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Financial Highlights

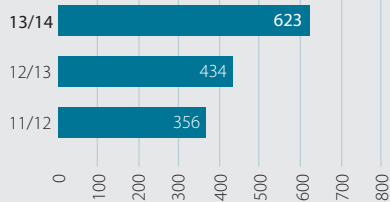
Year Ended 31st March	2014	2013	Change	2012
Operating Results				
Group Revenue (Rs.)	6,548,075,281	5,618,973,609	17%	4,510,004,413
Operating Profit before impairment (Rs.)	622,944,405	434,178,075	43%	364,660,976
Profit/ (Loss) before Finance Cost and Tax (Rs.)*	597,432,242	419,566,700	42%	329,459,736
Profit/ (Loss) before Finance Cost and Tax (Rs.)	21,730,070	419,566,700	-95%	329,459,736
Profit/ (Loss) before Taxation (Rs.)*	429,183,289	282,371,198	52%	251,099,650
Profit/ (Loss) before Taxation (Rs.)	(146,518,883)	282,371,198	-152%	251,099,650
Profit/(Loss) After Tax (Rs.)*	413,113,093	283,460,169	46%	249,825,616
Profit/(Loss) After Tax (Rs.)	(162,589,079)	283,460,169	-158%	249,825,616
Profit/(Loss) Attributable to Owners of the Parent	(259,130,805)	283,460,169	-192%	249,825,616
Profit Attributable to Non-Controlling Interest	96,541,726	-	100%	-
Dividends (Rs.)	93,900,002	175,280,003	-46%	250,400,004
Financial Position				
Equity Attributable to Equity Holders of the Parent (Rs.)	2,509,113,343	2,857,477,702	-12%	2,695,870,700
Total Assets (Rs.)	5,845,351,267	5,225,349,693	12%	5,093,428,600
No of Ordinary Shares	125,200,002	125,200,002	0%	125,200,002
Long Term Gearing (%)	7.08%	12.30%	-42%	12.95%
Shareholder Information				
Earnings/(Loss) per Share (Rs)	(2.07)	2.26	-191%	2.00
Return on Equity*	10.26%	9.92%	3%	9.27%
Return on Equity	-10.33%	9.92%	-204%	9.27%
Net Assets per Share (Rs)	20.04	22.82	-12%	21.53
Interest Cover*	3.55	3.06	16%	4.20
Interest Cover	0.13	3.06	-96%	4.20
Dividend per Share (Rs)	0.75	1.40	-46%	2.00
Dividend Payout (%)	33.24%	70.16%	-53%	60.67%
Dividend Cover (Times)	3.02	1.43	112%	1.65
Market Price as at 31st March (Rs.)	17.80	20.90	-15%	22.00
Market Capitalisation (Rs.)	2,228,560,035	2,616,680,041	-15%	2,754,400,044

* Before provision for impairment of assets of Heladhanavi Ltd.

Financial Highlights

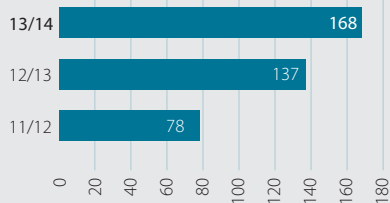
Operating Profit before Impairment

Rs.Mn



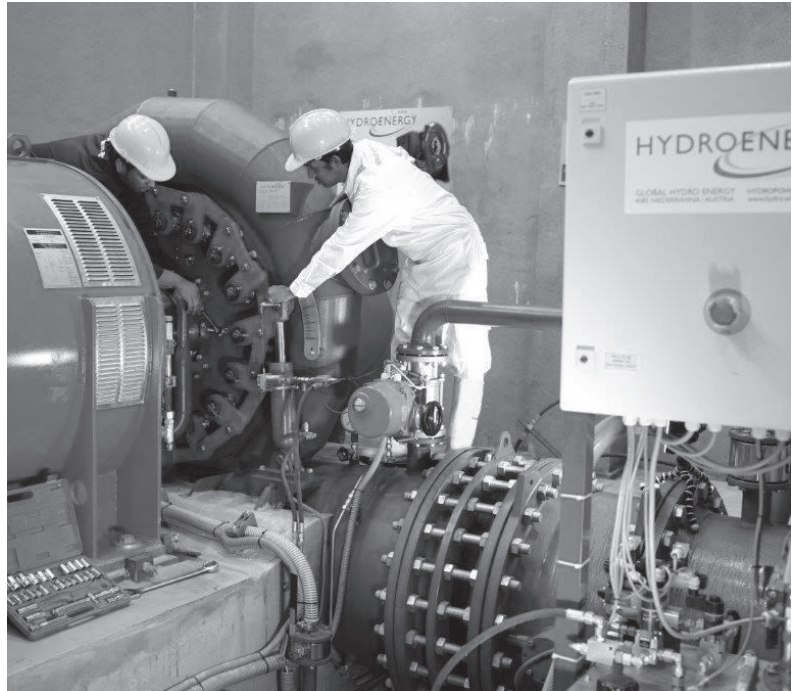
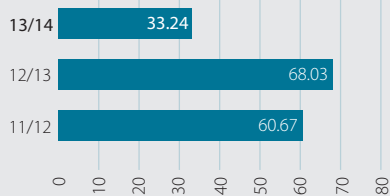
Finance Cost

Rs.Mn



Dividend Payout

%



Operating Profit before impairment

Rs. 623 Mn

Long Term Gearing

7.08 %

Net Assets per Share

Rs. 20.04

Shareholders' Funds

Rs. 2.5 Bn



Hydro Power Sector

Rs.367 Mn – 150% increase in our Hydropower Sector

Chairman's Statement

The renewable energy sector has shown considerable progress, complemented by the country's macro-economic growth amongst other factors. Moreover, the government of Sri Lanka has identified the development of renewable energy projects, as a matter of policy to diversify the electricity sector from less sustainable thermal power generation. Such progress is underpinned by the fact that there is renewed vigour and emphasis on a policy level to focus on non-conventional sources of power generation and continuous research and development in this area which is encouraging.

The country's economy bounced back to record an estimated GDP growth of 7.3%. However, the electricity consumption grew by 1.4% compared to the previous year. This leads to estimations and projections of an increase in the levels of electricity consumption, giving the industry impetus to further grow and expand. The drive on a governmental level towards 100% electrification of the country is a target that is most likely to be achieved going by the current progress shown. To this effect, we as an industry as a whole, and as a business entity have much to contribute.

From the company's perspective, there has been concern raised regarding our Thermal power sector owing to many factors of which mainly is the renewal of power purchase agreement. The Ceylon Electricity Board so far, has not made any arrangements for extension of the terms of the power purchase agreement which is due to expire in December 2014. Therefore we have, on the basis of prudence, worked with our Auditors and have considered an impairment of the Heladhanavi power plant. Accordingly, the group impact of this impairment provision is Rs. 575.7 Mn. Excluding this impairment provision, the group's operating profit increased by 43% to Rs. 622.9 Mn, and a net profit by 46% to Rs. 413.1 Mn over the corresponding period. This is consistent with our growth strategy to move further towards the hydropower segment.

Overall, the company recorded a consolidated revenue increase of 17% to Rs. 6.5 Bn. This was fuelled mainly by the 144% increase in the Hydropower sector. The high generation, increase in tariff and the acquisition of a significant stake in Panasian Power, among many others, were contributory factors.

Our long term strategy revolves around the renewable energy sector. In this respect, our acquisition of 29.3% of the equity of Panasian Power is considered a significant milestone in furthering our business and social objectives and we believe that this strategic partnership would bear fruit in the years to come.

My gratitude goes to all our fellow colleagues at Hemas Power for their commitment and hard work, and the members of the board for steering the company and guiding us through during the past year. I would also make special mention and acknowledge the contribution made by Messrs. Husein Esufally and Professor Malik Ranasinghe who stepped down from the Board and also warmly welcome Messrs. Steven Enderby and Chandana De Silva who joined the Hemas Power board, during the year. I also thank all of you, our valued shareholders for showing trust and confidence in us.



Imtiaz Esufally
Chairman

26th May 2014

Managing Director's Review

The last financial year was an excellent year for your company's Hydropower sector. At the same time, the acquisition of a 29.3% stake in Panasian Power PLC was a significant growth milestone the company achieved during that year. This acquisition expanded the overall capacity under our control to 11.4 MW from the previous 7.0 MW. Notwithstanding the drought the country experienced in the latter half of the year, the high rainfall experienced in the first half together with the increase in avoided cost tariff to strong financial performances in all our plants. Heladhanavi- our thermal power plant however fell below our expectations mainly due to the rise in fuel consumption. The impairment of its assets further impacted its net profits (after impairment) and of the company as a whole.

Accordingly, your company reported a consolidated net profit of Rs.413 million before impairment. This is a 46% increase over the previous year. The net exchange gains and losses, asset revaluation gains, forming other comprehensive income streams enabled the company to record a total comprehensive income of Rs.437.9 million for the year.

Thermal Power Operation

The rise in fuel consumption brought down the overall financial performance of Heladhanavi power plant. The plant also operated at 61% plant-utilization-level - a 15% decrease over the last year. The reduction in generation is mainly due to CEB curtailments in early part of the year fuelled by higher hydropower generation.

As a result, unlike in the previous eight years, the financial results of the Heladhanavi plant did not significantly contribute to the overall financial standings of the company. Adding to this, the finance cost also increased due to the use of additional working capital loans to finance settlement delays in CEB payments.

Heladhanavi's assets were impaired in its financial statements and its impact on our consolidated financial statements stood at Rs.575 million. The impairment was done as a measure of prudence. It is based on the key assumption that the Power Purchase Agreement (PPA) between CEB and Heladhanavi Ltd will not be renewed at the conclusion of its term in December 2014.



2.0 Mw Giddawa Hydro Power Plant in Digana

However there is an ongoing dialogue between CEB and Heladhanavi to assess the possibilities of an extension to the PPA. In the event that the PPA is renewed, depending on facts and circumstances prevailing at that time, the impairment will be re-assessed.

The contribution from the thermal sector before the impairment for net profits is Rs.97 million which is a reduction of 50% compared to the last year.

Hydro Power Operation

Resulting from high rainfall that prevailed in the country during the first half of the year, our hydro power plants performed well during the year. The Magal Ganga plant generated 7.67 Gwh at 37% plant-utilization-level. This is 39% above previous year. Similarly the Giddawa Power Plant generated 9.0 Gwh at 51% plant-utilization-level. This is on the other hand is a 34% increase over last year. Our 2.6MW Agraoya plant generated 8.9 Gwh at 39 % plant-utilization-level which is a 12% increase over the last year.



2.6 Mw Agraoya Hydro Power Plant in Lindula

The power plants owned by Panasian Power PLC gave mix results. The Rathganga plant generated 10.2 Gwh at a 58% plant utilization level which is an 8% drop over the last year. The Manelwala power plant performed well generating 7.8 Gwh at a 36% plant utilization level. This is an increase of 6% over previous year.

The cumulative generation of all five power plants increased 14% to 43.6 GWh compared to the previous year. Accordingly the profits of the Hydropower sector increased 150% to Rs. 367 million in comparison to the previous year.

Managing Director's Review

Sector Outlook and Future

The economy rallied to a higher and sustainable growth path with GDP recording a 7.3 per cent growth in 2013 compared to 6.3 per cent in 2012. Positive macro economic conditions, including low inflation, declining interest rates and the relatively stable exchange rate added to the speeding up of economic growth. Favourable weather conditions were conducive to growth with a positive impact on domestic agriculture together with a significant expansion in high value added hydropower generation. As a matter of fact average hydro to thermal ratio stood at 59:41 - higher than the previous year which was at 22:78.



2.4 MW Magalganga Hydro Power Plant in Maliboda

Despite growth in the power infrastructure and electrification level reaching towards 90% plus level, our per capita electricity consumption remains low as we have witnessed over the years, in comparison to many of our South Asian neighbours. We believe and it is expected that the household and industrial electricity requirements will increase in the next five years.



2 Mw Rathganga Hydro Power Plant

Conclusion

We believe that each and every achievement thus far by the company has been the result of an exceptionally committed team which we are fortunate to have. The great team work on all levels exemplifies and personifies our commitment to each other, our organization and our fellow beings. I thank my colleagues who have worked hand in hand with me in our quest to become one of the country's most dynamic corporate entities. I would also extend my sincere gratitude to the Chairman and my fellow colleagues on the Board for their guidance during very challenging times. I would also take this opportunity to thank all of you, our valued shareholders, for your trust and confidence that you have placed in us.

G A K Nanayakkara
Managing Director

26th May 2014

Board of Directors

Mr. Imtiaz Esufally

Chairman- Non- Executive Director

Mr. Imtiaz Esufally holds a Bachelor of Arts (Honours) degree in Accounting and Economics from the University of Kent, UK. He has over 25 years management experience and has been in the forefront of the aviation Industry. Mr. Esufally is a Group Director of Hemas Holdings PLC. He is also Chairman of the Transportation Sector and on the Board of Mercantile Shipping PLC & Panasian Power PLC. He was elected as Chairman of Hemas Power PLC in April 2012.

Mr. Kishantha Nanayakkara

Managing Director

Mr. Nanayakkara is the Managing Director of Hemas Power PLC and has been holding this position since the inception of the Company in 2003. He is also a member of the Board of Management of Hemas Holdings PLC. Mr. Nanayakkara is a Fellow of the Chartered Institute of Management Accountants, UK and an Associate of the Institute of Chartered Accountants in England and Wales. He holds an MSc in Finance from the Birmingham Business School, University of Birmingham, UK and the AMP from Said Business School, University of Oxford. He has held several senior management positions and directorships in companies ranging from manufacturing to financial services during a career spanning over 20 years. Mr. Nanayakkara has served on the Board of the Sri Lanka Sustainable Energy Authority, as an advisor to the National Council for Economic Development and as a Consultant to the PERC in the past. He is also a Non-Executive Director of Panasian Power PLC and an Independent Non-Executive Director of Entrust Securities PLC.

Mr. Malinga Arakularatne

Non-Executive Director

Mr. Malinga Arakularatne is the Chief Financial Officer of Hemas Holdings PLC, and a member of the Board of Management of the Group. He has been part of the Hemas Group since 2004 and had gained over 8 years of experience in the fund management industry prior to joining Hemas. He serves on the Boards of Hemas Holdings PLC, Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC and NDB Capital Holdings PLC. He is a CFA Charter Holder and a Past President of CFA Sri Lanka. He is also a Fellow Member of the Chartered Institute of Management Accountants and a Past Board Member of the CIMA Sri Lanka Division. He holds a B.Sc in Computer Science and Engineering from University of Moratuwa, an M.Sc in Investment Management from Cass Business School, and an Executive MBA from INSEAD.

Mr. Sanjiva Senanayake

Independent Director

Mr. Senanayake was appointed to the Board of Hemas Power PLC as an Independent Director in 2009. He brings in a wealth of experience having served in several key positions in national and international organizations. Mr. Senanayake joined the International Finance Corp (IFC) - the World Bank's private sector financing arm in June 1998 and held the position of Resident Representative to Sri Lanka and Maldives until 2006. In 2006, he was appointed as the IFC's Head of Financial Markets Investments for West Africa and held this position until his retirement in April 2009. Prior to his joining IFC he served as the Assistant General Manager –Treasury and Investment Banking at the National Development Bank of Sri Lanka and earlier as Consultant –Treasury and Business Development at the Commercial Bank of Ceylon. Prior to that he held several key positions in the Citibank Group in Sri Lanka and overseas. Mr. Senanayake holds an MSc in Communication Engineering from the Imperial College of Science and Technology, University of London, UK and a BSc in Electronic and Electrical Engineering from King's College, University of London, UK. He is also a Director of Sampath Bank PLC, Asian Hotels and Properties PLC and Hemas Pharmaceuticals (Pvt) Ltd.

Board of Directors

Mr. Riad Ameen

Non- Executive Director

Mr. Ameen functions as the Legal Consultant to Hemas Holdings PLC. He is also a member of the Group Operations Committee (GOC) of Hemas Holdings PLC. He holds a Bachelor's Degree in Law (LLB) from the University of London and a Master of Laws Degree (LLM) from the University of Colombo. He is a Barrister of the Lincoln's Inn, UK, and an Attorney-at-Law. He has been associated with the Hemas Group for the past 8 years. Mr. Ameen has been an active civil law practitioner for the past 16 years. He also serves as a Non- Executive Director of Panasian Power PLC.

Mr. Chandana de Silva

Independent Director

Mr. Chandana de Silva served at MAS Holdings for nine years in supply chain management, strategy development and portfolio management of a number of non-apparel start-up businesses.

He is currently an independent Management Consultant serving clients in the Apparel and IT industries.

He serves on the Boards of Hemas Transportation (Pvt) Ltd, 247 Techies, Eureka Technologies Ltd, Dunamis PLC, Kelsey Developments PLC as Non-Executive Director and is an Executive Director at Sea-Change Partners Lanka Ltd, a company that provides competency development in strategic negotiating and influencing skills.

He is a Fellow of the Institute of Chartered Accountants in England & Wales and in Sri Lanka.

He was in the UK for 26 years, and his last post was CFO of Europe for Level (3) Communication's Inc., one of the catalysts of growth of internet based applications.

Mr. Steven Enderby

Non- Executive Director

Mr. Steven Enderby joined Hemas Holdings PLC to head up the group efforts in mergers and acquisitions and strategy. He was appointed to the directorate of Hemas Manufacturing (Pvt) Ltd and as a member of the Board of Management of Hemas Holdings PLC in May 2013. Mr. Enderby took up the Office of Deputy CEO and director of Hemas Holdings PLC in November 2013. He was appointed as CEO of Hemas Holdings PLC in April 2014.

Mr. Enderby has a long and successful track record in the private equity space with Actis, a leading global emerging markets fund. During his career, he has worked for Actis in UK, Uganda, Swaziland, Sri Lanka and most recently in India, finally retiring as an Actis Partner in 2011. He has led multiple successful private equity transactions in Sri Lanka, including South Asia Gateway Terminals, Ceylon Oxygen and Millennium Information Technologies. He has served on the Boards of many leading businesses in India and Sri Lanka including John Keells Holdings PLC, Lion Brewery and Punjab Tractors.

He holds a Masters of Development Studies from the University of Melbourne, BSc (Econ) Hons, in Economics and Accounting from Queens University, Belfast and is also a Member of Chartered Institute of Management Accountants

He is a Non- Executive Director of Serendib Hotels PLC, J L Morrison Son & Jones (Ceylon) PLC and an Independent Director of CIC Holdings PLC.

Profitability

Group

The group profit was significantly impacted by an impairment of thermal sector assets (impairment). Owing to the above, company reported a consolidated net loss of Rs. 162.6 Mn for the year. Whereas the group reported a profit of Rs. 413.1Mn, prior to the impairment loss. This is a growth of 46% over the previous year. The operating profit before impairment increased by 43% to Rs. 622.9 Mn. This growth is predominately due to an exceptional performance in hydropower segment owing to the high rainfall experienced during the early parts of the financial year together with the “avoided cost based” tariff revision.

Thermal Power Sector

The Power Purchase Agreement (PPA) of the company will expire on December 2014 and the likelihood of renewal at this stage looks remote. The power plant was depreciated over the life time of the plant (15 Years) ignoring the life span of the Power Purchase Agreement (10 Years) on the basis of the expected extension of the PPA. The unlikely extension of the PPA has a significant impact on carrying value of the power plant asset. The recoverable amount of the Power Plant as at 31 March 2014 has been determined based on the “fair value less cost to sell” and it was concluded that the value in use did not exceed the “fair value less cost to sell”. When determining the value in use, it was assumed that the power purchase agreement will not be renewed on expiration. Hence the Company has recognized an impairment charge of Rs 1.2 Bn in the income statement. The group impact of the impairment charge is Rs. 575.7 Mn and thermal sector loss after impairment is Rs. 478.7 Mn whereas the profit before impairment is Rs. 96.9 Mn and this is a 50% reduction compared to the previous year. The reduction is mainly due to the high fuel consumption owing to a substantial drop in fuel density.

During the year the company's financial expenses increased by 6% to Rs.126.9 Mn due to increase in additional working capital loans to finance CEB's settlement delays.

Hydro Power Sector

The sector profits increased by 150% to Rs. 367.3 Mn due to high rainfall experienced in the catchments compared to the previous year and increase in tariff by 21% for avoided cost based power plants. The hydropower sector performance enhanced further owing to the acquisition of Panasian Power PLC to the Group.

In the year under review, Panasian Power PLC borrowed Rs. 90 Mn to finance a part of the Padiyapalalla acquisition. Owing to this, sector finance cost increased to Rs.18.4 Mn from Rs. 9.2 Mn in previous year.

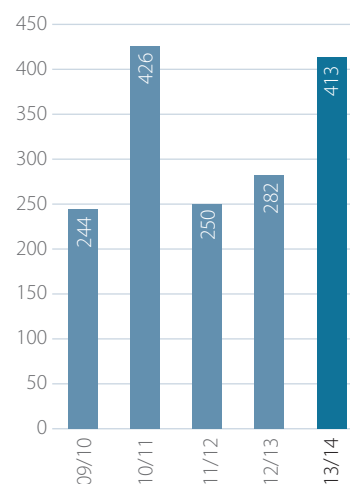
In addition, finance expenses in the sector represent preference share dividend and loan interest payable to the parent, which has no impact on the group accounts at Hemas Power level the company borrowed Rs.300 Mn to finance the Panasian Power acquisition. Due to this the interest cost increased to Rs. 22.8 Mn from Rs. 8.7 Mn in previous year.

