|-------------------------------------|-------------|-------------------------------------|--------------------------|-------------------------------------|
|                                     |             | <input checked="" type="checkbox"/> |                          | <input checked="" type="checkbox"/> |



**Mr. Chatura V.  
Cabraal**

| Appointed to the Board | Directorship nature       |
|------------------------|---------------------------|
| 08th January 2014      | Non-Executive<br>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 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.

### BOARD COMMITTEE MEMBERSHIP

| Audit Committee | Remuneration Committee | Related Party Transactions Review Committee |
|-----------------|------------------------|---------------------------------------------|
|                 |                        | <input checked="" type="checkbox"/>         |

### EXPERTISE

| Entrepreneurship and/ or Leadership | Engineering                         | Finance Acumen | Legal and/ or Compliance | Risk and Strategy                   |
|-------------------------------------|-------------------------------------|----------------|--------------------------|-------------------------------------|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |                |                          | <input checked="" type="checkbox"/> |



**Ms. Dinusha  
Bhaskaran**

| Appointed to the Board | Directorship nature       |
|------------------------|---------------------------|
| 15th May 2020          | Non-Executive<br>Director |

### SKILLS AND EXPERIENCE

Ms. Dinusha Bhaskaran 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. She is a Financial and Accounting professional currently serving as the Managing Director of Vallibel One PLC.

She presently serves in the capacity of Director on the Boards of Delmege Ltd, Country Energy (Private) Limited and Chairperson/ Director Greener Water Ltd. A Non – Executive Director of LB Finance PLC, Multi Finance PLC and Chairperson of LB Finance Audit Committee.

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.

### BOARD COMMITTEE MEMBERSHIP

| Audit Committee                     | Remuneration Committee | Related Party Transactions Review Committee |
|-------------------------------------|------------------------|---------------------------------------------|
| <input checked="" type="checkbox"/> |                        |                                             |

### EXPERTISE

| Entrepreneurship and/ or Leadership | Engineering | Finance Acumen                      | Legal and/ or Compliance | Risk and Strategy                   |
|-------------------------------------|-------------|-------------------------------------|--------------------------|-------------------------------------|
| <input checked="" type="checkbox"/> |             | <input checked="" type="checkbox"/> |                          | <input checked="" type="checkbox"/> |

## OUR BUSINESS MODEL

## Capital Inputs

## Business Value Drivers

## 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 50

- Shareholder Capital - **Rs. 1.2 Bn**
- Revenue reserves - **Rs. 1.9 Bn**

## 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 57

- Water resources
- Land - 12.3 Ha
- Energy
- Environmental compliance

## SOCIAL AND RELATIONSHIP CAPITAL

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

 Page 65

- Customer - Ceylon Electricity Board
- Suppliers
- Community and social networks
- Regulatory environment

## HUMAN CAPITAL

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

 Page 71

- **93** Employees
- Skills and competencies
- HR policy

## 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 79

- Electro-mechanical equipment - **Rs. 1.1 Bn**
- Civil constructions - **Rs. 1.7 Bn**
- Other infrastructure - **Rs. 59 Mn**

## 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 83

- Professional competency
- Tacit knowledge
- Good corporate culture
- Technology and systems
- License, permits and approvals
- Our brand
- Stakeholder relationship

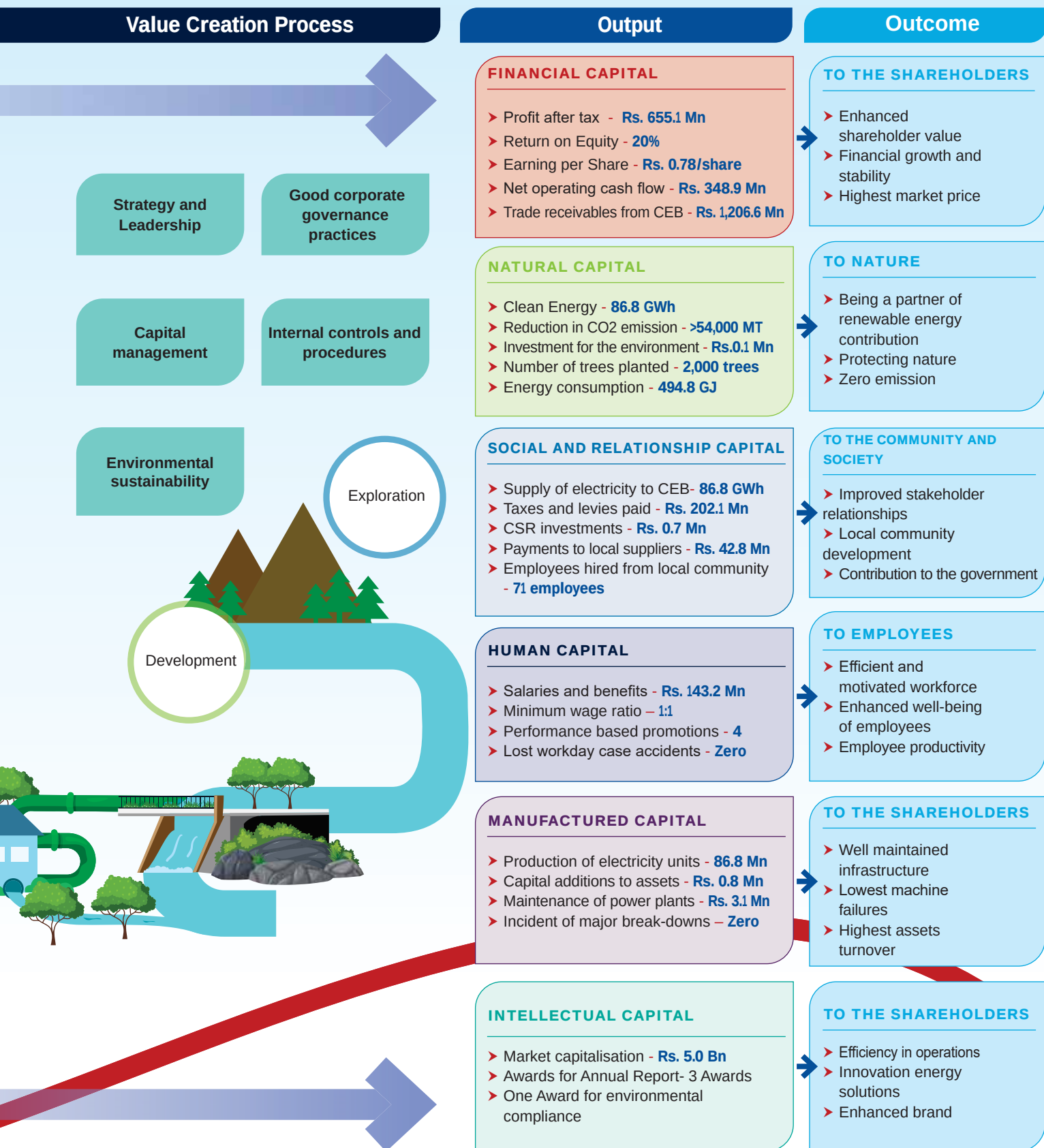
Vision, mission and values

Integrated risk management processes

Corporate social responsibility

Generating electricity

Supply of electricity





## BUSINESS REVIEW

### GLOBAL ECONOMIC REVIEW

The year 2022 was deemed to be the year of resilience, during which people learned to weather uncertainty and emerged more hopeful, more grounded and with more realistic expectations of the future. Global growth decelerated sharply to 3.0% in 2022, from 6.0% in 2021. This records the weakest global growth profile since the recessions of 2009 (due to the financial crisis) and 2020 (due to the most critical phases of the pandemic). The battering experienced by the world economy was the result of a series of mutually reinforcing shocks, namely, the now abating COVID-19 pandemic; disruptions caused by the protracted war in Ukraine that contributed to the food and energy crises; surging inflation and the consequent aggressive monetary tightening that triggered a global cost-of-living crisis; higher interest rates and reduced investment. To these adversities was added climate emergency as a result of extreme weather events, all of which have heightened uncertainties for the future.

Tightening global financial conditions coupled with a strong dollar exacerbated fiscal and debt vulnerabilities in developing countries. Global inflation which reached a multi-decade high of about 9% in 2022 is projected to remain elevated at about 6.5% in 2023. Consequently, investment growth in emerging markets and developing economies (EMDEs) slowed substantially.

### GLOBAL CLIMATE CHANGE INITIATIVES

The energy crisis prompted faster deployment of low-carbon technologies, with power generation from renewables expanding by a substantial 295 GW or 9.6% during the year, which augmented the global renewable generation capacity by a record 83% to 3372 GW. This is a step in the right direction and augurs well for the upward trend of renewables against the declining capacity of fossil fuels. While many countries increased their renewable capacity in 2022, Asian countries added almost half of the new capacity of a total 1.63 TW. Solar energy was the green energy most pursued

during the year, which was provided from solar photovoltaic (PV) power and registered an increase of 191 GW in solar PV.

A highlight in climate initiatives this year was the holding of COP 27, the UNFCCC climate conference in November 2022, which achieved a breakthrough agreement to provide "loss and damage" funding for vulnerable countries affected by climate disasters.

Over the past two years, several countries have also set targets for reaching net-zero emissions of CO<sub>2</sub> and other greenhouse gases by 2050, which an initiative that must be actively pursued.

### SRI LANKA'S ECONOMIC PERFORMANCE

The macroeconomic challenges of the preceding year were carried over into the year of review. Hot on the heels of the retreating pandemic came financial, fiscal, and external imbalances that heightened economic, political, and social conflict. Record low foreign exchange reserves due to credit rating downgrades reduced the country's access to international financial markets. The depleted foreign reserves forced Sri Lanka to suspend its external debt service in April 2022 and compelled the Central Bank to introduce measures to restrict capital outflows. This constrained the supplies of fuel, medicines, LPG, and other essentials as well as inputs needed for economic activity, which led to soaring inflation, high interest rates and steep currency depreciation that triggered an economic and financial crisis. Headline inflation closed at 57.2% after peaking at an unprecedented 69.8% in September 2022, reflecting the impact of elevated global commodity prices, increased input costs, food supply constraints, the monetisation of fiscal deficits and currency depreciation. The LKR depreciated by about 44.8 % against the USD during year 2022, as the Central Bank abandoned a heavily managed exchange-rate regime and adopted a free-floating one.

Businesses and the general public alike were in severe distress amidst the ballooning cost of living, high production costs and the resultant loss of welfare and livelihoods, which caused widespread political unrest that displaced a government. These events resulted in the contraction of the Sri Lanka economy by 7.8% in 2022, as against a growth of 3.7% experienced in the preceding year. All key sectors contracted, with the manufacturing and construction sectors being the most affected due to shortages of inputs and disruptions in the supply chain.

The adoption of a debt restructuring regimen prompted the country to call for an IMF bailout of USD 2.9 billion which was provided in March 2023 to help Sri Lanka deal with the crisis as well as open doors for access to financing of up to USD 7 billion from the IMF and other international financiers.

By end-2022, the country began transitioning towards a workable equilibrium focused on restoring socio-economic stability. Some positive signs are evident already, with the stabilising of the LKR and prices of several items readjusting in the market and reducing. But restoring debt sustainability demands, fiscal consolidation and painful austerity-inducing reforms that could further constrain incomes and increase taxation. Consequently, predictions are that it will take at least another two or three years before the economy returns to some semblance of normalcy.

### LOCAL CLIMATE CHANGE INITIATIVES

Sri Lanka, ranked highly vulnerable in the Global Climate Risk Index for the past five years, aims to combat climate change by transitioning to renewable energy. Joining the Climate Vulnerable Forum, the country commits to achieving 100% renewable energy by 2050. To reach this goal, policy and legislative measures are underway, including a green economy action plan, Natural Adaptation Plan, National Environment Action Plan, and a

new Climate Change Act. The Power and Energy Minister plans to integrate 2,800 MW of renewable energy into the national grid within three years. However, the high costs of new projects, driven by interest rates and the appreciated USD, hinder participation and market entry for existing and new companies.

However, these efforts are against the backdrop of discussions with foreign fossil fuel companies interested in entering the local market.

### LOCAL ENERGY SECTOR

The energy crisis faced during the preceding year intensified during the year of review. Low forex reserves compounded by the country's excessive reliance on finite fossil fuels that are tied to volatile energy markets, hit home the importance of migrating to more sustainable energy options.

The resultant fuel shortages caused petrol and diesel prices to rise dramatically and affected the operation of essential services such as buses, trains and medical vehicles. In June 2022, the government banned the sale of petrol and diesel for non-essential vehicles for two weeks, closed schools and asked the working population to work from home. This slowed down economic activity.

### ELECTRICITY

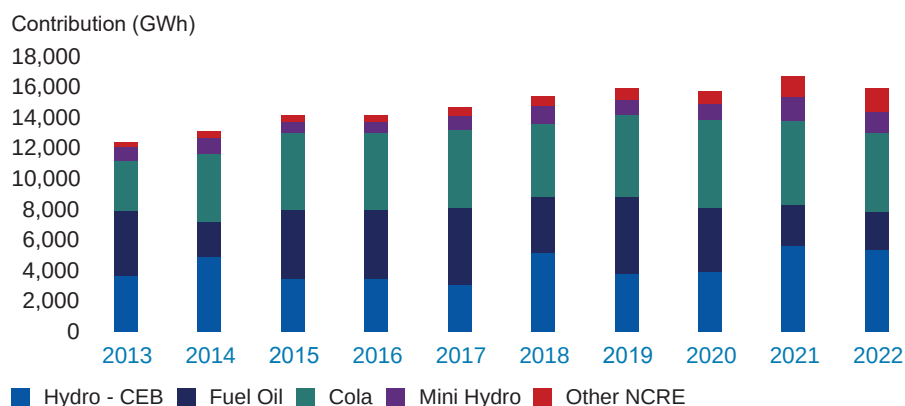
The supply of electricity reduced substantially in 2022 due mainly to the shortage of coal for power generation amidst low foreign exchange liquidity, escalating global oil prices and declining reservoir levels. However, torrential monsoon rains from May to September 2022 resulted in hydropower generation, which curbed high reliance on thermal sources. As a result, power cuts, which were introduced in February to save energy, were gradually reduced to one to three hours daily from May 2022, despite frequent shutdowns of several thermal plants due to fuel shortages, and the closure of certain units of the Norochcholai coal power plant for scheduled maintenance.

As a result of the disruptions in coal and fuel imports needed to generate thermal power, total electricity generation declined by 4.6% to 15,942 GWh in 2022, compared to 16,716 GWh in 2021. Total hydropower generation, fuel oil-based power generation and coal power generation reduced by 4.9 %, 6.3 % and 6.3 % to 5,364 GWh, 2,467 GWh and 5,174GWh, respectively, during 2022 when compared to the outputs of the previous year. Power generation through Non-Conventional Renewable Energy sector (NCRE) including mini hydro sources recorded a marginal growth of 0.5 % to 2,937 GWh. The contribution of hydro, fuel, coal, and NCRE to the energy mix stood at 33.6 %, 15.5 %, 32.5 %, and 18.4 %, which reflected the increased reliance on low-cost renewable sources over expensive thermal sources. The CEB accounted for about 76.7 % of total power generation, while the remainder was purchased from Independent Power Producers (IPPs).

### NATIONAL ELECTRICITY GENERATION

| Source       | 2022<br>GWh | 2021<br>GWh | Change<br>% |
|--------------|-------------|-------------|-------------|
| Hydro - CEB  | 5,364       | 5,640       | -4.9%       |
| Fuel         | 2,467       | 2,634       | -6.3%       |
| Coal         | 5,174       | 5,519       | -6.3%       |
| Hydro (mini) | 1,377       | 1,568       | -12.2%      |
| Other-NCRE   | 1,560       | 1,355       | 15.1%       |
|              | 15,942      | 16,716      | -4.6%       |

### Electricity generation mix of last decade



Note – Figures are given in calendar year basis

Source – Central Bank Annual Report 2022

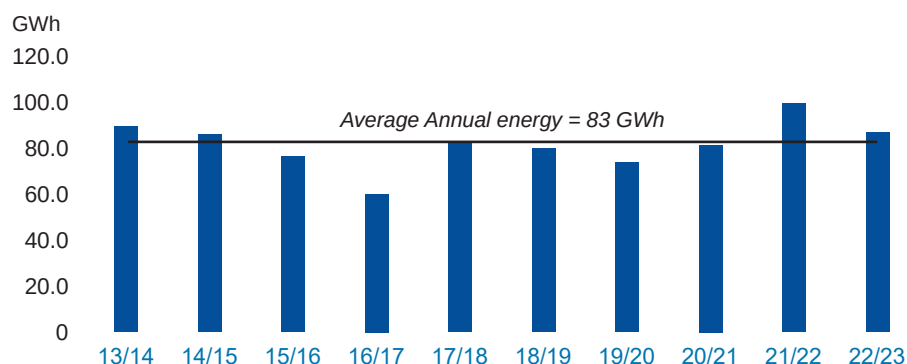
In view of the economic challenges and the environmental implications of conventional coal and fuel-based power generation, the government expanded the energy mix to new energy sources such as liquefied natural gas (LNG). To remove procedural obstacles and facilitate the development of renewable energy, the Sri Lanka Electricity Act, No.20 of 2009 was amended during the year and the Electricity (Amendment) Act, No.16 of 2022 was published in June 2022.

## Business Review

### VPE'S OPERATING ENVIRONMENT

The Group posted a commendable performance in the current fiscal year. Despite the difficult environment, total generation exceeded the estimated energy supply of 83 GWh, to a noteworthy 86.8 GWh. Heavy rainfall during the latter part of 2022 was balanced by a dry spell in early 2023. This enabled the generation of a total output of 86.8 GWh, which is a 13% decline from the highest-ever output of 99.4 GWh generated during the preceding financial year, despite all three MHP plants functioning at optimal levels during this year.

VPE's Annual electricity generation



This output achieved a Group Revenue of Rs 1,122.6 million, which is a decline of 15% over the Group Revenue of Rs 1,322.3 million earned in 2021/2022. Consequently, Group NPAT declined by 23% during the year to Rs. 655.1 million, from the Group NPAT of Rs. 854.8 million of the previous year. Individually, Erathna MHP and Kiriwaneliya MHP contributed 28.2% and 28.3% respectively to Group Revenue this year, with Denawaka Ganga MHP making the highest contribution of 42.7% to the Group. When compared with the segmented performance of the previous financial year, however, all three MHPs showed a decline – Erathna by 11%, Denawaka Ganga by 14% and Kirwaneliya by 20% respectively.

### Quarterly results of VPE Group

|                         |          | Q1    | Q2    | Q3    | Q4     | Year Total |
|-------------------------|----------|-------|-------|-------|--------|------------|
| Electricity units (kWh) | 2022/23  | 28.4  | 27.2  | 24.1  | 7.2    | 86.8       |
|                         | 2021/22  | 27.8  | 32.9  | 30.8  | 7.9    | 99.4       |
|                         | Change % | 2%    | -17%  | -22%  | -9%    | -13%       |
| Revenue (Rs. Mn)        | 2022/23  | 371.9 | 325.5 | 322.8 | 102.4  | 1,122.6    |
|                         | 2021/22  | 375.4 | 418.4 | 421.8 | 106.7  | 1,322.3    |
|                         | Change % | -1%   | -22%  | -23%  | -4%    | -15%       |
| Net Profit (Rs. Mn)     | 2022/23  | 258.7 | 228.6 | 131.0 | 36.8   | 655.1      |
|                         | 2021/22  | 274.7 | 262.7 | 331.7 | (14.4) | 854.8      |
|                         | Change % | -6%   | -13%  | -61%  | 355%   | -23%       |

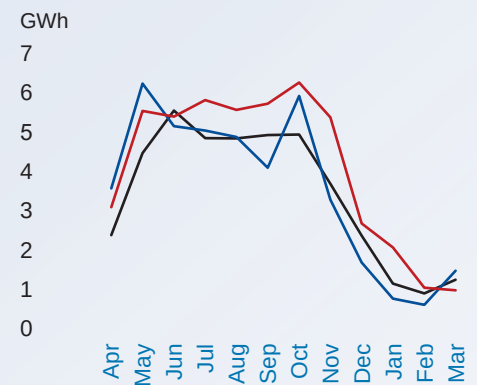
Although generation improved by 2% during the first quarter when compared to the generation of 2021/2022, rainfall patterns during the three succeeding quarters reduced the generation output by 17%, 22% and 9% respectively, which resulted in a decline of 13% in the total output generated during this year, when compared with the output of the previous year. Consequently, this generation realised a revenue of Rs 371.9 million, Rs. 325.5 million, Rs. 322.8 million and Rs. 102.4 million respectively for each quarter, which is a decline in the quarterly revenue generated by 1%, 22%, 23% and 4% against the quarterly revenue realised in 2021/2022. Consequently, Net Profit over the first three quarters contracted in this fiscal year by 6%, 13% and 61% when compared with the figures of the preceding year. Despite the fact that Erathna MHP generated the highest output (49%) to the grid, the lower tariff paid for the output reduced its revenue.

## SEGMENTAL PERFORMANCE

## ERATHNA MHP

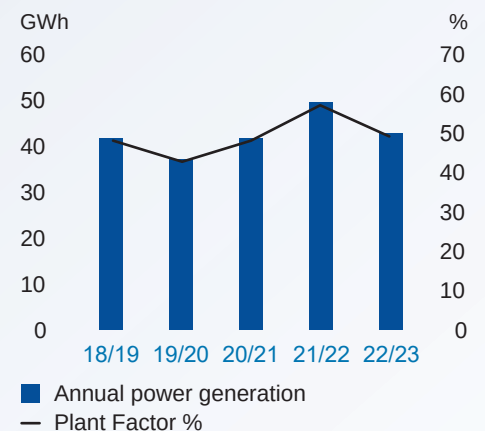


## Monthly power generation



- Expected power generation
- Actual power generation - 2022/23
- Actual power generation - 2021/22

## Annual power generation



- Annual power generation
- Plant Factor %

| Company Name          | Vallibel Power Erathna PLC |
|-----------------------|----------------------------|
| Installed Capacity    | 9.9 MW                     |
| Average Annual Energy | 42 MW                      |

| Operational Highlights          |         |         |          |
|---------------------------------|---------|---------|----------|
|                                 | 2022/23 | 2021/22 | Variance |
| Power Generation (GWh)          | 42.7    | 49.6    | -14%     |
| Plant Factor                    | 49%     | 57%     | -14%     |
| Outages due to machine failures | <1%     | <1%     | -        |
| Outages due to Grid failures    | <1%     | 1%-2%   | -        |

| Financial Highlights    |                           |         |          |
|-------------------------|---------------------------|---------|----------|
|                         | 2022/23                   | 2021/22 | Variance |
| Revenue (Rs.'Mn)        | 323.5                     | 365.3   | -11%     |
| Segment profit (Rs.'Mn) | 103.1                     | 702.9   | -85%     |
| Tariff method           | Plant Factor based tariff |         |          |

323.5<sup>Mn</sup>Revenue  
365.3 Mn (2021/22)42.7<sup>GWh</sup>Power Generation  
49.6 GWh (2021/22)26,702<sup>MT</sup>(Approximately)  
Reduction in CO<sub>2</sub> emission  
30,989 MT (2021/22)

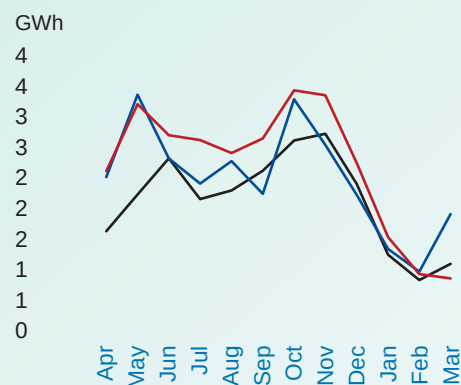


## Business Review

## DENAWAKA GANGA MHP

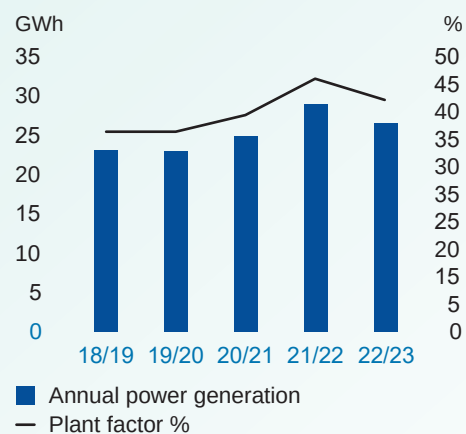


## Monthly power generation



- Expected power generation
- Actual power generation - 2022/23
- Actual power generation - 2021/22

## Annual power generation



- Annual power generation
- Plant factor %

| Company Name          | Country Energy (Pvt) Ltd |
|-----------------------|--------------------------|
| Installed Capacity    | 7.2 MW                   |
| Average Annual Energy | 25 MW                    |

| Operational Highlights          |         |         |          |
|---------------------------------|---------|---------|----------|
|                                 | 2022/23 | 2021/22 | Variance |
| Power Generation (GWh)          | 26.6    | 28.9    | -8%      |
| Plant Factor                    | 42%     | 46%     | -8%      |
| Outages due to machine failures | <1%     | <1%     | -        |
| Outages due to Grid failures    | <1%     | <1%     | -        |

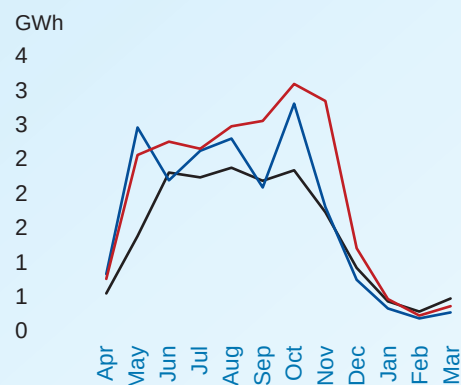
| Financial Highlights    |                     |         |          |
|-------------------------|---------------------|---------|----------|
|                         | 2022/23             | 2021/22 | Variance |
| Revenue (Rs.'Mn)        | 480.3               | 556.1   | -14%     |
| Segment profit (Rs.'Mn) | 328.2               | 404.2   | -19%     |
| Tariff method           | Avoided cost tariff |         |          |

480.3<sub>Mn</sub>Revenue  
556.1 Mn (2021/22)26.6<sub>GWh</sub>Power Generation  
28.9 GWh (2021/22)16,571<sub>MT</sub>(Approximately)  
Reduction in CO<sub>2</sub> emission  
18,084 MT (2021/22)

## KIRIWANELIYA MHP

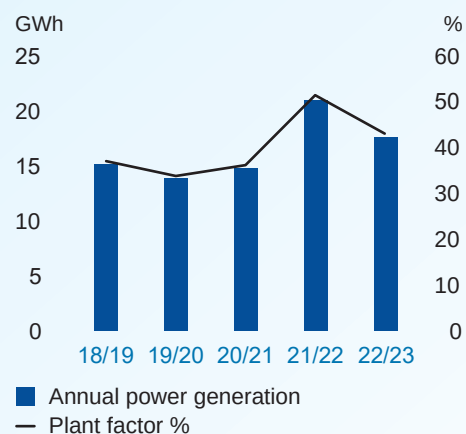


Monthly power generation



- Expected power generation
- Actual power generation - 2022/23
- Actual power generation - 2021/22

Annual power generation



- Annual power generation
- Plant factor %

| Company Name          | Country Energy (Pvt) Ltd |
|-----------------------|--------------------------|
| Installed Capacity    | 4.65 MW                  |
| Average Annual Energy | 16 MW                    |

| Operational Highlights          |         |         |          |
|---------------------------------|---------|---------|----------|
|                                 | 2022/23 | 2021/22 | Variance |
| Power Generation (GWh)          | 17.6    | 20.9    | -16%     |
| Plant Factor                    | 43%     | 51%     | -16%     |
| Outages due to machine failures | <1%     | <1%     | -        |
| Outages due to Grid failures    | 1% - 2% | 2% - 3% | -        |

| Financial Highlights    |                     |         |          |
|-------------------------|---------------------|---------|----------|
|                         | 2022/23             | 2021/22 | Variance |
| Revenue (Rs.'Mn)        | 318.7               | 400.8   | -20%     |
| Segment profit (Rs.'Mn) | 232.8               | 297.4   | -22%     |
| Tariff method           | Avoided cost tariff |         |          |

**318.7** Mn

Revenue  
400.8 Mn (2021/22)

**17.6** GWh

Power Generation  
20.9 GWh (2021/22)

**10,979** MT

(Approximately)  
Reduction in CO<sub>2</sub> emission  
13,072 MT (2021/22)

## Business Review

### CHALLENGES OF THE YEAR

The inordinately long delays of the CEB in settling the payments due to RE developers caused substantial financial stress to most players in the mini hydro industry. No payments were made to the mini hydro developers for energy supplied during the current year (2022/23) which compelled them to continue business operations on profits as yet unrealised. Additionally, income tax had to be paid on these unrealised profits in conformity with Sri Lankan tax laws, resulting in further cash flow constraints. VPE, however, continued smooth and uninterrupted business operations since the Company maintains a safe margin as a buffer against such contingencies.

Despite the adverse economic conditions, the Company sourced new business opportunities aligned with its core business, by participating in competitive government tenders for Ground Mounted Solar PV projects while ensuring that investor risk is minimized in the most effective manner. Although the CEB is yet to inform the Company of the results of the tender, this initiative has set the pattern for new business in the future.

### PROSPECTS FOR THE FUTURE

The future is positive for renewable energy in Sri Lanka, but there are still areas of uncertainty that must be addressed. The energy crisis that resulted from Sri Lanka's inability to import sufficient quantities of costly fossil fuels has now prompted state action to weigh the energy mix considerably in favour of renewable energy.

The fact that many new clean energy constructions have been implemented this year and several initiatives have been introduced to usher in an environment that is more conducive to promoting clean energy businesses is a development. However, despite these positives, the RE sector continues to grapple with challenges that impede its growth. Chief among these impediments are the high capital and import costs that translate into prohibitive costs of new projects that deter existing businesses and new entrants from participating in the tender process for new projects, as are the payment delays and substantial accumulated payment arrears that challenge the viability of local RE businesses. The capacity constraints of the national grid must also be speedily addressed in order to connect more energy sources to the grid and maintain system reliability.

It is also a matter of concern that despite the country's pursuit of RE energy sources, several international fossil fuel companies have been invited to enter the local market. It is imperative that if green energy is to be a solution to the energy and climate crisis in Sri Lanka, a single-minded focus is introduced that will prioritise clean energy use as being the means to reducing Sri Lanka's carbon footprint and bringing the country closer to achieving its Nationally Determined Contributions pledged at the Paris Agreement. The restructuring of the CEB is a step in the right direction but much more needs to be achieved in terms of structural reforms if clean energy is to lead Sri Lanka into a brighter future.







## RISK MANAGEMENT

### VPE'S RISK MANAGEMENT FRAMEWORK

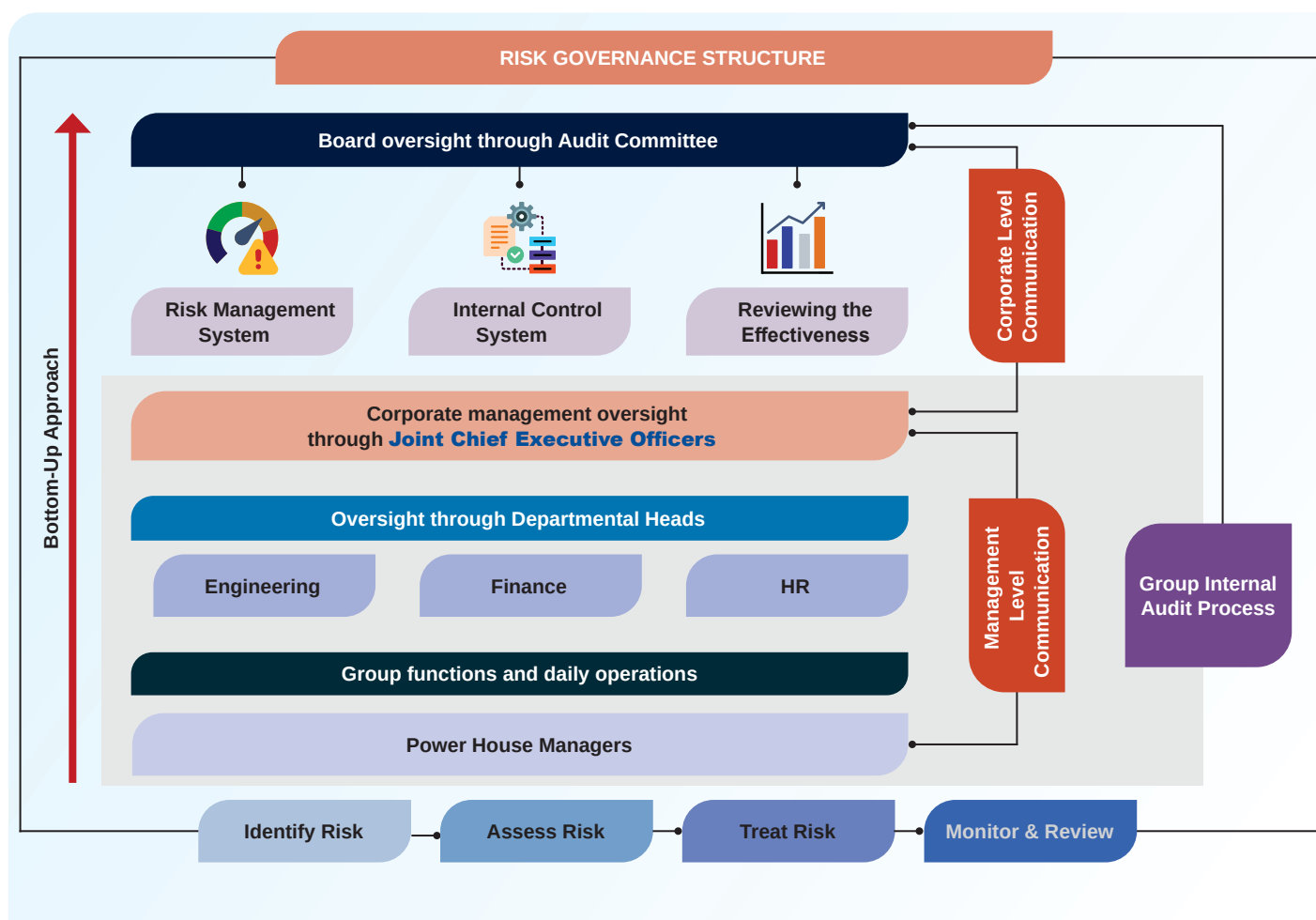
VPE realises that risk arises from many areas of our daily operations, so risk management is an essential component of the strategic management of our Company and is embedded into every aspect of business activity. These risks could either be those that may have been within the Company's control to avoid or mitigate if they are assessed and addressed in advance - for instance risks that arise from legal liabilities, operational or technology failures, strategic mismanagement or fraud; or they can be risks that could arise from social, political, economic or financial uncertainties in the business climate which could also be anticipated to some extent and mitigation strategies introduced prior to their occurrence; or they could be risk

occurrences that are wholly unanticipated and largely beyond the Company's control - such as natural disasters - but their fallout could have been mitigated had there been appropriate strategies in place to anticipate their occurrence in advance.

During the year of review, Sri Lanka faced its toughest economic setback since independence as a result of domestic turbulence exacerbated by global tensions. This resulted in the country defaulting on sovereign debt, and a cost-of-living squeeze that placed Sri Lanka among the countries most affected by food price inflation. High inflation fragmented disposable incomes and tipped many vulnerable groups into poverty. Social unrest was also rife across the political landscape due to inflamed public sentiments, which resulted in a change of government. Key downside risks include a slow debt

restructuring process, limited external financing support, and a predicted prolonged recovery from the scarring effects of the crisis.

In our efforts to address these risks, VPE relooked at our conventional risk strategy and introduced a structured and integrated ERM framework that proactively sought to minimise potential risk impacts by incorporating suitable and far-reaching risk responses. We have ingrained a risk philosophy into the company culture and ensured that our risk appetite is determined by our objectives, financial stability and capacity for risk. As a generator of clean energy in the mini hydro sector, the company has also ensured that our risk management strategy is safe, environmentally friendly as well as economically and socially sustainable.



**KEY RISK TOPICS DURING 2022/23**

Due to the present challenges inherent in the local business environment, the Company identified the following risks as being most pertinent to materially affecting performance and having a high potential for occurrence during this fiscal year.

| <b>Economic Risk</b>              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What was it?</b>               | The economic crisis experienced by Sri Lanka during the current year stemmed from an unsustainable debt load and deficits on both the international balance of payments and the government budget, which resulted in a severe shortage of forex. This forex shortage impacted trade and commercial activities and led to difficulties in importing essential goods including fuel. Banking restrictions were imposed to conserve forex and the country's poor credit rating made overseas borrowing difficult. Inconsistent policies, including taxation and regulatory approvals, reduced foreign investment. With the depreciated value of the LKR, the replacement costs of goods also increased, as did the costs of services like insurance. |
| <b>How was it for VPE?</b>        | The likelihood of disruptions to Company performance is relatively high as a result of adverse macroeconomic conditions experienced during the year. High Inflation increased COP as the cost of all inputs in every business area increased, and the rupee devaluation and bank restrictions on forex impacted spare parts and equipment imports. The fuel crisis increased the expenditure on staff travel.                                                                                                                                                                                                                                                                                                                                     |
| <b>How was it managed by VPE?</b> | <ul style="list-style-type: none"> <li>➤ Staying informed on the country situation and developments in the social, political and economic scenarios for possible disruptions that could impact profitability.</li> <li>➤ Re-formulation of Company strategies and procedures to mitigate risk.</li> <li>➤ Focus on monetary indicators in anticipation of any movements in the financial spheres.</li> <li>➤ Promoting group solidarity through maintaining professional relationships sector-wise and across industries to form a cohesive voice necessary for addressing uncertainties.</li> </ul>                                                                                                                                              |
| <b>Business Risk</b>              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>What was it?</b>               | The above mentioned economic and political factors in the country increased business risk. An unstable political system with a generally weak coalition, a vulnerable export base and substantially curtailed imports, a rapidly devaluating rupee, to which was added vulnerability to climate and natural disasters, were key causes of concern. The substantially increased tax rates also impacted the Company's bottom line and compelled the Company to pursue business opportunities on a very selective basis.                                                                                                                                                                                                                            |
| <b>How was it for VPE?</b>        | Various highly volatile factors prevalent during this financial year, including social unrest, supply chain disruptions, high prices and heavy tax burdens, challenged day-to-day operations and threatened business continuity into the future. The inflated costs of new projects also limited the Company's participation in government RE tenders. Income tax rates were doubled, from 14% to 30% as was VAT, from 8% to 15%; an additional SSCL tax was imposed, all of which increased input costs.                                                                                                                                                                                                                                         |
| <b>How was it managed by VPE?</b> | <ul style="list-style-type: none"> <li>➤ Despite limitations, the Company utilised the reduced barriers to RE business expansion this year as an opportunity to pursue new avenues in RE.</li> <li>➤ Uninterrupted generation of energy at maximum capacity to reduce operational risk and increase profitability.</li> <li>➤ Participation in government RE tenders that are deemed feasible.</li> <li>➤ Exploration of overseas projects that correspond to Group returns and risk profiles.</li> <li>➤ Exploring new locally-based RE projects like solar power to capitalise on the favourable investment climate for clean energy.</li> <li>➤ Heightened focus on business contingency and contingency plans.</li> </ul>                     |

## Risk Management

### Financial Risk

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                  |                                                                                                             |                                                                                                                                                                                                                      |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What was it?</b>               | The economic crisis brought on a financial crisis that reduced the ability of most companies in the RE industry to manage their debt and at times, to fulfil their financial obligations. As a government-linked business, VPE was not exempt. RE companies faced both a liquidity risk as well as a credit risk due to the prolonged CEB arrears. High inflation and currency devaluation intensified the risk.                                                                                                                                                                                                                                                                                        |                                                                                                                                  |                                                                                                             |                                                                                                                                                                                                                      |
| <b>How was it for VPE?</b>        | Due to the volatile financial environment, this risk is now of significant impact to the business, and its management is critical to performance and continuity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                  |                                                                                                             |                                                                                                                                                                                                                      |
|                                   | <b>Interest Risk</b><br><br>As a debt-free company, interest risk is nil. But the Company was unable to take advantage of increased interest rates due to low liquidity brought on by CEB arrears.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Currency Risk</b><br><br>Inherent risk due to increasing costs of purchases as a result of inflation and the LKR devaluation. | <b>Inflation Risk</b><br><br>Increased this year due to the escalation of operating costs across the board. | <b>Liquidity Risk</b><br><br>Increased this year due to high CEB outstanding on payments defaulted for over one year and high interest rates prevailed during the year reduced the money value of these receivables. |
| <b>How was it managed by VPE?</b> | <ul style="list-style-type: none"> <li>➤ Maintaining a buffer working capital funds as a safeguard against the occurrence of unexpected events.</li> <li>➤ Lobbying the CEB to pay interest on its arrears, which will counter – at least to some extent, the loss in the money value of the arrears.</li> <li>➤ Mitigating exposure by maintaining adequate stocks of spares to meet urgent requirements.</li> <li>➤ Maintaining sufficient inventory of consumables and prioritising local solutions when procuring suppliers' services.</li> <li>➤ Forging cordial relationships with CEB officials in both company and industry level to receiving the settlements in terms of the SPPA.</li> </ul> |                                                                                                                                  |                                                                                                             |                                                                                                                                                                                                                      |

### GENERAL RISK TOPICS AND MANAGING STRATEGIES

The following risks have been identified by the Company during its operations in the current fiscal year.

