



Vallibel Power Erathna PLC

Greater Together



VALLIBEL POWER ERATHNA PLC
ANNUAL REPORT 2023/24

Greater Together

At Vallibel Power, the fundamental pillars of sustainability and community engagement stand at the core of our operations. As conscientious stewards of the environment and committed corporate citizens, we recognise the imperative not only to meet present energy demands but also to safeguard the prospects of a greener and more sustainable future.

In our pursuit of these goals, a pivotal step undertaken in the reviewed year has been the strategic utilisation of local solutions. We firmly believe that by engaging with local expertise, and harnessing their knowledge and resources, we have significantly augmented the efficiency and efficacy of our operations. Drawing upon the rich tapestry of talent and innovation within our operational spheres, we have bespoke our processes to confront challenges head-on while concurrently fostering economic growth and empowerment.

Hydropower, the cornerstone of our renewable energy portfolio, stands as an emblem of sustainability. This is especially evident in our adherence to best practices in water management, ensuring minimal waste and maximal output from our hydropower assets.

As we navigate the ever-evolving landscape of energy production, we remain resolute in our pursuit of sustainable solutions, guided by the principle that we can build a brighter, more sustainable tomorrow by being greater together.

CONTENT

Greater Together



CHAIRMAN’S STATEMENT

"By enhancing operational efficiencies and the functionality of our hydropower infrastructure, we have effectively navigated periods of low rainfall and maximised our generation capacity during favourable conditions."

18  Read more details

CORPORATE OVERVIEW

- About the Report 4
- About Us 6
- Milestones 8
- Board of Directors 10
- Value Creation Model 12

YEAR AT A GLANCE

- Year at A Glance 16
- Chairman’s Statement 18
- Joint Chief Executive Officers’ Review 20
- Financial and ESG Highlights 22

MANAGEMENT COMMENTARY

- Stakeholder Engagement 26
- Materiality Assessment 28
- VPE’s Operating Context 30
- Enterprise Risk Management 36
- VPE’s ESG and Sustainability Framework 40

Capital Management Reports

- Financial Capital 44
- Natural Capital 52
- Human Capital 62
- Social and Relationship Capital 71
- Manufactured Capital 79
- Intellectual Capital 83

GOVERNANCE

- Corporate Governance 90
- Report of the Audit Committee 106
- Report of the Remuneration Committee 107
- Report of the Related Party Transactions Review Committee 108

VALUE CREATION MODEL


12  Read more details

FINANCIAL AND ESG HIGHLIGHTS

22  Read more details

VPE’S OPERATING CONTEXT

30  Read more details


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www.vallibel-hydro.com

JOINT CHIEF EXECUTIVE OFFICERS' REVIEW

"The year showcased commendable performance in both cost containment as well as trade receivables, which underscore our commitment to financial stability and operational efficiency."

20



Read more details



ANNUAL FINANCIAL STATEMENTS

Financial Calendar	109
Annual Report of the Board of Directors on the Affairs of the Company	110
Statement of Directors Responsibility	113
Responsibility Statement from Chairman, Joint CEOs' & Accountant	114
Independent Auditor's Report	115
Statement of Profit or Loss	118
Statement of Comprehensive Income	119
Statement of Financial Position	120
Statement of Changes in Equity	121
Statement of Cash Flows	122
Notes to the Financial Statements	123

SUPPLEMENTARY INFORMATION

Ten Years Financial Summary	160
Investor Information	161
Independent Assurance Report on Sustainability Reporting	163
GRI Standards Content Index	165
Glossary	170
Corporate Information	173
Notice of Annual General Meeting	174
Form of Proxy	175



VPE'S ESG AND SUSTAINABILITY FRAMEWORK

40



Read more details

CAPITAL MANAGEMENT REPORTS

44



Read more details

ANNUAL FINANCIAL STATEMENTS

109



Read more details





ABOUT THE REPORT

WELCOME TO OUR INTEGRATED ANNUAL REPORT 2023/24

Our 6th integrated annual report sets out the performance of the Company during the financial year ended March 31, 2024 and provides a thumbnail sketch of Vallibel Power Erathna PLC's achievements, challenges, and commitment to powering communities with excellence. In this report, we highlight our dedication to providing sustainable energy solutions to Sri Lanka while building a resilient business focused on driving sustainable long-term value. In our value creation journey, we have adopted a structure that enables the reader to understand the value generated by the Company across all six capitals, thereby demonstrating our commitment to all groups of stakeholders and our continued excellence in corporate reporting. From outlining our strategic initiatives to showcasing our environmental stewardship efforts, this report serves as a transparent reflection of our commitment to powering progress in the energy sector.



GRI 2-2,3,4,5

Report scope and Boundary	Methodology	Assurance	Restatement of information
 <p>This Integrated Annual Report (IAR) is a snapshot of Vallibel Power Erathna PLC's annual reporting cycle, from April 1, 2023, to March 31, 2024, which is the corporate fiscal year. It provides an overview of the performance of Vallibel Power Erathna PLC and its subsidiary, Country Energy (Pvt) Ltd. The content within this IAR details various activities and aspects, both financial, and non-financial, which have been consolidated. The report is based on the sustainable value creation process, and is a structured presentation of information that reflects the holistic view of the Company and its subsidiary's operations during the period specified.</p>	 <p>Internal information</p> <ul style="list-style-type: none"> Financial data and performance metrics are derived from accounting records pertaining to the period between April 1, 2023, and March 31, 2024. Non-financial information, based on sustainability reporting, is sourced from various VPE Group entities, and has, as far as deemed possible been verified for comprehensive-ness, comparability, accuracy, reliability, timeliness and clarity in alignment with VPE Group disclosure policies. <p>External information</p> <ul style="list-style-type: none"> Data regarding the macroeconomic environment and the power and energy sector are sourced from statistics published by the Central Bank of Sri Lanka, the Ceylon Electricity Board, and other credible information outlets. 	 <ul style="list-style-type: none"> The financial statements in this report were audited by Deloitte Partners, Chartered Accountants, who confirm their accuracy as stated on pages 115 to 117. The non-financial Sustainability Reporting information was audited by Ernst & Young, Chartered Accountants, in accordance with Sri Lanka Standard on Assurance Engagements (SLASE 3000-Revised) - "Assurance Engagements other than Audits or reviews of Historical Financial Information." 	 <ul style="list-style-type: none"> There were no restatements of information reported in the previous year, except for the following: Restatement of GHG emissions due to a change in the calculation method. Restatement of energy consumption to include LPG consumption that was omitted in the previous year.

REPORTING FRAMEWORK

Mandatory	• Company's Act No. 07 2007
	• Regulatory Requirements of Securities and Exchange Commission of Sri Lanka
	• Listing Rules of Colombo Stock Exchange
	• Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
	• Sri Lanka Financial Reporting Standards (SLFRS & LKAS)
Voluntary	• Code of Best Practice on Corporate Governance
	• Integrated Reporting <IR> Framework
	• The GRI Universal Standards 2021
	• ESG reporting guidelines

Material themes discussed in our Integrated Annual Report (IAR):				
	Economic	Environmental	Social	Governance
Sub-reports in this IAR	• Chairman's Statement	• Natural Capital Report	• Human Capital Report	• Board of Directors
	• Joint CEOs' Review		• Social and Relationship Capital Report	• Corporate Governance
	• VPE's Operating Context		• Risk Management	• Board sub-committee reports
	• Annual Financial Statements			• Risk Management
	• Financial Capital Report			• Investor Information
	• Risk Management			

ICON NAVIGATION

Financial Capital	Natural Capital	Human Capital	Shareholders	Employees	Customer/Ceylon Electricity Board
Social and Relationship Capital	Manufactured Capital	Intellectual Capital	Community	Government and other Regulators	Suppliers and Service Providers

GRI 2-3

WE WELCOME YOUR FEEDBACK

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

THE ACCOUNTANT

Vallibel Power Erathna PLC



27-2, East Tower, World Trade Centre, Colombo 01, Sri Lanka



+94112381111



energy@vallibel.com



+94112381115



www.vallibel-hydro.com



Inquiry Form

FORWARD-LOOKING STATEMENTS

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

BOARD RESPONSIBILITY STATEMENT

The Integrated Annual Report (IAR) presented herein has been crafted by the Senior Management of the Company, acting on behalf of the Board of Directors. Utilising both internal and external resources, Senior Management has endeavoured to enhance the report's presentation and readability. The Board expresses confidence that this IAR adheres to best practices, effectively covers significant aspects of VPE's business, and accurately reflects the comprehensive performance of the Company.

On behalf of Senior Management;

Russell De Zilva
Jt. CEOAruna Dheerasinghe
Jt. CEO

On behalf of Board of Directors;

Harsha Amarasekera
ChairmanHaresh Somashantha
Director
16 May 2024

ABOUT US

GRI 2-1, 6

Vallibel Power Erathna PLC (VPE) has been at the forefront of harnessing the forces of nature to illuminate Sri Lanka for a quarter century in time. Established in 2001 as Zyrex Power Company Erathna Limited, we have since grown to become a leading luminary in the energy sector.

We underwent a series of changes over the years, which have made us more robust. Becoming Power Company Erathna Limited in 2004, we rebranded as Vallibel Power Erathna Limited in 2005. As we fine-tuned our prowess in renewable energy, we

began working with the Ceylon Electricity Board (CEB) and supplied power to the national grid. VPE was listed publicly in 2006 and has provided our shareholders with substantial dividends ever since, which is a dipstick of our profitability over the years.

Our relentless pursuit of innovation fuels our vision and ensures a continuous stream of energy that sustains the potency of modern life. Today, we illuminate Sri Lanka's business landscape as one of the country's foremost mini hydropower

companies, bringing light to homes, businesses, and industries. Replete with three efficient plants, we collectively generate a substantial 21.85 MW that powers the nation whilst substantially reducing CO₂ emissions at the same time.

Vallibel Power Erathna PLC stands as a beacon of strength and resilience, casting a radiant glow on the path towards a brighter, more sustainable future as we help power Sri Lanka's vision of 100% electricity generation through Renewable Energy by 2050.



VISION

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



MISSION

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



VALUES

Integrity

We act with trust, honesty, fairness and transparency

Responsibility

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

Safety

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

Exploration

We encourage innovation and seek new and innovative renewable energy solutions

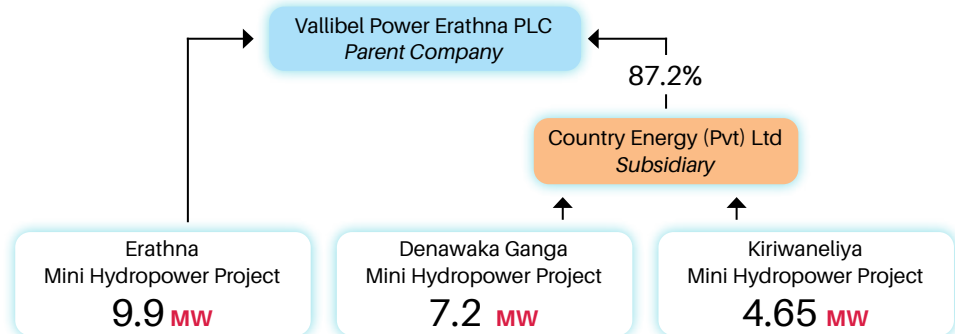
Corporate Social Responsibility

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

OPERATING STRUCTURE

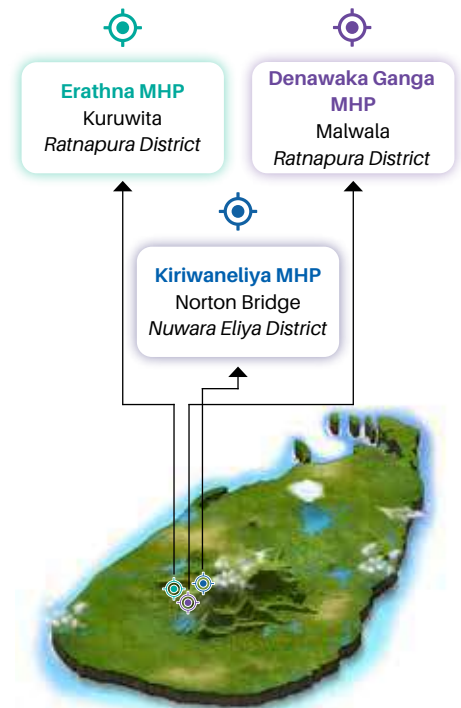
**Nature of Business**

Generate and supply electric power to National Grid

21.85 MW
Total installed capacity

OUR PROJECTS

	Erathna Mini Hydropower Project	Denawaka Ganga Mini Hydropower Project	Kiriwaneliya Mini Hydropower Project
Installed capacity	9.9 MW	7.2 MW	4.65 MW
Annual average energy	42 GWh	25 GWh	16 GWh
Year of commissioning	2004	2012	2011
Net head	420 Meters	33 Meters	200
Penstock length	2250 Meters	97 Meters	1,690
Channel length	300 Meters	1,800 Meters	300
EM plant supplier	Voith Seimens	Dongfeng Electric	VS Energy
Country of origin	German	China	Sri Lanka
River	Kuru Ganga	Denawaka Ganga	Maskeli Oya
Invested company	Vallibel Power Erathna PLC	Country Energy (Pvt) Ltd	Country Energy (Pvt) Ltd



Scan these QR code for videos to learn more about our projects

KEY CORPORATE INFORMATION **GRI 2-1****Ownership Structure**

As at 31/03/2024

VPE PLC

Public Holdings 40.5%

Vallibel Power Ltd 40.1%

Other Holding 19.4%

Refer Investor Information
(Page 161) for more information**Legal form**

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

Stock Exchange ListingThe ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.
(Stock Code - VPEL.N0000)**Reg. No.**

PQ-103

Incorporation date

07 November 2001

Refer page 173 for more information

MILESTONES

2001/02

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

2004/05

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

2006/07

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

2009/10

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

2011/12

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

2012/13

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

2013/14

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

2014/15

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

2015/16

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

2016/17

- Bronze Award Winner- ICASL Annual Report Competition 2016.

2017/18

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

2018/19

- Bronze Award Winner- ICASL Annual Report Competition 2018.
- Bronze Award to Kiriwaneliya MHP- Presidential Environmental Awards- 2018.
- Winner of ACCA Sustainability Reporting Award 2018.
- Winner as Asia's Best Integrated Report - "SME Category" Asia Sustainability Reporting Awards - 2018

2019/20

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

2021/22

- Achieving the highest-ever plant efficiency factor for three MHPs resulted in the generation of 99.4 GWh of energy.

2022/23

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

2023/24

- Highest Group Revenue reported - Rs 1.5 billion.
- Highest Dividend paid - Rs. 1.75 per share.
- Gold Award Winner- Best Presented Annual Report 2022 (SAFA).
- Bronze Award Winner- TAGS Awards 2023 (ICASL).
- Best Integrated Report in Energy Sector- CMA Excellence in Integrated Reporting Award - 2023.
- Merit Award- CMA Excellence in Integrated Reporting Award - 2023.
- Recognition as "Green Company" at Earth Summit 2024.



BOARD OF DIRECTORS



1

Mr. Harsha Amarasekera

Chairman - Independent Non-Executive Director

Appointed to the Board - 28th April 2005
Appointed as Chairman - 16th June 2022

2

Mr. Prabodha Sumanasekera

Independent Non-Executive Director

Appointed to the Board - 28th April 2005



3

Mr. Haresh Somashantha

Non-Executive Director

Appointed to the Board - 25th January 2010

Skills and experience

Mr Harsha Amarasekera President's Counsel, is a leading luminary in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. Mr Amarasekera also has significant experience in arbitration and cross-national disputes.

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

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

Board committee membership**Expertise****Skills and experience**

Mr. Prabodha Sumanasekera holds a Degree in Physics from the Colombo University and has over 30 years' experience in the small hydro power sector.

He has been involved in formulating and developing 35 small/mini hydropower projects, including the ground breaking Dick- Oya mini hydropower project which is the first grid connected mini hydropower project in Sri Lanka. He is also a shareholder Director in several companies owning, developing and operating hydropower projects in Sri Lanka, and in Africa.




Board committee membership**Expertise****Skills and experience**

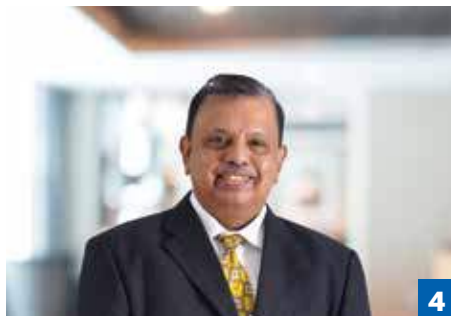
Mr. Haresh Somashantha counts over 24 years of dynamic leadership career with a rich mix of finance and operations. He possesses an intimate knowledge of internal/ external processes, business planning and development, strategic and financial management. He is an expert with a track record in executing team driven process improvements with innovative solutions to increase revenue, operational efficiency, customer satisfaction and overall profitability.

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

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

Board committee membership**Expertise**

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



Mr. Shan Shanmuganathan
Independent Non-Executive Director

Appointed to the Board - 25th January 2012



Mr. Chatura V. Cabraal
Non-Executive Director

Appointed to the Board - 08th January 2014



Ms. Dinusha Bhaskaran
Non-Executive Director

Appointed to the Board - 15th May 2020

Skills and experience

Mr. Shan Shanmuganathan is an Accountant by Profession, Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Fellow Member of the Chartered Institute of Management Accountants of London. He has extensive experience in the Financial Services Industry; initially with American Express Bank where he ended up as the Director Marketing and Deputy Country Head and later with Union Bank of Colombo where he was the Founder CEO/Managing Director. He is currently the Managing Director of South Asian Public Affairs (Pvt) Ltd, a corporate advisory service provider and Shareholder/ Director in privately held companies engaged in the leisure and agriculture industry and in addition also functions as Senior Advisor to large privately held corporate houses.

Board committee membership



Expertise



Skills and experience

Chatura V. Cabraal is a Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology.

He previously worked at CHEC Port City Colombo as a Senior Manager - Estate Management upto October 2023. And before that at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011- 2014) in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. He also served as a member of the Sri Lanka Export Development Board from December 2019 to 2022. He serves on the boards of Kelani Valley Plantations PLC, Renuka City Hotel PLC and The Fortress Resort and Spa PLC.

Board committee membership



Expertise



Skills and experience

Ms. Dinusha Bhaskaran is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and a Fellow Member of the Institute of Bankers, Sri Lanka. She is a Financial and Accounting professional currently serving as the Managing Director of Vallibel One PLC.

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

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

Board committee membership

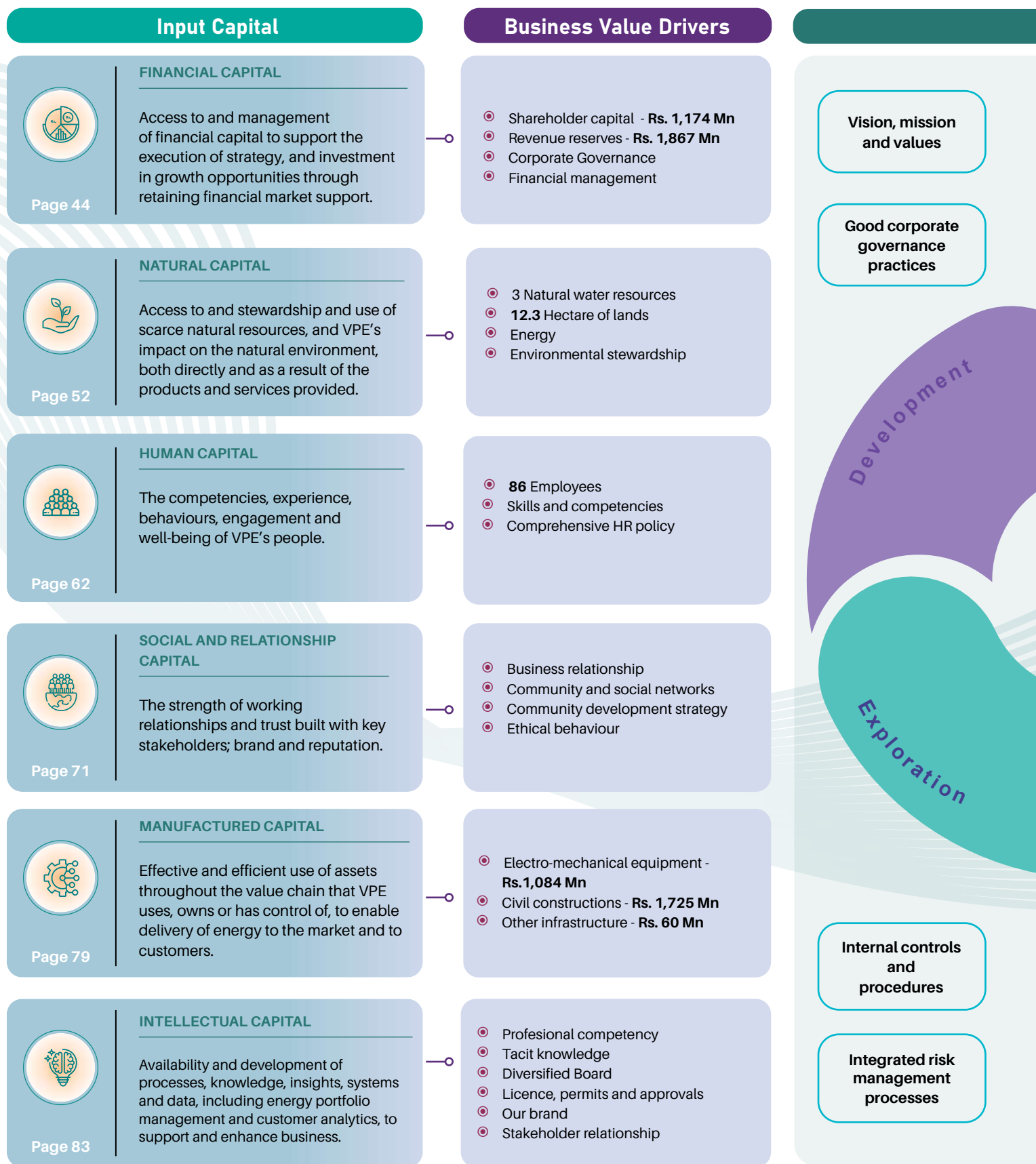


Expertise



Board expertise				
Entrepreneurship and/ or Leadership	Engineering	Finance Acumen	Legal and/ or Compliance	Risk and Strategy

Corporate Overview	Year at A Glance	Management Commentary	Governance	Annual Financial Statements	Supplementary Information
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VALUE CREATION MODEL GRI 2-6

Value Creation Process

Strategy and
Leadership

Supply of electricity

Generating electricity

Corporate social
responsibilityEnvironmental
sustainability

Output

FINANCIAL CAPITAL

- Profit after tax - **Rs. 782 Mn**
- Return on equity - **35%**
- EBITDA - **Rs. 1,237 Mn**
- Net operating cashflow - **Rs. 2,292 Mn**
- Capital and reserves of equity owners - **Rs. 2,020 Mn**

NATURAL CAPITAL

- Clean Energy - **85.2 Mn units (kWh)**
- Reduction in CO₂ emission - **>53,000 MtCO₂e**
- Investment for the environment - **Rs. 0.3 Mn**
- Number of trees planted - **2,750 trees**
- No of nursery plants developed - **11,034 trees**
- Energy consumption - **563 GJ**

HUMAN CAPITAL

- Value distributed to employees - **Rs. 176 Mn**
- Performance based promotions - **2**
- Minimum wage ratio - **1:1.2**
- Investment in training & development - **Rs. 0.2 Mn**
- Training hours per employee - **2.0 Hour**
- Employees hired from local community - **59 Employees**

SOCIAL AND RELATIONSHIP CAPITAL

- CSR investments - **Rs. 1.0 Mn**
- Value distributed to local suppliers - **Rs. 15.3 Mn**
- Taxes and levies paid **Rs. 459.7 Mn**
- Employment created to local community - **59 Employees**

MANUFACTURED CAPITAL

- Production of electricity units (kWh) - **85.2 Mn**
- Maintenance of power plants - **Rs. 9 Mn**
- Incident of major break-downs - **Zero**
- Total plant outage percentage - **1%**

INTELLECTUAL CAPITAL

- Market capitalisation - **Rs. 5.5 Bn**
- Awards for Annual Report - **3 Awards**
- Award for environmental compliance - **1 Award**

Outcome

TO THE SHAREHOLDERS

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



TO NATURE

- Being a partner of renewable energy contribution
- Protecting nature
- Contribution to zero emission



TO EMPLOYEES

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



TO THE COMMUNITY AND SOCIETY

- Improved stakeholder relationships
- Local community development
- Contribution to Government



TO THE SHAREHOLDERS

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



TO THE SHAREHOLDERS

- Efficiency in operations
- Innovative solutions
- Enhanced brand



GREATER TOGETHER IN FINDING SUSTAINABLE ENERGY SOLUTIONS





YEAR AT A GLANCE

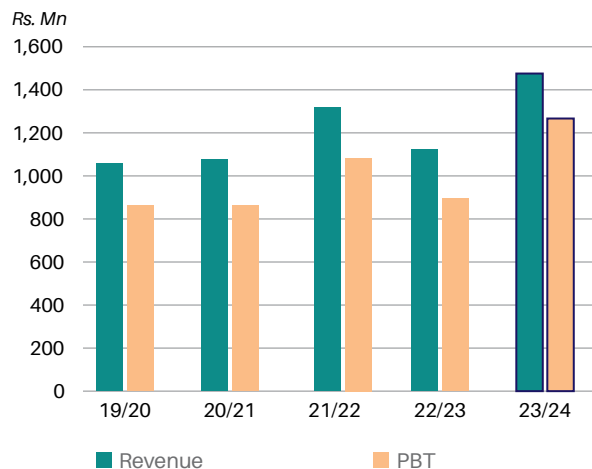
Rs. 1,475 Mn
Highest Ever Revenue

+31% Increase
2022/23 - Rs. 1,123 Mn

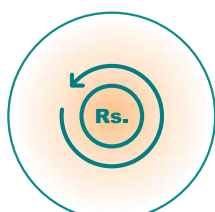
Rs. 1,267 Mn
Highest Ever PBT

+42% Increase
2022/23 - Rs. 895 Mn

Revenue vs. profit before tax (PBT)



84%
EBITDA on
Revenue



35%
Return on Equity
(ROE)

Rs. 1.75 per Share

Highest Ever Dividend

+250% Increase
2022/23 - Rs. 0.50

2,750 Trees

Planted for forest over



465,165 Megaliters
River water withdrawn for power
generation
(Approximate)

85.2 GWh
Generated clean energy
-2% decrease
2022/23 - 86.8 GWh

>53,000
MtCO₂e
GHG Emission reduced

11,034 plants
Developed in nurseries for forest cover



Recognised as
Green
Company at
Earth Summit 2024

Rs. 1.0 Mn

Invested in community development

Rs. 176 Mn

Value created to employees

Rs. 0.2 Mn

Invested in employee training

AWARDS AND ACCOLADES**Gold Award**

Best Presented Annual Report
(BPA) 2022 by SAFA
Power & Energy sector

Bronze Award

TAGS Awards 2023
Power & Energy sector

Winner

Excellence in Integrated
Annual Reports 2023 by CMA
Power/ Electricity sector

Merit Award

Excellence in Integrated
Annual Reports 2023 by CMA

Zero

Environmental non-compliances

Zero

Anti-corruption and anti-competitive behavioral actions

CHAIRMAN'S STATEMENT



By enhancing operational efficiencies and the functionality of our hydropower infrastructure, we have effectively navigated periods of low rainfall and maximised our generation capacity during favourable conditions.

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to welcome you to the 23rd Annual General Meeting of Vallibel Power Erathna PLC and present you with our integrated annual report and audited financial statements for the fiscal year ending 31 March 2024.

PERFORMANCE CONTEXT

It gives me immense pleasure to report that our Company's operational performance improved substantially this year, enabling us to reach a significant milestone by achieving the highest revenue of all time. Group Revenue increased by 31% to Rs. 1,475.2 million, up from Rs. 1,122.60 million in the previous fiscal year. The increase was primarily driven by the Country's energy generation cost-reflective avoided cost tariff revision and its impact on our subsidiary, Country Energy (Pvt) Ltd., resulting in a 19% rise in Group's Net Profit to Rs. 781.8 million, compared to Rs. 655.1 million in 2022/2023.

Total power generation decreased by 2%, primarily due to the delayed onset of the southwest monsoon, a reduction that aligned with our expectations. Despite inflationary pressures on components that raised O&M costs, these expenses were kept under control.

A key contributing factor to our achievements this year has been our return to a robust liquidity position, primarily due to the collection of long-outstanding receivables from the Ceylon Electricity Board. This influx of funds has strengthened our financial reserves, providing us with the necessary resources to pursue further strategic initiatives, enhance operational efficiencies, and maintain stakeholder interests.

The volatility of power generation, due to its heavy reliance on natural elements, continues to present both challenges and opportunities. Our team has demonstrated exceptional adaptability and resourcefulness in optimising our operations to mitigate the impact of intermittent rainfall patterns experienced over the past year. By enhancing operational efficiencies and the functionality of our hydropower infrastructure, we have effectively navigated periods of low rainfall and maximised our generation capacity during favourable conditions.

ESG COMMITMENT IN PRINCIPLE AND PRACTICE

GRI 2-22

Our dedication to Environmental, Social, and Governance (ESG) principles is central to our long-term success and stakeholder value. This year, we have made significant strides in further reducing our environmental impact through environmental stewardship, community empowerment, transparency, innovation, ethical conduct, adaptability, and collaboration. We continue to prioritise employee welfare with comprehensive training, health, and safety programs, and actively engage with our communities through charitable contributions and volunteer efforts. Our strong governance framework ensures ethical conduct, transparency,

and accountability. We have set ambitious ESG goals, including reducing carbon emissions, expanding forest cover through tree planting, and promoting ethical conduct among employees. Stakeholder engagement remains crucial, and we invite collaboration to enhance our ESG efforts. Our recent success stories, such as our interest in solar power projects and employee wellness programmes, reflect our ongoing commitment. Looking ahead, we remain focused on advancing our ESG initiatives to drive sustainable growth and create lasting value for all stakeholders.

CURRENT ECONOMIC CHALLENGES AND IMPACT

It is encouraging to observe the gradual and consistent improvement of the economy due to the government's implementation of fiscal reforms. Decisive structural adjustments and policy measures have brought the country to a more stable macroeconomic position, reduced inflation to single digits, and strengthened the Sri Lanka Rupee. These initiatives were critical to preventing further deterioration of the crisis, and are steering the economy onto a path of sustainable recovery. Positive changes are visible already, which signal the recovery of business confidence, essential for attracting investment, fostering innovation, and ensuring long-term economic growth and stability.

SUSTAINABLE ENERGY INITIATIVES

The future is bright for green energy in Sri Lanka. The government's renewed focus on reducing the country's dependency on costly fossil fuels comes in the wake of the recent fuel crisis that brought economic activity to a standstill. Consequently, policymakers have integrated climate change initiatives into the national development strategy and are finally taking tangible actions. Concrete steps are being taken to augment the country's energy mix to 70% renewable energy by 2030, with the Ceylon Electricity Board (CEB) tasked with submitting a comprehensive plan to achieve this target.

Sri Lanka's appeal at COP 28 for foreign investment in renewable energy, further substantiates this ambitious goal. We hope that the wide and varied relief measures

offered to prospective investors will also enable local renewable energy companies to overcome existing barriers to investing in local projects.

GOVERNANCE

VPEL upholds the Code of Best Practice on Corporate Governance 2017 and is currently in the process of complying with the new governance 2023 Code and Colombo Stock Exchange listing rules. As a clean energy provider, we prioritise sustainable practices and responsible corporate citizenship by maintaining transparency, accountability, and continuous improvement throughout our operations. Our commitment to transparency is demonstrated by the sophisticated ESG metrics we adopt, which emphasise our dedication to independence, responsibility, and disclosure.

DIVIDEND

It gives me great pleasure to inform you that the significant improvement to the cash flow this year has enabled us to honour our commitment to you, our valued shareholders. We are pleased to announce an Interim dividend payout of Rs. 1.75 per share for the current year and a Final dividend payout of Rs.0.50 for the preceding year, 2022//2023, in appreciation of your forbearance and support during turbulent times. This brings the total dividend declared and paid for the current year to Rs. 1,307 million, and the total dividend declared and paid for the previous year to Rs. 374 million.

FUTURE OUTLOOK

Looking ahead, we remain steadfast in our commitment to sustainable growth, innovation and value creation for our stakeholders. In step with economic recovery, we will explore more opportunities to expand our renewable energy portfolio, leverage emerging technologies, and strengthen partnerships with key stakeholders to drive long-term value creation and contribute to the global transition towards a low-carbon economy.

We intensified our focus on diversifying our energy sources and enhancing operational resilience. Our exploration of investment

opportunities in green energy include both tender and feed-in-tariff methods, based on feasibility are continuing.

APPRECIATION

I wish to express my deep appreciation to my esteemed Board of Directors for their unwavering commitment and exemplary leadership throughout the past year. Their strategic vision and guidance have been instrumental in navigating our company through both opportunities and challenges. I am also deeply grateful to the Joint CEOs and their management team for their invaluable efforts and dedication in taking forward our business strategy. I take this opportunity to express my heartfelt gratitude to each and every member of our dedicated team. Their hard work, innovative spirit and determination to succeed have propelled us to the forefront and earned us the accolades that keep us head and shoulders above our competitors. I am continually inspired by their unwavering dedication to our shared goals. I would also like to extend my sincere gratitude to our shareholders, the CEB and all business partners for their unwavering support and collaborative spirit. Together we have achieved significant milestones and overcome formidable challenges.

Through our collective efforts and shared vision, we will chart a course to a sustainable and prosperous future. I am confident that VPE will continue to thrive and deliver value for all our stakeholders while reaffirming our position as a trusted leader in the renewable energy sector.



Harsha Amarasekera
Chairman

16 May 2024

Colombo

JOINT CHIEF EXECUTIVE OFFICERS' REVIEW



The year showcased commendable performance in both cost containment as well as trade receivables, which underscore our commitment to financial stability and operational efficiency.

ANNUAL PERFORMANCE

In the current fiscal year, Vallibel Power Erathna PLC experienced a significant growth, with revenue surging by a substantial 31% to Rs. 1,475.2 million, compared to Rs. 1,122.6 million in the previous year. The increase in revenue was paralleled by a 42% rise in Profit Before Tax (PBT) to Rs. 1,267 million. However, the increase in Profit after Tax (PAT) was more moderate, standing at 19%,

primarily due to a high tax on intra-group dividends and higher tax rates on the business when compared to the previous year. Consequently, the Net Profit (NP) margin declined to 53% from the previous year's 58%.

This peak revenue performance was mainly driven by the output of the two projects of VPE's fully-owned subsidiary Country Energy Private Limited. Denawaka Ganga MHP's contribution increased by a gratifying 61% and Kiriwaneliya MHP's contribution increased by 19% over the preceding year's revenue, due to a rise in the avoided cost-based tariff applicable to the generation of the two power plants. Although Erathna MHP produced the highest volume this year as well, which accounted for 49% of the total volume, its contribution to the increased revenue was constrained due to its plant factor based low tariff as per the CEB tariff calculation guideline, where high plant factor earns a lower tariff rate. Total generation during this financial year experienced a slight decline of 2% to 85.2 GWh, from 86.8 GWh generated a year earlier.

The year showcased commendable performance in both cost containment as well as trade receivables, which underscore our commitment to financial stability and operational efficiency. Operations and Maintenance (O&M) expenditures were contained to industry-comparable levels despite surges in component prices. Notably, the Company's O&M cost stands at 16% of Revenue, excluding project depreciation costs. Furthermore, the CEB's payment of Rs. 2,605 million in outstanding arrears during the year reduced the Company's trade receivable balance to a manageable Rs. 77 million. The CEB now pays the plant tariffs monthly in line with the terms of the respective SPPAs. It is also encouraging to note that the CEB has initiated the process to settle delayed interest payments from previous years. This inflow of funds substantially improved the cash flow, which enabled the Company to pay dividends amounting to Rs. 1,681 million for the current as well as the previous year.

PROMOTING OPERATIONAL EFFICIENCIES

The Company's noteworthy performance amidst challenging conditions underscores our adept management, resilient business practices and robust financial foundation. This reaffirms our capacity to navigate through evolving external complexities and sustain our growth trajectory, thus enabling us to deliver enhanced returns to our shareholders and other stakeholders. We implemented strategic operational enhancements during the year to navigate the unpredictable economic landscape, instilling a culture of continuous improvement. Key initiatives included streamlining processes to optimise energy output, reduce costs and minimise downtime, alongside removing superfluous bottlenecks. These actions were crucial steps that enabled us to allocate

resources more effectively and foster a more sustainable operational framework.

COMMITMENT TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

Our management strategy for the fiscal year 2023/2024 extends beyond financial success to encompass care for both people and the planet. Throughout the year, VPE embraced a holistic approach to management, with a strong emphasis on sustainability across all operational areas. This strategic shift underscores our unwavering dedication to environmental, social, and governance (ESG) principles, closely aligning with the Sustainable Development Goals (SDGs). From renewable energy generation to workforce empowerment to community engagement and environmental stewardship, we actively align our efforts with broader sustainable development goals. By making sustainability a guiding principle, we not only position ourselves for long-term success but also fulfill our responsibility as corporate citizens to contribute meaningfully to society and the environment. At the heart of our sustainability strategy lies a firm commitment to upholding the highest standards of corporate governance and ethical business practices. We believe that nurturing a culture of transparency, accountability, and integrity is essential for achieving long-term sustainable growth and creating value.

BUILDING A SUPPORTIVE WORK ENVIRONMENT

Our success is anchored by a skilled, experienced, and dedicated workforce, whose diverse talents propel the Company forward. Our collaborative corporate culture fosters accountability, supported by an effective human capital management policy implemented across the organisation. Our continuous improvement training programmes focus on developing both job-related and soft skills across all levels. Company-sponsored outings and events promote work-life balance.

The competence and professionalism of our employees give us a competitive edge and contribute significantly to our business growth and success. Additionally, we allocate resources to educate them on current health, safety, environmental, and operational best practices, which both

ensure their well-being and safeguard our business assets.