Sector Performance (before impairment) - Rs. Mn

Net Profit	12/13	13/14
Thermal Power	194	97
Hydro Power	147	367

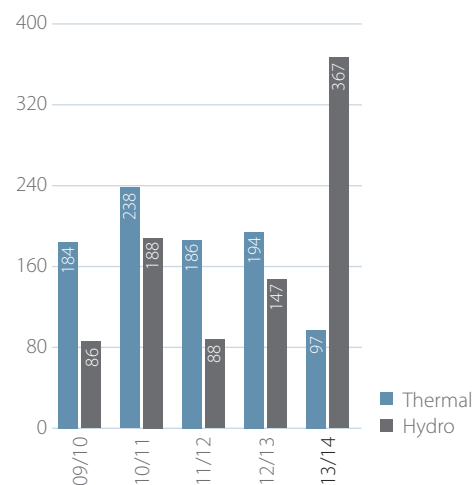
Net Profit After Tax (before impairment)

Rs.Mn



Sector Net Profit Analysis (before impairment)

Rs.Mn



Financial Review and Investor Information

Revenue

Group

There are no major changes in the revenue sources compared to the previous year except for the impact due to addition of Panasian Power PLC. The Group's revenue represents selling of electricity to the National Grid, where as at the Company level it comprises dividend income received from the joint venture, subsidiary companies and interest income earned from investments including inter-company loans.

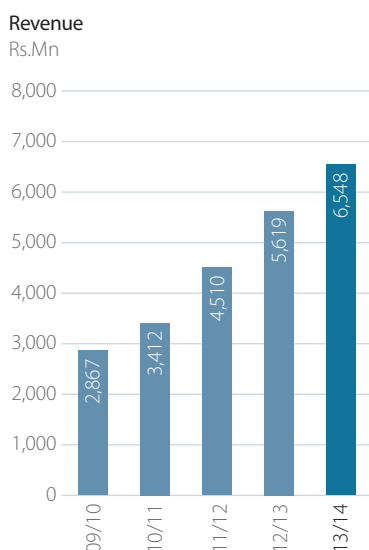
The Group revenue for the financial year increased by 17% to Rs. 6.5 Bn compared to the last year. This is a result of the "pass-through effect" of the furnace oil price at Heladhanavi and higher energy generation in the hydropower sector. Acquisition of Panasian Power also contributed positively to enhance the performance.

Thermal Power Sector

Heladhanavi dispatched 533.2 GWh during the year, whereas for the operating year as per the Power Purchase Agreement (PPA), the plant generated 469.7 GWh at 54% plant utilisation level. The reduction is mainly due to curtailment of supply by CEB in early part of the year owing to higher hydropower generation. For the year, Heladhanavi reported Rs. 6.0 Bn in revenue, with a 11% increment from Rs. 5.4 Bn in the previous year.

Sector Performance - Rs. Mn

Revenue	12/13	13/14
Thermal Power	5,389	6,004
Hydro Power	222	541



Hydro Power Sector

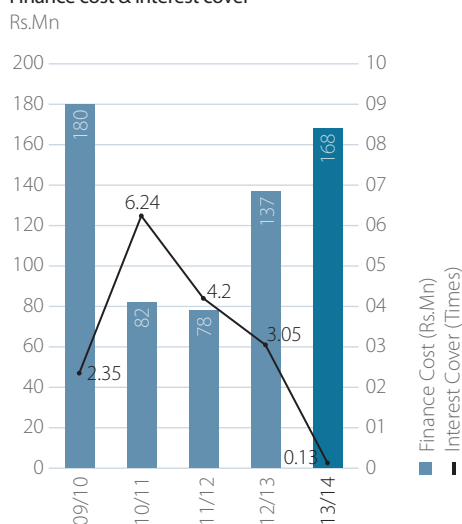
The sector accounted for 43.6 Mn units (kWh) generation to the National Grid during the year. This is a 118% increase over the previous year owing to the high rainfall experienced in plant catchments in early part of the year.

The company earned Rs. 157.8 Mn in dividend and interest income from its investment activities for the year. This is a 74% increase over the previous year. A low level of investable cash was maintained, as the company settled its short term loans obtained in connection to the acquisition of Panasian Power PLC. In addition, the company distributed Rs. 93.9 Mn as an ordinary share dividend

Finance Cost

Finance cost increased by 23% to Rs. 168 Mn due to increase in working capital loans by Heladhanavi Ltd to finance delays in CEB settlements. The long term loans obtained by Heladhanavi are nearly zero as the company has concluded payment of a large part of its debt. In addition, the above interest cost includes Rs. 7.9 Mn and Rs. 11.0 Mn borrowed by Hemas Power PLC and Panasian Power PLC respectively. During the year Hemas Power borrowed Rs. 300 Mn to finance the Panasian Power PLC acquisition and, as at the year end, it has been settled in full. Whereas, Rs. 90 Mn borrowed at Panasian Power PLC level to finance part the Padiyapalalla acquisition continued.

Finance cost & interest cover



Financial Review and Investor Information

Taxation

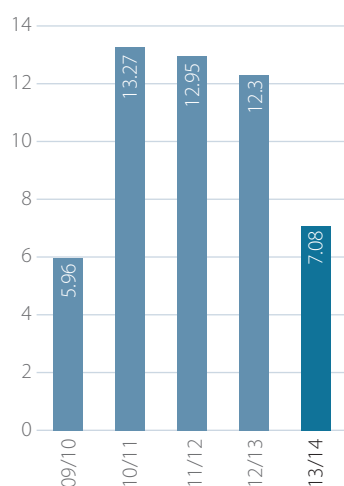
Except Giddawa, Agraoya and Ratganga, consequent to the agreements that have been entered into with the Board of Investment of Sri Lanka, the Group's subsidiaries and joint venture currently enjoy tax holiday periods on their business profits. Hemas Power PLC, being a venture capital company gazetted under the Inland Revenue Act, was liable for income tax at a concessionary rate of 12% for the year. The consolidated income tax expenses include the income tax charge on other sources of income of the Group's subsidiaries and joint venture. Giddawa, Agraoya and Ratganga, liable for 10% concessionary tax rate until next year and it will be 20% thereafter.

The company started providing for deferred tax using the liability method on all temporary differences and a differed tax liability has been recognised for the year.

Capital Structure

As of 31 March 2014, the total shareholders' funds of the Group stood at Rs. 3.2 Bn, compared to Rs. 2.8 Bn in the previous year. With the increase in shareholders' funds, compared to the previous year, the Group long-term debt to equity ratio dropped to 7% from 12% due to reduction in terms loans at Heladhanavi Ltd.

Long term Gearing



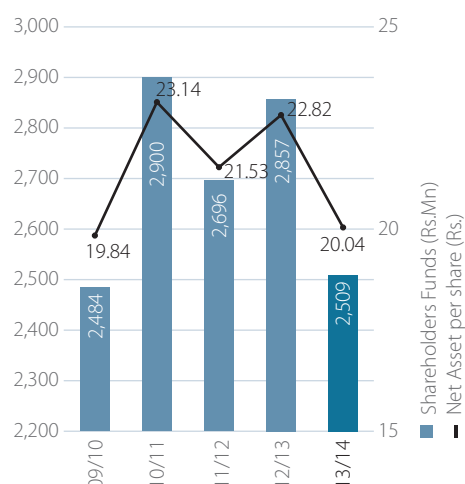
Investments and Capital Expenditure

In the year under review, the company started investing in Panasian Power PLC (PAP) and as at the year end, the company owned a stake of 29.3% in PAP. In the year 2013, PAP is recognized as an investment at fair value under other non-current financial assets. In the previous year our stake was 9.3% and it was increased by another 20% in the year under review. Hence, the business combination achieved in stages and capital gains in previously valued stakes are recognised to the income statement.

Net Assets per Share

The Group's Net Assets per Share as at 31st March 2014 stood at Rs. 20.04. This is a 12% decrease over that of the previous year. At the market price of Rs.17.80, recorded on 31st March 2014, the price to book ratio of the company reported at less than 1.

Shareholders' Fund and Net Asset per Share

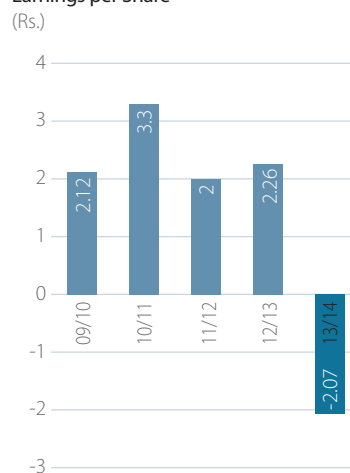


Shareholder Returns

Earnings per Share

The Group's Earnings per Share (EPS) is reported at negative Rs. 2.07 for the financial year under review. This drop is due to impairment loss mentioned in the previous segment. The EPS without impairment is Rs. 2.53 which is an increase of 12% over the previous year.

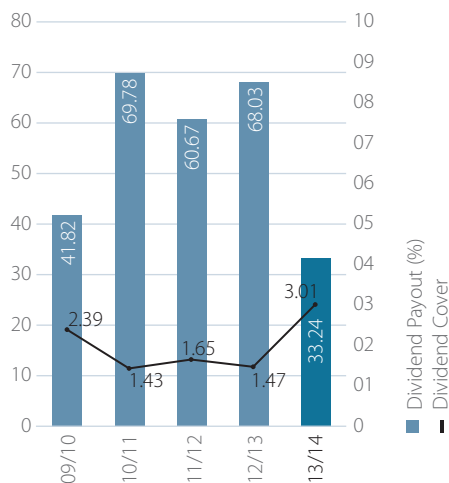
Earnings per Share



Price Earnings Ratio

Owing to the impairment provision the EPS reported at negative 2.07. Therefore, the Price Earnings Ratio (PER) of the company as of 31st March 2014 stood at negative 8.6 times. Whereas based on the impairment adjusted EPS, the PER of the company stood at 7 times, compared to 9 times recorded in the previous year. On the other hand, the Power and Energy sector PER too was at 6.34 times whereas the market PER was at 13.48 times.

Dividends Payout and Dividend Cover



Dividends

For the financial year under review, the company paid a tax-free dividend of Rs. 0.75 per share. This was a 46% decrease over the previous year’s dividend owing to the reduction in dividend received from Heladhanavi and utilisation of funds on high yield business acquaints. However, Hemas Power PLC has been paying dividends to its shareholders consistently and the company will strike a balance between healthy dividends and retention as required for investment activities to enhance long-term shareholder value.

Interest Cover

The interest cover of the group reduced to 0.13 from the previous 3.05 due to impairment loss at Heladhanavi. However, in a context where such loss is not considered, the interest cover for the year stood at 3.55 which is an improvement of 16% over the previous year. Considering the current interest cover to the group and considering the strength of the hydropower segment, it has the leeway to raise debt at the business level for the purpose of leveraging hydropower sector companies and financing projects in the pipeline.

Changes in Accounting Policies and Disclosures

The application of SLFRS 11 will impact the Group’s accounting of its interest in a joint venture, Heledhanavi Limited. The group has a 47.06% interest in Heledhanavi Limited. The company is classified as a jointly controlled entity and the group’s share of the assets, liabilities, revenue, income and expenses are proportionately consolidated in the consolidated financial statements. The accounting policies of joint ventures will be changed upon adaptation of the revised SLFRS 11. The group has determined its interest in Heledhanavi Limited to be classified as a joint venture under SLFRS 11 from its effective date thereby requiring to be accounted for using the equity method. The effect of applying SLFRS 11 on the Group’s financial statements is given in the financial statements - note 37.

Financial Review and Investor Information

Investor Information

List of 20 Major Shareholders

As at 31st March		2014		2013
Name		No. of Shares	%	No. of Shares
1	Hemas Holdings PLC	93,900,000	75.00	93,900,000
2	Employees Trust Fund Board	1,586,400	1.27	1,586,400
3	Bank of Ceylon Account No 1	1,117,700	0.89	1,117,700
4	Mr. D F G Dalpethdo	712,548	0.57	-
5	Hallsville Trading Group INC	677,910	0.54	276,351
6	Peoples Bank	600,000	0.48	-
7	Almar Trading Co (Pvt) Ltd	492,200	0.39	492,200
8	E W Balasuriya & Co. (Pvt) Ltd	467,157	0.37	-
9	Cocoshell Activated Carbon Company Ltd	437,272	0.35	-
10	National Savings Bank	424,800	0.34	424,800
11	Mr. H Beruwalage	419,200	0.33	419,200
12	Mr. D V K Siritunga	408,578	0.33	348,578
13	Almar International (Pvt) Ltd	398,700	0.32	398,700
14	Sandwave Limited	384,500	0.31	-
15	Mr. M F Hashim	367,900	0.29	380,500
16	Elgin Investments Ltd	363,000	0.29	330,000
17	Mr. H A Cabral	350,000	0.28	-
18	Commercial Bank of Ceylon PLC A/C No. 04	336,657	0.27	-
19	Mr. M M Fuad	329,204	0.26	433,435
20	Mr. D P Pieris	300,000	0.24	300,000
		104,073,726	83.12	
Shares held by the balance shareholders		21,126,276	16.88	

Analysis of shareholders according to the number of shares as at 31st March 2014

Shareholdings	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	Percentage %	No. of Shareholders	No. of Shares	Percentage %	No. of Shareholders	No. of Shares	Percentage %
1 to 1,000 shares	2,396	1,089,752	0.87	7	6,000	0.00	2,403	1,095,752	0.87
1001 to 10,000 shares	993	3,602,230	2.88	22	121,700	0.10	1,015	3,723,930	2.98
10,001 to 100,000 shares	280	7,979,159	6.37	21	896,650	0.72	301	8,875,809	7.09
100,001 to 1,000,000 shares	52	12,322,611	9.84	8	2,577,800	2.06	60	14,900,411	11.90
over 1,000,000 shares	3	96,604,100	77.16	0	-	0.00	3	96,604,100	77.16
	3,724	121,597,852	97.12	58	3,602,150	2.88	3,782	125,200,002	100.00

Categories of Shareholders	No. of Shareholders	No. of Shares
Individual	3,618	18,964,486
Institutional	164	106,235,516
Total	3,782	125,200,002

Computation of % of Public Shareholding

As at 31st March	2014	2013
	No. of Shares	No. of Shares
Over 10% Holding / Parent Company		
Hemas Holdings PLC	93,900,000	93,900,000
	93,900,000	93,900,000
Directors Direct Shareholding		
I A H Esufally (Chairman)	1	1
H N Esufally	1	1
G A K Nanayakkara (Managing Director)	182,000	115,000
W M De F Arakularatne	2,900	2,900
M R Ameen	8,100	8,100
Prof. K A M K Ranasinghe - Resigned with effect from 24/12/2013	-	-
S K G Senanayake	-	-
Chandana De Silva - Appointed with effect from 20/03/2014	-	-
	193,002	126,002
Directors Indirect Shareholding		
I A H Esufally (Chairman)	-	-
H N Esufally	-	-
G A K Nanayakkara (Managing Director)	22,200	22,200
W M De F Arakularatne	-	-
M R Ameen	-	-
Prof. K A M K Ranasinghe - Resigned with effect from 24/12/2013	-	-
S K G Senanayake	-	-
Chandana De Silva - Appointed with effect from 20/03/2014	-	-
	22,200	22,200
Issued Share Capital as at 31st March		
	125,200,002	125,200,002
Less		
Parent Company /over 10% Shareholding	93,900,000	93,900,000
Directors direc & indirect Shareholding	215,202	148,202
	31,084,800	31,151,800
Public Holding as a % of Issued Share Capital	24.83%	24.88%

Share Trading Information

	2014		2013	
Market Price				
Highest (Rs.)	22.50	19.04.13	26.00	20.04.12
Lowest (Rs.)	16.50	26.02.14	17.20	20.08.12
as at Year ended (Rs.)	17.80	31.03.14	20.90	31.03.13
No. of Trades	3,750		3,082	
No. of Shares Traded	11,948,367		9,226,394	
Value of Shares Traded (Rs.)	230,032,980		193,290,574	
Market Capitalisation (Rs.)	2,228,560,036		2,616,680,042	
Price Earnings Ratio (Times)	-8.60		9.25	

Corporate Social Responsibility

We are firm believers that our responsibility towards nature and our community as a whole plays more than a pivotal role in the operations of our organization. We believe that it is this partnership towards a sustainable future, and the commitment towards ensuring that not only our stakeholders in terms of business, but all other key stakeholders who either directly or indirectly play a crucial role in the development of our organization that has ensured our organization grow from strength to strength during its few years in existence.

Thus, such commitment and dedication underpins the organizations value system and is both ingrained and inculcated within our culture in our commitment to excellence in the organizations chosen field of operations. Our relentless, consistent and constant focus on the wellbeing of the environments we chose to work in and beyond encompasses and goes beyond the mere strategies of a business entity. In this context Corporate Social Responsibility for Hemas Power is not a mere tag line but a commitment and an endeavor that is adhered to and pursued with unbridled enthusiasm.

Managing People

For us at Hemas power, people are our main resource. As much as the term Human Resource Management is one that is clichéd, we verily believe and act on the understanding and believe that our people are the main force that drives and propels a business entity into a corporate giant. We believe and a firmly committed in the belief that ensuring high standards of excellence in both personal and professional lives of our team ensures and most certainly results in our organization playing a role above and beyond bottom lines.



Village community development

The diverse and multi faceted team that we possess has over the years proved time and again to be the most potent catalyst for extraordinary results thereby ensuring that we as a team go beyond and exceed the limits stand targets we set ourselves, while ensuring that the environment, community and very other stakeholder benefiting both in the short and long term.

Developing People

The performance review system that we possess and conduct is a transparent process through which both the employee and employer are aware of the corporate culture that we strive to uphold and sustain. The gaps in performance therein identified with reference to skill, knowledge and all other aspects of our corporate identity and goals will then be addressed through continuous training, adaptable communication, and expert professional training, both in house and overseas.

We have over the years witnessed and experienced the results of such methods which has enabled and permitted introspection in both the employee and the company. As a policy we as an organization continue to train of workforce with an attitude of non-comprise to the budgets that have been allocated for such.



"Piyawara" 37 pre-schools

We craft our training plans with the intention to meet company objectives whilst creating opportunities for employees to perform their duties in numerous cross-sectional platforms. Among many, special emphasis is given to improve the soft skills for personal developments and unity in the teams.

Health and Safety

As an entity that strives to be world class in both operation and value systems, we are focused on ensuring a safe and healthy working environment. Our retention policy and turnover is directly correlated and impacted by the health and safety measures that we are committed to uphold. The need for such strong commitment and initiative in the sphere is an obligation and a necessity in our day to day operations.

Corporate Social Responsibility

The East African operations which has seen a steady growth during the past year has propelled us to take such concerns and commitment globally in order to ensure that each and every individual who falls within our wing is provided the best and safest workplace, on par with standards that are truly world class.

We have therefore witnessed a steady growth in our business owing to a healthy and vibrant workforce who both feel and experience the constant commitment and standards that we are dedicated to uphold.

Regulation Compliance – Operational and Development Projects

The Project approval procedures for our organization are designed to be channelled and approved by government authorities vested with the power and knowledge in providing authorization to the projects we seek to gain approval for. From the many regulatory and compliance bodies, the Central Environment Authority, the Water Board, the Department of Forestry are some of those we closely work together with the respective district and urban councils. However, our compliance is focused strictly within the frameworks provided to us, but instead goes beyond and above the relevant compliance requirements in our commitment to strive and uphold the wellbeing of our society and the sustenance of our eco system.

Geographically, Heladhanavi is situated on a 96-acre property in the outskirts of Puttalam, while our hydropower plants are situated in Digana, Lindula and Maliboda. Noise pollution is a common environmental hazard which thermal plants are facing all the time. The problem has solved in a greater extent owing to the extent of the property. Further, at Heladhanavi we conduct internal tests twice a month to monitor noise levels, Twice a year, third party assessors are brought in to measure noise levels and we do obtain environmental protection license renewed by the North-Western-Province Environmental Authority which conducts an independent assessment prior to renewal each year. With the intention to balance fauna and flora, extra measures have been taken to maintain 25-foot thick green belt surrounding the facility and lawns and lakes in the property. The power plant also has purpose-built mini lakes to harvest rain water for use during the dry season. Furthermore, all waste water undergoes treatment before being released to the environment.

Renewable energy, particularly energy generated through hydro power is a solution which is heavily dependent on expensive fossil fuel-based power generation by design. However, despite such rigor and constraint that are inherent with the technology itself, we have possessed and continue to take pride in our ability in maintaining and developing a clean green culture across the three power plants that we currently function in Giddawa, Agra Oya, Magal Ganga including the power plants that are possessed by Panasian Power PLC.

Social Responsibilities

We are one of the main contributors to our parent company's (Hemas Holdings PLC) primary community based investment initiative, namely, 'Piyawara' implement by the Hemas Outreach Foundation. Piyawara is a decade long program with complete focus on early childhood care and development (ECCD) under Hemas Holdings' flagship Corporate Social Responsibility project in partnership with the Children's Secretariat of Ministry of Child Development & Women's Affairs.

The key objective of Piyawara is to enhance and improve the psychosocial and cognitive development of young children through the addition of new pre-schools to the existing national network and upgrading established pre-schools to reach minimum standards. At present, "Piyawara" fosters 37 pre-schools island-wide.



Scholarship Program

As an organization that is committed to our relationship with society, it is our firm belief that our investment to the community both materialistic and otherwise is a key phenomenon in our drive towards success. Rural communities live in surrounding areas of the power plants have been the key stakeholders of the business and therefore they are and have been the primary beneficiary of all our initiatives surrounding their localities. Our sustainability depends on the partnership between such rural communities and the business managers who have voluntarily become our brand ambassadors in connection with communicating the social responsibility work carried out by the company.

Risk Management

The Board of Directors of Hemas Power PLC considers risk identification, assessment and mitigating activities to be vital in maintaining sustainable growth and making steady progress towards achievement of the corporate objectives. In the pursuit of opportunities it is unavoidable that we are subject to various risks. The management ensures that such risks are systematically identified and the procedures are in place to manage and control the same. Hence, a well-structured Risk Management Framework is in place under which the risks are being assessed. The identified risks are being reviewed by the Audit Committee at the Company level as well as at the Group

level. Under the Framework, the risks are then prioritized and business units use both preventive and mitigation controls to manage risk exposures within the prescribed tolerance limits.

The principal risks in achieving the Company's objective of enhancing shareholder value and safeguarding its assets have been identified and are set out below. The nature and the scope of risks are subject to change and not all of the factors listed are within the control of the Company.