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Operational Risk</b> | <b>The uncertainties faced in our daily business activities due to breakdowns in the internal processes caused by the actions of people or systems, or as a result of external events.</b>                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Managing Strategy       | <ul style="list-style-type: none"> <li>➤ Amending operational functions based on the corporate contingency plan.</li> <li>➤ Carrying out the maintenance of machinery and equipment on schedule and whenever required.</li> <li>➤ Regularly upgrading H &amp; S policies and measures, conducting meetings to inform employees of these upgrades.</li> <li>➤ Complying with an internationally approved Quality Management System.</li> <li>➤ Conducting periodic internal audit reviews and reporting to the Audit Committee.</li> <li>➤ Introducing insurance policies that cover all operational aspects.</li> </ul> |

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Regulatory and Legal Risk</b> | <b>Risk of changes in laws and regulations that have material impact on business costs of operation and the attractiveness of business investments.</b>                                                                                                                                                                                                                                                                                   |
| Managing Strategy                | <ul style="list-style-type: none"> <li>➤ Compliance with any new laws or regulations introduced in a timely and responsive manner in the interests of good governance.</li> </ul>                                                                                                                                                                                                                                                         |
| <b>Human Resource Risk</b>       | <b>The erosion of real wages and introduction of higher taxes are squeezing disposable incomes, which is prompting high calibre staff to seek overseas opportunities. Staff retention is becoming increasingly difficult.</b>                                                                                                                                                                                                             |
| Managing Strategy                | <ul style="list-style-type: none"> <li>➤ Paying a special COL allowance to enable employees to make ends meet during times of crisis.</li> <li>➤ Providing an inclusive work environment that rewards performance, supports training and development, ensures that remuneration is kept at industry levels, and maintaining close and cordial worker relationships.</li> <li>➤ Adopting a comprehensive human resource policy.</li> </ul> |
| <b>Environmental Risk</b>        | <b>Risk of the occurrence of actual or potential threats to the environment as a result of effluents and resource depletion arising from the Company's activities.</b>                                                                                                                                                                                                                                                                    |
| Managing Strategy                | <ul style="list-style-type: none"> <li>➤ Commitment to an Environmental Management System that follows exacting international standards and ensures preservation of the pristine nature of catchment environments.</li> <li>➤ Immediate mitigation of any adverse environmental impacts if and when they arise.</li> </ul>                                                                                                                |
| <b>Social Risk</b>               | <b>Negative impacts on the organisation from local communities which are linked with the surrounding areas of the project. Due to the prevailing high costs, community initiatives were somewhat reduced during the year.</b>                                                                                                                                                                                                             |
| Managing Strategy                | <ul style="list-style-type: none"> <li>➤ Carefully rethinking community involvement and pursuing need-based community programmes that are mutually beneficial.</li> <li>➤ Employing members of the catchment communities on project sites.</li> </ul>                                                                                                                                                                                     |
| <b>IT Risk</b>                   | <b>The risk of system failure or outdated systems could result in the loss of data that can jeopardise business continuity.</b>                                                                                                                                                                                                                                                                                                           |
| Managing Strategy                | <ul style="list-style-type: none"> <li>➤ Introducing a state-of-the-art IT system on par with similar organisations in the industry.</li> <li>➤ Ensuring stringent safeguards that promote cyber security.</li> <li>➤ Carrying out regular maintenance and upgrading of processes.</li> </ul>                                                                                                                                             |
| <b>Reputation Risk</b>           | <b>Adverse impact of the business on society and unfavourable responses from the public.</b>                                                                                                                                                                                                                                                                                                                                              |
| Managing Strategy                | <ul style="list-style-type: none"> <li>➤ Incorporating reputational risk considerations in all strategy and planning initiatives.</li> <li>➤ Establishing an effective mechanism for regular and responsive stakeholder engagement that understands stakeholder expectations and reinforces relationships.</li> </ul>                                                                                                                     |







State of the art  
technology  
powered by us

## STATEMENT OF SUSTAINABILITY

VPE has developed its corporate strategy, systems and objectives to align with our approach to the sustainable development of the business, and has integrated sustainability into its business model to take this forward. Consequently, we will, while generating clean energy for the country, focus on the Triple Bottom-line by fostering the social and economic well-being of communities and minimising the environmental impacts of our operations, thereby delivering a profitable business to our stakeholders by engaging with them along the way.

### VPE'S ESG FRAMEWORK

As a producer of green energy, sustainability has been in our DNA since inception and is embedded in the socially responsible way in which we do business. In the current fiscal year, we took a step further to better align the Company's sustainability initiatives with its business strategies because we realise that understanding and meeting our stakeholders' expectations by addressing their interests and concerns is at the heart of what we do. We formalised this commitment by adding Governance to our strategic framework and adopting the ESG (Environmental, Social and Governance) Agenda.

Our ESG initiatives play a critical role in supporting the UN SDGs by promoting sustainable and responsible business practices, reducing negative environmental impacts, promoting social justice and equality, and addressing all SDGs to a greater or lesser extent.



## Environment



By virtue of our green business, we reduce our carbon footprint and minimise our impact on the environment including the sensitive catchment areas in which our projects are located. These initiatives support SDGs 7, 12, 13, 14 and 15 that focus on ensuring environment sustainability for future generations, by reducing negative climate change impacts through generating renewable energy and responsible production and consumption that will preserve and protect life on land and in the sea.



## Social



Our employment initiatives prioritise fair labour practices and gender equality, support the rights of workers and provide decent work and conditions that promote economic growth as well as ensure their health and well-being. These initiatives address SDGs 3, 5 and 8.

We support our communities by our commitment to eliminate poverty and hunger; we promote their health and well-being by providing them with clean water and sanitation; we contribute towards quality education that reduces inequalities and ensures that they live in sustainable cities and communities. These actions are in line with SDG goals 1,2,3,4,5, 6, 10 and 11.



## Governance



Our practice of good governance is essential for the sustainable development of the Company. This supports Peace, Justice and Strong Institutions (16), and Partnerships to achieve the Goal (17).



Today, sustainability to VPE is about creating value across the business by connecting the opportunities of the energy transition with our aspirations for the environment and the people, based on the foundation of good governance. We create value in numerous ways: as a generator of green energy, an employer, taxpayer, participant in the supply chain and investor in local communities.

The coming years will see us strive to benchmark and assess our performance to ensure that we meet all criteria of ESG reportage whilst growing the business profitably.

## REDUCING OUR ENVIRONMENT FOOTPRINT

As a producer of renewable energy, our carbon footprint is negligible. Additionally, hydropower generation is essentially a run-of-river operation which does not alter the quality or quantity of the water used in energy generation. However, our business does generate some environmental impacts, especially since our sites are, of necessity, situated in sensitive catchment areas inhabited by endemic fauna and flora.

In response, we have adopted a Quality & Environment Policy that rigorously monitors any environmental impacts of our operations and ensures the immediate implementation of mitigatory measures. The Policy ensures that we are fully compliant with local environmental laws and that all regulatory approvals obtained at state and provincial levels are consistently followed.

## VPE's practices on impact management

- Ensuring the responsible preservation of natural resources through power generation plants that are designed to reduce noise, CO<sub>2</sub> emissions and other environmental impacts.
- Replenishing and replanting natural resources that had to be removed during construction.
- Reducing energy intensity across the business through improving operational efficiencies.
- Managing waste generation based on the RRR principles that reduce and reuse organic waste and responsibly dispose of non-organic waste.



## Statement of Sustainability

### PROVIDING SOCIETY WITH A HELPING HAND

#### Employees

Our employees are crucial to delivering our purpose and strategy. We provide them with an inclusive and diverse participation-based corporate culture built on dignity and respect, which establishes optimal conditions for their sustained commitment to our success.

We have on board a comprehensive Human Resources Policy that addresses all aspects and concerns of our people.

#### VPE's practices for the betterment of human capital

- Introducing Health and Safety measures that eliminate or mitigate workers' exposure to hazardous risks in the working environment.
- Recognising and rewarding performance and perseverance that keeps them engaged and loyal.
- Providing training and development on job-specific as well as soft skills that equip them for career advancement and the future.
- Awarding them competitive salaries and benefits aligned to, and at times surpassing-industry standards.
- Ensuring they have a healthy work-life balance by providing them with recreation activities that promote relaxation and camaraderie.
- Introducing a grievance mechanism that speedily addresses their concerns.

We also ensure that we follow the International Labour Organisation's (ILO) principles of zero tolerance of child labour and forced labour, and conform to the minimum wage requirements stipulated by the government.

#### Communities

Our projects are located in catchment areas inhabited by communities that are indigenous to these areas. We sustain their well-being by recognising their human rights and respecting their sensitivities around livelihoods, culture, land, and the environment. We strive to build close and reciprocal relationships with them by supporting them in numerous ways.

We operate in accordance with applicable standards of social behaviour designed to enhance their resilience and build more sustainable livelihoods by:

#### VPE's practices for the betterment of community

- Supporting quality healthcare.
- Providing educational opportunities.
- Building infrastructure for essential services.
- Fostering their economic growth through supporting livelihoods that include job creation at project sites.
- Providing them with mechanisms for communicating any concerns about the Company's activities and addressing areas of concern even before they arise.

### SHOULDERING THE RESPONSIBILITIES OF GOOD GOVERNANCE

We have introduced a clear-cut and effective governance structure which has been fine-tuned over the years and conforms to the Company's Act No 7 of 2002. It enables our shareholders to understand how the Company is being managed and ensures that the Company follows ethical and transparent business practices that benefit all stakeholders and takes accountability for its actions.

The key principles of good governance practised at VPE are:

#### VPE's good governance practices

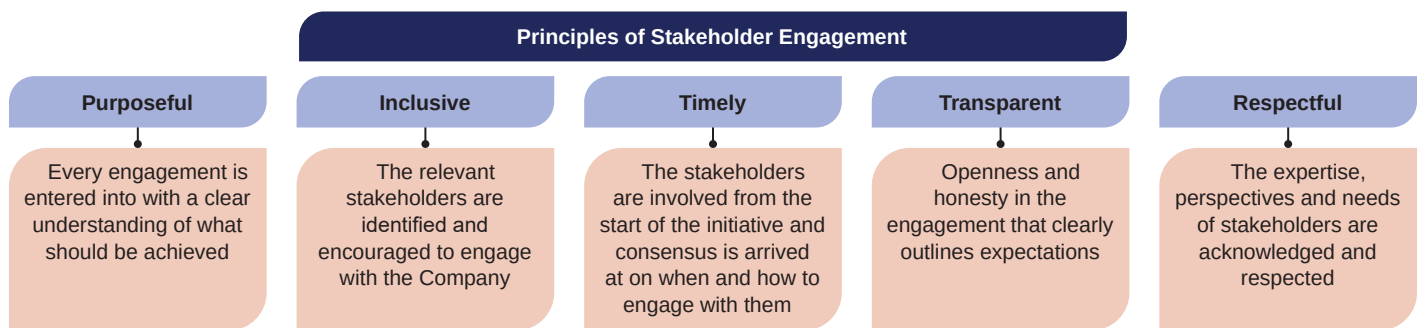
- Board independence, impartiality and diversity that bring in different perspectives and help ensure that Company decisions represent the interests of the wider community.
- Respect for shareholders' right to information and ensuring their participation in the decision-making process.
- Supplying all stakeholders with transparent and accurate disclosures of financial and non-financial information.
- Accurate and transparent accounting methods that comply with financial reporting standards.
- Effective risk management systems and processes that identify and manage the risks that have the potential to affect the Company's current operations and future viability.
- Robust internal controls and compliance systems.
- A strong and structured approach to stakeholder engagement that sustains cordial and continuous relationships.

## STAKEHOLDER ENGAGEMENT AND ANALYSIS

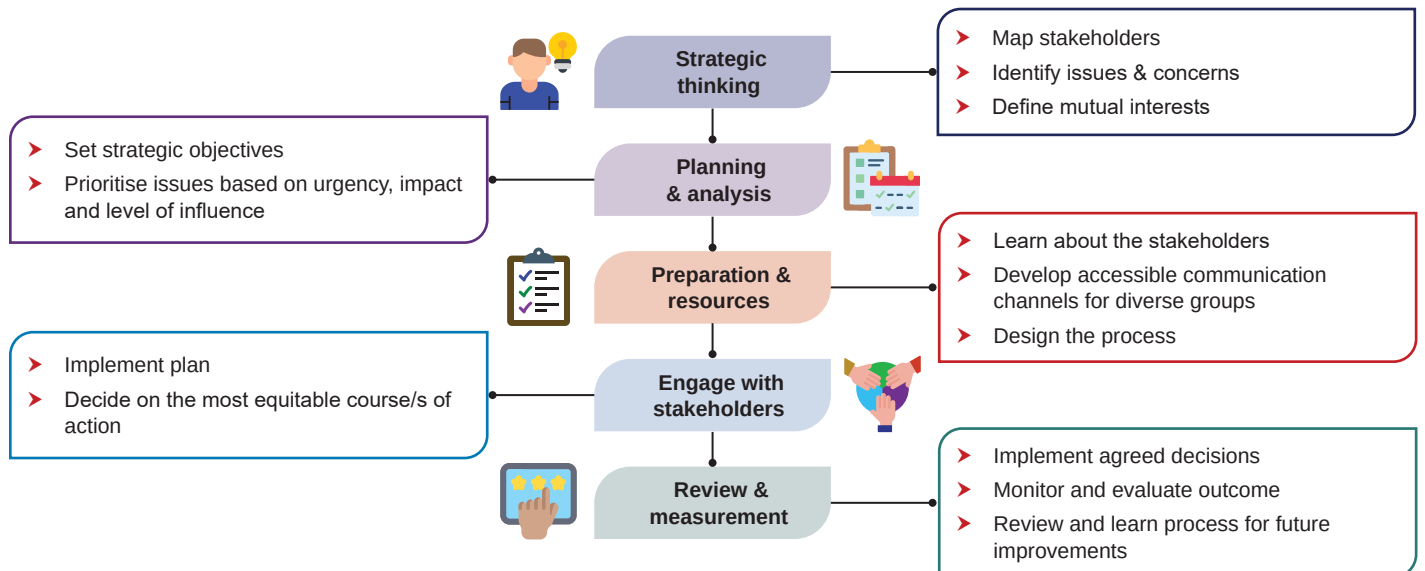
### VPE'S STAKEHOLDER ENGAGEMENT FRAMEWORK

Effective engagement with stakeholders has been essential for the responsible management of the Company and for achieving a beneficial outcome for our many stakeholder groups as well as for ourselves. By creating clear communication channels, we are able to listen to and understand the concerns of our stakeholders, which helps us to analyse their requirements and expectations, thereby aligning these with the Company's objectives and operations.

Such an approach of mutual exchange has served to develop reciprocal trust and respect over time, which has forged invaluable bonds that have expanded our horizons. This has been vital to the Company's success and has contributed to our resilience, flexibility, learning, and innovation as well as helped us identify new opportunities, all of which have enhanced our sustained performance into the future.



### ENGAGEMENT PROCESS



### LEVELS OF STAKEHOLDER ENGAGEMENT

These levels of communication can and have changed at times, depending on the level of importance and the immediacy of the issues, which have compelled VPE to employ a mix of methods of engagement. Determining the most appropriate method of engagement and the tools and techniques that facilitate the engagement

process will depend on the situation, environment, time frame, required levels of skill, availability of resources, and the level of impact of the particular shareholder concern on the business:



## Stakeholder Engagement and Analysis

At lower levels of engagement, communication may involve merely keeping stakeholders well-informed about Company activities, processes and outcomes. At higher levels of engagement, for certain issues pertinent to the Company's operations and continuity, more direct stakeholder input may be sought. Therefore, the level of approach applied will be determined by the purpose of the engagement, our role and responsibilities, and the issue/s being considered.

### OUR STAKEHOLDER ENGAGEMENT LEVELS

|                       | Inform                            | Consult                                                       | Involve                                                                                                        | Collaborate                                                                                                             | Empower                                                     |
|-----------------------|-----------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Type of Communication | One-way                           | Limited two-way                                               | Two-way or multi-way communication                                                                             | Two-way/ multi-way communication with negotiation and decision making                                                   | Delegating decisions- to the stakeholders                   |
| Purpose               | To inform or educate stakeholders | To gain information and feedback for internal decision-making | To work directly and ensure that concerns are understood and addressed                                         | To partner in developing joint plans of action                                                                          | To enable active contribution to achieving the outcome      |
| VPE's Response        | "We will keep you informed"       | "We will keep you informed and listen to your concerns"       | "We will work with you to address your concerns and provide feedback on how your input influenced the outcome" | "We will work together to agree on what to implement and incorporate your advice and recommendations into the outcomes" | "We will implement your decisions and support your actions" |

### VPE's strategies for successful engagement with stakeholders is based on the following best practices

- Identifying the stakeholders and prioritising them based on their level of influence and interest in the Company and its activities
- Communicating regularly and consistently using understandable and simple language
- Ensuring transparency in operations, policies, and practices to build stakeholder trust
- Listening actively to feedback from stakeholders and using this information in the decision-making process
- Taking immediate action to address stakeholders' concerns and making changes to improve Company operations and outcomes

### ENGAGING WITH STAKEHOLDERS

| Shareholders                   | Objective                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                       | Priority Level                                                                                                           |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
|                                | To apprise them of the financial health and performance of the Company; alert them of any potential risks/ opportunities that could influence the Company's value                                          |                                                                                                                                                                                                                                                                       | Manage closely                                                                                                           |
|                                | Key concerns                                                                                                                                                                                               | Mode of engagement                                                                                                                                                                                                                                                    | Frequency                                                                                                                |
|                                | <ul style="list-style-type: none"> <li>➤ Profit and growth</li> <li>➤ Wealth creation</li> <li>➤ Future prospects</li> <li>➤ Responsible corporate management</li> <li>➤ Sustainability aspects</li> </ul> | <ul style="list-style-type: none"> <li>➤ Quarterly Interim Financial Reports</li> <li>➤ Annual Report</li> <li>➤ Annual General Meeting</li> <li>➤ Dividend payouts</li> <li>➤ Corporate disclosures</li> <li>➤ Press releases</li> <li>➤ Open-door policy</li> </ul> | <ul style="list-style-type: none"> <li>➤ Annually</li> <li>➤ Quarterly</li> <li>➤ If and when the need arises</li> </ul> |
| Value created for shareholders | <ul style="list-style-type: none"> <li>➤ Continuous maintenance of all project assets to high standards of quality</li> <li>➤ Exploration of new business ventures in Renewable Energy</li> </ul>          |                                                                                                                                                                                                                                                                       |                                                                                                                          |

Link to the "Capital Management" reports - **Financial capital** (pages 50 to 56)

| Customer/ Ceylon Electricity Board                                                                                                                                                                                                     | Objective                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Priority Level                                                                                                  |                    |           |                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                   |                                                              |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--|
|                                                                                                                                                       | To cater to our local power off-taker's needs and stipulations, and ensure acceptable levels of satisfaction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  Invite participatory action |                    |           |                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                   |                                                              |  |
|                                                                                                                                                                                                                                        | <table><tr><th>Key concerns</th><th>Mode of engagement</th><th>Frequency</th></tr><tr><td><ul style="list-style-type: none"><li>➤ Matters relating to compliance with Standard Power Purchase Agreement (SPPA)</li><li>➤ Monthly invoicing and settlements</li><li>➤ NCRE Tariff</li><li>➤ Routine operational matters</li></ul></td><td><ul style="list-style-type: none"><li>➤ Consultations on operational matters whenever necessary</li><li>➤ Compliance with provisions of the SPPA.</li><li>➤ Monthly invoicing in accordance with the SPPA and obtaining due settlements</li></ul></td><td><ul style="list-style-type: none"><li>➤ Continuous</li></ul></td></tr></table> | Key concerns                                                                                                    | Mode of engagement | Frequency | <ul style="list-style-type: none"><li>➤ Matters relating to compliance with Standard Power Purchase Agreement (SPPA)</li><li>➤ Monthly invoicing and settlements</li><li>➤ NCRE Tariff</li><li>➤ Routine operational matters</li></ul> | <ul style="list-style-type: none"><li>➤ Consultations on operational matters whenever necessary</li><li>➤ Compliance with provisions of the SPPA.</li><li>➤ Monthly invoicing in accordance with the SPPA and obtaining due settlements</li></ul> | <ul style="list-style-type: none"><li>➤ Continuous</li></ul> |  |
|                                                                                                                                                                                                                                        | Key concerns                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mode of engagement                                                                                              | Frequency          |           |                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                   |                                                              |  |
| <ul style="list-style-type: none"><li>➤ Matters relating to compliance with Standard Power Purchase Agreement (SPPA)</li><li>➤ Monthly invoicing and settlements</li><li>➤ NCRE Tariff</li><li>➤ Routine operational matters</li></ul> | <ul style="list-style-type: none"><li>➤ Consultations on operational matters whenever necessary</li><li>➤ Compliance with provisions of the SPPA.</li><li>➤ Monthly invoicing in accordance with the SPPA and obtaining due settlements</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                 | <ul style="list-style-type: none"><li>➤ Continuous</li></ul>                                                    |                    |           |                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                   |                                                              |  |
| <b>Value created for customer</b>                                                                                                                                                                                                      | <ul style="list-style-type: none"><li>➤ Provision of 86.8 GWh of uninterrupted clean energy to the national grid during the year of review</li><li>➤ Building of cordial relationship with CEB officials at levels of authority</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                 |                    |           |                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                   |                                                              |  |
|  Link to the “Capital Management” reports - <b>Social and Relationship capital</b> (pages 65 to 70)                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                 |                    |           |                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                   |                                                              |  |

| Community and Environment                                                                                                                              | Objective                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Priority Level                                                                                     |                    |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                       |           |                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------------------------------------|
|                                                                      | To build trust and reciprocal relationships that ensures a sustainable operation into the future                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  Keep Satisfied |                    |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                       |           |                                                           |
|                                                                                                                                                        | <table><tr><th>Key concerns</th><th>Mode of engagement</th></tr><tr><td><ul style="list-style-type: none"><li>➤ Sustainability</li><li>➤ Environmental effects</li><li>➤ Corporate Social Responsibility initiatives</li></ul></td><td><ul style="list-style-type: none"><li>➤ Community meetings</li><li>➤ Infrastructure development activities/ programmes</li><li>➤ Sponsorships for community developments</li><li>➤ Forest plantation programmes in the surrounding areas</li><li>➤ Compliance with environmental regulations</li><li>➤ Environmental impact mitigation and protection programmes</li><li>➤ Hiring of employees from indigenous communities</li></ul></td></tr></table> | Key concerns                                                                                       | Mode of engagement | <ul style="list-style-type: none"><li>➤ Sustainability</li><li>➤ Environmental effects</li><li>➤ Corporate Social Responsibility initiatives</li></ul> | <ul style="list-style-type: none"><li>➤ Community meetings</li><li>➤ Infrastructure development activities/ programmes</li><li>➤ Sponsorships for community developments</li><li>➤ Forest plantation programmes in the surrounding areas</li><li>➤ Compliance with environmental regulations</li><li>➤ Environmental impact mitigation and protection programmes</li><li>➤ Hiring of employees from indigenous communities</li></ul> | <table><tr><th>Frequency</th></tr><tr><td><ul style="list-style-type: none"><li>➤ Regular</li></ul></td></tr></table> | Frequency | <ul style="list-style-type: none"><li>➤ Regular</li></ul> |
|                                                                                                                                                        | Key concerns                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Mode of engagement                                                                                 |                    |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                       |           |                                                           |
| <ul style="list-style-type: none"><li>➤ Sustainability</li><li>➤ Environmental effects</li><li>➤ Corporate Social Responsibility initiatives</li></ul> | <ul style="list-style-type: none"><li>➤ Community meetings</li><li>➤ Infrastructure development activities/ programmes</li><li>➤ Sponsorships for community developments</li><li>➤ Forest plantation programmes in the surrounding areas</li><li>➤ Compliance with environmental regulations</li><li>➤ Environmental impact mitigation and protection programmes</li><li>➤ Hiring of employees from indigenous communities</li></ul>                                                                                                                                                                                                                                                          |                                                                                                    |                    |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                       |           |                                                           |
| Frequency                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                    |                    |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                       |           |                                                           |
| <ul style="list-style-type: none"><li>➤ Regular</li></ul>                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                    |                    |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                       |           |                                                           |
| <b>Value created for community and environment</b>                                                                                                     | <ul style="list-style-type: none"><li>➤ Jobs and business opportunities through host community procurement processes</li><li>➤ Community development - education, healthcare, environment and infrastructure</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                    |                    |                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                       |           |                                                           |

 Link to the “Capital Management” reports - **Social and Relationship capital** (pages 65 to 70)  
**Natural Capital** (pages 57 to 64)

| Regulatory Bodies and Government                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Objective    | Priority Level                                                                                       |                                                                                                                                                                                                             |                                                                                                                                                                                                                                           |                                                                                                                                    |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------|
|                                                                                                                          | To assure compliance with regulations and qualify for the necessary operational permits                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |              |  Manage closely |                                                                                                                                                                                                             |                                                                                                                                                                                                                                           |                                                                                                                                    |           |
|                                                                                                                                                                                                             | <table><tr><th>Key concerns</th><th>Mode of engagement</th></tr><tr><td><ul style="list-style-type: none"><li>➤ Profitability and growth</li><li>➤ Regulatory approvals and legal compliances</li><li>➤ Sustainability aspects</li><li>➤ Responsible corporate management</li></ul></td><td><ul style="list-style-type: none"><li>➤ Obtaining all required approvals and licenses</li><li>➤ Payment of taxes and levies</li><li>➤ Compliance with other periodical statutory requirements</li><li>➤ Industry-level meetings</li></ul></td></tr></table> | Key concerns | Mode of engagement                                                                                   | <ul style="list-style-type: none"><li>➤ Profitability and growth</li><li>➤ Regulatory approvals and legal compliances</li><li>➤ Sustainability aspects</li><li>➤ Responsible corporate management</li></ul> | <ul style="list-style-type: none"><li>➤ Obtaining all required approvals and licenses</li><li>➤ Payment of taxes and levies</li><li>➤ Compliance with other periodical statutory requirements</li><li>➤ Industry-level meetings</li></ul> | <table><tr><th>Frequency</th></tr><tr><td><ul style="list-style-type: none"><li>➤ As and when required</li></ul></td></tr></table> | Frequency |
| Key concerns                                                                                                                                                                                                | Mode of engagement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |              |                                                                                                      |                                                                                                                                                                                                             |                                                                                                                                                                                                                                           |                                                                                                                                    |           |
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| Frequency                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |              |                                                                                                      |                                                                                                                                                                                                             |                                                                                                                                                                                                                                           |                                                                                                                                    |           |
| <ul style="list-style-type: none"><li>➤ As and when required</li></ul>                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |              |                                                                                                      |                                                                                                                                                                                                             |                                                                                                                                                                                                                                           |                                                                                                                                    |           |
| Value created for Regulatory bodies and Government                                                                                                                                                          | <ul style="list-style-type: none"><li>➤ On-time payment of all relevant government levies, licenses and taxes</li><li>➤ Supports the government policy of clean energy</li><li>➤ In-country procurement of jobs and supplies</li></ul>                                                                                                                                                                                                                                                                                                                  |              |                                                                                                      |                                                                                                                                                                                                             |                                                                                                                                                                                                                                           |                                                                                                                                    |           |
|  Link to the “Capital Management” reports - <b>Social and Relationship capital</b> (pages 65 to 70)                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |              |                                                                                                      |                                                                                                                                                                                                             |                                                                                                                                                                                                                                           |                                                                                                                                    |           |



## Stakeholder Engagement and Analysis

| Industry bodies/<br>Associations                                                  | Objective                                                                                                                                                                                |                                                                                                                                                                 | Priority Level                                                           |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
|  | To stay updated on the latest industry trends and best practices, participate in industry events and network for purposes of solidarity on industry issues                               |                                                                                                                                                                 | Keep Informed                                                            |
|                                                                                   | Key concerns                                                                                                                                                                             | Mode of engagement                                                                                                                                              | Frequency                                                                |
|                                                                                   | <ul style="list-style-type: none"> <li>➤ Company performance</li> <li>➤ Quality and standards</li> <li>➤ Regulatory and legal compliance</li> <li>➤ Synergy with the industry</li> </ul> | <ul style="list-style-type: none"> <li>➤ Industry-related meetings</li> <li>➤ Obtain consultancies</li> <li>➤ Keep continuous dialogues with members</li> </ul> | <ul style="list-style-type: none"> <li>➤ As and when required</li> </ul> |
| <b>Value created for industry bodies/ associations</b>                            | <ul style="list-style-type: none"> <li>➤ Payment of annual subscriptions and establishment of strong professional relationships</li> </ul>                                               |                                                                                                                                                                 |                                                                          |

 Link to the "Capital Management" reports - **Social and Relationship capital** (pages 65 to 70)

| Employees                                                                         | Objective                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                          | Priority Level                                                |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
|  | To build a positive company culture and reinforce their loyalty and long-term commitment to the Company                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                          | Keep Informed                                                 |
|                                                                                   | Key concerns                                                                                                                                                                                                                                                                         | Mode of engagement                                                                                                                                                                                                                                                                                                                                       | Frequency                                                     |
|                                                                                   | <ul style="list-style-type: none"> <li>➤ Remuneration</li> <li>➤ Profit and growth</li> <li>➤ Responsible corporate management</li> <li>➤ Occupational health and safety initiatives</li> <li>➤ Better work life balance</li> <li>➤ Career stability and future prospects</li> </ul> | <ul style="list-style-type: none"> <li>➤ Annual staff performance appraisals</li> <li>➤ Regular staff meetings</li> <li>➤ Involvement in negotiations if and when required</li> <li>➤ Training and workshops</li> <li>➤ Performance based salary increments and bonuses</li> <li>➤ Welfare</li> <li>➤ Team building activities and programmes</li> </ul> | <ul style="list-style-type: none"> <li>➤ Regularly</li> </ul> |
| <b>Value created for Employees</b>                                                | <ul style="list-style-type: none"> <li>➤ Payment of competitive salaries based on performance</li> <li>➤ Optimising of business processes and operational efficiencies</li> <li>➤ Payment of additional relief allowances as support during crisis periods</li> </ul>                |                                                                                                                                                                                                                                                                                                                                                          |                                                               |

 Link to the "Capital Management" reports – **Human Capital** (pages 71 to 78)

| Bank and financial Institutions                                                                                                                                          | Objective                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Priority Level                                                                                            |                    |                                                                                                                                                                          |                                                                                                                                                                                                 |                                                                                                                                    |           |                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------|
|                                                                                         | To assure their confidence in the Company's repayment abilities if and when the necessity for accessing the best financial solutions arises                                                                                                                                                                                                                                                                                                                                |  Engage when necessary |                    |                                                                                                                                                                          |                                                                                                                                                                                                 |                                                                                                                                    |           |                                                                        |
|                                                                                                                                                                          | <table><tr><th>Key concerns</th><th>Mode of engagement</th></tr><tr><td><ul style="list-style-type: none"><li>➤ Project financing</li><li>➤ Profitability and growth</li><li>➤ Investment opportunities</li><li>➤ Finance transactions</li></ul></td><td><ul style="list-style-type: none"><li>➤ Short term investments</li><li>➤ Regular meetings, dialogues and interactions</li><li>➤ Publishing of financial statements and annual reports</li></ul></td></tr></table> | Key concerns                                                                                              | Mode of engagement | <ul style="list-style-type: none"><li>➤ Project financing</li><li>➤ Profitability and growth</li><li>➤ Investment opportunities</li><li>➤ Finance transactions</li></ul> | <ul style="list-style-type: none"><li>➤ Short term investments</li><li>➤ Regular meetings, dialogues and interactions</li><li>➤ Publishing of financial statements and annual reports</li></ul> | <table><tr><th>Frequency</th></tr><tr><td><ul style="list-style-type: none"><li>➤ As and when required</li></ul></td></tr></table> | Frequency | <ul style="list-style-type: none"><li>➤ As and when required</li></ul> |
|                                                                                                                                                                          | Key concerns                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Mode of engagement                                                                                        |                    |                                                                                                                                                                          |                                                                                                                                                                                                 |                                                                                                                                    |           |                                                                        |
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| Frequency                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                           |                    |                                                                                                                                                                          |                                                                                                                                                                                                 |                                                                                                                                    |           |                                                                        |
| <ul style="list-style-type: none"><li>➤ As and when required</li></ul>                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                           |                    |                                                                                                                                                                          |                                                                                                                                                                                                 |                                                                                                                                    |           |                                                                        |
| Value created for banks and financial institutions                                                                                                                       | <ul style="list-style-type: none"><li>➤ Investment of excess funds in short term financial products .</li></ul>                                                                                                                                                                                                                                                                                                                                                            |                                                                                                           |                    |                                                                                                                                                                          |                                                                                                                                                                                                 |                                                                                                                                    |           |                                                                        |

 Link to the "Capital Management" reports – **Social and Relationship Capital** (pages 65 to 70)

| Suppliers and Service Providers                                                    |                                                                                                                                                                                                                        | Objective                                                                                                                                                                                       | Priority Level                                                                                             |
|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
|  | To build strong relationships that ensure a reliable supply chain of high-quality products and services                                                                                                                |                                                                                                                                                                                                 |  Engage when necessary |
|                                                                                    | <b>Key concerns</b>                                                                                                                                                                                                    | <b>Mode of engagement</b>                                                                                                                                                                       | <b>Frequency</b>                                                                                           |
|                                                                                    | <ul style="list-style-type: none"><li>➤ New business opportunities</li><li>➤ Price and profitability</li><li>➤ Settlements and credit periods</li><li>➤ Reliability</li><li>➤ Sustainable business practices</li></ul> | <ul style="list-style-type: none"><li>➤ Regular dialogue and interactions</li><li>➤ Continuation of good procurement practices</li></ul>                                                        | <ul style="list-style-type: none"><li>➤ As and when required</li></ul>                                     |
| <b>Value created for suppliers and service providers</b>                           |                                                                                                                                                                                                                        | <ul style="list-style-type: none"><li>➤ 86% of the total procurement spend is from in-country businesses.</li><li>➤ Built strong relationships by complying with their payment terms.</li></ul> |                                                                                                            |

 Link to the "Capital Management" reports – **Social and Relationship Capital** (pages 65 to 70)

A sustainable  
world,  
powered by us







## FINANCIAL CAPITAL



Financial capital is critical to the success and continuity of the Company and to our ability to meet our goals. It is the elixir that enables us to create, grow and secure the other capitals of the business, by generating sustained growth and profitability. Our profitability today is the result of the skillful handling of our finances since inception. This has enabled us to fund day-to-day operations, effectively meet our obligations and take advantage of new growth opportunities, providing our shareholders with high returns on their investment all the while.

## SDG ACHIEVEMENT



## VPE'S FINANCIAL FRAMEWORK

The financial foresight exercised over the years has provided VPE with the facility to plan well ahead for eventualities as well as invest in areas that have the potential to yield high returns. It has also enabled the Company to provide adequate finances as a buffer against unexpected events and economic downturns, a skill that has proved

especially advantageous in navigating the challenging times and has enabled us to withstand temporary setbacks and manage fluctuating cash flows. Our consequent financial stability has instilled confidence in our stakeholders who include our investors, employees, suppliers, and our sole off-taker. This has contributed to the Company's long-term success.

## OUR FINANCIAL CAPITAL



Rs. 1,174.3 Mn

Stated capital



Rs. 1,866.8 Mn

Revenue reserves

## KEY OUTPUT

Rs. 655.1 Mn

Profit after tax

20%

Return on equity

Rs. 0.78

Earnings per share

Rs. 348.9 Mn

Net operating cash flow

Rs. 1,206.6 Mn

Trade receivables from CEB

## OUTCOMES



Enhanced shareholder value



Financial growth and stability



Highest market price

## FINANCIALS AT A GLANCE

The operational results achieved during this fiscal year showed a decline when compared to the previous year's figures. This was due to the lower electricity generated by individual plants coupled with substantial increases in overheads and a surge in taxation effected mid-year. The main highlights of our performance are given below.

### Financial performance

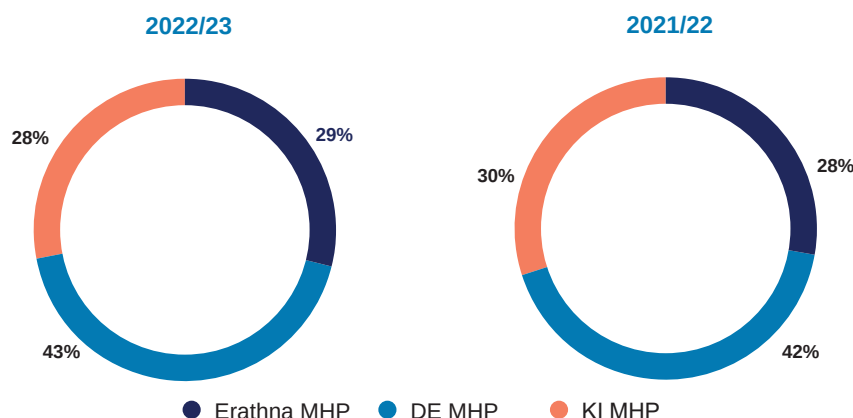
| Item               | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn | Change |
|--------------------|-------------------|-------------------|--------|
| Revenue            | 1,122.6           | 1,322.3           | -15%   |
| Gross profit       | 961.4             | 1,171.9           | -18%   |
| EBITDA             | 928.9             | 1,166.5           | -20%   |
| Income tax expense | 239.5             | 232.5             | 3%     |
| Net profit         | 655.1             | 854.8             | -23%   |

### Financial position

| As at 31st March         | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn | Change |
|--------------------------|-------------------|-------------------|--------|
| Total assets             | 3,751.1           | 3,049.9           | 23%    |
| Total liabilities        | 402.2             | 337.9             | 19%    |
| Shareholders fund        | 3,041.2           | 2,476.3           | 23%    |
| Non-controlling interest | 307.7             | 235.7             | 30%    |
| Total Equity             | 3,348.9           | 2,712.0           | 23%    |
| Net current assets       | 1,653.8           | 819.3             | 102%   |

## REVENUE

During this fiscal year, the VPE Group reported a generation of 86.8 GWh of electricity to the national grid which is considerably above the estimated power generation output. However, when compared with the previous year during which the highest-ever volume of electricity was generated (a record 99.4 GWh), the output of the current year 2022/23 seems lower. Consequently, Group revenue fell by 15% in 2022/23 to Rs. 1,122.6 million, from Rs. 1,322.3 million achieved last year. Denawaka Ganga MHP generated the highest revenue, contributing 43% to Group revenue, while Erathna MHP logged the highest electricity generation (49%) but its revenue was accounted for at a lower tariff.



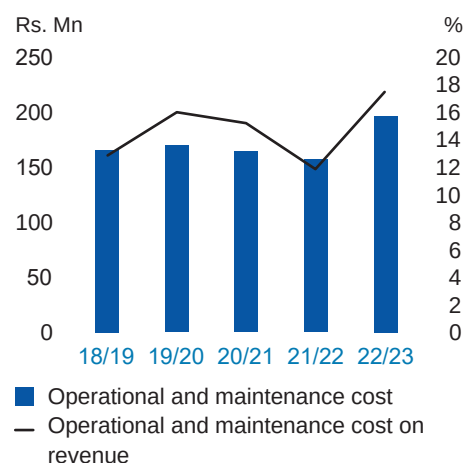
## Segmental Revenue

|                  | 2022/23<br>Rs.Mn | 2021/22<br>Rs.Mn |
|------------------|------------------|------------------|
| Erathna MHP      | 323.5            | 365.4            |
| Denawaka MHP     | 480.3            | 556.1            |
| Kiriwaneliya MHP | 318.7            | 400.8            |
|                  | 1,122.6          | 1,322.3          |

## OPERATIONAL AND MAINTENANCE COST

The Group's operational and maintenance costs surged by 25% to Rs. 196.2 million, from Rs. 156.2 million in 2021/2022, mainly due to the inflationary overhead costs that resulted from the unfavourable economic climate. The aggregated value of all cost items including staff costs, direct and indirect costs (excluding non-cash depreciation and amortization) are considered as the operational and maintenance cost of the Group. Despite surging costs however, VPE managed to contain its O&M expenditure to 17% of its topline, which was at 12% last year.