COMMUNITY ENRICHMENT EFFORTS

As a socially responsible entity, we remain dedicated to enhancing the quality of life for the communities surrounding our powerhouses. Over the years, we've fostered a symbiotic relationship with these communities, impacting their lives in numerous ways. Our support extends substantially to areas such as livelihood alleviation, healthcare, and employment, while also contributing to their spiritual well-being by fostering religious activities. Furthermore, our commitment to nurturing these communities includes providing employment opportunities within our mini-hydropower plants. In return, these communities grant us the social license to operate, endorsing the sustainability of our business practices.

PLANET-FRIENDLY PRACTICES

Since we operate a run-of-river business that utilises the liquid resource of nature and returns it to nature in its original unspoiled condition, our business does the least harm to environmental resources. We remain steadfast in our commitment to preserving the pristine natural environment of our catchment areas by adhering to best practices. Strict compliance with all environmental rules and regulations is integral to our operations, reinforced by a comprehensive environmental policy. This stringent protection not only safeguards the fragile surroundings of our power plants but also ensures a continuous and uncontaminated supply of the liquid wealth that powers our business.

FORECASTING THE FUTURE

Sri Lanka's gradual economic revival and growing business confidence are catalysing growth across all sectors, particularly in key areas such as clean energy. The government's renewed focus on reducing reliance on costly fossil fuels, driven by vividly remembered past experiences, signals significant opportunities for green energy development, fostering an investor-friendly climate. Transparent regulatory structures and enabling policies are incentivising local RE companies to expand their renewable energy portfolios.

VPE is strategically positioned to seize on these favourable conditions. Our Management is actively advancing approvals and feasibility studies for Ground-Mounted Solar PV projects. These projects, will showcase VPE's commitment to sustainable energy solutions in alignment with national objectives. We are confident that these ongoing initiatives coupled with future endeavours will build our portfolio in various types of renewable energy and bolster our commitment to enhancing Sri Lanka's renewable energy enterprises. This concerted effort will play a pivotal role in achieving the country's ambitious goal of expanding the renewable energy mix to 70% by 2030.

ACKNOWLEDGMENT

We extend our sincere gratitude to our Chairman and Board of Directors, whose visionary leadership and business acuity have steered us towards achieving the Company's Vision and Mission. To our valued stakeholders, we express heartfelt appreciation for their enduring trust in our Company and unwavering support throughout our journey. To our dedicated employees, we offer profound thanks for tireless commitment and eagerness to exceed expectations, which have consistently elevated us to the pinnacle of sustainability. The exceptional efforts of employees, reflected in the numerous awards we've proudly garnered year after year, are the cornerstone of our success. Together, we've achieved milestones beyond imagination, and it is with profound gratitude that we acknowledge every one of you for your invaluable contributions.



Russell De Silva
Jt. CEO



Aruna Dheerasinghe
Jt. CEO

16 May 2024

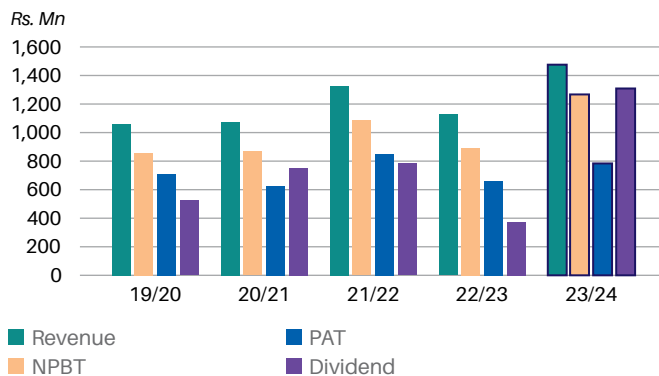
Colombo

FINANCIAL AND ESG HIGHLIGHTS

FINANCIAL PERFORMANCE

	2023/24 Rs. Mn	2022/23 Rs. Mn	Change %
Revenue	1,475	1,123	31%
Profit before tax	1,267	895	42%
Profit after tax	782	655	19%
Dividend	1,307	374	250%
Return on equity	35%	20%	75%

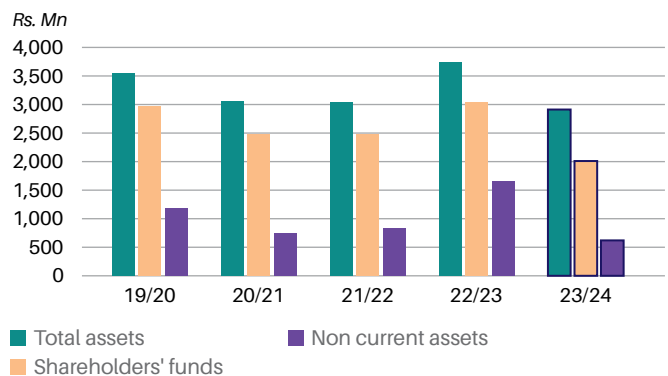
Financial Performance



FINANCIAL STABILITY

	2023/24 Rs. Mn	2022/23 Rs. Mn	Change %
Total assets	2,913	3,751	-22%
Total shareholders' fund	2,020	3,041	-34%
Net current assets	608	1,654	-63%

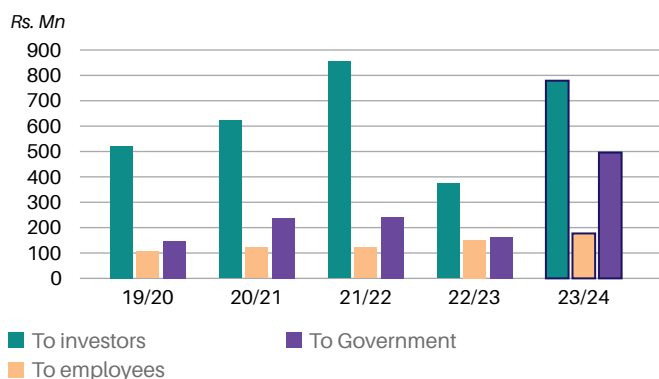
Financial Stability



ECONOMIC PERFORMANCE

	2023/24 Rs. Mn	2022/23 Rs. Mn	Change %
Value added distributed to investors	781	373	109%
Value added distributed to employees	176	151	17%
Value added distributed to government	497	163	205%

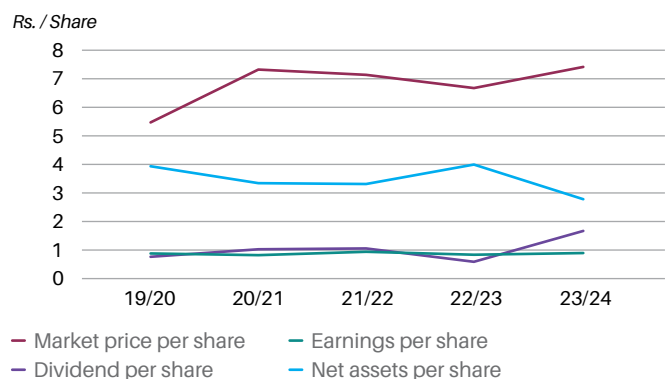
Value added distributed during the year



SHARE PERFORMANCE

	2023/24 Rs. Mn/Share	2022/23 Rs. Mn/Share	Change %
Earnings per share	0.90	0.78	15%
Net assets per share	2.70	4.07	-34%
Market price per share (Closed)	7.40	6.70	10%
Dividend per share	1.75	0.50	250%
Dividend yield	24%	7%	217%

Share Performance





	2023/24	2022/23	Change %
No. of clean energy units generated	85.2 kWh million	86.8 kWh million	-2%
GHG emission reduced (Approx.)	53,269 MtCO ₂ e	54,252 MtCO ₂ e	-2%
River water withdrawn for power generation	465,165 ML	440,684 ML	6%
No. of trees planted for forest cover	2,750	2,000	37%
No. of endangered nursery plants developed for forest cover	2,734	Not quantified	-
No. of other plants developed for forest cover	8,300	Not quantified	-
Energy consumption	563 GJ	497 GJ	13%
GHG Emission on operations (Approx.)	47 MtCO ₂ e	41 MtCO ₂ e	14%
Water consumption	0.2 ML	Not quantified	-
Investments on environment conservation projects	Rs. 0.3 million	Rs. 0.1 million	200%
Solid non-hazardous waste disposal	1,119 Kg	Not quantified	-
No. of environmental non-compliance incidents	Zero	Zero	-



	2023/24	2022/23	Change %
No. of Employees	86	93	-8%
No. Employees hired from local community	69%	76%	-9%
Training hours per employee	2.0 Hour	3.4 Hour	-41%
Total direct employee benefits	Rs. 159 million	Rs. 137 million	16%
Investment in community development activities	Rs. 1.0 million	Rs. 0.7 million	41%
Taxes and levies paid	Rs. 460 million	Rs. 202 million	128%
Value distributed to suppliers from local environment	Rs. 15 million	Rs. 10 million	55%
No. of social non-compliance incidents	Zero	Zero	-



	2023/24	2022/23	Change %
Proportion of employees trained for VPE's ethical practices	100%	100%	-
No. of Anti-corruption related incidents	Zero	Zero	-
No. of Anti-competitive behavior related incidents	Zero	Zero	-
Number of whistle-blower cases reported	Zero	Zero	-
No. of Internal audit cycles	2	2	-



GREATER TOGETHER IN
ENSURING THAT OUR
PROCESSES ARE EFFICIENT





STAKEHOLDER ENGAGEMENT

APPROACH

GRI 2-29

Ensuring meaningful interaction with stakeholders is crucial for the responsible governance of the company and the attainment of positive results for both our diverse stakeholder communities and the company itself. By establishing transparent communication avenues, we were able to actively listen to and comprehended the issues raised by our stakeholders. This, in turn, enabled us to assess their needs and expectations, aligning them with the VPE’s goals and operations.



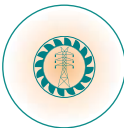



STAKEHOLDER ENGAGEMENT PRINCIPLES

Purposeful	Inclusive	Timely	Transparent	Respectful
Every engagement is entered into with a clear understanding of what should be achieved	The relevant stakeholders are identified and encouraged to engage with the Company	The stakeholders are involved from the start of the initiative and consensus is arrived at on when and how to engage with them	Openness and honesty in the engagement that clearly outlines expectations	The expertise, perspectives and needs of stakeholders is acknowledged and respected







KEY STAKEHOLDER GROUPS - 2023/24

GRI 2-29

We have identified the following key stakeholder groups, which play a crucial role in influencing our value creation model and are significantly impacted by our actions in the hydropower business. These stakeholders are integral to our operations, as their needs, expectations, and feedback shape our strategies and decisions, ensuring that our activities align with broader economic, social, and environmental objectives. By recognising and engaging with these groups, we can better manage risks, leverage opportunities, and enhance the sustainability and effectiveness of our business.

					
Shareholders	Employees	Customer/Ceylon Electricity Board	Community	Government and other regulators	Suppliers and service providers
The company is steadfastly dedicated to serving and creating value for its primary stakeholder group, the shareholders who are the owners of the company.	Employees play a crucial role as a vital stakeholder group in helping the company achieve its corporate objectives and goals. Their expertise, tacit knowledge, skills, and courage contribute to transforming our purpose into tangible value.	Ensuring the satisfaction of the Ceylon Electricity Board (CEB) is imperative, as they stand as the exclusive customer for all facets of the business.	The broader society, encompassing our immediate environment, is categorised as the community of stakeholders. The company relies on a natural resource intricately connected to the lives of the local communities. Consequently, the business cannot be viewed as a distinct entity separate from the surrounding communities and environment.	Through facilitating the company’s legislative environment, engagement with them aids in addressing economic, social, and environmental concerns.	This group of stakeholders comprises suppliers, service providers, banks, and other financial institutions. We cultivate relationships with these entities to streamline our daily financial administration functions and fortify our supply chain.

STAKEHOLDER ENGAGEMENT MODE

Stakeholder group	Mode of engagement	Frequency					Key concerns during the year 2023/24
		Annually	Quarterly	Monthly	Regularly	Whenever necessary	
Shareholders 	Quarterly Interim Financial Reports		●				Profit and growth
	Annual Report	●					Dividends
	Annual General Meeting	●					Power plants performance
	Dividend payouts					●	Future prospects
	Corporate disclosures					●	Responsible corporate management
	Company's web site	●		●	●		Sustainability aspects
	Press releases					●	
	Open-door policy				●		
Employees 	Annual staff performance appraisals	●					Remuneration
	Monthly staff meetings			●			Profit and growth
	Negotiations					●	Responsible corporate management
	Training and workshops				●		Occupational health and safety initiatives
	Salary increments and bonuses	●					Relief on high cost of living
	Welfare activities				●		Better work life balance
	Team building activities and programmes					●	Career stability and future prospects
Customer/ Ceylon Electricity Board 	Complying with provisions of the SPPA				●		Recovery of overdue payments
	Monthly invoicing and receiving payments			●			Claiming interest on long aged debtor settlements
	Annual meter testing at power plants	●					NCRE tariff revisions
	Regular dialogue and interactions				●		Tender related matters
	Bidding for NCRE project tenders					●	Routine operational matters
Community 	CSR activities				●		Contribution for infrastructure development activities
	Environmental effects management				●		Contribution for community development
	Environmental conservation programs				●		Tree planting programmes in the surrounding areas
	Community development programs					●	Compliance with environmental regulations
Government and other regulators 	Payment of taxes and levies	●	●	●			Profitability and tax compliance
	Renewal of required approvals and licenses	●					Regulatory approvals and legal compliances
	Compliance with laws and other periodical statutory requirements				●		Sustainability aspects
	Industry-level meetings					●	Responsible corporate management
Suppliers and service providers 	Business transaction				●		New business opportunities
	Regular dialogue and interactions				●		Reliability
	Annual Report and other publications	●					Sustainable business practices
							Profitability, growth and investment opportunities

MATERIALITY ASSESSMENT

ASSESSMENT APPROACH

GRI 3-1

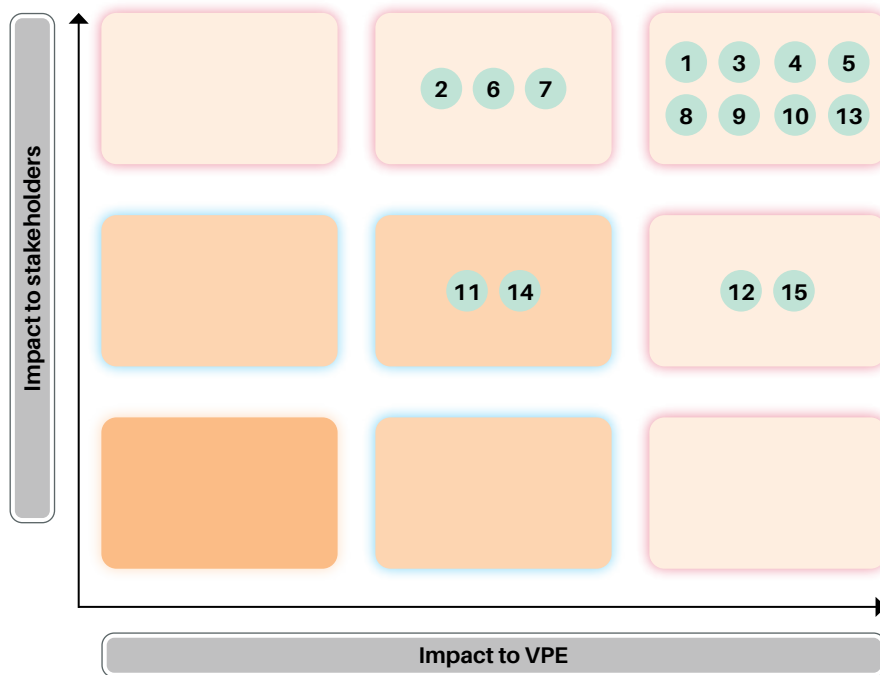
As a company dedicated to adhering to the highest standards in reporting, we have implemented a sustainability reporting process aligned with universal reporting standards and practices. This process includes a comprehensive materiality assessment to determine the significance of a matter in relation to our organisational strategy, business model, or various capitals. A topic is deemed material if it plays a critical role in our business's success, potentially impacting our reputation, increasing risks or expenditures, and significantly influencing stakeholder perceptions and decisions. We gauge its importance by assessing the magnitude of its impact on the business or the likelihood of occurrence, ensuring a thorough evaluation of its significance.

Our process - Determining materiality		
1. Stakeholder identification	↓	<ul style="list-style-type: none"> Identifying and engaging with key stakeholders, including local communities, environmental groups, regulatory bodies, and investors. Considering the diverse perspectives and concerns of stakeholders related to the hydro power industry.
2. Materiality analysis	↓	<ul style="list-style-type: none"> Evaluating the economic, environmental, and social impacts of the company's activities. Assessing the significance and relevance of each potential material topic based on its impact on stakeholders and the company's overall sustainability.
3. Defining report content and topic boundaries	↓	<p>Selection of material topics and topic are aligned with the disclosure requirements under:</p> <p>Primary:</p> <ul style="list-style-type: none"> The GRI Universal Standards 2021 The International Integrated Reporting (IR) framework of 2013 ESG Reporting principles United Nations Sustainable Development Goals (UNSDGs) <p>Secondary:</p> <ul style="list-style-type: none"> The Companies Act of 2007 Listing rules of the CSE The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange
4. Internal consultation	↓	<ul style="list-style-type: none"> Engaging with internal departments and teams to gather insights on the company's operations, potential risks, and opportunities. Ensuring cross-functional collaboration to obtain a holistic understanding of material topics.
5. Prioritisation	↓	<ul style="list-style-type: none"> Prioritising material topics based on their significance to stakeholders and the company's overall sustainability goals. Considering the severity of potential impacts and the company's ability to influence or mitigate these impacts.
6. Documentation and reporting	↓	<ul style="list-style-type: none"> Documenting the materiality assessment process, including methodologies, data sources, and stakeholder engagement outcomes. Integrating the identified material topics into the company's sustainability reporting, ensuring transparency and accountability.



PRIORITISING VPE'S MATERIALITY TOPICS

GRI 3-2



VPE'S MATERIAL TOPICS - 2023/24

1. Economic value creation and financial stability
2. Taxation
3. Resource utilisations and material consumption
4. Energy generation and consumption
5. Carbon footprint
6. Biodiversity
7. Waste management
8. Talented workforce
9. Employee wellbeing
10. Social equitability
11. Good procurement practices
12. Community development
13. Non-discrimination policy
14. Ethics, good Governance and good operational practices
15. Anti-corruption and anti-competitive behavior

MANAGEMENT OF MATERIAL TOPICS

Material theme	VPE's material topic	Relevant GRI topic	Alignment with SDGs	Report references for management approach
Economic	1. Economic value creation and financial stability	GRI 201 : Economic Performance		<ul style="list-style-type: none"> Financial Capital report Human Capital report VPE's Operating Context report Risk Management Report
	2. Taxation	GRI 202 : Market Presence GRI 207 : Tax		
Environmental	3. Resource utilisations and material consumption	GRI 301 : Materials GRI 303 : Water		<ul style="list-style-type: none"> Natural Capital report
	4. Energy generation and consumption	GRI 302 : Energy		
	5. Carbon footprint	GRI 305 : Emission		
	6. Biodiversity	GRI 304 : Biodiversity		
	7. Waste management	GRI 306 : Effluent and Waste		
Social	8. Talented workforce	GRI 401 : Employment		<ul style="list-style-type: none"> Human Capital report Social and Relationship Capital report Risk Management report
	9. Employee wellbeing	GRI 403 : Occupational Health and Safety GRI 404 : Training and Education		
	10. Social equitability	GRI 405 : Diversity and Equal Opportunity		
	11. Good procurement practices	GRI 204 : Procurement Practices		
	12. Community development	GRI 203 : Indirect Economic Impacts GRI 413 : Local Communities		
Governance	13. Non-discrimination policy	GRI 406 : Non-Discrimination		<ul style="list-style-type: none"> Corporate Governance report Human Capital report
	14. Ethics, good Governance and good operational practices	GRI 402 : Labor/Management Relations GRI 407 : Freedom of Association and Collective Bargaining GRI 408 : Child Labor GRI 409 : Forced or Compulsory Labor GRI 415 : Public Policy		
	15. Anti-corruption and anti-competitive behavior	GRI 205 : Anti-Corruption GRI 206 : Anti-competitive Behavior		

VPE’S OPERATING CONTEXT

GLOBAL ECONOMIC REVIEW

The global economy has shown resilience with steady growth and slowing inflation. Global growth was 3.2% in 2023, with IMF projections maintaining this rate for 2024 and 2025. The period has been marked by supply-chain disruptions post-pandemic, an energy and food crisis due to Russia’s war on Ukraine, and a surge in inflation, followed by synchronised global monetary policy tightening.

Challenges remain, particularly with food price inflation, which worsens food insecurity and poverty in developing countries. In 2023, 238 million people faced acute food insecurity, up by 21.6 million from the previous year. Geopolitical tensions could elevate energy and oil prices, increasing inflation and reducing output. A 15% rise in oil prices due to West Asian tensions could boost global inflation by 0.7%. Other risks include financial stress from high real interest rates, persistent inflation, trade fragmentation, and climate change-related disasters.

Governments face fiscal challenges from high debt levels and additional spending pressures due to ageing populations and climate adaptation and mitigation. Without action, future debt burdens will likely rise significantly, necessitating stronger efforts to control spending growth, improve public spending efficiency, and reallocate spending to support growth and opportunities.

GLOBAL CLIMATE CHANGE INITIATIVES

In 2023, green energy saw a significant surge with renewable electricity capacity increasing by nearly 50% to 507 GW compared to 2022, driven by record investments of around USD 1.8 trillion in 2022. This growth reflects increased confidence in renewable technologies like hydro-electricity, wind, and solar power, supported by decreasing costs and technological advancements making renewables more competitive with fossil fuels.

Government policies and incentives, especially in the EU, UK, and Japan, played a crucial role in accelerating the shift to low-carbon technologies. This momentum peaked at COP28 in December 2023, where a global consensus was reached to phase out fossil fuels, triple renewable power, and double energy efficiency by 2030. Key steps include tripling global renewable energy capacity, doubling the rate of energy efficiency improvements, accelerating the reduction of unabated coal power, and transitioning to net-zero emission energy systems using low-carbon fuels by mid-century.

The push to decarbonise could lead to the fastest growth in renewable energy over the next five years. However, challenges remain, particularly the lack of financing for emerging and developing economies, which could result in an unequal distribution of clean energy worldwide.

SRI LANKA’S ECONOMIC PERFORMANCE

In 2023, Sri Lanka’s economy began recovering from its most severe post-independence downturn, due to decisive policy adjustments and structural reforms by the government and the Central Bank. Although these measures were challenging, they were crucial for restoring stability and promoting sustainable recovery. The economy saw a moderate contraction of 2.3% in 2023, an improvement from the 7.3% contraction in 2022. By the end of 2023, inflation was contained at 6.5% in January, rising slightly to 9% in March 2024, down from a peak of 70% in September 2022.

The government made progress in correcting budget and current account deficits, achieving surpluses. Foreign exchange reserves were gradually rebuilt through improved tourism, service exports, and remittances, strengthening the Sri Lanka Rupee and increasing GDP to USD 84.4 billion in 2023 from USD 76.8 billion in 2022. Debt restructuring efforts bolstered market confidence, leading to lower domestic interest rates. The financial sector remained resilient due to proactive policies.

The Central Bank’s independence and accountability were enhanced through legislative amendments. Policy shifts allowed greater flexibility in exchange rate determination and eased foreign exchange transaction restrictions. These reforms stabilised the economy and set the stage for future growth.

Continued reforms under the IMF’s Extended Fund Facility arrangement are expected to sustain economic expansion, focusing on domestic price stability, financial sector resilience, and debt restructuring. The emphasis is on achieving growth through exports and foreign direct investment, improving productivity, and adopting green technologies and digital value chains to build a resilient economic model for the 21st century.

LOCAL CLIMATE CHANGE INITIATIVES

Sri Lanka contributes only 0.08% to global greenhouse gas emissions, but its per capita CO₂ emissions of 0.8 MT in 2023 are significant compared to neighbouring countries: Bangladesh (0.6 MT), Nepal (0.5 MT), Myanmar (0.6 MT), and India (2.0 MT). Recognising this, policymakers have incorporated climate change into the national agenda with the Carbon Net Zero 2050: Roadmap and Strategic Plan, launched in August 2023, aiming for net-zero emissions by 2050.

At COP 28, Sri Lanka introduced the Climate Justice Forum to attract foreign investment in renewable energy, with commitments to cost-reflective pricing, legislative changes, and infrastructure improvements. These measures also aim to lower investment barriers for local renewable energy companies, previously hindered by high costs.

Despite these initiatives, the entry of three overseas oil companies into the market, following petroleum agreements with the government, underscores the country’s ongoing reliance on fossil fuels, potentially hindering its renewable energy transition efforts.

LOCAL ENERGY SECTOR

The reduction in global oil prices in 2023 added to the appreciation of the Sri Lanka Rupee, lowered domestic petrol prices. Consequently, the government relaxed its demand-management strategies for rationing petrol, in place since mid-2022. The weekly quotas under the National Fuel Pass QR code system were increased in April and May 2023 and abolished in September 2023. But geopolitical tensions intensified petroleum price pressures during the latter part of the year, which escalated inflation in the country.

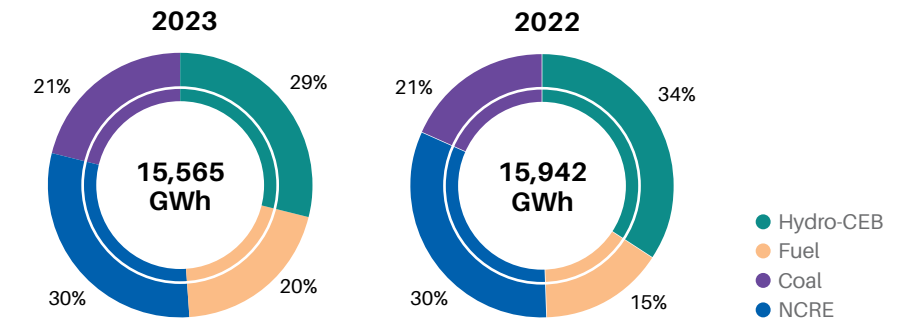
These developments have once again emphasised the importance of transitioning to alternative, cheaper, and more sustainable energy solutions. The Public Utilities Commission of Sri Lanka (PUCSL) has imposed conditions on the CEB to prepare plans for achieving renewable electricity generation by 2030 and to submit them before June 30th of this year. In response, the CEB has formulated a plan to enable Sri Lanka to achieve 70% renewable energy generation by 2030. This plan includes generating 3,805 MW from solar power and 1,475 MW from wind power. Storage capacity will be increased with a Battery Energy Storage System (BESS) of 1,100 MW capacity and Pumped Storage Plants (PMP) totalling 700 MW. According to the CEB, fulfilling this plan will require an investment of \$11.26 billion to cover infrastructure and network costs.

ELECTRICITY SECTOR

Sri Lanka ended its daily power cuts by February 2023. To support the Ceylon Electricity Board (CEB), the government implemented a cost-reflective semi-annual tariff revision, resulting in a 66% increase in February 2023, a 14% decrease in July, and an 18% increase in October. In 2024, the tariff cycle was shortened to three months, leading to a 21.9% reduction in March.

Delayed monsoons increased reliance on costly thermal power, but later rainfall improved reservoir levels. In 2023, the energy mix comprised 21% renewable sources, 29% hydro, 20% fuel, and 30% coal. Overall electricity generation declined by 2.4% due to weather variability, with national hydroelectricity dependency decreasing from 34% to 29%.

National electricity generation mix



Tariff revisions significantly improved CEB's financial status, resulting in a Rs. 61.2 billion profit in 2023 after seven years of losses. Increased hydroelectricity and government policy measures aimed at reforming the power sector contributed to this turnaround. New legislation is being introduced to enhance competitiveness and efficiency in the sector.

OUR OPERATING ENVIRONMENT

During the year, VPE Group achieved record revenue, increasing by 31% to Rs. 1,475 million from Rs. 1,123 million the previous year. This growth was driven by adjustments in the avoided cost-based tariff in line with current generation cost, impacting the Denawaka Ganga and Kiriwaneliya projects, despite a slight decline in total output to 85.2 GWh, down 2% from 86 GWh in 2022/2023. Profit before Tax (PBT) rose by 42% to Rs. 1,267 million from Rs. 895 million. However, high tax expenses limited the Profit after Tax (PAT) increase to 19%, reaching Rs. 655 million compared to Rs. 782 million in 2023/2024.

The recovering economy and rising business confidence are fostering growth across sectors, benefiting clean energy expansion. The Sri Lankan government's focus on reducing fossil fuel reliance presents vast potential for renewable energy (RE) development. Supportive policies and a clear regulatory framework have prompted VPE to expand its RE portfolio, exploring ground-mounted solar PV project opportunities. Additionally, the CEB's adherence to payment terms enhances VPE's liquidity, supporting future growth and expansion.

Despite a stronger Sri Lankan Rupee, high import costs for power generation equipment persist. VPE is addressing this by sourcing local suppliers and training in-house staff for equipment maintenance. The imminent restructuring of the energy sector could pose challenges, including transition costs and regulatory complexities. Moreover, potential political turbulence could disrupt economic growth, undermine investor confidence, and slow progress in critical sectors like energy.

VPE's Operating Context

SEGMENTAL PERFORMANCE

Erathna Mini Hydropower Project

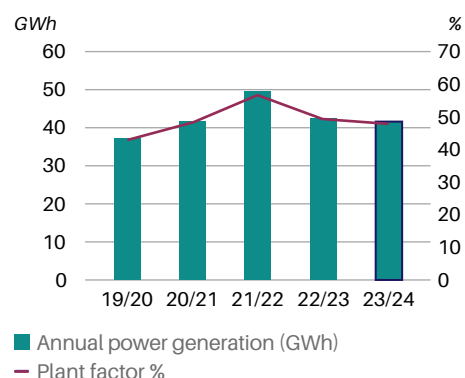


YEAR AT A GLANCE

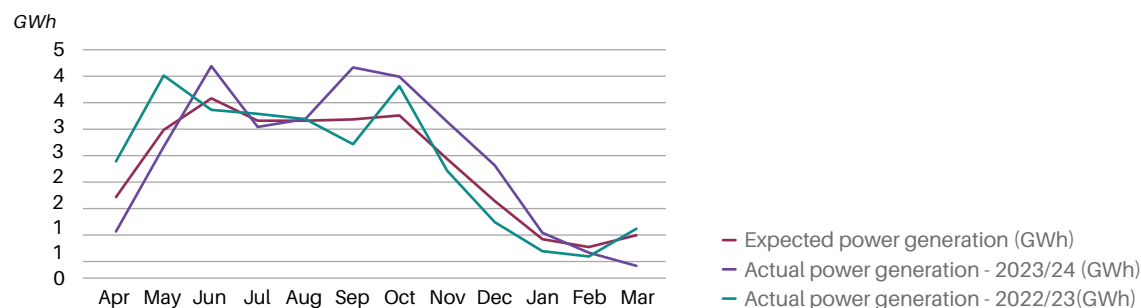
The Erathna Mini Hydropower plant, located in the Kuruwita Divisional Secretariat of Ratnapura District, has a generating capacity of 42 GWh and utilises water from the upper reaches of the Kuru Ganga. Despite a 3% decrease, it generated 41.5 GWh during the review year, earning the company a revenue of Rs. 324 million, slightly higher than the previous year due to marginal annual tariff escalation. Despite recording the highest electricity generation at 49%, its revenue was comparatively lower due to a lower plant factor-based tariff for plants over 15 years old. Power plant outages increased to 1.4% from 0.9% in the preceding year, with repairs and maintenance costs remaining low at Rs. 3.4 million. The first 20-year term of Erathna MHP will expire in July 2024, with renewal subject to plant factor-based tariff as per SPPA provisions.

Company name	Vallibel Power Erathna PLC		
Installed capacity	9.9 MW		
Average annual energy	42 MW		
Operational highlights			
	2023/24	2022/23	Variance
Power generation (GWh)	41.5	42.7	-3%
Plant efficiency factor	48%	49%	-3%
Financial highlights			
	2023/24	2022/23	Variance
Revenue (Rs. Mn)	323.9	323.5	+0.1%
Segmental gross profit (Rs. Mn)	263.0	268.9	-2%
Tariff method	Plant factor based tariff		

Annual power generation - Erathna MHP



Monthly power generation - Erathna MHP



Scan this QR Code for
monthly power
generation history

Denawaka Ganga Mini Hydropower project

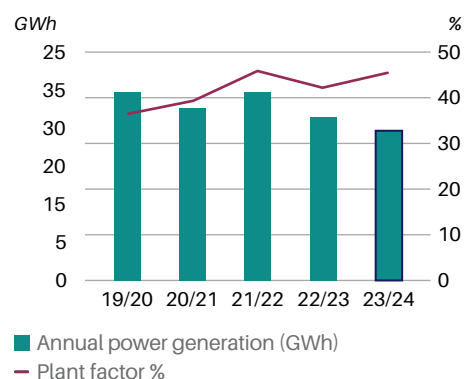


YEAR AT A GLANCE

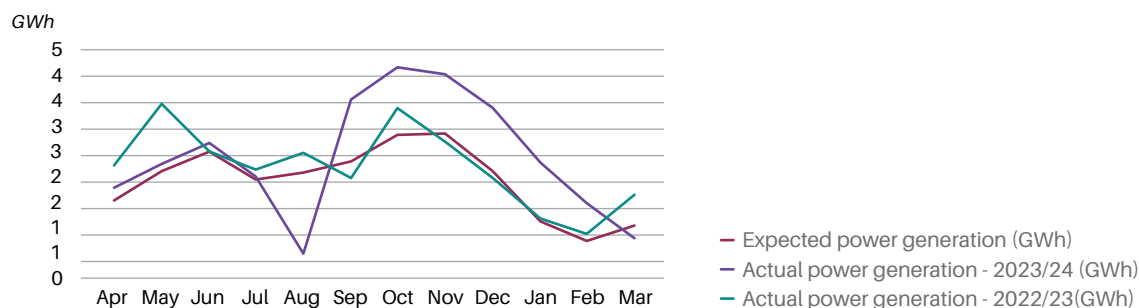
The Denawaka Ganga Mini Hydropower plant, developed by VPE's subsidiary Country Energy (Pvt) Ltd., has a generating capacity of 25 GWh and is located in the Ratnapura District near Durekkanda, drawing water from the Denawaka Ganga. In the review period, it generated the highest revenue, contributing Rs. 771 million, a significant 61% increase from Rs. 480 million, and accounting for 52% of Group Revenue from an output of 26.5 GWh. The plant's efficiency factor increased by approximately 9% to 46%, with power plant outages very low at 0.2%. Repairs and maintenance costs remained low at Rs. 3.6 million. Denawaka Ganga MHP is still in its first term of SPPA and has three more years remaining under this agreement until February 2027.

Company name	Country Energy (Pvt) Ltd		
Installed capacity	7.2 MW		
Average annual energy	25 MW		
Operational highlights			
	2023/24	2022/23	Variance
Power generation (GWh)	28.9	26.6	+9%
Plant efficiency factor	46%	42%	+9%
Financial highlights			
	2023/24	2022/23	Variance
Revenue (Rs. Mn)	771.2	480.3	+61%
Segmental gross profit (Rs. Mn)	707.5	420.4	+68%
Tariff method	Avoided cost tariff		

Annual power generation - Denawaka Ganga MHP



Monthly power generation - Denawaka Ganga MHP



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monthly power
generation history

VPE's Operating Context

Kiriwaneliya Mini Hydropower project

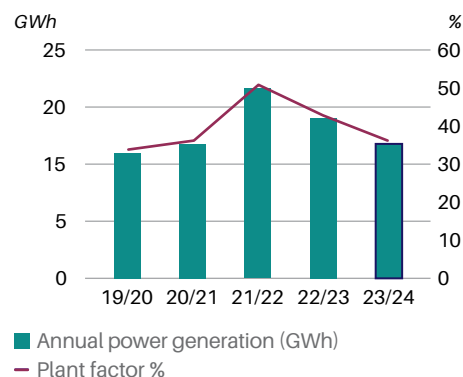


YEAR AT A GLANCE

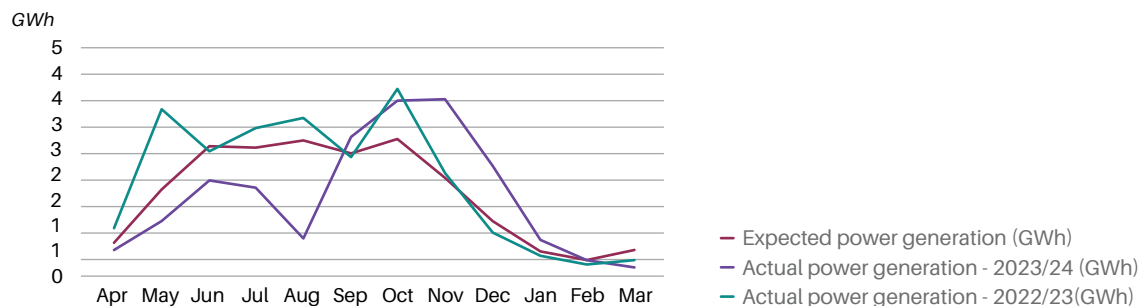
The Kiriwaneliya Mini Hydropower Project, developed by VPE's subsidiary Country Energy (Pvt) Ltd., is situated in the Central Province, in the Kiriwaneliya village of Norton-Bridge, Nuwara Eliya District. Utilising the flow of Maskeli Oya, it has a total installed capacity of 4.65 MW and a designed energy output of 16 GWh. In the current fiscal year, generation decreased by 16% to 14.8 GWh due to reduced water flow from the delayed Southwest monsoon onset. Despite this, revenue increased by 19.2% to Rs. 380 million compared to Rs. 319 million the previous year. The plant efficiency factor declined from 43% to 36% due to reduced generation. Plant repair and maintenance costs were Rs. 2.4 million this year, compared to none incurred the previous year. Kiriwaneliya MHP is still in the first term of its SPPA and has 2 years and 9 months remaining until December 2026 under this agreement.