Description of Risk	Mitigating Actions
<p>Business Risk</p> <p>Low returns due to inaccurate projections on business parameters. This includes deviation from expected rainfall patterns, design discrepancies and inaccurate assessments of hydrological properties for hydropower plants</p>	<ul style="list-style-type: none"> Obtain expert knowledge on establishing business parameters Utilize in-house capabilities to perform cross verifications on estimates and assumptions
<p>Default Risk</p> <p>Renegotiation of Power Purchase Agreements before the termination dates</p> <p>Default of settlements by Ceylon Electricity Board (CEB)</p> <p>Delays in settlements by CEB</p>	<ul style="list-style-type: none"> Protection exists under the Implementation Agreement (IA) entered into with Government of Sri Lanka for Heladhanavi Ltd Power Purchase Agreements (PPAs) entered into with CEB for all power plants Carry out necessary and appropriate representative efforts
<p>Growth Risk</p> <p>Slow growth due to lack of viable new projects</p>	<ul style="list-style-type: none"> Strengthen business leads generation and reference network Continue exploration into other renewable energy opportunities
<p>Inflation Risk</p> <p>Rise in oil prices leading to more working capital requirements for Heladhanavi Ltd, leading to high finance cost</p> <p>Spare-parts price increases leading to high Operation and Maintenance Cost of hydropower plants</p>	<ul style="list-style-type: none"> Use of appropriate financial and hedging strategies Use of top quality electro-mechanical equipment is expected to keep the spare-parts requirement at low levels. Mitigating Actions
<p>Interest Rate Risk</p> <p>Adverse impact on profitability due to high interest cost resulting from increase in interest rates</p>	<ul style="list-style-type: none"> Use of appropriate financial and hedging strategies Negotiate for concessionary interest rates using Hemas Group strength and Hemas Power PLC's strength as a listed Company
<p>Exchange Rate Risk</p> <p>Losses due to unfavorable movements in exchange rates</p>	<ul style="list-style-type: none"> Effective management of exchange rate exposure using financial risk management tools
<p>Regulatory and Compliance Risk</p> <p>Introduction of new regulations affecting the business adversely and complexity in complying with regulatory requirements</p>	<ul style="list-style-type: none"> Monitoring compliance of regulatory requirements Participate in representative efforts against regulations that could have a negative impact on business/industry Protections exist under the section for "Changes in Law" in PPA for Heladhanavi Ltd

Risk Management

Description of Risk	Mitigating Actions
Credit Risk Impact on liquidity due to delays/non payments by CEB	<ul style="list-style-type: none"> Protection through legally enforceable agreements
Risk arising due to Adverse Environmental Conditions Impact on returns from hydropower plants due to adverse environmental conditions such as droughts, floods etc	<ul style="list-style-type: none"> Carry out preventive maintenance work to mitigate the plant down-time risk in bad weather conditions Have a business continuity plan to reduce the plant start-up lag after a disaster Obtain adequate insurance covers against natural perils
Project Development Risk Delays in project development work due to deadlocks leading to loss of revenue	<ul style="list-style-type: none"> Strengthen project management expertise Build and maintain good rapport with the project stakeholders
Human Resource Risk Impact on business competitiveness due to difficulties in recruiting/retaining required talent	<ul style="list-style-type: none"> Build strong employer brand
Project Cost Overrun Risk Project cost exceeding budgets and estimates impacting the project returns	<ul style="list-style-type: none"> Making accurate project cost estimates using expert knowledge Having tight budgetary controls on development cost
Operational Risk Losses arising from fraud, human errors, inefficient processes, natural perils and loss of sensitive information	<ul style="list-style-type: none"> Conduct periodic internal audit reviews and report to the Audit Committee Maintain a business continuity plan to ensure disaster preparedness

Corporate Governance

The fundamental purpose of any Company is the creation and delivery of long-term sustainable shareholder value in a manner consistent with its obligations as a responsible corporate citizen, and corporate governance must be seen in this context.

At Hemas Power we aim to create and sustain value over the long term by understanding the external factors that present risks and opportunities for our business, thereby ensuring our strategy is appropriate; building strong and stable relationships with our investors, employees and customers; and ensuring that we manage our risks and resources, including capital, appropriately.

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

The level of compliance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka & the Securities & Exchange Commission of Sri Lanka and the disclosure requirements of the Colombo Stock Exchange is described in the table below:

Corporate Governance Principle	Principle No	Level of Compliance
Directors		
Frequency of Board Meetings	A. 1.1	Five Board Meetings are scheduled annually to determine the Company's strategic direction, review the Company's operational and financial performance and to provide oversight. Ad-hoc meetings are also scheduled to discuss and review specific matters which require the attention of the Board between scheduled Board meetings. Apart from taking decisions at meetings, the Board also takes decisions via Circular resolutions which are required to be signed by all the Directors.
Responsibilities of the Board	A. 1.2	The Directors are responsible for ensuring :- <ul style="list-style-type: none"> • the formulation, implementation and monitoring strategy • effective systems are in place to secure the integrity of information, internal controls & risk management • compliance with laws, regulations and ethical standards • all stakeholder interests are considered in corporate decisions; The Board has delegated some of its functions to Sub- Committees, while retaining final decision rights pertaining to matters under the purview of the Committees. The composition and the functions of these sub-committees are discussed in detail under the relevant sections of this Report.
Compliance with the law & independent Professional advice	A. 1.3	The Board collectively and the Directors individually act in accordance with the laws of the Country of operation which are applicable to the business enterprise. In discharging its' duties, the Directors seek independent professional advice from external parties when necessary at the expense of the Company.
Company Secretary	A. 1.4	The Directors' have access to the advice and services of the Company Secretary. The Company Secretary ensures that Board procedures, relevant statutory obligations and other applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a decision taken by the Board as a whole.
Independent judgment	A. 1.5	The Directors exercise independent judgment in all decisions pertaining to strategy, performance, resource allocation and standards of business conduct.

Corporate Governance

Corporate Governance Principle	Principle No	Level of Compliance																																																	
Dedication of adequate time & effort	A. 1.6	<p>The members of the Board dedicate adequate time and effort to fulfill their duties and responsibilities towards the Company.</p> <p>The the attendance of Directors at the Board and Committee meetings during the year under review is depicted in the table below :</p> <table border="1"> <thead> <tr> <th rowspan="2">Name of Director</th> <th colspan="2">Board</th> <th colspan="2">Audit Committee</th> </tr> <tr> <th>Capacity</th> <th>No. of meetings attended</th> <th>Capacity</th> <th>No. of meetings attended</th> </tr> </thead> <tbody> <tr> <td>Mr. Imtiaz Esufally</td> <td>Chairman/NED</td> <td>6/6</td> <td></td> <td></td> </tr> <tr> <td>Mr. Kishantha Nanayakkara</td> <td>MD</td> <td>6/6</td> <td></td> <td></td> </tr> <tr> <td>Mr. Husein Esufally</td> <td>NED</td> <td>6/6</td> <td></td> <td></td> </tr> <tr> <td>Mr. Malinga Arsakularatne</td> <td>NED</td> <td>4/6</td> <td>Member</td> <td>3/4</td> </tr> <tr> <td>Mr. Sanjiva Senanayake</td> <td>ID</td> <td>6/6</td> <td>Chairman</td> <td>4/4</td> </tr> <tr> <td>Prof. Malik Ranasinghe*</td> <td>ID</td> <td>4/4</td> <td>Member</td> <td>3/3</td> </tr> <tr> <td>Mr. Riad Ameen</td> <td>NED</td> <td>5/6</td> <td></td> <td></td> </tr> <tr> <td>Mr. Chandana de Silva**</td> <td>ID</td> <td>-</td> <td></td> <td></td> </tr> </tbody> </table> <p>NED – Non-Executive Director ID – Independent Director MD – Managing Director</p> <p>*Resigned with effect from 24/12/2013 **Appointed with effect from 20/03/2014</p>	Name of Director	Board		Audit Committee		Capacity	No. of meetings attended	Capacity	No. of meetings attended	Mr. Imtiaz Esufally	Chairman/NED	6/6			Mr. Kishantha Nanayakkara	MD	6/6			Mr. Husein Esufally	NED	6/6			Mr. Malinga Arsakularatne	NED	4/6	Member	3/4	Mr. Sanjiva Senanayake	ID	6/6	Chairman	4/4	Prof. Malik Ranasinghe*	ID	4/4	Member	3/3	Mr. Riad Ameen	NED	5/6			Mr. Chandana de Silva**	ID	-		
Name of Director	Board			Audit Committee																																															
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Induction and Training for Directors	A. 1.7	An Induction program is in place for newly appointed Directors. In addition, Directors are also encouraged to participate in continuous professional and self-development activities.																																																	
Separation of the role of Chairman & Managing Director	A. 2.1	A clear division of responsibility is maintained between the Chairman and the Managing Director ensuring that the balance of power and authority is preserved.																																																	
Chairman's role in conducting meetings	A. 3.1	The Chairman in running the Board facilitates the effective discharge of Board proceedings. All the Directors are encouraged to participate in decision making and their views are obtained to ensure that the Board functions in an efficient manner which is beneficial to the stakeholders and the Company.																																																	
Financial Acumen	A. 4	The Board comprise of several members who possess the necessary knowledge and competence to offer guidance on matters pertaining to finance.																																																	
Board Balance	A. 5.1	<p>All Directors except for the Managing Director are Non -Executive Directors</p> <p>The Board possess the appropriate balance of skills, experience, independence and knowledge enabling it to discharge its duties and responsibilities effectively.</p>																																																	

Corporate Governance

Corporate Governance Principle	Principle No	Level of Compliance
Independent Directors	A. 5.2	As at 31st March 2014 Two out of the Six Non- Executive Directors were considered independent.
	A. 5.3	These Directors are independent of management and free from any business or other relationship that could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
	A. 5.4	Independent Directors have submitted written Declarations of their independence as required by section 7.10.2(b) of the Listing Rules.
	A. 5.5	The Board annually determines the independence of each Non- Executive Director based on the Declarations submitted by them. The following Directors were considered independent in terms of Rule 7.10.4 of the Listing Rules of the Colombo Stock Exchange. - Mr. Sanjiva Senanayake - Prof. Malik Ranasinghe – resigned with effect from 24/12/2013 - Mr. Chandana de Silva – appointed with effect from 20/03/2014
Alternate Directors	A. 5.6	Alternate Directors have not been appointed by the Non- Executive Directors or Independent Directors.
Senior Independent Director	A. 5.7	A senior Independent Director has not been appointed by the Board as the Chairman and the Managing Director are separate persons.
Recording of concerns in Board minutes	A. 5.10	Concerns raised by the Directors on matters of the Company which cannot be resolved unanimously are duly recorded in the Board minutes.
Managements obligation to provide appropriate & timely information	A. 6.1	The Board is provided with appropriate and timely information to discharge its duties. In the event the information volunteered by management is not adequate the Directors are free to make further inquiries and obtain the necessary information.
	A. 6.2	The minutes, agenda and connected discussion papers are dispatched to the Directors in advance to facilitate the effective conduct of the meeting.
Appointments to the Board	A. 7.1	The Board has not established a Nominations Committee to make recommendations on Board appointments. Hence appointments to the Board are made collectively and with the consent of all the Directors.
	A. 7.2	An assessment is made of the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company when considering new appointments to the Board.
	A. 7.3	The Colombo Stock Exchange is informed upon the appointment of a new Director to the Board, along with a brief resume of the Director which includes; <ul style="list-style-type: none"> • the nature of his expertise in relevant functional area • other Directorships or memberships in Board sub committees • whether the Director is considered "Independent".
Re-election of Directors	A. 8.1	All Directors are subject to re-election as per the Articles of Association of the Company.
	A. 8.2	One half of the Directors including the Executive Directors retire by rotation at each Annual General Meeting in conformity with the Articles of Association of the Company. A Director appointed during the year by the Board retire at the next Annual General Meeting of the Company and seeks re- appointment by the shareholders. In addition, a Director who has reached 70 years of age vacates office at the conclusion of the Annual General Meeting commencing next after he attains the age of seventy years or if he is re-appointed as a Director after attaining the age of 70 years at the Annual General Meeting following that re-appointment.
Appraisal of Board Performance	A. 9.1	The Board carries out an evaluation of its performance in the discharge of its key responsibilities.

Corporate Governance Principle	Principle No	Level of Compliance
Disclosure of information in respect of Directors	A. 10.1	The biographical details of the Directors' including their qualifications, nature of expertise in relevant functional areas, memberships in Board sub-committees, attendance at meetings, other directorships and Directors interest in contracts with the Company are disclosed under the relevant sections of this Report.
Appraisal of the Managing Director	A. 11.1	At the commencement of each financial year, the Board in consultation with the Managing Director sets financial and non- financial goals based on the short, medium and long term objectives of the Company.
	A. 11.2	The annual appraisal of the Managing Director is carried out by the Board at pre-agreed performance targets.
Directors' Remuneration		
Remuneration Procedure	B. 1.1	In terms of Section 7.10.5 of the Listing Rules of the Colombo Stock Exchange the Remuneration Committee of the Parent Company, Hemas Holdings PLC functions as the Remuneration Committee of the Company. The Remuneration Committee makes recommendations to the Board on remuneration policies and practices that is consistent with the objectives of the Company.
	B. 1.2	The Remuneration Committee of the parent companies consists of two independent Directors and an Executive Director The Chairman of the Committee is an Independent Director appointed by the Board.
	B. 1.3	The names of the members of the Committee are indicated in the Annual Report of the Board of Directors.
	B. 1.4	In terms of the Articles of Association of the Company, the Directors determine the fees payable to Independent Directors.
	B. 1.5	The Committee consults the Chairman on proposals relating to the remuneration of the Executive Director and has access to professional advice in discharging their duties.
The Level and Makeup of Remuneration	B. 2.1	The Committee structures remuneration packages to attract, retain and motivate the Executive Director and senior management.
	B. 2.2	The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
	B. 2.3	It also takes into consideration data concerning executive pay among the group companies when determining annual salary increases.
	B. 2.4	Performance based incentives have been determined to ensure that the total earnings of the Executive Director is aligned with the achievement of objectives and budgets of the Company.
Disclosure of Remuneration	B. 3.1	The total remuneration of the Directors' is disclosed in Note 30.2 to the Financial Statements.
Relations with Shareholders		
Constructive use of the Annual General Meeting and conduct of General Meetings	C. 1.1	The Company counts all proxies lodged on each resolution and the percentage of votes "for" and "against" each resolution.
	C. 1.2	A separate resolution is proposed at the Annual General Meeting on each issue in particular in relation to the adoption of the Report of the Board of Directors and the Financial Statements of the Company.
	C. 1.3	The Chairman of the Audit Committee is present at the AGM to answer questions raised by shareholders if so requested by the Chairman
	C. 1.4	The Notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders within 15 working days prior to the meeting as required by Section 135(1) of the Companies Act No. 7 of 2007
	C. 1.5	The procedure governing voting at the General Meeting is circulated with the Notice of Meeting

Corporate Governance

Corporate Governance Principle	Principle No	Level of Compliance
Communication with shareholders	C. 2	<p>The Company disseminate information pertaining to the performance of the Company through the publication of the Interim Financial Statements and the Annual Report in a timely manner. Immediate announcement is also made to the Colombo Stock Exchange on any information which is considered price sensitive.</p> <p>The Company Secretary could be contacted in relation to any shareholder matter.</p>
Major and material Transactions	C. 3.1	<p>The Directors ensure that any transaction that would materially affect the net assets base of the Company or Group is communicated to the shareholders and approval obtained in accordance with the Statutes.</p> <p>There were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Hemas Power PLC or consolidated Group net asset base during the year under review.</p>
Accountability and Audit		
Financial Reporting	D. 1.1 D. 1.2 D. 1.3 D. 1.4 D. 1.5	<p>The Board ensures that the quarterly and annual Financial Statements of the Company are prepared & published in compliance with the requirements of the Companies Act No. 7 of 2007, Sri Lanka Accounting & Auditing Standards and the Rules of the Colombo Stock Exchange.</p> <p>The Declarations required to be made by the Board is given in the Annual Report of the Board of Directors.</p> <p>Statement of Directors responsibilities in preparation of the Financial Statements are given on page 36 of this Report while the Independent Auditors Statement on page 35 states the Auditors responsibility for the Financial Statements</p> <p>A Management Discussion is contained in the Managing Director's review and the Financial Review.</p> <p>The Declaration by the Board that the Company is "a going concern" is given in the Annual Report of the Board of Directors.</p>
Internal Control	D. 2	<p>The Board has established an effective system of internal control to safeguard the Company's assets. The internal auditors under direction of the Audit Committee is tasked with reviewing the adequacy and the effectiveness of the Internal controls.</p>
Audit Committee	D. 3.1 D. 3.2 D. 3.3 D. 3.4	<p>The Audit Committee consists of two Independent Directors and one Non Executive Director.</p> <p>The Chairman of the Committee is an Independent Director appointed by the Board.</p> <p>The duties of the Audit Committee include keeping under review the scope and results of the internal and external audit and its effectiveness and the independence and objectivity of the external Auditors.</p> <p>In the event the Auditors are contracted for non-audit services, the Committee reviews the nature and extent of such services with the aim of balancing objectivity, independence and value for money</p> <p>The Terms of Reference of the Audit Committee has been approved by the Board.</p> <p>The members of the Committee are indicated in the Annual Report of the Board of Directors.</p> <p>The Report of the Audit Committee is given on page 27</p>
Code of Business Conduct and Ethics	D. 4.1	<p>The Company has adopted a Code of Business Conduct and Ethics and the Directors are committed to the Code and the principles contained therein.</p> <p>A set of guidelines for ethical behavior have also been compiled to assist employees to act responsibly and to make the correct decisions in their daily work. The Code of Conduct explains the principles for dealing with business associates, general partners, colleagues and the community in which the Company operates.</p>
Corporate Governance Disclosures	D. 5.1	<p>The Corporate Governance Report sets out the manner and extent to which the Company has complied with the principles and provisions of the Code</p>

Corporate Governance Principle	Principle No	Level of Compliance
Institutional Investors		
Shareholder Voting	E. 1	The Chairman conducts a structured dialogue with the shareholders based on the mutual understanding of objectives and ensures that the views of the shareholders are communicated to the Board as a whole.
Evaluation of Governance Disclosures	E. 2	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating the governance arrangements particularly in relation to Board structure and composition.
Other Investors		
Investing & Divesting decisions	F.1	Individual shareholders are encouraged to carry out adequate analysis and seek independent advice prior to make investing or divesting decisions.
Shareholder Voting	F. 2	All shareholders are encouraged to participate at meetings of the Company and a Form of Proxy accompanies each notice providing shareholders who are unable to attend such meeting the opportunity to cast their vote.
Sustainability Reporting		
Principles of Sustainability Reporting	G. 1	The Sustainability Report details the Sustainability practices of the Company.

The following table presents the Company's compliance with Section 7.10 of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
Board of Directors			
7.10.1 (a)	Non Executive Directors (NEDs)	Two or at least one- third of the total number of Directors should be NEDs. (Whichever is higher)	√
7.10.2 (a)	Independent Directors	Two or one- third of NEDs (whichever is higher) should be independent	√
7.10.2 (b)	Declaration of Independence	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	√
7.10.3 (a)	Disclosures relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	√
7.10.3 (b)		The basis for determining the independence of NEDs, if criteria for independence is not met.	√
7.10.3 (c)		A brief resume of each Director should be included in the Annual Report, including his area of expertise	√
7.10.3 (d)		Upon appointment of a new Director a brief resume' of the Director should be submitted to the Exchange	√
Remuneration Committee			
7.10.5 (a)	Composition	The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent.	√
		The Chairman of the Committee shall be a Non-Executive Director.	√

Corporate Governance

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
7.10.5 (b)	Functions	The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role.	√
7.10.5 (c)	Disclosure in the Annual Report	The Annual Report should set out the names of the members of the Committee, a Statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non - Executive Directors.	√
Audit Committee			
7.10.6 (a)	Composition	The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent.	√
		The Chairman of the Committee shall be a Non-Executive Director.	√
		Unless otherwise determine by the Committee, the CEO and the CFO shall attend meetings	√
		Chairman or one member of the Committee should be a member of a recognized professional accounting body.	√
7.10.6 (b)	Functions	*Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the SLAS. *Overseeing compliance with financial reporting related regulations and requirements. *Overseeing the processes to ensure that internal controls and risk management are adequate. *Assessing the independence and performance of the external Auditors. *Recommending to the Board the appointment, re- appointment and removal of the external Auditors and approving their remuneration and terms of engagement.	√
7.10.6 (c)	Disclosure in the Annual Report	The names of the members of the Audit Committee.	√
		The basis of determination of the independence of Auditors.	√
		A report of the Audit Committee setting out the manner of compliance.	√

Audit Committee Report

The Audit Committee is responsible for assisting the Board in discharging its responsibilities in relation to the integrity of the Financial Statements of the Company and Group, assessing the effectiveness of the system of internal control and monitoring the effectiveness of internal and external Auditors.

Composition of the Committee

The Audit Committee comprised two Independent Directors namely Mr. Sanjiva Senanayake (Chairman), Prof. Malik Ranasinghe and Mr. Malinga Arakularatne a Non- Executive Director.

In December 2013, Prof. Ranasinghe resigned from the Directorate and a member of the Audit Committee. Subsequently Mr. Chandana de Silva, an Independent Director was appointed to the Committee.

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

Meetings

The Committee met on four occasions during the year under review. The Managing Director, Head of Finance and the Head of Risk and Control of Hemas Group attend meetings by invitation.

The proceedings of the Audit Committee were regularly reported to the Board by way of tabling the minutes.

Financial Reporting

The Committee discussed and reviewed the quarterly and audited Financial Statements with the Management prior to recommending to the Board their publication to the Shareholders. The Committee is satisfied with the reliability and consistency of the accounting policies and methods adopted, compliance with the Sri Lanka Accounting Standards and the adequacy of disclosures required by other applicable laws, rules and guidelines.