### Operational and maintenance cost



## Financial Capital

| Item                                 | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn |
|--------------------------------------|-------------------|-------------------|
| Revenue                              | 1,122.6           | 1,322.3           |
| (-) EBITDA                           | (928.9)           | (1,166.5)         |
| (+) Other income                     | 2.5               | 0.5               |
| Operational & maintenance cost (O&M) | 196.2             | 156.2             |
| % of O&M cost on revenue             | 17%               | 12%               |

## TAXATION

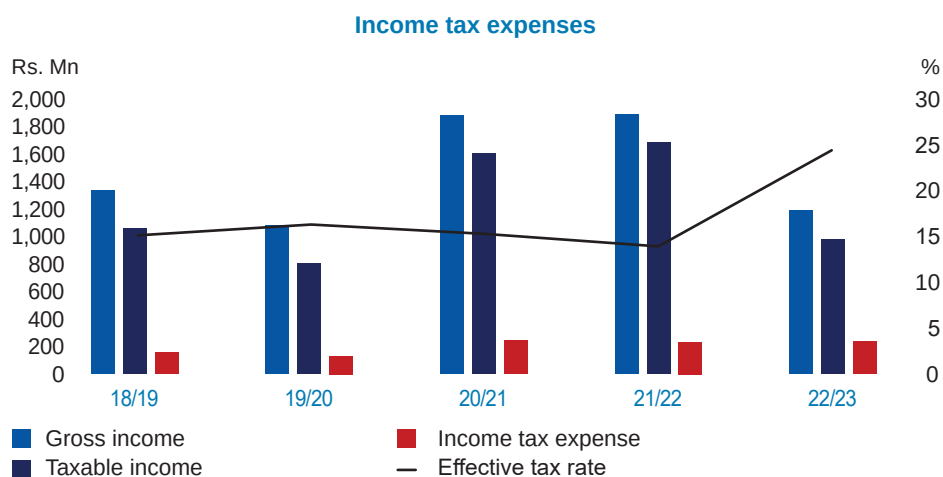
## Income tax

Although the Group has experienced a declined taxable income (by 42%) over the preceding year, the income tax was decreased only by 32% mainly due to the increase of income tax rates on both business income and other income. The VPE Group was liable for income tax on business income at the lower rate of 14% up to 30th September 2022 and subsequent to the amended IRD Act's provisions effected w.e.f. 01st October 2022, the Company is liable to pay income tax at 30% on all taxable incomes. The Subsidiary is liable to pay income tax at the rate 15% as provided by the BOI agreement. No tax on Dividends was occurred during the year as the Company did not receive the Dividend from Subsidiary.

## Deferred tax

Subsequent to the changes in income tax rates, the deferred tax liability was re-measured at the new tax rates which was

accounted to Rs. 112.2 million. The total deferred tax expenditure charged to the Statement of Profit or Loss for the year is Rs. 79.0 million while Rs. 24.9 million is recognized in Statement of Other Comprehensive Income.



The tax expenses by type recognized during the year are given below.

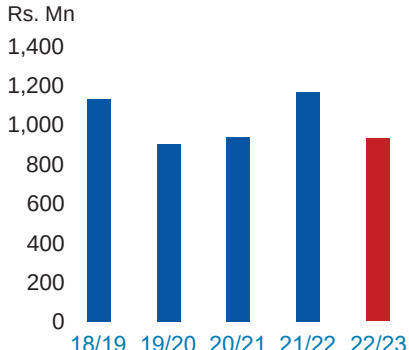
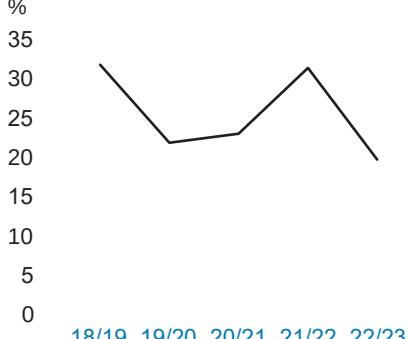
| Tax component                   | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn | %           |
|---------------------------------|-------------------|-------------------|-------------|
| Aggregate taxable income        | 977.4             | 1,684.0           | -42%        |
| Income tax on business profits  | 141.5             | 157.0             | -10%        |
| Income tax on finance income    | 18.9              | 5.1               | 271%        |
| Income tax on dividend income   | -                 | 75.7              | -100%       |
| <b>Total Income tax expense</b> | <b>160.5</b>      | <b>237.8</b>      | <b>-32%</b> |
| Deferred tax charge/(reversal)  | 79.0              | (5.3)             | >999%       |
| <b>Tax charge for the year</b>  | <b>239.5</b>      | <b>232.5</b>      | <b>3%</b>   |
| <b>Income tax paid</b>          | <b>200.0</b>      | <b>225.4</b>      | <b>-11%</b> |

More details on tax expenses are given on page 133 under the Note 11.3 of financial statements.

## PROFITABILITY

The Group's profitability declined during the year as a result of lower power generation coupled with the increases in both O&M costs as well as taxes.

| <b>Profit before tax (PBT) and profit after tax (PAT)</b> | Profit before tax decreased by 18% to Rs. 894.6 million from the preceding year's Rs. 1,087.2 million. Consequently, Profit after tax (PAT) contracted by 23% (Rs. 655.1 million in 2022/2023; Rs. 854.8 million in 2021/2022). | <table border="1"> <caption>Profitability data (Rs. Mn)</caption> <thead> <tr> <th>Year</th> <th>Profit before tax (PBT)</th> <th>Profit after tax (PAT)</th> </tr> </thead> <tbody> <tr> <td>18/19</td> <td>~1,087.2</td> <td>~854.8</td> </tr> <tr> <td>19/20</td> <td>~894.6</td> <td>~655.1</td> </tr> <tr> <td>20/21</td> <td>~894.6</td> <td>~655.1</td> </tr> <tr> <td>21/22</td> <td>~1,087.2</td> <td>~854.8</td> </tr> <tr> <td>22/23</td> <td>~894.6</td> <td>~655.1</td> </tr> </tbody> </table> | Year | Profit before tax (PBT) | Profit after tax (PAT) | 18/19 | ~1,087.2 | ~854.8 | 19/20 | ~894.6 | ~655.1 | 20/21 | ~894.6 | ~655.1 | 21/22 | ~1,087.2 | ~854.8 | 22/23 | ~894.6 | ~655.1 |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------------|------------------------|-------|----------|--------|-------|--------|--------|-------|--------|--------|-------|----------|--------|-------|--------|--------|
| Year                                                      | Profit before tax (PBT)                                                                                                                                                                                                         | Profit after tax (PAT)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |      |                         |                        |       |          |        |       |        |        |       |        |        |       |          |        |       |        |        |
| 18/19                                                     | ~1,087.2                                                                                                                                                                                                                        | ~854.8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |      |                         |                        |       |          |        |       |        |        |       |        |        |       |          |        |       |        |        |
| 19/20                                                     | ~894.6                                                                                                                                                                                                                          | ~655.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |      |                         |                        |       |          |        |       |        |        |       |        |        |       |          |        |       |        |        |
| 20/21                                                     | ~894.6                                                                                                                                                                                                                          | ~655.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |      |                         |                        |       |          |        |       |        |        |       |        |        |       |          |        |       |        |        |
| 21/22                                                     | ~1,087.2                                                                                                                                                                                                                        | ~854.8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |      |                         |                        |       |          |        |       |        |        |       |        |        |       |          |        |       |        |        |
| 22/23                                                     | ~894.6                                                                                                                                                                                                                          | ~655.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |      |                         |                        |       |          |        |       |        |        |       |        |        |       |          |        |       |        |        |

| <b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                      | EBITDA stood at Rs. 928.9 million, which shows a 20% reduction from last year's Rs. 1,166.5 million.                                                                                                                                                                                                         |  <p>Rs. Mn</p> <p>18/19 19/20 20/21 21/22 22/23</p> |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|---------|---------|---------------------|---------|---------|--------------|----------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------|-------------------|-----|-------|-------|--------------------------------------------------------------------------------------------------------------------|
| <b>Return on Equity-ROE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | ROE also declined to 20%, from 32% in 2021/22, resulting from the decreased topline together with the increases in overheads and taxation. However, VPE has managed operations effectively in the stressed economic environment to arrive at an average of 20% of ROE which is on par with industry figures. |  <p>%</p> <p>18/19 19/20 20/21 21/22 22/23</p>     |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
| <b>NP Margin</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | The increase of O&M and tax components resulted to a decline of the NP margin to 58% during the year when compared to 65% in the previous year.                                                                                                                                                              |  <p>%</p> <p>18/19 19/20 20/21 21/22 22/23</p>    |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
| <b>CAPITAL STRUCTURE</b><br><br><b>Shareholders' fund</b><br><br>VPE has a strong capital structure as at the end of 2022/2023 as stated below. <table data-bbox="115 1745 542 1974"> <thead> <tr> <th></th><th>2022/23<br/>Rs. Mn</th><th>2021/22<br/>Rs. Mn</th></tr> </thead> <tbody> <tr> <td>Stated Capital</td><td>1,174.4</td><td>1,174.4</td></tr> <tr> <td>Accumulated Profits</td><td>1,866.8</td><td>1,301.9</td></tr> <tr> <td><b>Total</b></td><td><b>3,041.2</b></td><td><b>2,476.3</b></td></tr> </tbody> </table> |                                                                                                                                                                                                                                                                                                              | 2022/23<br>Rs. Mn                                                                                                                      | 2021/22<br>Rs. Mn | Stated Capital | 1,174.4 | 1,174.4 | Accumulated Profits | 1,866.8 | 1,301.9 | <b>Total</b> | <b>3,041.2</b> | <b>2,476.3</b> | <b>Non- controlling interest</b><br><br>Non-controlling interest (NCI) of the Group is the 12.8% minority stake in the subsidiary, Country Energy (Pvt) Ltd. No changes have occurred to the NCI holding during this fiscal year. <table data-bbox="586 1829 1036 1974"> <thead> <tr> <th></th><th>2022/23<br/>Rs. Mn</th><th>2021/22<br/>Rs. Mn</th></tr> </thead> <tbody> <tr> <td>NCI</td><td>307.7</td><td>235.7</td></tr> </tbody> </table> |  | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn | NCI | 307.7 | 235.7 | <b>Gearing</b><br><br><b>Zero Gearing</b><br><br>VPE Group is totally debt free as at the end of the current year. |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2022/23<br>Rs. Mn                                                                                                                                                                                                                                                                                            | 2021/22<br>Rs. Mn                                                                                                                      |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
| Stated Capital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1,174.4                                                                                                                                                                                                                                                                                                      | 1,174.4                                                                                                                                |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
| Accumulated Profits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1,866.8                                                                                                                                                                                                                                                                                                      | 1,301.9                                                                                                                                |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>3,041.2</b>                                                                                                                                                                                                                                                                                               | <b>2,476.3</b>                                                                                                                         |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2022/23<br>Rs. Mn                                                                                                                                                                                                                                                                                            | 2021/22<br>Rs. Mn                                                                                                                      |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |
| NCI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 307.7                                                                                                                                                                                                                                                                                                        | 235.7                                                                                                                                  |                   |                |         |         |                     |         |         |              |                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                   |                   |     |       |       |                                                                                                                    |



## Financial Capital

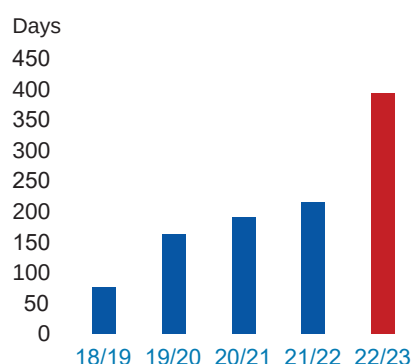
## WORKING CAPITAL/LIQUIDITY

## Trade receivables

Trade receivables comprise the outstanding payments from the CEB on the sale of electricity. There was a phenomenal increase in the delays in settlement that exceed 30 days from the due date, when compared with the previous year, which amounted to 392 days this year of the average debtor collection period.

| Aging         | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn |
|---------------|-------------------|-------------------|
| < 30 days     | 46.4              | 29.2              |
| 30 – 60 days  | 28.6              | 28.5              |
| 60 – 180 days | 288.8             | 470.8             |
| >180 days     | 842.8             | 246.4             |
| <b>Total</b>  | <b>1,206.6</b>    | <b>774.8</b>      |

## Average debtors collections period

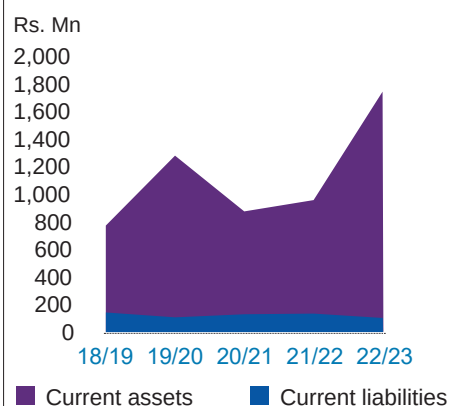


## Net current asset (NCA) position

Although VPE has high trade receivable amount with a high age which is included in NCA position of Rs. 1,653.8 million as at reporting date, the Company reports a healthy short-term liquidity position and its cash and cash equivalents amounted to Rs. 499.6 million in excess of current liabilities.

The current ratio of the group is 17.6 times as at end year (2021/22- 7 times)

## Working capital

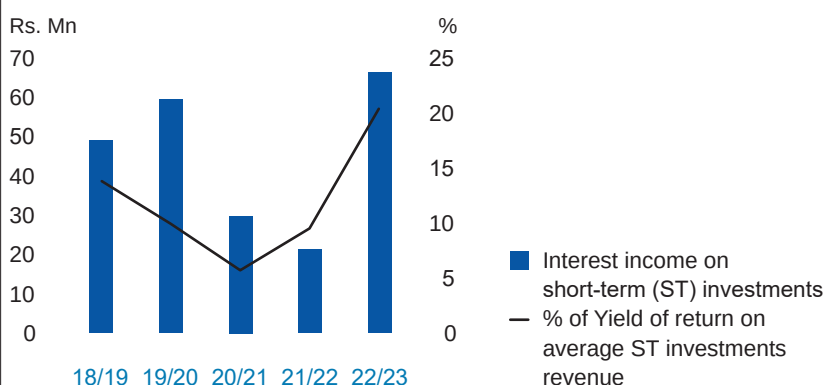


## CASH AND CASH EQUIVALENTS

Cash and cash equivalents stood at Rs. 499.6 million (2021/22 – Rs. 156 million) which comprise the short-term investments made on tenures below three months 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 from the operating cash flows is invested in short-term investments such as fixed deposits, government TBs and savings to create value to shareholders. Interest income received from such investments significantly increased to Rs. 66.1 million during the year, from Rs. 21.4 million in the previous year, due to the increase in market deposit rates.

## Interest income on short-term investments



## SHAREHOLDER PROSPECTS

The Company has been creating substantial value for its shareholders since inception. In addition to optimising operations to maximise performance, we focus on strategic investments of our financial capital by pursuing prudent and value-creating opportunities. These carefully thought out strategies have enabled us to pay dividends even during lean years. During the current year, VPE experienced a lower operating cash flow due to the significant delays in realising CEB revenues and therefore reserved the accumulated funds as a buffer for working capital and strategic reinvestments.

The following metrics confirm the value attained by the Group to date.

| Share performance      |            |            |             | Share performance              |            |
|------------------------|------------|------------|-------------|--------------------------------|------------|
|                        | 2022/23    | 2021/22    | % of Change | MPS (Rs.)                      | PE times   |
| Earnings per share-EPS | 0.78       | 1.02       | -23%        |                                |            |
| Dividend per share-DPS | Nil        | 1.05       | -100%       |                                |            |
| Market price per share | 6.70       | 7.20       | -7%         |                                |            |
| Nets assets per share  | 4.07       | 3.31       | -23%        |                                |            |
| P/E ratio              | 9 times    | 7 times    | 28%         |                                |            |
| Dividend payout ratio  | Nil        | 103%       | -100%       |                                |            |
| Dividend yield         | Nil        | 14.6%      | -100%       |                                |            |
| Market capitalization  | Rs. 5.0 Bn | Rs. 5.4 Bn | -2%         |                                |            |
|                        |            |            |             | 18/19 19/20 20/21 21/22 22/23  |            |
|                        |            |            |             | — Market price per share (MPS) | — PE times |

The Group's EPS stands at Rs. 0.78 which shows a 38% decline compared to last year's Rs. 1.02 due to the decline in the financial results.

More information on the Company's shares and shareholders is given in the 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 their expected returns, and is used to measure the value created from funds invested. A positive EVA denotes a company that is generating value.

|                                             | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn |
|---------------------------------------------|-------------------|-------------------|
| Operating profits after tax(a)              | 593.3             | 837.9             |
| Total Equity (at the beginning of the year) | 2,712.0           | 2,712.0           |
| *Economic cost %                            | 18%               | 9%                |
| Economic cost(b)                            | 488.2             | 244.1             |
| EVA (a-b)                                   | 105.1             | 593.8             |

\* Economic cost % is assumed based on the cost of equity arrived at by the average TB rate adjusted for Country's Default Risk Spread + 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 as at end of the year.

|                           | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn |
|---------------------------|-------------------|-------------------|
| Market capitalization (x) | 5,005.6           | 5,379.2           |
| Shareholders' fund (y)    | 3,041.2           | 2,476.3           |
| MVA (x-y)                 | 1,964.4           | 2,902.9           |

## Financial Capital

### FINANCIAL VALUE ADDED DISTRIBUTION FOR THE YEAR

As a good corporate citizen, the Company distributes the financial value created during the year not just to its investors but also to its other stakeholders and address the areas itemised by several of the UN Sustainable Development Goals (SGDs).

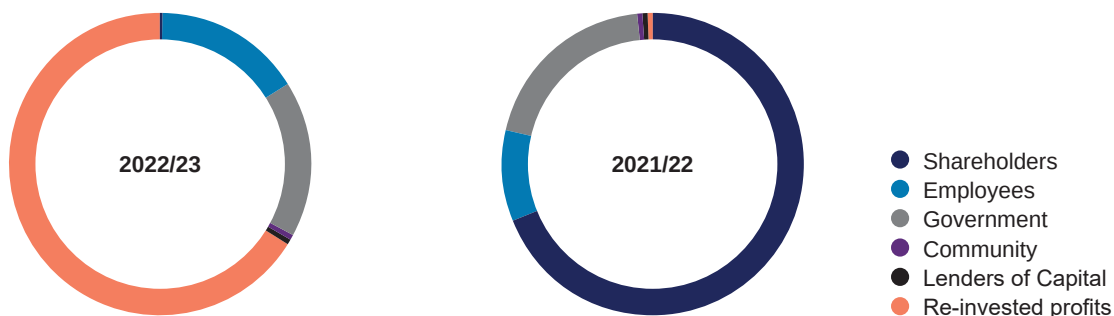
The following table illustrates the financial value addition generated by the VPE Group and how this added value was distributed among the different stakeholders.

|                                                                 | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn | Change<br>% |
|-----------------------------------------------------------------|-------------------|-------------------|-------------|
| Revenue generated from power generation                         | 1,122.6           | 1,322.3           | -15%        |
| (+) Other income                                                | 68.6              | 21.8              | +215%       |
| <b>Total value generated</b>                                    | <b>1,191.2</b>    | <b>1,344.1</b>    | <b>-11%</b> |
| (-) Cost of supplies (Goods and services obtained)              | (42.6)            | (32.2)            | 32%         |
| Amount set aside for Depreciations, amortization and provisions | (175.2)           | (90.8)            | 93%         |
| <b>Value distributed</b>                                        | <b>973.4</b>      | <b>1,221.1</b>    | <b>-20%</b> |

### VALUE DISTRIBUTION ANALYSIS

| To                             | By way of;                    | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn | Change<br>% |
|--------------------------------|-------------------------------|-------------------|-------------------|-------------|
| Shareholders                   | Dividend                      | Nil               | 854.8             | -100%       |
| Employees                      | Wages, Salaries and benefits  | 150.6             | 121.2             | +24%        |
| Government                     | Taxes & Levies                | 162.9             | 240.3             | -32%        |
| Community                      | CSR & donation activities     | 0.5               | 0.4               | +25%        |
| Lenders of Capital             | Interest and capital payments | 4.3               | 4.4               | -2%         |
| Re-invested profits            |                               | 655.1             | Nil               | >999%       |
| <b>Total Value Distributed</b> |                               | <b>973.4</b>      | <b>1,221.1</b>    | <b>-20%</b> |

Value added distribution as percentage of total value added;



## NATURAL CAPITAL



Natural capital is critical for hydropower companies like ours as it provides the foundational resources and ecosystem services necessary for our operations. Recognising the importance of preserving our natural capital, we adopt sustainable practices to ensure the long-term viability of our business while contributing to environmental conservation and social well-being.

## SDG ACHIEVEMENT



## VPE'S NATURAL CAPITAL FRAMEWORK

As a generator of clean energy, we walk the talk on sustainability in every area of our operation. We believe we have been tasked with the mission of leading others on how to reduce their impact on the environment by showing them how it's done.

We embrace the three-circle model of sustainability that promotes economic viability, environmental protection and

social equity, thereby minimising our carbon footprint and responsibly reusing, recycling or refurbishing the waste we generate.

To further our commitment to sustainability we have introduced responsible environmental risk assessment and management processes at all the sites of our power houses in conformity with the applicable regulatory standards imposed by local authorities.

## OUR NATURAL CAPITAL



Ground Water Resource



Land - 12.3 Ha



Energy



Environment Stewardship

## KEY OUTPUT

86.8 GWh

Clean energy

>54,000 MT

Reduction of CO<sub>2</sub> emission

Rs. 0.1 Mn

Investment for the environment

2,000 trees

Number of trees planted

494.8 GJ

Energy consumption

## OUTCOMES



Being a partner of renewable energy



Protecting nature

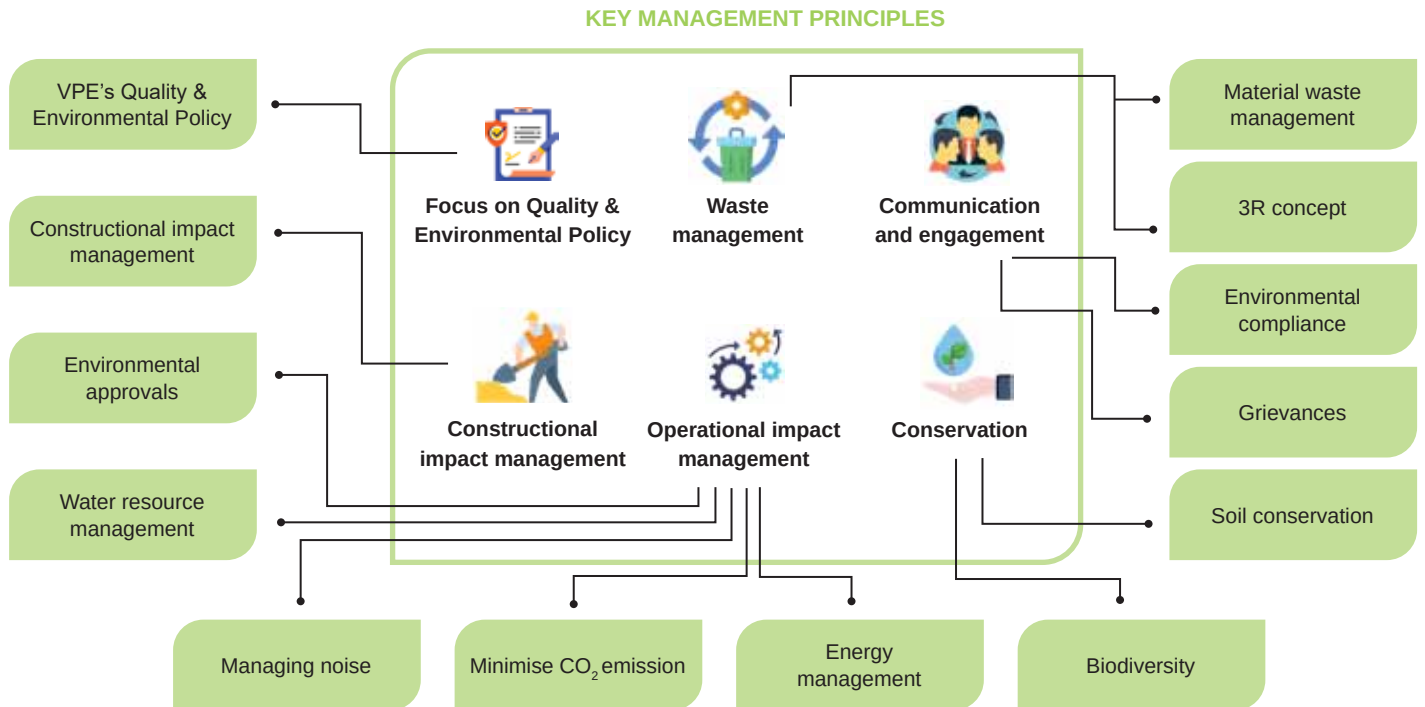


Zero emission



## Natural Capital

### ENVIRONMENTAL MANAGEMENT POLICY



### OUR QUALITY & ENVIRONMENTAL POLICY

Hydropower generation is among the businesses that has the highest reliance on natural capital, so this places a tremendous responsibility on us to protect these precious resources.

This perception prompted us to introduce a comprehensive Environmental Management Policy that addresses all areas of environmental management as well as an environmental monitoring programme at the three project sites. This programme evaluates all on-site operational activities based on their impact on the environment and ensures the adoption of mitigatory measures thereafter.

#### VPE's Quality & Environmental Policy

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

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



**Vallibel Power Erathna PLC**

### MANAGING THE IMPACTS OF OUR CONSTRUCTIONS

From the initial construction stage, a series of mitigatory measures were taken to ensure that our actions did the least harm to the environs of the power plants, namely the ecosystems, the biodiversity, and the catchment areas as a whole, and that their pristine nature is preserved as far as possible. Prior to commencing the project, an impact assessment survey was carried out to understand the environment in which we would build and the areas and extent of our impact. The design of the power plants was key to these initiatives. The design of each power house was carefully looked into and the design was centred on reducing their impact on nature. Mitigatory measures were then introduced which ranged from adopting efficient land management practices to minimise erosion, ensuring that streams in the vicinity of the constructions were left untouched, ascertaining that there would be little or no upstream ponding that could destroy the surrounding land, as well as designing paths to give free and safe access to humans and fauna across the project sites.



Animal foot path 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 constructed in sensitive catchment areas, the objectives of renewable energy must be aligned with the objectives of conservation. It is only this alignment that will ensure that the least harm is done to the fauna, flora and human inhabitants of those areas, not only at construction stage but also throughout the daily plant operations.

VPE has been accorded all the relevant environment approvals from provincial institutions as well as state authorities for constructing and operating the power plants, and we have conformed to their stipulations from inception in both letter and spirit.

The following environmental approvals have been obtained by each project.

| Type of approval                      | Regulating authority                                                |
|---------------------------------------|---------------------------------------------------------------------|
| Environmental approval                | ➤ Central Environmental Authority                                   |
| Geological approval                   | ➤ Geological Survey and Mines Bureau                                |
| Other environmental related approvals | ➤ Irrigation Department<br>➤ National Water Supply & Drainage Board |

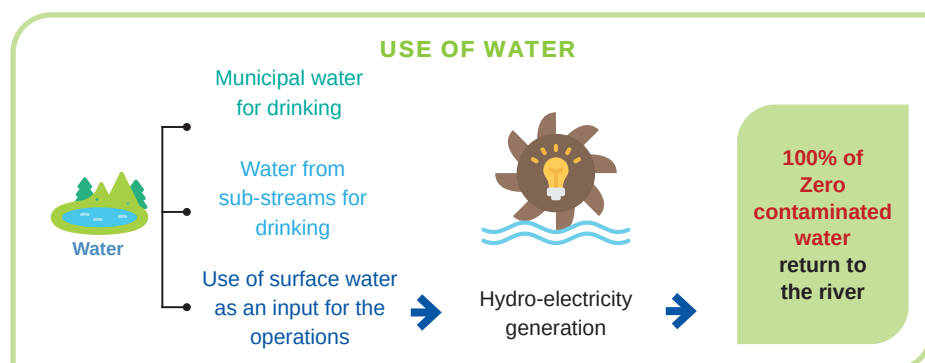
All power plants of VPE and CEPL were audited for the Environmental Protection License by the CEA during the current year, which is a process carried out annually. VPE has received this license already and the licenses pertaining to CEPL projects are in the process of being procured.

## WATER RESOURCE MANAGEMENT

Water is the liquid wealth of the business and the main natural resource we utilise. All three projects are run-of-the-river mini hydropower projects and draw surface water directly from the rivers near which they are situated. This water is a renewable input that powers the turbines that transform the kinetic energy of water into the mechanical energy of electricity. This water is then returned to the river, unchanged in both quality and quantity, and is not reused thereafter. Mini hydropower projects have no negative impacts 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, Rs. 2.1 million was paid to the state.

In addition to the surface water utilised for generating electricity, water consumed by employees at project sites and head office from sub streams and municipal for drinking and sanitation purposes is negligible in quantity, and therefore water is not quantified.



### Surface water use (in Mega Liters)

| Project            | 2022/23 ML | 2021/22 ML |
|--------------------|------------|------------|
| Erathna MHP        | 41,946     | 48,682     |
| Denawaka Ganga MHP | 357,938    | 390,621    |
| Kiriwaneliya MHP   | 40,800     | 48,579     |
| Total              | 440,684    | 487,882    |

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

## Natural Capital

### IMPACT MANAGEMENT

Apart from the initiatives at the construction stage to minimise the impact of our business activities on the environs of the catchment areas, we ensure that our daily operations are also carried out with minimal disturbance to the natural habitats that surround the power plants, and also that our physical presence does not disrupt the sensitive ecosystem balances in any way. So, we 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, uninterrupted and easily accessible quantities of running water, which complies with the environment flow requirements of a MHP. A portion of this water flow is diverted to power generation while a standard quantity of water flow is released to the environment as environmental flow (E-flow) to ensure that sufficient quantities of water are continuously discharged to areas even if they are not utilised for human needs, so as to maintain the eco system balance.



E-flow of Erathna MHP

To ensure that water quality is maintained at all times, the water released from the plants is tested whenever necessary.

### MANAGING THE NOISE OF OPERATION

The special constructions of the powerhouses have been insulated to muffle the noise and reduce the vibrations of their operations. In addition, we have introduced eco-friendly solutions used in noise reduction, with an avenue of Bamboo trees planted along the tail race of the powerhouses to absorb the noise of the gushing water while it is being returned to the river after power

generation. Rubber flaps installed at the tailrace further reduce the noise of water released to the river from the powerhouses. Additionally, noise control panels are installed in the powerhouses to control the noise emanated from power plant machinery.

To ensure their health and safety, all employees are equipped with ear muffs and ear plugs that must be worn through 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, either in the year of review or during any other period of power plant operations.



Noise control panel Installed at Erathna MHP



Bamboo trees planted at tailrace to minimise noise

### MINIMISING CO<sub>2</sub> EMISSION

Since hydropower plants generate renewable energy, the operation itself is devoid of and not responsible for GHG emissions. As such the plants themselves generate zero GHG emissions. However, direct GHG emissions arise from the fuel consumption of standby generators on the project sites, but this occurs only occasionally.

The Company's vehicles are also a source of GHG emissions but they are few in number, so emissions are negligible and have not been quantified.

We follow regular maintenance schedules according to the stipulations of our environment policy to ensure that all machinery on site is in good condition and functions effectively, so emissions discharged are low. All electromechanical equipment at our three MHPs are provided by renowned suppliers from Europe and China, and manufactured according to internationally accepted industry standards of quality and reliability. This also means that the emission component has been factored in. These conditions conform to the dictates of our Q & A policy.

Our projects are estimated to reduce CO<sub>2</sub> emissions by about 50,000 MT annually which more than balances out the CO<sub>2</sub> emitted in other areas of operations.

#### Emission of CO<sub>2</sub>

(Metric tonnes - Approximately)

|           | 2022/23 | 2021/22 | Change % |
|-----------|---------|---------|----------|
| Scope-1*  | 27.9    | 27.7    | +0.7%    |
| Scope-2** | 11.2    | 14.3    | -22%     |

\*Scope-1 : emissions result from combustion of fuels

\*\*Scope-2 : emissions from acquired electricity

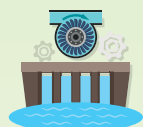
#### Reduction of CO<sub>2</sub> Emission

(Metric tonnes - Approximately)

|                    | 2022/23 | 2021/22 | Change % |
|--------------------|---------|---------|----------|
| Erathna MHP        | 26,702  | 30,990  | -14%     |
| Denawaka Ganga MHP | 16,571  | 18,084  | -8%      |
| Kiriwaneliya MHP   | 10,979  | 13,072  | -16%     |

## ENERGY MANAGEMENT

As both creators and users of energy, we have a responsible focus on this vital areas of the business. We generate clean energy to reduce fossil fuel consumption and protect the environment. But due to the country's dependence on environmentally detrimental fossil fuels, we are compelled to rely on fossil fuels for lack of alternative energy options whenever necessary, but try as far as is possible to reduce fossil fuel consumption. Accordingly, our power houses, staff living quarters and head office utilise electricity for lighting and cooling purposes.



Energy  
Generation

|                             | 2022/23        | 2021/22        |
|-----------------------------|----------------|----------------|
| Electricity units generated | 86,803,618 KWh | 99,434,260 KWh |
| Equal energy produced (GJ)  | 312,493 GJ     | 357,963 GJ     |



Energy  
Consumption

| Type of energy   | Use of energy                                                                                                                      | Grid Electricity |            |
|------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------|------------|
| Grid Electricity | <b>Power house operations</b>                                                                                                      | 2022/23          | 2021/22    |
|                  | <ul style="list-style-type: none"> <li>➤ Energize plant machineries</li> <li>➤ Cooling of equipment</li> </ul>                     | 18,282 kWh       | 23,185 kWh |
| Fuel - Diesel    | <b>Offices and staff quarters</b>                                                                                                  | 66 GJ            | 83 GJ      |
|                  | <ul style="list-style-type: none"> <li>➤ Energize computers, equipment and accessories</li> <li>➤ Lightning and cooling</li> </ul> |                  |            |
| Fuel - Diesel    | <ul style="list-style-type: none"> <li>➤ Standby generators</li> <li>➤ Vehicles</li> </ul>                                         | Diesel           |            |
|                  |                                                                                                                                    | 2022/23          | 2021/22    |
| Fuel - Petrol    | <ul style="list-style-type: none"> <li>➤ Vehicles and motor bikes</li> <li>➤ Grass cutter equipment</li> </ul>                     | 6,153 L          | 4,932 L    |
|                  |                                                                                                                                    | 238 GJ           | 191 GJ     |
| Fuel - Petrol    |                                                                                                                                    | Petrol           |            |
|                  |                                                                                                                                    | 2022/23          | 2021/22    |
|                  |                                                                                                                                    | 4,928 L          | 6,253 L    |
|                  |                                                                                                                                    | 191 GJ           | 218 GJ     |

Total energy  
generated

**312,493 GJ**

2021/22 – 357,963 GJ

Total energy  
consumed

**495 GJ**

2021/22 – 492 GJ

Energy consumption per  
employee

**5.3 GJ**

2021/22 – 5.3 GJ

Energy consumption  
per working day

**1.3 GJ**

2021/22 – 1.3 GJ

### VPE's energy saving strategies

Use of  
energy efficient  
equipment



Use of  
energy saving  
techniques



Use of natural  
lighting



Employee  
awareness on  
energy saving  
tips



Monitoring  
energy  
consumption





## Natural Capital

### MANAGING OF MATERIAL WASTE TO ENHANCE SUSTAINABILITY

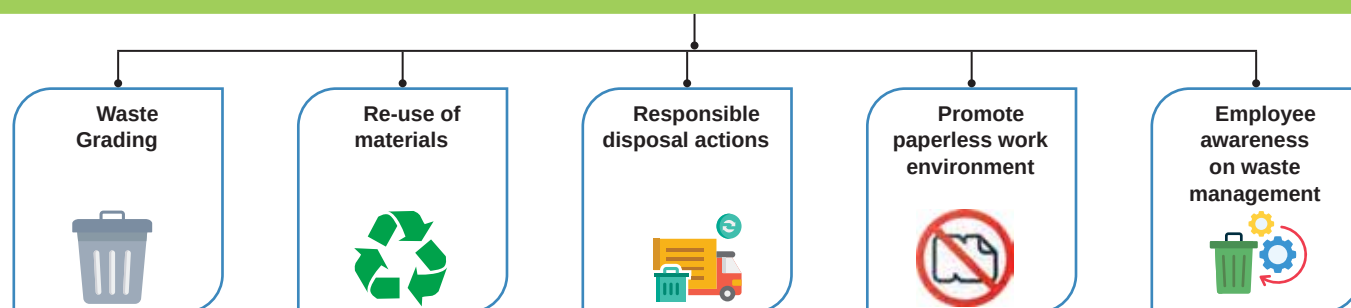
Waste management is crucial for the sustainability and success of a renewable energy business as it promotes environmental sustainability and resource conservation. Waste management at VPE is guided by our Environment Policy. When compared with the business value, the quantity of waste consumed by the business is insignificant, but the Company follows a strict policy of waste management based on the 3 R concept of 'reduce, recycle and reuse' as well as grades and separates the waste generated to minimise effluents in all operational areas.

Decaying vegetation on site and natural debris in the river water is collected and composted for cultivation. Solid waste at the sites is collected and categorised into bio-degradable and non-bio-degradable waste. Non-bio-degradable waste is further separated into polythene, glass and cardboard and responsibly disposed to accredited third party contractors. Non-bio-degradable waste comprises oil, lubricants and waste material used in the operation and maintenance of the power plants, which is collected regularly by licensed operators and disposed of in accordance with internationally accepted Q & E standards.

Paper is a main consumable in Head Office daily operations, but the project sites use negligible quantities of paper. Used paper is provided to third party suppliers for recycling.

No other recycled inputs or reclaimed products are used in our business operations. The waste disposed during the year has not been quantified.

#### VPE's waste management strategies



Compost bins for natural waste



Waste grading bins at power houses.

### USE OF LAND FOR THE POWER PLANTS

All three power plants occupy state and private land for which the Company pays rentals annually. State lands were provided by the Divisional Secretaries of the respective areas as well as 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 responsibly and effectively.

Land extents of the projects are as follows:

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

## SOIL CONSERVATION

From the inception of the business, the construction processes of all three MHPs carefully considered areas that were susceptible to soil erosion and took precautionary measures to minimise this. Initiatives introduced included strengthening the weir with flood barrier walls, leaving streams in the vicinity undisturbed when constructing the headrace channels and forebay tank and carving natural water paths through the channel path/forebay tank that enable the water discharged to flow directly into the river. The projects were also constructed in a manner that minimised or completely eliminated ponding upstream, so no land was inundated and consequently destroyed.



Surface vegetation and draining system to prevent soil erosion



Rock wall protection for plants at river banks

## COMPLIANCE TO PROMOTE SUSTAINABILITY OF THE ENVIRONMENT

VPE complies with all environmental rules and regulations stipulated by local authorities and state agencies and monitors this compliance periodically. No incidents of non-compliance with environmental laws and regulations were reported during the year of review.

In confirmation of our commitment to environment compliance, the Kiriwaneliya MHP was recognised this year with the silver award at the Presidential Environment Award ceremony conducted by the CEA during the year of review.



### EMPOWERING GREEN

This continues to be our flagship project and has met with considerable success over the years. This year too, several initiatives were carried out in many areas of the country, but due to the restrictive economic climate, progress was slower than planned.

#### No. of plants donated/planted during the year;

| Location/name of the organization       | No. of plants |
|-----------------------------------------|---------------|
| Seethawaka Industrial Park, Awissawella | 1,700         |
| Sri Nissankamalla Temple, Hangarapitiya | 200           |
| Maskeliya Pradeshiya Sabha              | 100           |
| Total                                   | 2,000         |

## BIODIVERSITY



The nature of our business dictates that our power plants are constructed in sensitive catchment areas which are rich in diversity and are the habitats of endemic fauna and flora. In order to ensure that these eco systems remain unaltered by our operations, we ensure strict compliance with the legislations and stipulations of state authorities and ensure that the projects cause minimal disruptions to the bio diversity of the area. In accordance with this, we conduct regular internal reviews to ensure conformity with the legislation and guidelines. Most of the lands we occupy, however, are not within protected areas.

Going the extra mile, we nurture our surrounding and this has invited inhabitation of many endemic flora and fauna.



## Natural Capital

### SRI PADA CLEAN-UP CAMPAIGN

Our commitment in protecting the environment continued this year with our Sri Pada clean-up campaign where we collected garbage and cleared one of the two main footpaths. This was a part of our 'Empowering Green' initiative and was carried out from Erathna during the Sri Pada season. Our workforce at Erathna power plant voluntarily contributed their free time and worked tirelessly to make the campaign a success.