Company name	Country Energy (Pvt) Ltd		
Installed capacity	4.65 MW		
Average annual energy	16 MW		
Operational highlights	2023/24	2022/23	Variance
Power generation (GWh)	14.8	17.6	-16%
Plant efficiency factor	36%	43%	-16%
Financial highlights	2023/24	2022/23	Variance
Revenue (Rs. Mn)	380.1	318.7	+19%
Segmental gross profit (Rs. Mn)	337.9	281.0	+20%
Tariff method	Avoided cost tariff		

Annual power generation - Kiriwaneliya MHP



Monthly power generation - Kiriwaneliya MHP



Scan this QR Code for
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generation history



ENTERPRISE RISK MANAGEMENT

VPE'S RISK LANDSCAPE

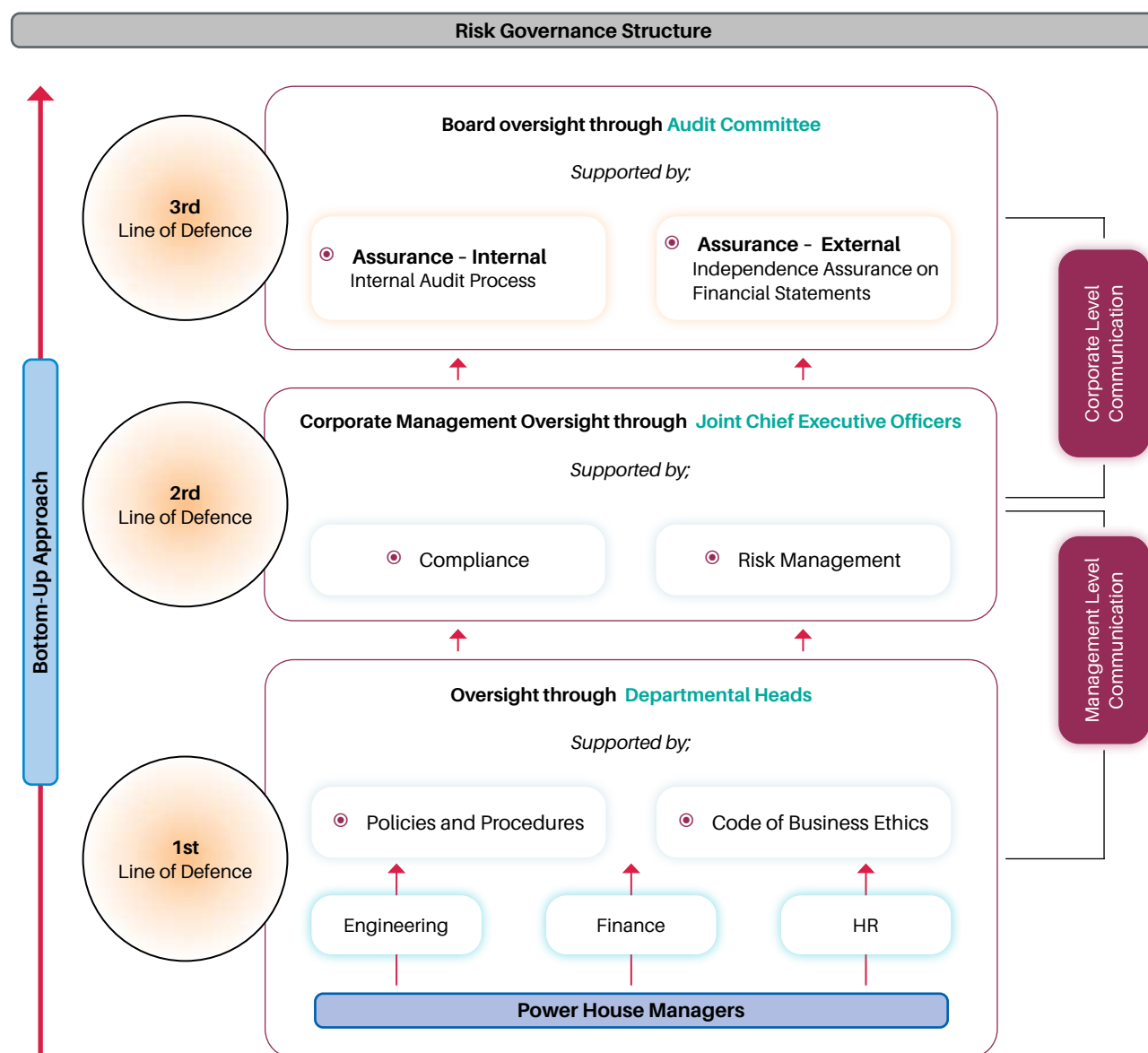
Risk is defined as being the potential occurrence of an external or internal event that could negatively impact our ability to achieve business objectives or financial goals. As such, managing risk and uncertainty is integral to the successful delivery of our strategy and supports our desire to grow a sustainable and resilient business.

It is therefore imperative that we have in place a risk-aware decision-making ERM framework and internal controls that outline the principles, processes, tools, risk areas and key responsibilities within the Company. We take a holistic approach to risk management that reflects the structure and culture of the Company and utilise key insights from the Executive Board as well as staff at all levels of the Company and its powerhouses.

Risk Management Framework

GRI 2-16

Our three-tiered approach to ERM fortifies the risk management posture of the Company through the distinct functions, interdependencies and best practices of each line of defence. While the present environment in which we navigate the business is not overly complex, this proactive ERM strategy assures us that we are well-gearred to anticipate future risks.



GRI 2-13,16,25

VPE's Risk Management Process

Identify risk

The risk identification process begins from the site managers or in-charge officers and functional managers who identify risks in their respective areas

- Reviewing daily duty allocations for any risk-related occurrences.
- Sharing identified risks at monthly progress meetings.

Assess risk

The identified risks are evaluated carefully through an evaluation procedure and the risk is ranked based on the impact of the risk and the probability of its occurrence.

- Ranking risk as low, medium and high to ease the treatments based on their priority.
- Minor risks identified are sorted in-house level under the guidance of the head office functional managers.

Treat risk

The risk action plans are executed by controlling, mitigating, transferring, and tolerating identified risks.

- Developing Risk Response Strategies by Jt. CEOs and management.
- Reporting to the Board and Audit Committee on risk response strategies for further advice.

Monitor & review

This is the final step of the Risk Management Process where the Company has to monitor and review the entire RM process.

- Management evaluates the efficacy of the implemented strategies at different levels of organisational structure.
- Review the process of risk status and risk profile at every monthly meeting unless there is a substantial diversion.

Corporate level and management level communication is effected through the process wherever necessary

VPE's Risk Environment

Business risk

Strategic risk

Financial risk

Operational risk

Regulatory and Legal risk

Social and Environmental risk

IT risk

ENTERPRISE RISK MANAGEMENT

MANAGING VPE'S RISK ENVIRONMENT

As a RE company, our operations are inherently exposed to a spectrum of risks stemming from diverse sources. Understanding and effectively managing these risks is essential not only for safeguarding our assets and reputation but also for capitalising on emerging opportunities and driving sustainable growth.

Risk Rating **H** - High | **M** - Medium | **L** - Low

Business risk	Several barriers exist to the expansion of the Company's current RE business. These include inconsistent government policies that create uncertainty for investors, unfavourable RE tariffs for existing projects, a highly competitive bidding process on government tenders for new RE projects, as well as unexpected extreme weather events.							
<i>Managing Strategy</i>	<ul style="list-style-type: none">◉ Negotiations with CEB on tariff settings at the Company level as well as lobbying at the industry level.◉ Collaborative efforts and lobbying at the industry level to overcome RE sector issues.◉ Participation in government RE tenders whenever deemed feasible for all stakeholders.◉ Engaging with key stakeholders to gain insights into emerging risks.							
	2023/24 - H				2022/23 - M			
Strategic risk	Deviation from expected performance that results in a lower- than- expected yield from power plants due to adverse weather events, inaccurate planning or erroneous assumptions would adversely impact the Company's ability to achieve its strategic objectives and long-term goals							
<i>Managing Strategy</i>	<ul style="list-style-type: none">◉ Utilising expert inputs during the initial stages of project planning and design.◉ Utilising industry-recognised and technically proven machinery and other mechanisms for operating the power plants.◉ Re-adjusting Company strategies wherever necessary to mitigate these risks in a manner that poses no threat to stakeholder expectations.◉ Heightening focus on contingency plans by identifying key drivers of change and assessing potential risks and opportunities.							
	2023/24 - L				2022/23 - L			
Financial risk	Adverse financial threats to the Company arising from macro-economic factors such as fluctuating interest and exchange rates, inflation as well as the liquidity risk posed by poor credit recovery from CEB.							
<i>Managing Strategy</i>	Interest rate risk <ul style="list-style-type: none">◉ This risk is inapplicable to us since the Company has no borrowings.◉ However, we carefully balance our debt portfolio to facilitate access to future financing on favourable terms.	Exchange rate risk <ul style="list-style-type: none">◉ Exploring local or In-house solutions wherever possible.◉ Negotiating more favourable payment terms with overseas suppliers.	Inflation risk <ul style="list-style-type: none">◉ Managing costs within budget.◉ Prioritising the use of our in-house experienced labour over outsourcing services from outside whenever feasible.	Liquidity/credit risk <ul style="list-style-type: none">◉ Negotiating with the CEB for timely payments in accordance with the terms set out in the Agreements.				
	2023/24 - L	2022/23 - L	2023/24 - L	2022/23 - M	2023/24 - L	2022/23 - M	2023/24 - L	2022/23 - M
Operational risk	The uncertainties of day-to-day business activities due to failed processes, policies or systems, or to errors or fraud committed by employees, or as a result of the occurrence of unexpected external events, could disrupt business operations and thereby contribute to operational risk.							
<i>Managing Strategy</i>	<ul style="list-style-type: none">◉ Aligning operational functions to the corporate contingency plan.◉ Carrying out timely maintenance of machinery, transmission lines and equipment according to schedule and whenever required.◉ Regularly updating H & S policies and measures, conducting meetings and drills to inform staff of new developments and upgrades.◉ Conducting periodic internal audit reviews and reporting to the Audit Committee.◉ Ensuring that insurance covers are in place to protect all assets and operational areas.◉ Adopting a comprehensive human resource policy that ensures the provision of an inclusive work environment.							
	2023/24 - L				2022/23 - L			

Regulatory and legal risk	Refers to the potential for adverse impacts on business costs of operation as a result of changes in laws, regulations or legal actions that could arise from various sources - new legislation, regulatory enforcement actions, lawsuits, compliance failures, and contractual disputes.	
<i>Managing Strategy</i>	<ul style="list-style-type: none"> Staying abreast of relevant laws, regulations, and industry standards and complying with them in a timely and responsive manner in the interests of good governance. Implementing policies, procedures and controls to ensure adherence to legal and regulatory obligations. Conducting regular risk assessments to identify and prioritise regulatory and legal risks faced by the Company. Establishing effective governance structures and oversight mechanisms to manage regulatory and legal risk at Board and Corporate Management levels. Proactively engaging with regulatory authorities, industry associations, and other stakeholders to seek guidance, clarify regulatory requirements, and advocating for favourable regulatory outcomes. 	
	2023/24 - L	2022/23 - L
Human resource risk	Challenges of staff retention in the face of sharp rises in inflation and taxation which have reduced the disposable incomes of fixed-wage earners. This has resulted in high employee turnover and associated costs as top-performing staff seek more competitive avenues of employment locally or overseas.	
<i>Managing Strategy</i>	<ul style="list-style-type: none"> Adopting a comprehensive human resource policy that implements effective HR policies and procedures. Proactive managing and strategically intervening to address underlying issues to promote a positive work culture. Rearranging rosters to ensure uninterrupted powerhouse operations. Fostering open communication and trust. Investing in employee training and development and engagement initiatives. Creating an inclusive work culture that rewards performance. 	
	2023/24 - L	2022/23 - M
Social and environmental risk	The risk of actual or potential threats to the environment such as effluents or the depletion of natural resources arising from the company's activities, or the occurrence of unexpected climate change and extreme weather events, as well as the instigation of community opposition and stakeholder activism, could affect business continuity.	
<i>Managing Strategy</i>	<ul style="list-style-type: none"> Commitment to an Environmental Management System on the lines of internationally recognised EMS that assures the preservation of catchment environments. Investment in social and environmental development activities and sustainable technologies. Speedy mitigation of any adverse environmental impacts if and when they arise. Continuous and cordial engagement with stakeholders. 	
	2023/24 - L	2022/23 - L
IT risk	The potential for loss or harm resulting from the failure or misuse of technology systems and infrastructure could disrupt the power supply, compromise sensitive data, and damage infrastructure, leading to financial losses and reputational harm.	
<i>Managing Strategy</i>	<ul style="list-style-type: none"> Introducing robust cybersecurity measures such as firewalls, antivirus software, intrusion detection systems, encryption, and multi-factor authentication that alleviate cyberattacks, regular security audits and employee training that help strengthen defences against cyber threats. Implementing data encryption, access controls, and data loss prevention tools that could mitigate data breaches. Regularly updating and patching software and conducting routine maintenance and monitoring of IT infrastructure mitigates system downtime. 	
	2023/24 - L	2022/23 - L

VPE'S ESG AND SUSTAINABILITY FRAMEWORK

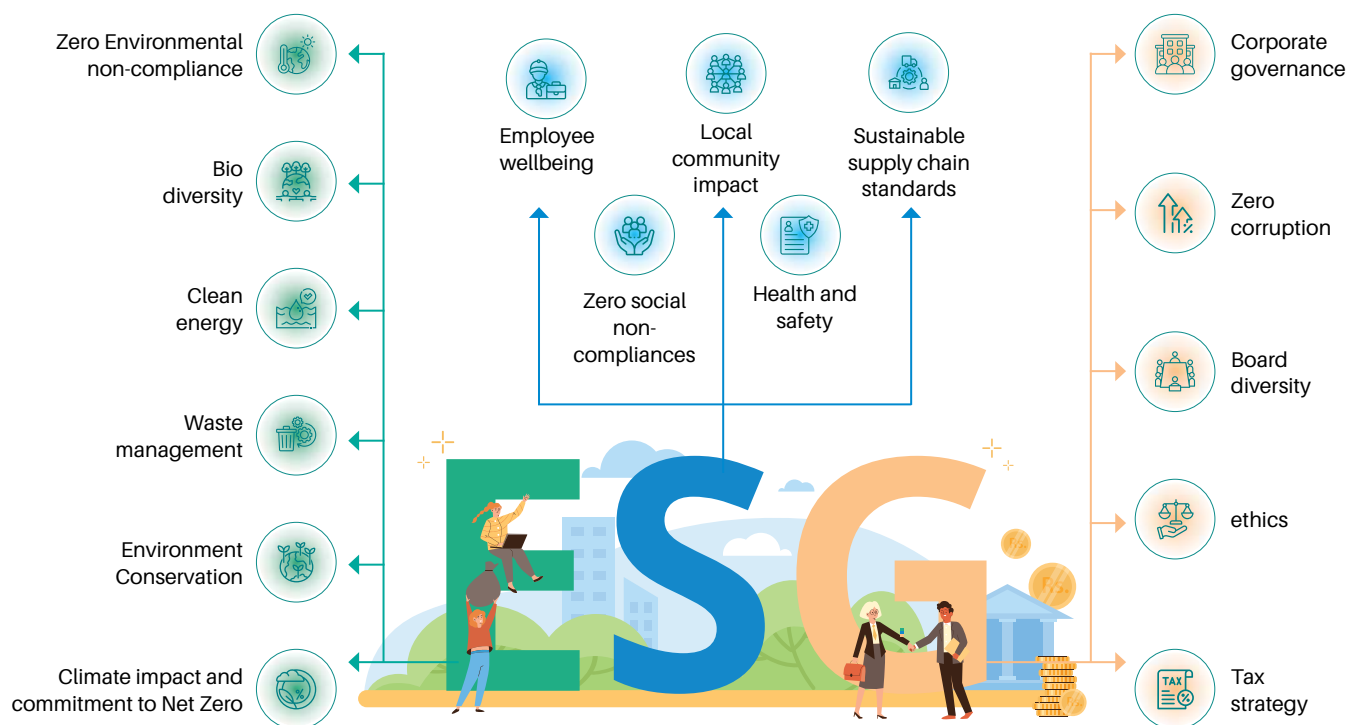
GRI 2-23,24

Our Environmental, Social, and Governance (ESG) report highlights our commitment to sustainable business practices and responsible corporate citizenship. As a leading provider of clean and renewable energy through our three mini hydropower projects, we recognise the importance of transparency, accountability and continuous improvement in our operations.

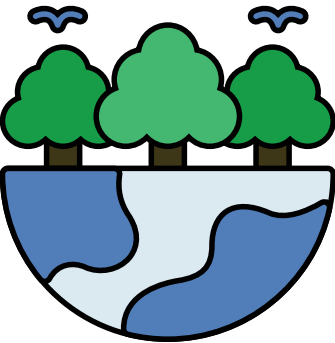
VPE'S ESG FRAMEWORK

We take a holistic approach to sustainable development, so our ESG practices are rooted in a commitment to environmental stewardship, community empowerment, transparency, innovation, ethical conduct, adaptability, and collaboration. By integrating ESG considerations into our decision-making processes and operations, we strive to create long-term value for our stakeholders while minimising any negative impacts of our operations on the people or the planet.

We realise that achieving our sustainability goals requires collaboration and engagement with a diverse range of stakeholders, including government agencies, non-governmental organisations (NGOs), employees and local communities. Therefore, we remain committed to open dialogue, stakeholder consultation and continuous improvement as we strive to address emerging challenges and opportunities in the rapidly evolving energy landscape.



ENVIRONMENTAL



Clean energy



Environment conservation



Bio diversity



Climate impact and commitment to Net Zero



Waste management



Zero environmental non-compliance

Our energy business is dedicated to responsible and sustainable practices, prioritising the preservation of ecosystems where we operate. Our approach includes multiple initiatives to minimise our environmental impact and promote conservation efforts.

At the heart of our mission is the pursuit of zero emissions by generating clean energy from natural water flows, avoiding the greenhouse gas emissions associated with fossil fuels. We uphold high standards through a Quality & Environment Policy, ensuring thorough monitoring of environmental impacts and immediate action to mitigate them.

Compliance with government regulations is a priority, alongside proactive conservation measures like habitat restoration and noise reduction. We meticulously regulate water flow to preserve ecological balance and conduct comprehensive Environmental Impact Assessments before project initiation.

Investing in modern technologies and sustainable practices is key to reducing our carbon footprint, while waste management

follows the principles of reduce, reuse, and recycle. We engage employees in environmental awareness programmes and encourage innovative ideas for minimising impacts and enhancing community involvement.

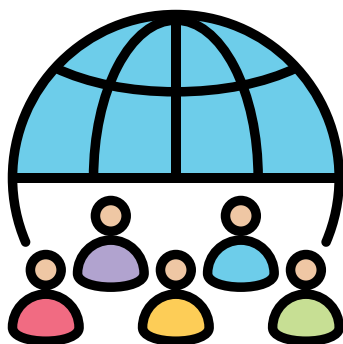
Through these efforts, we are committed to conducting our energy business in a manner that both respects and safeguards the environment for future generations.

VPE'S COMMITMENT TO SDGs

	<ul style="list-style-type: none">Discharge water sources to the environment with zero contamination.Actions to conserve water sources.Monitor and disclosure of water quality.
	<ul style="list-style-type: none">Generate clean energy from our three RE projects.
	<ul style="list-style-type: none">Minimise inputs and waste.Recycle inputs wherever possible.Partner with renewable energy production in the country.
	<ul style="list-style-type: none">Deploy renewable projects to decarbonise energy systems.Deploy renewable energies to increase climate resilience in host communities.
	<ul style="list-style-type: none">Incorporate life under water into impact assessments and mitigate habitat destruction by our water diversion.Collaborate with local authorities to establish conservation areas.
	<ul style="list-style-type: none">Conduct environmental impact assessments before the construction of energy projects to minimise impact on or displacement of existing ecosystems and review regularly.

VPE's ESG and Sustainability Framework

SOCIAL



Employee wellbeing



Health and safety



Sustainable supply chain standards



Local community impact



Zero social non-compliances

In our commitment to enriching lives through our ESG approach, we prioritise community collaboration, stakeholder engagement, employee welfare and development, and responsible supply chain management.

COMMUNITY COLLABORATION

We honour the rights of indigenous peoples, valuing their cultural heritage and connection to the land. Through open communication channels, we engage in collaborative decision-making, seeking their input in project planning. We invest in community development programmes, bolstering local infrastructure, education, and healthcare. A Stakeholder Complaints log book ensures transparency and accountability, allowing grievances and suggestions to be addressed promptly.

STAKEHOLDER ENGAGEMENT

We leverage stakeholder expertise to drive positive change and create shared value. By actively addressing concerns and integrating stakeholder perspectives into our policies, we ensure alignment with environmental and social initiatives.

EMPLOYEE WELFARE AND DEVELOPMENT

Upholding human rights and fair labour practices, we prioritise employee well-being and safety. Comprehensive training programs enhance skills and knowledge while promoting a healthy work-life balance. Competitive compensation and advancement opportunities attract and retain top talent, while recognising exceptional performance with rewards.

SUPPLY CHAIN RESPONSIBILITY

We forge ethical partnerships with reputable suppliers, adhering to integrity and ethical standards. Compliance with ILO regulations ensures fair labour practices, while key performance indicators monitor delivery and product quality, fostering sustainable supply chain practices.

Through these initiatives, we foster trust, transparency, and inclusivity, enriching lives and creating enduring value for all stakeholders.

VPE'S COMMITMENT TO SDGs

	<ul style="list-style-type: none"> Pay fair remuneration to all employees. Support employees by paying a relief allowance during times of crisis. Procure goods and services locally and develop local workforce capacity whenever possible. Pay all taxes and associated tariffs to the government for the economic development of the country.
	<ul style="list-style-type: none"> Provide meals and meal allowance for powerhouse employees.
	<ul style="list-style-type: none"> Promote employee wellness. Champion occupational health and safety. Support community health programmes wherever possible.
	<ul style="list-style-type: none"> Assess and upgrade the local skills base. Train and develop workers. Support the education of communities.
	<ul style="list-style-type: none"> Provide equal opportunities for women and establish gender-inclusive work environments.
	<ul style="list-style-type: none"> Provide a safe and peaceful environment for all workers. Drive economic growth through local procurement.
	<ul style="list-style-type: none"> Being a sustainable infrastructure developer in the country.
	<ul style="list-style-type: none"> Support marginalised peoples through social investment. Conduct human rights due diligence and remedy shortfalls if any.
	<ul style="list-style-type: none"> Deploy renewable projects to build a sustainable economy. Collaborate with local authorities to develop and increase green space.

GOVERNANCE



Corporate Governance



Board diversity



Zero corruption



Ethics



Tax strategy

At the core of our Company culture lies the principle of Navigating with Integrity and Foresight. We prioritise integrity and ethical conduct, ensuring transparency, accountability, and trust-building actions aligned with our values and objectives. Our comprehensive compliance programme upholds ethical standards throughout our operations and swiftly addresses any instances of misconduct.

Diversity and independence within our Board of Directors enrich decision-making with varied perspectives while maintaining the highest standards of integrity and accountability. Our business conduct is guided by honesty, integrity, and transparency, adhering rigorously to all relevant laws and regulations.

We employ robust risk management practices to identify, assess, and mitigate risks, including those related to climate change and regulatory developments. Commitment to anti-corruption measures and compliance with anti-bribery laws is paramount.

Regular audits and reviews ensure adherence to ethical guidelines and codes of conduct, while monitoring and reporting mechanisms track key performance indicators related to environmental conservation, community development, and stakeholder engagement. Our annual reports comprehensively detail sustainability efforts, including ESG initiatives, achievements, challenges, and future goals.

Fostering a culture of continuous improvement and innovation drives our sustainability efforts forward. We explore alternative energy technologies and innovations to optimise operations while minimising our ecological footprint.

Recognising the dynamic nature of the energy industry and the challenges posed by climate change and regulatory developments, we remain adaptable and resilient. Proactively addressing risks and opportunities ensures the long-term viability and sustainability of our mini hydropower projects.

VPE'S COMMITMENT TO SDGs













	<ul style="list-style-type: none">Respect employees' and communities' human rights.Promptly address grievances and conflicts.Comply with regulations to decrease risks of corruption.Foster safe work environments and good community relationships.
	<ul style="list-style-type: none">Support the development of other industries and infrastructure needed to grow the renewable sector.Incorporate the SDGs into company policies and apply SDG indicators.Work with industry groups to advance the SDGs and the collective goals of the sector.

CAPITAL MANAGEMENT REPORTS



GENERATING PROFITABILITY: PURSING FISCAL SUSTAINABILITY FOR A POWERFUL PERFORMANCE

Financial capital is the bedrock of our business, fundamental in our pursuit of growth and sustainability. It empowers us to initiate, expand, and fortify all facets of our operations, facilitating strategic decision-making, risk management, and adaptability to seize emerging opportunities. Financial resources drive our success, serving as catalysts for leveraging and optimising our other capitals. The adept management of our finances has been instrumental in achieving our current profitability. Consequently, our shareholders have consistently enjoyed significant returns on their investments.

Input	Output	Outcome
 Stated capital Rs. 1,174 Mn	 Profit after tax Rs. 782 Mn	 Enhanced shareholder value
 Revenue Reserves Rs. 1,867 Mn	 Return on equity 35%	 Financial growth and stability
 Corporate Governance	 EBITDA Rs. 1,237 Mn	 High market price per share
 Financial management	 Net operating cash flow Rs. 2,292 Mn	
	 Capital and reserves of equity owners Rs. 2,020 Mn	

COMPANY PHILOSOPHY

GRI 3-3

VPE has been practising prudent financial management since inception. This planning has paved the way for proactive anticipation of future scenarios that focus on high shareholder value and fortify the Company's resilience against unforeseen circumstances and economic downturns. It has proved invaluable in weathering challenging periods, effectively mitigating temporary setbacks and navigating fluctuating cash flows. Consequently, our sustained financial stability has engendered trust and confidence among all our stakeholders. This collective assurance fosters the long-term success of the Company.

YEAR AT A GLANCE

VPE achieved its highest-ever revenue in this fiscal year, marking a significant milestone in its financial performance. Despite this robust performance, however, the bottom line averaged due to taxation considerations, although it still reported a notable improvement over the previous year. The year was concluded with a stable financial position, underpinned by various operational efficiencies that contributed to resilience and sustainability.

Financial Performance

Item	2023/24 Rs. Mn	2022/23 Rs. Mn	Change
Revenue	1,475.2	1,122.6	31%
Gross profit	1,299.5	961.4	35%
EBITDA	1,237.3	928.9	33%
PBT	1,266.9	894.6	42%
Net profit	781.8	655.1	19%

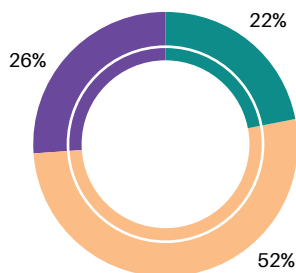
Financial Position

As at 31st March	2023/24 Rs. Mn	2022/23 Rs. Mn	Change
Total assets	2,912.8	3,751.1	-22%
Total liabilities	708.1	402.2	76%
Shareholders' fund	2,020.4	3,041.2	-34%
Non-controlling interest	184.3	307.7	-40%
Total equity	2,204.7	3,348.9	-34%
Net current assets	608.0	1,653.8	-63%

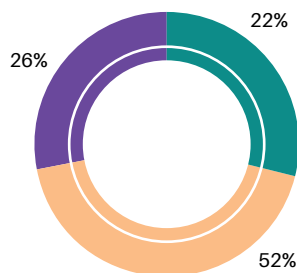
REVENUE

During this financial year, the VPE Group generated 85.2 GWh of electricity to the National Grid, marginally below (2%) of the previous year's output. However, due to an increase in the avoided cost-based tariff applicable to the subsidiary's two projects, the Group's revenue increased by 31%, rising from Rs. 1,123 million to Rs. 1,475 million. Denawaka Ganga MHP generated the highest revenue, contributing 52% to the Group's total revenue. Meanwhile, Erathna MHP recorded the highest electricity generation at 49%, but its revenue was calculated based on a lower plant factor-based tariff.

2023/24



2022/23



● Erathna MHP
● Denawaka Ganga MHP
● Kiriwaneliya MHP

Capital Management Reports

FINANCIAL CAPITAL

PROFITABILITY

As a result of the increased revenue, the Group's profitability rose considerably during the year, despite higher tax expenses and increased operational and maintenance costs.

Profit before tax (PBT) and profit after tax (PAT)	Profit before tax increased by 42%, rising to Rs. 1,267 million from the previous year's Rs. 895 million. However, Profit after Tax (PAT) rose by only 19%—from Rs. 655 million in 2022/2023 to Rs. 782 million in 2023/2024—due to the Group's tax expense on intra-group dividends.	Profit before tax <p>Rs. Mn</p> <p>19/20 20/21 21/22 22/23 23/24</p> <p>■ Profit before tax (PBT) ■ Profit after tax (PAT)</p>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EBITDA, representing our cash profit, reached Rs. 1,237 million, marking a 33% increase over the previous year's Rs. 929 million. This growth in EBITDA indicates a substantial improvement in our operating performance and cash flow, and highlights the Company's enhanced profitability before accounting for interest, taxes, depreciation, and amortisation.	EBITDA <p>Rs. Mn</p> <p>19/20 20/21 21/22 22/23 23/24</p>
Return on equity (ROE)	Return on equity (ROE) also improved significantly, growing to 35%, from 20% in 2022/23. This improvement was driven by the increased topline, which added more value to the equity investors over the year, reflecting the Company's enhanced ability to generate profit from its shareholders' investments.	Return on equity <p>%</p> <p>19/20 20/21 21/22 22/23 23/24</p>
Net profit (NP) margin	Although the Company reported increased profits for 2023/24 due to higher revenue, the Net Profit (NP) margin decreased to 53% from last year's 58%. This decline was primarily due to the high tax costs incurred from intra-group dividend payments made during the year, which reduced the overall profitability despite the revenue growth.	NP Margin <p>%</p> <p>19/20 20/21 21/22 22/23 23/24</p>

FINANCIAL CAPITAL

QUARTERLY PERFORMANCE

The table below presents VPE's quarterly performance as published in the interim financial statements, highlighting the changes over the corresponding quarters of the previous year.

	Q-1			Q-2			Q-3			Q-4			Total		
	2023/24	2022/23	Change	2023/24	2022/23	Change	2023/24	2022/23	Change	2023/24	2022/23	Change	2023/24	2022/23	Change
Revenue (Rs. Mn)	264	372	(29%)	463	325	42%	583	323	81%	165	102	61%	1,475	1,123	31%
Gross Profit (Rs. Mn)	219	332	(34%)	420	287	46%	542	283	92%	118	60	97%	1,299	961	35%
NPAT (Rs. Mn)	161	259	(38%)	272	229	19%	441	131	237%	(93)	37	(352%)	782	655	19%

VPE's performance showed a significant improvement starting from Q2, primarily due to the implementation of a tariff adjustment based on an avoided costs tariff applicable to the subsidiary. However, Q4 recorded a loss due to the intra-group dividend tax cost incurred during that period.

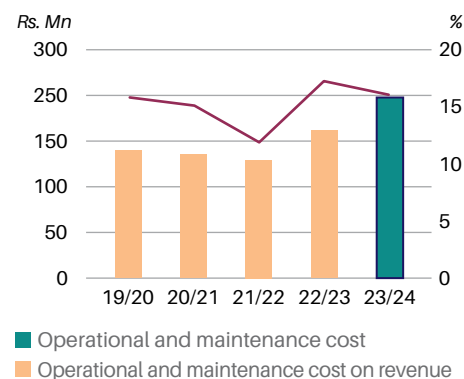
For detailed information on the quarterly performance, please refer to the interim financial reports available on the Colombo Stock Exchange website.

GROUP OPERATIONAL AND MAINTENANCE (O&M) COST

VPE successfully maintained the Group's annual O&M cost increase at 22%, which is lower than the previous year's rise of 26%. Additionally, the O&M cost-to-revenue ratio remained steady at 16%, aligning with the average level of previous years. This increase in O&M costs reflects higher staff expenses, as well as all direct and indirect plant maintenance and other overheads. Containing these costs at a controlled level demonstrates effective cost management.

Item	2023/24 Rs. Mn	2022/23 Rs. Mn
Revenue	1,475.2	1,122.6
Operational & maintenance cost (O&M)	239.1	196.2
% of O&M cost on revenue	16%	17%
O&M Cost/kWh	Rs.2.81/kWh	Rs. 2.26/kWh

Operational and maintenance cost



TAXATION

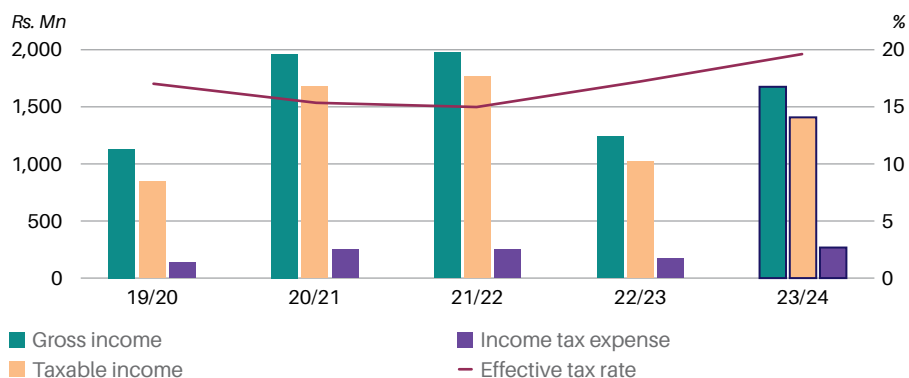
Income tax

VPE faced a significant increase in total tax charges (including both current and deferred tax components), which rose by 103% compared to the previous year. This surge was primarily due to the intra-group dividend tax resulting from subsidiary dividend distributions. Additionally, taxable income grew by 38%, driven by higher profitability from CEB revenues and finance income from short-term deposits. The overall tax cost increase also reflects the consistent application of a 30% tax rate throughout the year, unlike the varying rates of the previous year. During this period, the parent company was taxed at 30%, the subsidiary benefited from a BOI concessionary rate of 15%, and the Group's other income was taxed at the standard 30% rate.

Deferred tax

During the year, the Group experienced a deferred tax reversal amounting to Rs. 9 million. These deferred tax impacts were accounted for in the financial statements at both the 30% and 15% tax rates, as detailed in Note 24.2 of the financial statements. This recognition reflects the different tax rates applicable to the parent company and its subsidiary, thereby ensuring accurate tax liability representation in accordance with the varying tax obligations.

Income tax expenses



Capital Management Reports

FINANCIAL CAPITAL

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

Tax component	2023/24 Rs. Mn	2022/23 Rs. Mn	%
Aggregate taxable income	1,350.1	977.4	38%
Income tax on business profits	216.8	141.5	53%
Income tax on finance income	38.5	18.9	104%
Total income tax on liable income	255.3	160.4	59%
Tax on intra-group dividend	239.3	-	>999%
Total income tax expense	494.6	160.5	208%
Deferred tax charge/(reversal)	(9.2)	79.0	-112%
Adjustment for the previous year	(0.2)	-	-
Tax charge for the year	485.2	239.5	103%
Income tax paid	457.5	200.0	129%

More details on tax expenses are given on page 134 under the Note 11 of financial statements.

OTHER COMPREHENSIVE INCOME

During the year, a net loss of Rs. 11 million was recognised in the Statement of Comprehensive Income due to the re-measurement of the retirement benefit obligation through actuarial valuation. This is an improvement compared to the Rs. 18 million loss recorded last year.

CAPITAL STRUCTURE

Shareholders' fund	Non- controlling interest			Gearing		
As of March 31, 2024, VPE maintained a robust capital structure. However, retained earnings for equity holders declined from Rs. 1,867 million to Rs. 846 million, primarily due to a dividend distribution of Rs. 1,681 million during the year. This significant distribution reflects the Company's commitment to returning value to its shareholders while retaining sufficient earnings to support future growth and stability.	The Group's non-controlling interest (NCI) represents a 12.8% minority stake in the subsidiary. The dividend distribution by the subsidiary led to changes in the NCI balance at year-end, reflecting the portion of dividends attributable to minority shareholders.			The VPE Group is totally debt-free as at the end of the current year.		
	There were no changes in the NCI holding percentage during this fiscal year, the same level of minority ownership was sustained throughout the period.					
	2023/24 Rs. Mn	2022/23 Rs. Mn		2023/24 Rs. Mn	2022/23 Rs. Mn	
Stated Capital	1,174.4	1,174.4	NCI	184.2	307.7	
Retained earnings	846.1	1,866.8				
Total	2,020.4	3,041.2				

FINANCIAL CAPITAL

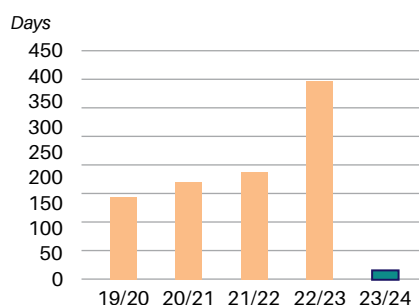
WORKING CAPITAL/LIQUIDITY

Trade receivables

Trade receivables consist of outstanding payments from the CEB for the sale of electricity. There was a significant improvement in the settlement of long-aged debtor balances, which decreased from Rs. 1,206 million to Rs. 77 million. The CEB settled a total of Rs. 2,605 million on both the previous as well as current year dues. Consequently, the debtor collection period has fallen below the usual 30-day credit settlement terms, indicating a more efficient and timely collection of payments. This marked improvement positively impacts the Company's cash flow and financial stability.

Aging	2023/24 Rs. Mn	2022/23 Rs. Mn
< 30 days	28.5	46.4
30 - 60 days	48.7	28.6
60 - 180 days	-	288.8
> 180 days	-	842.8
Total	77.2	1,206.6

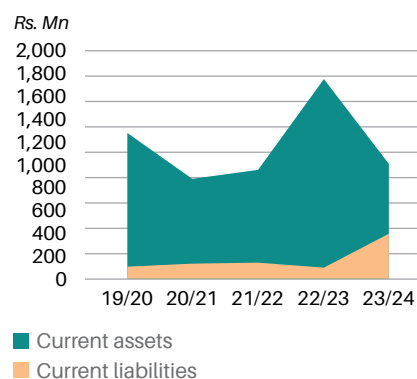
Average debtor collection period



Net current asset (NCA) position

As of the reporting date, VPE's Net Current Assets (NCA) stood at Rs. 608 million, reflecting a current ratio of 2.5 times, compared to 17.6 times in 2022/23. This indicates a healthy short-term liquidity position. The NCA includes cash and cash equivalents amounting to Rs. 874 million, which will be used to pay the Withholding Tax (WHT) on dividends distributed in March 2024. This robust liquidity ensures that VPE can comfortably meet its short-term obligations while maintaining financial flexibility.