Internal Controls

During the year the Audit Committee also reviewed the processes adopted for the identification, evaluation and management of all significant operational risks faced by the Company. Formal confirmations and assurances were obtained from management regularly regarding the effectiveness of the internal control and risk management systems and compliance with applicable laws and regulations. The Board of Directors and Audit Committee obtained and were guided by technical advice received from external consultants.

Internal Audit

The primary function of the internal audit is to provide independent assurance on the overall system of internal controls, business and associated risk management and compliance with laws and regulations and established policies and procedures of the Group and Company.

Messrs. Pricewaterhousecoopers, Chartered Accountants carried out a comprehensive internal audit during the year under review. The scope of audit was defined with the assistance of the Risk and Control Dept. of the Hemas Group and approved by the Audit Committee.

External Audit

Subsequent to their re-appointment at the last Annual General Meeting Messrs. Ernst & Young, Chartered Accountants served as the Group's external Auditors during the year under review.

The Committee has the primary responsibility for making a recommendation to shareholders via the Board of Directors on the appointment, re-appointment and/or removal of the external Auditors by assessing, on an annual basis, the qualifications, expertise, resources and independence of the external Auditors and the effectiveness of the previous audit process.

To evaluate the effectiveness of the audit process the Committee reviewed the effectiveness of external Auditors performance against the audit plans and scope of work formulated at the beginning of the year.

The Audit Committee is satisfied that the independence of the external Auditors has not been adversely influenced by any event or service that could result in a conflict of interest and the level of Audit and non-Audit fees received by the external Auditors from the Hemas Group is reasonable.

Having discussed the performance of the external Auditors with the Management, the Audit Committee has recommended to the Board that Messrs. Ernst & Young, Chartered Accountants be re-appointed external Auditors of Hemas Power PLC for the financial year ending 31st March 2015, subject to approval by the shareholders at the forthcoming Annual General Meeting.

Conclusion

On the basis of reports submitted by the external Auditors, the Internal Auditors, the Risk Management Department of the parent Company and discussions with the management the Audit Committee is satisfied, with the control environment and the financial position of the Company and is confident that the financial position of the Company is secure.



Sanjiva Senanayake
Chairman

26th May 2014

Annual Report of the Directors on the Affairs of the Company

The Board of Directors of Hemas Power PLC have pleasure in presenting their Report together with the Audited Financial Statements of the Company and Group for the year ended 31st March 2014.

Principal Activity

Investing in power generation through thermal and non-conventional renewable energy remained the principal activity of the Company and its subsidiaries during the year under review.

The Directors to the best of their knowledge and belief confirm that neither the Company nor its subsidiaries have been engaged in any activity that contravenes laws and regulations.

Review of operations and future developments

A comprehensive review of the financial and operational performance and future developments are discussed in the Chairman's Message, Managing Director's Report and the Financial Review of this report.

These Reports together with the Audited Financial Statements reflect the state of Affairs of the Company and the Group.

Corporate Governance

The Board of Directors' commitment in maintaining effective Corporate Governance practices in the Company are described in the Corporate Governance Report set out on pages 20 to 26 of this report.

The Directors confirm that the Company is in compliance with the Rules on Corporate Governance issued by the Colombo Stock Exchange and has also adopted the relevant Corporate Governance practices recommended by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Financial Results

The financial results of the Company and Group as at the Balance Sheet date is tabulated below:

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	6,548,075,281	5,618,973,609	157,861,893	90,689,820
Gross Profit	799,752,669	582,051,348	157,861,893	90,689,820
Profit/ (Loss) before Finance Cost and Tax	21,730,070	418,545,093	108,608,769	33,307,864
Profit/ (Loss) before Tax	(146,518,883)	281,349,591	85,768,504	24,550,684
Taxation	(16,070,196)	1,088,971	-	-
Profit/(loss) After Tax	(162,589,079)	283,460,169	85,768,504	24,550,684
Attributable to :-				
Owners of the Parent	(259,130,805)	283,460,169	85,768,504	24,550,684
Non-Controlling Interest	96,541,726	-	-	-

Risk Management

The Company has put in a structured Framework to identify, evaluate and manage any significant risks faced by the Group and Company. The principal risks and mitigating action are reviewed by the Audit Committee regularly. A detailed overview of the Risk Management process is outlined in the Risk Management Report from page 18 to 19 of this report.

Financial Statements & Auditors Report

The Financial Statements of the Company and Group as at 31st March 2014 duly signed by the Directors is given from page 36 to 79 while the Auditor's Report on the Financial Statements is provided on page 35.

Dividends

An Interim Dividend of Rs. 0.75 per share amounting to Rs. 93,900,002/- for the financial year 2013/14 was paid to the shareholders on 18th September 2013.

As required by Section 56(2) of the Companies Act No. 7 of 2007 the Directors have signed a Certificate stating that in their opinion the Company based on the information available satisfies the Solvency Test immediately after the dividend distribution. A certificate of Solvency was also obtained from the Auditors of the Company in terms of the Act.

The Company also paid a dividend to the Preference shareholders amounting to Rs. 15,147,888/- (2013 – Rs. 15,147,888/-)

Accounting Policies

The Financial Statements of the Company and Group for the year ended 31st March 2014 has been prepared in accordance with the Sri Lanka Accounting Standards which were in effect upto that date. The Accounting Policies adopted in the preparation of these Financial Statements are given from page 41 to 51.

Annual Report of the Directors on the Affairs of the Company

Property Plant and Equipment

Capital expenditure incurred on Property Plant & Equipment by the Company and Group during the year, amounted to Rs. 16,799,201 (2013- Rs.17,151,615) & Rs. 99,424,787 (2013 – Rs. 52,940,791) respectively

The book value of property, plant & equipment of the Company and Group as at the Balance Sheet date amounted to Rs. 37,715,197 (2013- Rs. 30,652,650) & Rs. 2,136,421,439 (2013- Rs.2,392,504,180) respectively.

The Information relating to movements in property, plant & equipment is given in Note 3 to the Financial Statements

Impairment of Assets

An Impairment test has been carried out on the assets of the company as disclosed in Note 3 of the Financial Statements and an impairment charge of Rs, 575 Mn has been recognized in the Financial Statements.

Investments

Investments made by the Company in Subsidiaries and other external equity investments amounted to Rs. 1,843,780,467 (2013 - Rs. 1,432,180,467/-)

Detailed descriptions of the investments made by the Company & Subsidiaries are given on Note 5 to 7 on page 56 of this reports.

Stated Capital

The Stated Capital of the Company as at 31st March 2014 was Rs. 1,539,882,957/- divided into 125,200,002 Ordinary shares and 135,000 'Class A' Cumulative Redeemable Preference Shares. There was no change in the stated capital during the year under review.

Directorate

The names of the Directors of the Company during the financial year under review is given below

Mr. I A H Esufally – Chairman
 Mr. G A K Nanayakkara – Managing Director
 Mr. H N Esufally
 Mr. W M De F Arsakularatne
 Mr. S K G Senanayake
 Prof. K A M K Ranasinghe*
 Mr. M R Ameen
 Mr. C L de Silva **

* Resigned with effect from 24/12/2013

**Appointed with effect from 20/03/2014

Changes to the Directorate subsequent to the Balance Sheet date.

Mr. Husein Esufally resigned from the Directorate with effect from 4th April 2014 and Mr. Steven Enderby was appointed to the Board effective that date.

The Board wish to place on record their appreciation to Prof. Malik Ranasinghe and Mr. Husein Esufally for the contributions made during their tenure as Directors of the Company.

Messrs. Malinga Arsakularatne and Riad Ameen retire by rotation in terms of Article 24(6) of the Articles of Association of the Company and being eligible offer themselves for re-election, with the unanimous support of the Board.

Messrs. Chandana de Silva and Steven Enderby who were appointed to the Directorate subsequent to the previous Annual General Meeting retire in terms of Article 24(2) of the Articles of Association of the Company and being eligible offer themselves for re-election with the unanimous support of the Board.

Board Committees

The Board has appointed the following sub- committees in accordance with the Listing Rules of the Colombo Stock Exchange.

Audit Committee

The following members served on the Board Audit Committee during the year under review.

Mr. Sanjiva Senanayake – Chairman
 Prof. Malik Ranasinghe*
 Mr. Malinga Arsakularatne
 Mr. Chandana de Silva **

* Resigned with effect from 24/12/2013

**Appointed with effect from 20/03/2014

The Report of the Audit Committee is given on pages 27 of this report.

Remuneration Committee

The Remuneration Committee of the parent Company, Hemas Holdings PLC functions as the Remuneration Committee of the Company.

The Committee comprised of the following Independent Directors of Hemas Holdings PLC

- Mr. Lalith de Mel
 - Mr. Maithri Wickremesinghe

Annual Report of the Directors on the Affairs of the Company

In November 2013, the Committee was reconstituted with the following members:-

- Mr. Pradipta Mohapatra – Independent Director (Chairman)
- Dr. Anura Ekanayake – Independent Director
- Mr. Murtaza Esufally – Executive Director

Remuneration & Other Benefits of Directors

Details of the remuneration and other benefits received by the Directors during the year under review are set out in Note 30.2 of the Financial Statements.

Interest Register

In compliance with the requirements of the Companies Act No. 7 of 2007, an Interest Register was maintained by the Company during the accounting period ended 31st March 2014.

Directors Interest in Contract

In terms of section 192 (2) of the Companies Act, the Directors have declared their interests in contracts in the Company and have refrained from voting on matters in which they were materially interested. Directors Interest in contracts with the Company is disclosed on page 32 of the report.

Directors' interest in shares

In compliance with Section 200 of the Companies Act, the Directors have disclosed their relevant interest in shares of the Company.

The shareholdings of the Directors during the financial year were as follows:

	2014		2013
	31.03.14	01.04.13	31.03.13
Mr. I A H Esufally	1	1	1
Mr. G A K Nanayakkara	182,000	115,000	115,000
Mr. H N Esufally	1	1	1
Mr. W M De F Arsakularatne	2,900	2,900	2,900
Mr. S K G Senanayake	-	-	-
Prof. K A M K Ranasinghe*	-	-	-
Mr. M R Ameen	8,100	8,100	8,100
Mr. C L de Silva**			
Indirect holding			
Mr. G A K Nanayakkara	22,200	22,000	22,200

* Resigned with effect from 24/12/2013

**Appointed with effect from 20/03/2014

Directors' Indemnity and Insurance

The Company has obtained a Directors' and Officers' liability insurance cover for its Directors and officers. This Insurance Cover indemnifies the Directors to the extent permitted by law and the Articles of Association of the Company in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities.

Related Party Transactions

Details of transactions carried out by the Company with its related parties during the year ended 31st March 2014 is given on page 70 & 71 of this report.

During the year under review the Company had not carried any transactions with related parties which exceeded 10% of the shareholders Equity or 5% of the total assets of the Company.

Contingent Liabilities

Details of Contingent liabilities are given in Note 29 to the Financial Statements.

Sustainability

The Company has a strong record in its commitment to corporate responsibility, which is an everyday part of how the Company does business. The activities undertaken by the Company in recognition of its responsibility as a corporate citizen are disclosed more fully on pages 16 to 17 of this report.

Environmental Protection

The Group complies with all relevant environmental laws, regulations, and endeavours to comply with the best practices applicable in the area and country of operation.

Outstanding Litigation

The outstanding litigation of the Company and Group are provided in Note 29.6 to the Financial Statements.

Employees

The Company in its' commitment to being a socially responsible 'Equal Opportunity Employer' has developed policies for fair and equal treatment of all colleagues. Details of the human resource initiatives are detailed in the employees section of the Sustainability Report.

The Number of persons employed by the Company and Group as at 31st March 2014 was 14 and 88 respectively. (2013 – 14 and 55)

Statutory Payments & Compliance with Laws and regulations

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries as at the Balance Sheet date have been paid or where relevant provided for in the Financial Statements.

The Company has also ensured that it complied with the applicable laws and regulations including the Listing rules of the Colombo Stock Exchange.

Corporate Donations

No Donations were made to charitable organizations during the Financial year.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date that would require adjustment to the Financial Statements.

Going concern

The Directors, after making necessary inquiries and reviews including reviews on capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company have adequate resources to continue in for the foreseeable future. Hence the going concern basis has been adopted in the preparation of the Financial Statements.

Internal Control

The Board has reviewed the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of its effectiveness.

Shareholders

The Company has made all endeavours to ensure equitable treatment to all its shareholders.

Auditors

During the year under review Messrs Ernst & Young, Chartered Accountants served as the External Auditors of the Company. The Audit Fees payable and fees paid for other services rendered are as follows;

Audit Fees	- Rs. 312,588/- (2013 – Rs. 239,584)
Fees for non –audit services	- Rs. 57,490/-(2013 – Rs. 270,520)

The appointment of the Auditors, their effectiveness, independence and relationship with the Company, including the level of audit is reviewed by the Audit Committee.

The Directors have confirmed that to the best of their knowledge, the Auditors have not had interest in or any relationship with the Company that would have an impact on their independence.

Messrs Ernst & Young have expressed their willingness to be re-appointed as Auditors of the Company. Upon the recommendation of the Audit Committee, resolutions to re-appoint them as Auditors and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02 on Friday, 11th July 2014. The Notice of Meeting appears on page 82 of the Report.

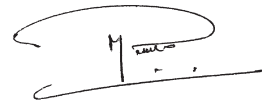
By order of the Board



Imtiaz Esufally
Chairman



Kishantha Nanayakkara
Managing Director



Hemas Corporate Services (Pvt) Ltd.
Secretaries

26th May 2014

Annual Report of the Directors on the Affairs of the Company

Directors Interest in Contracts with the Company

Company	Director	Nature of Transaction	Value 2014 Rs.	Value 2013 Rs.
Hemas Holdings PLC	Mr. Husein Esufally	Consultancy Fees	339,429	360,230
	Mr. Imtiaz Esufally	IT Charges	1,432,575	1,240,555
	Mr. Malinga Arsakularatne*	Interest Expenses on Short term Loan	845,575	207,715
	* Appointed with effect from 06/11/2013	Corporate Guarantee Charges	56,857	57,143
		Common facility charges	-	28,886
		Interest income on Short term Loan	1,798,274	1,969,615
Hemas Corporate Services (Pvt) Limited	Mr. Husein Esufally Mr. Malinga Arsakularatne	Corporate Service Charges	2,051,248	2,090,625
Hemas Travels (Pvt) Limited	Mr. Husein Esufally Mr. Imtiaz Esufally Mr. Malinga Arsakularatne	Purchase of Airline Tickets	697,006	1,995,191
Vishwa BPO (Pvt) Limited	Mr. Husein Esufally Mr. Malinga Arsakularatne	Shared Service Expenses	867,589	675,040
Giddawa Hydro Power (Pvt) Limited	Mr. Husein Esufally	Dividend Income	21,750,000	21,750,000
	Mr. Kishantha Nanayakkara	Funds Received	87,999,000	32,099,500
	Mr. Malinga Arsakularatne	Funds Transferred	4,000,000	3,000,000
Heladhanavi Limited	Mr. Husein Esufally Mr. Kishantha Nanayakkara	Ordinary Share Dividend Income	47,250,003	47,250,003
Upper Agra Oya Hydro Power (Pvt) Limited	Mr. Husein Esufally	"Interest Income on long term Loan"	13,500,000	13,500,000
	Mr. Imtiaz Esufally	Funds Received	64,499,000	56,799,500
	Mr. Kishantha Nanayakkara	Funds Transferred	5,000,000	26,200,000
Diethelm Travel Lanka (Pvt) Ltd	Mr. Husein Esufally *Resigned with effect from 07/02/2014 Mr. Malinga Arsakularatne	Traveling Expenses	276,067	239,770
Okanda Power Grid (Pvt) Limited	Mr. Husein Esufally*	Funds Received	86,000,000	44,300,000
	Mr. Kishantha Nanayakkara	Funds Transferred	1,950,000	58,455,000
Ella Dendro Electric (Pvt) Limited	Mr. Husein Esufally Mr. Kishantha Nanayakkara	Reimbursement of Expenses	27,175,000	85,354,172
Butama Hydro Electricity Company Limited	Mr. Husein Esufally Mr. Kishantha Nanayakkara	Reimbursement of Expenses	15,175,682	22,137,554
Panasian Power PLC	Mr. Imtiaz Esufally Mr. Kishantha Nanayakkara Mr. Riad Ameen	Reimbursement of Expenses	947,135	-

Hemas Power PLC
Financial Reports
2013/14

Statement of Directors' Responsibility in Preparing Financial Statements

The Statement of Directors responsibilities is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements.

Companies Act No. 7 of 2007 requires the Directors to prepare and circulate among shareholders Financial Statements which give a true and fair view of the state of affairs of the Company and of the Group as at the Balance Sheet date and the profit and loss of the Company and the Group for the financial year.

The Directors are required to ensure that in preparing the Financial Statements;

- appropriate accounting policies are used, selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained.
- all applicable and relevant Accounting Standards have been followed
- judgment and estimates have been made which are reasonable and prudent.

The Directors confirm that the companies within the Group maintain accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group and that the Financial Statements have been prepared in accordance with the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and have provided the information required by or otherwise complied with the Rules of the Colombo Stock Exchange.

The Directors having reviewing the Group's future financial projections cash flows and current performance are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Directors have thus adopted a 'Going concern basis' in preparing the Financial Statements.

The Directors have also taken reasonable steps to safeguard the assets of the Company and of the Group and to establish proper systems of internal control with a view to detect and prevent any irregularities.

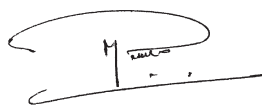
The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Directors confirm that the Company satisfy the Solvency Test immediately after the distribution in accordance with Section 57 of the Act and have obtained a Certificate from the Auditors prior to dispatching the interim dividend of Rs. 0.75 per share for the financial year 2013/14.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid or where relevant provided for in the Financial Statements.

By order of the Board of
Hemas Power PLC



Hemas Corporate Services (Pvt) Ltd.

Secretaries

26th May 2014

Independent Auditors Report



Ernst & Young
Chartered Accountants
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Sri Lanka

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HEMAS POWER PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Hemas Power PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries, which comprise the Statements of Financial Position as at 31 March 2014, and the Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on page 36 to 79 of the Annual Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the Financial Statements give a true and fair view of the Company's financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and the subsidiaries dealt with thereby, so far as concern the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) and 153(2) 153(7) of the Companies Act No. 07 of 2007.

26 May 2014

Colombo

Statement of Financial Position

As at 31st March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Assets					
Non-Current Assets					
Property, Plant and Equipment	3	2,136,421,439	2,392,504,180	37,715,197	30,652,650
Intangible Assets	4	575,514,883	126,752,566	-	-
Investments in Subsidiaries	5	-	-	1,243,780,467	832,180,466
Investments in Joint Ventures	6	-	-	600,000,000	600,000,000
Other Investments	7	276,450,000	-	-	-
Other Non Current Financial Assets	8	30,674,077	164,832,501	308,610,497	316,672,907
Deferred Tax Asset	18	4,148,939	4,265,879	-	-
		3,023,209,338	2,688,355,126	2,190,106,161	1,779,506,023
Current Assets					
Inventories	9	114,725,695	61,938,390	-	-
Trade and Other Receivables	10	2,055,100,974	2,007,960,382	247,523,365	191,829,213
Other Current Financial Assets	8	523,325,946	397,929,882	4,054,516	72,773,448
Income Tax Recoverable		10,335,973	10,581,927	9,856,066	9,344,541
Cash and Bank Balances	11	118,653,341	58,583,986	23,978,421	48,235,562
		2,822,141,929	2,536,994,567	285,412,368	322,182,764
Total Assets		5,845,351,267	5,225,349,693	2,475,518,529	2,101,688,787
Equity And Liabilities					
Stated Capital	12	1,539,882,957	1,539,882,957	1,539,882,957	1,539,882,957
Revenue Reserves	13	364,598,286	374,060,043	-	-
Other Components of Equity		8,452,677	3,878,256	-	-
Retained Earnings		596,179,424	939,656,446	145,460,039	153,611,354
Equity Attributable to Equity Holders of the Parent		2,509,113,344	2,857,477,702	1,685,342,996	1,693,494,311
Non Controlling Interest		737,916,000	2,500,846	-	-
Total Equity		3,247,029,344	2,859,978,548	1,685,342,996	1,693,494,311
Non-Current Liabilities					
Non Current Financial Liabilities	15	211,697,695	215,497,926	125,503,324	127,615,408
Interest Bearing Loans and Borrowings	14	1,709,281	180,550,579	-	-
Retirement Benefit Obligation	16	8,963,139	5,242,371	5,392,680	4,377,530
Deferred Tax Liability	18	25,029,967	-	-	-
		247,400,082	401,290,876	130,896,004	131,992,938
Current Liabilities					
Trade and Other Payables	17	583,033,433	597,417,760	658,121,217	274,384,447
Income Tax Liabilities		13,966,651	2,137,883	-	-
Interest Bearing Loans and Borrowings	14	1,753,921,757	1,364,524,626	1,158,312	1,817,091
		2,350,921,841	1,964,080,269	659,279,529	276,201,538
Total Equity and Liabilities		5,845,351,267	5,225,349,693	2,475,518,529	2,101,688,787

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



W P Sugathapala
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by:



G A K Nanayakkara
Managing Director



W M De F Arsakularathne
Director

The Accounting Policies and Notes on page 41 to 79 form an integral part of the financial statements.