Over 53kg of degradable and non-degradable material was collected and this garbage was handed over to garbage collection and processing units operated by the Pradeshiya Sabha.



**53 Kg**

*Total collected garbage*

**10**

*No. of employees participated*



## SOCIAL AND RELATIONSHIP CAPITAL



The Company's Social and Relationships Capital is the value and strength of the relationships and networks we have built over the years. They include our esteemed shareholders, the indigenous communities in the vicinities of our power plants, our sole off-taker the CEB who purchases the power we generate to the national grid, our regulators, the suppliers of our various inputs, as well as the community at large. Each group is a valuable business asset and integral to our corporate strategy and value creation process, and every stakeholder plays a vital role in the Company's success, is involved in, and benefits from, our development.

### SDG ACHIEVEMENT



### VPE'S SOCIAL AND RELATIONSHIP FRAMEWORK

Over the years, we have developed the intangibles (shared values, commitments and knowledge) that form the foundation of the reputation and trust we have built with our Social and Relationship capital.

These robust relationships and social connections have helped mitigate risks and overcome uncertainties by providing us with support, resources and advice during

challenging times. Successful engagement with our social and relationship capital also enables us to expand our access to resources, opportunities, and information. As a well-connected organisation, we can tap into networks and industry contacts that empower the business. It is our many connections in the various areas of the business that gain us a competitive advantage by offering unique resources that enable us to adapt to changing circumstances.

### OUR SOCIAL AND RELATIONSHIP CAPITAL



Customer - CEB



Suppliers



Community and social networks



Regulatory Environment

### KEY OUTPUT

86.8 GWh

Supply of electricity

Rs. 202.1 Mn

Taxes and levies paid

Rs. 693,651/-

CSR investments

Rs. 42.8 Mn

Payments to local suppliers

71 Employees

Employment created to local community

### OUTCOMES



Improved stakeholder relationships



Local community development



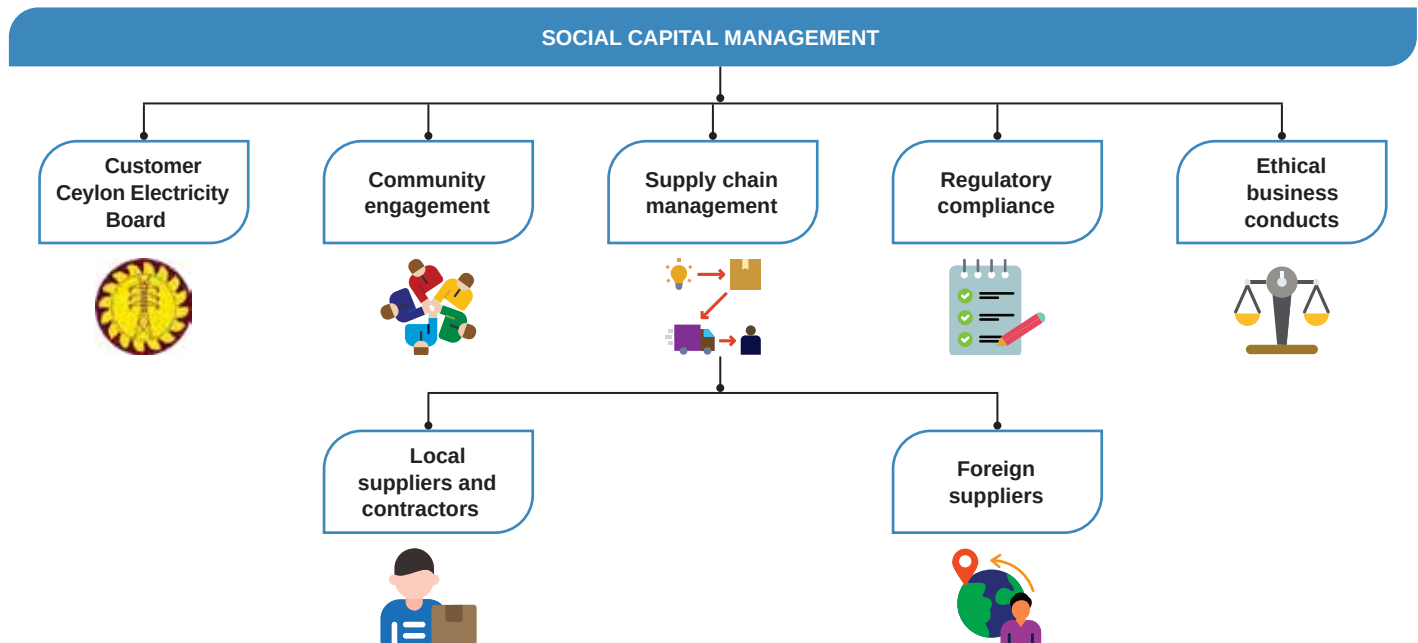
Contribution to the government



## Social and Relationship Capital

### CREATING VALUE THROUGH RELATIONSHIPS

Active engagement with our stakeholders has created sustainable value that has built trust and reputation, ensured the loyalty and satisfaction of key influencers, provided us with the social license to operate within vulnerable settlements, ensured collaboration with suppliers and partners, and provided us with valuable insights into their wants and needs.



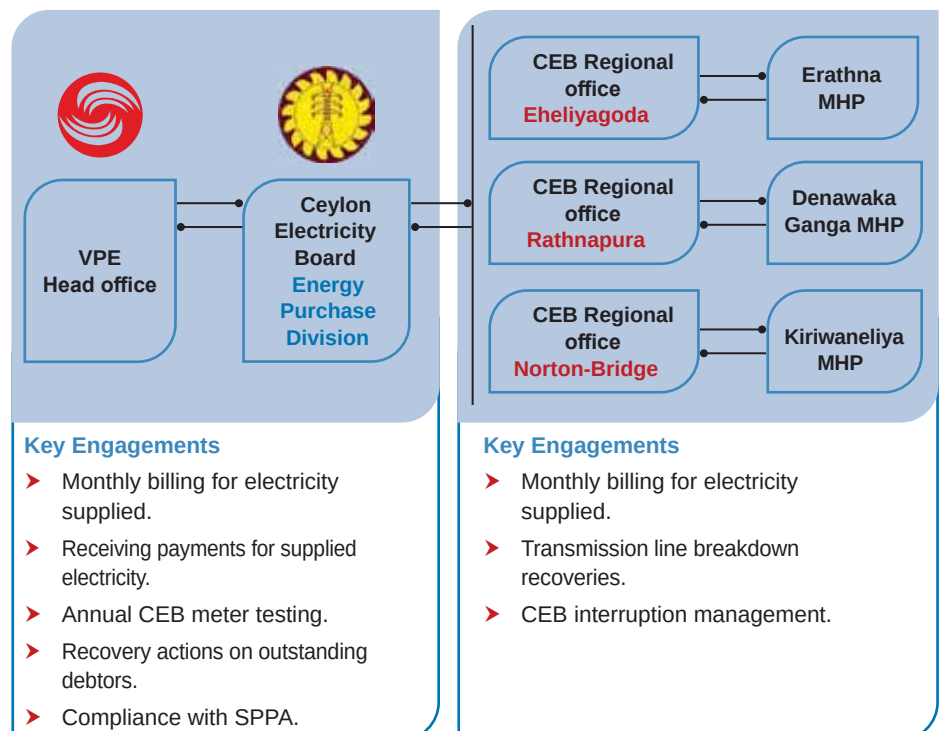
### ENGAGING WITH CEYLON ELECTRICITY BOARD

As a commercial company in the business of generating energy to the national grid, our output is bought by the state-owned Ceylon Electricity Board (CEB), who thereafter distributes the electricity to power the nation. This makes the CEB our sole customer as well as the source of our value creation.

Our relationship with the CEB is formalised through SPPAs (Standardised Power Purchase Agreement) for each project which set out the framework within which we operate. We work in tandem with the CEB to ensure that our operations conform to the stipulations of the SPPAs.

We maintain an amicable relationship with our sole off-taker in a spirit of camaraderie and support officials at the head office as well as the regions through financial and non-financial contributions for their various activities around the country.

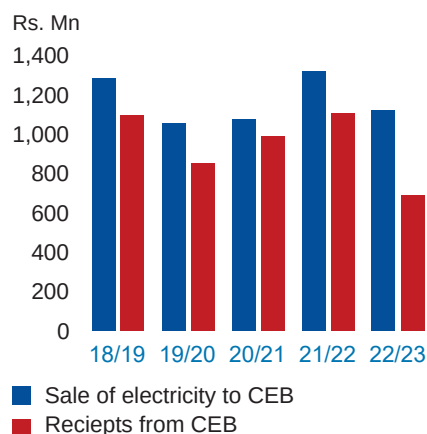
### Engaging Structure



## Terms of Standard Power Purchase Agreement

| Project            | Capacity | SPPA term |               |               | Tariff type               |
|--------------------|----------|-----------|---------------|---------------|---------------------------|
|                    |          | Years     | From          | To            |                           |
| Erathna MHP        | 9.9 MW   | 20 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 |

## Transactions with CEB



**Rs. 1,123 Mn**  
**Sale of Electricity to CEB**  
2021/22 – Rs. 1,322 Mn

**Rs. 691 Mn**  
**Receipts from CEB**  
2021/22 – Rs. 1,107 Mn

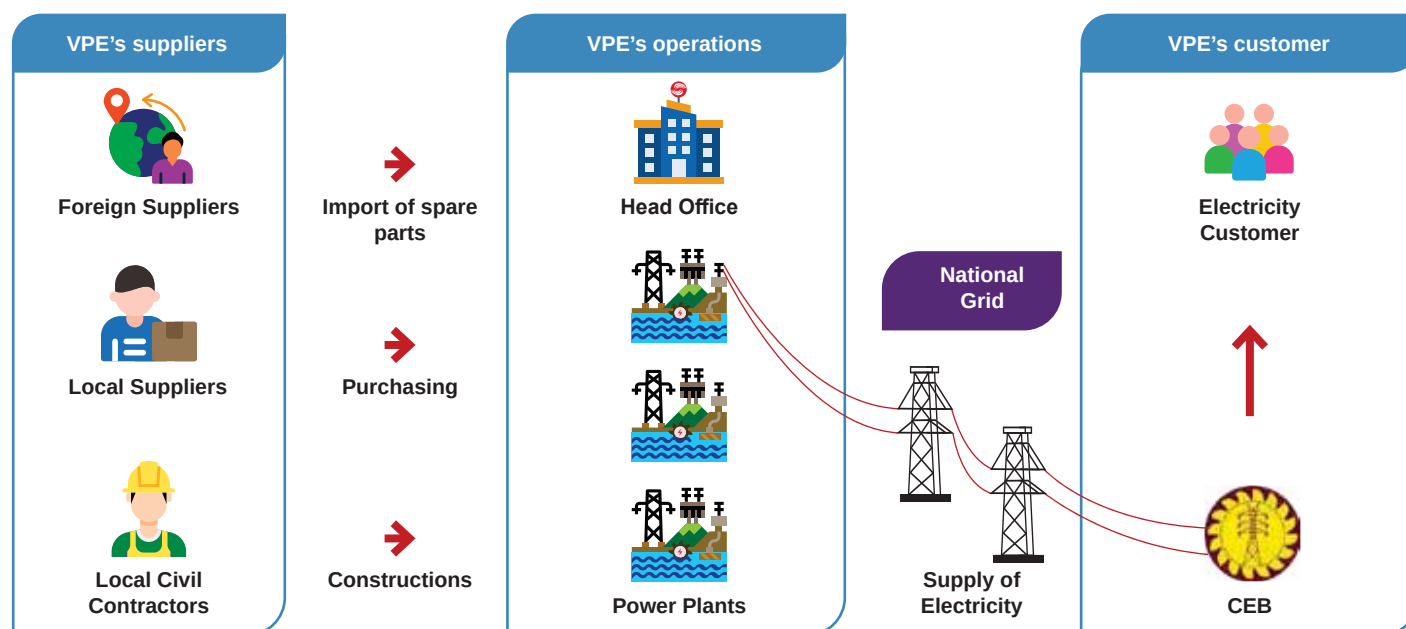
We hereby confirm that there have been no incidents of non-compliance with the CEB on the health of our business, product or services during the year of review.

## ENGAGING WITH OUR SUPPLIERS

We have established an effective procedure for managing our supply chain that creates value, leverages local and international logistics, builds competitive advantage and synchronises supply with demand. Products of quality and durability

are obtained from established suppliers or through referrals from recognised third-parties. All payments are made promptly within the stipulated 30 – 60 day period, with the exception of a dispute. In such an event, a resolution is pursued in an atmosphere of cordiality and open dialogue and a solution that is mutually agreeable is arrived at.

The major purchases of a mini hydropower business are procured at the construction stage, namely the machinery that powers our power plants, which is mainly bought from well reputed overseas suppliers. Thereafter, maintenance of a large supplier base is no longer deemed necessary. Also at the construction stages, the products and services of several local suppliers and contractors are utilised for building the infrastructure for the power plants. No significant changes have occurred to the current supply chain process during the year of review.



**Note -** This Supply chain has not been changed since the commencement of commercial operations

## Social and Relationship Capital

### VPE's Procurement Approach

| <br><b>Local suppliers and contractors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <br><b>Foreign suppliers</b>                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Most of the inputs of our business are provided by suppliers based within the country, among whom we give priority to our indigenous communities. Procurement of local supplies is centralised at the Company Head Office in Colombo which purchases most of the consumables, maintenance products and utility services. The three project offices in the three power plants have limited jurisdiction over the purchase of certain consumables, maintenance items and utility services for the daily operational requirements of their respective plants.</p> <p>The value apportioned to local suppliers has not been measured on a geographical basis.</p> | <p>The Company manages a data base of reputed overseas suppliers, mainly for the procurement of spare parts for, and the repair maintenance of our power plant machinery, and continues to remain on cordial terms with them. Purchases of machinery spares are made by the head office.</p> |
| <div>2022/23</div> <div>2021/22</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <div>2022/23</div> <div>2021/22</div>                                                                                                                                                                                                                                                        |
| <div>Value of local supplies</div> <div>Rs. 42.8 Mn</div> <div>Rs. 33.9 Mn</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <div>Value of foreign supplies</div> <div>Rs. 6.7 Mn</div> <div>Rs. 9.6 Mn</div>                                                                                                                                                                                                             |
| <div>No. of suppliers</div> <div>&gt;200 suppliers</div> <div>&gt; 200 suppliers</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <div>No. of suppliers</div> <div>3 suppliers</div> <div>5 suppliers</div>                                                                                                                                                                                                                    |

### ENGAGING WITH OUR REGULATORS

Business continuity is dependent on the various licenses and approvals granted by state institutions, statutory bodies, provincial authorities, and associations related to the mini hydro business. It is therefore imperative that we comply with their requirements, and it is in our interests to maintain cordial relationships that promote a climate of consent.

These are the main government agencies that deal with matters relating to the environment. Those referred to here are in addition to the government organisations mentioned in the "Natural Capital" report. They are:

- Sri Lanka Sustainable Energy Authority (SEA)
- Public Utilities Commissions of Sri Lanka (PUCSL)
- Board of Investments of Sri Lanka (BOI)
- Central Environmental Authority (CEA)
- Divisional Secretariat Offices
- Local Councils

All power plants of VPE and CEPL were audited for the Environmental Protection License by the CEA during this year. This is a process carried out annually. VPE has already obtained this license, the licenses pertaining to CEPL projects are in the process of being procured.

### ENGAGING WITH PROFESSIONAL ORGANISATIONS

Our memberships in professional organisations in our industry serve to increase networking that provides us with a range of benefits. It enhances knowledge, provides us with access to market opportunities, identifies potential partnerships and investment opportunities, and helps us stay updated on industry trends as well as furthers cohesion on specific industry issues. This is therefore an invaluable resource for establishing the business in its environs.

Accordingly, we are members of the following professional associations:

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

### TAXES AND LEVIES TO GOVERNMENT

VPE has, since inception, complied with all state requirements for paying corporate taxes. The Audit committee is responsible for ensuring compliance with local tax regulations and has devised a strategic approach for tax payment and compliance under the aegis of the Board of Directors. The tax holidays have expired for both VPE companies, which are BOI companies. Vallibel Power Erathna PLC is liable for income tax as per the Inland Revenue Act. No. 24 of 2017 and Inland Revenue (Amendment) Act, No.45 of 2022. Country Energy (Pvt) Ltd is liable for tax under the income tax rate provided in the BOI

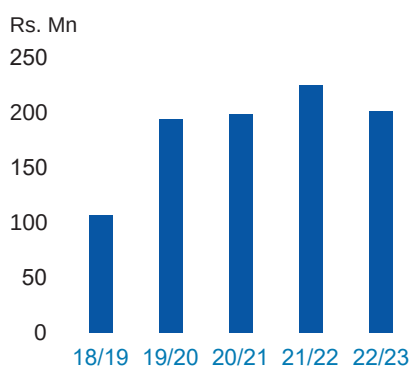
Agreement. Subsequent to the increase in the income tax rate from 14% to 30% effected on RE businesses, the Company paid excessive taxes when compared with the previous year. However, the aggregated total income tax payment reduced due to the decline in income tax on Dividend receipts.

All projects are also charged an annual Water Right Tax which is paid to the relevant Divisional Secretaries on a plant capacity basis. The tax paid this year amounted to Rs. 2.1 million.

Additionally, the tax consultancy is outsourced to a reputed professional as an extra safeguard for ensuring the compliance. The financial team engages closely with tax officials to resolve any tax matters if and when they arise.

More details on income tax expenses/ payments can be referred to in the Financial Capital Report and the Financial Statements.

#### Tax and levies paid by VPE Group



#### ENGAGING WITH OUR COMMUNITIES

The communities that live in the vicinities of our powerhouses are a critical stakeholder group. They have made the catchment areas their home for generations, out of which has evolved a culture unique to them. Our projects and activities have a direct impact on their lives and lifestyles, so, building amicable relationships with them is a key priority for business continuity. Accordingly, we have, over the years, established a symbiotic relationship by

introducing initiatives that enhance their lives and livelihoods, which has empowered them and given them hope for a brighter future. They in turn, reciprocate with goodwill and support our operations in their various localities. It is noteworthy to mention that our outreach forges strong bonds with these communities with each passing year.

We have, over the years built village infrastructure, assisted with youth education - both academic and sports, which includes supplying students with essential items for furthering their studies and sports interests; actioned healthcare; as well as supported their spiritual life with donations in cash and kind to temples. We have also hired the communities for employment at our project sites.

Despite the socio-economic constraints of the current environment, the Group contributed to, and participated in, as many events in the project areas as was possible. The "Sri Pada Clean-up Campaign" was held this year, too, mentioned in detail in the Natural Capital report. Other outreach activities included providing the material and labour for painting the entire Paladeniya School, located in close proximity to the Erathna MHP. Materials were also donated to build a complete kitchen at the Laxapana School located in the vicinity of the name of the MHP. Two blood donation camps were also held in Kuruwita and Vidulipura.

#### Highlights of CSR Activities



Painting of Paladeniya Primary School, Erathna



Donation of building materials for school kitchen of Laxapana School, Vidulipura





## Social and Relationship Capital



Sponsorship for Blood donation camp organized by Young Buddhist Association, Vidulipura



Sponsorship for Blood donation camp organized by Grama Sevaka Association, Kuruwita



### MITIGATING THE IMPACTS OF OUR ACTIONS

We ensure that Impact assessment surveys are carried out prior to the commencement of every project and at any other point as and when deemed necessary. We are committed to ensuring that our business activities are carried out in a manner that causes least harm to all inhabitants, be they human, animal or the environment.

A Stakeholder Complaints Log is located at the project offices of every power plant site to enable communities and other stakeholders to register any complaint or provide suggestions for improving an aspect of the Company's operations. All entries recorded are responded to within 7 days of the written submission and action is taken wherever necessary.

As a result of these steps, we have not experienced any significant actual or potential negative impacts on the natural environment or on indigenous communities nor have any complaints been registered in the log books during this financial year.

### ETHICAL BUSINESS CONDUCT

We conduct our business in an ethical, responsible and transparent manner. For instance, we follow ethical procurement practices as well as give priority to partners with ethical business practices. We have established safeguards to ensure against corruption and non-compliance and have no history of any incidents of anti-competitive behaviour reported. During this fiscal year, no behavior has been recorded for which legal action was taken against the Company, a supplier or a contractor, nor our operations have been assessed for risk-related corruption.

No anti-trust and monopoly practices have taken place during the year. We are also proud of our record of zero convictions on human rights violations on the value chain within this financial year.

There have been no incidents of non-compliance with the laws and regulations in our social and economic areas during the current year.

## HUMAN CAPITAL



Human capital is the collective knowledge, skills, experience, and abilities of our people, and represents their personal and intellectual attributes that contribute to their productivity and consequently, to the overall success of the Company. Human capital plays a vital role in the Company's value-creation process because the very nature of the business dictates the need for a highly skilled cadre of engineering and technical teams to operate and maintain the power plants at maximal efficiency, and a team of professionals at the head office trained to respond speedily to emergencies.

## SDG ACHIEVEMENT



## VPE'S HUMAN CAPITAL FRAMEWORK

Our human capital helps us to navigate uncertainties, drive organisational growth, and power the nation with their problem-solving and critical thinking skills and their adaptability to ambiguous business climates.

We have a Human Resources Management strategy that fosters a culture of learning in a high-performance environment, invests in personal development, nurtures a positive work environment and leverages unique skills and talents. This unlocks the full potential of our human capital and gains us a competitive edge in the marketplace.

## OUR HUMAN CAPITAL



93

Employees



Skills and Competencies



Comprehensive HR policy

## KEY OUTPUT

Rs. 143.2 Mn

Salaries and benefits paid

1:1

Minimum wage ratio

4

Performance based promotions

Zero

Lost workday case accidents

## OUTCOMES



Efficient and motivated workforce



Enhanced well-being of employees



Employee productivity

## Human Capital

### HUMAN RESOURCE MANAGEMENT

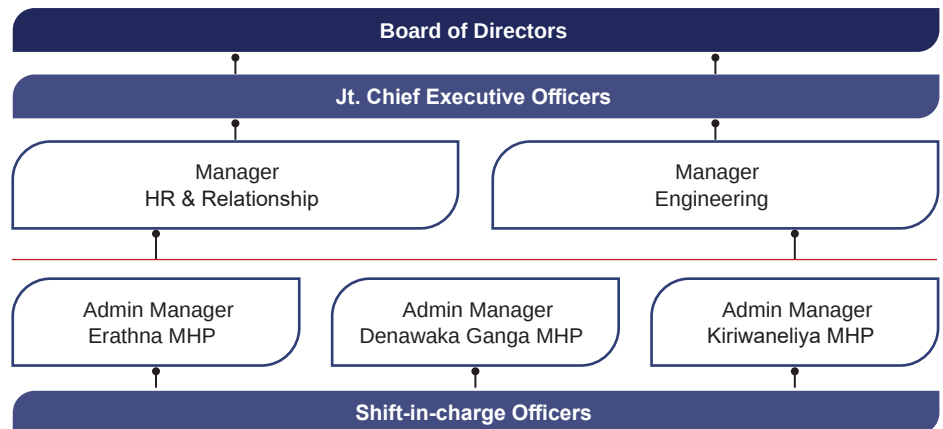
Our HRM is our overarching approach to managing our human capital and is a strategy built on the values of safety, integrity, responsibility, innovation and teamwork. The strategy is outlined in our human resource principles and policies to create a fair and consistent work environment that complies with all legal requirements and addresses employee rights and responsibilities. As set out in our HR policy manual, they broadly cover the entire gamut of the employee's career with us, from recruitment and talent retention to their well-being and safety, salaries, performance management, training as well as rewards and recognition procedures. VPE's HR policy manual is written in English and is available in the Human Resources department. Employees have access to it at all times and can request a translation in Sinhala if needed.

### MANAGEMENT STRUCTURE

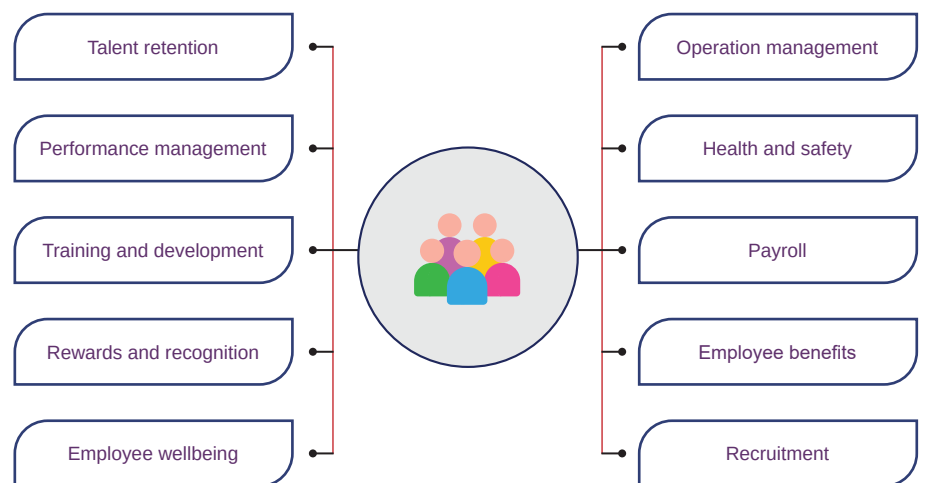
VPE has a clearly defined management structure that supports organisational objectives. It determines how the roles, power and responsibilities are assigned, controlled, and coordinated, as well as how information flows among the different levels and categories of staff.

At the topmost rung of the corporate ladder are the Joint CEOs who ensure that VPE's HR management principles and policies are applied throughout the Company. They have responsibility for ensuring that the Company complies with all local labour laws and ILO laws applicable to the local context, and report directly to the Board of Directors on all matters of human resources. At the next level are the Managers who supervise HR implementation at the offices and the plants. The next level of Admin Managers are responsible for the implementation of HR principles and policies at the sites of our three power plants, and the respective shift in charge at the power plants report to their respective Admin Managers.

### VPE's HR Governance



### VPE's HR Management Principles



### RECRUITMENT PROCESSES THAT PROMOTE SYNERGIES OF DIVERSITY AND INCLUSIVENESS

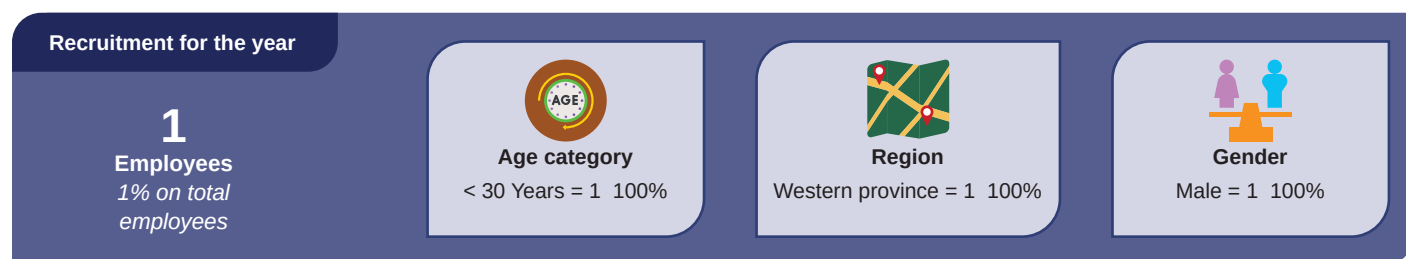
Our continued success requires a strong workforce that can contribute the right skills in the right areas to achieve our strategic objectives.

Our recruitment policies value all forms of diversity and promote a culture of inclusion that foster diverse views to make richer decisions, and drive performance. Our vision is for our workforce to have a strong sense of belonging and feel supported in meeting their full potential in an atmosphere free from any form of harassment.

As an equal opportunity employer, we recruit individuals based on job-related qualifications regardless of race, religion, colour, gender, national origin, age, disability, or any other classification protected under applicable state or local while our recruitment policy reaches out to the differently abled. We also strive for our workforce to be representative of the communities in which we operate, and recruit a sizable portion of our unskilled and semi-skilled workers from the indigenous communities. By reaching out to underprivileged members of society, we enrich the diversity of our people.

However, despite the fact that we pursue a gender-equitable recruitment policy, our staff strength leans towards a higher portion of male intake as female candidates within the neighboring communities of the vicinity of our power plants have not yet sought jobs relevant to operation of electro-mechanical equipment. Nevertheless, female candidates are provided with equal recruitment opportunities in our offices, and they work alongside their male counterparts in manual, clerical and professional positions, earn equal pay and are provided with the same benefits.

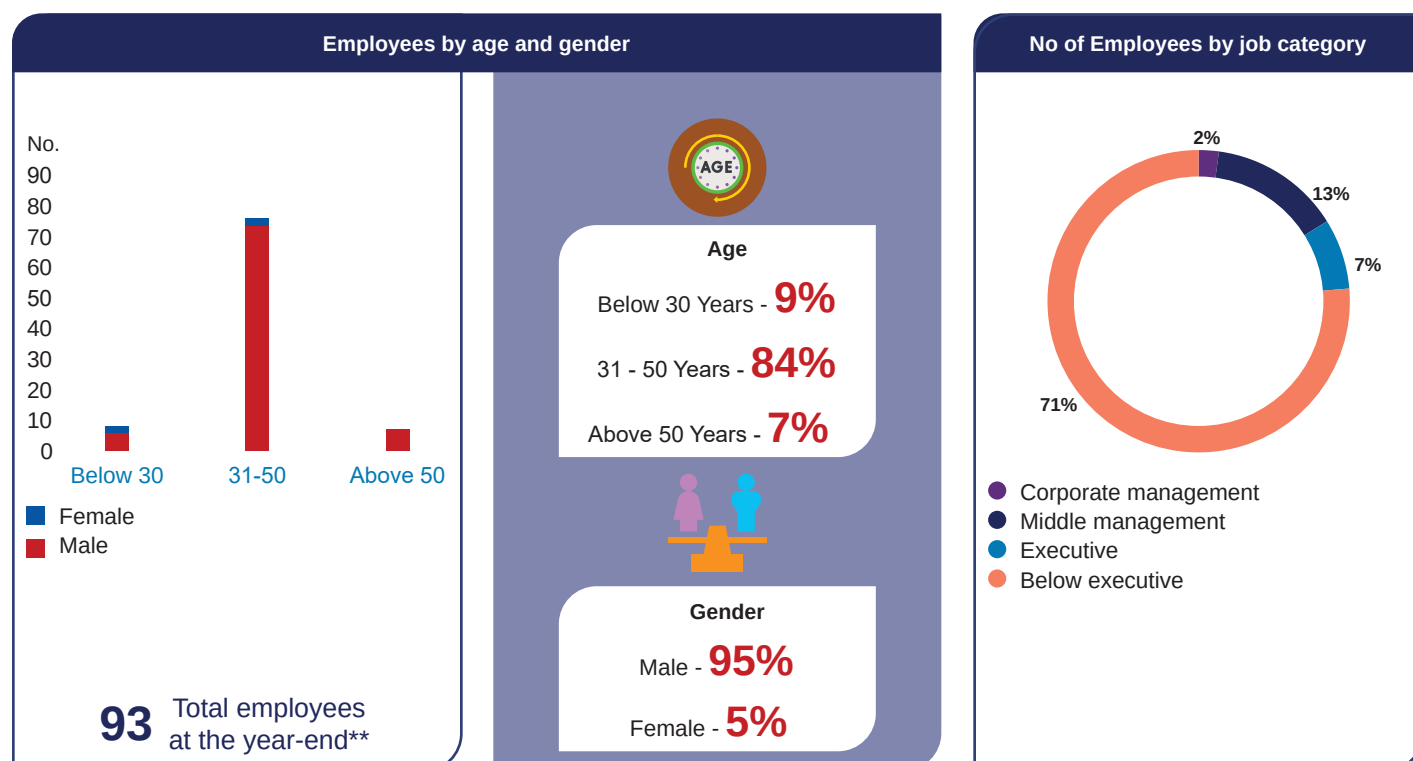
Our recruitment policy follows established procedures. Vacancies are advertised and the shortlisted candidates are invited for formal interviews to enable the Company to get an informed overview of the talent available. It also ensures that we recruit the most suitable candidate for the job, irrespective of caste or creed.



## INDUCTION

On recruitment, the new employees follow a carefully designed induction programme that familiarises them with the Company and enables a seamless transition into the company culture. They are apprised of the functions of each department and the various facets of the organisation, its culture, mission, vision as well as H&S practices and recreation programmes.

## Diversity of employees by age, category and region as of March 31, 2023





## Human Capital

## Employees by region, gender and employment type

| Province      | Permanent |      |        | Fixed Term Contract |        |
|---------------|-----------|------|--------|---------------------|--------|
|               | Total     | Male | Female | Male                | Female |
| Western       | 17        | 11   | 3      | 2                   | 1      |
| Central*      | 20        | 14   | 1      | 5                   | -      |
| Southern      | 3         | 3    | -      | -                   | -      |
| Sabaragamuwa* | 51        | 47   | -      | 4                   | -      |
| North Western | 1         | 1    | -      | -                   | -      |
| North Central | 1         | 1    | -      | -                   | -      |
| Total         | 93        | 77   | 4      | 11                  | 1      |

## Note

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

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

| Job Category         | M    | F    | Total |
|----------------------|------|------|-------|
| Corporate management | 2%   | 0%   | 2%    |
| Middle management    | 11%  | 60%  | 14%   |
| Executive            | 7%   | 20%  | 8%    |
| Below executive      | 80%  | 20%  | 76%   |
|                      | 100% | 100% | 100%  |

Employment  
from local  
community

**71**  
Employees

**76%**

## TALENT RETENTION

The Company's amiable culture enables a happy, healthy and productive work environment that ensures retention of talent of the highest calibre.

The Company has a management structure for human resources that supports our business objectives. And this has ensured that our staff retention remains very high, which translates to the fact that a high portion of our employees have grown with us through the years and are productive and experienced in their jobs.

## PERFORMANCE MANAGEMENT THAT DEVELOPS PEOPLE AND CAREERS

A formal assessment of our employees' work performance is carried out by the management in an Annual Performance Review held according to the guidelines of our Performance Appraisal Scheme (PAS). This appraisal covers all employees in both the permanent and non-permanent cadres, identifies the employee's strengths and weaknesses and offers feedback for improvement along with goals set for future performance.

The PAS is designed to both identify opportunities for career advancement as well as recognise competency gaps that are then bridged with training.



**93**

Employees  
entitled for the PA  
scheme

**89%**

Employees  
scored over 70%  
marks

**4**

Performance based  
promotions  
2021/22 - 2

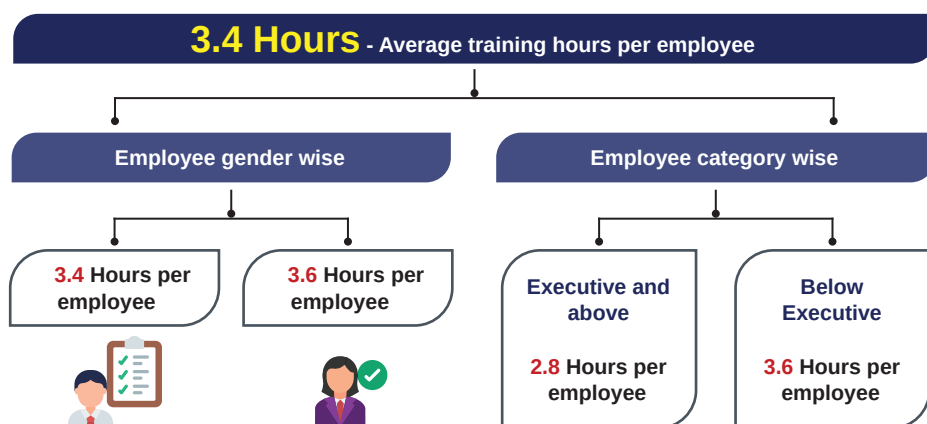
## TRAINING AND DEVELOPING OUR PEOPLE FOR SUCCESS

As a key commitment to ensuring a competent and motivated work environment, we provide our employees at all levels with a range of training opportunities that both develop their skills on the job to help them in career advancement, as well as soft skills that shape them as individuals. The training also bridges knowledge gaps as well as equips top performers with wider skills and knowledge needed to climb higher up the corporate ladder.

These people development initiatives have substantially improved efficiency and productivity within the Company as well as reduced absenteeism and forged loyalty. Training is provided by professional trainers, industry experts as well as in-house professionals.

Training was provided in the following areas to the following staff levels during this fiscal year:

| Training Type                                                   | No of Participants |          |           | Total Training Hours |
|-----------------------------------------------------------------|--------------------|----------|-----------|----------------------|
|                                                                 | Male               | Female   | Total     |                      |
| Training on Solar PV project designing                          | 1                  | -        | 1         | 24                   |
| Training on income tax regulation changes and tax return filing | 5                  | 4        | 9         | 27                   |
| Training on MS Excel                                            | -                  | 1        | 1         | 3                    |
| Training on Innovation & Technology for Gender Equality         | -                  | 1        | 1         | 2                    |
| On-the-job training on Hydropower process                       | 1                  | -        | 1         | 200                  |
| Training on fire extinguishers and evacuations                  | 62                 | -        | 62        | 62                   |
| <b>Total</b>                                                    | <b>69</b>          | <b>6</b> | <b>75</b> | <b>318</b>           |



### EMPLOYEE BENEFITS THAT PROMOTE WELL-BEING

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. The Company also strives to provide financial as well as moral support during times of personal hardship and compensation and benefit packages provided are on par with, and at times exceed, industry benefits, and have been instrumental in attracting and retaining the best talent within and outside the industry. Both women and men receive the same remuneration and benefits in every staff category.

All salaries and wages are above the stipulated government minimum wage and all statutory payments such as EPF, ETF and gratuity conform to the dictates of local labour laws. The Company maintains its minimum wage ratio of 1.1.

As a Company that has its people's well-being at heart, we paid an additional relief allowance to all employees to tide them over the economic crisis.

### KEY EMPLOYEE BENEFITS PAID BY VPE

| Type of benefit                           | 2022/23<br>Rs. Mn | 2021/22<br>Rs. Mn |
|-------------------------------------------|-------------------|-------------------|
| Salaries and wages                        | 102.1             | 86.5              |
| Employer contribution to EPF              | 8.7               | 8.1               |
| Employer contribution to ETF              | 2.2               | 2.0               |
| Provision for Gratuity                    | 6.8               | 2.1               |
| Staff bonus                               | 17.3              | 11.0              |
| Interest free staff loan (as of year-end) | 2.1               | 2.0               |
| Festival Advances loan (as of year-end)   | 4.0               | 3.5               |
| <b>Total</b>                              | <b>143.2</b>      | <b>115.3</b>      |



Annual fire training program



### REWARDS AND RECOGNITION FOR IMPROVING PRODUCTIVITY

Recognising hard work and rewarding motivates our employees, boosts teamwork and productivity. It also improves workplace culture by creating a supportive work environment that helps retain top talent and reduces staff turnover, thereby giving us a competitive edge.

We celebrate achievements with performance-related benefits that include remuneration in line with industry standards, attractive increments, promotions as well as bonuses, which keep our staff loyal, satisfied and engaged.

This year, the Company arranged a special event to commend the employees of Kiriwaneliya MHP for their hard work and commitment that earned the project the Presidential Environment Award. They were rewarded with a token of appreciation to encourage them to continue supporting the concept of sustainability in all activities.