Working capital

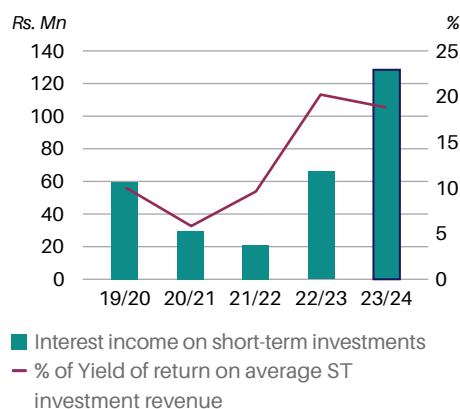


SHORT-TERM DEPOSITS AND CASH

Cash and cash equivalents amounting to Rs. 874 million (compared to Rs. 500 million in 2022/23) consist of short-term investments with tenures below three months, alongside cash and bank balances. As of the reporting date, it is noteworthy that the Group has not acquired any overdraft balances.

The short-term investments, including fixed deposits, government treasury bills (TBs) and savings, have generated finance income that totals Rs. 128 million. This represents a substantial 94% increase over the previous year. The high yield of 19% on short-term deposits provides significant returns to the equity investors of the Company, reflecting the effectiveness of the Group's investment strategy in maximising returns on available cash resources.

Interest income on short-term investments



Capital Management Reports

FINANCIAL CAPITAL

SHARE PERFORMANCE

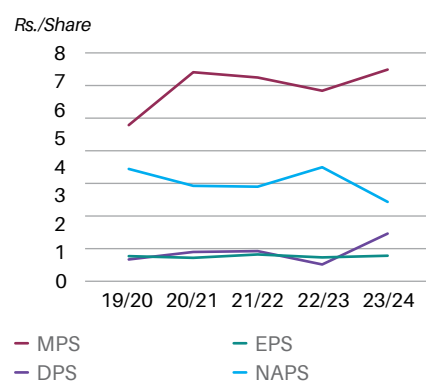
VPE has created significant value to equity shareholders during the year by paying Rs. 1.75 per share as a dividend. The Company also declared and paid a dividend of Rs. 0.50 per share during this fiscal year as the final dividend for the previous year as the Company was able to improve its cash flow status following the crisis that prevailed during the previous year. Historically, Rs. 1.75 per share is the highest ever yield given to the shareholders of VPE.

The increase in earnings per share (EPS) from Rs. 0.78 to Rs. 0.90 reflects improved profitability per share. However, there was a decline in net assets per share from Rs. 4.07 to Rs. 2.70 due to dividend distribution, indicating a reduction in the book value of assets per share. Despite this, the dividend payout ratio surged significantly from 64% to 194%, while the dividend yield rose from 7% to 24%, offering shareholders a higher return on investment in terms of dividends relative to the share price. Additionally, the market price per share increased from Rs. 6.70 to Rs. 7.40, indicating increased investor confidence and market optimism.

SHARE PERFORMANCE

		2023/24	2022/23	% of change
Earnings per share-EPS	Rs.	0.90	0.78	15%
Dividend per share-DPS	Rs.	1.75	0.50	250%
Market price per share (closing)	Rs.	7.40	6.70	10%
Nets assets per share	Rs.	2.70	4.07	-34%
PE ratio	Times	8 times	9 times	-4%
Dividend payout ratio	%	194%	64%	203%
Dividend yield	%	24%	7%	217%
Market capitalisation		Rs. 5.6 billion	Rs. 5.0 billion	10%

Share performance



More information on the Company's shares and shareholders is given in the Investor Information report of this report.

FINANCIAL VALUED ADDED DISTRIBUTION FOR THE YEAR

GRI 3-3, 201-1

As part of its commitment to corporate responsibility, the Company ensures equitable distribution of financial value added among its stakeholders, not limited to investors alone. This Statement of Value Added Distribution provides insight into how the Company's generated value is allocated among employees, shareholders, lenders, and the government through taxes, as well as reinvestment in the Company for sustainable growth. This transparent document underscores the Company's dedication to balancing the interests of all stakeholders and fostering a sustainable business model that benefits the broader community.

	2023/24 Rs. Mn	2022/23 Rs. Mn	Change %
Revenue generated from power generation	1,475.2	1,122.6	31%
(+) Other income	129.6	68.6	89%
Total value generated	1,604.9	1,191.2	35%
(-) Cost of supplies (Goods and services obtained)	(60.8)	(42.6)	43%
Amount set aside for Depreciations, amortisation and provisions	(84.9)	(175.2)	-52%
Total value distributed	1,459.1	973.4	50%

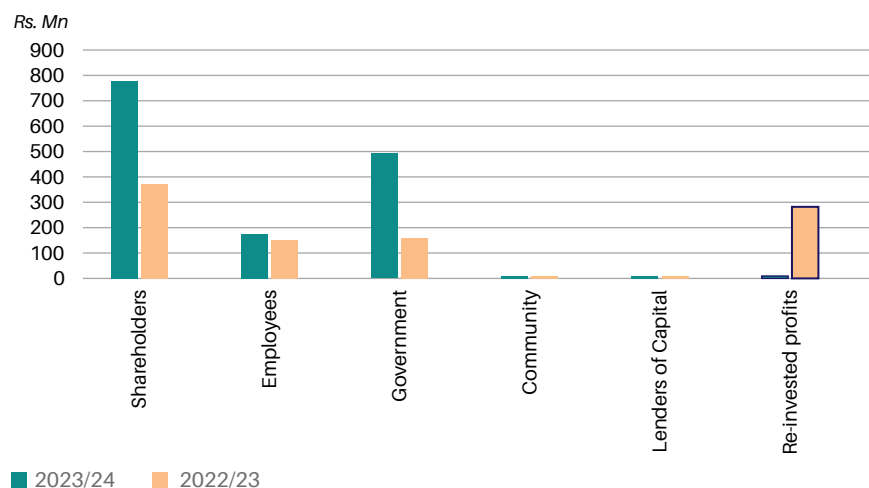
FINANCIAL CAPITAL

VALUE DISTRIBUTION ANALYSIS

		2023/24 Rs. Mn	2022/23 Rs. Mn	Change %
To	By way of;			
Shareholders	Dividend	780.7	*373.5	109%
Employees	Wages, salaries and benefits	175.7	150.6	17%
Government	Taxes & levies	496.8	162.9	205%
Community	CSR & donation activities	1.3	0.5	160%
Lenders of Capital	Interest and capital payments	4.5	4.3	5%
Re-invested profits		-	*281.6	-100%
Total value distributed		1,459.1	973.4	50%

* Revised figures due to payment of final dividend for the year 2022/23 paid in year 2023/24.

Value addition distribution
















Capital Management Reports

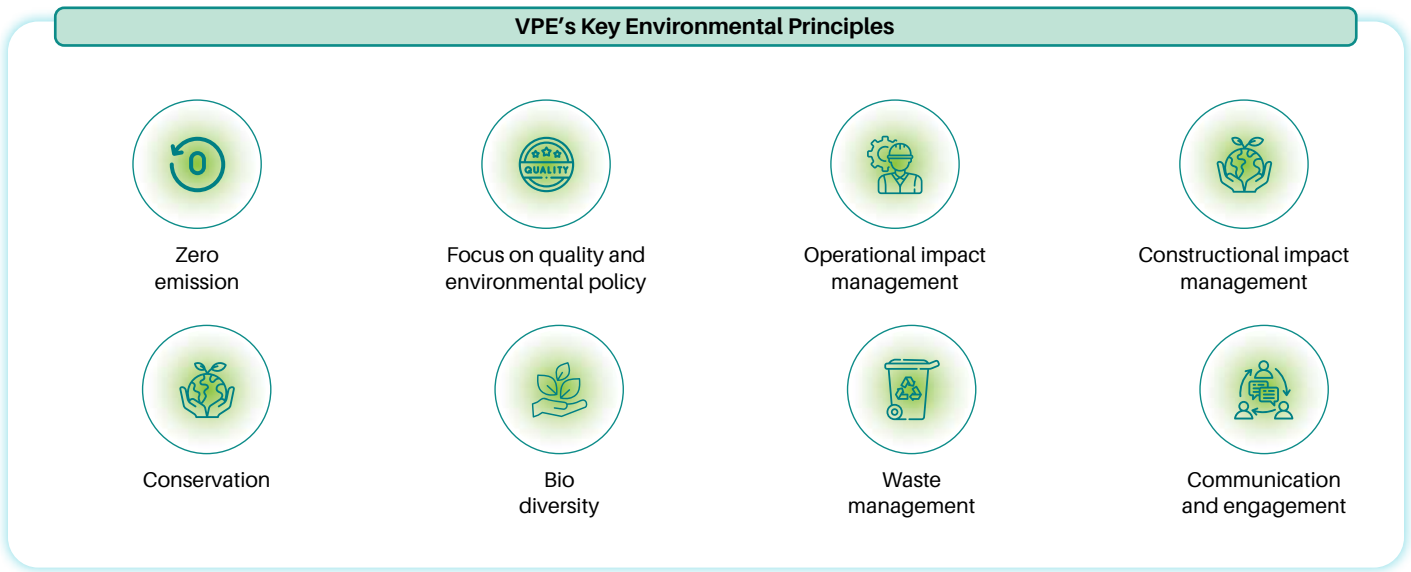


LEVERAGING CONSERVATION: CHAMPIONING RESOURCE STEWARDSHIP FOR A GREEN FUTURE

Freshwater resources, biodiversity, soil fertility, and climate and hydrological cycles are critically important not only for our operations but for all life on this planet. While hydropower is a renewable energy source, our location in ecologically sensitive catchment areas demands responsible management to minimise environmental impact. Despite being a run-of-river operation that returns water to rivers unchanged in both quality and quantity, our facilities have the potential to disrupt riverine ecosystems if we do not fully integrate responsible stewardship of natural resources into all areas of our business practices. Therefore, we have committed to navigating to a green future by implementing sustainable practices.

Input	Output	Outcome
<div><div>3 Natural water resources</div></div>	<div><div>Clean energy 85.2 Mn units</div></div>	<div><div>Being a partner of renewable energy</div></div>
<div><div>12.3 Hectares of lands</div></div>	<div><div>Reduction of CO₂ emission >53,000 MtCO₂e</div></div>	<div><div>Protecting nature</div></div>
<div><div>Energy</div></div>	<div><div>Investment for environment Rs. 0.3 Mn</div></div>	<div><div>Contribution to zero emission</div></div>
<div><div>Environmental stewardship</div></div>	<div><div>No. of trees planted 2,750 trees</div></div>	
	<div><div>No. of nursery plants developed 11,034 trees</div></div>	
	<div><div>Energy consumption 563 Gigajoules</div></div>	

NATURAL CAPITAL



OUR RESPONSE TO CLIMATE CHANGE RISK

GRI 201-2



Hydropower operations are subject to challenges of climate risk as well. Extreme weather events cause fluctuations in river flow and associated operational and infrastructure risks. We acknowledge the dual risks inherent in our operations - the potential for environmental damage to our infrastructure and surroundings, and the impact of our operations on the local environment. We have introduced an adaptive management approach to address these challenges, which integrates climate resilience and environmental consciousness, and regularly review and adjust operational practices to respond effectively to the changing environment.

OUR QUALITY & ENVIRONMENTAL POLICY



Our Environmental Management Policy comprehensively covers all aspects of environmental management across our three project sites, and we conform to it to the letter and deed. An environmental monitoring programme is strictly enforced at all sites and all operational activities are diligently assessed for their environmental impact. Wherever necessary, we promptly introduce mitigatory measures to address identified concerns.

Our Quality and Environmental Policy

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

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

Vallibel Power Erathna PLC

Capital Management Reports

NATURAL CAPITAL

WATER MANAGEMENT

GRI 3-3, 301-1, 303-1, 2, 3, 4, 5

6

STANDSTILL AND SLOWING WATER

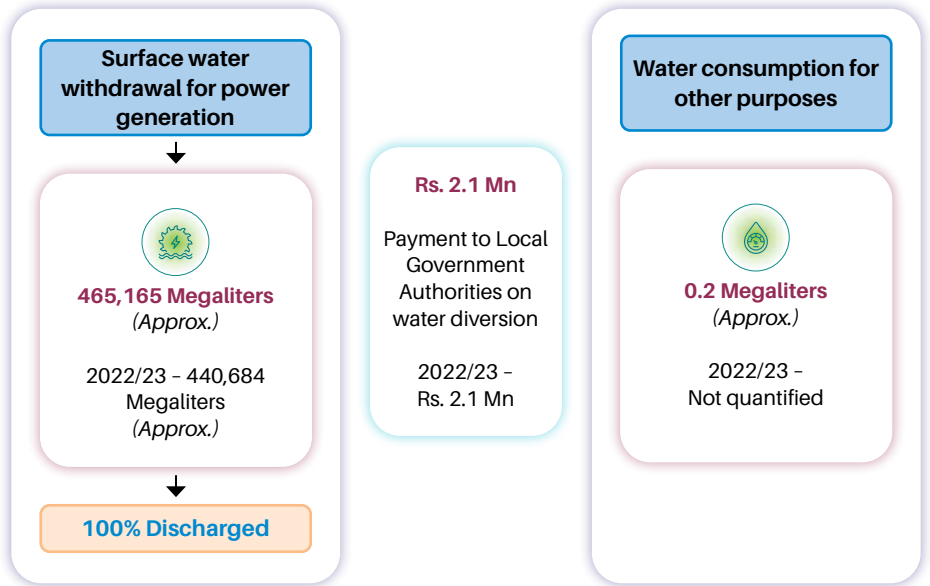
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FAST FLOWING WATER

Water is the primary material used in our electricity generation process, drawn from the rivers bordering our three power plant sites. This natural resource is continually replenished through the water cycle, and the diverted water is returned to the river, unchanged totally in both quality and quantity, in accordance with mini hydropower operation standards. Our mini hydropower projects have not experienced any negative impacts on water sources as a result of this system of water use.

Moreover, water sustains the life of surrounding fauna, flora, ecosystems and communities dependent for their sustenance on these rivers. We ensure minimal impact on river resources and preservation of the pristine quality of catchment areas through responsible withdrawal and replenishment practices.

We address the environmental impact of water diversion for power generation by employing strategies such as Environmental Impact Assessments (EIA) and construction impact management, aiming to minimise disruption to local ecosystems and communities.



Note : Quantification of water discharge from the power generation process was based on approximate calculations using estimated water flow data and the actual plant factor for the year



NATURAL CAPITAL

OPERATIONAL IMPACT MANAGING STRATEGIES

GRI 3-3



- Powerhouse infrastructure construction focuses on preventing soil erosion and riverbank collapse to maintain ecosystem stability.
- Headrace channel construction with drainage systems preserves natural stream flow and aquatic habitats.
- Penstock pipe impact is minimised to prevent soil erosion and habitat disturbance.
- Weir strengthening with flood barriers enhances resilience against flooding and reduces environmental disturbance.
- Natural water paths with drainage systems maintain the hydrological cycle without causing erosion.
- Preventing river bank failure involves concrete channels, retaining walls, and boulder reinforcement.
- Spillway construction redirects high-volume water, preventing erosion and ensuring controlled release.
- Continuously maintain environmental E-flow to preserve natural patterns, meet downstream requirements, and shield aquatic habitats from diversion impacts.
- Access points in infrastructure design facilitate safe passage for indigenous inhabitants.
- Project prioritises ample water release to meet human and ecological needs, demonstrating ecosystem balance.
- Noise pollution is mitigated with insulation materials in powerhouses and Bamboo tree planting along the tail race.
- Regularly monitor river water quality and temperature, comparing intake and tailrace points to safeguard aquatic ecosystem health.

These strategies have ensured full compliance with environmental regulations, with no instances of non-compliance regarding environmental impacts throughout the year.



Permanently built animal access at water channel



Retaining wall protection to avoid soil erosion



Spill water drainage system to avoid soil erosion



Environmental flow at weir



Concrete channel for spill water flow



Undisturbed natural water flows

Capital Management Reports

NATURAL CAPITAL

MINIMISING GHG (CO₂) EMISSION

GRI 3-3, 305-1, 2, 4, 5

6

CLIMATE ACTION

Hydropower plants, being generators of renewable energy, operate without emitting greenhouse gases (GHGs). However, occasional GHG emissions arise from standby generators on project sites, primarily during periods of minimal hydropower generation. The Company's fleet of vehicles also contributes to GHG emissions, albeit minimally due to their limited number, which hasn't warranted quantification.

Emission of GHG (CO ₂ e) (Metric tons in approximately)				Reduction of GHG (CO ₂ e) Emission (Metric tons in approximately)			
	2023/24	2022/23	Change %		2023/24	2022/23	Change %
Scope 1*	32.1	28.4	+13%	Erathna MHP	25,949	26,702	-3%
Scope 2**	14.9	13.0	+15%	Denawaka Ganga MHP	18,054	16,571	+9%
Scope 3	Not quantified			Kiriwaneliya MHP	9,266	10,979	-16%
Total GHG emission	47.0	41.4	+13%	Total	53,269	54,252	-2%

* Scope 1 : Emissions from combustion of fuels

** Scope 2 : Emissions from acquired electricity

Emission intensity

0.55 MtCO₂e/
Electricity production (GWh)

2022/23 - 0.48 MtCO₂e

To mitigate emissions, we adhere to stringent maintenance schedules outlined in our environmental policy. This ensures that all machinery on-site remains in optimal condition, resulting in low emissions output. Furthermore, the electromechanical equipment utilised in our three Mini Hydropower Plants (MHP) is sourced from reputable suppliers in Europe and China, manufactured in accordance with globally recognised industry standards for quality and reliability.

GREEN EMPOWERMENT IN ACTION

GRI 304-2

11

SUSTAINABLE COMMUNITIES

13

CLIMATE ACTION

15

NET ZERO

17

INDUSTRY FOR THE GLOBE

Our flagship project, "Empowering Green," made significant strides in reforestation efforts this year, planting numerous saplings in previously barren areas within the catchment.

In pursuit of our objective to plant 1,000,000 trees, we ramped up our efforts, reaching a significant milestone by developing plant endangered species in nurseries, preparing them for forest restoration.



NATURAL CAPITAL

**2,734 Endangered plant species**

Developed in nurseries



Name of endangered plant specie	Quantity in nurseries
Kela	925
Thelan	945
Yakahalu	534
Diyapara	175
Wallapata	32
Rathgoraka	95
Kekiriwara	28
Total	2,734

8,300 Other plant species

Developed in nurseries



Name of plant specie	Quantity in nurseries
Mee	5,600
Kumbuk	2,700
Total	8,300

2,750 Trees

Planted for forest cover



Location	No. trees planted
Jambutenna	200
Nawalapitiya	400
Norton Bridge	150
Kuruwita	2,000
Total	2,750

Continuing our commitment to environmental education, we extended the project to schools, aiming to instill a sense of environmental responsibility in children from a young age. This initiative has proven effective in nurturing their sense of accountability and providing them with tangible goals for personal growth.



Additionally, our dedication to environmental stewardship manifested in the "Sri Pada Clean-up Campaign," a part of our broader "Empowering Green" initiative. Our team at Erathna MHP volunteered their time and energy during the Sri Pada season, tirelessly clearing garbage and maintaining footpaths. The collected waste were responsibly handed over to local garbage collection and processing units operated by the Pradeshiya Sabha.

**234 Kg**

Total garbage collected and disposed

**21%**

Volunteer participation rate of employees

Capital Management Reports

NATURAL CAPITAL

This community-driven effort not only reinforced our brand image as a sustainability-focused company but also garnered support from government officials, villagers, and the public, reaffirming our commitment to walking the sustainability talk. In the year of review, our environmental commitment was further reinforced and also recognised by the public at large with a “Green Company” award bestowed on us at the Earth Summit 2024, organised by Planet Protectors Organisation in February 2024.



REGULATORY COMPLIANCE

GRI 2-27

16 VPE has obtained all necessary environmental approvals from provincial and state authorities for the construction and operation of its powerhouses. From the beginning, VPE has strictly adhered to these requirements. The company consistently follows environmental rules set by local and state agencies, conducting regular monitoring to ensure compliance. During the year, following regulatory approvals for our three MHPs remained effective.

Type of approval	Regulating Authority
Environmental approval	Central Environmental Authority
Geological approval	Geological Survey and Mines Bureau
Other environmental related approvals	Irrigation Department
	National Water Supply & Drainage Board

Throughout the review period, there were no reported instances of non-compliance with environmental laws and regulations.



ENERGY USE

GRI 3-3, 302-1, 2, 3, 4

7 **12** **13** Recognising our dual role as both energy creators and consumers, we emphasise the imperative of minimising fossil fuel usage due to its adverse environmental impacts. While committed to generating green energy, our operations sometimes necessitate the use of fossil fuels due to the prevailing heavy reliance on them in our country.

Our fuel consumption encompasses gas and electricity for powerhouses, staff quarters, and company offices, as well as petrol for our vehicles.

NATURAL CAPITAL



ENERGY GENERATION

	2023/24	2022/23
Green energy units generated	85,231,073 kWh	86,803,618 kWh
Equal energy produced	306,832 GJ	312,493 GJ

306,832 GJ
-2% Decrease
Total energy generated
2022/23 - 312,493 GJ



ENERGY CONSUMPTION

Type of energy	Use of energy	Grid electricity	
Grid electricity	Power house operations <ul style="list-style-type: none">⦿ Energise plant machineries⦿ Cooling of equipment Offices and staff quarters <ul style="list-style-type: none">⦿ Energise computers, equipment and accessories⦿ Lightning and cooling	2023/24	2022/23
		20,986 kWh	18,282 kWh
		76 GJ	66 GJ
Fuel - Diesel	<ul style="list-style-type: none">⦿ Standby generators⦿ Vehicles	Diesel	
		2023/24	2022/23
		7,081 L	6,153 L
		274 GJ	238 GJ
Fuel - Petrol	<ul style="list-style-type: none">⦿ Vehicles and motor bikes⦿ Grass cutter equipment	Petrol	
		2023/24	2022/23
		5,424 L	4,928 L
		210 GJ	191 GJ
LPG	<ul style="list-style-type: none">⦿ Cooking at staff quarters	LPG	
		2023/24	2022/23
		119 L	75 L
		3 GJ	2 GJ

563 GJ
+13% Increase
Total energy consumed
2022/23 - 497 GJ

Energy consumption
6.5 GJ
Per employee
2022/23 - 5.3 GJ

Energy consumption
1.5 GJ
Per working day
2022/23 - 1.3 GJ

To foster innovation and efficiency, we have implemented a staff suggestion scheme encouraging employees to contribute innovative ideas for energy conservation.

Despite an increase in energy consumption this year compared to last year, we have implemented several initiatives aimed at actively reducing non-renewable energy usage. These efforts are expected to yield measurable results in the future:

- ⊙ Adoption of state-of-the-art, energy-efficient machinery and equipment.
- ⊙ Implementation of various energy-saving techniques.
- ⊙ Maximising natural light utilisation wherever feasible.
- ⊙ Enhancing employee awareness through education on energy-saving practices.
- ⊙ Regular monitoring and analysis of energy consumption data to pinpoint areas for improvement.

Through these concerted efforts, we're steadily progressing towards reduced reliance on fossil fuels while promoting sustainability and environmental stewardship.

Capital Management Reports

NATURAL CAPITAL



BIODIVERSITY IMPACT

GRI 3-3, 304-1, 2, 3, 4



While our projects are located within catchment areas, none of the sites we occupy are designated as protected areas or identified as natural reserves under the Fauna and Flora Protection Ordinance of 2009, administered by the Department of Wildlife Conservation and Forest Department of Sri Lanka.

Additionally, our project sites do not host any Red Listed species or species listed on the national conservation list.

Despite our operations having zero impact on the biodiversity of the areas surrounding our three powerhouses, we meticulously monitor our activities to ensure they do not disrupt the lives and life cycles of local flora and fauna. This commitment is evident in our strict adherence to Regulatory Compliance Mechanisms, emphasising responsible and sustainable practices. Our success in establishing nurseries for endangered plant species through the 'Empowering Green' project and our meticulous construction of animal footpaths across all three project sites, facilitating the safe and uninterrupted passage of wildlife, exemplify this dedication.

No fauna or flora were affected by the Company's operations during the current year.

WASTE MANAGEMENT

GRI 3-3, 301-1, 2, 3, 306-1, 2, 3, 4, 5



While water serves as the primary resource for our operations, we also utilise various other inputs, particularly maintenance materials essential for the daily functioning of our power plant equipment. Among these are lubricants and consumables, which, being non-renewable, often generate waste that poses recycling challenges.



NATURAL CAPITAL

Our Company has implemented a comprehensive waste management policy, categorising waste generated across our plants and offices. Solid waste is segregated into bio-degradable and non-biodegradable categories. Bio-degradable waste primarily consists of food waste, while non-biodegradable waste is further sorted into glass, polythene, and cardboard.

Bio-degradable waste

We prioritise the 3R concept of reduce-reuse-recycle, applying it not only to bio-degradable waste but also, when feasible, to non-biodegradables:

- **Paper management:** We prioritise paper reduction by promoting the use of electronic documents and duplex printing for routine paperwork, along with encouraging the adoption of e-newspapers. Additionally, we collect used paper and send it to third-party recyclers as part of our sustainability efforts.

	2023/24	2022/23
Paper consumption	233 Kg	205 Kg
Re-using percentage (%)	24%	25%

- **Organic recycling:** Food waste and daily collection of decaying vegetation from plant sites and natural debris from river water allows us to produce compost used for cultivation.
- **Sanitation facilities:** Adequate sanitation facilities for staff prevent environmental pollution and contamination.

Non-biodegradable waste

For oil, lubricants, and cleaning materials utilised in powerhouse operations, we implement measures to extend their usefulness:

- **Lubricant purification:** certain lubricants essential for machinery operations undergo in-house purification and reuse until the end of their lifecycle.

	2023/24	2022/23
Lubricant consumption	6,207 L	6,280 L
Use of purified lubricants (%)	97%	99%

- **Waste recycling:** non-degradable waste is systematically collected and provided to licensed operators for repurposing in other industries.

Waste type	Weight		Disposal action
	2023/24	2022/23	
Non-hazardous			
Bio waste	608 Kg		Composting and dumping
Non-bio degradable waste			
Plastic/PVC materials	254 Kg	No quantified	On-site storage
Paper	257 Kg		Recycling and dumping
Hazardous			
E-waste	59 Kg		On-site storage

ENVIRONMENTAL GRIEVANCE MECHANISM

GRI 2-25,26



At each project site, we have implemented a Stakeholder Complaints Log, located in the project office. This serves as a vital mechanism for maintaining open communication and ensuring stakeholder satisfaction, particularly with the communities residing near our power plants. Through this log, stakeholders can register complaints regarding any aspect of our operations, including perceived environmental violations, and provide suggestions for improvement.

Throughout the year, there have been no significant complaints regarding the environmental impacts of our projects.

Capital Management Reports



EMPOWERING PERFORMANCE: ILLUMINATING THE PATHWAY TO PROFESSIONAL EXCELLENCE

Our human capital is the backbone of our productivity. They deliver the ingenuity and dedication essential for navigating the ever-changing currents of a challenging business landscape. We empower our people to embrace our corporate values, transcend boundaries and unite under the shared vision of making a difference in the communities we serve. This approach has been our cornerstone for cultivating a high-performance culture, which has illuminated the pathway to professional excellence and kept us at the apex of the local power sector.

Input	Output	Outcome
<div>Employees 86</div>	<div>Value distributed to employees Rs. 175.7 Mn</div>	<div>Efficient and motivated workforce</div>
<div>Skills and competencies</div>	<div>Performance based promotions 02</div>	<div>Enhanced well-being of employees</div>
<div>Comprehensive HR policy</div>	<div>Investment in training & development Rs. 0.2 Mn</div>	<div>Employee productivity</div>
	<div>Training hours per employee 2.0 Hour</div>	
	<div>Employees hired from local community 59 Employees</div>	
	<div>Minimum wage ratio 1:1.2</div>	

HUMAN CAPITAL

VPE's HR Strategies

Cultivating
skills and competenciesPromoting well-being
and engagementEnhancing communication
and feedbackFacilitating
diversity and inclusionPerformance management
and evaluationProviding opportunities
for growthEnsuring compliance
and legal obligationsBuilding a positive
work environment

ORGANISATIONAL STRUCTURE

We adopt a functional organisational structure that groups departments by specialised functions with clearly defined roles and responsibilities. Through structured reporting relationships and performance metrics, individual contributions align with broader organisational goals, which optimises workflow, resource allocation, and communication. This approach enhances productivity, enabling effective achievement of company objectives.

OUR HUMAN RESOURCE POLICY

GRI 3-3



We have in place a human resource policy that outlines our principles, procedures and expectations on selection, recruitment, onboarding, performance management, compensation, training, employee relations, safety and legal compliance. By adhering to these guidelines, we create a workplace culture that promotes fairness, respect, transparency and accountability. We review our HR policies and practices regularly to identify opportunities for improvement in line with new and updated thinking.

All employees are encouraged to familiarise themselves with the policy, which is available to them in both the Sinhala as well as English languages at our HR department, as it reflects our shared values and guides our actions as we work together to achieve our organisational goals.

DIVERSITY AND INCLUSIVENESS

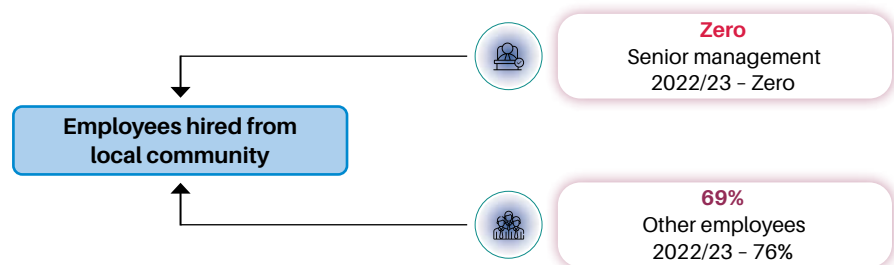
GRI 3-3, 202-2



At VPE, diversity and inclusion are integral to our operations and talent acquisition strategies. We value the richness of varied backgrounds and experiences, believing they expand our horizons and enhance our decision-making processes.

We prioritise recruitment from the local community, including the differently abled, ensuring fair representation and fostering an inclusive workplace.

No member of the local community joined the senior management cadre during the year. The 'Senior Management' cadre refers to the top executives and decision-makers within the Company who function full-time and are responsible for overseeing the operations of the Company. "Local community" refers to the people of indigenous communities who live in our significant locations of operations.



Capital Management Reports

HUMAN CAPITAL

CHILD AND FORCED/COMPULSORY
LABOUR POLICY

GRI 3-3, 408-1, 409-1

8 DECENT WORK AND ECONOMIC GROWTH

The Company is dedicated to ethical business practices and maintains a zero-tolerance policy towards child labour, adhering strictly to International Labour Organisation (ILO) principles. Robust measures are in place to prevent any form of child exploitation, with an unequivocal prohibition on recruiting individuals below 18 years. This commitment ensures the protection of children's rights and promotes responsible labor practices. Additionally, no incidents of child labour were identified during the year. Similarly, the Company staunchly opposes forced or compulsory labor in any guise, affirming the right of every individual to work voluntarily and free from coercion or exploitation. Furthermore, no incidents of forced or compulsory labor were identified during the year.

WORKER PROFILE

GRI 2-7, 8, 3-3, 405-1

5 GENDER EQUALITY

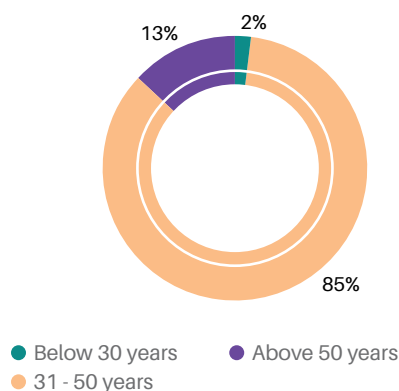
8 DECENT WORK AND ECONOMIC GROWTH

The majority of VPE staff (85%) are in the prime years of their lives, aged between 31 and 50 years. Our staff turnover rate is exceptionally low, with most of our team having been with the Company since its founding. Although the Company pursues a gender-inclusive hiring policy, the inherent nature of our business leads, to some gender disparity, as the operation of the electromechanical equipment in our power plants is perceived as being a masculine occupation. However, we actively strive for equal opportunities. Our entry-level salary structures ensure gender equity by maintaining a 1:1 ratio between male and female employees. Furthermore, female staff members receive fair benefits, pay rates, and advancement opportunities equal to those of their male counterparts within our company.

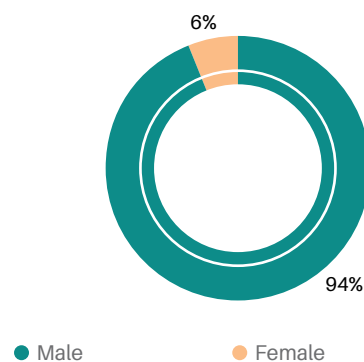
The Company also employs two persons who are not classified within its worker category. They are paid on a daily basis for their work which involves janitorial and upkeep services contracts of the premises. Additionally, there are no part-time employees involved in our operations.

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY GENDER, REGION AND AGE

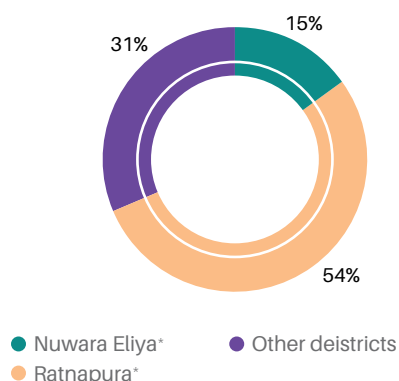
Employees by age



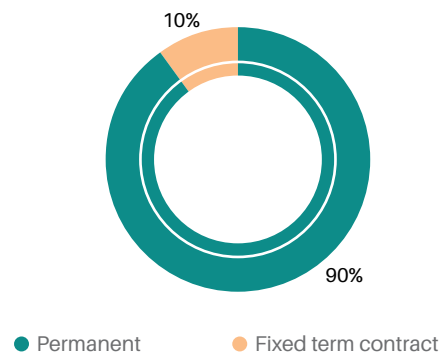
Employees by gender



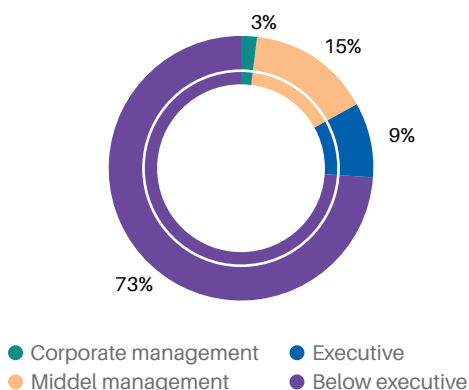
Employees by region



Employees by employment type



Employees by job category



HUMAN CAPITAL

Employment by gender and employment type	Gender & age analysis							
	Below 30 years		31 - 50 years		Above 50 years		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
Corporate management	-	-	-	-	2	-	2	0
Middle management	-	-	10	3	-	-	10	3
Executive	-	1	6	1	-	-	6	2
Below executive	1	-	53	-	9	-	63	0
Total	1	1	69	4	11	-	81	5
Percentage	50%	50%	95%	5%	100%	-	94%	6%

Employment by region and gender	Below 30 years		31 - 50 years		Above 50 years		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
Colombo	-	-	2	2	2	-	4	2
Gampaha	-	1	5	-	-	-	5	1
Kalutara	-	-	5	1	-	-	5	1
Kandy	-	-	1	1	-	-	1	1
Mathale	-	-	2	-	-	-	2	-
Nuwara Eliya*	1	-	10	-	2	-	13	-
Kegalle	-	-	2	-	-	-	2	-
Ratnapura*	-	-	39	-	7	-	46	-
Matara	-	-	3	-	-	-	3	-
Total	1	1	69	4	11	-	81	5

Employment by contract type and gender	Male	Female	Total	Percentage
Permanent	73	4	77	90%
Fixed term contract	8	1	9	10%
Total	81	5	86	100%

TOTAL NUMBER OF NEW EMPLOYEE HIRES AND TURNOVER DURING THE YEAR

GRI 401-1

	Region	Below 30		31-50		Above 50		Total		Percentage
		Male	Female	Male	Female	Male	Female	Male	Female	
Recruitments	There were no recruitments during the year									
Turnover	Nuwara Eliya*	1	-	-	-	-	-	1	-	20%
	Ratnapura*	1	-	1	-	1	-	3	-	60%
	Colombo	-	-	-	-	1	-	1	-	20%
	Total	2	-	1	-	2	-	5	-	100%
	Percentage	40%	-	20%	-	40%	-	100%	-	-

*Considered as local regions as our power generating operations are carried out in these locations.

Capital Management Reports

HUMAN CAPITAL

RECRUITMENT PROCESS

GRI 3-3, 406-1

8 DECENT WORK AND ECONOMIC GROWTH VPE follows a carefully structured recruitment process that ensures fairness and transparency in selecting the most qualified applicant for the position, regardless of ethnicity, religion, gender, or social status. Vacancies are advertised in the press, formal interviews are conducted with the candidates shortlisted, and the final selections are determined according to set criteria.

This policy of non-discrimination in our recruitment process has ensured that we have faced no incidents of discrimination in the course of our business.

Upon joining, new employees undergo a comprehensive induction programme designed to familiarise them with the Company's operations, culture, mission, vision, and H & S practices.

COMPENSATION AND BENEFITS

GRI 3-3, 201-3, 202-1, 401-2,3

1 NO POVERTY **2 ZERO HUNGER** **8 DECENT WORK AND ECONOMIC GROWTH** The Company is dedicated to fostering a work

environment in which employees feel valued, supported, and motivated to contribute their best efforts. Central to this commitment is our comprehensive Compensation and Benefits programme that is designed to attract, retain, and reward top talent from diverse backgrounds whilst ensuring fairness and equity across the board. This programme encompasses remuneration packages, comprehensive benefits, welfare amenities, and additional incentives that not only meet but often surpass industry norms. Irrespective of gender, all employees receive equal pay, with salaries and wages exceeding minimum wage requirements. All 86 employees are eligible for Maternity and Paternity Leave, but parental leave was not obtained by employees during the reported year. Additionally, VPE has a unique Retirement Benefit Plan scheme designed in accordance with Sri Lankan Labour law.