Income Statement

For the year ended 31st March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	19	6,548,075,281	5,618,973,609	157,861,893	90,689,820
Cost of Electricity Generated		(5,748,322,612)	(5,036,922,261)	-	-
Gross Profit		799,752,669	582,051,348	157,861,893	90,689,820
Other Income and Gains	20	21,790,112	4,041,281	2,373,045	1,508,850
Administrative Expenses		(198,598,376)	(151,914,554)	(56,143,299)	(62,610,405)
Operating Profit / (Loss) Before Impairment		622,944,405	434,178,075	104,091,639	29,588,265
Impairment of Assets	3	(575,702,172)	-	-	-
Operating Profit / (Loss) After Impairment		47,242,233	434,178,075	104,091,639	29,588,265
Exchange Gain/(Loss)		(43,672,618)	(31,482,101)	-	-
Finance Income	21	18,160,455	16,870,726	4,517,129	3,719,599
Finance Cost	21	(168,248,953)	(137,195,502)	(22,840,264)	(8,757,180)
Profit/ (Loss) Before Tax		(146,518,883)	282,371,198	85,768,504	24,550,684
Income Tax Expense	23	(16,070,196)	1,088,971	-	-
Profit/ (Loss) for the Year		(162,589,079)	283,460,169	85,768,504	24,550,684
Attributable to:					
Owners of the Parent		(259,130,805)	283,460,169	85,768,504	24,550,684
Non-Controlling Interest		96,541,726	-	-	-
		(162,589,079)	283,460,169	85,768,504	24,550,684
Earnings/ (Loss) Per Share - Basic	25	(2.07)	2.26		
Dividend Per Share	26	0.75	1.40		

The Accounting Policies and Notes on page 41 to 79 form an integral part of the financial statements.

Statement of Comprehensive Income

<i>For the year ended 31st March</i>	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Profit/ (Loss)for the Year		(162,589,079)	283,460,169	85,768,504	24,550,684
Other Comprehensive Income					
Net (loss)/gain on available-for-sale financial assets		4,650,000	14,767,067	-	-
Net movement in Cashflow Hedges		19,341,488	35,064,472	-	-
Re-measurement gains (losses) on defined benefit plans		586,007	(1,021,607)	(19,819)	(888,754)
Deferred Tax effect on Acturial Gain		(199,580)	13,285	-	-
Revaluation of Land		-	12,256,245	-	-
Other Comprehensive Income for the Year, Net of Tax		24,377,915	61,079,462	(19,819)	(888,754)
Total Comprehensive Income for the Year, Net of Tax		(138,211,164)	344,539,631	85,748,685	23,661,930
Attributable to:					
Owners of the Parent		(235,047,293)	344,539,631	85,748,685	23,661,930
Non-Controlling Interest		96,836,129	-	-	-
		(138,211,164)	344,539,631	85,748,685	23,661,930

The Accounting Policies and Notes on page 41 to 79 form an integral part of the financial statements.

Statement of Changes in Equity

	Note	Other Components of Equity										Total Equity Rs.	
		Stated Capital Rs.	Overhaul Reserve Rs.	Heat Rate & Lube oil Reserve Rs.	Revaluation Reserve Rs.	Cashflow Hedge Rs.	Available for Sale Reserve Rs.	Retained Earnings Rs.	Total Share Holders Fund Rs.	Non-Controlling Interest Rs.			
Group													
Balance as at 01 April 2012		1,539,882,957	146,259,383	258,650,572	-	(58,209,528)	-	809,287,315	2,695,870,700	2,500,846	2,698,371,547		
Profit/(Loss) for the Year		-	-	-	-	-	-	283,460,169	283,460,169	-	283,460,169		
Net movement in Cashflow Hedges		-	-	-	-	35,064,472	-	-	35,064,472	-	35,064,472		
Net (loss)/gain on Available-for-sale financial assets		-	-	-	-	-	14,767,067	-	14,767,067	-	14,767,067		
Other Comprehensive Income		-	-	-	-	-	(1,008,322)	(1,008,322)	(1,008,322)	-	(1,008,322)		
Revaluation of Land		-	-	-	12,256,245	-	-	-	12,256,245	-	12,256,245		
Total Comprehensive Income / (Expense) for the year		-	-	-	12,256,245	35,064,472	14,767,067	282,451,847	344,539,631	-	344,539,631		
Dividends - Ordinary Shares	26	-	-	-	-	-	(175,280,003)	(175,280,003)	(175,280,003)	-	(175,280,003)		
Exchange Reserve		-	-	-	-	-	-	-	-	-	-		
Transferred to Heat Rate and Lube Oil Reserve - Net		-	-	(7,652,622)	-	-	-	-	(7,652,622)	-	(7,652,622)		
Transferred to Overhaul Reserve - Net	13	-	(23,197,290)	-	-	-	-	23,197,290	-	-	-		
Balance as at 31 March 2013		1,539,882,957	123,062,093	250,997,950	12,256,245	(23,145,056)	14,767,067	939,656,446	2,857,477,705	2,500,846	2,859,978,551		
Profit/(Loss) for the Year		-	-	-	-	-	-	(259,130,805)	(259,130,805)	96,541,726	(162,589,079)		
Net movement in Cashflow Hedges		-	-	-	-	19,341,488	-	-	19,341,488	-	19,341,488		
Net (loss)/gain on Available-for-sale financial assets		-	-	-	-	-	4,650,000	-	4,650,000	-	4,650,000		
Other Comprehensive Income		-	-	-	-	-	-	92,023	92,023	294,403	386,427		
Total Comprehensive Income / (Expense) for the year		-	-	-	-	19,341,488	4,650,000	(259,038,781)	(235,047,293)	96,836,129	(138,211,164)		
Dividends - Ordinary Shares	26	-	-	-	-	-	-	(93,900,002)	(93,900,002)	(35,350,000)	(129,250,002)		
Non-Controlling interest													
Transferred to Heat Rate and Lube Oil Reserve - Net		-	-	50,178,875	-	-	-	(50,178,875)	-	-	-		
Transferred to Overhaul Reserve - Net	13	-	(59,640,633)	-	-	-	-	59,640,633	-	-	-		
Amount Transferred from AFS Reserve		-	-	-	-	-	(19,417,067)	-	(19,417,067)	-	(19,417,067)		
Balance as at 31 March 2014		1,539,882,957	63,421,460	301,176,825	12,256,245	(3,803,568)	-	596,179,424	2,509,113,344	737,916,000	3,247,029,344		
								Note	Stated Capital Rs.	Retained Earnings Rs.	Total Equity Rs.		
Company													
Balance as at 01 April 2012									1,539,882,957	305,229,427	1,845,112,384		
Profit for the Year									-	24,550,684	24,550,684		
Other Comprehensive Income									-	(888,754)	(888,754)		
Dividends - Ordinary Shares								26	-	(175,280,003)	(175,280,003)		
Balance as at 31 March 2013									1,539,882,957	153,611,354	1,693,494,311		
Profit for the Year									-	85,768,504	85,768,504		
Other Comprehensive Income									-	(19,819)	(19,819)		
Dividends - Ordinary Shares								26	-	(93,900,002)	(93,900,002)		
Balance as at 31 March 2014									1,539,882,957	145,460,039	1,685,342,996		

The Accounting Policies and Notes on page 41 to 79 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31st March	Note	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Cash Flows From/(Used in) Operating Activities					
Profit/ (Loss) before Tax		(146,518,883)	282,371,198	85,768,504	24,550,684
Adjustments for					
Depreciation	3	233,956,734	218,396,661	7,984,699	7,461,959
Impairment of Assets		575,702,172	-	-	-
Amortisation Charge		1,441,206	-	-	-
Provision for Defined Benefit Plans	17	1,480,978	1,005,103	995,331	727,603
Finance Cost	22	168,248,953	137,195,502	22,840,264	8,757,180
Profit on Sale of Fixed Assets		(2,373,045)	(2,084,677)	(2,373,045)	(1,508,850)
Exchange Loss on Loans		19,341,488	32,379,693	-	-
Heat Rate and Lube Oil Reserve		-	(7,652,622)	-	-
Amount Transferred from AFS Reserve		(19,417,067)	-	-	-
Finance Income	21	(18,160,455)	(16,870,726)	(4,517,129)	(3,719,599)
Operating Profit before Working Capital Changes		813,702,081	644,740,131	110,698,625	36,268,977
Decrease / (Increase) in Inventories		(52,787,306)	33,388,462	-	-
Decrease / (Increase) in Trade and Other Receivables		(12,865,719)	(408,351,700)	(55,694,152)	(74,717,007)
Decrease / (Increase) Financial Assets		393,317,626	(12,577,179)	7,781,342	(14,176,502)
(Decrease)/ Increase Financial Liabilities		(3,800,231)	(13,220,585)	(2,112,084)	-
(Decrease)/Increase in Trade and Other Payables		(11,670,718)	202,135,031	383,736,771	25,239,978
Cash Generated from Operations		1,125,895,734	446,114,160	444,410,501	(27,384,555)
Finance Cost Paid		(153,101,065)	(115,233,521)	(7,692,376)	(423,383)
Employee Benefit Paid		-	(249,816)	-	-
Income Tax Paid		(4,437,755)	(20,802)	(511,525)	(413,135)
Net Cash Flows From/(Used in) Operating Activities		968,356,913	330,610,021	436,206,601	(28,221,073)
Cash Flows From/(Used in) Investing Activities					
Acquisition of Property Plant and Equipment	3	(99,424,787)	(52,940,791)	(16,799,201)	(17,151,615)
Proceeds from Sale of Property, Plant and Equipment		4,125,000	5,188,878	4,125,000	4,613,051
Acquisition of Intangible Assets		(400,187)	-	-	-
Acquisition of Investments		(90,000,000)	-	-	-
Short-Term Investments		(518,713,690)	(324,761,626)	-	-
Loan Proceeds from Related Parties		-	11,000,000	69,000,000	11,000,000
Investment in Non Current Financial Assets		3,958,424	-	-	-
Investment In Subsidiaries		-	-	(411,600,001)	-
Acquisition of Subsidiaries	36	(284,379,707)	-	-	-
Investment in Equity Securities		-	(110,782,933)	-	-
Finance Income Received	21	18,160,455	16,870,726	4,517,129	3,719,599
Net Cash Flows From/ (Used in) Investing Activities		(966,674,491)	(455,425,746)	(350,757,074)	2,181,035
Cash Flows From/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings	14	183,165,304	362,823,509	-	-
Repayment of Interest Bearing Loans and Borrowings	14	(524,188,542)	(329,267,499)	-	-
Proceeds from Finance Lease		(1,558,207)	-	-	-
Dividends Paid - Ordinary Shares	26	(93,900,002)	(175,280,003)	(93,900,002)	(175,280,003)
Dividends Paid to Non - Controlling Interest		(35,350,000)	-	-	-
Dividends Paid - Preference Shares		(15,147,888)	(15,147,888)	(15,147,888)	(15,147,888)
Net Cash Flows From/ (Used in) Financing Activities		(486,979,335)	(156,871,881)	(109,047,890)	(190,427,891)
Net Increase/(Decrease) in Cash and Cash Equivalents		(485,296,912)	(281,687,606)	(23,598,363)	(216,467,929)
Cash and Cash Equivalents at the Beginning of the Year	11	(954,101,274)	(672,413,668)	46,418,471	262,886,400
Cash and Cash Equivalents at the End of the Year	11	(1,439,398,187)	(954,101,274)	22,820,108	46,418,471
Analysis of Cash and Cash Equivalents					
Short-Term Investments		-	-	-	2,311,761
Cash and Bank Balances		118,653,341	58,583,986	23,978,421	45,923,801
Bank Overdraft		(1,558,051,528)	(1,012,685,261)	(1,158,312)	(1,817,091)
Cash and Cash Equivalents at the End of the Year for the purpose of Cash Flow Statement		(1,439,398,187)	(954,101,274)	22,820,108	46,418,471

The Accounting Policies and Notes on page 41 to 79 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

Hemas Power PLC is a public limited liability Company listed on the Colombo Stock Exchange incorporated and domiciled in Sri Lanka. The registered office and the principal place of business is situated at No. 75, Braybrooke Place, Colombo 02.

1.2 Consolidated Financial Statements

The Consolidated financial statements of the Company for the year ended 31 March 2014 comprise the Hemas Power PLC (the 'Company') and all its subsidiaries, and Joint Ventures whose accounts have been consolidated therein (the 'Group').

1.3 Principal Activities and Nature of Operations

The Company was incorporated on 11 June 2003, with the objective of investing in power generating companies and to carry on the business of a Venture Capital Company including investment in shares, stocks, options, funds, debentures, debenture stocks, bonds, obligations, or securities or acquiring any other interest whatsoever in any company, public authority, or business concern, investing in ordinary shares in a company engaged in any project specified in Section 21H (1)(i) to (iv) of Inland revenue Act no 38 of 2000 as amended by the Inland Revenue (Amended) Act No 37 of 2003 and to dispose of such investments of such terms and conditions as may be thought fit either in the name of the or company or any nominee. As such the Company made an investment in jointly controlled entity, 'Heladhanavi Ltd., (a 100MW thermal power plant set up to produce independent power and transmit to feed the national grid). It further acquired the right to develop Giddawa Hydro Power (Pvt) Ltd., (a 2MW hydro power plant) in September 2006 and commenced its commercial operations in October 2008. In 2008 January, the company acquired the right to develop Okanda Power Grid (Pvt) Ltd. (a 2.4MW hydro power plant) and commenced its commercial operations in September 2011. The Company acquired the entirety of ordinary shares of an operational hydro power generation company, Upper Agra Oya Hydro Power (Pvt) Ltd (Formerly known as Senok Mark Hydro (Pvt) Ltd.) in December 2009; Company acquired Panasian Power PLC in April 2014. Preliminary development activities of Ella Dendro Electric (Pvt) Limited (a 3.0 Mn biomass project) and Butama Hydro Electricity Company Limited (a company incorporated in the republic of Uganda) are progressing.

1.4 Date of Authorisation for Issue

The Consolidated financial statements of Hemas Power PLC for the year ended 31 March 2014 were authorised for issue, in accordance with a resolution of the Board of Directors on 26 May 2014.

2. General Policies

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards, comprising SLFRSs/LKASs (here after "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention unless otherwise stated. The financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

The preparation and presentation of these Financial Statements are in compliance with Companies Act No. 07 of 2007.

2.1.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.2 Basis of Consolidation

The financial statements of the Group represent the Consolidated financial statements of Hemas Power PLC and all its Subsidiaries and Joint ventures as at 31 March 2014.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company and in compliance with the Group's accounting policies unless specifically stated.

All intra-group balances, income and expenses and unrealised gains/losses resulting from intra-group transactions are eliminated in full.

(a) Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the group obtains control and continues to be consolidated until the date that such control ceases.

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of voting rights or otherwise has a controlling interest.

Notes to the Financial Statements

Giddawa Hydro Power (Pvt) Ltd, Okada Power Grid (Pvt) Ltd, Upper Agra Oya Hydro Power (Pvt) Ltd, Butama Hydro Electricity Company Ltd, Ella Dendro Electricity (Pvt) Ltd and Panasian Power PLC has been consolidated as subsidiaries based on the power to govern the financial and operating policies by the parent.

The following subsidiaries have been incorporated outside Sri Lanka.

Name/Country of incorporation	Reporting Currency
Butama Hydro Electricity Company Limited	Uganda Shillings
Republic of Uganda	

Non-controlling Interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the Consolidated statement of comprehensive income and within equity in the Consolidated statement of financial Position separately from parent shareholders' equity.

(b) Joint Ventures

The Group has an interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared for the same reporting year as the parent company.

(c) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in a profit or loss or as a change to the other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination transferred; the gain is recognised in profit or loss.

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

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the policy on retirement benefit obligation as disclosed in note 2.4. Prior year figures and phrases have been re-arranged where necessary to conform to the current year presentation.

2.2 Summary of Significant Accounting Policies

2.2.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, and sales taxes.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Energy Supplied

Revenue from energy supplied is recognised upon delivery of energy to Ceylon Electricity Board and will be adjusted for capacity charge for Minimum Guaranteed Energy Amount (MGEA) at the end of the calendar year if there has been a curtailment. Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in Power Purchase Agreement (PPA) is received at the metering point.

(b) Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

(c) Dividends

Revenue is recognised when the Group's/Company's right to receive the payment is established.

(d) Others

Other income is recognised on an accrual basis.

2.2.2 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss arising from this method.

(a) Transactions and Balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items are recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

(b) Foreign Operations

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.2.3 Taxation

a) Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date in the country where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto.

Notes to the Financial Statements

Hemas Power PLC

As per section 23 of Inland Revenue Act No. 10 of 2006, Hemas Power PLC is classified as a venture capital company. Accordingly, the company enjoyed a 5 year tax exemption period from the year of assessment 2003/04 and ended in 2007/08. After expiration of aforesaid tax exemption period, in terms of section 48 of the Inland Revenue (Amended) Act No. 9 of 2008, the company is liable for income tax for the first 3 years at 5%, 10% and 15% respectively. However, after expiration of the above 3 year concessionary tax period, the company is liable for income tax at 12% for the year of assessment 2012/13.

Giddawa Hydro Power (Private) Limited

Pursuant to agreement entered into with the Board of Investments (BOI), profit of Giddawa Hydro Power (Pvt) Ltd is exempted from Income Tax for a period of five (5) years reckoned from the year of assessment as may be determined by the Board, in which the Company commences to make profits or any year of assessment not later than two (2) years from the date of commencement of commercial operations of the Company, whichever is earlier.

After the expiration of aforesaid tax exemption period, the profit of the Company shall be charged at the rate of 10% for a period of two (2) years immediately succeeding the last date of the tax exemption period.

After the expiration of the aforesaid concessionary tax rate of 10%, the profits of the Company shall for any year of assessment be charged at the rate of 20%.

Accordingly, the profits of Giddawa Hydro Power (Pvt) Ltd were exempted from income tax for 2011/2012. However, other income was liable for income tax at 28%.

Heladhanavi Limited

Pursuant to the agreement dated 28 August 2003, entered into with the BOI under Section 17 of the Board of Investment Law, profits of Heladhanavi Ltd., is exempted from Income Tax for a period of 10 years from the year in which the Company commences to make profits or any year of assessment not later than two years from the date of commencement of commercial operations of the enterprise, whichever is earlier. Accordingly, the Company profits are exempted from Income Tax until the lapse of its power purchase agreement in December 2014. After the expiration of the aforesaid tax exemption period, the profits of the enterprise shall be charged at the rate of 15%. However, other operating income of the Company was liable for income tax at 28%.

Upper Agra Oya Hydro Power (Pvt) Limited

Pursuant to the agreement entered with BOI, profits of Upper Agra Oya Hydro Power (Private) Ltd is exempted from Income Tax for a period of five (5) years reckoned from the year of assessment as may be determined by the Board, in which the Company commences to make profits or any year of assessment not later than two (2) years from the date of

commencement of commercial operations of the Company, whichever is earlier.

After the expiration of aforesaid tax exemption period, the profit of the Company shall be charged at the rate of 10% for a period of two (2) years immediately succeeding the last date of the tax exemption period.

After the expiration of the aforesaid two years concessionary tax period at the rate of 10%, the profits of the company shall, for any year of assessment, be charged at the rate of 20%.

Accordingly, the profits of Upper Agra Oya Hydro Power (Pvt) Ltd were exempted from income tax until 2012/13. However, other income was liable for income tax at 28%.

Okanda Power Grid (Pvt) Limited

Pursuant to the agreement entered with BOI, profits of Okanda Power Grid (Pvt) Ltd is exempted from Income Tax for a period of five (5) years reckoned from the year of assessment as may be determined by the Board, in which the Company commences to make profits or any year of assessment not later than two (2) years from the date of commencement of commercial operations of the Company, whichever is earlier.

After the expiration of aforesaid tax exemption period, the profits of the Company shall be charged at the rate of 10% for a period of two (2) years immediately succeeding the last date of the tax exemption period.

After the expiration of the aforesaid concessionary tax rate of 10%, the profits of the Company shall, for any year of assessment, be charged at the rate of 20%. Accordingly, the profits of the company for the year 2013/14 was exempted for income tax. However, other income was liable for income tax at 28%.

Ella Dendro Electric (Pvt) Limited

The company has not commenced operations and consequently not liable for taxes. The company intends signing an agreement with the BOI to obtain tax concessions.

Butama Hydro Electricity Company Limited

The company has not commenced operations and consequently not liable for taxes.

b) Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except;

i) Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction

that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

c) Tax on Dividend Income

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated income statement.

2.2.4 Property, Plant and Equipment

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Group derecognises net book value of the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

When items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful lives of all Property, Plant and Equipment.

Buildings on Leasehold Land are depreciated over the remaining lease period.

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

2.2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Notes to the Financial Statements

Intangible assets are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

2.2.6 Leases

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

Group/Company as a lessee

Finance leases that transfer to the Group/Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group/Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.2.7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they incur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw Materials - At actual cost on first in- first out/ weighted average basis.

Consumables and Spares - At actual cost on first-in first out basis.

Goods-in-Transit and Other Stocks - At actual cost

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

2.2.9 Financial Instruments- Initial Recognition and Subsequent Measurement

i) Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs.

The financial assets include cash and short-term deposits, trade and other receivables, other financial assets.

Subsequent Measurement

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in

the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial assets reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- i) The rights to receive cash flows from the asset have expired,
- ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,
 - The Group has transferred substantially all the risks and rewards of the asset, or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously

Notes to the Financial Statements

recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

iii) **Financial Liabilities**

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, other financial liabilities.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows;

Loans and Borrowings/ Other Financial Liabilities

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

iv) **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) **Fair Value of Financial Instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. (bid price for long position and ask price for short positions) ,without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Derivative Financial Instruments and Hedge Accounting**Initial Recognition and Subsequent Measurement**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.2.10 Impairment of Non - Financial Assets

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

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

Goodwill

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

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

2.2.11 Cash and Short Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

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2.2.12 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.2.13 Retirement Benefit Liability

(a) Defined Contribution Plans –Mercantile Services Provident Society Fund and Employees' Trust Fund

Employees are eligible for Mercantile Services Provident Society Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Mercantile Services Provident Society Fund and Employees' Trust Fund respectively.

(b) Defined Benefit Plan – Gratuity

The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the projected benefit valuation method. Actuarial gains and losses for defined benefit plans are recognised as income or expense in other comprehensive income during the financial year in which it arise.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

The gratuity liability is not externally funded.

2.2.14 Business Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director (MD) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the Group financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the company accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Defined Benefit Plans

The cost of defined benefit plans-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, futures salary increases and retirement age. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

2.4 Changes in Accounting Policies and Disclosures

LKAS 19 – Employee Benefits (Revised 2013)

The Group applied LKAS 19 – (Revised 19) on Employee Benefit retrospectively in accordance with the transitional provisions set out in the said standard. As per previous policy actuarial gain/(loss) was recognized in full in the income statement. As per revised LKAS 19, actuarial gain/(loss) is recognized in full in other comprehensive income (OCI).