Rewarding Kiriwaneliya MHP employees with a token of appreciation

## Human Capital

## EMPLOYEE BENEFITS ENTITLED FOR THE YEAR 2022/23;

| Type of benefit                        | Description                                                                                                                                                                                                                                                                                            | No. of employees entitled/obtained                                                                                                                                                                                                                                                    |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Interest free staff loan scheme</b> | Permanent employees are granted a facility of applying for an interest free loan.                                                                                                                                                                                                                      | Entitled – All employees<br>Obtained - 39 employees                                                                                                                                                                                                                                   |
| <b>Festival advance</b>                | The employees are entitled to an annual festival allowance during the month of December.                                                                                                                                                                                                               | Entitled – All employees<br>Obtained - 72 employees                                                                                                                                                                                                                                   |
| <b>Insurance covers on work life</b>   | 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                                                                                                                                                                                                                                                              |
| <b>Healthcare</b>                      | An in-house medical scheme is established for employees at and above executive grade                                                                                                                                                                                                                   | Entitled - All employees above executive category<br>Obtained – 1 Employee                                                                                                                                                                                                            |
| <b>Maternity/ paternity leave</b>      | A female employee is granted maternity leave/ pregnancy leave in terms of the Shop and Office Employees Act No. 19 of 1954<br><br>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<br><br><b>Obtained:</b><br>➤ Maternity leave - 1 female employee<br>➤ All employees who utilized the leave benefit has returned to employment, thus, Employee return rate is 100%<br>➤ No employee has utilized the Paternity Leave during the review period |
| <b>Medical leave</b>                   | Employees are entitled for medical leave as necessary.                                                                                                                                                                                                                                                 | Entitled – All employees<br>Obtained - 14 Employees                                                                                                                                                                                                                                   |
| <b>Short leave</b>                     | As per the Shop and Office Employees Act.                                                                                                                                                                                                                                                              | Entitled – All employees<br>Obtained - All employees                                                                                                                                                                                                                                  |
| <b>Emergency accident leave</b>        | This leave is for injury sustained while at work.                                                                                                                                                                                                                                                      | Nil                                                                                                                                                                                                                                                                                   |
| <b>Uniforms &amp; safety packs</b>     | 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                                                                                                                                                                                                                                                         |
| <b>Food and beverages</b>              | The 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                                                                                                                                                                                                                                             |
| <b>Accommodation</b>                   | Staff quarters are located at each power plant for the purpose of accommodation facility to shift workers.                                                                                                                                                                                             | All shift based employees at power plants                                                                                                                                                                                                                                             |
| <b>Incentives to Employees</b>         | The Company may pay employees a Special Incentive Payment based on the annual performance evaluation.                                                                                                                                                                                                  | All employees                                                                                                                                                                                                                                                                         |
| <b>Gifts / Alimonies</b>               | 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<br>Obtained – 3 employees                                                                                                                                                                                                                                    |
| <b>Training &amp; Development</b>      | 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<br>Obtained – 75 employees                                                                                                                                                                                                                                   |

## A HEALTHY WORK-LIFE BALANCE TO INCREASE HEALTH AND PRODUCTIVITY

Creating a culture that supports a healthy work-life balance among our employees is crucial to our long-term business success. We ensure that employees are provided with leisure and team-building activities that promote happy and healthy work environment.

An annual staff outing was also organised for employees in the three power plants and other employees including head office team while ensuring operations were uninterrupted.



Annual excursion of head office staff



Annual day outing of Erathna MHP's staff

## HEALTH AND SAFETY (H&S) PROCEDURES THAT PROTECT OUR PEOPLE

The Company promotes a culture of safety and has a comprehensive H&S policy and procedure in line with those practiced in similar operations locally and overseas, despite the absence of a legal requirement to do so. Awareness of the importance of practicing H&S procedures is disseminated throughout the Company and every member of staff is advised on the procedures to be followed. Guidelines on fire hazards and safety are provided to every employee during 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 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.

The VPE's H & S policy especially covers all workers at the power plants. No outside workers function on the project sites nor at any staff level in the corporate office.

The employees actively implement the H&S practices and these practices are assessed and monitored regularly in-house by the management while their quality and content are monitored by internal audits. Fire training and training on extinguishing inflammable items are also provided to all staff in order to equip one and all for emergency responses.



Employees equipped with PPEs



Standby safety measures at Forebay





## Human Capital

No hazard-related risks were identified, nor have any work-related injuries occurred during the current year because our stringent H&S practices and procedures were meticulously adhered to.

The Company also assures the health and well-being of its employees and has, over the years introduced special initiatives in support of this. All matters related to the personal health of employees are kept confidential. During the year of review, an employee health checkup was organized at Erathna MHP and the Kiriwaneliya MHP to assess their health condition. Team of health professionals visited power plants to carryout tests.



*Medical camp held for power house employees*

### OPERATIONS MANAGEMENT TO PROMOTE EFFICIENCY

As a business that generates power for the national grid, it is essential to ensure that the generation continues uninterrupted every day of the year. Accordingly, the power plant staff work on a roster basis at the project sites on a 24/7 basis. The rosters provide flexibility that enables employees to change the shift allocated on the roster for personal emergencies on the approval of the on-site management. Rosters are scheduled in advance on a

monthly basis by the officers in charge of the respective power plants. Maintenance activities are usually scheduled during the dry season to ensure that the generation operation is unaffected.

### NO COLLECTIVE BARGAINING AGREEMENTS

Since there are no unions affiliated with the Company, we have no collective bargaining agreements. Operational changes are announced as and when they happen, in an environment that encourages discussion and feedback.

### STRINGENT POLICY ON CHILD AND FORCED/COMPULSORY LABOUR

The Company has zero tolerance of child labour and does 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). The Company does not support forced or compulsory labour in any form. No incidents of child labour or forced or compulsory labour were experienced during the period of review.

### GRIEVANCE MECHANISM

In a bid to ensure cordial worker relationships, an effective grievance procedure is in place to ensure that employees address issues of concern with the management. When these concerns are addressed, every attempt is made to ensure that they are resolved at the earliest to the satisfaction of all parties concerned, within an atmosphere of mutual support in which workable solutions are arrived at. This minimises work disruptions and labour disputes as well as improves productivity. It also helps the management to resolve issues before they escalate or result in litigation. No grievances arose in the year of review.

## MANUFACTURED CAPITAL



Manufactured capital plays a pivotal role in our business of generating hydropower. It includes the physical infrastructure, machinery and equipment required to harness the energy of water and convert it into electricity. By investing in and maintaining our manufactured capital we enhance business efficiency, improve reliability and contribute to the sustainable production of renewable energy.

## SDG ACHIEVEMENT



## VPE'S MANUFACTURED CAPITAL FRAMEWORK

Manufactured capital is the most important asset in our mini hydropower business and is mandatory in power generation. Accordingly, more than 90% of our total assets cost was allocated on procuring high-quality technologically advanced electro-mechanical equipment for our three power plants and in building the related civil constructions.

We ensure that the plant and machinery we have on board has the capacity and capability to ensure business continuity.

In keeping with our commitment to quality and reliability we ensure that this equipment is supplied by internationally renowned manufacturers and that each item conforms to applicable manufacturing and environmental standards and regulations pertaining to hydro mechanical equipment. The specialised training on maintaining and repairing this state-of-the-art equipment received by our technical team ensures that we have in-house competency for keeping this machinery in continuous running order that minimises downtime and optimises efficiency.

## OUR MANUFACTURED CAPITAL



Rs. 1,084 Mn

Electro-mechanical equipment



Rs. 1,725 Mn

Civil constructions



Rs. 59 Mn

Other infrastructure

## KEY OUTPUT

86,803,618 units

Production of electricity units (kWh)

Rs. 0.8 Mn

Capital additions to assets

Rs. 3.1 Mn

Maintenance of power plants

Zero

Incident of major break-downs

## OUTCOMES



Well maintained infrastructure



Low machine failures

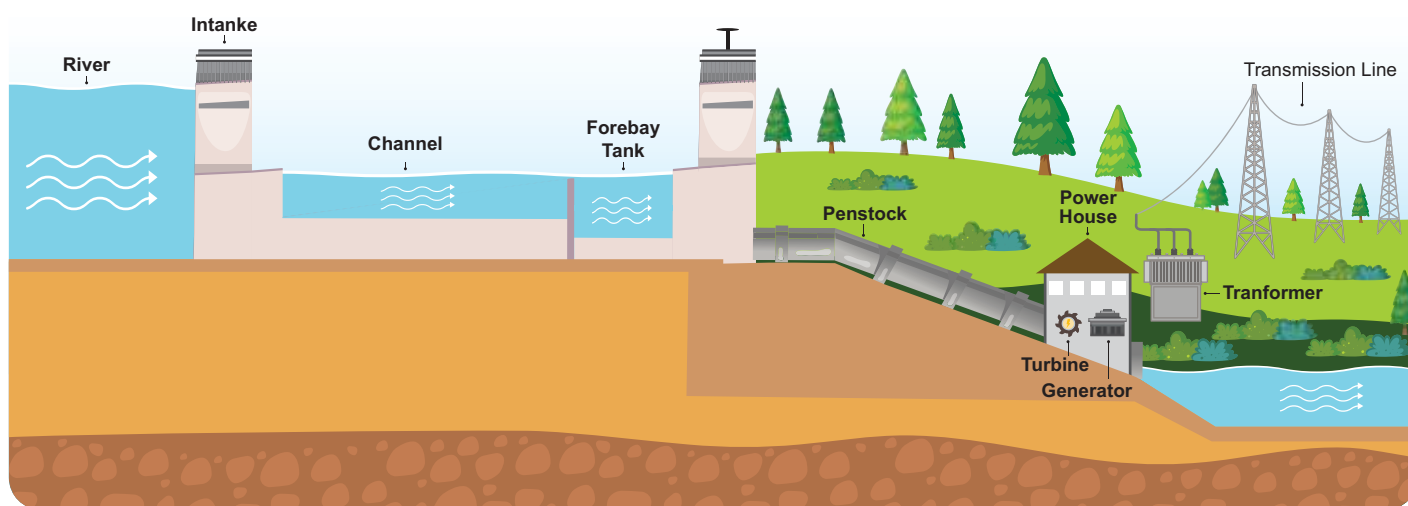


High return on assets

## MANUFACTURED CAPITAL BASE

The Company's three projects, Erathna, Denawaka Ganga and Kiriwaneliya, are equipped with cutting edge high efficiency electromechanical equipment 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 designed by experts to optimise power generation and minimise down time. Modern, up-to-date power generation technologies are used in the state-of-the-art turbines, generators and control equipment to maximise energy yield.

### Manufactured capital of a power plant (project assets)



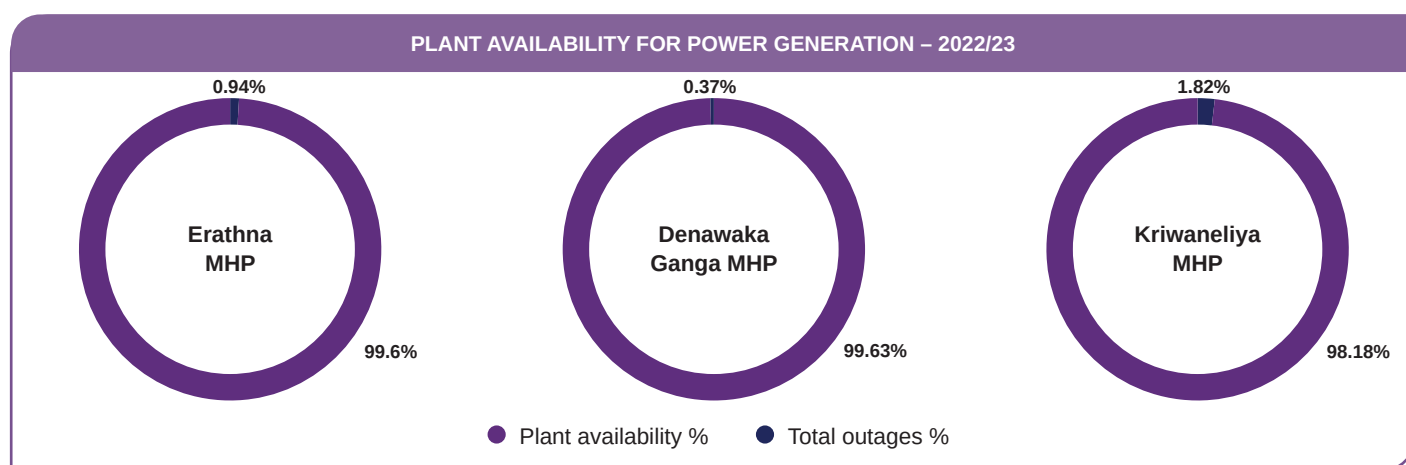
Every stage of construction of the power plant infrastructure follows stringent environmental guidelines to ensure that their function minimises environmental impacts. Environmental Mitigation Equipment such as environmental flow releases and sediment management systems are employed to maintain ecological balance and minimise downstream impacts. The infrastructure that supports the power plants, namely, channels, weirs, forebay tanks, penstocks, turbines- was built with significant engineering and construction expertise to facilitate uninterrupted water flow to and from the power plants and maximise energy potential. Sophisticated control systems to manage and regulate the generation process as well as automation technologies to monitor water flow, adjust turbine speed, and control other operational parameters that maximize efficiency and maintain system stability are also in place.

|                    | Project Assets                           |                                 | Other infrastructure | Total   |
|--------------------|------------------------------------------|---------------------------------|----------------------|---------|
|                    | Electro-mechanical equipment<br>(Rs. Mn) | Civil constructions<br>(Rs. Mn) |                      |         |
| Erathna MHP        | 577.7                                    | 530.9                           | 36.6                 | 1,145.3 |
| Denawaka Ganga MHP | 234.4                                    | 685.2                           | 6.6                  | 926.2   |
| Kiriwaenliya MHP   | 271.7                                    | 509.0                           | 16.6                 | 797.3   |
| Total              | 1,083.8                                  | 1,725.1                         | 59.8                 | 2,868.8 |

## EFFICIENT DEPLOYMENT OF ASSETS

The Company has a carefully thought out-approach to managing our manufactured capital. All capital expenditure follows an annual plan that also considers any gaps in technology between what is currently utilised in the power plants and new technology available in the market.

|                                | Erathna MHP |         | Denawaka Ganga MHP |         | Kiriwaneliya MHP |         |
|--------------------------------|-------------|---------|--------------------|---------|------------------|---------|
|                                | 2022/23     | 2021/22 | 2022/23            | 2021/22 | 2022/23          | 2021/22 |
| <b>Plant outages % due to:</b> |             |         |                    |         |                  |         |
| Machine break-down             | 0.21%       | 0.28%   | 0.02%              | 0.01%   | 0.07%            | 0.11%   |
| Grid failures                  | 0.73%       | 1.33%   | 0.35%              | 0.18%   | 1.75%            | 2.30%   |
| Plant availability %           | 99.06%      | 98.40%  | 99.63%             | 99.81%  | 98.18%           | 97.59%  |



## ADDITIONS TO MANUFACTURED CAPITAL

Upgrades to our manufacturing capital were very marginal during this fiscal year as there was no special requirement for this. But, the Company continuously sources upgrades for our plants and the supportive infrastructure related to human welfare, to improve efficiencies in all operational areas.

## BREAK-DOWN MANAGEMENT

A clear line of reportage ensures that breakdowns, if any, are speedily attended to with minimal downtime. Firstly, the respective plant in-charge officers report the malfunction to the technical heads, who keep the joint CEOs informed. Most routine breakdowns are attended to inhouse by our technical team although more critical breakdowns are outsourced to third party professionals.

No major breakdowns occurred during this financial year and required upgrades were carried out throughout the year.

### Percentage (%) of plant break-down time

|         | Erathna MHP | Denawaka Ganga MHP | Kiriwaneliya MHP |
|---------|-------------|--------------------|------------------|
| 2022/23 | 0.3%        | 0.1%               | 0.1%             |
| 2021/22 | 0.3%        | < 0.1%             | 0.2%             |

**40** Hours

Plant break-down time  
2021/22 – 45 Hours



## Manufactured Capital

### UPGRADE AND MAINTENANCES

Our inhouse technical team is trained and experienced in carrying out servicing according to regular maintenance schedules, which ensures that the hydroelectrical equipment functions at maximum capacity and efficiency at all times. However, critical and extensive repairs are outsourced to specialist repairmen both local and overseas. The Company maintains open lines of communication with the overseas manufacturers of our hydroelectric equipment to ensure their speedy response, consultation and inputs whenever necessary.

Periodic maintenance is carried out in accordance with the manufacturer's guidelines, and a maintenance check list is followed by the inhouse team on a daily, weekly, monthly, bi-annual and annual basis depending on equipment type. Scheduled maintenance is carried out on-site by trained technical staff. All technical upgrades are completed and up to date.

Maintenance is usually scheduled for the dry season to minimise generation loss. The Company also ensures the availability of sufficient stocks of spare parts for repairs and maintenance throughout the year.



*Break-down repair at Kiriwaneliya MHP*

### RISK MITIGATION THROUGH INSURANCE

We ensure that all our powerplant machinery and equipment is insured at market value with insurers who have an established reputation in the market. Our comprehensive insurance policies provide protection from perils that include fire, business interruption electronic all risk and natural disasters. The electronic equipment is insured against Machinery Breakdown and Hazards as well.

## INTELLECTUAL CAPITAL



Intellectual capital refers to the intangible assets and resources that create business value and gains us the competitive edge in our business. Its effective management and utilisation lead to innovation, improved decision-making, increased productivity, and enhanced market positioning of the Company.

### SDG ACHIEVEMENT



### VPE'S INTELLECTUAL CAPITAL FRAMEWORK

Our intellectual capital represents the collective knowledge, expertise, relationship and intangible assets that differentiate us from competitors. Effectively managing and leveraging our intellectual capital gains us long-term success in the highly competitive marketplace. This helps us retain our position of leadership in the mini hydropower sector even during turbulent times.

We manage our intellectual capital through strategic planning and systematic approaches that leverage and enhance

these intangible assets by addressing the following areas: understanding and assessing the different components of intellectual capital within the Company; implementing knowledge management practices; investing in talent development and retention initiatives; protecting our intellectual property; fostering collaborative partnering with external stakeholders; proactively managing our brand and reputation; and regularly monitoring and evaluating the performance and effectiveness of these intellectual capital management initiatives.

#### OUR INTELLECTUAL CAPITAL

-  Professional competency
-  Tacit knowledge
-  Good corporate culture
-  Technology and systems
-  License, permits and approval
-  Our brand
-  Stakeholder relationship

#### KEY OUTPUT

Rs. 5.0 Bn

Market Capitalisation

3 Awards

Awards recognised for the Annual Report 2021/22

1 Awards

Award recognition for environmental compliance

#### OUTCOMES



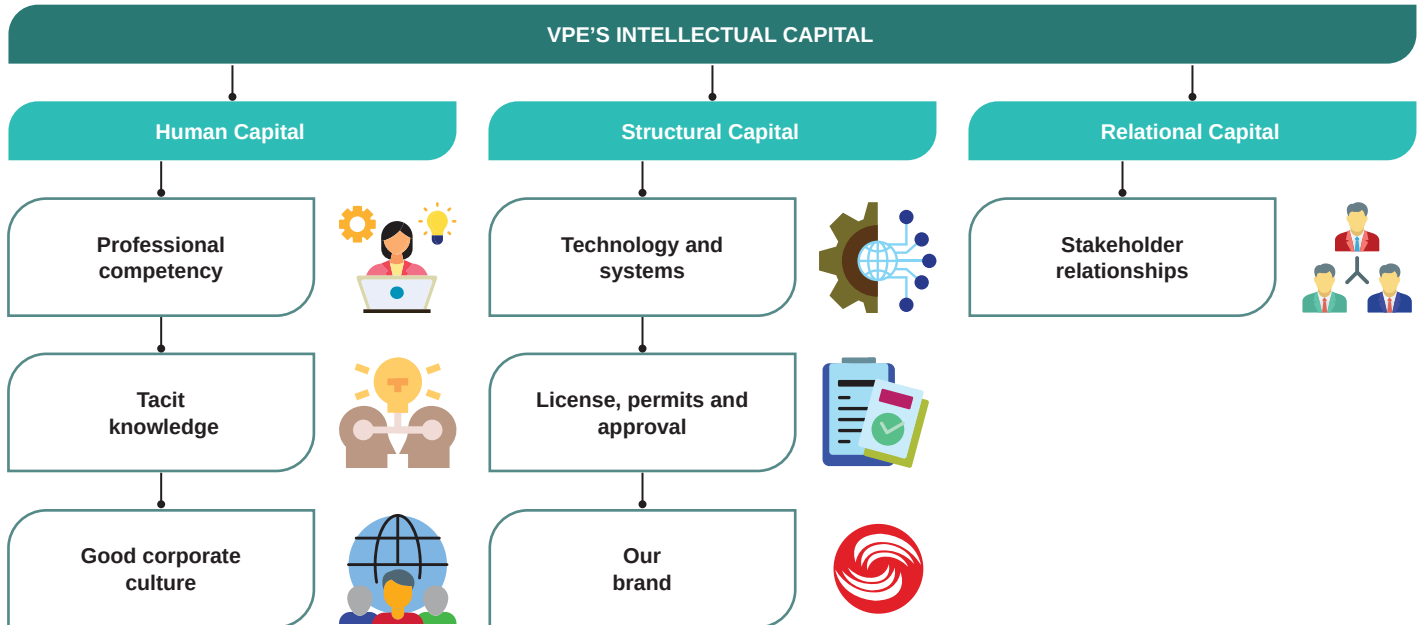
Efficiency in operations



Innovative energy solutions



Enhanced brand



## HUMAN CAPITAL

### Professional Competency

Our employees play a crucial role in our Company's success, and we have an effective HRM strategy that ensures we hire the best in the business. Accordingly, we have in place an exceptional team that possesses a wealth of knowledge and expertise that enables them to solve problems, make informed decisions, and create value through specialised skills. They are provided with job-specific and soft skills training that fine-tune their competencies on the job and enable them to climb the corporate ladder as well as advance their careers into the future. Our staff is also the driving force behind our innovation and creativity. Their unique perspectives, ideas, and ability to think critically contribute to the development of our processes and strategies, which give us a competitive advantage. Years of learning and development has enabled our technical team to identify potential machinery failures, and effectively carryout all complex maintenance and repair activities in-house without having to rely on external resources. The opportunities we provide them for learning and adapting to new technologies and industry trends is a win-win situation that enables us to stay current and responsive to changing business environments as well as builds their competencies.

Our wealth of knowledge and expertise in more ways than one, contribute to the development of industry that is powered by us.



*In-house repair work carried out our team at Kiriwaneliya MHP*

More information on our human capital is provided in the Human Capital Report.

### Tacit Knowledge

Tacit knowledge refers to the expertise, skills, insights, and understanding that our employees possess at all levels of the business. This ranges from the industry expertise and professional knowledge of the Chairman, Board of Directors and management team, and the knowledge and expertise of our executives in their functional areas, as well as the technical skills of the technicians who are

responsible for the uninterrupted operations of our plants, and the competencies of our non-executives. This rich repertoire of tacit knowledge is unquantifiable and irreplaceable and add a valuable dimension to our intellectual capital. It is these competencies that enable the generation of innovative solutions and equip the Company to address and surmount challenges in the business environment. The tacit knowledge of our employees enables us to differentiate ourselves because it is difficult for competitors to replicate or imitate their particular expertise.

### Corporate Culture

Our corporate culture shapes and defines our intellectual capital. It shapes our knowledge-sharing, learning, innovation, adaptability, and employee engagement and the decisions made by them. Ours is a collaborative and inclusive culture that encourages critical thinking, diverse perspectives, and open dialogue that is geared to attract high-calibre staff and contribute to our reputation and brand image. We value collaboration, continuous learning, creativity, and agility which ultimately drives our long-term success and competitiveness.

### Awards and accolades

The Awards and accolades accorded to VPE over the years are proof of the professional competency and tacit knowledge of our people and our collaborative corporate culture that encourages high performance.

VPE has been recognised and rewarded in a number of areas of achievement, including for our business prowess, corporate reporting and environmental sustainability initiatives.

During this fiscal year, the VPE Group was recognised with the following exceptional awards and accolades.



Gold Award Winner- Power & Energy sector at “TAGS”  
Awards 2022 conducted by CA Sri Lanka



Silver Award to Kiriwaneliya MHP - Presidential Environment  
Awards 2021-22 conducted by Central Environmental Authority



Best Integrated Report in Energy Sector- CMA Excellence in  
Integrated Reporting Award – 2022 conducted by the Institute of  
Certified Management Accountants of Sri Lanka



Merit Award- CMA Excellence in Integrated Reporting  
Award – 2022 conducted by the Institute of Certified  
Management Accountants of Sri Lanka





## Intellectual Capital

### STRUCTURAL CAPITAL

#### Technology and systems

This capital comprises the technology, systems, and processes utilised by the Company and is vital to our continuity and success. It plays a key role in supporting our knowledge management initiatives, improving efficiency and productivity and fostering innovation. We use state-of-the-art technology that facilitates data-driven decision-making and manages our intellectual property. By supporting these critical functions of the Company our technology and processes drive continuous improvement, and by leveraging these invaluable tools we gain a competitive edge in the market.

Updates of the control systems and software of all our power plants are carried out in accordance with the manufacturers' guidelines, which ensure that the plants function at optimal capacity with minimal downtime.



Our technology, systems and processes provide platforms and tools for capturing, organising, storing, and retrieving knowledge assets and vast amounts of data including explicit and tacit knowledge. They streamline operations, automate repetitive tasks, and improve efficiency and productivity. This enables our employees to work more effectively by freeing up time and resources that can be allocated to more strategic and value-added activities. They also help in the creation, registration, monitoring, and enforcement of our trademarks and copyrights.

#### Licenses, approvals and permits to operate

This is another important component of our structural capital. Since hydropower businesses operate in sensitive catchment areas, we, more than most other businesses, can commence operations only if we get the relevant license, permits and consents that give us the go-ahead to operate the business in a particular locality and within stipulated conditions and boundaries. As a corporate that places a high priority on ethical and transparent business practices, we keep to the stipulated guidelines in these permits in both letter and spirit to ensure that they are renewed within the stipulated timeframe.

All power plants have obtained the relevant licenses, approvals and permits to date.

#### Our brand

VPE is a member of the well-reputed Vallibel Group which is a premier corporate entity with an established market presence of several decades. The Vallibel brand image is recognised by our stakeholders as being synonymous with innovation, integrity, quality and dependability as well as ethical and responsible business practices. Our positive brand image is a valuable business asset as it has helped forge loyalty among our diverse groups, which ensures their support of our operations.

By fostering these stakeholder relationships, we build goodwill which provides us with the license to operate, take for instance, the indigenous communities near our power plants whose approval of our operations is critical to our continuity. These relationships are also vital in helping us to manage risk and adapt to changes in the business environment, and provide us with access to critical resources, knowledge and expertise, as well as growth opportunities. So, by building and nurturing cordial relationships with our stakeholders we enhance our reputation and drive development and growth, which creates considerable long-term value for the business.

### RELATIONAL CAPITAL

This capital is the relationships, networks, and collaborations we build with our wide and varied stakeholder groups, in short, it refers to our stakeholder engagement and to our ability to leverage these relationships for strategic business purposes.

We practice open and transparent two-way communication with our stakeholders which enable us to identify potential issues at an early stage so we can take proactive measures to address them and minimise their impact.









The engine  
of enterprise,  
powered by us



## CORPORATE GOVERNANCE

### CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE



As Chairman of the Board of Directors of Vallibel Power Erathna PLC, I affirm that the Board is collectively responsible for the success and continuity of the Company, and that entrepreneurial leadership is balanced with the scrutiny and oversight provided by the independent Non-Executive Directors. Accordingly, I endorse the exceptionally high standards of governance introduced and practised by our Board of Directors over the years, and confirm the Board's commitment to maintaining high standards of integrity and transparency in all aspects of the governance of the Company.

Codes of Best practices on Corporate Governance set out the standards and values that define the competency of the Board, to which the Board adheres. We are confident that compliance with these codes continues to strengthen our Company's ability to grow profitably, ensure continuity and deliver equitable returns to our shareholders, all of which also benefit our wider group of stakeholders. The Company views its ethical behaviour as being a competitive advantage in building trust with our partners and in attracting and retaining staff of the highest calibre.

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

My Board of Directors and I are committed to ensuring that VPE's Corporate Governance structures remain robust, and review and adapt the said structures in line with any changes in the governance agenda.

VPE operates in a sector that has been identified and declared as an emergency service in the event of an emergency situation and our operations have been geared to ensure responsiveness whenever the need arises. 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 circulated throughout the Company.

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

**S H Amarasekara**  
Chairman  
26 May 2023

### OUR APPROACH

In view of the current economic downturn, corporate governance and its reporting have become a pressing issue for many public listed companies. VPE has circumvented these concerns by putting in place the proper controls and monitoring systems that assure a transparent corporate structure powered solely by business needs. This also guarantees a high level of disclosure in relation to going-concern reporting, risk management and internal controls.

We take our Corporate Governance initiative beyond mere compliance with the laws and regulations applicable to our business and to Sri Lanka. As it is a key component of our Environmental, Social and Governance ("ESG") strategy, we set an annual plan and work towards achieving it by adopting best practices based on the highest ethical standards. This fine-tuned focus has established us as a leader in the local industry and a force to be reckoned with among our corporate peers.

The directives of corporate governance of the Company are outlined as:

- Adopting and adapting the principles, policies, and procedures that ensure our accountability to our stakeholders, which includes working through inherent conflicts of interest and arriving at a consensus acceptable to all.
- Overseeing the interactions between the shareholders, Board of Directors, and Company Management who shape our corporate performance and the direction taken by the business, by determining the ways in which we could reach the most effective strategic decisions.
- Ensuring transparency, which both safeguards the interests of our shareholders as well as assures strong and balanced economic development for the Company.

### GOVERNANCE STRUCTURE

Our Corporate Governance structure is designed to support business needs by ensuring diligence and effective engagement with Board committees and executive management on specific

matters, supported by clearly documented mandates that demarcate the role of the Executive Management as trustee rather than the owner of shareholder capital. Our Corporate Governance structure also enables us to align the interests of our wider group of stakeholders and engage effectively with them.

VPE has adopted a two-tiered corporate structure since its inception, which comprises a Board of Directors at its apex and Senior Management in the second tier. Both corporate bodies are distinct and separate from each other in terms of their functions and membership, which assures integrity and transparency of the highest order throughout the reporting process.

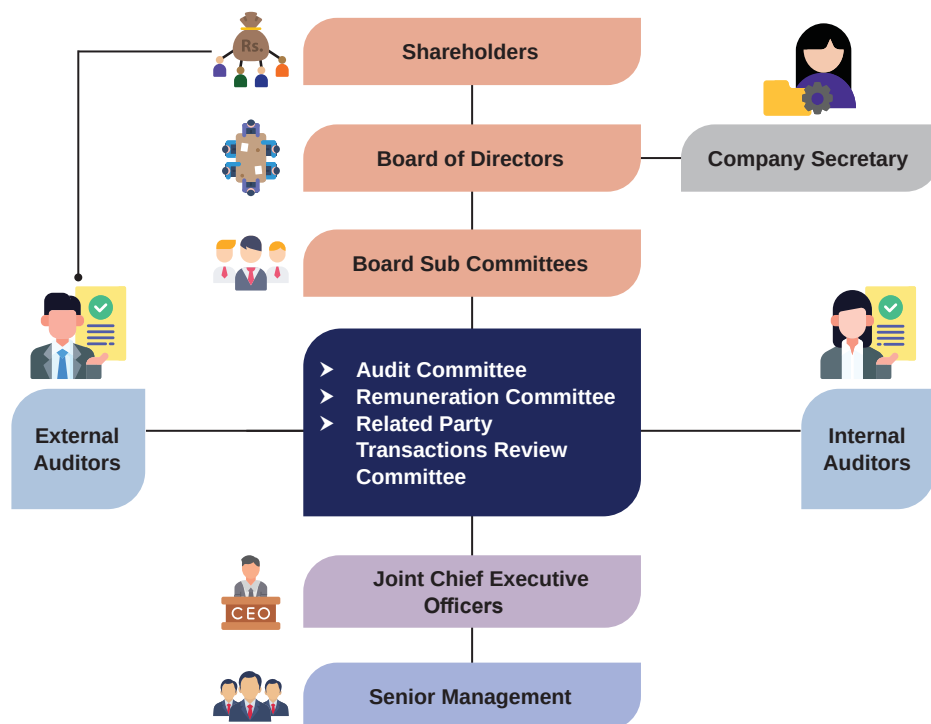
The Board takes overall responsibility for the strategic management of the Company and is accountable for the Company performance. The Joint Chief Executive Officers report directly to the Board who formally delegate to them the responsibility for Company performance and the execution of the Company's short and long-term strategies. The Joint Chief Executive Officers, in turn, delegate the implementation of the strategic plan to the senior management team, who have the specialist skills and experience to activate the plan.

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

The Company does not have a dedicated sustainability committee because the management takes full accountability for ensuring the implementation of sustainability in all areas of business. This especially involves ensuring sustainable practices in the communities and the environment in which we function.

## COMPLIANCE SUMMARY

The Company operates within an integrated Governance framework that complies with 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 |

VPE also complies with all internal procedures and processes including the following:

- The Articles of Association
- Standard Operating Procedures and guidelines
- The IT framework, policies and procedures
- HR policies and procedures

## RISK MANAGEMENT

The Company has established a risk-savvy organisation responsible for promoting effective risk management, and works towards strengthening its company wide risk management framework. The Board of Directors continuously reviews and strengthens the processes that the Company has put in place to identify and address operational and regional risk. Significant risks are determined by the Board on an ongoing basis and appropriate procedures to evaluate and manage these risks are implemented.

Risks that could have a high level of potential impact are identified and the Company works towards minimising them at an early stage. Each inherent risk is evaluated, counter measures are implemented and the potential for the risk is monitored continuously with the intention of minimising the risk.

Further details on the Company's risk management are provided in the Risk Management Report on pages 34 to 37.

## CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

The Board of Directors is appointed by the shareholders and has the overarching leadership and oversight of the Company as the body that governs operations and delivers shareholder value in line with its strategic and business objectives.

The Directors ensure that the Company has a strong framework of governance in place that embeds its governance culture throughout the organisation with a view to building a successful and sustainable business. Within this framework, the Board fulfils to its shareholders as well as to the Company, three fiduciary duties, namely the duty of loyalty, the duty of care and the duty of disclosure.

## APPOINTMENT OF DIRECTORS

All new Board appointments are communicated to the Colombo Stock Exchange (CSE), along with a background document about the new Director giving details of the nature of the appointment, his/ her experience, areas of speciality, qualifications and any Board appointments held in other companies.

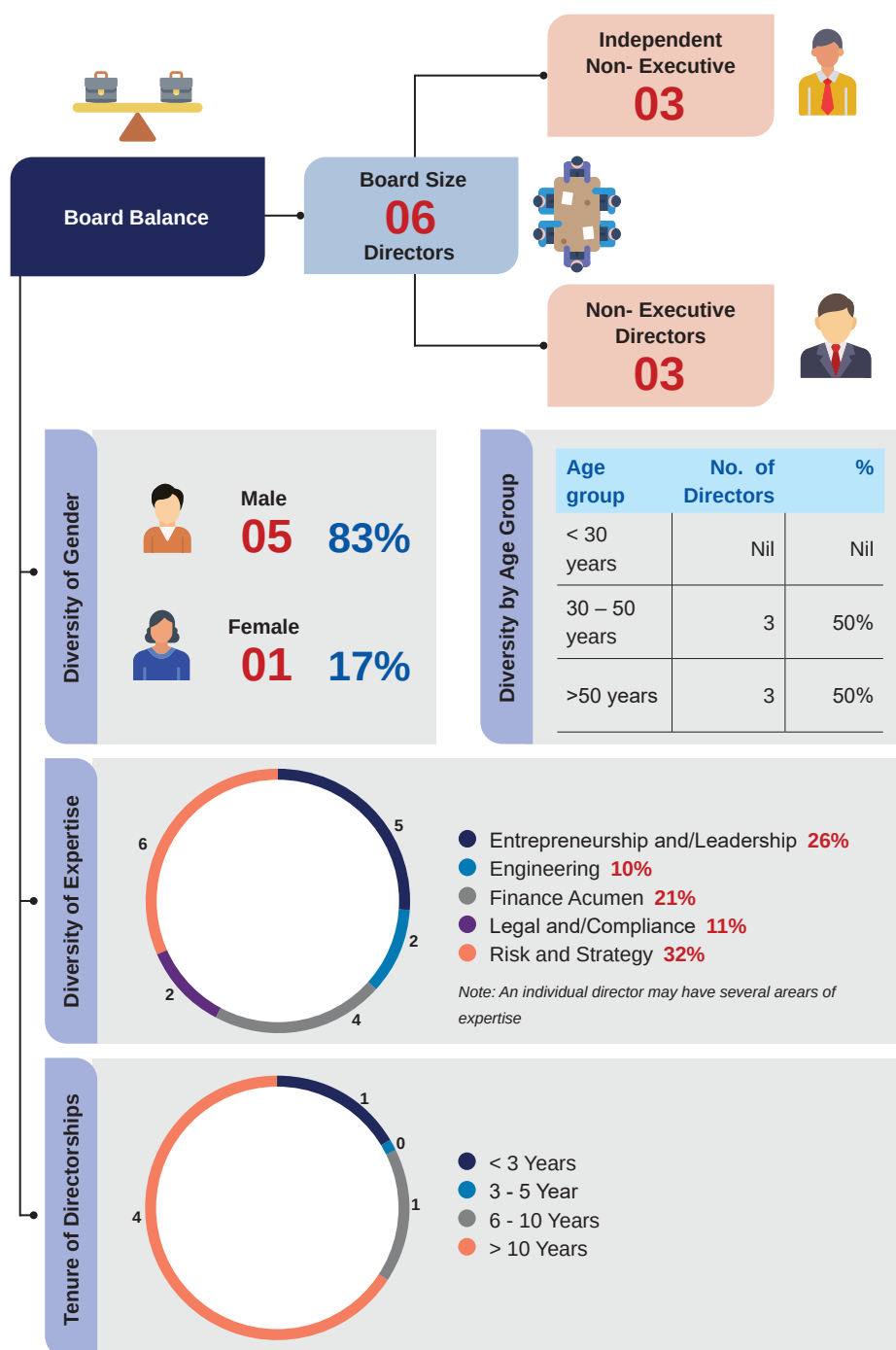
## RE-ELECTION OF DIRECTORS

The Directors appointed to the Board serve up to and until the next Annual General Meeting, at which a third of the Board is eligible for re-election by the shareholders. Board members cease to be directors of the Company when they reach 70 years of age.

## BOARD COMPOSITION

Board independence is essential to bring objectivity and transparency to the Executive Management in all its dealings on behalf of the Company. In order to ensure this, the Board of Directors appointed comprise three independent non-executive directors and three non-executive directors, of which the Chairman of the board is a senior independent non-executive director. This careful composition ensures the right balance of power and authority needed to execute the various functions of the Board.

The Company's Board of Directors comprises a group of professionals who have varied and diverse industry experience as well as knowledge in other related areas. This equips them to execute the affairs of the Company with responsibility, integrity and accountability. All Board members have extensive experience in the areas pertinent to the execution of Company strategy and are professionally active, motivated and willing to deepen and widen their knowledge of these areas. These strengths have been vital for assuring the Company's continuity and success.



## BOARD COMMITMENT

The Directors are collectively responsible for ensuring effective and fiscally sound operations and programmes that support the organisation's mission.

The Board recognises the importance of a comprehensive system of corporate governance and internal controls, and commits to maintaining the highest standards of integrity, transparency and professionalism in the governance of the Company. It is guided by the Code of Best Practice and the most recent principles of Corporate Governance to achieve this.

## BOARD FUNCTIONS

To fulfill its fiduciary duty to act bona fide for the benefit of the Company in general and its shareholders in particular, the Board has developed corporate governance guidelines that provide the framework for its functions as well as enable it to discharge the Company's corporate responsibility towards its stakeholders. These guidelines establish a solid foundation for management as well as provide oversight and the necessary authority to review and evaluate operations as and when required. They also enable the Board to make decisions that are independent of the senior management of the Company.

These corporate governance guidelines adhere to the Company's philosophy of responsibility, accountability, equity, transparency and fair disclosure.

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

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

The number of Board meetings held during the year and Directors' attendance are given below.

| Board meetings            |                 |    |   |   |
|---------------------------|-----------------|----|---|---|
| Members                   | No. of meetings |    |   |   |
| Mr. Dhammika Perera*      | x               | NA |   |   |
| Mr. Harsha Amarasekera    | ✓               | ✓  | ✓ | ✓ |
| Mr. Prabodha Sumanasekara | x               | x  | x | ✓ |
| Mr. Hareesh Somashantha   | ✓               | ✓  | ✓ | ✓ |
| Mr. Shan Shanmuganathan   | ✓               | ✓  | ✓ | ✓ |
| Mr. Chatura V Cabraal     | ✓               | ✓  | ✓ | ✓ |
| Ms. Dinusha Bhaskaran     | ✓               | ✓  | ✓ | ✓ |

\*Mr. Dhammika Perera resigned w.e.f. 10th June 2022

**Total meetings held during the year = 4**

## BOARD SUB-COMMITTEES

The Board has appointed sub-committees to discharge its functions, which serve as oversight mechanisms for enhancing its monitoring of compliance and risk management. VPE 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.



## CORPORATE GOVERNANCE

**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

**Remuneration Committee****Primary Object**

Make recommendations to the Board on the remuneration policy for chief executives and Employee benefit schemes

**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. Harsha Amarasekera    | ✓          | ✓ | ✓ | ✓ |
| Mr. Prabodha Sumanasekara | x          | x | x | ✓ |
| Mr. Haresh Somashantha    | ✓          | ✓ | ✓ | ✓ |
| Mr. Shan Shanmuganathan   | ✓          | ✓ | ✓ | ✓ |
| Ms. Dinusha Bhaskaran     | ✓          | ✓ | ✓ | ✓ |

**Total meetings held during the year = 4**

**Meetings**

| Members                   | Attendance |
|---------------------------|------------|
| Mr. Harsha Amarasekera    | ✓          |
| Mr. Dhammika Perera*      | x          |
| Mr. Prabodha Sumanasekara | ✓          |

\* Mr. Dhammika Perera resigned w.e.f. 10th June 2022

**Total meetings held during the year = 1**

**Meetings**

| Members                 | Attendance |   |   |   |
|-------------------------|------------|---|---|---|
| Mr. Harsha Amarasekera  | ✓          | ✓ | ✓ | ✓ |
| Mr. Shan Shanmuganathan | ✓          | ✓ | ✓ | ✓ |
| Mr. Chatura Cabraal     | ✓          | ✓ | ✓ | ✓ |

**Total meetings held during the year = 4**

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 constructive dialogue with all shareholders and investors to be essential from the perspective of sustainable growth and medium- to long-term enhancement of corporate value, and implements various measures to promote such dialogue. Effective shareholder communication also allows VPE to exercise greater control over its capital formation process.