All salaries and wages are above the minimum wage and all statutory payments such as EPF, ETF and gratuity are made in accordance with local labour laws. Additional benefits include meals, accommodations, interest free advances and transportation.

All employees are paid over and above the minimum wage stipulated by the Minimum Wages Board Ordinance No. 27 of 1941, in addition to many other benefits. VPE's minimum wage ratio is 1:1.2.

Other benefits



Rs. 7.0 Mn
Loans and advances
(As of year end)
2022/23 - Rs. 6.1 Mn

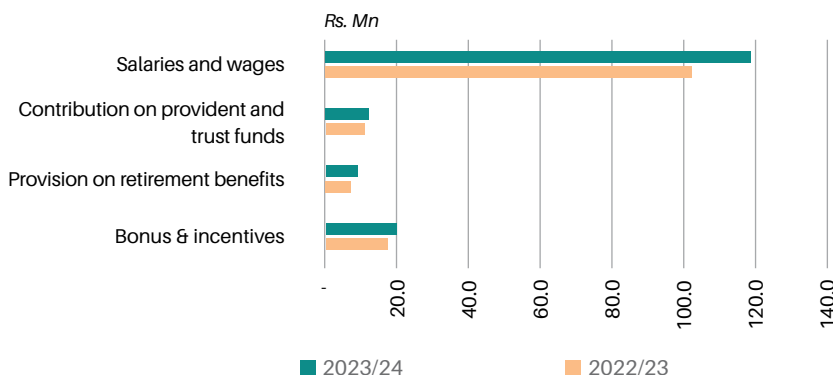


Rs. 2.8 Mn
Provision for foods
2022/23 - Rs. 2.6 Mn



Rs. 2.8 Mn
Staff welfare
2022/23 - Rs. 2.2 Mn

Employee benefits by type



Type of benefit as a percentage of total employees	2023/24	
	Entitled %	Obtained %
Interest free staff loan scheme	100%	20%
Festival advance	100%	78%
Insurance covers on work life	100%	100%
Healthcare	28%	13%
Maternity/ paternity leave	100%	0%
Medical leave	100%	13%
Short leave	100%	60%
Emergency accident leave	100%	0%
Uniforms & safety packs	78%	100%
Food and beverages	77%	100%
Accommodation	83%	13%
Incentives to employees	77%	100%
Gifts / alimonies	100%	15%

HUMAN CAPITAL

REWARDS AND RECOGNITION

Our success lies not only in our strategic vision and operational efficiency but also in the engagement and motivation of our most valuable asset, our employees. Thus, fostering a culture of appreciation, empowerment, and recognition is integral to our commitment to cultivating a thriving workplace environment where every individual feels valued, supported, and motivated to work. Investing in our people and celebrating their achievements enables a sense of belonging and pride, and inspires them to excel.

PERFORMANCE MANAGEMENT

GRI 3-3, 404-3

The Company employs a job competency matrix to align employee skills with job requirements. Annual performance reviews facilitated by the Performance Appraisal System (PAS) evaluate employees against 10 key competencies assessed by their supervisors and the Management and identify areas for improvement and development. All employees, both permanent and contract, receive Annual Performance Reviews. The PAS

fosters career growth and guides salary increments, promotions and readiness for new responsibilities as well as identifies gaps in competencies that can be bridged by training.

Reviewing aspect	2023/24	
	Percentage of employees reviewed	Average performing rate
Performing duties	100%	78%
Work-related knowledge	100%	78%
Conduct	100%	76%
Team work	100%	78%
Proactiveness	100%	77%
Discipline	100%	100%
Attendance and punctuality	100%	90%

TRAINING AND CAPACITY BUILDING

GRI 3-3, 404-1, 2



In today's dynamic business environment, investing in the growth and skills development of our workforce is paramount to ensuring company success. Our training and development initiatives are aimed at nurturing talent, enhancing performance and fostering a culture of continuous learning in the Company. From tailored learning programmes to targeted skill-building activities, we prioritise the empowerment and professional advancement of our employees because their development is central to our collective prosperity.

Training type	No of participants			Total training hours
	Male	Female	Total	
Training on fire extinguishers and evacuations	52	-	52	65
Training on greenhouse cultivation, gardening and landscaping	10	-	10	75.5
Training on GRI & sustainability reporting matters	2	1	3	12
Training on IFRSs	1	-	1	2
Training on MS Office	-	1	1	3
Training on leadership skills	-	1	1	7.5
Total	65	3	68	165



100%
Percentage of employees
considered for PAS
2022/23 - 100%

2.0 Hours
Average training
hours per employee
2022/23 - 3.4 Hours

Rs. 165,208/-
Investment on
training & development

Employee category wise

Executive and above
1.2 Hours/employee

Below executive
2.2 Hours/employee

Employee gender wise



1.9 Hours/employee



2.7 Hours/employee

During the year of review, in addition to the industry-related training provided by the Company, some employees underwent capacity-building training in planting, agriculture and landscaping to enhance their knowledge in these areas.

Capital Management Reports

HUMAN CAPITAL



Bell Pepper planting done by Kiriwaneliya MHP Employees

WORK-LIFE BALANCE

GRI 3-3



Maintaining a healthy work-life balance is not merely a trend but a fundamental aspect of modern workforce dynamics today and crucial for individual and organisational success. Employees seek more than a job, they look for fulfillment and harmony between work and personal life. Recognising this, we prioritise it as a strategic imperative to attract and retain top talent.

The Company organises regular activities for staff throughout the year, which have been successful in promoting camaraderie and team spirit.

LABOUR- MANAGEMENT RELATIONS

GRI 2-30, 3-3, 402-1, 407-1

We foster a culture of collaboration, trust and shared goals between our workforce and Management through transparent and two-way communication, fair practices, and proactive engagement. Consequently, we have been successful in maintaining harmonious working relationships.

The Company ensures that workers are fully informed of all operational changes that relate to our employees. Changes are implemented following a minimum notice period of one month during which time employee feedback is entertained. In the year of review, the Management changed the general rosters of powerhouse workers during the dry season with prior notice to enable them to complete the required maintenance work before the commencement of operations in the wet season.

Other routine operational changes are carried out within a reasonable period that allows adequate time for employees to respond.

We have no trade unions and therefore, no collective bargaining agreements since an open and egalitarian environment is maintained at all locations. The Company adheres to all applicable laws, regulations, statutes and guidelines as well as national and international codes of practice on Industrial Relations, including the provisions laid out by the International Labour Organisation (ILO).

OCCUPATIONAL HEALTH AND SAFETY

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



The Company recognises its responsibility towards people and the planet that accompanies hydropower operation and management. We know that a safe work environment not only protects people but also enhances brand value and goodwill and reduces insurance claims.



Annual Staff Outing of Erathna MHP Employees

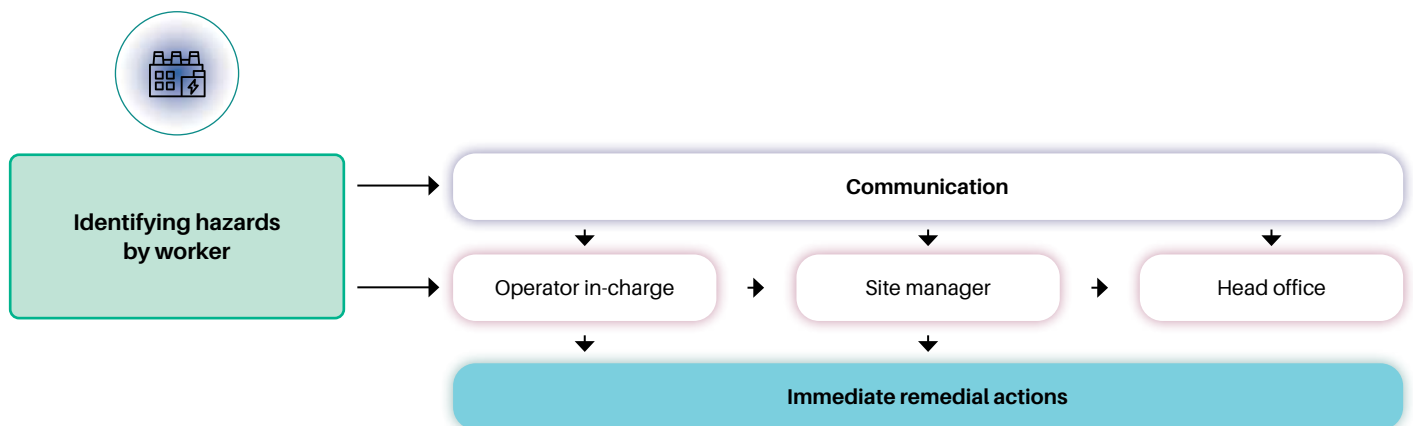
HUMAN CAPITAL

We adhere to stringent health and safety policies designed to protect the well-being of our all employees, contractors, visitors to the plants as well as the communities that surround them. These policies are rooted in industry best practices, regulatory requirements, and are monitored and updated continuously.



We commit to fostering a culture of safety and invest in training our workforce to ensure that every individual understands their role in maintaining a safe work environment. A rigorous system of safety is in place throughout the three power plants that guards against potential death or injury, or enables incidents that could negatively impact our reputation as well as result in a loss of labour hours.

Safety system at the power plants



We also conduct periodic fire drills. PPE is provided to all workers on our project sites, and wearing them is mandatory. Safety signs are also conspicuously displayed at the required areas.



Fire drill training sessions at power houses

Capital Management Reports

HUMAN CAPITAL

The Company is also committed to promoting worker health, more so non-occupational health, and conducted medical camps at each power plant during the year. Workers' personal health records are kept confidential.



Medical camps held at power houses



42%

Percentage of employees covered from non-occupational medical camp

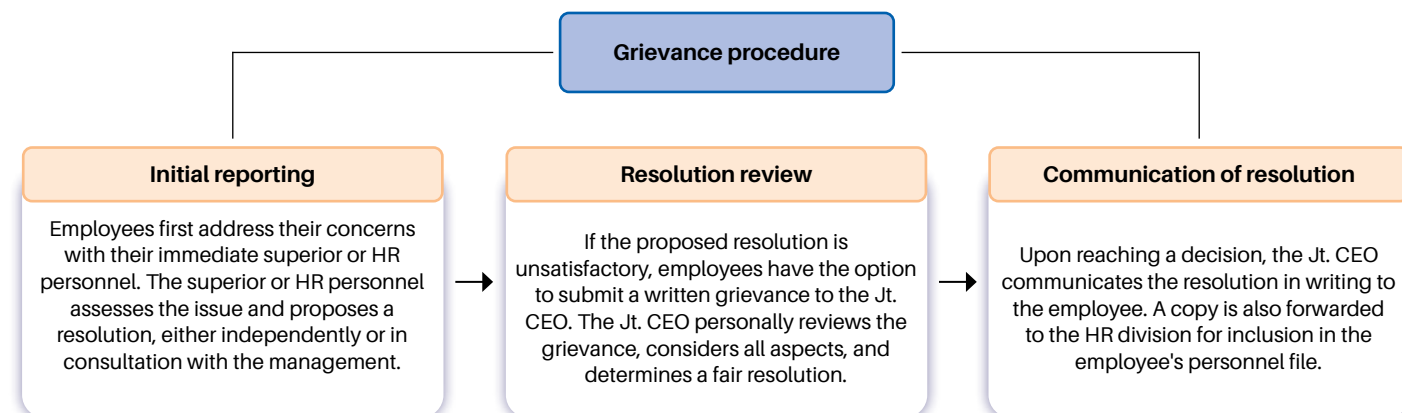
H&S practices are regularly assessed and monitored by trained staff in-house. This monitoring is overseen by internal audits carried out by a reputed audit firm. Our steadfast commitment to achieving excellence in health and safety performance has ensured zero work-related hazards during the year.

GRIEVANCE MECHANISM

GRI 2-25,26



Conflicts and disputes are inevitable aspects of workplace dynamics. When left unaddressed, they have the potential to escalate, causing disruption, discontent, and a decline in employee morale. To uphold fairness, transparency, and employee satisfaction, we have implemented a robust grievance procedure that provides a structured framework for resolving conflicts in a timely and equitable manner.

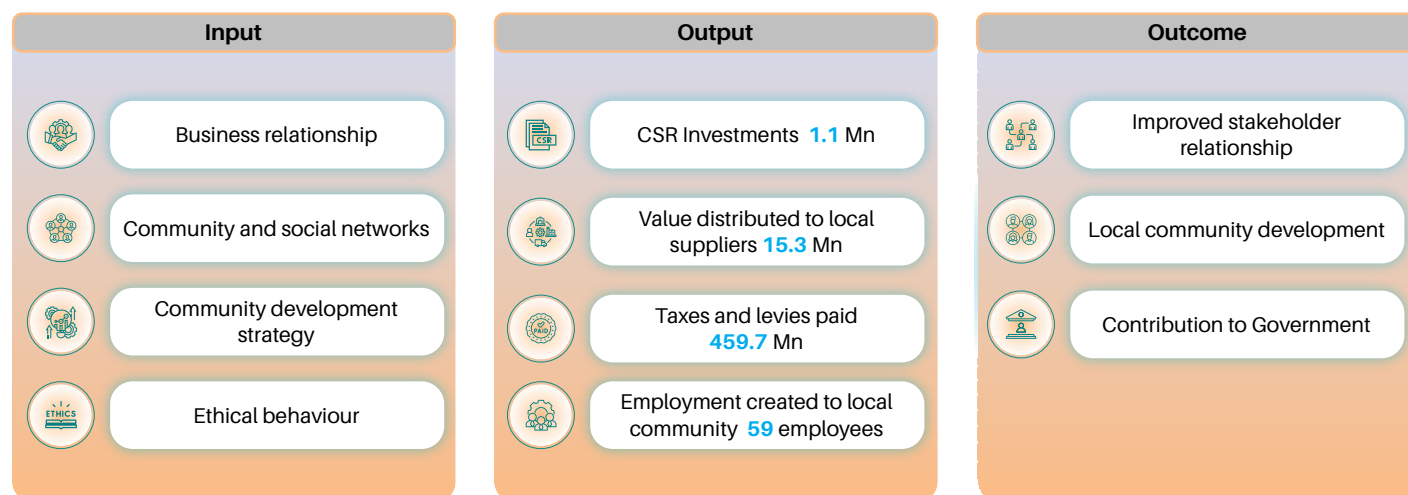


By offering a formalised avenue for addressing grievances, we demonstrate our commitment to fostering a supportive and inclusive work environment where employees feel valued, respected, and heard.



CONNECTIONS: NURTURING RELATIONSHIPS FOR RECIPROCAL PARTNERSHIPS

The strength of our commitment to our stakeholders is a yardstick by which we measure success. We understand that fostering positive relationships rooted in addressing the needs and concerns of those impacted by our operations yields significant reciprocal benefits. Allocating a portion of our profits to energise these connections enhances our company's image, drives revenue growth, reduces costs, and mitigates business risks.



Capital Management Reports

SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital management principles



Participation



Network



Reciprocity



Community development



Society



Ethics



Corporation



Trust

COMPANY PHILOSOPHY

Caring for our stakeholders is in our DNA. Recognising the pivotal role of social and relationship capital in sustaining our business, we prioritise stakeholders' perspectives in decision-making, adapting our engagement to address immediate needs and evolving future changes. Through nurturing these relationships, we underscore our commitment to responsible practices, environmental stewardship, and inclusive development. Upholding the highest ethical standards, we aim to fortify trust and create shared value, aligning our actions with our dedication to people, the planet, and prosperity.

POWERING A SUSTAINABLE FUTURE



We affirm our dedication to the triple bottom line and take pride in how our business positively impacts the quality of life of the entire nation, beyond direct stakeholders. As a producer of renewable energy, we eliminate harmful greenhouse gas (GhG) emissions, fostering the well-being of both people and the environment. In the past year, our operations generated over 85 million of green energy units. This saved over USD 6 million in foreign exchange, which furthers our commitment to a greener, cleaner, healthier future for all.

CUSTOMER RELATIONS



The hydropower generation business operates uniquely, by serving a single entity, the Ceylon Electricity Board (CEB) since the electricity generated is directed to the national grid under the CEB's jurisdiction. Consequently, the CEB stands as our sole customer and the primary driver of our value creation.

Each power generation project commences with the signing of a Standardised Power Purchase Agreement (SPPA) with the CEB. This agreement terms defines our relationship, outlining the CEB's requirements and conditions governing our supply of clean energy. Adherence to these stipulations is imperative for maintaining our license to operate a sustainable hydropower business.

Engaging structure

VPE
Head office



Ceylon Electricity Board
Energy Purchase Division



CEB Regional
offices



Three
MHPs

Key engagements

- Monthly billing for electricity supplied
- Receiving payments for supplied electricity
- Annual CEB meter testing
- Recovery actions on long outstanding debts and interest
- Compliance with SPPA

Key engagements

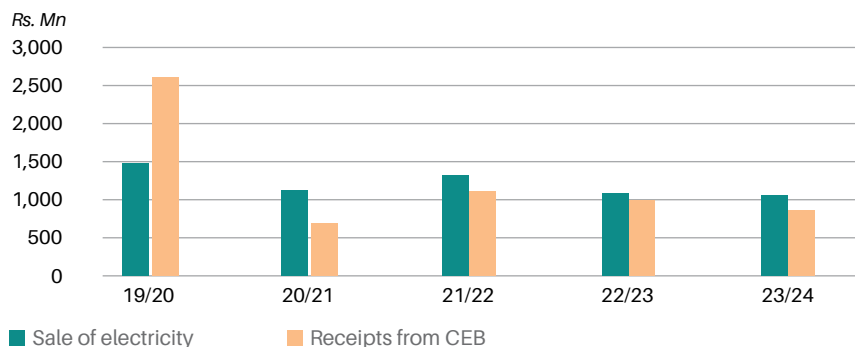
- Monthly billing for electricity supplied
- Transmission line breakdown recoveries
- CEB interruption management

SOCIAL AND RELATIONSHIP CAPITAL

In addition to operational collaboration, our commitment to fostering cordial relationships is evidenced through ongoing dialogues with CEB officials, both at the head office and at area offices near our power plants. Such communication has strengthened our ties over the years and is essential to ensuring the seamless functioning of our business operations. Our longstanding relationship with the CEB is also fostered by providing financial and non-financial support to the CEB's initiatives and endeavors in an ethical manner.

During the year, the CEB resolved long-standing dues related to all three MHPs and is now complying with the provisions of the SPPA for settlements. These negotiations have sparked a positive trend, with the CEB also expressing its willingness to pay interest on delayed payments from the past few years. This positive development validates the success of our interactions with this key stakeholder.

Transactions with CEB



Rs. 1,475.2 Mn

Sale of electricity to CEB
2022/23 - Rs. 1,122.6 Mn

Rs. 2,604.6 Mn

Receipts from CEB
2022/23 - Rs. 690.8 Mn

Negotiations with the CEB persisted into the latter part of the year, and the Company is evaluating the Board's request to supply renewable energy at the least cost price, ensuring compliance with the terms of the SPPAs and without adversely impacting other stakeholders.

Project	Capacity	Contract term (SPPA)			Tariff type
		Years	From	To	
Erathna MHP	9.9 MW	20 years	July-2019	July-2024	Plant factor based tariff
Denawaka Ganga MHP	7.2 MW	15 Years	February-2012	February-2027	Avoided cost based tariff
Kiriwaneliya MHP	4.65 MW	15 Years	December-2011	December-2026	Avoided cost based tariff

There have been no incidents with the CEB for non-compliance with applicable laws and regulations, breach of SPPA provisions, violation of safety regulations on project sites or any shortfalls in any other operational areas during the year of review.

RELATIONS WITH GOVERNMENT AND STATUTORY BODIES

GRI 2-27, 201-4



We prioritise building enduring and collaborative relationships with state bodies, essential for obtaining licenses and approvals vital to our industry. Compliance with laws reflects our commitment to transparency and accountability, fostering a favorable regulatory environment. We aim for deeper partnerships, involving state bodies in community endeavors, enhancing social responsibility. This strategy has transformed our flagship project, 'Empowering Green,' leveraging relationships with environment-focused state partners. Through joint efforts, we've made substantial progress in promoting environmental sustainability and community empowerment.

Capital Management Reports

SOCIAL AND RELATIONSHIP CAPITAL

Throughout the year, we interacted with the following government agencies on various operational matters, particularly on the forthcoming renewal of the SPPA extension for Erathna MHP.

Government agency	Relative engagement
Inland Revenue Department	Payment of taxes and other tax compliances.
Sri Lanka Sustainable Energy Authority (SEA)	Renewal arrangements of approval for SPPA extension.
Public Utility Commissions of Sri Lanka (PUCSL)	Renewal arrangements of approval for SPPA extension.
Central Environmental Authority (CEA)	Renewal of Environment Protection License.
Board of Investments of Sri Lanka (BOI)	Bi-annual/annual data submission and payment of annual subscription.
Divisional Secretariat Offices	Payment of Water Right and other statutory compliances.
Local Councils	Statutory compliances.

During the year, the company did not receive any financial assistance from the government and did not experience any non-compliance with local laws and regulations.

TAXES AND LEVIES TO THE GOVERNMENT

GRI 3-3, 201-4, 207-1,2,3



The Group pays income tax on its business operations and other earnings, adhering to the guidelines outlined in the Inland Revenue Act No. 24 of 2017. Quarterly tax payments are made accordingly, with final adjustments completed by September 30 of the subsequent year. Annual income tax filings are conducted through an online platform. Although both entities are BOI companies and were previously eligible for tax holidays, these incentives have now expired. During the year, only Country Energy (Pvt) Ltd benefited from a 15% BOI concessionary income tax rate. The Group has enlisted a reputable professional service to handle its tax consultancy. Robust internal controls are in place to ensure adherence to tax regulations, which are overseen by the Board's Audit Committee. The finance team maintains close collaboration with tax authorities to swiftly address any issues that may arise.

More details on income tax expenses/payments can be referred to in the page 134 of Financial Capital Report and the Note 11 of Financial Statements of this IAR.

In addition to income taxes, each project incurs an annual Water Right Tax, which is paid to the relevant Divisional Secretaries, and an Annual Regulatory Levy paid to PUCSL, which is based on plant capacity. The total levies paid this year amounted to Rs. 2.2 million.

COMMUNITY RELATIONS

GRI 3-3, 203-1, 2, 413-1



Fostering robust connections with the communities surrounding our powerhouses is not just a responsibility but a fundamental aspect of our business ethos. We aim to see these communities grow and develop as we make sustainable contributions towards enhancing their lives and livelihoods. This commitment informs our site selection process, prioritising quality over quantity and favouring locations that enable long-term community involvement. Close involvement with the people around us ensures that the benefits we bestow bring visible results over time.

Our community engagement initiatives are driven by a thorough understanding of local needs and priorities. We have a mutually beneficial relationship with these communities: we offer numerous benefits that help reduce inequalities and improve their quality of life, and in return, they provide us with goodwill and support for our operations. This symbiosis has led to significant, intangible gains for the company's reputation.

Over the years, the Company has contributed substantially to the sustainable growth and development of these indigenous communities. Our approach to community benefaction is three-fold:

SOCIAL AND RELATIONSHIP CAPITAL

Participation



Regular participation in community events has developed close and cordial relationships with our communities. These events include public meetings and group discussions as well as the sponsorship of community and infrastructure development programmes. We also involve ourselves in their personal life events, on invitation, and help with contributions in cash and kind.



Sponsorship for Blood donation camp

Rs. 1.0 Mn

**Sponsorships and
donations for
community events**

2022/23 - Rs. 0.7 Mn

Inclusion



Our Human Resources Policy supports inclusive recruitment. Indigenous talent is an important component of this policy and eligible members of these communities are recruited to the Company at entry level and on demonstration of potential and promise, promoted to more responsible positions for which the Company builds capacity with relevant skills training programmes. This initiative has provided communities with an elevated standard of living and has also resulted in a trickle-down effect that has improved overall living standards throughout the communities and has ultimately, contributed to the economic development of the region.



59 Employees

Employment created to local
community



214

No. of family dependents from
local employment

Capital Management Reports

SOCIAL AND RELATIONSHIP CAPITAL

Development



We are also committed to improving the quality of life of these communities, by developing the infrastructure of the project areas in their vicinities as well as by providing them with educational opportunities that will enable them to elevate their life styles.

The following initiatives were introduced successfully during the year:



"Vidooka 2024" Art Competition organised by Erathna MHP for primary grade students in the Erathna village.



Educational visit to the project site arranged for the students and teachers of KiriwanEliya School.



Presentation of a volley ball and a volley ball net to the Erathna maha vidyalaya.



Sponsorship to build a protective wall in the Ananda primary school.



Rehabilitation of class rooms of Kiriwaneliya School.

SOCIAL AND RELATIONSHIP CAPITAL

CSR POLICY

GRI 3-3, 2-23, 415-1



Our corporate social responsibility (CSR) activities, sponsorships and donations are critically evaluated to determine their necessity prior to granting relief, to ensure that they do not constitute acts of bribery of any sort.

VPE abstains from making contributions to political parties, affiliates, or personalities, both domestic and foreign. This policy aligns with our commitment to business ethics and applies to employees at all levels, as well as the Board of Directors

SUPPLIER RELATIONS

GRI 2-6



We prioritise strong partnerships with our suppliers to deliver value to stakeholders. This involves close collaboration to ensure ethical sourcing, promote fair trade, and minimise environmental impacts across the supply chain. Our commitment to inclusivity extends to supporting small and diverse businesses, fostering transparent and collaborative relationships built on trust and mutual respect.

Supply chain management

Our established supply chain management procedure adds value, builds competitive advantage, optimises logistics, and synchronises supply with demand. Given the nature of our hydropower business, we maintain a limited supplier base due to infrequent purchases.

As a responsible corporate citizen, we prioritise the ethical sourcing of both local and foreign suppliers, ensuring they align with our stringent quality standards and ethical business practices. While we do not employ a formal screening process for labour and human rights violations, we evaluate suppliers based on established criteria to maintain ethical standards. Leveraging our longstanding relationships and strong market reputation, we actively seek out suppliers who promote ethical

and sustainable business practices, thereby safeguarding the integrity of our supply chain process. Most of our key suppliers hold certifications from international standards organisations that validate their adherence to best practices.

There have been no actual or potential negative impacts on society resulting from negative labour practices or human rights violations in the supply chain.

Procurement

GRI 3-3, 204-1

Procurement is centralised at our head office in Colombo, which manages the purchases of most consumables, maintenance materials, and utility services from local suppliers. The three project offices also procure certain supplies for the daily operations of the powerhouses. Machinery spares are exclusively procured by the head office due to technical expertise requirements.

Local suppliers



The majority of our supplies are procured from local suppliers because we prioritise reputable local suppliers whenever possible. This has resulted in substantial savings to the country in terms of outbound foreign exchange as well as improved business prospects for our local suppliers. Suppliers from local communities are given priority when sourcing local supplies, which fosters economic growth in project areas.

	2023/24	2022/23
Value distributed for supplies from local community	Rs. 15.3 Mn	Rs. 9.9 Mn
Percentage	25%	20%
No. of suppliers from local community	Between 500 - 400 suppliers	Between 600 - 500 suppliers
Value of goods and services procured from other parts of country	Rs. 43.2 Mn	Rs. 32.9 Mn

Overseas suppliers



Spare parts for the maintenance of our electromechanical machinery are sourced from overseas suppliers, with ongoing engagement to ensure operational continuity.

	2023/24	2022/23
Value distributed for supplies from local community	Rs. 2.3 Mn	Rs. 6.7 Mn
No. of suppliers	4 suppliers	3 suppliers

Capital Management Reports

SOCIAL AND RELATIONSHIP CAPITAL

The Company primarily utilised credit facilities for its supplies, with cash being reserved for specific transactions. As a standard practice, we ensure timely payment within the agreed credit period for all goods and services procured. Throughout the year, there were no disputes or issues concerning credit settlements.

SHAREHOLDER RELATIONS

We prioritise engaging with our shareholders and diversifying investments while ensuring transparency and accountability. Shareholders have the right to clear accounting practices and can vote on crucial matters. They can also evaluate our governance, environmental, and social practices. We are committed to legally and ethically interacting with our shareholders, avoiding conflicts of interest and refraining from making political contributions for favours. Our goal is to offer attractive returns by adhering to a value-per-share policy.

INDUSTRY PARTNERSHIPS

GRI 2-28

Our memberships in professional organisations of the industry significantly enhance our networking capabilities and offer numerous other benefits. They broaden our knowledge, grant access to market opportunities, facilitate the identification of potential partnerships and investments, and keep us abreast of industry trends. Additionally, they foster cohesion on specific industry issues, making them invaluable resources for establishing our business in the local environment. We are members of the following professional associations:

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

INTERACTIVE GRIEVANCE MECHANISM

GRI 3-3, 2-26, 413-2

A Stakeholder Complaints Log, introduced at the project offices of each site, records any complaints against the company regarding significant actual or potential negative impacts on local communities from our operations. The Log also encourages stakeholders to offer suggestions for improving current practices. All entries are responded to within 7 days, and necessary actions, if required, are promptly taken.

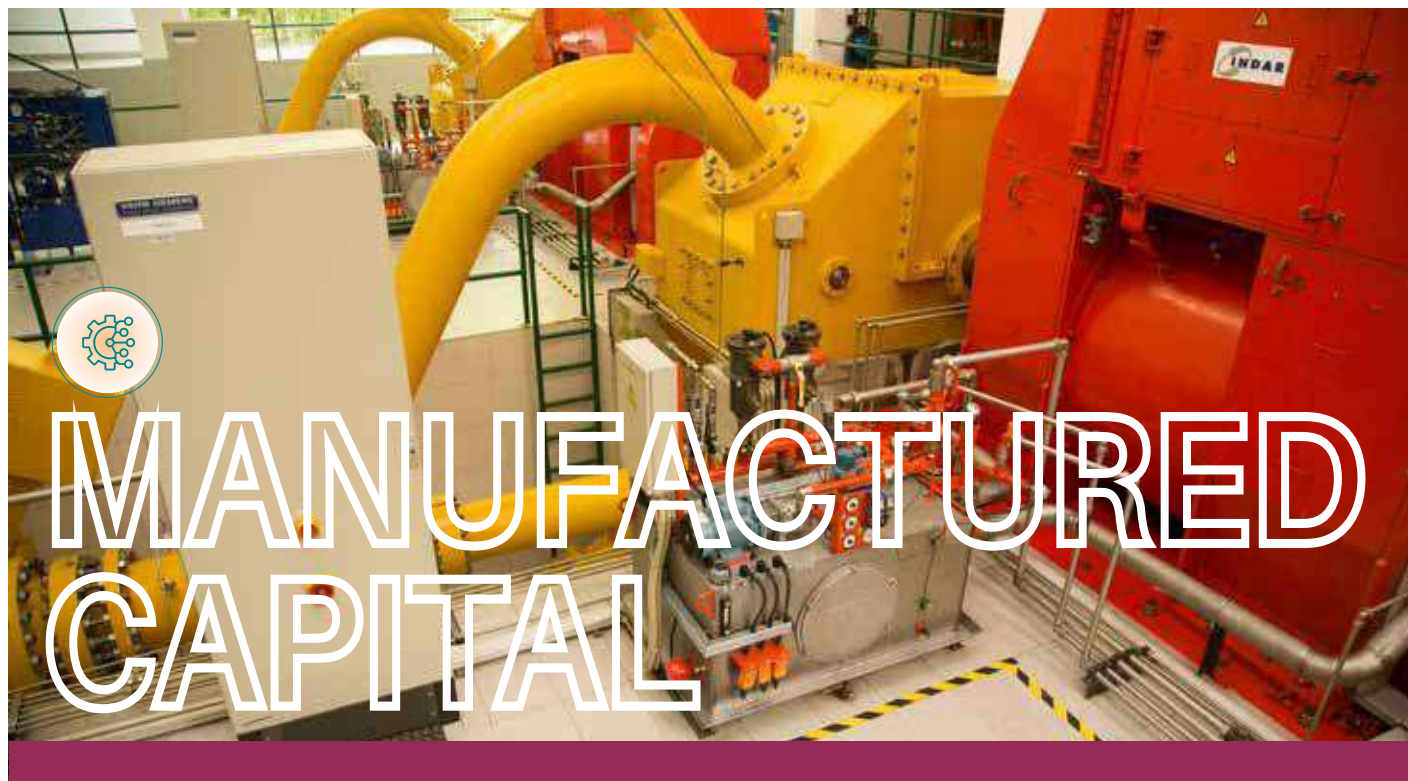
During the current year, no grievances related to significant actual or potential negative impacts on local communities were raised by communities or any other stakeholders.

ETHICAL BEHAVIOUR

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











The Company has a policy on Anti-Corruption and Anti-Competitive behavioral practices, which has been communicated throughout the Group and displayed at each power plant. These policies must be strictly adhered to by every employee, including Board members. We routinely assess adherence to these practices and emphasise the importance of ethical behavior during monthly staff meetings at both the head office and the sites.

During the year under review, there were no incidents of anti-corruption, and no operational activity was assessed for risks related to corruption. Additionally, the Company did not face any convictions or legal actions related to anti-competitive behavior, anti-trust, or monopoly practices. Furthermore, neither our sole customer, suppliers, nor contractors took legal action against us for unethical practices.



POWERING PRODUCTION: MAXIMISING ENERGY USE FOR GENERATING OPERATIONAL EFFICIENCIES

Manufactured capital supports efficient energy generation, environmental stewardship, regulatory compliance and the long-term sustainability of our Company. We prioritise investments in high-quality machinery and infrastructure, and embrace innovative technologies to maximise the benefits of hydropower while minimising our environment footprint.

Input	Output	Outcome
 Electro-mechanical equipment Rs. 1,084 Mn	 Production of electricity units (kWh) 85.2 Mn	 Well maintained infrastructure
 Civil constructions Rs. 1,725 Mn	 Maintenance of power plants Rs. 9 Mn	 Low machine failures
 Other fixed assets Rs. 60 Mn	 Incident of major break-downs Zero	 High return on assets
	 Total plant outage percentage 1%	

Capital Management Reports

MANUFACTURED CAPITAL

COMPANY PHILOSOPHY

Our strategic investments in manufacturing capital support our growth objectives. We push the boundaries of technological innovation to enhance the efficiency, reliability, and environmental sustainability of our hydropower equipment and infrastructure of the Company's three projects, Erathna, Denawaka Ganga and Kiriwaneliya.

Through the implementation of cutting-edge technologies, we strive to optimise the performance of our manufactured assets while minimising their ecological footprint. Consequently, our hydropower machinery and infrastructure are of the highest quality and reliability. By adhering to rigorous industry standards and leveraging robust design methodologies, we ensure that our manufactured capital withstands the test of time, and delivers energy into the future.

ENGINEERED ASSETS

The specialised electro-mechanical equipment in our hydropower plants—Erathna, Denawaka Ganga, and Kiriwaneliya—is engineered with precision and advanced technology from Voith Siemens (Germany), Dongfeng Electric Corporation (China), and VS Energy (Sri Lanka). These state-of-the-art turbines, generators, and control systems are designed for peak efficiency and durability, minimising energy loss and withstanding rigorous hydropower conditions. The supporting infrastructure, including channels, weirs, forebay tanks, and penstocks, is expertly designed to ensure uninterrupted water flow and optimised power generation. Both the equipment and infrastructure comply with industry standards and safety regulations, providing scalability and flexibility to meet diverse power demands and operational needs.

Details of the assets of the three power plants as at end of the year are given below.

	Plant Capacity (MW)	Project Assets			Project land extent	
		Electro-mechanical equipment (Rs.Mn)	Civil constructions (Rs.Mn)	Other assets (Rs.Mn)	Freehold	Lease
Erathna MHP	9.9 MW	577.7	530.9	36.4	2.27 Ha	2.48 Ha
Denawaka Ganga MHP	7.2 MW	234.4	685.2	6.8	0.53 Ha	3.96 Ha
Kiriwaneliya MHP	4.65 MW	271.7	509.0	16.6	3.03 Ha	-
Total	21.75 MW	1,083.8	1,725.1	59.8	5.83 Ha	6.44 Ha

STREAMLINED ASSET UTILISATION

The Company has a strategic approach to managing its manufactured capital. All capital expenditure adheres to an annual plan that also addresses any technology gaps between current power plant equipment and the latest market innovations. All technical upgrades have been completed to date. However, the Company continues to source equipment upgrades to improve operational efficiencies.

ON- SCHEDULE MAINTENANCE

Maintenance and refurbishment prioritise asset lifespan and efficiency while ensuring safe operation. Our in-house technical team is trained and experienced in carrying out regular servicing. We adhere strictly to a preventive maintenance schedule, minimising idle assets and following manufacturer guidelines. Maintenance is strategically scheduled during low-generation periods, typically in the dry season. We also conduct unscheduled maintenance to minimise generation loss, with inspections during peak operations in heavy rainfall seasons to maintain safe operations at maximum capacity.



Rs. 9.4 Mn
Total plant maintenance and repairs
2022/23 - Rs. 12.5 Mn



66%
Repair and maintenance activities carried out in-house
2022/23 - 69%

The Company also maintains communication with the overseas manufacturers of our hydroelectric equipment to ensure consultation for their speedy response and inputs whenever necessary.



MANUFACTURED CAPITAL

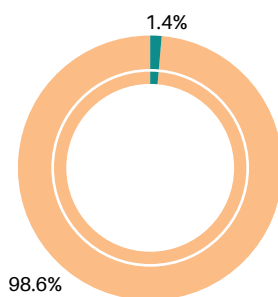
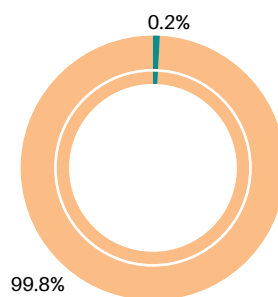
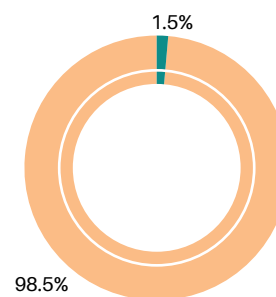
We also ensure that sufficient types and quantities of spare parts are available in the Company stores for continuous and uninterrupted maintenance and repairs, which ensures operational efficiency.