Accordingly the Group changed its policy for recognizing actuarial gain/loss in OCI. This resulted in reclassifying actuarial gain/loss previously recognized in Income Statement to the OCI. Since there was no significant impact on Retirement Benefit Liability, the opening statement of financial position of the earliest comparative period has not been presented. The transition did not have an impact on the statement of cash flows. There is no significant impact on the basic EPS

2.5 Effect of Sri Lanka accounting standards issued but not yet effective:

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

a) SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. SLFRS 9 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2015. Accordingly the financial statements for the year ending 31 December 2015/31 March 2016 will adopt the SLFRS 9.

The Group will quantify the effect in due course.

b) SLFRS 10 –Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation.

Special Purpose Entities

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in LKAS 27.

This standard was initially effective for annual periods beginning on or after 1 January 2014 and subsequently CA Sri Lanka has decided to defer the application of this standard.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

c) SLFRS 11 Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in joint ventures and SIC-13 Jointly-controlled Entities. Non-Mandatory Contributions by Ventures. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

Pending the full study of this standard, the financial impact has been ascertained and disclosed in Note 37.

d) SLFRS 12 Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

e) SLFRS 13 Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

Notes to the Financial Statements

3 Property, Plant and Equipment

3.1 Group

At cost/ Valuation	Balance As at 01.04.2013 Rs.	Additions Rs.	Acquisition of Subsidiary Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
Freehold Land	55,821,759	1,402,380	10,273,000	-	67,497,139
Civil Construction at Plant - Thermal	4,440,633	-	-	-	4,440,633
Civil Construction at Plant - Hydro	541,209,164	21,221,952	251,038,846	-	813,469,962
Office Equipment	5,529,440	542,108	3,638,386	-	9,709,934
Furniture and Fittings	11,339,120	458,413	932,116	-	12,729,649
Power Plant - Thermal	2,803,444,185	-	-	-	2,803,444,185
Power Plant - Hydro	555,050,578	1,435,249	212,646,250	-	769,132,077
Fire Fighting Equipment	1,073,879	-	-	-	1,073,879
Computer Equipment	2,811,721	383,651	-	-	3,195,372
Motor Vehicles	36,850,055	16,285,881	6,842,839	13,019,500	46,959,275
Leasehold Motor Vehicles	-	-	7,845,476	-	7,845,476
Generators	313,600	-	-	-	313,600
	4,017,884,134	41,729,634	493,216,913	13,019,500	4,539,811,181
Capital Work-in-Progress					
Power Project Construction Expenses	77,737,585	57,695,153	-	-	135,432,738
	77,737,585	57,695,153	-	-	135,432,738
Total Gross Carrying Value	4,095,621,719	99,424,787	493,216,913	13,019,500	4,675,243,919

Depreciation/Impairment At Cost	Balance As at 01.04.2013 Rs.	Depreciation Charge for the Year Rs.	Impairment of Assets Rs.	Acquisition of Subsidiary Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
Civil Construction at Plant -Thermal	2,930,575	444,062	-	-	-	3,374,637
Civil Construction at Plant -Hydro	25,721,618	14,429,661	-	11,615,202	-	51,766,481
Office Equipment	1,741,475	855,235	-	3,232,550	-	5,829,260
Furniture and Fittings	2,532,453	1,516,672	-	699,137	-	4,748,262
Power Plant - Thermal	1,606,814,125	184,135,913	575,702,172	-	-	2,366,652,210
Power Plant - Hydro	43,743,351	22,513,245	-	12,923,122	-	79,179,718
Fire Fighting Equipment	966,509	107,370	-	-	-	1,073,879
Computer Equipment	1,898,270	573,178	-	-	-	2,471,448
Motor Vehicles	16,628,587	7,458,162	-	2,882,129	11,267,545	15,701,333
Leasehold Motor Vehicles	-	1,884,036	-	5,961,440	-	7,845,476
Generators	140,575	39,200	-	-	-	179,775
Total Depreciation	1,703,117,539	233,956,734	575,702,172	37,313,580	11,267,545	2,538,822,479

3 Property, Plant and Equipment (Contd..)

3.1 Group

Net Book Values	2014 Rs.	2013 Rs.
Freehold Land	67,497,139	55,821,759
Civil Construction at Plant -Thermal	1,065,995	1,510,058
Civil Construction at Plant -Hydro	761,703,480	515,487,546
Office Equipment	3,880,674	3,787,965
Furniture and Fittings	7,981,387	8,806,667
Power Plant - Thermal	436,791,976	1,196,630,060
Power Plant - Hydro	689,952,359	511,307,226
Fire Fighting Equipment	-	107,370
Computer Equipment	723,924	913,451
Motor Vehicles	31,257,941	20,221,468
Leasehold Motor Vehicles	-	-
Generators	133,825	173,025
	2,000,988,701	2,314,766,595
Capital Work-in-Progress		
Power Project Construction Expenses	135,432,738	77,737,585
Total Carrying Value of Property, Plant and Equipment	2,136,421,439	2,392,504,180

3.2 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.534,946,547/- (2013 - Rs.52,940,791/-). Cash payments amounted to Rs.41,729,634/- (2013- Rs.52,940,791/-) was paid during the year of acquisition/ construction of Property, Plant and Equipment.

3.3 Revaluation of Land

The Group uses the revaluation model of measurement for land. The Group engaged with Messers Perera Sivaskantha & Company, Certified valuer, to determine the fair value of its land. Fair value is determined by reference to market based evidence. Valuations are based on the active market prices, adjusted any difference in the nature, location or condition of the specific property. The date of most recent revaluation was 31 March 2013. If the Land was measured using the cost model, the carrying amount would be as follows;

Net Book Values	2014 Rs.	2013 Rs.
Cost	55,240,894	43,565,514
Net Carrying Amount	55,240,894	43,565,514

3.4 Impairment Testing of the Power Generation Facility

Key assumptions used in Impairment Assessment

The following are the key assumptions used in determining the Impairment

- Residual value of the plant
- Non-Renewal of the Power Purchase Agreement (PPA)

The recoverable amount of the Heladhanavi Power Plant as at 31.03.2014 has been determined based on the Fair Value Less Cost to Sell (FVLCS) based on technical valuation report.

It was concluded that Value in Use (VIU) did not exceed the Fair Value Less Cost to Sell (FVLCS). When determining the value in use it was assumed that the Power Purchase Agreement (PPA) with CEB will not be renewed on expiration (December 2014) and hence management has recognized the group portion of impairment charge of LKR. 575,702,172/-. The impairment charge is recorded within the statement of profit or loss.

3.5 Property, Plant and Equipment includes fully depreciated assets having gross carrying amount of Rs. 10,110,097/- (Rs.4,642,894/- 2013)

Notes to the Financial Statements

3 Property, Plant and Equipment (Contd..)

3.5 The useful lives of the assets of the Group Companies are estimated as follows:

Net Book Values	2014	2013
Civil Construction at Plant -Thermal	10 Years	10 Years
Civil Construction at Plant -Hydro	41- 60 Years	60 Years
Office Equipment	3 - 8 Years	3 - 8 Years
Furniture and Fittings	3 - 8 Years	3 - 8 Years
Power Plant - Thermal	15 Years	15 Years
Power Plant - Hydro	27-33 1/3 Years	33 1/3 Years
Fire Fighting Equipment	8 - 10 Years	8 - 10 Years
Computer Equipment	3 Years	3 Years
Motor Vehicles	4 - 6 Years	4 - 6 Years
Generators	8 Years	8 Years

3.6 Company

	Balance As at 01.04.2013 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2014 Rs.
At Cost				
Computer Equipment	2,284,429	360,050	-	2,644,479
Motor Vehicles	35,602,560	16,285,881	(13,019,500)	38,868,941
Office Equipment	2,511,629	97,835	-	2,609,464
Furniture and Fittings	9,990,366	55,435	-	10,045,801
Generators	313,600	-	-	313,600
Total Gross Carrying Value	50,702,584	16,799,201	(13,019,500)	54,482,285

	Balance As at 01.04.2013 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2014 Rs.
At Cost				
Computer Equipment	1,598,074	459,359	-	2,057,433
Motor Vehicles	15,874,129	5,913,670	(11,267,545)	10,520,255
Office Equipment	414,256	322,713	-	736,969
Furniture and Fittings	2,026,275	1,249,756	-	3,276,031
Generators	137,200	39,200	-	176,400
Total Depreciation	20,049,934	7,984,699	(11,267,545)	16,767,088

Net Book Values	2014 Rs.	2013 Rs.
Computer Equipment	587,046	686,355
Motor Vehicles	28,348,686	19,728,431
Office Equipment	1,872,495	2,097,373
Furniture and Fittings	6,769,770	7,964,091
Generators	137,200	176,400
Total Carrying Value of Property, Plant and Equipment	37,715,197	30,652,650

3 Property, Plant and Equipment (Contd..)

3.7 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.16,799,201/- for cash. (2013 - Rs. 17,151,615/-). Property Plant and Equipment includes fully depreciated assets having gross carrying amount of Rs 1,253,823/-.

4. Intangible Assets

Gross Carrying Amounts	Balance As at 01.04.2013 Rs.	Additions Rs.	Acquisition of Subsidiary Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
Goodwill	126,752,566	-	439,045,011	-	565,797,577
Right to Generate Hydro Power	-	-	17,000,000	-	17,000,000
Software License (SAP)	-	400,187	-	-	400,187
	126,752,566	400,187	456,045,011	-	583,197,764

Amortisation	Balance As at 01.04.2013 Rs.	Additions Rs.	Acquisition of Subsidiary Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
Goodwill	-	-	-	-	-
Right to Generate Hydro Power	-	1,401,187	6,241,675	-	7,642,862
Software License (SAP)	-	40,019	-	-	40,019
	-	1,441,206	6,241,675	-	7,682,881

Net Book Values	2014 Rs.	2013 Rs.
Goodwill	565,797,577	126,752,566
Right to Generate Hydro Power	9,357,138	-
Software License (SAP)	360,168	-
	575,514,883	126,752,566

The Company and its subsidiaries annually carry out an impairment test on all its tangible assets. The business acquisition to which the goodwill is attributable is valued based on the earnings growth method. Assumptions applied in such computations are reviewed each year.

Goodwill as at the Balance Sheet date has been tested for impairment and found no impairment for the carrying value. Recoverable values for the above test was estimated based on value in use of the acquired assets on business combination in the normal course of business.

Notes to the Financial Statements

5. Investments in Subsidiaries

Gross Carrying Amounts	Holding		No. of Shares		Company	
	2014	2013	2014	2013	2014 Rs.	2013 Rs.
Giddawa Hydro Power (Pvt) Limited	100%	100%	1,630,999	1,630,999	163,099,900	163,099,900
Okanda Power Grid (Pvt) Limited	100%	100%	43,662,513	43,662,513	452,612,710	452,612,710
Upper Agra Oya Hydro Power (Pvt) Limited	100%	100%	9,926,706	9,926,706	208,884,088	208,884,087
Butama Hydro Electricity Company Limited	99%	99%	99	99	83,769	83,769
Ella Dendro Electric (Pvt) Limited	75%	75%	7,500,000	7,500,000	7,500,000	7,500,000
Panasian Power PLC*	29%	-	146,500,000	-	411,600,000	-
	-	-	-	-	1,243,780,467	832,180,466

*Panasian Power PLC has been considered as a subsidiary based on the control over Board of Directors including the ability to govern financing and operating policies.

6. Investment in Joint Venture

	Holding		No. of Shares		Company	
	2014	2013	2014	2013	2014 Rs.	2013 Rs.
Heladhanavi Limited	47.06%	47.06%	60,000,000	60,000,000	600,000,000	600,000,000
	-	-	-	-	600,000,000	600,000,000

7. Other Investments

	Group	
	2014 Rs.	2013 Rs.
Padiyapelella Hydropower Limited		
Acquisition of Subsidiary	186,450,000	-
Advance to Padiyapelella Hydropower Limited	90,000,000	-
	276,450,000	-

As per the Addendum entered into between Power Hub International Sdn Bhd, Padiyapelella Hydropower Limited and Panasian Power PLC for the acquisition of 90% stake of Padiyapelella Hydropower Limited, an advance payment of Rs 276,450,000 has been paid by the Group by the end of the financial year 2013/2014.

8. Other Financial Assets

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Loans and Receivables				
Short-term Investments	518,713,690	324,761,626	-	-
Refundable Deposits	1,176,471	-	-	-
Investment in Preference Shares	-	-	145,000,000	145,000,000
Loans to Related Parties	-	69,000,000	134,112,891	201,390,406
Loans to Staff	1,941,033	1,497,033	1,383,293	1,102,225
ESOS Receivables	32,168,829	41,953,724	32,168,829	41,953,724
Total Loans and Receivables	554,000,023	437,212,383	312,665,013	389,446,355
Available for Sale Investments				
Investment In Equity Securities	-	125,550,000	-	-
Total Other financial assets	554,000,023	562,762,383	312,665,013	389,446,355
Total Non Current	30,674,077	164,832,501	308,610,497	316,672,907
Total Current	523,325,946	397,929,882	4,054,516	72,773,448

Available-for-sale investment — quoted equity shares

The company has investments in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

Impairment on available-for-sale financial investments

For available for sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired. The case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

8.1 Non Current

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Loans due from Related Parties (8.3)	-	-	134,112,891	132,390,406
Investment in Preference Shares (8.4)	-	-	145,000,000	145,000,000
Refundable Deposits	1,176,471	-	-	-
Investment In Equity Securities (8.7)	-	125,550,000	-	-
ESOS receivables	29,497,606	39,282,501	29,497,606	39,282,501
	30,674,077	164,832,501	308,610,497	316,672,907

8.2 Current Financial Assets

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Short-term Investments	518,713,690	324,761,626	-	-
Loans due from Related Parties (8.5)	-	69,000,000	-	69,000,000
Loans to Company Officers (8.6)	1,941,033	1,497,033	1,383,293	1,102,225
ESOS receivables	2,671,223	2,671,223	2,671,223	2,671,223
Total Current Financial Assets	523,325,946	397,929,882	4,054,516	72,773,448

Notes to the Financial Statements

8. Other Financial Assets (Contd..)

8.3 Loans due from Related parties

	Relationship	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Upper Agra Oya Hydro Power (Pvt) Ltd	Subsidiary	-	-	134,112,891	132,390,406
		-	-	134,112,891	132,390,406

The Company has given above loans at market interest rate.

8.4 Investment in Preference Shares - Non Current

	Relationship	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Giddawa Hydro Power (Pvt) Ltd.	Subsidiary	-	-	145,000,000	145,000,000
Total Market Value of Equity Investment		-	-	145,000,000	145,000,000

The above cumulative redeemable preference shares were issued at annual fixed interest rate of 15%.

8.5 Loans due from Related Parties

	Relationship	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Hemas Holdings PLC	Parent Company	-	69,000,000	-	69,000,000
		-	69,000,000	-	69,000,000

8.6 Loans to Company Officers:

Summary

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance at the Beginning of the Year	1,497,033	577,195	1,102,225	148,858
Loans Granted During the Year	2,250,241	1,885,381	1,747,536	1,220,000
Less: Repayments	(1,806,241)	(965,543)	(1,466,467)	(266,633)
Balance at the End of the Year	1,941,033	1,497,033	1,383,293	1,102,225

8.7 Investment in Equity Securities

	No.of share	Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Investment in Equity Securities	46,500,000	-	125,550,000	-	-
		-	125,550,000	-	-

9 Inventories

	Group	
	2014 Rs.	2013 Rs.
Fuel	108,329,186	50,494,821
Spare parts	6,396,509	11,443,569
	114,725,695	61,938,390

10 Trade and Other Receivables

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Trade Receivables	1,887,527,272	1,906,601,400	-	-
Advances, Deposits and Pre-payments	103,613,226	55,946,939	1,731,276	3,564,736
Other Receivables	63,884,140	35,119,801	60,844,825	20,124,168
Other Receivables - Related Parties (10.1)	76,334	10,292,242	184,947,264	168,140,309
	2,055,100,974	2,007,960,382	247,523,365	191,829,213

As at 31 March, the ageing analysis of trade receivables is as follows

	Total	Current	Past Due but not Impaired				> 120 days
			< 30	31-60 days	61-90 days	91-120 days	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2014	1,887,527,272	1,371,371,407	409,492,760	35,600,203	-	-	71,062,902
2013	1,906,601,400	1,209,070,408	16,645,236	-	-	-	680,885,756

10.1 Other Receivables - Related Parties

	Relationship	Group		Company	
		2014	2013	2014	2013
		Rs.	Rs.	Rs.	Rs.
Hemas Holdings PLC	Parent Company	-	9,853,914	-	9,853,068
Giddawa Hydro Power (Pvt) Ltd	Subsidiary	-	-	5,531,929	-
Okanda Power Grid (Pvt) Ltd	Subsidiary	-	-	23,782,003	16,720,564
Upper Agra Oya Hydro Power (Pvt) Ltd	Subsidiary	-	-	24,704,977	-
Butama Hydro Electricity Company Ltd	Subsidiary	-	-	70,951,944	55,776,260
Ella Dendro Electric (Pvt) Ltd	Subsidiary	-	-	58,953,789	85,354,171
Panasian Power PLC	Subsidiary	-	-	947,135	-
Hemas Corporate Services (Pvt) Ltd	Group Company	-	2,082	-	-
Hemas Travels (Pvt) Ltd	Group Company	10,490	70,402	9,644	70,402
N-able (Pvt) Ltd.	Group Company	65,844	365,844	65,844	365,844
		76,334	10,292,242	184,947,264	168,140,309

11 Cash and Cash Equivalents

Components of Cash and Cash Equivalents	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
11.1 Favourable Cash and Cash Equivalent Balances				
Cash and Bank Balances	118,653,341	58,583,986	23,978,421	45,923,801
Short-term Investments	-	-	-	2,311,761
	118,653,341	58,583,986	23,978,421	48,235,562
11.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft (14)	(1,558,051,528)	(1,012,685,261)	(1,158,312)	(1,817,091)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(1,439,398,187)	(954,101,275)	22,820,109	46,418,471

Short-term Investments have been classified under Current financial assets.(8.2)

Notes to the Financial Statements

12 Stated Capital - Group/Company

	2014		2013	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	125,200,002	1,539,882,957	125,200,002	1,539,882,957
	125,200,002	1,539,882,957	125,200,002	1,539,882,957

12.1 Rights Preferences & Restrictions of Classes of capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on a poll at a meeting of the Company.

13 Reserves

	Group	
	2014	2013
	Rs.	Rs.
Revenue Reserves (13.1)	364,598,286	374,060,043
Total Reserves	364,598,286	374,060,043

13.1 Revenue Reserves

	Group	
	2014	2013
	Rs.	Rs.
Overhaul Reserve (13.2)	63,421,460	123,062,093
Heat Rate and Lube Oil Reserve (13.2.1)	301,176,825	250,997,949
	364,598,286	374,060,043

13.2 Overhaul Reserve comprises amounts set aside by the Directors of Heladhanavi Ltd., for the purpose of meeting the need based variable Operation and Maintenance (O&M) tariff requirements in accordance with the Operation and Maintenance Agreement with Lakdhanavi Ltd.

13.2.1 In accordance with the O&M Agreement, Heat Rate and Lube Oil Reserve created to pay to the O&M operator or to receive by Heladhanavi Ltd., of that value as at the end of the agreement period, if there is a difference between guaranteed Fuel and Lube oil consumption and actual Fuel and Lube oil consumption.

14. Interest Bearing Loans and Borrowings

	2014			2013		
	Amount Repayable Within 1 year	Amount Repayable After 1 year	Total	Amount Repayable Within 1 year	Amount Repayable After 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group						
Short-Term Rupee Loan (14.1)	184,117,642	-	184,117,642	-	-	-
Long Term Loans*	1,657,452	1,709,281	3,366,733	-	-	-
Finance Lease Obligation	1,893,734	-	1,893,734	-	-	-
US\$ Term Loans(14.2)	8,201,401	-	8,201,401	351,839,365	180,550,579	532,389,944
Bank Overdraft (11.2)	1,558,051,528	-	1,558,051,528	1,012,685,261	-	1,012,685,261
	1,753,921,757	1,709,281	1,755,631,038	1,364,524,626	180,550,579	1,545,075,205
Company						
Bank Overdraft (11.2)	1,158,312	-	1,158,312	1,817,091	-	1,817,091
	1,158,312	-	1,158,312	1,817,091	-	1,817,091

14. Interest Bearing Loans and Borrowings (Contd..)

14.1 Short -Term Rupee Loans

	As at 01.04.2013 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2014 Rs.
Short-Term Rupee Loans	-	94,117,642	-	94,117,642
Short Term Rupee Loan obtained from Sampath Bank PLC	-	90,000,000	-	90,000,000
	-	184,117,642	-	184,117,642

The above short-term rupee loans were obtained by Heladhanavi Ltd., for the purpose of working capital requirements and by Panasian Power PLC for Padiayapellalla investment at market interest rates.

14.2 US\$ Term Loans

	As at 01.04.2013 Rs.	Loans Obtained Rs.	Repayments Rs.	Exchange (Gain) / Loss Rs.	Transfer to Overdraft Rs.	As at 31.03.2014 Rs.
Term Loan- HSBC	63,269,223	-	(61,588,487)	(1,680,736)	-	-
Term Loan- HSBC	358,277,627	-	-	-	(358,277,627)	-
Term Loan- Standard Chartered Bank (SCB)	110,843,094	-	(104,802,032)	2,160,339	-	8,201,401
	532,389,944	-	(166,390,519)	479,603	(358,277,627)	8,201,401

Rate of Interest

1 Month LIBOR + 3.5 % p.a.

Security

Registered Undertaking to Mortgage over project Assets (Land, Building, Plant and Machinery) of Heledhanavi Ltd.

Terms of Repayments

HSBC Term Loan - 36 equal monthly instalments commencing from October 2010.

SCB Term Loan - 42 equal monthly instalments commencing from November 2010.