In line with the rule of full and fair disclosure, VPE communicates with its shareholders on the business strategies implemented, the financial results achieved as well as various other initiatives introduced to strengthen its reputation

and performance into the future. These communications are timed, up-to-date and enable shareholders to understand the value of their investment as well as how their investment is being utilised to enhance profitability as well as the accountability of the Board. Key points of communication are at the Annual General Meeting, via Annual Reports, Interim Financial Statements, press releases and announcements in the Colombo Stock Exchange. VPE also utilises social media platforms including the Company website which has dedicated Investor Relations and Corporate Governance pages that are updated regularly. Shareholders are also invited to submit their written suggestions and concerns to the Board of Directors through the Company Secretary.

All relevant information can be accessed on the VPE website: <http://vallibel-hydro.com/investor-relations/investor-relations-overview.php>

**COMPLIANCE**

This table itemises the requirements specified by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, and sets out the extent to which the Company has complied with each requirement.

| Section 01 |                                                                                                | The Company |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------|------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Code       | Principle                                                                                      | Status      | Level of compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>A</b>   | <b>Directors</b>                                                                               |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>A.1</b> | <b>The Board</b>                                                                               |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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    | <p>The Directors are responsible for:</p> <ul style="list-style-type: none"> <li>➤ the formulation and implementation of a sound business strategy through skilled and experienced Joint Chief Executive Officers and the management team;</li> <li>➤ ensuring that effective systems are in place to secure the integrity of information, internal controls and business continuity</li> <li>➤ 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</li> <li>➤ fulfilling such Board functions as are vital, given the scale, nature and complexity of the business.</li> </ul> |
| 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    | <p>The Board of Directors dedicates adequate time and effort to ensure their duties and responsibilities towards the Company and Board are discharged.</p> <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>                                                                                                                                                    |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>A.2</b> | <b>Chairman and Joint Chief Executive Officers (Jt. CEOs)</b>                                  |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                    |

## CORPORATE GOVERNANCE

| Section 01 |                                                                   | The Company |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------|-------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Code       | Principle                                                         | Status      | Level of compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>A.3</b> | <b>Chairman's role</b>                                            |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| A.3.1      | Chairman's role                                                   | Complied    | <p>The Chairman is responsible for the efficient conduct of Board meetings and ensures <i>inter alia</i>, that:</p> <ul style="list-style-type: none"> <li>➤ The effective participation of all Directors is secured;</li> <li>➤ All Directors are encouraged to make an effective contribution within their respective capabilities, for the benefit of the Company;</li> <li>➤ The views of Directors on issues under consideration are ascertained;</li> <li>➤ The Board is in complete control of the Company's affairs and is alert to its obligations to all shareholders and other stakeholders.</li> <li>➤ The Chairman maintains close contact with all Directors</li> </ul> |
| <b>A.4</b> | <b>Financial Acumen</b>                                           |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| A.4.1      | Financial Acumen                                                  | Complied    | <p>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.</p>                                                                                                                                                                              |
| <b>A.5</b> | <b>Board Balance</b>                                              |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 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    | <p>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 21 and 23.</p> <p>The Board believes that the Independency of Mr. Harsha Amarasekera, Mr. Prabodha Sumanasekara and Mr. Shan Shanmuganathan is not compromised by serving on the Board for more than nine years.</p>                                                                                                                       |
| A.5.6      | Alternate Director                                                | NA          | There are no Alternate Directors as at 31/03/2023.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Section 01           |                                                                                                     | The Company |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------|-----------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Code                 | Principle                                                                                           | Status      | Level of compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>A.6</b>           | <b>Supply of Information</b>                                                                        |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>A.7</b>           | <b>Appointments to the Board</b>                                                                    |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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 it's 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"> <li>➤ brief resume of the Director;</li> <li>➤ nature of his expertise in relevant functional areas;</li> <li>➤ names of the companies in which the Director holds directorships or memberships in Board Committees; and</li> <li>➤ the 'independence' of such Director.</li> </ul>                                                                                                                                                                                  |
| <b>A.8</b>           | <b>Re-election</b>                                                                                  |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| A.8.1 & A.8.2        | Re-election of Directors                                                                            | Complied    | <p>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.</p> <p>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.</p> <p>In accordance with this provisions, Mr. Prabodha Sumanasekara retire and offer himself for re-election at AGM.</p> |
| <b>A.9</b>           | <b>Appraisal of Board Performance</b>                                                               |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>A.10</b>          | <b>Disclosure of Information in Respect of Directors</b>                                            |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| A.10.1               | Disclosures about Directors                                                                         | Complied    | <p>Information in relation to Directors is disclosed as given below.</p> <ul style="list-style-type: none"> <li>➤ Name, qualifications, brief profile and area/ nature of expertise - (Refer pages 21 to 23 of this Report)</li> <li>➤ Directors' interest in contracts (Refer pages 150 to 151 of the Annual Report)</li> <li>➤ Number of meetings of the Board and Committees held, attended, names of Committees in which the Director serves as Chairman or member (Refer pages 93 to 94 of this Report)</li> </ul>                                                                                      |
| <b>A.11</b>          | <b>Appraisal of Chief Executive Officer</b>                                                         |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| A.11.1 & 11.2        | Setting annual targets and appraisal of the performance of the Chief Executive Officer by the Board | Complied    | <p>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.</p> <p>The annual appraisals of the Jt. CEOs are carried out by the Board according to pre-agreed performance targets.</p>                                                                                                                                                                                                                                                                                                   |



## CORPORATE GOVERNANCE

| Section 01    |                                                                                                | The Company |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------|------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Code          | Principle                                                                                      | Status      | Level of compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>B.</b>     | <b>Directors' Remuneration</b>                                                                 |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>B.1</b>    | <b>Remuneration Procedure</b>                                                                  |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 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    | <p>The Remuneration Committee consisted of two independent Directors and one Non-Executive Director up to 10th June 2022.</p> <p>Mr. Harsha Amarasekara (Chairman)<br/>Mr. Dhammika Perera (Resigned w.e.f. 10th June 2022)<br/>Mr. Prabodha Sumanasekara</p> <p>Subsequent to the resignation of Mr. Dhammika Perera, now it consists of two independent Directors. They are:</p> <p>Mr. Harsha Amarasekara (Chairman)<br/>Mr. Prabodha Sumanasekara</p>                       |
| 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>B.2</b>    | <b>The level and make up of remuneration</b>                                                   |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| B.2.1 & B.2.2 | Levels of remuneration for Senior Management Executives                                        | Complied    | <p>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.</p> <p>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.</p> |
| 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.                                                                                                                                                                                                                                                                                                                |
| 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    | <p>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.</p> <p>Remuneration for non-executive Directors does not include share options.<br/>A Board approved policy on Directors' Remuneration is in place.</p>                                                                                                        |

| Section 01     |                                                                                   | The Company |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------|-----------------------------------------------------------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Code           | Principle                                                                         | Status      | Level of compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>B.3</b>     | <b>Disclosure of the remuneration</b>                                             |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| B.3.1          | Disclosure of Remuneration                                                        | Complied    | <p>The Remuneration policy is disclosed in the Remuneration Committee Report on page 104 of the Annual Report</p> <p>The total remuneration of the Directors is disclosed in Note 30.7 to the Financial Statements.</p>                                                                                                                                                                                                                                                                                   |
| <b>C</b>       | <b>Relations with shareholders</b>                                                |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>C.1</b>     | <b>Constructive use of the AGM and conduct of General Meetings</b>                |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 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          | Votes and use of proxy appointments at general meetings                           | Complied    | The Company ensures that all proxy votes are properly recorded and counted. The level of proxies lodged on each resolution is conveyed to the Chairman.                                                                                                                                                                                                                                                                                                                                                   |
| C.1.4          | Response to queries at the Annual General Meeting                                 | Complied    | The Chairman who represents the both Board and Sub- Committees ensures that he is available to answer questions at the Annual General Meeting, if so required.                                                                                                                                                                                                                                                                                                                                            |
| C.1.5          | Notice of the Annual General Meeting and General Meetings and voting procedure.   | 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 accompany with a summary of the procedures governing voting at the General Meetings.                                                                                                                                                                                           |
| <b>C.2</b>     | <b>Communication with shareholders</b>                                            |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| C.2.1 to C.2.7 | Communication with shareholders                                                   | Complied    | <p>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.</p> <p>Shareholders have access to the Company Secretary to discuss or clarify any matter related to shareholder interests.</p> |
| <b>C.3</b>     | <b>Major and material transactions</b>                                            |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 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.                                                                                                                                                                                                                                                                                                                                          |
| <b>D</b>       | <b>Accountability and audit</b>                                                   |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>D.1</b>     | <b>Financial reporting</b>                                                        |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 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 109 to 111 of this Annual Report which contain the required declarations.                                                                                                                                                                                                                                                                                                                                     |
| D.1.5          | Statement of Directors' and Auditor's responsibility for the Financial Statements | Complied    | <p>The 'Statement of Directors' Responsibilities' for the preparation and presentation of Financial Statements is given on page 112 of this Annual Report, and the Auditor's responsibilities are set out in the 'Independent Auditors' Report' on page 114 of this Annual Report.</p> <p>The Declaration on internal controls" is given on page 111 of the Annual Report.</p>                                                                                                                            |

## CORPORATE GOVERNANCE

| Section 01 |                                                                            | The Company |                                                                                                                                                                                                                                                                                     |
|------------|----------------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Code       | Principle                                                                  | Status      | Level of compliance                                                                                                                                                                                                                                                                 |
| D.1.6      | Management Discussion and Analysis                                         | Complied    | A comprehensive coverage of key 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 150 to 151 of this report. |
| <b>D.2</b> | <b>Internal control</b>                                                    |             |                                                                                                                                                                                                                                                                                     |
| 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 111 of this Report.                                                                                                   |
| <b>D.3</b> | <b>Audit Committee</b>                                                     |             |                                                                                                                                                                                                                                                                                     |
| D.3.1      | Composition of Audit Committee                                             | Complied    | The Audit Committee consists of three Independent Directors and two Non-Executive Directors. The Board Chairman serves as the Chairman of the Committee also who an Independent Director is 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.                                                                                                                            |
| 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 103 of this Report.                                                                                                                                                           |
| <b>D.4</b> | <b>Code of Business Conduct and Ethics</b>                                 |             |                                                                                                                                                                                                                                                                                     |
| 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                                                                                                                                |
| <b>D.5</b> | <b>Corporate Governance disclosures</b>                                    |             |                                                                                                                                                                                                                                                                                     |
| D.5.1      | Disclosure of Corporate Governance                                         | Complied    | This Report from pages 90 to 102 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                                                                                                                                                                                                                                                                                                                                                                           |
| <b>E</b>   | <b>Institutional investors</b>                                     |              |                                                                                                                                                                                                                                                                                                                                                                                               |
| 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.                                                                                                                                                              |
| <b>F</b>   | <b>Other investors</b>                                             |              |                                                                                                                                                                                                                                                                                                                                                                                               |
| 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.                                                                                       |
| <b>G</b>   | <b>Sustainability reporting</b>                                    |              |                                                                                                                                                                                                                                                                                                                                                                                               |
| G.1.1      | Economic sustainability                                            | Complied     | The Company takes responsibility for the impact of its 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 its 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 on or on its 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 global 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 six (06))                                                                                                                                                                                                                                                       |
| 7.10.2       | Independent Directors                                              | Complied          | Three (03) of the six (06) 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 96 of this Report.                                                                          |
| 7.10.3 (b)   | Disclosure relating to Directors                                   | Complied          | The Board has determined that three (03) of the six (06) Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules. These independent Directors are; Messrs Harsha Amarasekera, Prabodha Sumanasekera and Shan Shanmuganathan.                                                                                           |
| 7.10.3 (c)   | Disclosure relating to Directors                                   | Complied          | A Brief resume of each Director is given on pages 21 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 with two (02) Non-Executive 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 98 and Remuneration Committee Report on page 104.                                                                                                                                                                |
| 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 98 and Remuneration Committee Report on page 104.<br><br>The remuneration paid to the Directors is given in page 151 of this Report.                                                    |
| 7.10.6 (a)   | Composition of the Audit Committee                                 | Complied          | The Audit Committee consists of three Independent Directors and two Non-Executive Directors. Two members of the committee are Chartered Accountants. The Board Chairman serves as the Chairman of the Committee who 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 100 and Audit Committee Report on page 103 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 100 for the details of the names of members of the Audit Committee.<br><br>The basis of determination of the independence of the Auditors is given in the Audit Committee Report on page 103 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. Harsha Amarasekera (Chairman) | Independent Non-Executive |
| Mr. Prabodha Sumanasekera         | Independent Non-Executive |
| Mr. Haresh Somashantha            | Non Executive             |
| Mr. Shan Shanmuganathan           | Independent Non-Executive |
| Ms. Dinusha 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. Brief profiles of each member are given on pages 21 and 23 of this report.

The Company Secretary acts as the Secretary to the Audit Committee.

### MEETINGS

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

| Name of Director          | Attendance and meetings dates |            |            |            | Total |
|---------------------------|-------------------------------|------------|------------|------------|-------|
|                           | 25/05/2022                    | 03/08/2022 | 18/11/2022 | 08/02/2023 |       |
| Mr. Harsha Amarasekera    | ✓                             | ✓          | ✓          | ✓          | 4/4   |
| Mr. Prabodha Sumanasekera | -                             | -          | -          | ✓          | 1/4   |
| Mr. Haresh Somashantha    | ✓                             | ✓          | ✓          | ✓          | 4/4   |
| Mr. Shan Shanmuganathan   | ✓                             | ✓          | ✓          | ✓          | 4/4   |
| Ms. Dinusha Bhaskaran     | ✓                             | ✓          | ✓          | ✓          | 4/4   |

The Company Secretaries acts as the secretary to the Audit Committee. The two Joint Chief Executive Officers and the Accountant attend these meetings by invitation. The other officials of the Company attend the meetings by invitation on a need basis. The external auditors and the 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, Messrs 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 2024, 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 Financial Statements are free from any material misstatements.



**Harsha Amarasekera**  
Chairman  
Audit Committee

26 May 2023

### Other Members

*Prabodha Sumanasekera,  
Shan Shanmuganathan,  
Haresh Somashantha,  
Dinusha Bhaskaran (Ms.)*

## REPORT OF THE REMUNERATION COMMITTEE

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

| Name of Director                     | Directorship status       |
|--------------------------------------|---------------------------|
| Mr. Harsha Amarasekera<br>(Chairman) | Independent Non-Executive |
| Mr. Prabodha 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.



**Harsha Amarasekera**  
*Chairman*  
Remuneration Committee

26 May2023

**Other Member**  
*Prabodha Sumanasekera*

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## COMPOSITION OF THE COMMITTEE

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

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

| Name of Director                  | Directorship status       |
|-----------------------------------|---------------------------|
| Mr. Harsha Amarasekera (Chairman) | Independent Non-Executive |
| Mr. Shan Shanmuganathan           | Independent Non-Executive |
| Mr. Chatura 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 |            |            |            |       |
|-------------------------|------------------------------|------------|------------|------------|-------|
|                         | 25/05/2022                   | 03/08/2022 | 18/11/2022 | 08/02/2023 | Total |
| Mr. Harsha Amarasekera  | ✓                            | ✓          | ✓          | ✓          | 4/4   |
| Mr. Shan Shanmuganathan | ✓                            | ✓          | ✓          | ✓          | 4/4   |
| Mr. Chathura 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.

## DISCLOSURES

A detailed disclosure of the recurrent related party transactions entered into by the Company during the year under review is disclosed in Note 30.3 to the financial statements given in page 150 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.



**Harsha Amarasekera**  
Chairman  
Related Party Transaction Review Committee

26 May 2023

**Other Members**  
Shan Shanmuganathan,  
Chatura V. Cabraal



A greener  
earth powered  
by us.







## FINANCIAL CALENDER

## FINANCIAL REPORTS

|                                            | 2022/23           | 2021/22           |
|--------------------------------------------|-------------------|-------------------|
| Interim Financial Statements - 1st Quarter | August 05, 2022   | August 06, 2021   |
| Interim Financial Statements - 2nd Quarter | November 10, 2022 | November 10, 2021 |
| Interim Financial Statements - 3rd Quarter | February 10, 2023 | February 10, 2022 |
| Interim Financial Statements - 4th Quarter | May 26, 2023      | May 25, 2022      |
| Annual Report                              | June 07, 2023     | June 07, 2022     |

## DIVIDEND PAYMENTS

|                      | 2022/23 |      | 2021/22       |                    |
|----------------------|---------|------|---------------|--------------------|
|                      | Amount  | Date | Rs. Per Share | Date               |
| 1st Interim Dividend | Nil     | NA   | Cents 70      | September 08, 2021 |
| 2nd Interim Dividend | Nil     | NA   | Cents 35      | March 15, 2022     |

|                        | 2022/23       | 2021/22       |
|------------------------|---------------|---------------|
| Annual General Meeting | June 30, 2023 | June 30, 2022 |

## ANNUAL FINANCIAL STATEMENTS

|                                                                       |     |
|-----------------------------------------------------------------------|-----|
| Annual Report of the Board of Directors on the Affairs of the Company | 109 |
| Statement of Directors' Responsibility                                | 112 |
| Independent Auditors' Report                                          | 113 |
| Statement of Profit or Loss                                           | 116 |
| Statement of Comprehensive Income                                     | 117 |
| Statement of Financial Position                                       | 118 |
| Statement of Changes in Equity                                        | 119 |
| Statement of Cash Flows                                               | 120 |
| Notes to the Financial Statements                                     | 121 |



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

The Directors of Vallibel Power Erathna PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements of the Company and the Group for the year ended 31st March 2023.

## LEGAL STATUS

The Company was incorporated on 7th November 2001 under the name of "Zyrex Power Company Erathna Limited" and later changed its name to "Power Company Erathna Limited" on 14th October 2004. Thereafter, on 2nd June 2005 the name of the Company was changed to "Vallibel Power Erathna Limited". The shares of the Company were listed on the Colombo Stock Exchange on 17th May 2006 and re-registered as per the Companies Act No. 7 of 2007 on 14th February 2008 under registration No. PQ 103.

## PRINCIPAL ACTIVITY OF THE COMPANY

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

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

## PRINCIPAL ACTIVITIES OF SUBSIDIARY 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 Message, Jt. CEO's and Business Review on pages 26 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                                                       | 2023<br>Rs. '000 | 2022<br>Rs. '000 |
|------------------------------------------------------------------------|------------------|------------------|
| Retained earnings brought forward                                      | 475,938          | 552,317          |
| Net profit for the year                                                | 103,060          | 702,908          |
| Other comprehensive Income/(loss) recognized in the accumulated profit | (20,132)         | 5,178            |
| Dividends                                                              | -                | (784,465)        |
| Retained earnings carried forward                                      | 558,866          | 475,938          |

The Financial Statements of the Company and the Group are given in pages 113 to 153.

## 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 2023 was Rs. 1,174,365,278/- (2021/22 – 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 121 to 130 and are consistent with those of the previous period.

## RESERVES

The reserves of the Company as at 31st March 2023 stand at Rs. 558,865,571/- (2021/22- Rs. 475,937,531/-) 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 was ended in 14th July 2014. During the year, the Company was liable for income tax arising from the business of the generation of hydropower at 14% and other income at 24% up to 30th September 2022.

Pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on 19th of December, 2022, the Company is liable for income tax arising from the business of the generation of hydropower and on other income at 30% w.e.f. from 1st October 2022.



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

## 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 has not paid Dividends during the year.

## CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 453,400/- (2021/22- Rs. 551,407/-) details of which are given in Note 13 on page 137.

## 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 2023 there were 7,071 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 157 to 158 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 21 to 23.

Mr. Harsha Amarasekera (*Chairman*)  
Mr. Prabodha Sumanasekera  
Mr. Haresh Somashantha  
Mr. Shan Shanmuganathan  
Mr. Chatura V. Cabraal  
Ms. Dinusha Bhaskaran

Mr. Prabodha Sumanasekera 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. Prabodha Sumanasekera  
Ms. Dinusha 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 31/03/2023 and 31/03/2022 are as follows:

| As at 31st March          | 2023    | 2022    |
|---------------------------|---------|---------|
| Mr. Harsha Amarasekera    | 30      | 30      |
| Mr. Prabodha Sumanasekera | 150,000 | 150,000 |
| Mr. Haresh Somashantha    | 15,000  | 15,000  |
| Mr. Shan Shanmuganathan   | Nil     | Nil     |
| Mr. Chatura V. Cabraal    | Nil     | Nil     |
| Ms. Dinusha Bhaskaran     | Nil     | Nil     |

## DIRECTORS REMUNERATION

The Directors Remuneration is disclosed under key management personnel compensation in Note 30.7 to the Financial Statement on Page 151.

## 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 62 of this Annual Report.

## INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2023 are given in Note 15 to the Financial Statements on page 141.

## DONATIONS

During the year the Company and Subsidiary made donations amounting to Rs. 281,920/- (2021/22-Rs. 82,773/-) and Rs. 137,770/- (2021/22-Rs. 82,623/-) 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 34 to 37 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 Messrs Harsha Amarasekera, Prabodha Sumanasekera and Shan Shanmuganathan exceeds nine years. The Board is of the view that the period of service Messrs Harsha Amarasekera, Prabodha Sumanasekera and Shan 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 90 to 102 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. Harsha Amarasekera - Chairman  
Mr. Prabodha Sumanasekera  
Mr. Haresh Somashantha  
Mr. Shan Shanmuganathan  
Ms. Dinusha Bhaskaran

### REMUNERATION COMMITTEE

Mr. Harsha Amarasekera - Chairman  
Mr. Prabodha Sumanasekera

### RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. Harsha Amarasekera - Chairman  
Mr. Shan Shanmuganathan  
Mr. Chatura 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 2023.

## 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 2023 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. 964,323/- and Rs. 341,270/- are payable by the Company and Subsidiary respectively to the Auditors for the year under review comprising of Audit Fees.

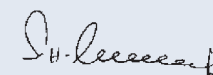
Directors were aware that the Auditors do not have any relationship other than that of the Auditor with the Company.

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 132.

## ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting appears on page 162 of this Report.

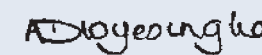
For and on behalf of the Board



**Harsha Amarasekera**  
Chairman



**Haresh Somashantha**  
Director



**PW Corporate Secretarial (Pvt) Ltd**  
Secretaries

Colombo

26 May 2023

## 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 113 to 115.

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 113 to 153 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.

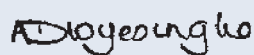
The Directors are required to prepare Financial Statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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

26 May 2023

## 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 subsidiary company ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, 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 March 31, 2023;
- 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 judgement, 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.

#### KEY AUDIT MATTERS

The Group:

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How our audit addressed the Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Estimation of useful life period of items of asset categories in Property, Plant &amp; Equipment</b><br><i>(Refer Accounting Policy 2.17 and Note 13 to the financial statements)</i>                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>The following audit procedures were performed on the management's estimation of useful life periods of asset categories under Property, Plant &amp; Equipment:</p> <p>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.</p> <p>Compared the depreciation policies, including estimated useful lives of asset categories, adopted by other comparable/ similar mini hydro power plant operators.</p> |
| <p>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.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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

Partners: D T S H Mudalige FCA, C S Manoharan FCA, 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, K M D R P Manatunga ACA

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



## Independent Auditors' Report



| Key audit matter                                                                                                                                                                                                                                                                                                                                                              | How our audit addressed the Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. 1,915 Mn, is substantial as at the statement of financial position date as it represents 51% of the total assets of the Group and also due to the level of judgement required to estimate the useful life. | <p>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.</p> <p>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.</p> |

### 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 judgement and maintain professional scepticism 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

26 May 2023

## STATEMENT OF PROFIT OR LOSS

| For the year ended 31 March                                                                      | Note | Company            |                    | Group              |                      |
|--------------------------------------------------------------------------------------------------|------|--------------------|--------------------|--------------------|----------------------|
|                                                                                                  |      | 2023<br>Rs.        | 2022<br>Rs.        | 2023<br>Rs.        | 2022<br>Rs.          |
| Revenue from contracts with customers                                                            | 6    | 323,544,409        | 365,362,011        | 1,122,569,037      | 1,322,265,167        |
| Direct costs                                                                                     | 10   | (54,689,112)       | (51,240,217)       | (161,174,683)      | (150,330,624)        |
| <b>Gross profit</b>                                                                              |      | <b>268,855,297</b> | <b>314,121,794</b> | <b>961,394,354</b> | <b>1,171,934,543</b> |
| Other income                                                                                     | 7    | 2,496,621          | 541,389,586        | 2,496,621          | 471,100              |
| Administrative expenses                                                                          | 10   | (55,896,774)       | (43,575,290)       | (128,103,546)      | (100,887,772)        |
| Other operating expenses                                                                         | 10   | (2,748,302)        | (887,789)          | (3,073,867)        | (1,133,100)          |
| <b>Operating profit</b>                                                                          |      | <b>212,706,842</b> | <b>811,048,301</b> | <b>832,713,562</b> | <b>1,070,384,770</b> |
| Finance income                                                                                   | 8    | 17,408,895         | 7,580,750          | 66,134,888         | 21,361,492           |
| Finance costs                                                                                    | 9    | (310,836)          | (305,761)          | (4,276,935)        | (4,492,106)          |
| Finance income - net                                                                             |      | 17,098,059         | 7,274,989          | 61,857,953         | 16,869,386           |
| <b>Profit before income tax</b>                                                                  |      | <b>229,804,901</b> | <b>818,323,290</b> | <b>894,571,515</b> | <b>1,087,254,156</b> |
| Income tax expense                                                                               | 11.1 | (126,745,066)      | (115,415,447)      | (239,454,425)      | (232,462,321)        |
| <b>Profit for the period</b>                                                                     |      | <b>103,059,835</b> | <b>702,907,843</b> | <b>655,117,090</b> | <b>854,791,835</b>   |
| Profit is attributable to:                                                                       |      |                    |                    |                    |                      |
| Owners of Vallibel Power Erathna PLC                                                             |      | 103,059,835        | 702,907,843        | 583,315,841        | 764,975,197          |
| Non-controlling interests                                                                        |      | -                  | -                  | 71,801,249         | 89,816,638           |
|                                                                                                  |      | 103,059,835        | 702,907,843        | 655,117,090        | 854,791,835          |
| <b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b> |      |                    |                    |                    |                      |
| Basic / Diluted earnings per share                                                               | 12   | 0.14               | 0.94               | 0.78               | 1.02                 |
| Dividend per share                                                                               | 26   | -                  | 1.05               | -                  | 1.05                 |

The notes on pages 121 to 153 form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31 March                                               | Note | Company             |             | Group               |             |
|---------------------------------------------------------------------------|------|---------------------|-------------|---------------------|-------------|
|                                                                           |      | 2023<br>Rs.         | 2022<br>Rs. | 2023<br>Rs.         | 2022<br>Rs. |
| <b>Profit for the period</b>                                              |      | <b>103,059,835</b>  | 702,907,843 | <b>655,117,090</b>  | 854,791,835 |
| <b>Other comprehensive income</b>                                         |      |                     |             |                     |             |
| <i>Items that will not be reclassified to profit or loss</i>              |      |                     |             |                     |             |
| Remeasurement of retirement benefit obligation                            | 23   | <b>4,469,462</b>    | 6,021,063   | <b>6,668,783</b>    | 10,003,503  |
| Deferred tax effect on the remeasurement of retirement benefit obligation | 11.2 | <b>(1,340,839)</b>  | (842,949)   | <b>(1,670,737)</b>  | (1,400,490) |
| Deferred tax impact on revaluation surplus of land                        |      | <b>(23,260,418)</b> | -           | <b>(23,260,418)</b> | -           |
| <b>Other comprehensive income for the period, net of tax</b>              |      | <b>(20,131,795)</b> | 5,178,114   | <b>(18,262,372)</b> | 8,603,013   |
| <b>Total comprehensive income for the period</b>                          |      | <b>82,928,040</b>   | 708,085,957 | <b>636,854,718</b>  | 863,394,848 |
| <b>Total comprehensive income for the period is attributable to:</b>      |      |                     |             |                     |             |
| Owners of Vallibel Power Erathna PLC                                      |      | <b>82,928,040</b>   | 708,085,957 | <b>564,814,183</b>  | 773,139,822 |
| Non-controlling interests                                                 |      | -                   | -           | <b>72,040,535</b>   | 90,255,026  |
|                                                                           |      | <b>82,928,040</b>   | 708,085,957 | <b>636,854,718</b>  | 863,394,848 |

The notes on pages 121 to 153 form an integral part of these financial statements.



## STATEMENT OF FINANCIAL POSITION

| For the year ended 31 March                                                  | Note | Company              |                      | Group                |                      |
|------------------------------------------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                                                              |      | 2023<br>Rs.          | 2022<br>Rs.          | 2023<br>Rs.          | 2022<br>Rs.          |
| <b>ASSETS</b>                                                                |      |                      |                      |                      |                      |
| <b>Non-current assets</b>                                                    |      |                      |                      |                      |                      |
| Property, plant and equipment                                                | 13   | 685,133,083          | 716,113,287          | 1,915,445,832        | 1,994,118,758        |
| Right-of-use assets                                                          | 14   | 1,616,705            | 3,004,397            | 33,593,547           | 39,412,512           |
| Investment in subsidiary                                                     | 15.1 | 821,619,980          | 821,619,980          | -                    | -                    |
| Intangible assets                                                            | 16   | 4,625,157            | 4,909,782            | 44,277,245           | 54,918,537           |
| Other non-current asset                                                      | 17   | -                    | -                    | 4,500,000            | 4,500,000            |
| <b>Total non-current assets</b>                                              |      | <b>1,512,994,925</b> | <b>1,545,647,446</b> | <b>1,997,816,624</b> | <b>2,092,949,807</b> |
| <b>Current assets</b>                                                        |      |                      |                      |                      |                      |
| Inventories                                                                  | 18   | 3,569,002            | 3,154,826            | 15,901,645           | 9,191,747            |
| Trade and other receivables                                                  | 19   | 349,781,627          | 186,976,860          | 1,236,040,762        | 789,437,277          |
| Amount due from related parties                                              | 20   | 4,115,551            | 4,732,972            | 1,749,476            | 2,372,042            |
| Cash and cash equivalents                                                    | 21   | 114,181,022          | 103,027,542          | 499,561,143          | 155,986,053          |
| <b>Total current assets</b>                                                  |      | <b>471,647,202</b>   | <b>297,892,200</b>   | <b>1,753,253,026</b> | <b>956,987,119</b>   |
| <b>Total assets</b>                                                          |      | <b>1,984,642,127</b> | <b>1,843,539,646</b> | <b>3,751,069,650</b> | <b>3,049,936,926</b> |
| <b>EQUITY</b>                                                                |      |                      |                      |                      |                      |
| Stated capital                                                               | 22   | 1,174,365,278        | 1,174,365,278        | 1,174,365,278        | 1,174,365,278        |
| Retained earnings                                                            |      | 558,865,571          | 475,937,531          | 1,866,790,688        | 1,301,976,505        |
| Capital and reserves attributable to owners of<br>Vallibel Power Erathna PLC |      | 1,733,230,849        | 1,650,302,809        | 3,041,155,966        | 2,476,341,783        |
| Non-controlling interests                                                    |      | -                    | -                    | 307,716,088          | 235,675,553          |
| <b>Total equity</b>                                                          |      | <b>1,733,230,849</b> | <b>1,650,302,809</b> | <b>3,348,872,054</b> | <b>2,712,017,336</b> |
| <b>LIABILITIES</b>                                                           |      |                      |                      |                      |                      |
| <b>Non-current liabilities</b>                                               |      |                      |                      |                      |                      |
| Retirement benefit obligations                                               | 23   | 21,486,363           | 21,190,958           | 32,375,038           | 31,670,864           |
| Deferred tax liabilities                                                     | 24   | 197,113,550          | 96,253,849           | 231,467,326          | 127,487,877          |
| Lease liabilities                                                            | 14   | 1,462,195            | 1,684,984            | 38,951,582           | 41,125,081           |
| <b>Total non-current liabilities</b>                                         |      | <b>220,062,108</b>   | <b>119,129,791</b>   | <b>302,793,946</b>   | <b>200,283,822</b>   |
| <b>Current liabilities</b>                                                   |      |                      |                      |                      |                      |
| Accruals and other payables                                                  | 25   | 14,220,431           | 15,668,552           | 39,493,026           | 35,197,357           |
| Lease liabilities                                                            | 14   | 422,771              | 1,560,094            | 2,345,432            | 5,243,216            |
| Current tax liabilities                                                      |      | 16,705,968           | 56,878,400           | 57,565,192           | 97,195,195           |
| <b>Total current liabilities</b>                                             |      | <b>31,349,170</b>    | <b>74,107,046</b>    | <b>99,403,650</b>    | <b>137,635,768</b>   |
| <b>Total equity and liabilities</b>                                          |      | <b>1,984,642,127</b> | <b>1,843,539,646</b> | <b>3,751,069,650</b> | <b>3,049,936,926</b> |

The notes on pages 121 to 153 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  
26 May 2023



**Russell De Silva**  
Jt. CEO  
26 May 2023

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.



**Harsha Amarasekara**  
Chairman  
26 May 2023



**Haresh Somashantha**  
Director  
26 May 2023

## STATEMENT OF CHANGES IN EQUITY

| Company                                                      | Stated<br>capital<br>Rs. | Retained<br>earnings<br>Rs. | Total<br>Rs.         |
|--------------------------------------------------------------|--------------------------|-----------------------------|----------------------|
| <b>Balance as at 1 April 2021</b>                            | 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            |
| <b>Total comprehensive income for the period</b>             |                          | 708,085,957                 | 708,085,957          |
| <b>Transactions with owners in their capacity as owners:</b> |                          |                             |                      |
| Dividends paid                                               | -                        | (784,465,218)               | (784,465,218)        |
| <b>Balance as at 31 March 2022</b>                           | <b>1,174,365,278</b>     | <b>475,937,531</b>          | <b>1,650,302,809</b> |
| <b>Profit for the period</b>                                 | <b>-</b>                 | <b>103,059,835</b>          | <b>103,059,835</b>   |
| <b>Other comprehensive income</b>                            | <b>-</b>                 | <b>(20,131,795)</b>         | <b>(20,131,795)</b>  |
| <b>Total comprehensive income for the period</b>             |                          | <b>82,928,040</b>           | <b>82,928,040</b>    |
| <b>Transactions with owners in their capacity as owners:</b> |                          |                             |                      |
| Dividends paid                                               | -                        | -                           | -                    |
| <b>Balance as at 31 March 2023</b>                           | <b>1,174,365,278</b>     | <b>558,865,571</b>          | <b>1,733,230,849</b> |

| Group                                                        | Stated<br>Capital<br>Rs. | Retained<br>earnings<br>Rs. | Non-controlling<br>interests<br>Rs. | Total<br>Rs.         |
|--------------------------------------------------------------|--------------------------|-----------------------------|-------------------------------------|----------------------|
| Balance as at 1 April 2021                                   | 1,174,365,278            | 1,313,301,901               | 224,789,541                         | 2,712,456,720        |
| Profit for the period                                        | -                        | 764,975,198                 | 89,816,638                          | 854,791,836          |
| Other comprehensive income                                   | -                        | 8,164,624                   | 438,388                             | 8,603,012            |
| <b>Total comprehensive income for the period</b>             |                          | 773,139,822                 | 90,255,026                          | 863,394,848          |
| <b>Transactions with owners in their capacity as owners:</b> |                          |                             |                                     |                      |
| Dividends paid                                               | -                        | (784,465,218)               | (79,369,014)                        | (863,834,232)        |
| <b>Balance as at 31 March 2022</b>                           | <b>1,174,365,278</b>     | <b>1,301,976,505</b>        | <b>235,675,553</b>                  | <b>2,712,017,336</b> |
| <b>Profit for the period</b>                                 | <b>-</b>                 | <b>583,315,841</b>          | <b>71,801,249</b>                   | <b>655,117,090</b>   |
| <b>Other comprehensive income</b>                            | <b>-</b>                 | <b>(18,501,658)</b>         | <b>239,286</b>                      | <b>(18,262,372)</b>  |
| <b>Total comprehensive income for the period</b>             |                          | <b>564,814,183</b>          | <b>72,040,535</b>                   | <b>636,854,718</b>   |
| <b>Transactions with owners in their capacity as owners:</b> |                          |                             |                                     |                      |
| Dividends paid                                               | -                        | -                           | -                                   | -                    |
| <b>Balance as at 31 March 2023</b>                           | <b>1,174,365,278</b>     | <b>1,866,790,688</b>        | <b>307,716,088</b>                  | <b>3,348,872,054</b> |

The notes on pages 121 to 153 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

| For the year ended 31 March                                     | Note | Company            |                      | Group              |                      |
|-----------------------------------------------------------------|------|--------------------|----------------------|--------------------|----------------------|
|                                                                 |      | 2023<br>Rs.        | 2022<br>Rs.          | 2023<br>Rs.        | 2022<br>Rs.          |
| <b>Cash flows generated from operating activities</b>           |      |                    |                      |                    |                      |
| Profit before income tax                                        |      | 229,804,901        | 818,323,290          | 894,571,515        | 1,087,254,156        |
| <b>Adjustments for</b>                                          |      |                    |                      |                    |                      |
| Amortization of intangible assets                               | 10   | 284,625            | 284,625              | 10,641,292         | 10,641,292           |
| Deprecation of right-of-use assets                              | 10   | 1,594,383          | 1,535,329            | 6,025,656          | 5,892,669            |
| Depreciation of property, plant and equipment                   | 10   | 31,425,174         | 31,363,202           | 79,512,332         | 79,570,127           |
| Provision for retirement benefits obligation                    | 23   | 4,764,867          | 902,648              | 7,372,960          | 2,098,587            |
| Dividend income and interest classified as investing cash flows | 8    | -                  | (350,234,991)        | -                  | -                    |
| Loss on disposal of property, plant & equipment                 |      | 8,429              | 11,434               | 8,429              | 11,434               |
| Finance income                                                  | 9    | (17,408,895)       | (7,580,750)          | (66,134,888)       | (21,361,492)         |
| Finance cost                                                    | 10   | 310,836            | 305,761              | 4,276,935          | 4,492,106            |
| <b>Operating profit before working capital changes</b>          |      | <b>250,784,320</b> | <b>494,910,548</b>   | <b>936,274,231</b> | <b>1,168,598,879</b> |
| (Increase)/ Decrease in inventories                             |      | (414,176)          | (3,154,825)          | (6,709,898)        | (9,191,748)          |
| (Increase) / Decrease in trade and other receivables            |      | (159,118,905)      | 86,349,312           | (435,065,773)      | (196,361,332)        |
| (Increase) / Decrease in amounts due from related parties       |      | 617,422            | (2,237,717)          | 622,567            | (1,374,129)          |
| Increase / (Decrease) in trade and other payables               |      | (1,448,121)        | 5,187,433            | (504,331)          | (11,300,136)         |
| <b>Cash generated from operations</b>                           |      | <b>90,420,540</b>  | <b>581,054,751</b>   | <b>494,616,796</b> | <b>950,371,534</b>   |
| Finance interest paid                                           |      | (166,455)          | (305,761)            | (307,706)          | (578,614)            |
| Finance interest received                                       |      | 13,723,032         | 7,407,926            | 54,597,171         | 4,999,192            |
| Retirement benefit obligations paid                             | 23   | -                  | (554,839)            | -                  | (1,586,250)          |
| Income taxes paid                                               |      | (90,659,052)       | (114,603,582)        | (200,036,135)      | (225,440,639)        |
| <b>Net cash inflow from operating activities</b>                |      | <b>13,318,065</b>  | <b>472,998,495</b>   | <b>348,870,126</b> | <b>727,765,223</b>   |
| <b>Cash flows from investing activities</b>                     |      |                    |                      |                    |                      |
| Payments for property, plant and equipment                      |      | (453,400)          | (551,407)            | (847,833)          | (891,557)            |
| Dividend received                                               |      | -                  | 350,234,991          | -                  | -                    |
| <b>Net cash inflow / (outflow) from investing activities</b>    |      | <b>(453,400)</b>   | <b>349,683,584</b>   | <b>(847,833)</b>   | <b>(891,557)</b>     |
| <b>Cash flows from financing activities</b>                     |      |                    |                      |                    |                      |
| Dividends paid to company's shareholders                        |      | -                  | (784,465,218)        | -                  | (863,834,231)        |
| Principal elements of lease payments                            |      | (1,711,185)        | (1,469,243)          | (4,447,203)        | (3,691,229)          |
| <b>Net cash (outflow) from financing activities</b>             |      | <b>(1,711,185)</b> | <b>(785,934,461)</b> | <b>(4,447,203)</b> | <b>(867,525,460)</b> |
| Net increase / (decrease) in cash and cash equivalents          |      | 11,153,480         | 36,747,618           | 343,575,090        | (140,651,794)        |
| Cash and cash equivalents at the beginning of the year (Note A) |      | 103,027,542        | 66,279,924           | 155,986,053        | 296,637,847          |
| <b>Cash and cash equivalents at end of year (Note B)</b>        |      | <b>114,181,022</b> | <b>103,027,542</b>   | <b>499,561,143</b> | <b>155,986,053</b>   |
| <b>Note A</b>                                                   |      |                    |                      |                    |                      |
| <b>Cash and cash equivalents at the beginning of the period</b> |      |                    |                      |                    |                      |
| Cash in hand & at bank                                          |      | 14,270,461         | 19,273,877           | 17,344,886         | 20,634,361           |
| Investments in short-term deposits (Matuiry period < 3 months)  |      | 88,757,081         | 47,006,047           | 138,641,167        | 276,003,486          |
|                                                                 |      | 103,027,542        | 66,279,924           | 155,986,053        | 296,637,847          |
| <b>Note B</b>                                                   |      |                    |                      |                    |                      |
| <b>Cash and cash equivalents at the end of the period</b>       |      |                    |                      |                    |                      |
| Cash in hand & at bank                                          |      | 200,730            | 14,270,461           | 5,722,104          | 17,344,886           |
| Investments in short-term deposits (Matuiry period < 3 months)  |      | 113,980,292        | 88,757,081           | 493,839,039        | 138,641,167          |
|                                                                 |      | 114,181,022        | 103,027,542          | 499,561,143        | 155,986,053          |

The notes on pages 121 to 153 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 CORPORATE INFORMATION

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

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

The financial statements were authorised for issue by the directors on 26 May 2023. 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 accounting policies.