BREAK-DOWN MANAGEMENT

Efficient breakdown management is critical for minimising downtime in our power operations. A well-established reporting structure ensures that any breakdowns are promptly addressed. Initially, the plant in-charge officers report malfunctions to the technical heads, who in turn keep the joint CEOs informed. While routine breakdowns are typically handled in-house by our skilled technical team, more critical issues may necessitate outsourcing to third-party professionals.

	Percentage of plant break-down time on total operational hours		
	Erathna MHP	Denawaka Ganga MHP	Kiriwaneliya MHP
2023/24	0.7%	0.0%	0.0%
2022/23	0.3%	0.1%	0.1%

	Percentage of loss of units (outages)							
	Erathna MHP		Denawaka Ganga MHP		Kiriwaneliya MHP		Total	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Plant outages due to;								
Machine break-down	0.7%	0.2%	0.0%	0.0%	0.0%	0.1%	0.3%	0.1%
Grid failures	0.7%	0.7%	0.2%	0.3%	1.5%	1.8%	0.7%	0.8%
Total outages	1.4%	0.9%	0.2%	0.4%	1.5%	1.8%	1.0%	0.9%
Plant availability (%) for generation	98.6%	99.1%	99.8%	99.6%	98.5%	98.2%	99.0%	99.1%

Plant availability for power generation - 2023/24**Erathna MHP****Denawaka Ganga MHP****Kiriwaneliya MHP**

● Total outages % ● Plant availability %

Apart from the aforementioned outages, no major breakdowns occurred during this financial year.

Capital Management Reports

MANUFACTURED CAPITAL

SKILLS TRAINING

All our operational staff have been professionally trained to operate and maintain the electromechanical equipment safely and efficiently. We invest substantially in skills training to maintain high manufacturing standards and ensure the safety and reliability of our hydropower systems. The training programmes and certifications followed by our technicians, engineers, and production staff uphold industry best practices and ensure regulatory compliance.

COMPLIANCE

Our commitment to sustainable energy begins with efficient and safe construction, extending through to ongoing operations. The three power plants comply with all regulations specified in their respective SPPAs. Due to the hazardous nature of the generation process, they also follow a range of health and safety precautions that ensure safe and hazard-free operations.

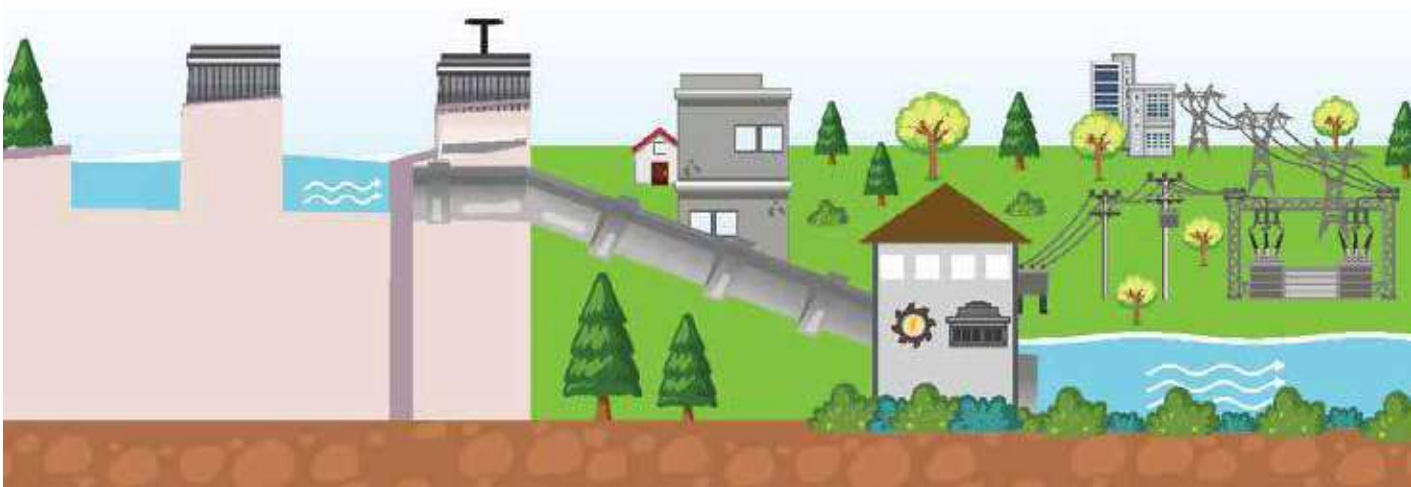
As stewards of the natural environment, we acknowledge the significant impact our hydropower operations may have on local ecosystems and communities. Guided by sustainability principles and corporate responsibility, we integrate environmental considerations from site selection to design and construction to operation and maintenance, thereby minimising our environmental footprint.

QUALITY ASSURANCE

Our operational processes conform to the principles of integrated Quality and Environmental systems and comply with international standards of mini hydropower operations, which ensures that we generate clean and sustainable energy solutions.

INSURANCE COVERS

All our engineered assets are insured against Fire, Risk including Natural Disasters at market value, to mitigate operational risk. Additionally, the electronic equipment is insured against Machinery Breakdown and Hazards.





FUELLING KNOWLEDGE: Forging skills and competencies that spark innovation

In today's knowledge-based economy, competitive advantage and long-term sustainability are increasingly driven by intangible assets such as human capital, systems and processes, and brand value. Organisational success hinges not only on material assets but rather on our ability to leverage and mobilise our intangible resources. The energy landscape is dynamic, marked by technological innovation, regulatory challenges and the imperative for renewable resources. In this evolving context, nurturing the skills and competencies of our intellectual capital emerges as a pivotal strategy. By fuelling the capabilities of our workforce, we spark the innovation necessary to drive success and sustain our competitive edge.



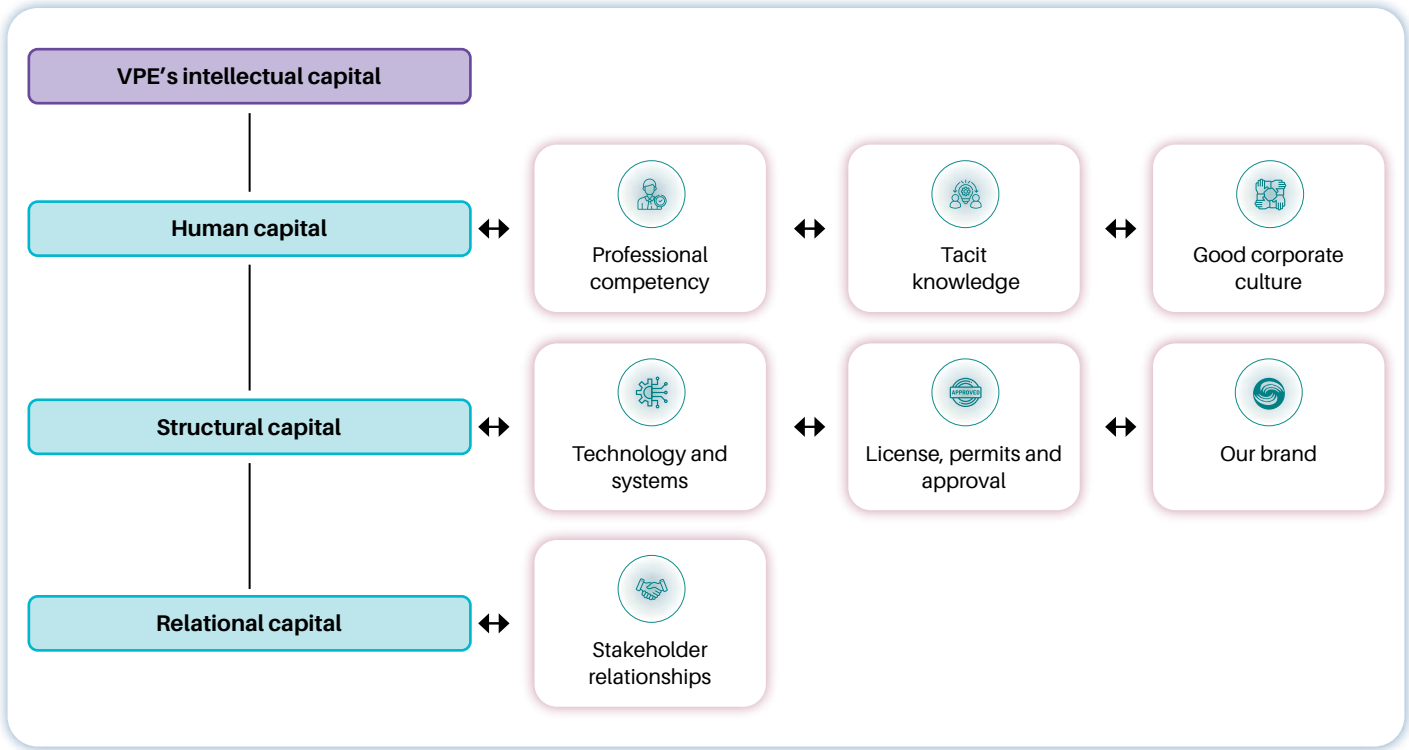
Capital Management Reports

INTELLECTUAL CAPITAL

COMPANY PHILOSOPHY

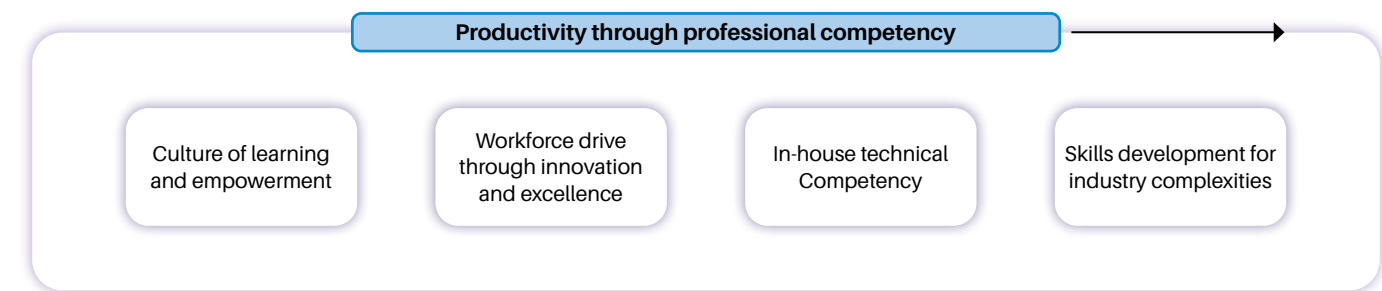
We recognise that our intellectual capital is central to our ability to innovate, adapt, and thrive in a rapidly changing environment. Traditional measures of success often fall short of capturing the full scope of a company's value. Through the lens of our intellectual capital, we provide shareholders, investors, and stakeholders with deeper insights into the value drivers of our business, the innovative approaches we employ and the relationships we foster to achieve sustainable outcomes. By investing in our people, technology, and relationships, we position ourselves as a trusted partner and industry leader, poised to capitalise on emerging opportunities and address complex challenges.

VPE'S INTELLECTUAL CAPITAL FRAMEWORK



HUMAN CAPITAL

Professional competency



INTELLECTUAL CAPITAL

Our people are our greatest asset, crucial to the development and progress of the Company. We cultivate a culture of learning and empowerment through targeted recruitment, continuous training, and talent development initiatives. The expertise, dedication and ingenuity of our workforce drive our innovation agenda and operational excellence. A case in point is our technical team whose training and on-the-job experience have equipped them with the technical know-how to carry out critical repairs to our electro-mechanical machinery in-house. This competency to accurately identify machine faults and repair them speedily has resulted in substantial savings in time and money and minimised machinery downtime. Equipping our employees with the skills and knowledge necessary to navigate the complexities of the energy industry enables them to deliver innovative solutions that meet the evolving needs of our stakeholders.

More information on how we enhance our human capital is available in the Human Capital report from page 62 to 70.

Tacit knowledge

The skills, knowledge, insights and understanding of our employees across all levels of the organisation comprise our tacit knowledge. This ranges from the industry acumen of our Board to the expertise of the Senior Management in overseeing our daily operations, to the specialised skills of our technicians that ensure uninterrupted plant operations, to the competencies of our non-executive staff. This rich reservoir of knowledge is invaluable to use and impossible to quantify or replicate, and may not be explicitly documented or taught. It empowers us to innovate and to overcome business challenges, which ensures operational efficiency throughout the Company.

Following practices within VPE are in place to develop the tacit knowledge;

- Job rotation and cross-Functional duty arrangement
- Experience sharing within inter-power plant employees
- Providing on-the-job training opportunities
- Encourage open communication and collaboration
- Recognition and incentives

Corporate Culture

Our corporate ethos thrives on collaboration and excellence. Within our dynamic team, unity dispels differences and loyalty is fostered in an atmosphere of trust, respect and commitment to excellence. This has contributed to our ability to attract and retain talent, drive innovation and adapt to change. We champion a vibrant work culture, where moments of connection are celebrated through engaging staff events that generate camaraderie and shared experiences.

Awards and Accolades

The numerous awards and accolades VPE has received over the years are a testament to our team's professional competency and tacit knowledge, as well as our collaborative corporate culture that drives high performance. Throughout this period, we have been recognised across various domains, earning praise for our business acumen, corporate reporting practices, and environmental sustainability initiatives.

Gold Award winner - Power & Energy sector at SAFA Best Presented Annual Report Awards 2022 conducted by South Asian Federation of Accountants



Bronze Award Winner- Power & Energy sector at "TAGS" Awards 2023 conducted by CA Sri Lanka



Capital Management Reports

INTELLECTUAL CAPITAL

Best Integrated Report in Power/ Electricity Sector and Merit Award - CMA Excellence in Integrated Reporting Award - 2023 conducted by the Institute of Certified Management Accountants of Sri Lanka



Winner at “Green Company” Award – Earth Summit 2024 conducted by Planet Protectors organisation



STRUCTURAL CAPITAL

Modern technology

This capital underpins our knowledge management efforts, enhances efficiency and productivity, and fosters innovation. Our structural capital covers the technology, systems, and processes integral to our operations, which are essential for our continuity and success. Our technology, systems, and processes serve as robust platforms for capturing, organising, storing, and retrieving knowledge assets and vast data sets, including explicit and tacit knowledge. They streamline operations, and enhance productivity, empowering our employees to allocate resources to strategic and value-added activities. Utilising state-of-the-art technology enables data-driven decision-making and intellectual property management.

We ensure optimal functionality and minimal downtime of our electromagnetic equipment by regularly updating control systems and software across all our power plants, according to manufacturers' guidelines. These updates sustain optimal capacity and operational efficiency.

Licenses, approvals and permits to operate

This is another important component of our structural capital and represents the legal rights and permissions necessary for our operation. Functioning within the legal framework established by regulatory authorities is mandatory for power companies like ours if we are to avoid fines, penalties, or even shutdowns that could result from operating high-tech high-risk equipment without proper authorisation. Additionally, hydropower businesses operate in sensitive catchment areas, so we, more than most other businesses, can commence operations only if we get the relevant permits and consents that give us the go-ahead to operate the business in a particular locality and within stipulated conditions and boundaries. Ensuring that all necessary approvals are in place helps maintain smooth operations and continuity of services. Having the necessary licenses and permits assure our investors and stakeholders that the Company is operating legitimately and responsibly.

INTELLECTUAL CAPITAL

As a company committed to ethical and transparent business practices, we adhere to permit guidelines both in letter and spirit to ensure timely renewals and that our powerhouses operate with the necessary, up-to-date licenses and approvals. This year, in addition to few annual renewals for power plant operations, VPE worked with several government agencies to renew the SPPA extension for Erathna MHP, which expires in July 2024.

Brand Reputation

Operating with the proper licenses and permits enhances the Company's brand reputation as well, as it is perceived as being trustworthy and reliable. Brand reputation is essential to our ability to enhance value, provide a competitive edge, mitigate risks, foster loyalty, instill investor confidence, and attract strategic partnerships and collaborations. A strong brand reputation signals quality and integrity, which makes it a valuable asset that differentiates us from competitors and instills confidence in our stakeholders, including investors and partners. This brand perception not only adds value to the Company's intellectual assets but also contributes to its overall success and growth potential in the market.

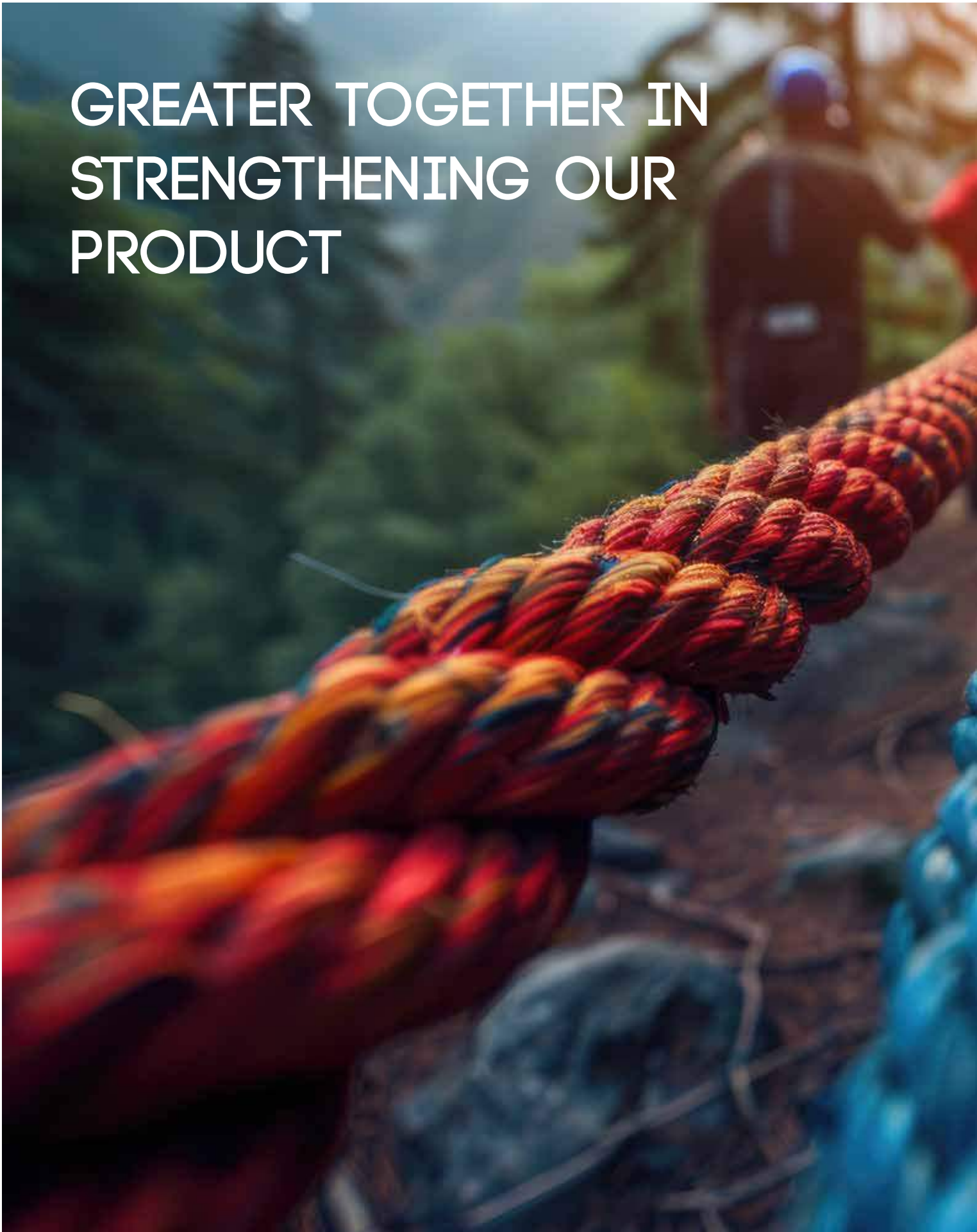
VPE has the advantage of being a member of the esteemed Vallibel Group, a leading corporate entity with a strong market presence spanning several decades. The Vallibel brand is synonymous with innovation, integrity, quality, and dependability, reflecting our commitment to ethical and responsible business practices. This positive brand image is a valuable asset, fostering loyalty among our diverse stakeholders and garnering their steadfast support for our operations.

RELATIONAL CAPITAL

This capital refers to the intangible value we derive from our relationships with external parties, namely our stakeholders, and is a vital component of intellectual capital. It is the intangible value derived from engaging through transparent communication and a socially responsible manner that builds trust and credibility. These relationships have usually been nurtured and built over time, and a positive brand reputation based on trust and integrity reinforces these relationships. Fostering goodwill with the communities in the vicinities of our powerhouses is a major stakeholder initiative as their approval of our business provides us with the license to operate; cultivating collaborative partnerships with suppliers and partners enhances operational efficiency and innovation. Networks and alliances provide us with access to valuable resources and collaborative opportunities, which collectively enrich the relational capital of the Company and contribute to its competitiveness, resilience, and long-term success.

More information on our engagement with key stakeholders and management of our relational capital can be found in the Stakeholder Engagement report and the Social and Relationship Capital report within this Integrated Annual Report (IAR) respectively.

GREATER TOGETHER IN
STRENGTHENING OUR
PRODUCT





CORPORATE GOVERNANCE



“A good corporate governance framework supports decision-making in the Boardroom as well as in the Group-wide culture that engenders trust and integrity in the way we operate and conduct our business, which enables sustainable development that creates value in the long term.”

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

As Chairman of Vallibel Power Erathna PLC, I affirm that good corporate governance underpins the success of the Group. It supports decision-making in the Boardroom as well as in the Group-wide culture that engenders trust and integrity in the way we operate and conduct our business, which enables sustainable development that creates value in the long term.

In addition to setting the Group's strategy in conjunction with the Board, a key primary responsibility is to ensure that I put in place an effective corporate governance framework, and that clear policies, approved and endorsed by the Board, are embedded at all levels of the Company. As such, I, along with my Board of Directors, am confident that VPEL continues to uphold the Code of Best Practice on Corporate Governance 2017, and is also now in the process of conforming to the stipulations of the Code of Best Practice on Corporate Governance 2023, specified by the Institute of Chartered Accountants of Sri Lanka, as well as the Listing Rules of the Colombo Stock Exchange.

I also acknowledge responsibility for ensuring effective Board operations. I am fully cognisant of the fact that the Board's composition and independence, and the breadth and depth of its skill set are of vital importance to the power sector which functions as a responsive emergency service and consequently, has a premium on boards in which shareholders can place their long-term trust.

The Group continues to prioritise ESG performance, as reflected in this Report. The development of increasingly sophisticated metrics for ESG enables the provision of detailed and relevant information to our shareholders and wider stakeholders and is testimony to the importance the Board places on building trust with all our stakeholders.

During this financial period, to the best of my knowledge and awareness, no significant changes have occurred in our Corporate Governance framework. The Company's Code of Business Conduct and Ethics also remains inviolate.

Harsha Amarasekera
Chairman

16 May 2024

VPE'S PHILOSOPHY ON CORPORATE GOVERNANCE

The essence of Corporate Governance is about maintaining the right balance between economic, social, individual and community goals while focusing on enhancing the long-term value creation for all stakeholders. Good corporate governance is a way of life for us and is synonymous with sound management, transparency and adequate disclosure, encompassing good corporate practices, procedures, standards and implicit rules that propel the Company to make sound decisions.

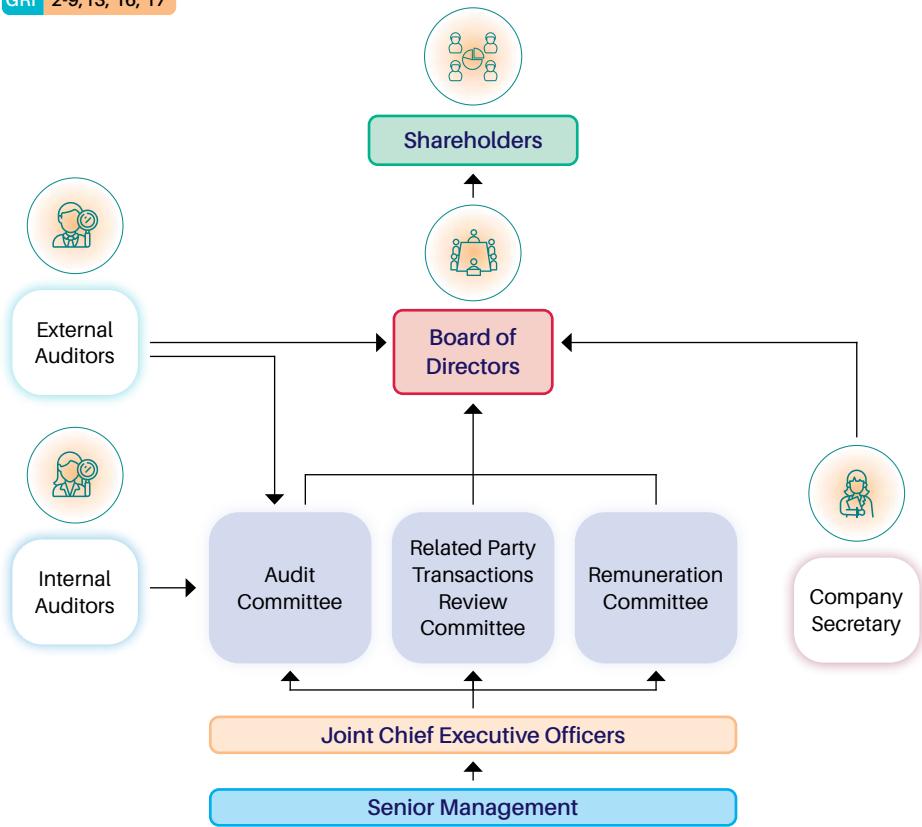
Our actions are governed by our values and principles, which are reinforced at all levels of the organisation. Cardinal principles such as independence, accountability, responsibility, transparency, trusteeship and disclosure serve as means for implementing our philosophy of Corporate Governance. These principles have been and will continue to be our guiding force into the future.

We have in place directives that cover the areas of Ethical Conduct, Board Oversight, Shareholder Rights, Risk Management, Stakeholder Engagement and Financial Reporting and Transparency.

We work on a strategic annual plan that serves as the foundation for all management decisions and is aimed at maximising resource utility and reducing inefficiencies throughout the organisation, thereby ensuring that the Company remains resilient and adaptable. This gives us the needed vision and foresight to steer through the quagmire of economic uncertainty of recent years, to emerge stronger than ever before. This fine-tuned focus on profitability with integrity has been integral to our recognition of leadership in the local power sector.

GOVERNANCE STRUCTURE

GRI 2-9, 13, 16, 17



VPE's governance framework;

GRI 2-16, 17

- helps the Board make considered information-based decisions
- brings authority and accountability while enabling effective decision-making.
- exposes any perceived gaps or weaknesses within the Board or management.
- supports the Company in ways that effectively connect leadership with operations.

Our framework of corporate governance provides the structure that drives the strategic plan, organising operational, risk management, reporting and financial processes to ensure that the Board is continually updated on current and planned initiatives. Our structure of corporate governance is designed to determine the distribution of rights and responsibilities between Board committees and the executive management as well as set corporate decision-making rules and procedures.

The Board is the ultimate authority responsible to shareholders and other stakeholders for the long-term sustainable delivery of the Group's strategy, activities and financial performance, including the efficient utilisation of resources and maintaining social, environmental and ethical standards. The Board also recognises its responsibility in presenting a balanced and understandable assessment of the Company's position and prospects and assessment of the principal risks that affect its operations. It ensures that effective systems of risk management and internal control are in place to protect and enhance the shareholder value by ensuring sustainable, long term growth.

The Board and the Joint CEOs work together to achieve the Company's strategic aims. The Joint CEOs are empowered by the Board to lead and manage the daily activities of the Company within the framework of Board approved strategic, planning and budgetary parameters. The Joint CEOs keep the Board informed on all significant developments, risks and opportunities and provide timely and relevant reports. They, in turn, delegate

Corporate Governance

the routine operations of the Company to the Senior Management who are accorded the responsibility for managing various aspects of the Company within their specialist areas.

These initiatives focus on our prioritised material issues and are based on a holistic approach.

COMPLIANCE DIRECTIVES

The integrated Governance framework within which the Company operates its business complies with the following principles and codes:

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

The Company also complies with relevant internal procedures and processes including the following:

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

Several sustainability-related policies have also been framed to govern the way business is conducted.

RISK AND INTERNAL CONTROL MANAGEMENT

Our commitment to following the Codes of Best Practices on Corporate Governance provides a robust framework for supporting the Group to deliver returns to its shareholders within a Board-approved risk management framework.

The Company also has in place internal control systems devised to provide reasonable assurance to the Board as to the efficiency and effectiveness of Group operations as well as to ensure that high standards of internal and external reporting are maintained whilst complying with applicable laws and regulations.

Economic downturns amplify business risks. Our governance structure helps identify, assess, and manage these risks proactively, thereby ensuring that the Company has the necessary know-how and foresight to navigate turbulent economic conditions with resilience.

The Board, supported by the audit committee, continued to make progress in the areas of risk identification, management, mitigation, and disclosure during the year. The Board was provided with regular risk register reports, and material changes were highlighted, significant risks were identified and appropriate mitigation strategies were introduced.

Further details on the Company's risk management are provided in the Risk Management Report on pages 36 to 39.

BOARD COMPOSITION

GRI 2-9,10,11

The Company's Governance Guidelines cover all aspects related to the composition, diversity, appointment, role, tenure, remuneration and age of the Board, Chairman and Directors, as well as the role of committees of the Board. While our Board composition adheres to the specificities of the Code of Best Practices on Corporate Governance 2017, we are now revising the Guidelines to conform to the stipulations of the Code of Best Practice on Corporate Governance 2023, which we are in the process of implementing in the near future.

VPE adopts a unitary board model in that the Company's directors serve together on one board that comprises both executive and non-executive directors. Ensuring objectivity and transparency in the decisions of Executive Management is paramount, and Board independence plays a pivotal role in the business of the Group. To achieve this, our Board is carefully structured to include three independent non-executive directors and three non-executive directors, among whom is a Chairman who serves as a senior independent non-executive director whose role is distinct and separate from any of the roles ascribed to a Director of the Company. This structure fosters a balanced distribution of power, authority and independence of the Executive.

The Company recognises the importance of having a diverse and professional Board and pursues diversity at Board level as being an essential element in maintaining competitive advantage. Our Board comprises professionals with diverse industry expertise and comprehensive knowledge. The Company utilises the different skills, regional and industry experience, backgrounds and other distinctions between directors to facilitate insight and perspective on all operational matters.

Our Directors are leaders in their fields of specialty and consequently possess the experience necessary for executing Company strategy. They remain

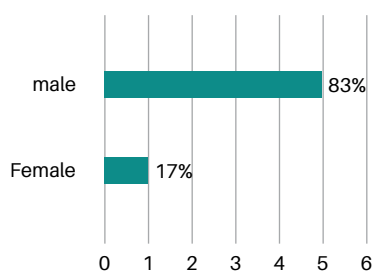
professionally active, and continuously undertake initiatives to widen and update their knowledge, keeping abreast of current developments in their field, which enables

them to make a substantial contribution to the Company's progress and success.

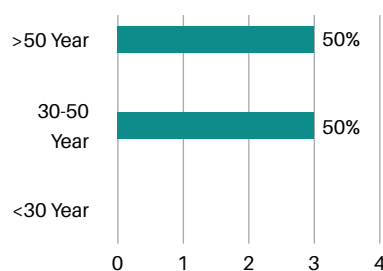
We continue to refine our structures, policies and procedures aimed at strengthening the

Group's governance framework with special emphasis on the adoption of globally accepted best practices in relation to Board leadership and effectiveness.

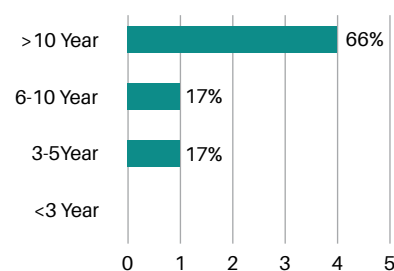
No. of Board members by gender diversity



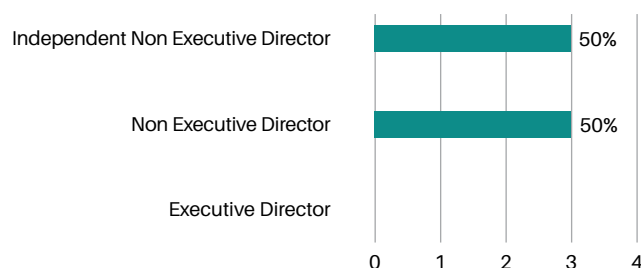
Age group of the Board members



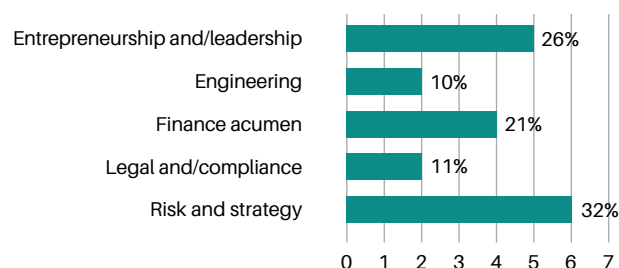
Tenure of the Board members



Directorship nature



Diversity of Board expertise



Appointment of Directors GRI 2-10

The Colombo Stock Exchange (CSE) is kept informed on new Board appointments. A background document provides the CSE with details on the new Director, the nature of the appointment, qualifications, experience, areas of specialty, and any Board served in other companies.

Re-Election of Directors

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

Board Commitment

The Board is committed to focusing its energies and resources to create and positively leverage shareholders' wealth whilst safeguarding the interests of all stakeholders.

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

FUNCTIONS OF THE BOARD

The primary function of the Board is to act on behalf of its shareholders by ensuring that they get a good ROI without compromising on integrity, societal obligations, environment and regulatory compliances. The Board also acts as the governing body of the Company.

A comprehensive set of corporate governance guidelines have been developed that form the framework for Board functions and enable the discharge of corporate responsibility towards all stakeholders. These guidelines establish a solid foundation for management as well as provide oversight and the necessary authority to review and evaluate operations when necessary. They also enable the Board to make decisions independent of the Senior Management of the Company.

Corporate Governance

Directors' attendance at Quarterly Board meetings

Name of the Director	Attendance
Mr. Harsha Amarasekera	4/4
Mr. Prabodha Sumanasekara	1/4
Mr. Haresh Somashantha	4/4
Mr. Shan Shanmuganathan	2/4
Mr. Chatura V Cabraal	4/4
Ms. Dinusha Bhaskaran	4/4

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

The Board meets quarterly to review the Company's operations and is responsible for the following:

Strategic responsibility	Financial responsibility	Responsibility for Compliance and Control
<ul style="list-style-type: none"> Formulation of policies. Input into and final approval of the Company's corporate strategy including new capital investments and performance objectives. Monitors the performance of senior management, implements the corporate strategy and ensures that the necessary resources are available to enable implementation. 	<ul style="list-style-type: none"> Approves and monitors financial and other reporting. Approves and monitors major capital expenditure, capital management, acquisitions and divestitures. Approves financial facilities when required. 	<ul style="list-style-type: none"> Oversees the Company, its control and accountability systems. Reviews and ratifies risk management and internal compliance and control systems, codes of conduct and legal compliance. Updates and maintains organisational rules and policies in line with changes in the power sector.

COMMITTEES OF THE BOARD

The Board Committees appointed by the Board to discharge its functions serve as mechanisms for enhancing its monitoring of compliance and risk management. The specialised expertise of our Board committees is critical to the Board's ability to reach effective decisions and fulfill its fiduciary duties.

VPE's three Board Committees, namely the Audit Committee, Remuneration Committee, Related Party Transaction Review Committee, have their own terms of reference and are mandated by the Listing Rules of the Colombo Stock Exchange, meeting all prescribed criteria of the Rules. Non-Executive Directors function in all three committees and a senior independent director is nominated as the chairperson of each committee. Sufficient resources are expended to enable these committees to fulfill their specific roles.

Composition and Member Attendance of Board Committees

C - Committee Chairman | **M** - Committee Member

Name of the Director	Audit Committee		Related Party Transaction Review Committee		Remuneration Committee	
	Membership	Attendance	Membership	Attendance	Membership	Attendance
Mr. Harsha Amarasekera	C	4/4	C	4/4	C	1/1
Mr. Prabodha Sumanasekara	M	1/4	-	-	M	1/1
Mr. Haresh Somashantha	M	4/4	-	-	-	-
Mr. Shan Shanmuganathan	M	2/4	M	2/4	-	-
Mr. Chatura V Cabraal	-	-	M	4/4	-	-
Ms. Dinusha Bhaskaran	M	4/4	-	-	-	-

Each committee works in accordance with an annual work plan that comprises fixed agenda items following key events relevant to the annual financial reporting cycle. In addition, the committees also request topics to be discussed at their meetings from time to time, depending on the requirements of the responsibilities undertaken.

DIRECTORS INTEREST, RELATED PARTY TRANSACTION, CONFLICT OF INTEREST

GRI 2-15

All members of the Board of Directors are required to conduct themselves with the highest standards of good faith, honesty, and integrity in all interactions related to the Company. Upon appointment, Directors must disclose their business interests and keep this information updated. A register of Directors' interests is maintained by the Company Secretaries.

Details of Directors' interests in contracts can be found on pages 153 to 155. Directors who are not members of the Related Party Transactions Review Committee (RPTRC) abstain from meetings where related party matters are discussed, removing themselves from the Board room during these discussions.

Related party transactions undergo quarterly review by the Related Party Transactions Review Committee. The committee approves these transactions and ensures compliance with regulatory requirements, with appropriate disclosures made. Details of related party transactions are provided in Note 30 of the financial statements, located on pages 153 to 155.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to generate sustainable shareholder value over the long- term and believes that Company objectives and shareholder objectives should be aligned for long-term value creation. Effective management of shareholder relationships is key to realising this value.

The Company acknowledges the importance of maintaining healthy and interactive communications with our shareholders and other stakeholders by providing them with a clear understanding of Company strategy, governance, performance as well as the accountability of the Board. We aspire to transparent and open communications and are committed to the timely disclosure of relevant and material information.