15. Non-Current Financial Liabilities

Other Financial Liabilities at Amortised Cost	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Other Payables	5,194,371	3,904,508	-	-
Preference Shares	206,503,324	211,593,418	125,503,324	127,615,408
Total Other Financial Liabilities at Amortised Cost	211,697,695	215,497,926	125,503,324	127,615,408

This represents the outstanding balance of redeemable preference shares issued by parent & subsidiary companies. Accordingly, Rs. 135Mn represent the preference shares issued by Hemas Power PLC to National Development Bank and Rs. 81 Mn represents the preference shares issued by Giddawa Hydro Power (Pvt) Ltd to Hemas Holdings PLC and Hemas Pharmaceuticals (Pvt) Ltd and Rs. 3Mn represents the preference shares issued by Upper Agra Oya Hydro Power (Pvt) Ltd to Watawala Plantations PLC.

Notes to the Financial Statements

16 Retirement Benefit Obligations - Gratuity

Other Financial Liabilities at Amortised Cost	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance at the beginning of the Year	5,242,371	3,465,480	4,377,530	2,761,173
Acquisition of Subsidiary	2,208,674	-	-	-
Interest Cost	576,660	381,202	481,528	303,728
Current Service Cost	904,318	623,898	513,803	423,875
Benefit paid	-	(249,816)	-	-
Actuarial (gain)/loss on Obligation	31,116	1,021,607	19,819	888,754
Balance at the end of the Year	8,963,139	5,242,371	5,392,680	4,377,530

- 16.1 Messrs K.A.Pandit Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31st March 2014. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows;

	2014	2013
Discount rate	11%	11%
Future salary increase	9%-10%	9%-10%
Retirement age	55 years	55 years

Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible changes in key assumptions employed with all other variables held constant in the retiring benefit obligations measurement as at 31st March 2014. The sensitivity of the statement of financial position and statement of comprehensive income is the effect of the assumed changes in the discount rate on the profit or loss and retiring benefit obligation for the year.

	Group		Company	
	Increase/ (Decrease) in Discount Rate	Increase/(De- crease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
	1%	-	2,292,946	(2,292,946)
	(-1%)	-	(2,825,065)	2,825,065
	-	1%	2,841,421	(2,841,421)
		(-1%)	(2,296,561)	2,296,561

17 Trade and Other Payables

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Payables	505,692,166	578,284,816	-	-
Other Payables - Related Parties (17.1)	54,952,634	3,837,525	651,740,556	269,575,664
- Others	10,608,571	15,295,418	2,927,611	4,808,783
Sundry Creditors including Accrued Expenses	11,780,062	-	3,453,049	-
	583,033,433	597,417,760	658,121,217	274,384,447

17 Trade and Other Payables (Contd..)

17.1 Other Payables - Related Parties

Relationship	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Hemas Holdings PLC	6,598,951	3,417,660	5,986,136	3,414,403
Hemas Corporate Services (Pvt) Ltd	428,734	236,522	188,321	211,127
Hemas Travels (Pvt) Ltd	42,100	-	-	-
Vishwa BPO (Pvt) Ltd	231,070	155,299	72,299	56,253
Diethelm Travels (Pvt) Ltd	14,062	22,900	-	22,900
Lakdhanavi Ltd.	47,058,821	-	-	-
Upper Agra Oya Hydro Power (Pvt) Ltd	-	-	221,807,045	119,434,457
Giddawa Hydro Power (Pvt) Ltd	-	-	219,674,159	146,431,381
Okanda Power Grid (Pvt) Ltd	-	-	203,433,700	-
Hemas Developments (Pvt) Ltd.	578,897	5,143	578,897	5,143
	54,952,634	3,837,525	651,740,556	269,575,664

18 Deferred Tax Asset/ Liability

	Deferred Tax Asset		Deferred Tax Liability	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at Beginning of the Year	4,265,879	3,104,130	-	-
Acquisition of Subsidiary	-	-	22,237,086	-
Income/ (Expenses) Arising During the Year	(116,940)	1,161,749	2,792,881	-
Balance as at end of the Year	4,148,939	4,265,879	25,029,967	-

Deferred Tax Asset

	Statement of financial position		Income statement	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<i>The closing Deferred Tax liability/(Asset) balances relate to the following;</i>				
Accelerated depreciation for tax purposes	4,029,865	3,852,165	(118,069)	988,781
Post-employment benefits	119,074	413,714	1,130	172,968
Net deferred tax assets/(liabilities)	4,148,939	4,265,879	(116,940)	1,161,749

19 Revenue

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Supply of Electricity	6,457,335,114	5,509,316,084	-	-
Interest on CEB Delayed Payments	88,494,349	100,858,501	-	-
Interest Income on Investments	-	3,900,734	-	3,900,734
Dividend Income	-	-	140,393,589	66,825,003
Interest Income - Related Parties	845,575	1,969,616	16,068,061	17,035,409
Interest Income - Others	1,400,243	2,928,674	1,400,243	2,928,674
	6,548,075,281	5,618,973,609	157,861,893	90,689,820

Notes to the Financial Statements

20 Other Income and Gains

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Dividend Receive Quoted	-	1,956,604	-	-
Profit from Step Acquisition -Transfer from AFS	19,417,067	-	-	-
Profit / (Loss) on Sale of Fixed Assets	2,373,045	2,084,677	2,373,045	1,508,850
	21,790,112	4,041,281	2,373,045	1,508,850

21 Finance Cost / Finance Income

21.1 Finance Cost

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Interest Expense on Overdrafts	115,490,572	89,539,821	7,963,614	159,119
USD Loan Interest	-	38,067	-	-
Term Loan Interest	14,011,596	10,897,776	-	-
CPC Delay Interest	16,606,114	18,989,175	-	-
Preference Share Dividends	19,585,805	17,058,795	13,035,804	8,333,795
Intercompany Loan Interest	1,798,274	614,724	1,798,274	207,123
Bank Guarantee Charges	42,572	57,143	42,572	57,143
Interest on finance lease obligations	714,020	-	-	-
	168,248,953	137,195,502	22,840,264	8,757,180

21.2 Finance Income

Interest Income -Fixed Deposit	12,210,599	12,938,909	-	-
Interest Income On Staff Loans	165,598	102,468	129,524	34,757
Interest Income-Others	5,784,258	3,829,349	4,387,605	3,684,842
	18,160,455	16,870,726	4,517,129	3,719,599

22 Profit Before Tax

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<i>Stated After Charging all expenses including the following :</i>				
Depreciation	233,956,734	218,396,661	7,984,699	7,461,959
Impairment of Assets	575,702,172	-	-	-
Directors' Fees and Emoluments	13,523,882	12,128,634	13,523,882	12,128,634
Auditors' Fees & Expenses	1,428,590	960,851	312,588	239,584
Non - Audit Services	107,490	270,720	57,490	270,720
Staff Costs				
- Defined Contribution Plan Costs- MSPS, EPF and ETF	5,246,712	3,261,014	1,457,666	2,526,665
- Defined Benefit Plan Costs- Gratuity	1,798,695	2,026,707	995,331	1,616,358
- Other Staff Costs	22,820,767	30,352,549	11,380,691	15,161,007
Exchange Loss	43,672,619	31,482,101	-	-

23. Income Tax Expense

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Current Income Tax				
Current Tax Expense (23.1)	10,219,698	59,496	-	-
Under/(Over) Provision in respect of Previous Year	(1,266,993)	-	-	-
Tax on dividend paid by subsidiaries	4,407,250	-	-	-
Deferred Tax Charge/ Reversal	2,710,241	(1,148,467)	-	-
	16,070,196	(1,088,971)	-	-

23.1 Reconciliation between Current Tax Expense and the Accounting Profit

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Profit Before Tax	(146,518,883)	282,371,198	85,768,504	24,550,684
Income not subject to Tax	(228,485,433)	(304,732,685)	-	-
Aggregate excluded Income	(153,064,669)	(212,483)	-	(66,825,004)
Aggregate allowable Expenses	(40,405,464)	(5,495,282)	(152,199,726)	(5,495,282)
Aggregate disallowed Items	674,729,172	10,084,332	13,575,074	10,203,901
Total Statutory Income	106,254,724	(17,984,920)	(52,856,148)	(37,565,701)
Taxable Profit from Business	106,254,724	(17,984,920)	(52,856,148)	(37,565,701)
Other Income	1,429,675	212,483	-	-
Total Taxable Profit	107,684,399	(17,772,437)	-	-
Income Tax @ 12% / 15%	10,002,750	-	-	-
Income Tax @ 28% / 35%	216,948	59,496	-	-
Current Income Tax Expense	10,219,698	59,496	-	-

Notes to the Financial Statements

24. Fair Value

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

Group	Carrying amount		Fair value	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Trade and other receivables	2,055,100,974	2,007,960,382	2,055,100,974	2,007,960,382
Other financial assets				
Loans and other receivables				
Staff loans	1,941,033	1,497,033	1,941,033	1,497,033
Loans due from related party	-	69,000,000	-	69,000,000
ESOS Receivable	32,168,829	41,953,724	32,168,829	26,482,225
Available for sale investments	-	125,550,000	-	125,550,000
Cash and short term deposits	118,653,341	58,583,986	118,653,341	58,583,986
Total	2,207,864,177	2,304,545,125	2,207,864,177	2,289,073,626

Company	Carrying amount		Fair value	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Trade and other receivables	247,523,365	191,829,213	247,523,365	191,829,213
Other financial assets				
Loans and other receivables				
Staff loans	1,383,293	1,102,225	1,383,293	1,102,225
Loans due from related party	-	69,000,000	-	69,000,000
ESOS Receivable	32,168,829	41,953,724	32,168,829	25,368,153
Cash and short term deposits	23,978,421	48,235,562	23,978,421	48,235,562
Total	285,412,368	352,120,724	305,053,908	335,535,153
Financial liabilities				
Group				
Interest bearing loans and borrowings				
Bank Loans	8,201,401	532,389,943	8,201,401	532,389,943
Bank overdraft	1,558,051,528	1,012,685,261	1,558,051,528	1,012,685,261
Trade and other Payables	583,033,433	597,417,759	583,033,433	597,417,759
Non Current Financial Liabilities	211,697,695	215,497,926	211,697,695	215,497,926
Total	2,360,984,058	2,357,990,889	2,360,984,058	2,357,990,889
Company				
Interest bearing loans and borrowings				
Bank overdraft	1,158,312	1,817,091	1,158,312	1,817,091
Trade and other Payables	658,121,217	274,384,446	658,121,217	274,384,446
Non Current Financial Liabilities	125,503,324	127,615,408	125,503,324	127,615,408
Total	784,782,853	403,816,945	784,782,853	403,816,945

24. Fair Value (Contd..)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2014, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

The fair value of loans from banks and other financial liabilities estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

As at 31 March 2014, the Group held the following financial instruments carried at fair value on the statement of financial position

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

25. Earnings per Share

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

25.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<i>Amount used as the Numerator:</i>				
Profit for the Year	(259,130,805)	283,460,169	85,768,504	24,550,684
Net Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	(259,130,805)	283,460,169	85,768,504	24,550,684
<i>Number of Ordinary Shares Used as the Denominator:</i>				
Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	125,200,002	125,200,002	125,200,002	125,200,002
Basic Earnings/ (Loss) Per Share	(2.07)	2.26	0.69	0.20

25.3 There were no potentially dilutive ordinary shares outstanding at any time during the year.

Notes to the Financial Statements

26. Dividend per Share- Group/Company

	Group	
	2014	2013
	Rs.	Rs.
Dividend Paid	93,900,002	175,280,003
Dividend Per Share	0.75	1.40

Dividend were paid out of Dividend received by the company for which Withholding Tax (WHT) has been deducted at source.

27. Assets Pledged

The following assets have been pledged as security for liabilities of Heladhanavi Ltd.

Heladhanavi Ltd. (The Group has 47.06% share of the Assets Pledged)

Nature of the Assets	Nature of the Liability	Carrying Amount	Carrying Amount
		of the Assets Pledged 2014	of the Assets Pledged 2013
		Rs.	Rs.
Immovable Properties	Term Loan	941,332,508	2,557,160,319
Immovable Properties & Trade Debtors	Term Loan	4,864,230,697	6,534,707,174
Short term investments	Overdraft	1,102,266,650	685,206,000

28. Events Occurring after the Balance Sheet Date

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

29. Commitments and Contingencies

Commitments

As per the Addendum entered into between Power Hub International Sdn Bhd, Padiyapelella Hydropower Limited and Panasian Power PLC for the acquisition of 90% stake of Padiyapelella Hydropower Limited, an advance payment of Rs 276,450,000 has been paid by the Group by the end of the financial year 2013/2014.

The Panasian Power PLC is liable to pay the balance payment of Rs 633,550,000 on the completion and commencement of operation of Padiyapelella Hydropower Limited, which is currently under construction. Except for the above, payment that is contemplated there are no material capital expenditure committed by the Directors as at 31st March, 2014.

Contingencies

The Department of Inland Revenue raised assessments for income tax by challenging the venture capital company status and the treatment of interest income as business income, for the years of assessment 2008/2009, 2009/2010, 2010/2011 & 2011/2012. For the years of assessment 2008/2009 & 2009/2010, the determination of the Commissioner General of Inland Revenue was unfavorable to the Company. However, the Company has appealed to the Tax Appeals Commission and no provision has been made in these financial statements. For the years of assessment 2010/2011 & 2011/2012 the Company has filed appeals against the assessments.

Heladhanavi Ltd. (The Group has 47.06% share of the below commitments and contingencies)

29. Commitments and Contingencies (Contd..)

29.1 Power Purchase Agreement (PPA) with Ceylon Electricity Board (CEB)

If Heladhanavi Ltd fails to supply Minimum Guaranteed Energy Amount (MGEA), which is 698,417,280 kWh per year, and if there is a shortfall, penalties computed as below are payable to Ceylon Electricity Board in accordance with the PPA.

Shortfall	Amount of liquidated damages for each kWh of shortfall
Exceeding 10% of MGEA upto 25% of MGEA	15% of capacity charge
Exceeding 25% of MGEA	25% of capacity charge

29.2 Fuel Supply Agreement with Ceylon Petroleum Corporation

If the company is unable to accept fuel under supply schedule (subject to change) and /or comply with its obligations under this agreement and costs, expenses, damages & losses incurred as a direct and exclusive result of such failure or inability should be paid by the company within 30 days. However company's liability under this agreement is limited to a maximum of USD 500,000 per annum.

According to the clause 3.5 (C) of fuel supply agreement, company has established two Letters of Credit in favour of Ceylon Petroleum Corporation:

- At Nations Development Bank PLC- to the value of Rs. 300Mn
- At Sampath Bank PLC- to the value of Rs. 300Mn

29.3 Operations and Maintenance Agreement with Lakdhanavi Limited

According to this agreement, the fixed fee payable by Heladhanavi Ltd after the final completion date is US\$ 625,000 per annum paid in equal monthly instalments.

Heladhanavi Ltd is liable to pay Lakdhanavi Ltd an additional sum of US \$ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement.

29.4 Fuel Transport Agreement with LTL Projects (Pvt) Ltd

Heladhanavi Ltd has entered into a contract with LTL Projects (Pvt) Ltd for the transportation of fuel. In accordance with this agreement, Heladhanavi Ltd needs to pay a fixed charge of US \$ 10,500 per month from the date of commencement of power generation in the plant.

29.5 Eligibility to apply for a Generation Licence

As per the section 9 (1) (c) of Sri Lanka Electricity Act No. 20 of 2009, a company incorporated under the Companies Act No. 7 of 2007 which generates electricity over and above generating capacity of 25 MW is eligible to apply for a Generation Licence, provided that in the said company either the government or a public corporation or a company in which the government holds more than fifty per centum of the shares or a subsidiary of such a company, holds such number of shares as may be determined by the Secretary to the Treasury, with the concurrence of the Minister-in-charge of the subject of Finance.

Heladhanavi Ltd ('Heladhanavi') too, which is currently operating under the Generation Licence validly obtained on 26th September 2003, applied for a Generation Licence under the Sri Lanka Electricity Act No. 20 of 2009. However, Heladhanavi was informed by Public Utilities Commission of Sri Lanka (PUCSL) that the Company does not fulfill the eligibility criteria to apply for a Generation Licence, in terms of the above section of the Sri Lanka Electricity Act No. 20 of 2009. At the same time, it was learnt that the Government of Sri Lanka intends to amend the new Electricity Act to exempt the existing Independent Power Producers (including Heladhanavi) from this requirement.

However, Heladhanavi sought legal opinion in this regards and was informed that, Heladhanavi is entitled to seek legal remedies and indemnification under the 'Changes in Law' section of the Power Purchase Agreement and the Implementation Agreement.

29.6 Litigation

There were no material contingent liabilities as at reporting date which require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

30. Related Party Disclosures

30.1 Details of significant related party disclosures are as follows;

Nature of Transaction	Parent Company						Fellow Subsidiaries	
	Hemas Holdings PLC		Giddawa Hydro Power (Pvt) Ltd		Upper Agra Oya Hydro Power (Pvt) Ltd		Okanda Power Grid (Pvt) Ltd	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Corporate Guarantee Charges	56,857	57,143	-	-	-	-	-	-
IT Charges	1,432,575	1,240,555	-	-	-	-	-	-
Interest expenses on Short-term Loan	1,798,274	1,969,615	-	-	-	-	-	-
Interest Income on Short-term Loan	845,575	207,715	-	-	-	-	-	-
Common Facility Charges	-	28,886	-	-	-	-	-	-
Corporate Service Charges	-	-	-	-	-	-	-	-
Purchase of Airline Tickets	-	-	-	-	-	-	-	-
Shared Service Expenses	-	-	-	-	-	-	-	-
Travelling Expenses	-	-	-	-	-	-	-	-
Reimbursement of Expenses	-	-	-	-	-	-	-	-
Consultancy Fees	339,429	360,230	-	-	-	-	-	-
Funds Received	-	-	87,999,000	32,099,500	64,499,000	56,799,500	86,000,000	44,300,000
Funds Transferred	-	-	4,000,000	3,000,000	5,000,000	26,200,000	1,950,000	58,455,000
Interest on Long-term Loan	-	-	-	-	13,500,000	13,500,000	-	-
Dividend Income	-	-	21,750,000	21,750,000	3,474,347	-	-	-

Terms and Conditions :

Sales and Purchases of goods and/or services to related parties were made at on the basis of the price lists in force with non-related parties, but subject to approved discounts. Fees relating to rendering of services were made at agreed prices. Settlement will take place in cash.

The transaction between Hemas Corporate Services (Pvt) Ltd, Hemas Travel (Pvt) Ltd, Vishwa BPO (Pvt) Ltd and Diethlem Travel Lanka (Pvt) Ltd are appears under other group companies.

30.2 Transactions with Key Management Personnel

The key management personnel are the members of the Board of Directors of Hemas Power PLC and it's Parent.

a. Key management personnel compensation

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Short -Term Employment Benefits	13,523,882	12,128,634	13,523,882	12,128,634
	13,523,882	12,128,634	13,523,882	12,128,634

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.

Fellow Subsidiaries									
Ella Dendro Electric (Pvt) Ltd		Butama Hydro Electricity Company Ltd		Panasian Power PLC		Other Group Companies		Heladhanavi Ltd	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,051,248	2,090,625	-	-
-	-	-	-	-	-	697,006	1,995,191	-	-
-	-	-	-	-	-	867,589	675,040	-	-
-	-	-	-	-	-	276,067	239,770	-	-
-	-	-	-	947,135	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
27,175,000	-	-	-	-	-	-	-	-	-
-	85,354,172	15,175,682	22,137,554	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	9,634,323	-	-	-	105,882,354	47,250,003

Notes to the Financial Statements

31. Segmental Information

Information based on the primary segments (Business Segments)

	Thermal Power		Hydro Power		Other		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue								
Segmental revenue	6,004,399,307	5,388,639,579	541,430,156	221,535,006	157,861,893	90,689,820	6,703,691,356	5,700,864,405
Intra Segmental Revenue	-	-	-	-	(155,616,075)	(81,890,796)	(155,616,075)	(81,890,796)
Total Revenue	6,004,399,307	5,388,639,579	541,430,156	221,535,006	2,245,818	8,799,024	6,548,075,281	5,618,973,609
Results								
Operating Profit/(Loss)	223,976,876	312,932,692	401,800,046	155,126,234	(28,342,580)	(49,513,833)	597,434,343	418,545,093
Impairment of Assets	(575,702,172)	-	-	-	-	-	(575,702,172)	-
Finance Cost	(126,985,763)	(119,236,665)	(18,422,925)	(9,201,657)	(22,842,366)	(8,757,180)	(168,251,053)	(137,195,502)
Profit/(Loss) before Tax	(478,711,059)	193,696,028	383,377,121	145,924,577	(51,184,946)	(58,271,013)	(146,518,882)	281,349,591
Income Tax Expense	-	-	(16,070,196)	1,102,253	-	-	(16,070,196)	1,102,253
Profit/(Loss) for the Year	(478,711,059)	193,696,028	367,306,925	147,026,830	(51,184,946)	(58,271,013)	(162,589,079)	282,451,844
Attributable to:								
Equity Holders of the Parent	(478,711,059)	193,696,028	270,765,200	147,026,830	(51,184,946)	(58,271,013)	(259,130,804)	282,451,844
Non-Controlling Interest	-	-	96,541,726	-	-	-	96,541,726	-
	(478,711,059)	193,696,028	367,306,925	147,026,830	(51,184,946)	(58,271,013)	(162,589,078)	282,451,844
Assets and Liabilities								
Non-Current Assets								
Property Plant and Equipment	442,979,979	1,203,369,496	1,590,601,813	1,093,901,813	102,839,651	95,232,871	2,136,421,443	2,392,504,180
Other Non-Current Assets	1,176,471	-	578,455,747	129,815,879	2,152,390,964	1,751,462,968	2,732,023,182	1,881,278,847
Segmental Non-Current Assets	444,156,450	1,203,369,496	2,169,057,560	1,223,717,692	2,255,230,615	1,846,695,839	4,868,444,625	4,273,783,027
Eliminations/Adjustments	-	-	-	-	-	-	(1,845,235,282)	(1,585,427,901)
Total Non-Current Assets	-	-	-	-	-	-	3,023,209,343	2,688,355,126
Segmental Current Assets								
Current Assets	2,572,607,479	2,295,517,513	815,086,478	321,731,713	299,053,145	363,363,316	3,686,747,102	2,980,612,542
Eliminations/Adjustments	-	-	-	-	-	-	(864,605,174)	(443,617,975)
Total Current Assets	2,572,607,479	2,295,517,513	815,086,478	321,731,713	299,053,145	363,363,316	2,822,141,927	2,536,994,567
Total Assets	-	-	-	-	-	-	5,845,351,271	5,225,349,693
Non-Current Liabilities								
Segmental Non Current Liabilities	491,765	180,550,578	392,147,193	366,137,761	130,896,003	134,602,534	523,534,963	681,290,876
Eliminations/Adjustments	-	-	-	-	-	-	(276,134,881)	(280,000,000)
Total Non-Current Liabilities	-	-	-	-	-	-	247,400,082	401,290,876

31. Segmental Information (Contd..)

Information based on the primary segments (Business Segments)

	Thermal Power		Hydro Power		Other		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Current Liabilities								
Segmental Current Liabilities	2,205,688,836	1,942,488,160	281,584,300	103,297,987	718,261,748	361,585,709	3,205,534,884	2,407,371,856
Income Tax Liabilities	2,131,578	2,131,579	11,835,072	6,304	-	-	13,966,650	2,137,883
Eliminations/Adjustments	-	-	-	-	-	-	(868,579,692)	(445,429,474)
Total Current Liabilities	2,207,820,414	1,944,619,739	293,419,372	103,304,291	718,261,748	361,585,709	2,350,921,845	1,964,080,269
Total Liabilities	-	-	-	-	-	-	2,598,321,929	2,365,371,138
Total Segmental Assets	3,016,763,930	3,498,887,009	2,984,144,038	1,545,449,405	2,554,283,760	2,210,059,156	8,555,191,728	7,254,395,569
Total Segmental Liabilities	2,208,312,179	2,125,170,317	685,566,565	469,442,052	849,157,751	496,188,243	3,743,036,497	3,090,800,612
Other Segmental Information								
Acquisition cost of Property Plant and Equipment	-	-	82,029,285	15,766,677	17,395,502	37,174,115	99,424,787	52,940,792
Depreciation of Segmental Assets	184,687,345	184,687,365	41,232,618	26,213,357	8,036,772	7,495,940	233,956,734	218,396,662
Acquisition of Subsidiary	-	-	455,903,333	-	-	-	455,903,333	-
Impairment of Segmental Assets	(575,702,172)	-	-	-	-	-	(575,702,172)	-
Other Non-Cash Expenses								
Defined Benefit Plan - Gratuity	-	-	803,364	410,349	995,331	1,616,358	1,798,695	2,026,707

32. Proportionate Interest in Joint Ventures

The Group's proportionate share of Heladhanavi Ltd (47.06%) Income and Expenses, Assets and Liabilities have been included in the Group Income Statement and Balance Sheet respectively.