##### (ii) Historical cost convention

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

##### (iii) New and amended standards adopted by the group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 April 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to LKAS 37
- Annual Improvements to SLFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to SLFRS 3

##### (iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 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



## Notes to the financial statements

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.

### 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 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 ('EMHP')
- 2) Denawaka mini hydro power plant ('DMHP')
- 3) Kiriwaneliya mini hydro power plant ('KMHP')

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. The SPPA of EMHP has been already extended from 15th July 2019 to 15th July 2024 with the provision of 20 years' extension up to 2039. Further extension of SPPAs of DMHP and KMHP will have to be agreed with the Ceylon Electricity Board after the expiry of the aforesaid 15 years.

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

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

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

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

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

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

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

### 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

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct expenses incurred to acquire the stocks. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 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.



## Notes to the financial statements

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

### Equity instruments

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

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

### (iv) Impairment

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

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

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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.

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 - Note (14.1)
- estimation of defined benefit pension obligation - Note (23)
- estimated useful life of intangible asset - Note (16)
- estimated useful life of property, plant and equipment - Note (13)
- estimation of Deferred tax liabilities - Note (24)

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 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. 493,839,039 (2022 - Rs. 138,641,167) 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.



## Notes to the financial statements

| Group                                                            | Less than<br>1 year | Between<br>1 and 2<br>years | Between<br>2 and 5<br>years | Over 5<br>years | Total<br>contractual<br>cash flows |
|------------------------------------------------------------------|---------------------|-----------------------------|-----------------------------|-----------------|------------------------------------|
|                                                                  | Rs.                 | Rs.                         | Rs.                         | Rs.             | Rs.                                |
| <b>31 March 2023</b>                                             |                     |                             |                             |                 |                                    |
| Lease liabilities                                                | 6,333,913           | 5,053,888                   | 15,161,663                  | 54,069,439      | 80,618,903                         |
| Accruals and other payables<br>(excluding statutory liabilities) | 37,752,887          | -                           | -                           | -               | 37,752,887                         |
|                                                                  | 44,086,800          | 5,053,889                   | 15,161,663                  | 54,069,439      | 118,371,790                        |
| <b>31 March 2022</b>                                             |                     |                             |                             |                 |                                    |
| Lease liabilities                                                | 9,424,226           | 6,291,557                   | 15,034,595                  | 58,869,189      | 89,619,567                         |
| Accruals and other payables<br>(excluding statutory liabilities) | 34,476,452          | -                           | -                           | -               | 34,476,452                         |
|                                                                  | 43,900,678          | 6,291,557                   | 15,034,595                  | 58,869,189      | 124,096,019                        |
| <b>Company</b>                                                   |                     |                             |                             |                 |                                    |
|                                                                  | Less than<br>1 year | Between<br>1 and 2<br>years | Between<br>2 and 5<br>years | Over<br>5 years | Total<br>contractual<br>cash flows |
|                                                                  | Rs.                 | Rs.                         | Rs.                         | Rs.             | Rs.                                |
| <b>31 March 2023</b>                                             |                     |                             |                             |                 |                                    |
| Lease liabilities                                                | 644,756             | 253,888                     | 761,663                     | 1,269,439       | 2,929,746                          |
| Accruals and other payables<br>(excluding statutory liabilities) | 13,000,352          | -                           | -                           | -               | 13,000,352                         |
|                                                                  | 13,645,108          | 253,888                     | 761,663                     | 1,269,439       | 15,930,098                         |
| <b>31 March 2022</b>                                             |                     |                             |                             |                 |                                    |
| Lease liabilities                                                | 1,775,004           | 602,400                     | 634,595                     | 1,269,189       | 4,281,188                          |
| Accruals and other payables<br>(excluding statutory liabilities) | 15,454,785          | -                           | -                           | -               | 15,454,785                         |
|                                                                  | 17,229,789          | 602,400                     | 634,595                     | 1,269,189       | 19,735,973                         |

**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**

|                                | Company     |             | Group         |               |
|--------------------------------|-------------|-------------|---------------|---------------|
| For the year ended 31 March    | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs.   | 2022<br>Rs.   |
| <b>Electricity generation:</b> |             |             |               |               |
| Erathna MHP                    | 323,544,409 | 365,362,011 | 323,544,409   | 365,362,011   |
| Denawakaganga MHP              | -           | -           | 480,289,061   | 556,134,009   |
| Kiriwaneliya MHP               | -           | -           | 318,735,567   | 400,769,147   |
|                                | 323,544,409 | 365,362,011 | 1,122,569,037 | 1,322,265,167 |

**7 OTHER INCOME**

|                                | Company     |             | Group       |             |
|--------------------------------|-------------|-------------|-------------|-------------|
| For the year ended 31 March    | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Dividend income                | -           | 540,918,486 | -           | -           |
| Unclaimed dividend written-off | 2,496,621   | 471,100     | 2,496,621   | 471,100     |
|                                | 2,496,621   | 541,389,586 | 2,496,621   | 471,100     |

**8 FINANCE INCOME**

|                                                                            | Company     |             | Group       |             |
|----------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| For the year ended 31 March                                                | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Interest income from financial assets held<br>for cash management purposes | 17,408,895  | 7,580,750   | 66,134,888  | 21,361,492  |
|                                                                            | 17,408,895  | 7,580,750   | 66,134,888  | 21,361,492  |

**9 FINANCE COSTS**

|                               | Company     |             | Group       |             |
|-------------------------------|-------------|-------------|-------------|-------------|
| For the year ended 31 March   | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Interest on lease liabilities | 310,836     | 305,761     | 4,276,935   | 4,492,106   |
|                               | 310,836     | 305,761     | 4,276,935   | 4,492,106   |

## Notes to the financial statements

## 10 BREAKDOWN OF EXPENSES BY NATURE

| For the year ended 31 March                                             | Company     |             | Group       |             |
|-------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                         | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Directors' remuneration                                                 | 3,938,889   | 4,366,667   | 3,938,889   | 4,366,667   |
| Auditors' remuneration                                                  | 967,929     | 931,403     | 1,335,402   | 1,318,403   |
| Depreciation                                                            | 33,019,558  | 32,898,531  | 85,537,990  | 85,462,796  |
| Amortisation                                                            | 284,625     | 284,625     | 10,641,292  | 10,641,292  |
| Employee benefits expenses                                              | 46,043,877  | 36,858,689  | 130,288,551 | 107,712,822 |
| Gratuity provision                                                      | 4,764,867   | 902,648     | 6,810,261   | 2,098,587   |
| Maintenance expenses                                                    | 3,198,203   | 4,641,107   | 11,648,786  | 10,627,485  |
| Legal & professional fees                                               | 1,905,889   | 1,421,402   | 3,011,288   | 2,153,307   |
| Secretaries fees                                                        | 442,827     | 373,881     | 629,069     | 575,688     |
| Insurance                                                               | 2,638,965   | 2,408,605   | 7,136,946   | 6,814,462   |
| Shareholder related expenses                                            | 2,854,853   | 1,899,054   | 2,854,853   | 1,899,054   |
| Annual fees and subscription                                            | 1,428,309   | 1,279,548   | 2,099,330   | 1,693,623   |
| Vehicle rent & allowances                                               | 630,000     | 840,000     | 3,750,000   | 2,738,702   |
| Fuel, travelling & transport                                            | 1,678,381   | 665,207     | 5,059,897   | 2,353,923   |
| Utility expenses                                                        | 2,004,321   | 1,527,769   | 3,760,383   | 2,985,152   |
| Staff welfare                                                           | 927,401     | 836,739     | 2,446,838   | 1,546,088   |
| Other administrative expenses                                           | 3,856,993   | 2,679,633   | 8,328,453   | 5,713,417   |
| Donation & CSR                                                          | 654,152     | 462,789     | 979,717     | 1,225,029   |
| New project development expenses                                        | 2,094,150   | 425,000     | 2,094,150   | 425,000     |
| Total direct cost, administrative expenses and other operating expenses | 113,334,188 | 95,703,296  | 292,352,096 | 252,351,496 |

## 11 INCOME TAX EXPENSE

## 11.1 Statement of profit or loss

| For the year ended 31 March                                    | Company     |             | Group       |             |
|----------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| <b>(I) Current tax expense</b>                                 |             |             |             |             |
| Income tax on current year profit (Note 11.3)                  | 50,486,622  | 119,785,705 | 160,406,131 | 237,899,438 |
|                                                                | 50,486,622  | 119,785,705 | 160,406,131 | 237,899,438 |
| <b>(II) Deferred tax expense</b>                               |             |             |             |             |
| Deferred taxation expense / (income) (Note 24)                 | 76,258,444  | (4,370,258) | 79,048,294  | (5,437,117) |
| Income tax expense reported in the statement of profit or loss | 126,745,066 | 115,415,447 | 239,454,425 | 232,462,321 |

## 11.2 Statement of other comprehensive income

| For the year ended 31 March                                                           | Company     |             | Group       |             |
|---------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                                       | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Deferred tax effect on the remeasurement of retirement benefit obligation             | 1,340,839   | 842,949     | 1,670,737   | 1,400,490   |
| Deferred tax impact on revaluation surplus of land                                    | 23,260,418  | -           | 23,260,418  | -           |
| Income tax expense / (income) reported in the statement of other comprehensive income | 24,601,257  | 842,949     | 24,931,155  | 1,400,490   |

## 11.3 Reconciliation between taxable profit and the accounting profit

| For the year ended 31 March                                           | Company            |                    | Group              |                      |
|-----------------------------------------------------------------------|--------------------|--------------------|--------------------|----------------------|
|                                                                       | 2023<br>Rs.        | 2022<br>Rs.        | 2023<br>Rs.        | 2022<br>Rs.          |
| Net profit before tax                                                 | 229,804,901        | 818,323,290        | 894,571,515        | 1,087,254,157        |
| Add: Disallowable expenses                                            | 42,671,002         | 35,248,788         | 113,299,439        | 104,070,116          |
| Less: Allowable expenses                                              | (2,738,682)        | (2,903,621)        | (28,001,289)       | (47,748,166)         |
| Add: Dividend income from subsidiary                                  | -                  | -                  | -                  | 540,918,486          |
| <b>Total assessable income</b>                                        | <b>269,737,221</b> | <b>850,668,457</b> | <b>979,869,665</b> | <b>1,684,494,593</b> |
| Less: Tax exempted profit from business                               | (2,496,621)        | (471,100)          | (2,496,621)        | (471,100)            |
| <b>Taxable income</b>                                                 | <b>267,240,600</b> | <b>850,197,357</b> | <b>977,373,044</b> | <b>1,684,023,493</b> |
| <b>Distribution of taxable income</b>                                 |                    |                    |                    |                      |
| Business profit liable at 14%                                         | 183,249,451        | 301,698,121        | 513,952,677        | 1,121,743,517        |
| Business profit liable at 15%                                         | -                  | -                  | 330,703,226        | -                    |
| Business profit liable at 30%                                         | 66,582,254         | -                  | 66,582,254         | -                    |
| Dividend income liable at 14%                                         | -                  | 540,918,486        | -                  | 540,918,486          |
| Other income liable at 24%                                            | 6,094,088          | 7,580,750          | 16,131,163         | 21,361,491           |
| Other income liable at 30%                                            | 11,314,807         | -                  | 50,003,725         | -                    |
|                                                                       | <b>267,240,600</b> | <b>850,197,357</b> | <b>977,373,045</b> | <b>1,684,023,494</b> |
| Income tax on business profit at 14%                                  | 25,654,923         | 42,237,737         | 71,953,375         | 157,044,092          |
| Income tax on business profit at 15%                                  | -                  | -                  | 49,605,484         | -                    |
| Income tax on business profit at 30%                                  | 19,974,676         | -                  | 19,974,676         | -                    |
| Income tax on dividend income at 14%                                  | -                  | 75,728,588         | -                  | 75,728,588           |
| Income tax on other income at 24%                                     | 1,462,581          | 1,819,380          | 3,871,479          | 5,126,758            |
| Income tax on other income at 30%                                     | 3,394,442          | -                  | 15,001,117         | -                    |
| <b>Income tax expense on liable income</b>                            | <b>50,486,622</b>  | <b>119,785,705</b> | <b>160,406,131</b> | <b>237,899,438</b>   |
| Deferred taxation expense / (income) (Note 24)                        | 76,258,444         | (4,370,258)        | 79,048,294         | (5,437,117)          |
| <b>Income tax expense reported in the statement of profit or loss</b> | <b>126,745,066</b> | <b>115,415,447</b> | <b>239,454,425</b> | <b>232,462,321</b>   |
| Effective tax rate                                                    | 19%                | 14%                | 16%                | 14%                  |



## Notes to the financial statements

**11 INCOME TAX EXPENSE (Contd.)****11.4 Reconciliation between tax expense as per the taxable profit and the accounting profit**

| For the year ended 31 March                                           | Company            |                    | Group              |                    |
|-----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                       | 2023<br>Rs.        | 2022<br>Rs.        | 2023<br>Rs.        | 2022<br>Rs.        |
| Accounting profit before tax                                          | 229,804,901        | 818,323,290        | 894,571,515        | 1,087,254,156      |
| Applicable tax rate of the reporting entity                           | 14%                | 14%                | 14%                | 14%                |
| Accounting profit before tax under 14% tax rate                       | 24,058,575         | 114,565,261        | 71,214,538         | 152,215,582        |
| Applicable tax rate of the reporting entity                           | -                  | -                  | 15%                | -                  |
| Accounting profit before tax under 15% tax rate                       | -                  | -                  | 50,524,246         | -                  |
| Applicable tax rate of the reporting entity                           | 30%                | -                  | 30%                | -                  |
| Accounting profit before tax under 30% tax rate                       | 17,387,381         | -                  | 17,387,381         | -                  |
| Expected total tax expense                                            | 41,445,956         | 114,565,261        | 139,126,165        | 152,215,582        |
| <b>Tax effects on:</b>                                                |                    |                    |                    |                    |
| - Expenses not deductible for tax purposes                            | 4,183,644          | 4,935,022          | 2,407,371          | 4,935,023          |
| - Income taxed at a different tax rate                                | 4,857,022          | 406,507            | 18,872,595         | 406,507            |
| - Dividend income                                                     | -                  | -                  | -                  | 75,728,589         |
| - Rate differentials (Refer below)                                    | -                  | -                  | -                  | 6,371,153          |
| - Other                                                               | -                  | (121,085)          | -                  | (1,757,416)        |
| <b>Income tax expense</b>                                             | <b>50,486,622</b>  | <b>119,785,705</b> | <b>160,406,131</b> | <b>237,899,438</b> |
| <b>Deferred taxation expense / (income) (Note 24)</b>                 | <b>76,258,444</b>  | <b>(4,370,258)</b> | <b>79,048,294</b>  | <b>(5,437,117)</b> |
| <b>Income tax expense reported in the statement of profit or loss</b> | <b>126,745,066</b> | <b>115,415,447</b> | <b>239,454,425</b> | <b>232,462,321</b> |

After the expiration of tax holiday in 2014 entitled in terms of the agreement entered into with the Board of Investment of Sri Lanka (BOI), the Company is liable to income tax in terms of prevailing Inland Revenue Act. During the year, the Company was eligible to apply the income tax rate of 14% on business income as per the section 51 (1) (f) (b) of Inland Revenue (Amendment) Act No. 10 of 2021 up to 30th September 2022. The other income was taxed at the rate of 24% up to 30th September 2022. However, subsequent to the amendment of IRD Act certified in 19th of December, 2022 (Inland Revenue (Amendment) Act No.45 of 2022), the company is liable to income tax on business income and other income at the tax rate of 30% w.e.f. 01st October 2022.

In terms of an agreement entered into with the Board of Investment of Sri Lanka, the Subsidiary is exempt from income tax in terms of an agreement entered into with the Board of Investment of Sri Lanka (BOI), the Subsidiary was exempted from income tax for a period of 06 years reckoned from YA 2012/13 to YA 2017/18. 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 other income is taxed at the applicable tax rate of 24%.

During the year, the Subsidiary was eligible to apply a lower income tax rate of 14% as per the section 51 (1) (f) (b) of Inland Revenue (Amendment) Act No. 10 of 2021 up to 30th September 2022. However, subsequent to the amendment of IRD Act certified in 19th of December, 2022 (Inland Revenue (Amendment) Act No.45 of 2022) to increase the lower tax rate of 14% to 30%, the Subsidiary opted to apply the income tax rate of 15% provided by the BOI Agreement w.e.f. 01st October 2022.

## 12 EARNINGS PER SHARE

| For the year ended 31 March                                                                                | Company     |             | Group       |             |
|------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                                                            | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Profit attributable to ordinary shareholders of the company                                                | 103,059,835 | 702,907,843 | 583,315,841 | 764,975,197 |
| 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.)                                                                             | 0.14        | 0.94        | 0.78        | 1.02        |

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<br>land<br>Rs. | Civil<br>constructions<br>Rs. | Plant &<br>machinery<br>Rs. | Project<br>equipment<br>Rs. | Tools &<br>accessories<br>Rs. | Motor<br>vehicle<br>Rs. | Motor<br>bicycle<br>Rs. |
|---------|-------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------|-------------------------|
|---------|-------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------|-------------------------|

**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 |
| Additions                | -           | -           | -           | 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  |
| <b>Net book value as at 31.03.2022</b> | <b>150,000,000</b> | <b>293,203,701</b> | <b>269,849,851</b> | <b>117,745</b> | <b>12,000</b> | <b>-</b>  | <b>-</b> |

**Cost**

|                          |                    |                    |                    |                  |                  |                  |                |
|--------------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|----------------|
| Balance as at 01.04.2022 | 150,000,000        | 530,938,434        | 577,692,396        | 1,124,289        | 3,109,797        | 8,758,500        | 310,660        |
| Additions                | -                  | -                  | -                  | 36,000           | -                | -                | -              |
| Disposals                | -                  | -                  | -                  | (119,391)        | -                | -                | -              |
| Balance as at 31.03.2023 | <b>150,000,000</b> | <b>530,938,434</b> | <b>577,692,396</b> | <b>1,040,897</b> | <b>3,109,797</b> | <b>8,758,500</b> | <b>310,660</b> |

**Accumulated depreciation**

|                                        |                    |                    |                    |                |                  |                  |                |
|----------------------------------------|--------------------|--------------------|--------------------|----------------|------------------|------------------|----------------|
| Balance as at 01.04.2022               | -                  | 237,734,733        | 307,842,545        | 1,006,544      | 3,097,797        | 8,758,500        | 310,660        |
| Charge for the year                    | -                  | 13,273,461         | 17,330,772         | 57,756         | 6,000            | -                | -              |
| Disposals                              | -                  | -                  | -                  | (119,391)      | -                | -                | -              |
| Balance as at 31.03.2023               | -                  | <b>251,008,194</b> | <b>325,173,317</b> | <b>944,909</b> | <b>3,103,797</b> | <b>8,758,500</b> | <b>310,660</b> |
| <b>Net book value as at 31.03.2023</b> | <b>150,000,000</b> | <b>279,930,240</b> | <b>252,519,079</b> | <b>95,988</b>  | <b>6,000</b>     | <b>-</b>         | <b>-</b>       |

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is Rs. 30,302,837 (Rs. 29,921,557 as at 31 March 2022).

| Furniture & fittings<br>Rs. | Computer<br>Rs.  | Office equipment<br>Rs. | Fire extinguisher<br>Rs. | Generator<br>Rs. | Site fixtures & fittings<br>Rs. | Web development<br>Rs. | Mobile phones & accessories<br>Rs. | Total<br>Rs.         |
|-----------------------------|------------------|-------------------------|--------------------------|------------------|---------------------------------|------------------------|------------------------------------|----------------------|
| 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          |
| 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        |
| -                           | 348,500          | -                       | -                        | -                | -                               | -                      | 68,900                             | 453,400              |
| -                           | -                | -                       | -                        | -                | -                               | -                      | (76,715)                           | (196,107)            |
| <b>11,019,236</b>           | <b>2,153,975</b> | <b>1,867,779</b>        | <b>908,551</b>           | <b>1,246,000</b> | <b>4,148,354</b>                | <b>1,888,305</b>       | <b>196,287</b>                     | <b>1,295,279,171</b> |
| 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          |
| 424,829                     | 147,774          | 108,466                 | 38,395                   | -                | -                               | -                      | 37,721                             | 31,425,174           |
| -                           | -                | -                       | -                        | -                | -                               | -                      | (68,286)                           | (187,677)            |
| <b>9,666,410</b>            | <b>1,791,257</b> | <b>1,212,078</b>        | <b>754,971</b>           | <b>1,246,000</b> | <b>4,148,354</b>                | <b>1,888,305</b>       | <b>139,336</b>                     | <b>610,146,088</b>   |
| <b>1,352,825</b>            | <b>362,719</b>   | <b>655,701</b>          | <b>153,580</b>           | <b>-</b>         | <b>-</b>                        | <b>-</b>               | <b>56,951</b>                      | <b>685,133,083</b>   |

## Notes to the financial statements

**13 PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

| Group | Freehold<br>land<br>Rs. | Civil<br>constructions<br>Rs. | Plant &<br>machinery<br>Rs. | Project<br>equipment<br>Rs. | Tools &<br>accessories<br>Rs. | Motor<br>vehicle<br>Rs. | Motor<br>bicycle<br>Rs. |
|-------|-------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------|-------------------------|
|-------|-------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------|-------------------------|

|                          |             |               |               |           |           |            |           |
|--------------------------|-------------|---------------|---------------|-----------|-----------|------------|-----------|
| <b>Cost</b>              |             |               |               |           |           |            |           |
| 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 |
| Additions                | -           | -             | -             | 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 |

|                                        |                    |                      |                    |                |               |                  |               |
|----------------------------------------|--------------------|----------------------|--------------------|----------------|---------------|------------------|---------------|
| <b>Accumulated depreciation</b>        |                    |                      |                    |                |               |                  |               |
| 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     |
| <b>Net book value as at 31.03.2022</b> | <b>177,181,919</b> | <b>1,184,654,408</b> | <b>621,099,297</b> | <b>299,245</b> | <b>12,952</b> | <b>6,321,332</b> | <b>37,253</b> |

|                          |                    |                      |                      |                  |                  |                   |                  |
|--------------------------|--------------------|----------------------|----------------------|------------------|------------------|-------------------|------------------|
| <b>Cost</b>              |                    |                      |                      |                  |                  |                   |                  |
| Balance as at 01.04.2022 | 177,181,919        | 1,725,144,335        | 1,083,774,316        | 5,116,347        | 3,358,222        | 20,593,500        | 1,306,130        |
| Additions                | -                  | -                    | -                    | 61,500           | -                | -                 | -                |
| Disposals                | -                  | -                    | -                    | (119,391)        | -                | -                 | -                |
| Balance as at 31.03.2023 | <b>177,181,919</b> | <b>1,725,144,335</b> | <b>1,083,774,316</b> | <b>5,058,456</b> | <b>3,358,222</b> | <b>20,593,500</b> | <b>1,306,130</b> |

|                                        |                    |                      |                    |                |              |                  |               |
|----------------------------------------|--------------------|----------------------|--------------------|----------------|--------------|------------------|---------------|
| <b>Accumulated depreciation</b>        |                    |                      |                    |                |              |                  |               |
| Balance as at 01.04.2022               | -                  | 540,489,926          | 462,675,019        | 4,817,102      | 3,345,270    | 14,272,168       | 1,268,878     |
| Charge for the year                    | -                  | 43,136,053           | 32,513,229         | 137,496        | 6,000        | 2,325,250        | -             |
| Disposals                              | -                  | -                    | -                  | (119,391)      | -            | -                | -             |
| Balance as at 31.03.2022               | -                  | 583,625,979          | 495,188,248        | 4,835,207      | 3,351,270    | 16,597,418       | 1,268,878     |
| <b>Net book value as at 31.03.2023</b> | <b>177,181,919</b> | <b>1,141,518,355</b> | <b>588,586,068</b> | <b>223,249</b> | <b>6,952</b> | <b>3,996,082</b> | <b>37,253</b> |

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is Rs. 38,591,954 (Rs. 36,380,768 as at 31 March 2022).



| Furniture & fittings<br>Rs. | Computer<br>Rs.  | Office equipment<br>Rs. | Fire extinguisher<br>Rs. | Generator<br>Rs. | Site fixtures & fittings<br>Rs. | Web development<br>Rs. | Mobile phones & accessories<br>Rs. | Total<br>Rs.         |
|-----------------------------|------------------|-------------------------|--------------------------|------------------|---------------------------------|------------------------|------------------------------------|----------------------|
| 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                            | 1,051,254,291        |
| 1,857,623                   | 491,880          | 1,197,517               | 206,832                  | 609,643          | -                               | -                      | 148,859                            | 1,994,118,758        |
| 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        |
| -                           | 522,750          | 141,183                 | -                        | -                | -                               | -                      | 122,400                            | 847,833              |
| -                           | -                | -                       | -                        | -                | -                               | -                      | (157,615)                          | (277,006)            |
| <b>11,950,767</b>           | <b>3,424,985</b> | <b>3,100,648</b>        | <b>1,343,386</b>         | <b>3,273,265</b> | <b>4,148,354</b>                | <b>1,888,305</b>       | <b>397,291</b>                     | <b>3,045,943,879</b> |
| 10,093,144                  | 2,410,355        | 1,761,947               | 1,136,554                | 2,663,622        | 4,148,354                       | 1,888,305              | 283,647                            | 1,051,254,291        |
| 458,802                     | 368,791          | 209,937                 | 50,276                   | 177,569          | -                               | -                      | 128,929                            | 79,512,332           |
| -                           | -                | -                       | -                        | -                | -                               | -                      | (149,186)                          | (268,577)            |
| <b>10,551,946</b>           | <b>2,779,146</b> | <b>1,971,884</b>        | <b>1,186,830</b>         | <b>2,841,191</b> | <b>4,148,354</b>                | <b>1,888,305</b>       | <b>263,390</b>                     | <b>1,130,498,046</b> |
| <b>1,398,821</b>            | <b>645,839</b>   | <b>1,128,763</b>        | <b>156,556</b>           | <b>432,074</b>   | <b>-</b>                        | <b>-</b>               | <b>133,901</b>                     | <b>1,915,445,832</b> |

## Notes to the financial statements

**14 LEASES****14.1 Amounts recognised in the statement of financial position**

| As at 31 March             | Company          |             |
|----------------------------|------------------|-------------|
|                            | 2023<br>Rs.      | 2022<br>Rs. |
| <b>Right-of-use assets</b> |                  |             |
| Land                       | 1,260,700        | 1,224,368   |
| Office space               | 356,005          | 1,780,029   |
|                            | <b>1,616,705</b> | 3,004,397   |
| <b>Lease liabilities</b>   |                  |             |
| Current                    | 422,771          | 1,560,094   |
| Non-current                | 1,462,195        | 1,684,984   |
|                            | <b>1,884,966</b> | 3,245,078   |

| As at 31 March             | Group             |             |
|----------------------------|-------------------|-------------|
|                            | 2023<br>Rs.       | 2022<br>Rs. |
| <b>Right-of-use assets</b> |                   |             |
| Land                       | 32,477,190        | 34,425,534  |
| Office space               | 1,116,357         | 4,986,978   |
|                            | <b>33,593,547</b> | 39,412,512  |
| <b>Lease liabilities</b>   |                   |             |
| Current                    | 2,345,432         | 5,243,216   |
| Non-current                | 38,951,582        | 41,125,081  |
|                            | <b>41,297,014</b> | 46,368,297  |

**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          |             |
|---------------------------------------------------|------------------|-------------|
|                                                   | 2023<br>Rs.      | 2022<br>Rs. |
| <b>Depreciation charge of right-of-use assets</b> |                  |             |
| Land                                              | 170,360          | 111,306     |
| Office space                                      | 1,424,023        | 1,424,023   |
|                                                   | <b>1,594,383</b> | 1,535,329   |
| Interest expense (included in finance cost)       | 310,836          | 305,761     |

The total cash outflow for leases in 2022/23 was Rs. 1,877,640 (2021/22 - Rs. 1,775,004)

| For the year ended 31 March                       | Group            |             |
|---------------------------------------------------|------------------|-------------|
|                                                   | 2023<br>Rs.      | 2022<br>Rs. |
| <b>Depreciation charge of right-of-use assets</b> |                  |             |
| Land                                              | 2,155,035        | 2,095,981   |
| Office space                                      | 3,870,621        | 3,796,688   |
|                                                   | <b>6,025,656</b> | 5,892,669   |
| Interest expense (included in finance cost)       | 4,276,935        | 4,492,106   |

The total cash outflow for leases in 2022/23 was Rs.4,754,909 (2021/22 - Rs.4,269,844)

**15 INVESTMENTS****15.1 Investment in subsidiary**

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses.

|                                                      | Company     |             |
|------------------------------------------------------|-------------|-------------|
| As at 31 March                                       | 2023<br>Rs. | 2022<br>Rs. |
| <b>Country Energy (Private) Limited</b>              |             |             |
| 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              | 2023<br>Rs.   | 2022<br>Rs.   |
|------------------------------------------|---------------|---------------|
| <b>Statement of profit or loss</b>       |               |               |
| Revenue from contracts with customers    | 799,024,628   | 956,903,156   |
| Direct costs                             | (97,595,571)  | (90,200,407)  |
| Other income                             | -             | -             |
| Administration expenses                  | (72,206,772)  | (57,312,483)  |
| Other operating expenses                 | (325,565)     | (245,312)     |
| Finance income                           | 48,725,993    | 13,780,741    |
| Finance cost                             | (3,966,099)   | (4,186,345)   |
| Profit before income tax                 | 673,656,614   | 818,739,350   |
| Income tax expense                       | (112,709,358) | (117,046,873) |
| Profit for the year                      | 560,947,256   | 701,692,477   |
| Other comprehensive income               | 1,869,423     | 3,424,898     |
| Total comprehensive income               | 562,816,679   | 705,117,375   |
| Attributable to non controlling interest | 72,040,535    | 90,255,024    |

| As at 31 March                         | 2023<br>Rs.   | 2022<br>Rs.   |
|----------------------------------------|---------------|---------------|
| <b>Statement of financial position</b> |               |               |
| Non-current assets                     | 1,272,414,594 | 1,326,005,261 |
| Current assets                         | 1,284,018,754 | 661,579,595   |
| Total assets                           | 2,556,433,348 | 1,987,584,856 |
| Non-current liabilities                | 82,731,840    | 81,154,031    |
| Current liabilities                    | 70,467,427    | 66,013,423    |
| Total liabilities                      | 153,199,267   | 147,167,454   |
| Net assets                             | 2,403,234,081 | 1,840,417,402 |
| Accumulated NCI                        | 307,716,088   | 235,675,553   |

## Notes to the financial statements

**15 INVESTMENTS (CONTD.)****15.2 Summarised financial information of subsidiary (contd.)**

For the year ended 31 March

|                                              | 2023<br>Rs. | 2022<br>Rs.   |
|----------------------------------------------|-------------|---------------|
| <b>Statement of cash flows</b>               |             |               |
| Net cash flows from operating activities     | 335,532,770 | 445,444,686   |
| Net cash flows used in investment activities | (394,433)   | (340,150)     |
| Net cash flows used in financing activities  | (2,811,188) | (622,509,486) |
| Total net cash flows                         | 332,327,149 | (177,404,950) |
| Dividend paid to non-controlling interests   | -           | (79,369,014)  |
| Dividend per share                           | -           | 6.95          |

**16 INTANGIBLE ASSETS**

|                                            | Company     |             | Group       |             |
|--------------------------------------------|-------------|-------------|-------------|-------------|
| As at 31 March                             | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| <b>Cost</b>                                |             |             |             |             |
| 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 |
| <b>Accumulated amortisation</b>            |             |             |             |             |
| Accumulated amortisation B/F               | 24,782,718  | 24,498,093  | 130,123,963 | 119,482,671 |
| Amortisation for the period                | 284,625     | 284,625     | 10,641,292  | 10,641,292  |
| Accumulated amortisation C/F               | 25,067,343  | 24,782,718  | 140,765,255 | 130,123,963 |
| Net carrying amount at the end of the year | 4,625,157   | 4,909,782   | 44,277,245  | 54,918,537  |

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**

|                              | Group       |             |
|------------------------------|-------------|-------------|
| As at 31 March               | 2023<br>Rs. | 2022<br>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**

|                | Company     |             | Group       |             |
|----------------|-------------|-------------|-------------|-------------|
| As at 31 March | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Spare Parts    | 3,569,002   | 3,154,826   | 15,901,645  | 9,191,747   |
|                | 3,569,002   | 3,154,826   | 15,901,645  | 9,191,747   |

**19 TRADE AND OTHER RECEIVABLES**

|                          | Company     |             | Group         |             |
|--------------------------|-------------|-------------|---------------|-------------|
| As at 31 March           | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs.   | 2022<br>Rs. |
| Trade receivables        | 338,469,622 | 179,577,055 | 1,206,629,925 | 774,843,770 |
| Advances and prepayments | 4,188,407   | 4,017,557   | 11,909,466    | 8,716,611   |
| Other receivables        | 7,123,598   | 3,382,248   | 17,501,371    | 5,876,896   |
|                          | 349,781,627 | 186,976,860 | 1,236,040,762 | 789,437,277 |

**19.1 Age analysis of trade receivables**

|                | Company     |             | Group         |             |
|----------------|-------------|-------------|---------------|-------------|
| As at 31 March | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs.   | 2022<br>Rs. |
| Below 30 days  | 11,250,709  | 7,214,248   | 46,414,945    | 29,167,244  |
| 30 to 60 days  | 4,599,286   | 7,710,957   | 28,598,579    | 28,525,697  |
| 60 to 180 days | 89,268,108  | 121,985,206 | 288,856,937   | 470,765,810 |
| Over 180 days  | 233,351,519 | 42,666,644  | 842,759,464   | 246,385,019 |
|                | 338,469,622 | 179,577,055 | 1,206,629,925 | 774,843,770 |

**19.2 Classification as trade receivables**

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

**19.3 Fair value of trade receivables**

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

**19.4 Risk exposure**

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



## Notes to the financial statements

## 20 AMOUNT DUE FROM RELATED PARTIES

|                                           |                           | Company     |             | Group       |             |
|-------------------------------------------|---------------------------|-------------|-------------|-------------|-------------|
| As at 31 March                            |                           | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Country Energy (Private) Limited          | - Kiriwaneliya MHP        | 1,197,706   | 1,488,355   | -           | -           |
|                                           | - Denewakaganga MHP       | 1,215,224   | 1,001,865   | -           | -           |
| Alternate Power Systems (Private) Limited | - Current account balance | 1,702,621   | 2,240,772   | 1,732,630   | 2,312,471   |
| Greenerwater Limited                      | - Current account balance | -           | -           | 16,846      | 42,823      |
| Summer Season Limited                     | - Current account balance | -           | -           | -           | 14,768      |
| Hayleys Power Ltd                         | - Current account balance | -           | 1,980       | -           | 1,980       |
|                                           |                           | 4,115,551   | 4,732,972   | 1,749,476   | 2,372,042   |

## 20.1 Fair value of amounts due from related parties

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

## 21 CASH AND CASH EQUIVALENTS

|                                                                 |  | Company     |             | Group       |             |
|-----------------------------------------------------------------|--|-------------|-------------|-------------|-------------|
| As at 31 March                                                  |  | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Investments in short-term deposits (Maturity period < 3 months) |  | 113,980,292 | 88,757,081  | 493,839,039 | 138,641,167 |
| Cash at bank and in hand                                        |  | 200,730     | 14,270,461  | 5,722,104   | 17,344,886  |
|                                                                 |  | 114,181,022 | 103,027,542 | 499,561,143 | 155,986,053 |

## 21 CASH AND CASH EQUIVALENTS (Contd.)

## 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:

|                                      |  | Company     |             | Group       |             |
|--------------------------------------|--|-------------|-------------|-------------|-------------|
| As at 31 March                       |  | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Balances as above                    |  | 114,181,022 | 103,027,542 | 499,561,143 | 155,986,053 |
| Balances per statement of cash flows |  | 114,181,022 | 103,027,542 | 499,561,143 | 155,986,053 |

## 21.2 Classification as cash equivalents

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

## 21.3 Restricted cash

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

**22 STATED CAPITAL**

|                                                    | Company       |               | Group         |               |
|----------------------------------------------------|---------------|---------------|---------------|---------------|
| As at 31 March                                     | 2023          | 2022          | 2023          | 2022          |
| <b>Issued and fully paid number of shares</b>      |               |               |               |               |
| Ordinary shares                                    | 747,109,731   | 747,109,731   | 747,109,731   | 747,109,731   |
| <b>Value of issued and fully paid shares (Rs.)</b> |               |               |               |               |
| Ordinary shares                                    | 1,174,365,278 | 1,174,365,278 | 1,174,365,278 | 1,174,365,278 |

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

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

**23 RETIREMENT BENEFIT OBLIGATION**

|                              | Company     |             | Group       |              |
|------------------------------|-------------|-------------|-------------|--------------|
| As at 31 March               | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs.  |
| At the beginning of the year | 21,190,958  | 26,864,212  | 31,670,861  | 41,162,030   |
| Current service cost         | 3,178,644   | 1,441,279   | 4,214,752   | 2,391,571    |
| Interest cost                | 1,586,223   | 2,014,816   | 3,158,208   | 3,158,641    |
| Past service cost            | -           | (2,553,447) | -           | (3,451,625)  |
| Actuarial (gain)/loss        | (4,469,462) | (6,021,063) | (6,668,783) | (10,003,503) |
|                              | 21,486,363  | 21,745,797  | 32,375,038  | 33,257,114   |
| Benefits paid                | -           | (554,839)   | -           | (1,586,250)  |
| At the end of the year       | 21,486,363  | 21,190,958  | 32,375,038  | 31,670,864   |

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 weighted average duration of the retirement benefit obligation of the Company and the Subsidiary at the end of the reporting period is 7.56 years and 7.75 years respectively. The expected maturity analysis of undiscounted retirement benefit obligation is as follows:

|                      | Company     |             | Group       |             |
|----------------------|-------------|-------------|-------------|-------------|
| As at 31 March       | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Less than a year     | 1,856,599   | 1,908,241   | 2,721,804   | 2,649,494   |
| Between 2 - 5 years  | 5,527,208   | 6,042,503   | 9,925,715   | 9,552,213   |
| Between 5 - 10 years | 9,458,065   | 2,558,934   | 11,827,071  | 4,971,617   |
| Over 10 years        | 4,644,491   | 10,681,280  | 7,900,448   | 14,497,540  |
|                      | 21,486,363  | 21,190,958  | 32,375,038  | 31,670,864  |

## Notes to the financial statements

**23 RETIREMENT BENEFIT OBLIGATION (CONTD.)****Significant estimates: actuarial assumptions and sensitivity**

The significant actuarial assumptions were as follows:

|                             | Company |        | Group  |        |
|-----------------------------|---------|--------|--------|--------|
| For the year ended 31 March | 2023    | 2022   | 2023   | 2022   |
| Discount rate               | 19.00%  | 15.00% | 19.00% | 15.00% |
| Salary growth rate          | 12.00%  | 10.00% | 12.00% | 10.00% |

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

The interest rate on Treasury bonds rose dramatically during the course of the year and peaked above 30% in the latter part of 2022. On the grounds that the current treasury bond rates do not only reflect the time value of money, the institute of Chartered accountants of Sri Lanka (CA Sri Lanka) has provided guidance [via Frequently Asked Questions (FAQs) on use of discount rate under the uncertain economic conditions] to consider an adjusted treasury bond rate as the discount rate for the purpose of the actuarial valuations as of December 31, 2022. According to CA Sri Lanka's advice, the discount rate was determined by adjusting the existing and pre covid default risks premiums to the government bond rate.