We regularly update shareholders on our business progress and strategy. We respond promptly to questions received from individual shareholders as well as the media. We also strive to share with all stakeholders, both financial and non-financial information that is relevant and material, and clearly communicate our business strategy through annual, quarterly and other timely communications. Up-to-date Information for our shareholders is made available on the Company website (<https://vallibel-hydro.com>) and is also communicated through CSE announcements.

We consider the Annual General Meeting as providing an effective platform for direct communication and interaction between our shareholders and the Board. The Company also has in place processes and procedures for shareholders to communicate in writing their suggestions, enquiries and concerns to the Board through the Company Secretary.

Corporate Governance

COMPLIANCE WITH RELEVANT STATUTES, REGULATIONS AND CODES

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

Section 01		The Company	
Code	Principle	Status	Level of compliance
A	Directors		
A.1	The Board		
A.1.1	Board Meetings	Complied	The Board meets quarterly. Ad-hoc meetings are held as and when required. During the year under review, the Board met on four occasions. Attendance at these meetings are set out in the table given below in this section.
A.1.2	Responsibilities of the Board	Complied	<p>The Directors are responsible for:</p> <ul style="list-style-type: none"> the formulation and implementation of a sound business strategy through skilled and experienced Joint Chief Executive Officers and the management team; ensuring that effective systems are in place to secure the integrity of information, internal controls and business continuity ensuring the establishment of the Company's values and standards with emphasis on the adoption of appropriate accounting policies and fostering compliance with financial regulations; as well as fulfilling such Board functions as are vital, given the scale, nature and complexity of the business.
A.1.3	Compliance with the laws of the country and approval to obtain independent professional advice	Complied	<p>GRI 2-17</p> <p>The Board collectively, and the Directors individually, act in accordance with the Laws and Regulations of the country and the Company's policies. At any given time, all the members of the Board are allowed to obtain independent professional advice where necessary, at the Company's expense.</p>
A.1.4	Company Secretary	Complied	The advice and services of the Company Secretary, Messrs. P W Corporate Secretarial (Pvt) Ltd., are available to all members of the Board. They keep the Board informed of all new laws and revisions, regulations and requirements that are coming into effect and are relevant to them collectively as the Board and individually as Directors. Removal of the Secretary will be made at the Board's discretion.
A.1.5	Independent judgment of Directors	Complied	All Directors bring independent judgment to issues of strategy, performance and resources including key appointments and standards of business conduct.
A.1.6	Dedication of adequate time and effort of the Directors	Complied	<p>The Board of Directors dedicates adequate time and effort to ensure their duties and responsibilities towards the Company and Board are discharged.</p> <p>Sufficient time is allocated before a meeting to review Board papers and call for additional information and clarification wherever necessary, and to follow up on issues consequent to the meeting. Hence, the Directors are able to familiarise themselves with business changes, operations, risks and controls which ultimately help them to discharge their duties and responsibilities to the Company competently.</p>
A.1.8	Training for new and existing Directors	Complied	Newly appointed Directors follow an induction programme. Directors are also encouraged to participate in continuous professional and self-development activities.

Section 01		The Company	
Code	Principle	Status	Level of compliance
A.2	Chairman and Joint Chief Executive Officers (Jt. CEOs)		
A.2.1	Division of responsibilities of Chairman and Jt. CEOs	Complied	Two Joint Chief Executive Officers function at the highest executive position of the Company and are not members of the Board. A clear division of responsibility, power and authority is maintained between the Chairman and the Joint CEOs thereby ensuring that the balance of power and authority is maintained.
A.3	Chairman's role		GRI 2-12
A.3.1	Chairman's role	Complied	<p>The Chairman is responsible for the efficient conduct of Board meetings and ensures <i>inter alia</i>, that:</p> <ul style="list-style-type: none"> • The effective participation of all Directors is secured; • All Directors are encouraged to make an effective contribution within their respective capabilities, for the benefit of the Company; • The views of Directors on issues under consideration are ascertained; • The Board is in complete control of the Company's affairs and is alert to its obligations to all shareholders and other stakeholders. • The Chairman maintains close contact with all Directors
A.4	Financial acumen		
A.4.1	Financial Acumen	Complied	The Board includes two Chartered Accountants who possess the necessary knowledge and competencies to provide the Board with guidance on matters of finance. They serve as members of the Audit Committee as well. The other members of the Board have considerable experience in handling matters of finance, having served in senior capacities in different organisations. Hence, the Board is equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.
A.5	Board balance		
A.5.1	Non-Executive Directors	Complied	All Directors and the Chairman are non-executive.
A.5.2	Independence of Non-Executive Directors	Complied	Three of the six Non-Executive Directors are independent. The Board has ensure that three Non-Executive Directors satisfy the criteria for 'independence' set out in the Listing Rules which is effective at present.
A.5.3	Independence of Non-Executive Directors	Complied	The profiles of the Non-Executive Directors reflect their calibre and confirm the weightage of their opinions during Board deliberations. All are independent of the Management and free from any relationship that could affect their independent judgment.
A.5.4	Annual declaration of independence of Non-Executive Directors	Complied	Each Non-Executive Director has submitted declarations stating their independence or non-dependence in a prescribed format. This information is made available to the Board.

Corporate Governance

Section 01		The Company	
Code	Principle	Status	Level of compliance
A.5.5	Determination of independence of the Directors	Complied	<p>The Board considered the declaration of independence submitted by each Non-Executive Director as being a fair representation of the basis for the determination given in the Code of Best Practices, and will continue to annually evaluate their independence on this basis. Brief resumes of all the Directors are available on pages 10 and 11.</p> <p>The Board believes that the Independence of Mr. Harsha Amarasekera, Mr. Prabodha Sumanasekara and Mr. Shan Shanmuganathan is not compromised by serving on the Board for more than nine years as per the Code of Best Practice on Corporate Governance 2017 which is effective at present.</p>
A.5.6	Alternate Director	NA	There are no Alternate Directors as at 31/03/2024.
A.5.7	Senior Independent Director	NA	This does not arise as the role of the Chairman is separate and independent from the role of the Chief Executive Officer.
A.5.8	Senior Independent Director's (SID) meetings with other Directors	NA	This is inapplicable as the particular position is not available.
A.5.9	Chairman's meetings with Non-Executive Directors	NA	Separate meetings are not required since all Directors are non-executive.
A.5.10	Recording of concerns in the Board Minutes	Complied	Concerns raised by the Directors that could not be unanimously resolved during the year, if any, were recorded in the Board Minutes.
A.6	Supply of information		
A.6.1	Timely and appropriate information to the Board	Complied	The Management provides the Board with appropriate and timely information. In the event that the information provided by the Management is insufficient, the Directors are permitted to request more information. The Chairman ensures that all Directors are briefed adequately on issues arising at meetings.
A.6.2	Information provided in advance to the Board meetings	Complied	The Directors are provided in advance with minutes, the agenda and the Board papers which provides them with adequate time to prepare and clearly comprehend the matters discussed or brought forward for consensus, to ensure a productive meeting.
A.7	Appointments to the Board		GRI 2-10
A.7.1 & A.7.2	Appointment to the Board	Complied	New appointments to the Board are based on collective Board decisions subject to Article 25(2) of the Articles of Association. When making new appointments, the Board considers its current composition in order to assess whether potential candidates have the mix of skills and experience necessary to add value to their deliberations.
A.7.3	Disclosure of new appointments	Complied	<p>Upon the appointment of a new Director to the Board, the Company discloses the following to the CSE;</p> <ul style="list-style-type: none"> • a brief resume of the Director; • nature of expertise in relevant functional areas; • names of the companies in which the Director holds directorships or memberships in Board Committees; and • the 'independence' of such Director.

Section 01		The Company	
Code	Principle	Status	Level of compliance
A.8	Re-election		
A.8.1 & A.8.2	Re-election of Directors	Complied	<p>The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-appointment by the shareholders at that meeting.</p> <p>As per the provisions of the Company's Articles, at each Annual General Meeting (AGM) one third of the Directors for the time being are subject to retirement by rotation and shall retire from office. Retiring Directors are generally eligible for re-election.</p> <p>In accordance with this provisions, Mr. Haresh Somashantha retires and will offer himself for re-election at AGM.</p>
A.9	Appraisal of Board performance		GRI 2-12,18
A.9.1, A.9.2 & A.9.3	Annual performance evaluation of the Board and its Sub Committees	Complied	The performance of the Board and Sub-Committee is evaluated annually on a self-assessment basis.
A.10	Disclosure of Information in respect of Directors		
A.10.1	Disclosures about Directors	Complied	<p>Information in relation to Directors is disclosed as given below.</p> <ul style="list-style-type: none"> • Name, qualifications, brief profile and area/ nature of expertise - (Refer pages 10 to 11 of this Report) • Directors' interest in contracts (Refer pages 153 to 155 of the Annual Report) • The number of meetings of the Board and Committees held, attended, names of Committees in which the Director serves as Chairman or member (Refer page 94 of this Report)
A.11	Appraisal of Chief Executive Officer		GRI 2-12
A.11.1 & 11.2	Setting annual targets and appraisal of the performance of the Chief Executive officer by the Board	Complied	<p>The short, medium and long-term objectives, including financial and non-financial targets, which must be met by both Jt. CEOs are set at the commencement of each year.</p> <p>The annual appraisals of the Jt. CEOs are carried out by the Board according to pre-agreed performance criteria.</p>
B.	Directors' remuneration		GRI 2-19,20
B.1	Remuneration procedure		
B.1.1	Remuneration Committee	Complied	The Remuneration Committee makes recommendations to the Board within agreed Terms of Reference, based on the Company's framework of remunerating for certain senior management executives.
B.1.2 & B.1.3	Composition of Remuneration Committee	Complied	<p>The Remuneration Committee consisted of two independent Directors.</p> <p>Mr. Harsha Amarasekera (Chairman) Mr. Prabodha Sumanasekara</p>
B.1.4	Remuneration of the Non- Executive Directors	Complied	In terms of the Articles of Association of the Company, the remuneration of Non-Executive Directors, including members of the Remuneration Committee, is determined by the Board within the limits set in the Articles of Association.

Corporate Governance

Section 01		The Company	
Code	Principle	Status	Level of compliance
B.1.5	Consultation of the Chairman and access to professional advice.	Complied	The Committee consults the Chairman on proposals related to the remuneration of Senior management executives and has access to professional advice provided in the discharge of their duties.
B.2	The level and make up of remuneration		
B.2.1 & B.2.2	Levels of remuneration for Senior management Executives	Complied	<p>The remuneration package is designed to attract, retain and motivate the Senior Management needed to successfully run the Company. Such payment and benefits are in line with industry standards.</p> <p>The Committee ensures that the remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.</p>
B.2.3	Positioning Company remuneration levels relative to other companies	Complied	The Remuneration Committee is sensitive to the remuneration and employment conditions of other Group companies, especially when determining annual salary increases.
B.2.4	Performance related elements of remuneration for Senior Management Executives	Complied	Performance- based incentives are determined to ensure that the total earnings of Senior Management executives are aligned with the achievement of the objectives and budgets of the Company.
B.2.5	Executive share options	Complied	This is inapplicable as the Company does not have executive share option schemes.
B.2.6	Designing performance related Remuneration	Complied	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.7 & B.2.8	Compensation, commitments in the event of early termination and dealing with early termination	Complied	There are no provisions for compensation for early termination in the letter of contract. However, the Board of Directors could determine this on a case- by case basis.
B.2.9	Levels of remuneration for Non-Executive Directors	Complied	The Remuneration Committee determines the levels of remuneration for Non-Executive Directors, taking into consideration the time, commitment and responsibilities of their role, as well as market practices. Remuneration for non-executive Directors does not include share options. A Board- approved policy on Directors' Remuneration is in place.
B.3	Disclosure of the remuneration		
B.3.1	Disclosure of Remuneration	Complied	<p>The Remuneration policy is disclosed in the Remuneration Committee Report on page 107 of the Annual Report.</p> <p>The total remuneration of the Directors is disclosed in Note 30.6 to the Financial Statements.</p>

Section 01		The Company	
Code	Principle	Status	Level of compliance
C	Relations with shareholders		
C.1	Constructive use of the AGM and conduct of General Meetings		
C.1.1	Use of proxy	Complied	The Company counts all proxies lodged on each resolution and the percentage of votes for and against each resolution.
C.1.2	Separate resolution for all separate issues at the Annual General Meeting	Complied	A separate resolution is proposed at the Annual General Meeting on each issue, particularly in relation to the adoption of the Report of the Board of Directors and the Financial Statements of the Company.
C.1.3	Votes and use of proxy appointments at general meetings	Complied	The Company ensures that all proxy votes are properly recorded and counted. The numbers of proxies lodged on each resolution is conveyed to the Chairman.
C.1.4	Response to queries at the Annual General Meeting	Complied	The Chairman who represents the both board and Sub- Committees ensures that he is available to answer questions at the Annual General Meeting, if so required.
C.1.5	Notice of the Annual General Meeting and General Meetings and voting procedure.	Complied	The Notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders 15 working days prior to the meeting as required by Section 135(1) of the Companies Act No. 7 of 2007 accompany with a summary of the procedures governing voting at the General Meetings.
C.2	Communication with shareholders		
C.2.1 to C.2.7	Communication with shareholders	Complied	<p>The Company disseminates information pertaining to its performance through the publication of the Interim Financial Statements and the Annual Report in a timely manner. Information is also communicated immediately to the Colombo Stock Exchange on any data considered price sensitive. Furthermore, e- publications are made available on the Company's web site.</p> <p>Shareholders have access to the Company Secretary to discuss or clarify any matter related to shareholder interests.</p>
C.3	Major and material transactions		
C.3.1	Disclosure of Major Transactions to shareholders	Complied	There have been no transactions during the year of review that fall within the definition of "Major Transactions" as set out in the Companies Act No. 7 of 2007.
D	Accountability and audit		
D.1	Financial reporting		
D.1.1	Publishing of annual report including financial statements	Complied	The Company presents an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations. and any deviation is clearly explained.
D.1.2	Balanced and understandable information	Complied	The Board ensures that the quarterly and annual Financial Statements of the Company and Group are prepared and published in compliance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards (LKASs and SLFRSs) and the Rules of the Colombo Stock Exchange.

Corporate Governance

Section 01		The Company	
Code	Principle	Status	Level of compliance
D.1.3	CEO's and CFO's declaration on financial statements	Complied	<p>The Joint Chief Executive Officers and the Accountant review the Financial Statements before submitting them to the Audit Committee and Board. They ensure that the entity's financial records are properly maintained and that the Financial Statements comply with the appropriate accounting standards, providing a true and fair view.</p> <p>The Responsibility Statement From Chairman, Jt CEOs' and Accountant is given on page 114 of this Annual report</p>
D.1.4	Directors' Report in the Annual Report	Complied	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 110 to 112 of this Annual Report which contain the required declarations.
D.1.5	Statement of Directors' and Auditor's responsibility for the Financial Statements	Complied	<p>The 'Statement of Directors' Responsibilities' for the preparation and presentation of Financial Statements is given on page 113 of this Annual Report, and the Auditor's responsibilities are set out in the 'Independent Auditors' Report' on page 115 of this Annual Report.</p> <p>The Declaration on internal controls" is given on page 112 of the Annual Report.</p>
D.1.6	Management Discussion and Analysis	Complied	A comprehensive coverage of key initiatives undertaken during the year, the business model, capital management, stakeholder engagement, external impacts, internal performance, achievements and future outlook is available in this Report.
D.1.7	Summoning an EGM to notify serious loss of capital	Complied	The necessity for holding an Extraordinary General Meeting did not arise during the year of review but will be complied with if the necessity arises.
D.1.8	Related party transactions	Complied	The Company has adequate mechanisms to record and disclose Related Party Transactions in accordance with the continuing Listing Rules of CSE. All transactions with parties related to the organisation are disclosed adequately and accurately on pages 153 to 155 of this report.
D.2	Internal Control		
D.2.1	Directors to review internal controls	Complied	The Board, together with the Audit Committee, accepts responsibility for and reviews the risks faced by the Company and the effectiveness of the system of internal controls in place, on a quarterly basis.
D.2.2	Internal audit function	Complied	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work completed by them.
D.2.3	Review of effectiveness of the risk management and internal audit function	Complied	The Audit Committee carries out reviews of the process and effectiveness of risk management and internal controls, and documents same to the Board, and the Board takes responsibility for the disclosure of the Company's system of internal controls.
D.2.4	Responsibility of Directors	Complied	Directors take responsibility for maintaining a sound system of internal controls. The Internal Control Statement as described in Schedule K is given on page 112 of this Report.
D.3	Audit Committee		
D.3.1	Composition of Audit Committee	Complied	The Audit Committee consists of three Independent Directors and two Non-Executive Directors. The Board Chairman serves as the Chairman of the Committee also who an Independent Director is appointed by the Board.

Section 01		The Company	
Code	Principle	Status	Level of compliance
D.3.2	Duties of the Audit Committee	Complied	The Audit Committee is responsible for reviewing the scope and results of the Audit and the effectiveness, independence and objectivity of the Auditors.
D.3.3	Terms of Reference of the Audit Committee	Complied	The Terms of Reference of the Audit Committee have been agreed on by the Board. This addresses the purpose of the Committee, its duties and responsibilities, including it's scope and functions.
D.3.4	Disclosures of the Audit Committee	Complied	The list of members and disclosures are reported in the Audit Committee Report which is given on page 106 of this Report.
D.4	Related Party Transactions Review Committee		
D.4.1	Identification of Related Party Transaction	Complied	The related party transactions were identified and disclosed under the LKAS 24 and relevant disclosures are given on Pages 153 to 155 of this Report.
D.4.2	Composition of Related Party Transaction Committee	Complied	The related Party Transaction committee consists of two independent Non- Executive Directors with One Non-Executive Director.
D.4.3	Terms of Reference of Related Party Transaction Committee	Complied	<p>The Terms of Reference of the Related Party Transactions Review Committee has been agreed to by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.</p> <p>The report of Related Party Transaction Review Committee is give on the page 108 of this report.</p>
D.5	Code of Business Conduct and Ethics		
D.5.1	Disclosure on presence of Code of Business Conduct and Ethics	Complied	A comprehensive Code of Business Conduct and Ethics has been adopted by the Board. All Directors and key management personnel have declared compliance with the Code of Conduct and Business Governance.
D.5.2	Affirmation of Code in the Annual Report by the Chairman	Complied	The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics during the period of publication of this Annual Report
D.6	Corporate Governance Disclosures		
D.6.1	Disclosure of Corporate Governance	Complied	This Report from pages 90 to 105 sets out the manner and extent to which the Company has complied with the principles and provisions of relevant Codes.

Corporate Governance

Section 02		Shareholders	
Code	Principle	Status	Level of Compliance
E	Institutional Investors		
E.1	Shareholder Voting	Complied	All investors are invited to attend the Annual General Meeting and are free to make comments/suggestions on matters raised. The Company encourages dialogue with institutional investors and supports their right of using their votes at the AGM, based on the weightage they place on issues of concern to them.
E.2	Evaluation of governance disclosure	Complied	Institutional investors are encouraged to give due weight to all relevant factors brought to their attention when evaluating the Company's governance arrangements, particularly in relation to Board structure and composition.
F	Other investors		
F.1	Individual shareholders	Complied	Individual investors are encouraged to carry out adequate analyses or seek independent advice when making investing or divesting decisions.
F.2	Individual shareholders Voting	Complied	Individual shareholders are encouraged to actively participate in the AGM of the Company and exercise their voting rights. The AGM gives an ideal platform for all shareholders to meet with the Directors and obtain information and clarifications on the performance and way forward of the Company.
G	Internet of Things and Cybersecurity		
Principle G.1		Complied	The Company's Information Security measures, overseen by the Board, mitigate IT risks from internal and external threats. This includes using licensed software, monitoring internet usage, managing mail servers, employing anti-virus/firewall software, and maintaining contracts with reputable firms to IT minimise risks.
H	Environment, Society and Governance (ESG)		GRI 2-14
H.1	ESG Reporting	Complied	This IAR provides comprehensive information on ESG aspects, including risk management and reporting. Economic, social, health, and environmental implications of Company decisions are discussed in the VPE's ESG and Sustainability Framework and Capital Management Reports from pages 40 to 87. The Governance structure supports value creation and risk management. Key resources and mitigation actions for sustainability risks are identified. The Board is committed to ESG, with environmental and social activities outlined.

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The following disclosures are made in conformity with Section 7.10 of the Rules of the Colombo Stock Exchange which is effective at present until 1st October 2024;

CSE rule No.	Rule	Compliance status	Extent of compliance
7.10.1	Non-Executive Directors	Complied	All Directors of the Company are Non-Executive Directors. (the total number of Directors is six (06))
7.10.2	Independent Directors	Complied	Three (03) of the six (06) Non-Executive Directors are independent. Each Non-Executive Director submits a signed and dated declaration of Independence annually.
7.10.3 (a)	Disclosure relating to Directors	Complied	The Board assessed the independence declared by the Directors and determined the Directors who are independent. This is disclosed in the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to A.5.5 on page 98 of this Report.
7.10.3 (b)	Disclosure relating to Directors	Complied	The Board has determined that three (03) of the six (06) Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules. These independent Directors are; Messrs Harsha Amarasekera, Prabodha Sumanasekera and Shan Shanmuganathan.
7.10.3 (c)	Disclosure relating to Directors	Complied	A Brief resume of each Director is given on pages 10 to 11 of this Report.
7.10.3 (d)	Disclosure relating to New Directors	Complied	Brief resumes of new Directors appointed have been provided to the CSE when required.
7.10.5 (a)	Composition of Remuneration Committee	Complied	Comprises with two (02) Non-Executive Independent Directors.
7.10.5 (b)	Functions of the Remuneration Committee	Complied	Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to B.1.1 on page 99 and Remuneration Committee Report on page 107.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	Complied	Names of the Committee members are given in the above table in relation to the Code of Corporate Governance issued by the SEC and CASL as given under B.1.3 on page 99 and Remuneration Committee Report on page 107. The remuneration paid to the Directors is given in page 155 of this Report.
7.10.6 (a)	Composition of the Audit Committee	Complied	The Audit Committee consists of three Independent Directors and two Non-Executive Directors. Two members of the committee are Chartered Accountants. The Board Chairman serves as the Chairman of the Committee who is an Independent Director appointed by the Board.
7.10.6 (b)	Audit Committee Functions	Complied	Please refer to the above table in relation to the Code of Corporate Governance issued by the SEC and CASL with reference to D.3.2 on page 103 and Audit Committee Report on page 106 for the details of the functions of the Audit Committee.
7.10.6 (c)	Disclosure in composition the Annual Report relating to Audit Committee	Complied	Please refer the above table in relation to the Code of the Corporate Governance of SEC and CASL with reference D.3.1 on page 102 for the details of the names of members of the Audit Committee. The basis of determination of the independence of the Auditors is given in the Audit Committee Report on page 106 under section D.3.4 of the Code.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE COMMITTEE

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

Name of Director	Directorship status
Mr. Harsha Amarasekera (Chairman)	Independent Non-Executive
Mr. Prabodha Sumanasekera	Independent Non-Executive
Mr. Haresh Somashantha	Non Executive
Mr. Shan Shanmuganathan	Independent Non-Executive
Ms. Dinusha Bhaskaran	Non Executive

Additionally, the Board is currently in the process of ensuring compliance with the amended Listing Rules of the Colombo Stock Exchange concerning the Audit Committee.

MEETINGS

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

Name of Director	Attendance
Mr. Harsha Amarasekera	4/4
Mr. Prabodha Sumanasekera	1/4
Mr. Haresh Somashantha	4/4
Mr. Shan Shanmuganathan	2/4
Ms. Dinusha Bhaskaran	4/4

The Company Secretaries acts as the secretary to the Audit Committee. The two Joint Chief Executive Officers and the Accountant attend these meetings by invitation. The other officials of the Company attend the meetings by invitation on a need basis. The external auditors and internal auditors attend to the Audit Committee Meetings when matters pertaining to their functions come up for consideration.

ROLE OF THE COMMITTEE

The key purpose of the Audit Committee of Vallibel Power Erathna PLC is to assist the Board of Directors in fulfilling its responsibilities for;

1. the integrity of the Financial Statements in accordance with Sri Lanka Accounting Standards.
2. the Company's compliance with legal and regulatory requirements.
3. ensuring the external auditor's independence.
4. the performance of the Company's internal audit functions in order to ensure that the Company's internal controls and risk management are adequate.

INTERNAL AUDITS

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

EXTERNAL AUDITS

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

The Committee has recommended to the Board of Directors that Messrs. Deloitte Partners, Chartered Accountants (previously known as PricewaterhouseCoopers, Chartered Accountants), be re-appointed as the auditors of the Company for the financial year ending 31st March 2025, subject to the approval of the Shareholders at the Annual General Meeting. The Audit Committee is of the view that Messrs. Deloitte Partners, Chartered Accountants, is an independent entity as per their declaration made to the Company and the Audit Committee concurs with their declaration.

CONCLUSION

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the Audited Financial Statements are free from any material misstatements.



Harsha Amarasekera
Chairman
Audit Committee

16 May 2024

REPORT OF THE REMUNERATION COMMITTEE

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

Name of Director	Directorship status
Mr. Harsha Amarasekera (Chairman)	Independent Non-Executive
Mr. Prabodha Sumanasekara	Independent Non-Executive

The Remuneration Committee met once during this year and will meet more often if required. Its role is to make recommendations to the Board on the following.

- Remuneration policy and emoluments for certain Senior Executives.
- Employee benefits and long term incentive schemes.

The Company's remuneration policy is based on the following principles.

- To deliver improved shareholder value by ensuring that individual performance and rewards reflect and reinforce the business objectives of the Company.
- To support the recruitment, motivation and retention of highly qualified staff.
- To ensure that performance is the key factor in determining individual rewards.

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



Harsha Amarasekera
Chairman
Remuneration Committee

16 May2024

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

COMPOSITION OF THE COMMITTEE

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

The committee comprised of following three Non- Executive Directors as stipulated by the Section 9 of Listing Rules issued by the Colombo Stock Exchange on Related Party Transactions Review Committee which was effective until 31st March 2024.

Name of Director	Directorship status
Mr. Harsha Amarasekera (Chairman)	Independent Non-Executive
Mr. Shan Shanmuganathan	Independent Non-Executive
Mr. Chatura V. Cabraal	Non-Executive

Additionally, the Board is currently in the process of ensuring compliance with the amended Listing Rules of the Colombo Stock Exchange concerning the RPTRC.

ROLE OF THE COMMITTEE

The key duties of the committee;

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

MEETINGS

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

Name of Director	Attendance
Mr. Harsha Amarasekera	4/4
Mr. Shan Shanmuganathan	2/4
Mr. Chatura V. Cabraal	4/4

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

DISCLOSURES

A detailed disclosure of the recurrent related party transactions entered into by the Company during the year under review is disclosed in Note 30 to the financial statements given in pages 153 to 155 of this report. There were no non-recurrent related party transactions during the year under review.

DECLARATION

It is declared affirmatively by the committee that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange which was effective until 31st March 2024 pertaining to Related Party Transactions during the year under review.



Harsha Amarasekera
Chairman
Related Party Transaction Review Committee

16 May 2024

ANNUAL FINANCIAL STATEMENTS

CONTENTS

Financial Calendar	109
Annual Report of the Board of Directors on the Affairs of the Company	110
Statement of Directors Responsibility	113
Responsibility Statement from Chairman, Joint CEOs' & Accountant	114
Independent Auditor's Report	115
Statement of Profit or Loss	118
Statement of Comprehensive Income	119
Statement of Financial Position	120
Statement of Changes in Equity	121
Statement of Cash Flows	122
Notes to the Financial Statements	123

FINANCIAL CALENDAR

Financial reports	Year 2023/24	Year 2022/23
Interim Financial Statements - 1st Quarter	August 07, 2023	August 05, 2022
Interim Financial Statements - 2nd Quarter	November 10, 2023	November 10, 2022
Interim Financial Statements - 3rd Quarter	February 12, 2024	February 10, 2023
Interim Financial Statements - 4th Quarter	May 17, 2024	May 26, 2023
Annual Report	June 04, 2024	June 07, 2023

Dividend payments	Year 2023/24		Year 2022/23	
	Rs. per share	Date	Rs. per share	Date
1st Interim Dividend	Rs.1.75	March 27,2024	Nil	N/A
Final Dividend Payment	Nil	NA	Cents 50	July 20, 2023

	Year 2023/24	Year 2022/23
Annual General Meeting	June 28, 2024	June 30, 2023

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

The Directors of Vallibel Power Erathna PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements of the Company and the Group for the year ended 31st March 2024.

LEGAL STATUS

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

PRINCIPAL ACTIVITY OF THE COMPANY

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

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

PRINCIPAL ACTIVITIES OF SUBSIDIARY COMPANIES

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

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

BUSINESS REVIEW

A review of the operations of the Group business during the financial year and results of those operations are contained in the Chairman’s Statement (pages 18 to 19), Jt. CEO’s Review (pages 20 to 21) and VPE’s Operating Context report (pages 30 to 34) in this Integrated Annual Report. This report forms an integral part of the Annual Report of the Directors.

SUMMARISED FINANCIAL POSITION

The summarized financial position of the Company is as follows:

As at 31st March	2024 Rs. '000	2023 Rs. '000
Retained earnings brought forward	558,866	475,938
Net profit for the year	1,517,206	103,060
Other comprehensive Income/(loss) recognized in the accumulated profit	(6,340)	(20,132)
Dividends	(1,680,997)	-
Retained earnings carried forward	388,735	558,866

The Financial Statements of the Company and the Group are given in pages 118 to 157.

FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS’ REPORT

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

STATED CAPITAL

The Stated Capital as at 31st March 2024 was Rs. 1,174,365,278/- (2022/23 - Rs. 1,174,365,278) represented by 747,109,731 ordinary shares. There were no changes in the stated capital of the Company in the year.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 123 to 132 and are consistent with those of the previous period.

RESERVES

The reserves of the Company as at 31st March 2024 stand at Rs. 388,735,215/- (2022/23- Rs. 558,865,570/-) comprising totally revenue reserves.

TAXATION

Pursuant to the Supplementary Agreement dated 8th October 2008 entered into with the Board of Investment of Sri Lanka under Section 17 of the Board of Investment Law, the Company enjoyed a tax holiday of 10 years which was ended in 14th July 2014. Currently, pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on 19th of December, 2022, the Company is liable for income tax arising from the business of the generation of hydropower and on other income at 30%.

Information relating to income tax rates of subsidiary companies is shown in Note 11 to the Financial Statements.

STATUTORY PAYMENTS

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

DIVIDENDS

The Company paid an interim dividend of Rs. 1.75 per share for the financial year 2023/24 on 27th March 2024 and a final dividend of Rs. 0.50 (Cents 50) per share on 20th July 2023 for the financial year 2022/2023.

CAPITAL EXPENDITURE

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 141,000/- (2022/23-Rs. 453,400/-) details of which are given in Note 13 on page 138.

PROPERTY, PLANT & EQUIPMENT

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

SHAREHOLDINGS

As at 31st March 2024 there were 7,073 registered shareholders.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net asset per share, twenty largest shareholders of the Company, public holdings as per the Listing Rules of the Colombo Stock Exchange are given on pages 161 to 162 under Investor Information report of this Annual Report.

DIRECTORATE

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 10 to 11.

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

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

Directors of the subsidiary company as at the end of the accounting period:**Country Energy (Private) Limited**

Mr. G A R D Prasanna
Mr. K D A Perera
Mr. K D H Perera
Mr. Prabodha Sumanasekera
Ms. Dinusha Bhaskaran

INTEREST REGISTER

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

DIRECTORS' SHAREHOLDING

The Directors' Interest in shares of the Company as at 31/03/2024 and 31/03/2023 are as follows:

As at 31st March	2024	2023
Mr. Harsha Amarasekera	30	30
Mr. Prabodha Sumanasekera	150,000	150,000
Mr. Haresh Somashantha	15,000	15,000
Mr. Shan Shanmuganathan	Nil	Nil
Mr. Chatura V. Cabraal	Nil	Nil
Ms. Dinusha Bhaskaran	Nil	Nil

DIRECTORS REMUNERATION

The Directors Remuneration is disclosed under key management personnel compensation in Note 30.6 to the Financial Statement on Page 155.

LAND HOLDINGS

The Company and Subsidiary hold freehold lands, leasehold lands and state lands within the districts of Rathnapura and Nuwara Eliya. The details of the land holdings and building holdings are stated in the page 80 of this Integrated Annual Report.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2024 are given in Notes 15.1 to the Financial Statements on page 143.

DONATIONS

During the year the Company and Subsidiary made donations amounting to Rs. 383,700/- (2022/23-Rs. 281,920/-) and Rs. 651,055/- (2022/23-Rs. 137,770/-) respectively.

RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 36 to 39 of the Integrated Annual Report.

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

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange at present. However, the Company will take steps to be compliant with the new Corporate Governance rules of the Colombo Stock Exchange which will be effective from 1st October 2024.

The period of service of Messers Harsha Amarasekera, Prabodha Sumanasekera and Shan Shanmuganathan exceeds nine years. The Board is of the view that the period of service Messers Harsha Amarasekera, Prabodha Sumanasekera and Shan Shanmuganathan do not compromise their independence and objectivity in discharging their functions as Directors and therefore based on declarations submitted by the said Directors, has determined that those Directors shall nevertheless be "Independent" as per the Listing Rules effective at present.

The report on Corporate Governance is given on pages 90 to 105 of the Annual Report.

BOARD SUB COMMITTEES

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

AUDIT COMMITTEE

Mr. Harsha Amarasekera - *Chairman*
Mr. Prabodha Sumanasekera
Mr. Haresh Somashantha
Mr. Shan Shanmuganathan
Ms. Dinusha Bhaskaran

REMUNERATION COMMITTEE

Mr. Harsha Amarasekera - *Chairman*
Mr. Prabodha Sumanasekera

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. Harsha Amarasekera - *Chairman*
Mr. Shan Shanmuganathan
Mr. Chatura V. Cabraal

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange effective at present pertaining to Related Party Transactions during the Financial Year ended 31st March 2024.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to give assurance, *inter alia* with regard to the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

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

GOING CONCERN

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

EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Except for matters disclosed in Note 27 to the financial statements there are no any material events have occurred since the reporting date which would require adjustments to, or disclosure in the accounts other than the disclosed above.

AUDITORS

The Financial Statements for the year ended 31st March 2024 have been audited by Messrs Deloitte Partners, Chartered Accountants (formerly known as Messrs PricewaterhouseCoopers, Chartered Accountants) who offer themselves for re-appointment.

In accordance with the Companies Act No. 07 of 2007, a resolution relating to their re-appointment and authorizing the

Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting. The amounts of Rs. 1,060,755/- (2022/23 - Rs. 964,323/-) and Rs. 392,462/- (2022/23 - Rs. 341,270/-) are payable by the Company and Subsidiary respectively to the Auditors for the year under review comprising of Audit Fees.

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

Details of payment to Auditors of the subsidiary Companies on account of Audit Fees and for permitted financial invoices are set out in Note 10 to the Financial Statements on page 134.

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting appears on page 174 of this Report.

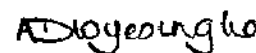
For and on behalf of the Board



Harsha Amarasekera
Chairman



Haresh Somashantha
Director



PW Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo

16 May 2024

STATEMENT OF DIRECTORS RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements of the Company for the year ended 31st March 2024 differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on pages 115 to 117.

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

The Directors consider that, in preparing Financial Statements for the year ended 31st March 2024 set out on pages 115 to 117 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the Financial Statements since adequate resources are available to continue operations in the foreseeable future.

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

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

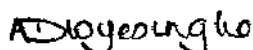
The Directors are required to prepare Financial Statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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

COMPLIANCE REPORT

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

For and on behalf of the Board
VALLIBEL POWER ERATHNA PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo

16 May 2024

RESPONSIBILITY STATEMENT FROM CHAIRMAN, JOINT CEOS' & ACCOUNTANT

The Financial Statements of Vallibel Power Erathna PLC and the Consolidated Financial Statements of the Group as at 31 March, 2024 have been prepared in accordance with the stipulations of the following entities:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 07 of 2007;
- The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

Accordingly, we affirm that the accounting policies adhered to in the preparation of the Financial Statements are relevant, have been applied consistently, and present a true and fair view of the financial position and results of the Company as set out in the notes to the Financial Statements. The Audit Committee as well as our External Auditors were also kept informed and conferred with, on significant accounting policies and estimates pertaining to a high level of decision, complexity or perceived ambiguity.

We confirm that stringent systems of internal control and accounting have been implemented to enable the preparation of financial statements free from material misstatement, whether due to fraud or error, as well as to safeguard our assets. Our Internal Auditors, Messrs. KPMG, Chartered Accountants conducted periodic audits to provide assurance that the necessary policies and procedures were judiciously followed. We ensure that our policies and processes are appraised and revised continuously. It is to be noted, however, that limitations are inherent in systems of internal control and accounting and this should be taken into consideration when determining the assurances provided by them.

The Audit Committee of the Company conducts meetings with the Internal Auditors and the Independent Auditors periodically or more often if deemed necessary, to review the audits and discuss issues pertaining to auditing, internal control and financial reporting. The Company provides the Independent Auditors and the Internal Auditors with unlimited access to the Audit Committee for this purpose.

Our Financial Statements were audited by Messrs Deloitte Partners, Chartered Accountants, the Independent External Auditors whose report is provided from pages 115 to 117 in this Annual Report. The Audit Committee reviews the audit and non-audit services provided by the External Auditor periodically, to ensure that provision of these services in no way impede their independence.

We hereby declare that the Company and its subsidiaries are fully compliant with all applicable laws, regulations, and legal requirements and that there have been no instances of non-compliance or pending material litigation against the Group. Therefore, consequent to due inquiry and having taken into account the financial position and future prospects of the Company and of the Group, we have a reasonable expectation that the Company and the Group have adequate resources to continue to be in operational existence for the foreseeable future.