	Group	
	2014	2013
	Rs.	Rs.
<i>The aggregate amounts so included are as follows;</i>		
Non-Current Assets	444,156,450	1,203,369,496
Current Assets	2,572,607,479	2,295,517,513
Non-Current Liabilities	491,765	180,550,578
Current Liabilities	2,207,820,414	1,944,619,739
Revenue	6,004,399,307	5,388,639,579
Net Profit/ (Loss)	(478,711,059)	193,696,028

Notes to the Financial Statements

33. Group Companies

Subsidiaries	Ownership		Proportion		Principal Activities
	Interest as at 31.03.2014	Power as at 31.03.2013	Interest as at 31.03.2014	Power as at 31.03.2013	
Giddawa Hydro Power (Pvt) Limited	100%	100%	100%	100%	2.0 MW Mini Hydro Power Plant - operational
Okanda Power Grid (Pvt) Limited	100%	100%	100%	100%	2.4 MW Mini Hydro Power Plant - operational
Upper Agra Oya Hydro Power (Pvt) Limited	100%	100%	100%	100%	2.6 MW Mini Hydro Power Plant - operational
Butama Hydro Electricity Company Limited	99%	99%	99%	99%	Hydro Power Plants in Uganda - Predevelopment stage
Ella Dendro Electric (Pvt) Limited	75%	75%	75%	75%	3.0 MW Biomass Power Plant - Under construction
Pan Asian Power PLC	29.3%	29.3%	-	-	2.4 MW & 2MW Mini Hydro Power Plants - operational
Jointly Controlled Entities Heladhanavi Limited	47.06%	50%	47.06%	50%	100 MW Thermal Power Plant - operational

34. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Group. BOD provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. It is the Group's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Hemas Holdings PLC.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, and available-for-sale investments.

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings

34. Financial Risk Management Objectives and Policies (Contd..)

Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was Rs. 2,228,560,036/- as at 31.03.2014.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, and loans given to SBUs.

Financial instruments and cash deposits

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's Treasury Policy. Investments of surplus funds are made only with approved counterparties as per this Policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis, and updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 15 except for financial guarantees.

Trade receivables

Customer credit risk is managed by each Group subject to the Group's established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored.

Large number of minor receivables are grouped into homogenous groups and assessed for Impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 24. The Group does not hold collateral as security.

35. Financial Risk Management Objectives and Policies-Continued

Liquidity risk

The Company monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and intercompany borrowings. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31st March 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest-bearing loans and borrowings	-	-	195,870,229	1,709,281	-	197,579,510
Other financial liabilities	-	62,751,662	62,751,662	-	86,194,371	211,697,695
Trade and other payable	-	-	583,033,433	-	-	583,033,433
Bank Overdraft	1,558,051,528	-	-	-	-	1,558,051,528
	1,558,051,528	62,751,662	841,655,324	1,709,281	86,194,371	2,550,362,166
As at 31st March 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest-bearing loans and borrowings	-	90,079,902	261,759,463	180,550,579	-	532,389,944
Other financial liabilities	-	-	-	127,615,408	87,882,518	215,497,926
Trade and other payable	-	7,119,436	590,298,324	-	-	597,417,760
Bank Overdraft	1,012,685,261	-	-	-	-	1,012,685,261
	1,012,685,261	97,199,338	852,057,786	308,165,987	87,882,518	2,357,990,891

Notes to the Financial Statements

35. Financial Risk Management Objectives and Policies-Continued (Contd..)

Capital management

Capital includes ordinary shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2014 and 31 March 2013. The Company monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Group's policy is to keep the gearing ratio below 40%.

35.1 Financial Risk Management Objectives and Policies - Company

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31st March 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Other financial liabilities	-	62,751,662	62,751,662	-	-	125,503,324
Trade and other payable	-	2,927,611	651,740,556	-	-	654,668,167
Bank Overdraft	1,158,312	-	-	-	-	1,158,312
	1,158,312	65,679,273	714,492,218	-	-	781,329,803

As at 31st March 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Other financial liabilities	-	-	-	127,615,408	-	127,615,408
Trade and other payable	-	4,808,783	269,575,664	-	-	274,384,447
Bank Overdraft	1,817,091	-	-	-	-	1,817,091
	1,817,091	4,808,783	269,575,664	127,615,408	-	403,816,946

36. Business Combination and Acquisition of Non Controlling Interest

Acquisition of Panasian Power PLC

On 24 April 2013, the Group acquired 29.3% of the voting shares of Panasian Power PLC, a listed company.

Basis of consolidation

The business combination was effected based on the control over the board of directors including the ability to govern financial and operating policies.

Assets acquired and liabilities assumed

The fair value of the identifiable assets acquired and liabilities assumed of Panasian Power PLC as at the date of acquisition were:

Year ended 31 March 2014	Fair value recognised on acquisition
Assets	
Property, Plant & Equipment	455,903,333
Intangible Assets	298,897,826
Other Investments	186,450,000
Investment in Subsidiaries	-
Trade and Other Receivables	32,954,873
Due from Related Parties	1,320,000
Cash and Cash Equivalents	15,620,293
	991,146,325
Non-Current Liabilities	
Retirement Benefit Obligations	2,208,674
Finance Lease Obligations	1,714,331
Interest Bearing Loans	2,661,619
Deferred Tax Liabilities	22,237,086
Current Liabilities	
Accruals and Other Payables	2,713,607
Finance Lease Obligations	1,737,610
Interest Bearing Loans	1,657,452
Due to Related Parties	-
Income Tax Payable	2,992,430
	37,922,809
Total Identifiable net Assets at Fair Value	953,223,515
Non-Controlling Interest	(673,929,025)
Goodwill Arising on Acquisition	150,905,510
Purchase Consideration Transferred	
Transfer from -AFS	130,200,000
Paid in Cash	300,000,000
Cash and Cash Equivalents in Subsidiary Acquired	15,620,293
Investment in Subsidiary	284,379,707

Notes to the Financial Statements

37. Changes in Accounting Policies and Disclosures

The application of SLFRS 11 will impact the Group's accounting of its interest in a joint venture, Heledhanavi Limited. The Group has a 47.06% interest in Heledhanavi Limited. The company is classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses are proportionately consolidated in the consolidated financial statements. The accounting policies of joint ventures will be changed upon adaptation of revised SLFRS 11. The Group has determined its interest in Heledhanavi Limited to be classified as a joint venture under SLFRS 11 from its effective date thereby required to be accounted for using the equity method. The effect of applying SLFRS 11 on the Group's financial statements is as follows:

The application of SLFRS 11 has no impact to group results.

Year ended 31 March 2014	Prior to Adopting	After Adopting
	SLFRS 11 2014 Rs.	SLFRS 11 2014 Rs.
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	2,136,421,439	1,693,441,460
Intangible Assets	575,514,883	575,514,883
Investments in Joint Venture	-	808,451,751
Other Investments	276,450,000	276,450,000
Other Non Current Financial Assets	30,674,077	29,497,606
Deffered Tax Asset	4,148,939	4,148,939
	<u>3,023,209,338</u>	<u>3,387,504,649</u>
Current Assets		
Inventories	114,725,695	6,396,509
Trade and Other Receivables	2,055,100,973	123,703,860
Other Current Financial Assets	523,325,946	4,612,257
Income Tax Recoverable	10,335,973	10,335,973
Cash and Bank Balances	118,653,341	104,485,850
	<u>2,822,141,929</u>	<u>249,534,449</u>
Total Assets	<u>5,845,351,267</u>	<u>3,637,039,089</u>
Equity and Liabilities		
Stated Capital	1,539,882,957	1,539,882,957
Revenue Reserves	364,598,286	-
Other Components of Equity	8,452,677	12,256,245
Retained Earnings	596,179,424	956,974,141
Equity Attributable to Equity Holders of the Parent	<u>2,509,113,344</u>	<u>2,509,113,343</u>
Non Controlling Interest	737,916,000	737,916,000
Total Equity	<u>3,247,029,344</u>	<u>3,247,029,343</u>
Non-Current Liabilities		
Non Current Financial Liabilities	211,697,695	211,697,695
Interest Bearing Loans and Borrowings	1,709,281	1,709,281
Retirement Benefit Obligation	8,963,139	8,471,374
Deffered Tax Liability	25,029,967	25,029,967
	<u>247,400,082</u>	<u>246,908,317</u>
Current Liabilities		
Trade and Other Payables	583,033,433	25,703,471
Income Tax Liabilities	13,966,651	11,835,074
Interest Bearing Loans and Borrowings	1,753,921,757	105,562,884
	<u>2,350,921,841</u>	<u>143,101,429</u>
Total Equity and Liabilities	<u>5,845,351,267</u>	<u>3,637,039,089</u>

37. Changes in Accounting Policies and Disclosures (Contd..)

Year ended 31 March 2014	Prior to Adopting SLFRS 11 2014 Rs.	After Adopting SLFRS 11 2014 Rs.
Revenue	6,548,075,281	543,675,974
Cost of Electricity Generated	(5,748,322,612)	(87,846,590)
Gross Profit	799,752,669	455,829,384
Other Income and Gains	21,790,112	21,790,112
Administrative Expenses	(198,598,376)	(110,113,986)
Operating Profit / (Loss) before Impairment	622,944,405	367,505,510
Impairment of Assets	(575,702,172)	-
Operating Profit / (Loss) after Impairment	47,242,233	367,505,510
Exchange Gain/(Loss)	(43,672,619)	-
Finance Income	18,160,455	5,949,856
Finance Cost	(168,248,953)	(41,263,190)
Share of Profit/ (Loss) from Joint Venture	-	(478,711,058)
Profit/(Loss) before Tax	(146,518,883)	(146,518,883)
Income Tax Expense	(16,070,196)	(16,070,196)
Profit/(Loss) for the Year	(162,589,079)	(162,589,079)
Attributable to:		
Owners of the Parent	(259,130,805)	(259,130,805)
Non-Controlling Interest	96,541,726	96,541,726
	(162,589,079)	(162,589,079)

38. Hedge Accounting

The company recognised a future cash flow hedge with foreign currency liability. the foreign currency loan designated as the hedging instrument . The fair value of the hedge instrument at the end of the reporting period is provided in a separate note (note 24) in the audited accounts. The nature of the risks being hedge is described as the variability in future cash flow streams attributable to changes in foreign exchange rate. The periods when the cash flows are expected to occur and when they are expected to affect profit or loss is determined. The cash flows are expected to occur only when the loan is repaid. The hedge reserve movement shows the amount that was reclassified from equity to profit or loss for the period. No ineffectiveness is recognized in the profit or loss with respect to the above hedge.

Five Year Summary

Year ended 31 March 2014	2014 Rs.	2013 Rs.	2012 Rs.	2011 Rs.	2010 Rs.	
A) Summary of the Operations						
Revenue	6,548,075,281	5,618,973,609	4,510,004,413	3,411,904,974	2,867,404,787	
Gross Profit	799,752,669	582,051,348	500,559,929	640,995,345	561,651,675	
Profit/ (Loss) before Finance Cost and Tax*	597,432,242	419,566,700	329,459,736	509,515,435	423,729,703	
Profit/ (Loss) before Finance Cost and Tax	21,730,070	419,566,700	329,459,736	509,515,435	423,729,703	
Profit/ (Loss) before Taxation	(146,518,883)	282,371,198	251,099,650	427,857,766	243,617,154	
Profit/ (Loss) before Taxation*	429,183,289	282,371,198	251,099,650	427,857,766	243,617,154	
Taxation	(16,070,196)	1,088,971	(1,274,034)	(2,099,429)	(42,615)	
Profit/ (Loss) After Tax*	413,113,093	283,460,169	249,825,616	425,758,337	243,574,539	
Profit/ (Loss) After Tax	(162,589,079)	283,460,169	249,825,616	425,758,337	243,574,539	
Preference Share Dividends	-	-	-	(13,045,002)	(10,325,113)	
Profit attributable to Owners of the Parent	(259,130,805)	283,460,169	249,825,616	412,713,335	233,249,427	
Profit attributable to Non-Controlling Interest	96,541,726					
	(162,589,079)	282,451,844	249,825,616	412,713,335	233,249,427	
B) Summary of Financial Position						
Capital and Reserves						
Stated Capital	1,539,882,957	1,539,882,957	1,539,882,957	1,674,882,957	1,539,882,957	
Capital Reserve	-	-	-	62,745,091	47,058,818	
Revenue Reserves	364,598,286	374,060,043	404,909,955	299,002,411	236,683,773	
Other Components of Equity	8,452,677	3,878,256	(58,209,528)	-	-	
Retained Earnings	596,179,424	939,656,446	809,287,315	863,065,758	660,423,081	
Equity Attributable to Equity Holders of the Parent	2,509,113,343	2,857,477,702	2,695,870,699	2,899,696,217	2,484,048,629	
Non Controlling Interest	737,916,000	2,500,846	2,500,846	-	-	
Total Equity	3,247,029,343	2,859,978,548	2,698,371,545	2,899,696,217	2,484,048,629	
Liabilities						
Non Current Liabilities	247,400,081	401,290,876	401,280,216	446,431,899	157,295,448	
Current Liabilities	2,350,921,842	1,964,080,269	1,993,776,839	1,265,914,229	1,273,562,137	
Total Liabilities	2,598,321,924	2,365,371,145	2,395,057,055	1,712,346,128	1,430,857,585	
Total Equity and Liabilities	5,845,351,267	5,225,349,693	5,093,428,600	4,612,042,345	3,914,906,213	
Assets						
Property Plant and Equipment	2,136,421,439	2,392,504,180	2,548,808,006	2,469,537,770	2,430,236,954	
Other Non Current Assets	886,787,899	295,850,946	153,953,078	190,473,769	126,752,566	
Current Assets	2,822,141,929	2,536,994,567	2,390,667,516	1,952,030,806	1,357,916,692	
Total Assets	5,845,351,267	5,225,349,693	5,093,428,600	4,612,042,345	3,914,906,213	
Key Indicators						
Earnings/ (Loss) per Share	(Rs)	(2.07)	2.26	2.00	3.30	2.12
Net Profit/ (Loss) Margin*	(%)	6.31%	5.04%	5.54%	12.48%	8.49%
Net Profit/ (Loss) Margin	(%)	-2.48%	5.04%	5.54%	12.48%	8.49%
Net Assets per Share	(Rs)	20.04	22.82	21.53	23.14	19.84
Dividend per Share	(Rs)	0.75	1.40	2.00	1.30	0.99
Dividends Payout	(%)	33.24%	70.16%	60.67%	69.78%	41.82%
Dividend Cover	(Times)	3.02	1.43	1.65	1.43	2.39
Interest Cover*	(Times)	3.55	3.06	4.20	6.24	2.35
Interest Cover	(Times)	0.13	3.06	4.20	6.24	2.35
Current Ratio	(Times)	1.20	1.29	1.20	1.54	1.07
Long Term Gearing	(%)	7.08%	12.30%	12.95%	13.27%	5.96%
Return on Equity*	(%)	10.26%	9.92%	9.27%	14.23%	9.39%
Return on Equity	(%)	-10.33%	9.92%	9.27%	14.23%	9.39%

* Before provision for impairment of assets of Heladhanavi Ltd.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of Hemas Power PLC will be held at the **Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2** on **Friday, the 11th day of July 2014 at 3.30 PM** for the following purpose:-

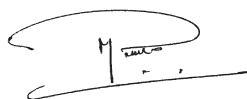
AGENDA

1. To receive and consider the Statements of Accounts of the Company and the Group for the year ended 31st March 2014, together with the Reports of the Directors and Auditors thereon.
2. To re-elect as Director, Mr. Malinga Arakularatne, retiring by rotation in terms of Article 24 (6) the Articles of Association of the Company.
3. To re-elect as Director, Mr. Riad Ameen, retiring by rotation in terms of Article 24(6) of the Articles of Association of the Company.
4. To re-elect as Director, Mr. Chandana de Silva, retiring in terms of Article 24(2) of the Articles of Association of the Company.
5. To re-elect as Director, Mr. Steven Enderby, retiring in terms of Article 24(2) of the Articles of Association of the Company.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine and make donations to Charity.
8. To consider any other business of which due notice has been given.

By Order of the Board of

Hemas Power PLC



Hemas Corporate Services (Private) Limited

18th June 2014

Note:

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote in his/her place.

A Proxy need not be a Member of the Company.

A Form of Proxy accompanies this Notice

Form of Proxy

I/We
of
being a Member/s of **Hemas Power PLC** do hereby appoint of
.....or failing him/her

- | | |
|---------------------------|----------------|
| Mr. Imtiaz Esufally | or failing him |
| Mr. Kishantha Nanayakkara | or failing him |
| Mr. Malinga Arsakularatne | or failing him |
| Mr. Sanjiva Senanayake | or failing him |
| Mr. Riad Ameen | or failing him |
| Mr. Chandana de Silva | or failing him |
| Mr. Steven Enderby | |

as my/our Proxy to vote and speak for *me/us on *my/our behalf at the Fifth Annual General Meeting of Hemas Power PLC to be held **at 3.30 p.m. on Friday, 11th July 2014 at the Auditorium of the Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 2** and at any adjournment thereof.

	For	Against
1. To receive and consider the Statements of Accounts of the Company and Group for the year ended 31st March 2014 together with the Reports of the Directors and Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Malinga Arsakularatne who retires by rotation in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Riad Ameen who retires by rotation in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Chandana de Silva who retires in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. Steven Enderby who retires in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorize the Directors to determine and make donations to Charity.	<input type="checkbox"/>	<input type="checkbox"/>

Signature of the shareholder/s NIC/Passport No

Dated this.....day of2014

Note:

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

Instructions for Completion

1. Kindly perfect the Form of Proxy after filling in legibly your name in full, address and by signing in the space provided. Please fill in the date of signature.
2. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association/ Statutes.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. The completed Form of Proxy should be addressed to the Secretaries and deposited at the Registered Office of the Company at "Hemas House", No. 75, Braybrooke Place, Colombo 2 not less than Forty Eight (48) hours before the time appointed for the meeting.

Corporate Information

Legal Form

Quoted Public Company with limited liability listed on the Colombo Stock Exchange on 8th October 2009

Date of Incorporation

11th June 2003

Company Registration number

PV 415 PB PQ

Accounting year end

31st March

Registered Office

"Hemas House"
No. 75, Braybrooke Place,
Colombo 2.

Website

www.hemas.com

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo 10.

Directors

Imtiaz Esufally (Chairman)
Kishantha Nanayakkara (Managing Director)
Malinga Arakularatne
Sanjiva Senanayake
Riad Ameen
Chandana de Silva
Steven Enderby

Secretaries

Hemas Corporate Services (Pvt) Ltd
"Hemas House"
No. 75, Braybrooke Place,
Colombo 2
Telephone: 4 731731 (hunting)
Facsimile: 4 731777

Registrars

SSP Corporate Services (Pvt) Ltd
No.101, Inner Flower Road,
Colombo 3.
Telephone: 2 573894
Facsimile: 2 573609

Bankers

Commercial Bank of Ceylon PLC
Hong Kong & Shanghai Banking Corp. Ltd
Standard Chartered Bank