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%                |
| <b>As at 31 March 2023 (Increase / (Decrease))</b>          | <b>(1,308,484)</b> | <b>1,441,505</b>   | <b>(1,979,178)</b> | <b>2,199,708</b>   |
| <b>As at 31 March 2022 (Increase / (Decrease))</b>          | <b>(1,359,043)</b> | <b>1,509,596</b>   | <b>(2,113,988)</b> | <b>2,374,590</b>   |
| A one percentage point change in the salary increment rate. | +1%                | -1%                | +1%                | -1%                |
| <b>As at 31 March 2023 (Increase / (Decrease))</b>          | <b>1,590,903</b>   | <b>(1,458,775)</b> | <b>2,388,316</b>   | <b>(2,171,176)</b> |
| <b>As at 31 March 2022 (Increase / (Decrease))</b>          | <b>1,691,239</b>   | <b>(1,539,050)</b> | <b>2,602,712</b>   | <b>(2,343,199)</b> |

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

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

**Risk exposure**

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

**24 DEFERRED TAX LIABILITY**

| As at 31 March                                                    | Company     |             | Group       |             |
|-------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                   | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| At the beginning of the year                                      | 96,253,849  | 99,781,158  | 127,487,877 | 131,524,504 |
| Charge/(reversal) recognised to profit/(loss)                     | 76,258,444  | (4,370,258) | 79,048,294  | (5,437,117) |
| Charge/(reversal) recognised to other comprehensive income/(loss) | 24,601,257  | 842,949     | 24,931,155  | 1,400,490   |
| At the end of the year                                            | 197,113,550 | 96,253,849  | 231,467,326 | 127,487,877 |

**24.1 Deferred tax liability - Company**

|                                                                             | 2023                           |                   | 2022                           |                   |
|-----------------------------------------------------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|
|                                                                             | Temporary<br>difference<br>Rs. | Tax effect<br>Rs. | Temporary<br>difference<br>Rs. | Tax effect<br>Rs. |
| <b>As at 1 April</b>                                                        | 687,527,486                    | 96,253,849        | 712,722,550                    | 99,781,158        |
| Amount originating/(reversing) of opening balance due to change in tax rate | -                              | 110,004,398       | -                              | -                 |
| Amount originating/(reversing) during the year                              | (30,482,323)                   | (9,144,697)       | (25,195,064)                   | (3,527,309)       |
| <b>As at 31 March</b>                                                       | 657,045,163                    | 197,113,550       | 687,527,486                    | 96,253,849        |

**(a) The balance comprises temporary differences attributable to:****Company**

|                                                             |                     |                    |                     |                    |
|-------------------------------------------------------------|---------------------|--------------------|---------------------|--------------------|
| Retirement benefit obligation                               | (21,486,364)        | (6,445,909)        | (21,190,958)        | (2,966,734)        |
| lease liabilities                                           | (1,884,966)         | (565,490)          | (3,635,946)         | (509,032)          |
| <b>Total deferred tax assets before offsetting</b>          | <b>(23,371,330)</b> | <b>(7,011,399)</b> | <b>(24,826,904)</b> | <b>(3,475,766)</b> |
| <b>Offsetting deferred tax liability on:</b>                |                     |                    |                     |                    |
| Property plant and equipment                                | 533,422,175         | 160,026,653        | 563,972,380         | 78,956,133         |
| Right of use assets                                         | 1,616,705           | 485,012            | 3,004,397           | 420,616            |
| Revaluation surplus on freehold land                        | 145,377,613         | 43,613,284         | 145,377,613         | 20,352,866         |
| <b>Total deferred tax liabilities before offsetting</b>     | <b>680,416,493</b>  | <b>204,124,949</b> | <b>712,354,390</b>  | <b>99,729,615</b>  |
| <b>Deferred tax assets / (liabilities) after offsetting</b> | <b>657,045,163</b>  | <b>197,113,550</b> | <b>687,527,486</b>  | <b>96,253,849</b>  |

## Notes to the financial statements

**24 DEFERRED TAX LIABILITY (Contd.)****24.2 Differed tax liability -Group**

|                                                                             | 2023                        |                    | 2022                        |                   |
|-----------------------------------------------------------------------------|-----------------------------|--------------------|-----------------------------|-------------------|
|                                                                             | Temporary difference<br>Rs. | Tax effect<br>Rs.  | Temporary difference<br>Rs. | Tax effect<br>Rs. |
| <b>As at 1 April</b>                                                        | <b>910,627,698</b>          | <b>127,487,877</b> | 924,344,869                 | 131,524,504       |
| Amount originating/(reversing) of opening balance due to change in tax rate | -                           | 112,235,400        | -                           | (2,116,223)       |
| Amount originating / (reversing) during the year                            | (24,557,364)                | (8,255,951)        | (13,717,171)                | (1,920,404)       |
| <b>As at 31 March</b>                                                       | <b>886,070,334</b>          | <b>231,467,326</b> | 910,627,698                 | 127,487,877       |

**(a) The balance comprises temporary differences attributable to:****Group**

|                                                    |                     |                     |              |              |
|----------------------------------------------------|---------------------|---------------------|--------------|--------------|
| Retirement benefit obligation                      | (32,375,040)        | (8,079,210)         | (31,670,861) | (4,433,922)  |
| lease liabilities                                  | (41,325,070)        | (6,481,506)         | (46,773,123) | (6,548,237)  |
| <b>Total deferred tax assets before offsetting</b> | <b>(73,700,110)</b> | <b>(14,560,716)</b> | (78,443,984) | (10,982,159) |

**Offsetting deferred tax liability on:**

|                                                             |                    |                    |             |             |
|-------------------------------------------------------------|--------------------|--------------------|-------------|-------------|
| Property plant and equipment                                | 781,394,084        | 197,222,439        | 804,281,556 | 112,599,418 |
| Right of use assets                                         | 32,998,747         | 5,192,319          | 39,412,513  | 5,517,752   |
| Revaluation surplus on freehold land                        | 145,377,613        | 43,613,284         | 145,377,613 | 20,352,866  |
| <b>Total deferred tax liabilities before offsetting</b>     | <b>959,770,444</b> | <b>246,028,042</b> | 989,071,682 | 138,470,036 |
| <b>Deferred tax assets / (liabilities) after offsetting</b> | <b>886,070,334</b> | <b>231,467,326</b> | 910,627,698 | 127,487,877 |

The applicable tax rate used to calculate the deferred tax liability of the Company for all the temporary differences is 30% (2021/22 - at 14%) and the applicable tax rate of 15% is also used for deferred tax liability of the Subsidiary (2021/22 - at 14%).

**25 ACCRUALS AND OTHER PAYABLES**

|                             | Company           |             | Group             |             |
|-----------------------------|-------------------|-------------|-------------------|-------------|
|                             | 2023<br>Rs.       | 2022<br>Rs. | 2023<br>Rs.       | 2022<br>Rs. |
| <b>As at 31 March</b>       |                   |             |                   |             |
| Accrued expenses            | 2,837,607         | 3,308,292   | 22,164,440        | 19,764,207  |
| Unclaimed dividend          | 8,325,784         | 10,010,953  | 8,325,784         | 10,010,995  |
| Other statutory liabilities | 1,220,079         | 213,767     | 1,740,139         | 720,905     |
| Other payables              | 1,836,961         | 2,135,540   | 7,262,663         | 4,701,250   |
|                             | <b>14,220,431</b> | 15,668,552  | <b>39,493,026</b> | 35,197,357  |

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

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



**26 DIVIDENDS PAID DURING THE YEAR**

|                             | Company     |             | Group       |             |
|-----------------------------|-------------|-------------|-------------|-------------|
| For the year ended 31 March | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs. | 2022<br>Rs. |
| Interim dividend            | -           | 784,465,218 | -           | 784,465,218 |
|                             | -           | 784,465,218 | -           | 784,465,218 |
| Dividend per share (Rs.)    | -           | 1.05        | -           | 1.05        |

**27 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

No circumstances have been arisen since the balance sheet date which would require adjustments to, or disclosure in, the financial statements.

**28 COMMITMENTS AND CONTINGENCIES****28.1 Capital expenditure commitments**

There are no capital commitments as at the reporting date.

**28.2 Contingencies**

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

**29 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The group holds the following financial instruments:

**29.1 Financial Assets**

|                                            | Company            |                    | Group                |                    |
|--------------------------------------------|--------------------|--------------------|----------------------|--------------------|
| As at 31 March                             | 2023<br>Rs.        | 2022<br>Rs.        | 2023<br>Rs.          | 2022<br>Rs.        |
| <b>Financial assets at amortised cost:</b> |                    |                    |                      |                    |
| Trade and other receivables                | 349,781,627        | 186,976,860        | 1,236,040,762        | 789,437,277        |
| Amount due from related parties            | 4,115,551          | 4,732,972          | 1,749,476            | 2,372,042          |
| Cash and cash equivalents                  | 114,181,022        | 103,027,542        | 499,561,143          | 155,986,053        |
| <b>Total</b>                               | <b>468,078,200</b> | <b>294,737,374</b> | <b>1,737,351,381</b> | <b>947,795,372</b> |

**29.2 Financial liabilities**

|                                       | Company           |                   | Group             |                   |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| As at 31 March                        | 2023<br>Rs.       | 2022<br>Rs.       | 2023<br>Rs.       | 2022<br>Rs.       |
| <b>Liabilities at amortised cost:</b> |                   |                   |                   |                   |
| Lease liabilities                     | 1,884,966         | 3,245,078         | 41,297,014        | 46,368,297        |
| Accruals and other payables           | 14,220,431        | 15,668,552        | 39,493,026        | 35,197,357        |
| <b>Total</b>                          | <b>16,105,397</b> | <b>18,913,630</b> | <b>80,790,040</b> | <b>81,565,654</b> |

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.

## Notes to the financial statements

**30 RELATED PARTY DISCLOSURES****30.1 Parent**

The group is controlled by the following parties:

| Name                   | Type                    | Place of incorporation | Ownership interest |               |
|------------------------|-------------------------|------------------------|--------------------|---------------|
|                        |                         |                        | 31 March 2023      | 31 March 2022 |
| Vallibel Power Limited | Immediate parent entity | Sri Lanka              | 40.08%             | 40.08%        |

**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 31 March                      |              |                                                   | Aggregate amount of transactions |               |
|--------------------------------------------------|--------------|---------------------------------------------------|----------------------------------|---------------|
| Company                                          | Relationship | Nature of Transaction                             | 2023<br>Rs.                      | 2022<br>Rs.   |
| Country Energy (Private) Limited (CEPL)          | Subsidiary   | Net operating expenses incurred on behalf of CEPL | (28,940,823)                     | (23,915,512)  |
|                                                  |              | Reimbursement of expenses by CEPL                 | 30,166,424                       | 22,974,948    |
|                                                  |              | Dividend received from CEPL                       | -                                | 540,918,486   |
| Vallibel Finance PLC                             | Affiliate    | Investment in fixed deposits                      | (21,452,925)                     | (363,847,786) |
|                                                  |              | Withdrawals of fixed deposits                     | 59,095,190                       | 331,090,711   |
|                                                  |              | Interest received                                 | 662,881                          | 53,508        |
| Alternate Power Systems (Private) Limited (APSL) | Affiliate    | Net operating expenses incurred on behalf of APSL | (18,812,452)                     | (14,964,175)  |
|                                                  |              | Funds received from APSL                          | 19,350,605                       | 13,669,002    |
| Hayleys PLC                                      | Affiliate    | Payment of ground rent, electricity, parking      | (7,385,041)                      | (4,572,730)   |
| Hayleys Power Limited (HPL)                      | Affiliate    | Operating expenses incurred on behalf of HPL      | (2,435,983)                      | (1,693,347)   |
|                                                  |              | Reimbursement of expenses by HPL                  | 2,437,963                        | 1,691,368     |

**30.3 Transactions with the related parties by the subsidiary**

| For the year ended 31 March                      |              |                                                   | Aggregate amount of transaction |               |
|--------------------------------------------------|--------------|---------------------------------------------------|---------------------------------|---------------|
| Company                                          | Relationship | Nature of Transaction                             | 2023<br>Rs.                     | 2022<br>Rs.   |
| Vallibel Finance PLC                             | Affiliate    | Investment in fixed deposits                      | (281,289,677)                   | (372,967,724) |
|                                                  |              | Withdrawals of fixed deposits                     | 37,094,193                      | 575,121,837   |
|                                                  |              | Interest received                                 | 26,480,226                      | 10,011,727    |
| Greenerwater Ltd (GWL)                           | Affiliate    | Net operating expenses incurred on behalf of GWL  | (429,634)                       | (641,900)     |
|                                                  |              | Reimbursement of expenses by GWL                  | 455,611                         | 651,954       |
| Summer Season Limited (SSL)                      | Affiliate    | Operating expenses incurred on behalf of SSL      | (133,409)                       | (174,132)     |
|                                                  |              | Reimbursement of expenses by SSL                  | 148,177                         | 175,617       |
| Alternate Power Systems (Private) Limited (APSL) | Affiliate    | Net operating expenses incurred on behalf of APSL | (30,009)                        | (88,513)      |
|                                                  |              | Reimbursement of expenses by APSL                 | -                               | -             |

The above transactions were carried out on normal trading terms.

**30 RELATED PARTY DISCLOSURES (Contd.)****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 2023 audited financial statements.

**30.6 Recurrent related party transactions**

There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/income of the Company as per 31 March 2023 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                                                          | 2023<br>Rs. | 2022<br>Rs. |
|--------------------------------------------------------------------------------------|-------------|-------------|
| Aggregate value of related party transactions entered into during the financial year | 21,452,925  | 363,847,786 |
| Revenue as per latest audited financial statements                                   | 323,544,409 | 365,362,011 |
| Aggregate value of related party transactions as a % of net revenue/income           | 7%          | 100%        |

**30.7 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    | 2023<br>Rs. | 2022<br>Rs. |
|--------------------------------|-------------|-------------|
| Directors' emoluments          | 3,938,889   | 4,366,667   |
| Other key management personnel | 9,260,268   | 8,418,423   |

**Post-employment benefits**

| For the year ended 31 March    | 2023<br>Rs. | 2022<br>Rs. |
|--------------------------------|-------------|-------------|
| Other key management personnel | 2,825,897   | 2,568,997   |

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

**30.8 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.

## Notes to the financial statements

### 31 THE IMPACT OF THE RECENT ECONOMIC DOWNTURN

#### Adverse movement on the foreign rate exchange

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. The 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 50.3% 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.

The Company's primary input is rainfall, and demand will not be hampered because power is critical to the country even in the current situation. However, there will be indirect effects in terms of payroll costs, transportation costs, and so on. Aside from that, there are no significant effects on the company's operations.

#### Increasing interest rates

Annual inflation rate in Sri Lanka is scaled up to 50.3% in March 2023 and Looking ahead, based on the available information, the anticipated declining trend of inflation is expected to continue through 2023. This process of deflation would be aided by tight monetary and fiscal policy measures that had suppressed demand, a recent appreciation in the exchange rate, a greater pass-through of lower global commodity prices, second-round effects of recent fuel price revisions, improved domestic supply conditions, and a favorable statistical base effect. The Central Bank of Sri Lanka has tightened the Monetary Policy through increasing its policy rates to 16.5% in response to the prevailing economic crisis including depletion of foreign reserves. After considering recent and expected economic developments, as well as macroeconomic projections on the domestic and global fronts, the CBSL concluded that maintaining the current tight monetary policy stance is necessary to ensure that monetary conditions remain sufficiently tight to facilitate the continuation of the ongoing disinflationary process amid market sentiment improvements following the completion of the Extended Fund Facility (EFF) from the International Monetary Fund (IMF).

#### Going concern assessment

The company is continuing its zero-debt policy and the working capital position of the company have been increased from 223,785,154 LKR to 440,298,030 LKR compared to last year due to the increase of trade and other receivables resulting to a healthy current ratio of 15 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.

## 32 SEGMENT INFORMATION

|                                     | EMHP             |                  | DMHP             |                  | KMHP             |                 | Group adjustments |                  | Total            |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-------------------|------------------|------------------|------------------|
|                                     | 2023<br>Rs.'000  | 2022<br>Rs.'000  | 2023<br>Rs.'000  | 2022<br>Rs.'000  | 2023<br>Rs.'000  | 2022<br>Rs.'000 | 2023<br>Rs.'000   | 2022<br>Rs.'000  | 2023<br>Rs.'000  | 2022<br>Rs.'000  |
| Revenue                             | 323,544          | 365,362          | 480,289          | 556,134          | 318,736          | 400,769         | -                 | -                | 1,122,569        | 1,322,265        |
| Cost of sales                       | (54,689)         | (51,240)         | (59,904)         | (54,158)         | (37,692)         | (36,042)        | (8,890)           | (8,890)          | (161,175)        | (150,330)        |
| Gross profit                        | 268,855          | 314,122          | 420,385          | 501,976          | 281,044          | 364,727         | (8,890)           | (8,890)          | 961,394          | 1,171,935        |
| Other income                        | 2,497            | 541,390          | -                | -                | -                | -               | -                 | (540,918)        | 2,497            | 472              |
| Administrative expenses             | (55,897)         | (43,575)         | (45,204)         | (36,047)         | (27,003)         | (21,265)        | -                 | -                | (128,104)        | (100,887)        |
| Other expenses                      | (2,748)          | (888)            | (107)            | (35)             | (219)            | (211)           | -                 | -                | (3,074)          | (1,134)          |
| Finance income                      | 17,409           | 7,581            | 22,148           | 9,016            | 26,578           | 4,765           | -                 | -                | 66,135           | 21,362           |
| Finance cost                        | (311)            | (306)            | (3,930)          | (4,111)          | (36)             | (75)            | -                 | -                | (4,277)          | (4,492)          |
| Profit before tax                   | 229,805          | 818,324          | 393,292          | 470,799          | 280,364          | 347,941         | (8,890)           | (549,808)        | 894,571          | 1,087,256        |
| Tax expenses                        | (126,745)        | (115,415)        | (65,116)         | (66,557)         | (47,594)         | (50,490)        | -                 | -                | (239,455)        | (232,462)        |
| Profit after tax                    | 103,060          | 702,909          | 328,176          | 404,242          | 232,770          | 297,451         | (8,890)           | (549,808)        | 655,117          | 854,794          |
| Other comprehensive income / (loss) | (20,132)         | 5,178            | 1,391            | 2,888            | 478              | 536             | -                 | -                | (18,263)         | 8,602            |
| Total comprehensive income          | 82,928           | 708,087          | 329,567          | 407,130          | 233,248          | 297,987         | (8,890)           | (549,808)        | 636,854          | 863,394          |
| <b>Segmental assets</b>             |                  |                  |                  |                  |                  |                 |                   |                  |                  |                  |
| Non-current assets                  | 1,512,995        | 1,545,647        | 693,202          | 722,656          | 579,212          | 603,350         | (787,593)         | (778,703)        | 1,997,816        | 2,092,950        |
| Current assets                      | 471,647          | 297,892          | 835,100          | 471,860          | 542,597          | 283,785         | (96,092)          | (96,550)         | 1,753,252        | 956,987          |
| <b>Total assets</b>                 | <b>1,984,642</b> | <b>1,843,540</b> | <b>1,528,302</b> | <b>1,194,516</b> | <b>1,121,809</b> | <b>887,135</b>  | <b>(883,685)</b>  | <b>(875,253)</b> | <b>3,751,068</b> | <b>3,049,937</b> |
| <b>Segmental liabilities</b>        |                  |                  |                  |                  |                  |                 |                   |                  |                  |                  |
| Lease liabilities                   | 1,462            | 1,685            | 37,338           | 39,261           | 151              | 179             | -                 | -                | 38,951           | 41,125           |
| Deferred tax liability/ (asset)     | 197,114          | 96,254           | 19,422           | 19,063           | 14,931           | 12,171          | -                 | -                | 231,467          | 127,488          |
| Retirement benefit obligations      | 21,486           | 21,191           | 8,992            | 8,526            | 1,897            | 1,954           | -                 | -                | 32,375           | 31,671           |
| Current liabilities                 | 31,349           | 74,107           | 49,503           | 44,188           | 114,794          | 115,891         | (96,243)          | (96,550)         | 99,403           | 137,636          |
| <b>Total liabilities</b>            | <b>251,411</b>   | <b>193,237</b>   | <b>115,255</b>   | <b>111,038</b>   | <b>131,773</b>   | <b>130,195</b>  | <b>(96,243)</b>   | <b>(96,550)</b>  | <b>402,196</b>   | <b>337,920</b>   |
| <b>Other segment information</b>    |                  |                  |                  |                  |                  |                 |                   |                  |                  |                  |
| Total depreciation                  | 33,020           | 32,899           | 28,454           | 28,410           | 24,064           | 24,154          | -                 | -                | 85,538           | 85,463           |
| Amortisation                        | 285              | 285              | 1,000            | 1,000            | 466              | 466             | 8,890             | 8,890            | 10,641           | 10,641           |
| Capital expenditure                 | 453              | 551              | -                | 313              | 372              | 27              | -                 | -                | 848              | 891              |

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 ('EMHP')
- 2) Denawaka mini hydro power plant ('DMHP')
- 3) Kiriwaneliya mini hydro power plant ('KMHP')

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.





The background is a solid light blue color. A thick, dark blue curved line starts from the top left, curves downwards and to the right, and then curves back down towards the bottom left. On the left side, there is a vertical rectangular area containing a black and white photograph of industrial machinery, possibly a large metal container or tank with various pipes and valves. The text "The development of industry, powered by us" is written in a white, sans-serif font, positioned to the right of the photograph and partially overlaid by the blue curved line.

The  
development  
of industry,  
powered by us

## TEN YEARS FINANCIAL SUMMARY

|                                              | 2022/23<br>Rs'000 | 2021/22<br>Rs'000 | 2020/21<br>Rs'000 | 2019/20<br>Rs'000 | 2018/19<br>Rs'000 | 2017/18<br>Rs'000 | 2016/17<br>Rs'000 | 2015/16<br>Rs'000 | 2014/15<br>Rs'000 | 2013/14<br>Rs'000 |
|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Operating Results</b>                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Revenue                                      | 1,122,569         | 1,322,265         | 1,076,977         | 1,058,308         | 1,286,725         | 1,117,602         | 863,722           | 1,181,807         | 1,317,931         | 1,064,991         |
| Gross profit                                 | 961,394           | 1,171,935         | 928,346           | 911,534           | 1,134,947         | 955,252           | 714,020           | 1,043,214         | 1,171,084         | 929,273           |
| Other Income                                 | 2,497             | 471               | 21,485            | 11,735            | 9,275             | 90                | 536               | 38                | 44,394            | 64                |
| Administration expenses                      | 128,104           | 100,888           | 105,170           | 103,974           | 100,302           | 100,852           | 102,928           | 114,134           | 107,584           | 104,242           |
| Finance cost                                 | 4,277             | 4,492             | 4,604             | 5,203             | 4,178             | 35,645            | 59,394            | 59,713            | 87,024            | 162,716           |
| Net profit before tax                        | 894,572           | 1,087,254         | 865,348           | 861,456           | 1,085,341         | 849,086           | 592,263           | 900,179           | 1,042,342         | 688,857           |
| Net profit after tax                         | 655,117           | 854,792           | 621,996           | 707,577           | 889,999           | 763,383           | 515,800           | 813,028           | 960,092           | 667,111           |
| <b>Funds Employed</b>                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Stated capital                               | 1,174,365         | 1,174,365         | 1,174,365         | 1,174,365         | 1,174,365         | 1,174,365         | 1,174,365         | 1,174,365         | 1,174,365         | 1,174,365         |
| Revenue reserves                             | 1,866,791         | 1,301,977         | 1,313,302         | 1,809,412         | 1,386,695         | 1,070,765         | 899,422           | 1,001,587         | 973,852           | 823,343           |
| Non-controlling interest                     | 307,716           | 235,676           | 224,790           | 268,079           | 225,877           | 199,340           | 162,695           | 165,859           | 149,135           | 122,340           |
| Borrowings (both non-current & current)      | -                 | -                 | -                 | -                 | -                 | 157,403           | 365,723           | 573,723           | 758,879           | 947,300           |
| Lease liability (both non-current & current) | 41,297            | 46,368            | 51,278            | 42,732            | -                 | -                 | -                 | -                 | -                 | -                 |
|                                              | 3,390,169         | 2,758,386         | 2,763,735         | 3,294,588         | 2,786,937         | 2,601,874         | 2,602,205         | 2,915,534         | 3,056,232         | 3,067,348         |
| <b>Assets Employed</b>                       |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Non current assets                           | 1,997,817         | 2,092,950         | 2,188,506         | 2,270,177         | 2,302,316         | 2,403,789         | 2,490,496         | 2,575,812         | 2,658,887         | 2,830,474         |
| Current assets                               | 1,753,253         | 956,987           | 874,349           | 1,282,648         | 769,888           | 401,848           | 254,801           | 529,048           | 537,950           | 357,875           |
| Current liabilities                          | (97,058)          | (132,393)         | (126,433)         | (104,483)         | (147,780)         | (64,488)          | (42,929)          | (90,057)          | (39,810)          | (23,683)          |
| Retirement benefit obligations               | (32,375)          | (31,671)          | (41,162)          | (32,121)          | (25,240)          | (25,946)          | (18,786)          | (16,407)          | (16,505)          | (11,629)          |
| Deferred tax liability                       | (231,467)         | (127,488)         | (131,525)         | (121,632)         | (112,246)         | (113,329)         | (81,378)          | (82,862)          | (84,290)          | (85,689)          |
|                                              | 3,390,169         | 2,758,386         | 2,763,735         | 3,294,588         | 2,786,937         | 2,601,874         | 2,602,205         | 2,915,534         | 3,056,232         | 3,067,348         |
| <b>Key Indicators</b>                        |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Earnings per share (Rs.)                     | 0.78              | 1.02              | 0.74              | 0.87              | 1.12              | 0.96              | 0.66              | 1.04              | 1.21              | 0.85              |
| Net assets per share (Rs.)                   | 4.07              | 3.31              | 3.33              | 3.99              | 3.43              | 3.01              | 2.78              | 2.91              | 2.88              | 2.67              |
| Market price of share-Closing (Rs.)          | 6.70              | 7.20              | 7.40              | 5.40              | 5.90              | 7.30              | 7.10              | 8.00              | 7.90              | 5.60              |
| Dividend per share (Rs.)                     | Nil               | 1.05              | 1.00              | 0.70              | 0.70              | 0.70              | 0.80              | 1.00              | 1.00              | 0.60              |
| Price earning ratio (times)                  | 8.58              | 7.06              | 10.01             | 6.22              | 5.27              | 7.59              | 10.74             | 7.73              | 6.52              | 6.61              |
| Dividend payout (%)                          | Nil               | 102.94            | 135.33            | 80.68             | 62.54             | 72.78             | 121.00            | 96.60             | 82.58             | 70.82             |

## 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 59.90% of the issued share capital as at 31st March 2023. It represents 7,067 of shareholders as at 31st March 2023.

## 4 FLOAT ADJUSTED MARKET CAPITALIZATION

The Float Adjusted Market Capitalization as at 31st March 2023 is Rs.2,998,376,435.70. The Company complies with option 4 of the Listing Rules 7.14.1 (i) (a).

## 5 DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2023

There were 7,071 Registered shareholders as at 31st March 2023.

| No. of<br>Shares held | No. of<br>Shareholders | % of<br>Shareholders | Total<br>Holding | % of Total<br>Holding |       |
|-----------------------|------------------------|----------------------|------------------|-----------------------|-------|
| 1                     | 1,000                  | 2,882                | 40.76            | 1,086,680             | 0.15  |
| 1,001                 | 10,000                 | 2,691                | 38.06            | 11,490,953            | 1.54  |
| 10,001                | 100,000                | 1,230                | 17.39            | 40,118,175            | 5.37  |
| 100,001               | 1,000,000              | 236                  | 3.34             | 65,156,762            | 8.72  |
| Over 1,000,000        |                        | 32                   | 0.45             | 629,257,161           | 84.22 |
| Total                 | 7,071                  | 100.00               | 747,109,731      | 100.00                |       |

## 6 ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2023

| Category     | No. of<br>Shareholders | % of<br>Shareholders | Total<br>Holding   | % of Total<br>Holding |
|--------------|------------------------|----------------------|--------------------|-----------------------|
| Individuals  | 6,887                  | 97.40                | 335,189,197        | 44.86                 |
| Institutions | 184                    | 2.60                 | 411,920,534        | 55.14                 |
| <b>Total</b> | <b>7,071</b>           | <b>100.00</b>        | <b>747,109,731</b> | <b>100.00</b>         |
| Resident     | 7,020                  | 99.28                | 737,147,666        | 98.67                 |
| Non-resident | 51                     | 0.72                 | 9,962,065          | 1.33                  |
| <b>Total</b> | <b>7,071</b>           | <b>100.00</b>        | <b>747,109,731</b> | <b>100.00</b>         |



## INVESTOR INFORMATION

## 7 TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2023

| Name of the shareholder                              | Number of shares as at 31.03.2023 | (%)           | Number of shares as at 31.03.2022 | (%)           |
|------------------------------------------------------|-----------------------------------|---------------|-----------------------------------|---------------|
| 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          | 28,994,243                        | 3.88          |
| 4 Sri Lanka Insurance Corporation Ltd - General Fund | 26,450,000                        | 3.54          | 26,450,000                        | 3.54          |
| 5 Mr K D A Perera                                    | 18,750,000                        | 2.51          | 18,750,000                        | 2.51          |
| 6 Mr K D H Perera                                    | 18,750,000                        | 2.51          | 18,750,000                        | 2.51          |
| 7 Employees Trust Fund Board                         | 9,688,029                         | 1.30          | 9,688,029                         | 1.30          |
| 8 Ms K D C Samanthi                                  | 9,375,000                         | 1.25          | 9,375,000                         | 1.25          |
| 9 Seylan Bank PLC / Senthilverl Holdings (Pvt) Ltd   | 8,544,300                         | 1.14          | -                                 | -             |
| 10 Mackenzie Capital Ltd                             | 7,000,000                         | 0.94          | 7,000,000                         | 0.94          |
| 11 Perera and Sons Bakers (Pvt) Limited              | 7,000,000                         | 0.94          | 7,000,000                         | 0.94          |
| 12 DFCC Bank PLC A/C 1                               | 6,400,000                         | 0.86          | 6,400,000                         | 0.86          |
| 13 Mr P P Subasinghe                                 | 5,010,540                         | 0.67          | 4,633,190                         | 0.62          |
| 14 Mr S M Jayasooriya                                | 4,313,559                         | 0.58          | 4,010,000                         | 0.54          |
| 15 Mr M F Hashim                                     | 4,257,665                         | 0.57          | 3,594,154                         | 0.48          |
| 16 Mr D D Gunaratne                                  | 3,151,000                         | 0.42          | 3,021,000                         | 0.40          |
| 17 Mr B C Tay                                        | 3,000,000                         | 0.40          | 3,000,000                         | 0.40          |
| 18 Dr T Senthilverl                                  | 2,703,857                         | 0.36          | 92,450                            | 0.01          |
| 19 Mr M I M Shafie & Mrs. F R Shafie                 | 2,500,000                         | 0.33          | 2,500,000                         | 0.33          |
| 20 Mr K C Vignarajah                                 | 2,357,057                         | 0.32          | 987,228                           | 0.13          |
| <b>Total</b>                                         | <b>612,483,305</b>                | <b>81.98</b>  | <b>598,483,349</b>                | <b>80.11</b>  |
| <b>Others</b>                                        | <b>134,626,426</b>                | <b>18.02</b>  | <b>148,626,382</b>                | <b>19.89</b>  |
| <b>Grand Total</b>                                   | <b>747,109,731</b>                | <b>100.00</b> | <b>747,109,731</b>                | <b>100.00</b> |

## 8 SHARE TRADING INFORMATION

| For the year ended 31 March  | 2023        | 2022          |
|------------------------------|-------------|---------------|
| Highest (Rs.)                | 8.20        | 9.60          |
| Lowest (Rs.)                 | 6.10        | 7.10          |
| Closing (Rs.)                | 6.70        | 7.20          |
| Value of Shares Trades (Rs.) | 344,363,055 | 1,366,338,559 |
| No. of Shares Traded         | 50,867,154  | 163,848,799   |
| No. of Trades                | 14,399      | 29,574        |

## 9 EQUITY INFORMATION

| For the year ended 31 March     | 2023 | 2022   |
|---------------------------------|------|--------|
| Earnings per share-Basic (Rs.)  | 0.78 | 1.02   |
| Dividend per share (Rs.)        | Nil  | 1.05   |
| Net Asset Value per share (Rs.) | 4.07 | 3.31   |
| Dividend pay out ratio (%)      | Nil  | 102.94 |



## GLOSSARY OF TERMS

**A****ACCOUNTING POLICIES**

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

**ACCRUAL BASIS**

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

**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.

**CO<sub>2</sub>**

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.

## GLOSSARY OF TERMS

**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 organization'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.

**MHP**

Mini Hydropower 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.

## NOTES

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE 22ND ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD BY WAY OF ELECTRONIC MEANS ON 30 JUNE 2023 AT 4.30 P M . CENTERED AT THE BOARDROOM, OF ROYAL CERAMICS LANKA PLC AT NO. 20, R A DE MEL MAWATHA, COLOMBO 03

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Financial Statements for the year ended 31st March 2023 and the Report of the Auditors thereon.
2. To re-elect Mr.Prabodha Sumanasekera, who retires by rotation in terms of Article 25(10) of the Articles of Association, as a Director of the Company;
3. To re-appoint Messrs PriceWaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine and make donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

By Order of the Board  
**VALLIBEL POWER ERATHNA PLC**



**P W Corporate Secretarial (Pvt) Ltd**  
*Secretaries*

Colombo

26 May 2023

### 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. Harsha Amarasekera    | of Colombo or failing him |
| Mr. Prabodha Sumanasekera | of Colombo or failing him |
| Mr. Haresh Somashantha    | of Colombo or failing him |
| Mr. Shan Shanmuganathan   | of Colombo or failing him |
| Mr. Chatura V. Cabraal    | of Colombo or failing him |
| Ms. Dinusha 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 2023 at 4.30 p.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 Financial Statements for the year ended 31st March 2023 and the Report of the Auditors thereon |     |         |
| 2. To re-elect Mr. Prabodha Sumanasekera, who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.                                                                      |     |         |
| 3. To re-appoint Messrs PriceWaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.                                                                     |     |         |
| 4. To authorize the Directors to determine payments for the year 2023/2024 and up to 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 Three.

.....  
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 11.30a.m on 28th June 2023.

# CORPORATE INFORMATION

## NAME OF COMPANY

Vallibel Power Erathna PLC

## LEGAL FORM

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

## DATE OF INCORPORATION

07th November 2001

## COMPANY REGISTRATION NUMBER

P.Q. 103

## FINANCIAL YEAR END

31st March

## NATURE OF THE BUSINESS

Generate and Supply Electric Power to the National Grid.

## STOCK EXCHANGE LISTING

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

## BOARD OF DIRECTORS

Mr. Harsha Amarasekera-Chairman  
Mr. Prabodha Sumanasekera  
Mr. Haresh Somashantha  
Mr. Shan Shanmuganathan  
Mr. Chatura V. Cabraal  
Ms. Dinusha Bhaskaran

## REGISTERED OFFICE

27-2, East Tower, World Trade Center  
Echelon Square, Colombo 01.  
E-mail: [energy@vallibel.com](mailto:energy@vallibel.com)  
Web Site: [www.vallibel-hydro.com](http://www.vallibel-hydro.com)

## BUSINESS OFFICE

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

## SUBSIDIARY COMPANIES

Country Energy (Pvt) Ltd. (unquoted)

## COMPANY SECRETARIES

P W Corporate Secretarial (Pvt) Limited  
No.3/17, Kynsey Road,  
Colombo 08.  
Telephone:011- 4640360  
Fax :011- 4740588  
E-mail : [pwcs@pwcs.lk](mailto:pwcs@pwcs.lk)

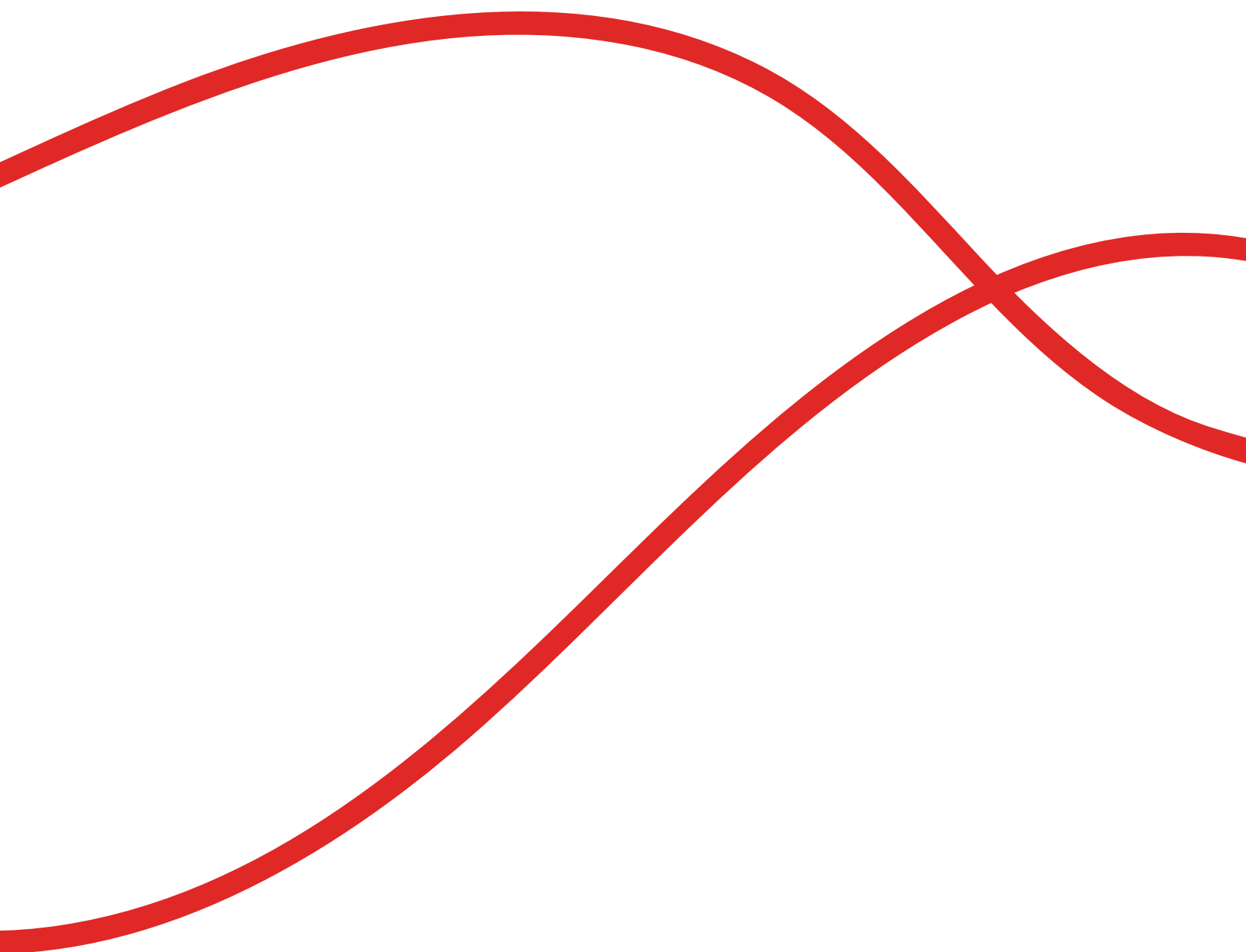
## AUDITORS

PricewaterhouseCoopers  
Chartered Accountants  
P. O. Box 918  
100, Braybrooke Place,  
Colombo 2  
Telephone : 011 771 9700  
Fax : 011 230 3197  
Web site : [www.pwc.com/lk](http://www.pwc.com/lk)

## BANKERS

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





**Vallibel Power  
Erathna PLC**