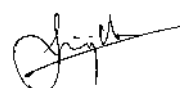
Harsha Amarasekera
Chairman



Russell De Silva
Jt. CEO



Aruna Dheerasinghe
Jt. CEO



Sajithra Thanoj
Accountant

16 May 2024

INDEPENDENT AUDITOR'S REPORT



Deloitte Partners
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To the Shareholders of Vallibel Power
Erathna PLC

Report on the audit of the financial
statements

OUR OPINION

We have audited the financial statements of Vallibel Power Erathna PLC (the Company) and the consolidated financial statements of the Company and its subsidiary (the Group). The financial statements of the Company and the consolidated financial statements of the Group comprise:

- the statement of financial position as at 31 March 2024;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

INDEPENDENCE

We are independent of the Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

KEY AUDIT MATTERS

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

C S Manoharan FCA, T U Jayasinghe FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, L A C Tillekeratne ACA, M D B Boyagoda FCA, N R Gunasekera FCA, W D A S U Perera ACA, D C A J Yapa ACA, Minfaz Hilmy FCA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

Independent Auditor's Report

Deloitte.

The Group:

Key audit matter	How our audit addressed the Key audit matter
<p>Estimation of useful life period of items of asset categories in Property, Plant & Equipment (Refer Accounting Policy 2.17 and Note 13 to the financial statements)</p> <p>The items of asset categories in property, plant and equipment of the Group are depreciated on the straight-line method by systematically allocating the depreciable amount of the individual asset categories over their useful lives, as estimated by the management. These estimations are based on changes in the expected level and period(s) of usage, technological developments and obsolescence, level of wear and tear which involves a high degree of judgement and could affect the depreciation expense and carrying value of the property, plant and equipment in the financial statements.</p> <p>We considered the estimation of the useful life period of asset categories as a Key Audit Matter, since the carrying value of property, plant and equipment of Rs. 1,837 Mn, is substantial as at the statement of financial position date as it represents 63% of the total assets of the Group and also due to the level of judgement required to estimate the useful life.</p>	<p>The following audit procedures were performed on the management's estimation of useful life periods of asset categories under Property, Plant & Equipment:</p> <ul style="list-style-type: none"> • We obtained the understanding of management's policies and procedures developed over the estimation of the remaining useful lives of plant & machinery. • We assessed the reasonableness of management assumptions and judgement applied in developing expectations of remaining useful lives of plant & machinery and checked the agreement terms in the power purchase agreements entered. • We compared the depreciation policies, including estimated useful lives of asset categories, adopted by other comparable/ similar mini hydro power plant operators. • We checked the arithmetical accuracy of the depreciation recorded during the year.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 March 2024 ("Annual Report") but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other

information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Deloitte.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/ consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate/consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate/consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be

communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Deloitte Poornima

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 3991
COLOMBO

16 May 2024

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Note	Company		Group	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Revenue from contracts with customers	6	323,912,381	323,544,409	1,475,248,843	1,122,569,037
Direct costs	10	(60,921,402)	(54,689,112)	(175,790,956)	(161,174,683)
Gross profit		262,990,979	268,855,297	1,299,457,887	961,394,354
Other income	7	1,357,353,853	2,496,621	1,166,138	2,496,621
Administrative expenses	10	(69,466,069)	(55,896,774)	(154,204,281)	(128,103,546)
Other operating expenses	10	(2,402,250)	(2,748,302)	(3,201,392)	(3,073,867)
Operating profit		1,548,476,513	212,706,842	1,143,218,352	832,713,562
Finance income	8	38,784,386	17,408,895	128,248,007	66,134,888
Finance costs	9	(350,031)	(310,836)	(4,522,525)	(4,276,935)
Finance income - net		38,434,355	17,098,059	123,725,482	61,857,953
Profit before income tax		1,586,910,868	229,804,901	1,266,943,834	894,571,515
Income tax expense	11.1	(69,704,276)	(126,745,066)	(485,193,786)	(239,454,425)
Profit for the period		1,517,206,590	103,059,835	781,750,048	655,117,090
Profit is attributable to:					
Owners of Vallibel Power Erathna PLC		1,517,206,590	103,059,835	670,524,648	583,315,841
Non-controlling interests		-	-	111,225,400	71,801,249
		1,517,206,590	103,059,835	781,750,048	655,117,090
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	12	2.03	0.14	0.90	0.78
Dividend per share	26	1.75	0.50	1.75	0.50

The notes on pages 123 to 157 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

		Company		Group	
For the year ended 31 March	Note	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Profit for the period		1,517,206,590	103,059,835	781,750,048	655,117,090
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement of retirement benefit obligation	23	(9,057,216)	4,469,462	(14,343,436)	6,668,783
Deferred tax effect on the remeasurement of retirement benefit obligation	11.2	2,717,165	(1,340,839)	3,510,099	(1,670,737)
Deferred tax impact on revaluation surplus of land		-	(23,260,418)	-	(23,260,418)
Other comprehensive income for the period, net of tax		(6,340,051)	(20,131,795)	(10,833,337)	(18,262,372)
Total comprehensive income for the period		1,510,866,539	82,928,040	770,916,711	636,854,718
Total comprehensive income for the period is attributable to:					
Owners of Vallibel Power Erathna PLC		1,510,866,539	82,928,040	660,266,451	564,814,183
Non-controlling interests		-	-	110,650,260	72,040,535
		1,510,866,539	82,928,040	770,916,711	636,854,718

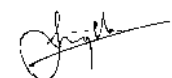
The notes on pages 123 to 157 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		Company		Group	
As at 31 March		2024	2023	2024	2023
	Note	Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	13	653,926,067	685,133,083	1,836,795,971	1,915,445,832
Right-of-use assets	14	1,277,970	1,616,705	33,857,897	33,593,547
Investment in subsidiary	15.1	821,619,980	821,619,980	-	-
Intangible assets	16	4,340,532	4,625,157	33,635,953	44,277,245
Other non-current asset	17	-	-	4,500,000	4,500,000
Total non-current assets		1,481,164,549	1,512,994,925	1,908,789,821	1,997,816,624
Current Assets					
Inventories	18	4,214,329	3,569,002	16,998,201	15,901,645
Trade and other receivables	19	18,050,555	349,781,627	111,570,760	1,236,040,762
Amount due from related parties	20	4,145,085	4,115,551	1,578,535	1,749,476
Cash and cash equivalents	21	354,470,664	114,181,022	873,886,218	499,561,143
Total current assets		380,880,633	471,647,202	1,004,033,714	1,753,253,026
Total assets		1,862,045,182	1,984,642,127	2,912,823,535	3,751,069,650
EQUITY					
Stated capital	22	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278
Retained earnings		388,735,215	558,865,571	846,060,244	1,866,790,688
Capital and reserves attributable to owners of Vallibel Power Erathna PLC		1,563,100,493	1,733,230,849	2,020,425,522	3,041,155,966
Non-controlling interests		-	-	184,256,307	307,716,088
Total equity		1,563,100,493	1,733,230,849	2,204,681,829	3,348,872,054
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	23	36,090,205	21,486,363	53,051,569	32,375,038
Deferred tax liabilities	24	184,020,953	197,113,550	218,731,691	231,467,326
Lease liabilities	14	1,768,118	1,462,195	40,328,804	38,951,582
Total non-current liabilities		221,879,276	220,062,108	312,112,065	302,793,946
Current liabilities					
Accruals and other payables	25	57,041,018	14,220,431	299,088,023	39,493,026
Lease liabilities	14	-	422,771	2,497,463	2,345,432
Current tax liabilities		20,024,395	16,705,968	94,444,156	57,565,192
Total current liabilities		77,065,413	31,349,170	396,029,642	99,403,650
Total equity and liabilities		1,862,045,182	1,984,642,127	2,912,823,535	3,751,069,650

The notes on pages 123 to 157 form an integral part of these financial statements.

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



Sajithra Thanoj
Accountant



Russell De Zilva
Jt. CEO

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

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



Harsha Amarasekera
Chairman



Haresh Somashantha
Director

16 May 2024

STATEMENT OF CHANGES IN EQUITY

Company	Stated capital Rs.	Retained earnings Rs.	Total Rs.
For the year ended 31 March			
Balance as at 1 April 2022	1,174,365,278	475,937,531	1,650,302,809
Profit for the period	-	103,059,835	103,059,835
Other comprehensive income	-	(20,131,795)	(20,131,795)
Total comprehensive income for the period		82,928,040	82,928,040
Balance as at 31 March 2023	1,174,365,278	558,865,571	1,733,230,849
Profit for the period	-	1,517,206,590	1,517,206,590
Other comprehensive income	-	(6,340,051)	(6,340,051)
Total comprehensive income for the period		1,510,866,539	1,510,866,539
Transactions with owners in their capacity as owners:			
Interim dividend for the financial year 2023/24		(1,307,442,029)	(1,307,442,029)
Final dividends for the financial year 2022/23		(373,554,866)	(373,554,866)
Dividends paid	-	(1,680,996,895)	(1,680,996,895)
Balance as at 31 March 2024	1,174,365,278	388,735,215	1,563,100,493

Group	Stated Capital Rs.	Retained earnings Rs.	Non-controlling interests Rs.	Total Rs.
For the year ended 31 March				
Balance as at 1 April 2022	1,174,365,278	1,301,976,505	235,675,553	2,712,017,336
Profit for the period	-	583,315,841	71,801,249	655,117,090
Other comprehensive income	-	(18,501,658)	239,286	(18,262,372)
Total comprehensive income for the period		564,814,183	72,040,535	636,854,718
Balance as at 31 March 2023	1,174,365,278	1,866,790,688	307,716,088	3,348,872,054
Profit for the period	-	670,524,648	111,225,400	781,750,048
Other comprehensive income	-	(10,258,197)	(575,140)	(10,833,337)
Total comprehensive income for the period		660,266,451	110,650,260	770,916,711
Transactions with owners in their capacity as owners:				
Interim dividend for the financial year 2023/24		(1,307,442,029)	(182,720,032)	(1,490,162,061)
Final dividends for the financial year 2022/23		(373,554,866)	(51,390,009)	(424,944,875)
Dividends paid	-	(1,680,996,895)	(234,110,041)	(1,915,106,936)
Balance as at 31 March 2024	1,174,365,278	846,060,244	184,256,307	2,204,681,829

The notes on pages 123 to 157 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		Company		Group	
For the year ended 31 March		2024	2023	2024	2023
	Note	Rs.	Rs.	Rs.	Rs.
Cash flows generated from operating activities					
Profit before income tax		1,586,910,868	229,804,901	1,266,943,834	894,571,515
Adjustments for					
Amortization of intangible assets	10	284,625	284,625	10,641,292	10,641,292
Deprecation of right-of-use assets	10	561,709	1,594,383	4,263,339	6,025,656
Depreciation of property, plant and equipment	10	31,348,016	31,425,174	79,189,512	79,512,332
Provision for retirement benefits obligation	23	5,776,174	4,764,867	8,839,990	7,372,960
Dividend income	7	(1,356,187,715)	-	-	-
Gain on disposal of property, plant & equipment		-	8,429	-	8,429
Adjustment for Property, Plant & Equipment		-	-	(8,909)	-
Finance income	8	(38,784,386)	(17,408,895)	(128,248,007)	(66,134,888)
Finance costs	9	350,031	310,836	4,522,525	4,276,935
Operating profit before working capital changes		230,259,322	250,784,320	1,246,143,576	936,274,231
(Increase)/ Decrease in Inventories		(645,327)	(414,176)	(1,096,556)	(6,709,898)
(Increase) / Decrease in trade and other receivables		333,032,031	(159,118,905)	1,121,451,517	(435,065,773)
(Increase) / Decrease in amounts due from related parties		(29,534)	617,422	170,942	622,567
Increase / (Decrease) in trade and other payables		42,820,587	(1,448,121)	254,794,997	(504,331)
Cash generated from operations		605,437,079	90,420,540	2,621,464,476	494,616,796
Finance interest paid		(246,597)	(166,455)	(764,288)	(307,706)
Finance interest received		37,483,428	13,723,032	131,266,491	54,597,171
Retirement benefit obligations paid	23	(229,549)	-	(2,506,896)	-
Income taxes paid		(76,761,285)	(90,659,052)	(457,540,356)	(200,036,135)
Net cash inflow from operating activities		565,683,076	13,318,065	2,291,919,427	348,870,126
Cash flows from investing activities					
Payments for property, plant and equipment		(141,000)	(453,400)	(530,742)	(847,833)
Dividend received		1,356,187,715	-	-	-
Net cash inflow / (outflow) from investing activities		1,356,046,715	(453,400)	(530,742)	(847,833)
Cash flows from financing activities					
Dividends paid to company's shareholders		(1,680,996,895)	-	(1,915,106,936)	-
Principal elements of lease payments		(443,255)	(1,711,185)	(1,956,674)	(4,447,203)
Net cash (outflow) from financing activities		(1,681,440,150)	(1,711,185)	(1,917,063,610)	(4,447,203)
Net increase / (decrease) in cash and cash equivalents		240,289,642	11,153,480	374,325,075	343,575,090
Cash and cash equivalents at the beginning of the financial year (Note A)		114,181,022	103,027,542	499,561,143	155,986,053
Cash and cash equivalents at end of year (Note B)		354,470,664	114,181,022	873,886,218	499,561,143
Note A					
Cash and Cash Equivalents at the Beginning of the Period					
Cash in hand & at bank		200,730	14,270,461	5,722,104	17,344,886
Investments in short-term deposits (Matuiry period < 3 months)		113,980,292	88,757,081	493,839,039	138,641,167
		114,181,022	103,027,542	499,561,143	155,986,053
Note B					
Cash and Cash Equivalents at the End of the Period					
Cash in hand & at bank		10,478,331	200,730	15,680,449	5,722,104
Investments in short-term deposits (Matuiry period < 3 months)		343,992,333	113,980,292	858,205,769	493,839,039
		354,470,664	114,181,022	873,886,218	499,561,143

The notes on pages 123 to 157 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

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

The financial statements were authorised for issue by the directors on 16 May 2024. The directors have the power to amend and reissue the financial statements.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of Preparation

(i) Compliance with SLFRS

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 April 2023:

- Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies - Amendments to LKAS 1
- Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to LKAS 12

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of Consolidation and Equity Accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.9).

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

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

(ii) Changes in ownership interests

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

Notes to the Financial Statements

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

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Joint Chief Executive Officers ('Jt. CEO'). Refer note 31 for further information on segment reporting.

2.4 Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains

and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

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

(iii) Group companies

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

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

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

exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

2.5 Revenue from Contracts with Customers

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

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

- 1) Erathna mini hydropower plant ('EMHP')
- 2) Denawaka mini hydropower plant ('DMHP')
- 3) Kiriwaneliya mini hydropower plant ('KMHP')

The Group has entered into an SPPA with the CEB in order to sell energy output generated from the respective power projects. This agreement shall continue for a period of 15 years beginning on the commercial operations date. The commercial operations of each project started on 15th July 2004, 15 December 2011 and 14 February 2012 respectively. The SPPA of EMHP has been already extended from 15th July 2019 to 15th July 2024 with provision of 20 years' extension up to 2039. Further, extension of SPPAs of DMHP and KMHP will have to be agreed with the Ceylon Electricity Board after the expiry of the aforesaid 15 years.

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

substantially satisfying the specifications of the SPPA.

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

2.6 Government Grants

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

2.7 Income Tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a

business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

2.8 Leases

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Notes to the Financial Statements

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases
- makes adjustments specific to the lease, eg term, country, currency and security.

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

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

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

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

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

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

2.9 Business Combinations

The acquisition method of accounting is used to account for all business

combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

2.10 Impairment of Assets

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

2.11 Inventories

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

2.12 Cash and Cash Equivalents

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

2.13 Trade Receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 19 for further information about the Group's accounting for trade receivables and note 4.1 for a description of the Group's impairment policies.

2.14 Non-Current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

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

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

disposal group) is recognised at the date of derecognition.

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

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

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

2.15 Investments and Other Financial Assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

- **Amortised cost**: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Notes to the Financial Statements

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

Equity Instruments

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

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

(iv) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4.1 for further details.

2.16 Financial Guarantee Contracts

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

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

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

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

2.17 Property, Plant and Equipment

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of

the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

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

2.18 Intangible Assets

(i) Goodwill

Goodwill is measured as described in note 2.9. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(ii) Trademarks, licences and customer contracts

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

(iii) Software

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

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software

- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

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

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

(iv) Research and development

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

2.19 Trade and Other Payables

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

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities

are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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

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

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

Notes to the Financial Statements

2.21 Borrowing Costs

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

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

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

2.22 Provisions

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

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

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

2.23 Employee Benefits

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

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

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

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

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

2.24 Dividends

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

2.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

2.26 Rounding of Amounts

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

3 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

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

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

The areas involving significant estimates or judgements are:

- estimation uncertainties and judgements made in relation to lease accounting - Note (14.1)
- estimation of defined benefit pension obligation - Note (23)
- estimated useful life of intangible asset - Note (16)
- estimated useful life of property, plant and equipment - Note (13)
- estimation of Deferred tax liabilities - Note (24)

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

4 FINANCIAL RISK MANAGEMENT

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

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

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

4.1 Credit risk

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

Risk management and impairment of financial assets

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

4.2 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held short-term investments at banks and financial institutions of Rs. 858,205,769 (2023 - Rs. 493,839,039) that are expected to readily generate cash inflows for managing liquidity risk.

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

Maturities of financial liabilities

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

Notes to the Financial Statements

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

Group	Less than 1 year Rs.	Between 1 and 2 years Rs.	Between 2 and 5 years Rs.	Over 5 years Rs.	Total contractual cash flows Rs.
31 March 2024					
Lease liabilities	5,107,017	5,107,018	15,321,050	49,228,067	74,763,151
Accruals and other payables (excluding statutory liabilities)	44,944,824	-	-	-	44,944,824
	50,051,840	5,107,018	15,321,050	49,228,067	119,707,975
31 March 2023	Rs.	Rs.	Rs.	Rs.	Rs.
Lease liabilities	6,333,913	5,053,888	15,161,663	54,069,439	80,618,903
Accruals and other payables (excluding statutory liabilities)	37,752,887	-	-	-	37,752,887
	44,086,800	5,053,888	15,161,663	54,069,439	118,371,790
Company					
31 March 2024					
Lease liabilities	307,017	307,017	921,050	1,228,067	2,763,151
Accruals and other payables (excluding statutory liabilities)	17,700,721	-	-	-	17,700,721
	18,007,738	307,017	921,050	1,228,067	20,463,872
31 March 2023	Rs.	Rs.	Rs.	Rs.	Rs.
Lease liabilities	644,756	253,888	761,663	1,269,439	2,929,746
Accruals and other payables (excluding statutory liabilities)	13,000,352	-	-	-	13,000,352
	13,645,108	253,888	761,663	1,269,439	15,930,098

5 CAPITAL MANAGEMENT

5.1 Risk Management

The Group's objectives when managing capital are to:

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

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

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Company		Group	
For the year ended 31 March	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Electricity generation:				
Erathna MHPP	323,912,381	323,544,409	323,912,381	323,544,409
Denawakaganga MHPP	-	-	771,192,246	480,289,061
Kiriwaneliya MHPP	-	-	380,144,216	318,735,567
	323,912,381	323,544,409	1,475,248,843	1,122,569,037

7 OTHER INCOME

	Company		Group	
For the year ended 31 March	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Dividend income	1,356,187,715	-	-	-
Unclaimed dividend written-off	1,088,476	2,496,621	1,088,476	2,496,621
Retention written-off	77,662	-	77,662	-
	1,357,353,853	2,496,621	1,166,138	2,496,621

8 FINANCE INCOME

	Company		Group	
For the year ended 31 March	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Interest income from financial assets held for cash management purposes	38,784,386	17,408,895	128,248,007	66,134,888
	38,784,386	17,408,895	128,248,007	66,134,888

9 FINANCE COSTS

	Company		Group	
For the year ended 31 March	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Interest on lease liabilities	350,031	310,836	4,522,525	4,276,935
	350,031	310,836	4,522,525	4,276,935

Notes to the Financial Statements

10 BREAKDOWN OF EXPENSES BY NATURE

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Directors' remuneration	5,027,049	3,938,889	5,027,049	3,938,889
Auditors' remuneration	1,282,990	967,929	1,711,044	1,335,402
Depreciation	31,909,725	33,019,558	83,452,851	85,537,990
Amortisation	284,625	284,625	10,641,287	10,641,292
Employee benefits expenses	54,572,349	46,043,877	150,602,618	130,288,551
Gratuity provision	5,776,174	4,764,867	8,839,990	6,810,261
Maintenance expenses	6,779,905	3,198,203	18,719,732	11,648,786
Legal & professional fees	2,271,696	1,905,889	3,204,035	3,011,288
Secretaries fees	701,461	442,827	1,288,618	629,069
Insurance	1,842,542	2,638,965	6,922,409	7,136,946
Shareholder related expenses	5,068,859	2,854,853	5,068,859	2,854,853
Annual fees and subscription	2,121,237	1,428,309	2,873,922	2,099,330
Vehicle rent & allowances	420,000	630,000	3,840,000	3,750,000
Fuel, travelling & transport	2,535,918	1,678,381	6,610,428	5,059,897
Utility expenses	3,838,222	2,004,321	6,237,111	3,760,383
Staff welfare	1,608,686	927,401	3,254,484	2,446,838
Other administrative expenses	4,346,031	3,856,993	11,801,126	8,328,453
Donation & CSR	905,674	654,152	1,604,489	979,717
New project development	1,496,576	2,094,150	1,496,576	2,094,150
Total direct cost, administrative expenses and other operating expenses	132,789,721	113,334,188	333,196,629	292,352,095

11 INCOME TAX EXPENSE

11.1 Statement of Profit or Loss

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
(I) Current tax expense				
Income tax on current year profit (note 11.3)	80,241,760	50,486,622	255,254,131	160,406,131
Group dividend tax			239,327,244	
Less: Previous year over-provision	(162,051)	-	(162,051)	-
	80,079,708	50,486,622	494,419,323	160,406,131
(II) Deferred tax expense				
Deferred taxation expense / (income) (note 24)	(10,375,432)	76,258,444	(9,225,537)	79,048,294
Income tax expense reported in the statement of profit or loss	69,704,276	126,745,066	485,193,786	239,454,425

11.2 Statement of Other Comprehensive Income

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Deferred tax effect on the remeasurement of retirement benefit obligation	(2,717,165)	1,340,839	(3,510,099)	1,670,737
Deferred tax impact on revaluation surplus of land	-	23,260,418	-	23,260,418
Income tax expense / (income) reported in the statement of other comprehensive income	(2,717,165)	24,601,257	(3,510,099)	24,931,155

11.3 Reconciliation between Taxable Profit and the Accounting Profit

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Net profit before tax	1,586,910,868	229,804,901	1,266,943,834	894,571,515
Add: Disallowable expenses	39,635,944	42,671,002	115,556,478	113,299,439
Less: Allowable expenses	(1,779,130)	(2,738,682)	(31,339,693)	(28,001,289)
Dividend income from subsidiary	(1,356,187,715)	-	-	-
Total assessable income	268,579,969	269,737,221	1,351,160,619	979,869,665
Less: Tax exempted profit from business	(1,088,476)	(2,496,621)	(1,088,476)	(2,496,621)
Taxable income	267,491,493	267,240,600	1,350,072,143	977,373,044
Distribution of taxable income				
Business profit liable at 14%	-	183,249,451	-	513,952,677
Business profit liable at 15%	-	-	993,117,032	330,703,226
Business profit liable at 30%	228,688,146	66,582,254	228,688,146	66,582,254
Other income liable at 24%	-	6,094,088	-	16,131,163
Other income liable at 30%	38,784,386	11,314,807	128,248,006	50,003,725
	267,472,532	267,240,600	1,350,053,184	977,373,045
Income tax on business profit at 14%	-	25,654,923	-	71,953,375
Income tax on business profit at 15%	-	-	148,173,285	49,605,484
Income tax on business profit at 30%	68,606,444	19,974,676	68,606,444	19,974,676
Income tax on other income at 24%	-	1,462,581	-	3,871,479
Income tax on other income at 30%	11,635,316	3,394,442	38,474,402	15,001,117
Income tax expense on liable income	80,241,760	50,486,622	255,254,131	160,406,131
Deferred taxation expense / (income) (note 24)	(10,375,432)	76,258,444	(9,225,537)	79,048,294
Income tax expense reported in the statement of profit or loss	69,866,328	126,745,066	246,028,594	239,454,425
Effective tax rate	30%	19%	19%	16%

Notes to the Financial Statements

11 INCOME TAX EXPENSE (CONTD.)

11.4 Reconciliation between Tax Expense as per the Taxable Profit and the Accounting Profit

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Accounting profit before tax	1,586,910,868	229,804,901	1,266,943,834	894,571,515
Applicable tax rate of the reporting entity	-	14%	15%	14%
Accounting profit before tax under 15% tax rate	-	24,058,575	156,766,602	71,214,538
Applicable tax rate of the reporting entity	-	-	-	15%
Accounting profit before tax under 15% tax rate	-	-	-	50,524,246
Applicable tax rate of the reporting entity	30%	30%	30%	30%
Accounting profit before tax under 30% tax rate	476,073,260	17,387,381	66,549,946	17,387,381
Expected total tax expense	476,073,260	41,445,956	223,316,548	139,126,165
Tax effects on:				
- Expenses not deductible for tax purposes	11,357,044	4,183,644	63,350,693	2,407,372
- Income taxed at a different tax rate	-	4,857,022	(33,747,880)	18,872,595
- Dividend income	(406,856,315)	-	-	-
- Exempted profits	(326,543)	-	-	-
- Other	(5,688)	-	2,334,769	-
Income tax expense	80,241,760	50,486,622	255,254,131	160,406,132
Deferred taxation expense / (income) (note 24)	(10,375,432)	76,258,444	(9,225,537)	79,048,294
Income tax expense reported in the statement of profit or loss	69,866,328	126,745,066	246,028,594	239,454,425

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

In terms of an agreement entered into with the Board of Investment of Sri Lanka, the Subsidiary is exempt from income tax in terms of an agreement entered into with the Board of Investment of Sri Lanka (BOI), the Subsidiary was exempted from income tax for a period of 06 years reckoned from YA 2012/13 to YA 2017/18. After the expiration of the aforesaid tax exemption period referred to in above, the profits and income of the enterprise shall for any year of assessment be charged at the rate of 15% and other income is taxed at the applicable tax rate of 24%.

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

12. EARNINGS PER SHARE

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Profit attributable to ordinary shareholders of the company	1,517,206,590	103,059,835	670,524,648	583,315,841
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	747,109,731	747,109,731	747,109,731	747,109,731
Basic earnings per share (Rs.)	2.03	0.14	0.90	0.78

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

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

Company

	Freehold land	Civil constructions	Plant & machinery	Project equipment	Tools & accessories	Motor vehicle	Motor bicycle	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cost								
Balance as at 01.04.2022	150,000,000	530,938,434	577,692,396	1,124,289	3,109,797	8,758,500	310,660	
Addition	-	-	-	36,000	-	-	-	
Disposals	-	-	-	(119,391)	-	-	-	
Balance as at 31.03.2023	150,000,000	530,938,434	577,692,396	1,040,898	3,109,797	8,758,500	310,660	
Accumulated depreciation								
Balance as at 01.04.2022	-	237,734,733	307,842,545	1,006,544	3,097,797	8,758,500	310,660	
Charge for the year	-	13,273,461	17,330,772	57,756	6,000	-	-	
Disposals	-	-	-	(119,391)	-	-	-	
Balance as at 31.03.2023	-	251,008,194	325,173,317	944,909	3,103,797	8,758,500	310,660	
Net book value as at 31.03.2023	150,000,000	279,930,240	252,519,079	95,989	6,000	-	-	
Cost								
Balance as at 01.04.2023	150,000,000	530,938,434	577,692,396	1,040,898	3,109,797	8,758,500	310,660	
Addition	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	
Balance as at 31.03.2024	150,000,000	530,938,434	577,692,396	1,040,898	3,109,797	8,758,500	310,660	
Accumulated depreciation								
Balance as at 01.04.2023	-	251,008,194	325,173,317	944,909	3,103,797	8,758,500	310,660	
Charge for the year	-	13,273,461	17,330,772	56,890	6,000	-	-	
Disposals	-	-	-	-	-	-	-	
Balance as at 31.03.2024	-	264,281,654	342,504,089	1,001,799	3,109,797	8,758,500	310,660	
Net book value as at 31.03.2024	150,000,000	266,656,780	235,188,307	39,099	-	-	-	

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is 31,423,002 (Rs. 30,302,837 as at 31 March 2023).

	Furniture & fittings Rs.	Computer Rs.	Office equipment Rs.	Fire extinguisher Rs.	Generator Rs.	Site fixtures & fittings Rs.	Web development Rs.	Mobile phones & accessories Rs.	Total Rs.
	11,019,236	1,805,475	1,867,779	908,551	1,246,000	4,148,354	1,888,305	204,102	1,295,021,878
	-	348,500	-	-	-	-	-	68,900	453,400
	-	-	-	-	-	-	-	(76,715)	(196,107)
	11,019,236	2,153,975	1,867,779	908,551	1,246,000	4,148,354	1,888,305	196,287	1,295,279,171
	9,241,582	1,643,483	1,103,612	716,575	1,246,000	4,148,354	1,888,305	169,901	578,908,591
	424,829	147,774	108,466	38,395	-	-	-	37,721	31,425,174
	-	-	-	-	-	-	-	(68,286)	(187,677)
	9,666,410	1,791,257	1,212,078	754,971	1,246,000	4,148,354	1,888,305	139,336	610,146,088
	1,352,825	362,718	655,701	153,580	-	-	-	56,951	685,133,083
	11,019,236	2,153,975	1,867,779	908,551	1,246,000	4,148,354	1,888,305	196,287	1,295,279,171
	-	46,200	-	-	-	-	-	94,800	141,000
	-	-	-	-	-	-	-	(32,990)	(32,990)
	11,019,236	2,200,175	1,867,779	908,551	1,246,000	4,148,354	1,888,305	258,097	1,295,387,181
	9,666,410	1,791,257	1,212,078	754,971	1,246,000	4,148,354	1,888,305	139,336	610,146,088
	324,310	139,628	107,336	38,395	-	-	-	71,224	31,348,016
	-	-	-	-	-	-	-	(32,990)	(32,990)
	9,990,721	1,930,885	1,319,414	793,366	1,246,000	4,148,354	1,888,305	177,570	641,461,114
	1,028,515	269,290	548,365	115,185	-	-	-	80,526	653,926,067

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group

	Freehold land	Civil constructions	Plant & machinery	Project equipment	Tools & accessories	Motor vehicle	Motor bicycle	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cost								
Balance as at 01.04.2022	177,181,919	1,725,144,335	1,083,774,316	5,116,347	3,358,222	20,593,500	1,306,130	
Addition	-	-	-	61,500				
Disposals	-	-	-	(119,391)	-	-	-	
Balance as at 31.03.2023	177,181,919	1,725,144,335	1,083,774,316	5,058,456	3,358,222	20,593,500	1,306,130	
Accumulated depreciation								
Balance as at 01.04.2022	-	540,489,926	462,675,019	4,817,102	3,345,270	14,272,168	1,268,878	
Charge for the year	-	43,136,053	32,513,229	137,496	6,000	2,325,250	-	
Disposals	-	-	-	(119,391)	-	-	-	
Balance as at 31.03.2022	-	583,625,979	495,188,248	4,835,207	3,351,270	16,597,418	1,268,878	
Net book value as at 31.03.2023	177,181,919	1,141,518,355	588,586,068	223,249	6,952	3,996,082	37,253	
Cost								
Balance as at 01.04.2023	177,181,919	1,725,144,335	1,083,774,316	5,058,456	3,358,222	20,593,500	1,306,130	
Addition	-	-	-	192,042				
Disposals	-	-	-	(58,300)	-	-	-	
Balance as at 31.03.2024	177,181,919	1,725,144,335	1,083,774,316	5,192,198	3,358,222	20,593,500	1,306,130	
Accumulated depreciation								
Balance as at 01.04.2023	-	583,625,979	495,188,248	4,835,207	3,351,270	16,597,418	1,268,878	
Charge for the year	-	43,136,054	32,513,229	129,996	6,000	2,200,000	-	
Adjustment on Depreciation	-	-	-	-	-	-	-	
Disposals	-	-	-	(58,300)	-	-	-	
Balance as at 31.03.2024	-	626,762,033	527,701,477	4,906,902	3,357,270	18,797,418	1,268,878	
Net book value as at 31.03.2024	177,181,919	1,098,382,302	556,072,839	285,296	952	1,796,082	37,253	

The cost of fully depreciated property, plant & equipment which are still in use at the reporting date is Rs. 40,109,435 (Rs. 38,591,954 as at 31 March 2023).

	Furniture & fittings Rs.	Computer Rs.	Office equipment Rs.	Fire extinguisher Rs.	Generator Rs.	Site fixtures & fittings Rs.	Web development Rs.	Mobile phones & accessories Rs.	Total Rs.
	11,950,767	2,902,235	2,959,465	1,343,386	3,273,265	4,148,354	1,888,305	432,506	3,045,373,052
		522,750	141,183					122,400	847,833
	-	-	-	-	-	-	-	(157,615)	(277,006)
	11,950,767	3,424,985	3,100,648	1,343,386	3,273,265	4,148,354	1,888,305	397,291	3,045,943,879
	10,093,144	2,410,355	1,761,947	1,136,554	2,663,622	4,148,354	1,888,305	283,647	1,051,254,291
	458,802	368,791	209,937	50,276	177,569	-	-	128,929	79,512,332
	-	-	-	-	-	-	-	(149,186)	(268,577)
	10,551,946	2,779,146	1,971,884	1,186,830	2,841,191	4,148,354	1,888,305	263,390	1,130,498,046
	1,398,821	645,839	1,128,763	156,556	432,074	-	-	133,901	1,915,445,832
	11,950,767	3,424,985	3,100,648	1,343,386	3,273,265	4,148,354	1,888,305	397,291	3,045,943,879
		75,900	141,000					121,800	530,742
	(25,435)	(49,750)	(3,960)	-	-	-	-	(32,990)	(170,435)
	11,925,332	3,451,135	3,237,688	1,343,386	3,273,265	4,148,354	1,888,305	486,101	3,046,304,186
	10,551,946	2,779,146	1,971,884	1,186,830	2,841,191	4,148,354	1,888,305	263,390	1,130,498,046
	340,772	339,144	210,007	50,276	123,402	-	-	140,632	79,189,512
	-	-	-	(8,909)	-	-	-	-	(8,909)
	(25,435)	(49,750)	(3,960)		-	-	-	(32,990)	(170,435)
	10,867,284	3,068,540	2,177,931	1,228,197	2,964,593	4,148,354	1,888,305	371,032	1,209,508,215
	1,058,048	382,595	1,059,757	115,189	308,672	-	-	115,069	1,836,795,971

Notes to the Financial Statements

14. LEASES

14.1 Amounts Recognised in the statement of financial Position

	Company	
As at 31 March	2024 Rs.	2023 Rs.
Right-of-use assets		
Land	1,277,970	1,260,700
Office space	-	356,005
	1,277,970	1,616,705
Lease liabilities		
Current	-	422,771
Non-current	1,768,118	1,462,195
	1,768,118	1,884,966

	Group	
As at 31 March	2024 Rs.	2023 Rs.
Right-of-use assets		
Land	30,509,785	32,477,190
Office space	3,348,112	1,116,357
	33,857,897	33,593,547
Lease liabilities		
Current	2,497,463	2,345,432
Non-current	40,328,804	38,951,582
	42,826,267	41,297,014

14.2 Amounts Recognised in the Statement of Profit or Loss

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

	Company	
For the year ended 31 March	2024 Rs.	2023 Rs.
Depreciation charge of right-of-use assets		
Land	205,703	170,360
Office space	356,006	1,424,023
	561,709	1,594,383
Interest expense (included in finance cost)	350,031	310,836

The total cash outflow for leases in 2023/24 was Rs. 689,852 (2022/23 - Rs. 1,877,640)

	Group	
For the year ended 31 March	2024 Rs.	2023 Rs.
Depreciation charge of right-of-use assets		
Land	2,190,378	2,155,035
Office space	2,072,961	3,870,621
	4,263,339	6,025,656
Interest expense (included in finance cost)	4,522,525	4,276,935

The total cash outflow for leases in 2023/24 was Rs.2,720,962 (2022/23 - Rs.4,754,909)

15. INVESTMENTS

15.1 Investment in Subsidiary

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

	Company	
As at 31 March	2024 Rs.	2023 Rs.
Country Energy (Private) Limited		
Ownership interest held by the Company	87.2%	87.2%
Ownership interest held by non-controlling interests	12.8%	12.8%
No. of shares issued by the Subsidiary	89,250,000	89,250,000
No. of shares acquired by the Company	77,829,998	77,829,998
Value of investment by the Company (Rs.)	821,619,980	821,619,980

Notes to the Financial Statements

15. INVESTMENTS (CONTD.)

15.2 Summarised Financial Information of Subsidiary

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

As at 31 March	2024 Rs.	2023 Rs.
Statement of profit or loss		
Revenue from contracts with customers	1,151,336,462	799,024,628
Direct costs	(105,979,555)	(97,595,571)
Administration expenses	(84,738,212)	(72,206,772)
Other operating expenses	(799,142)	(325,565)
Finance income	89,463,621	48,725,993
Finance cost	(4,172,494)	(3,966,099)
Profit before income tax	1,045,110,681	673,656,614
Income tax expense	(176,162,266)	(112,709,358)
Profit for the year	868,948,415	560,947,256
Other comprehensive income	(4,493,287)	1,869,423
Total comprehensive income	864,455,128	562,816,679
Attributable to non controlling interest	110,650,256	72,040,535

As at 31 March	2024 Rs.	2023 Rs.
Statement of financial position		
Non-current assets	1,224,108,168	1,272,414,594
Current assets	625,722,063	1,284,018,754
Total assets	1,849,830,231	2,556,433,348
Non-current liabilities	91,454,766	82,731,840
Current liabilities	320,311,256	70,467,427
Total liabilities	411,766,022	153,199,267
Net assets	1,438,064,209	2,403,234,081
Accumulated NCI	184,256,307	307,716,088

As at 31 March	2024 Rs.	2023 Rs.
Statement of cash flows		
Net cash flows from operating activities	1,965,563,595	335,532,770
Net cash flows used in investment activities	(389,742)	(394,433)
Net cash flows used in financing activities	(1,831,138,420)	(2,811,188)
Total net cash flows	134,035,433	332,327,149
Dividend paid to non-controlling interests	(234,110,041)	-
Dividend per share	20.50	-

16. INTANGIBLE ASSETS

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cost				
Gross carrying amount B/F	29,692,500	29,692,500	185,042,500	185,042,500
Acquisitions during the year	-	-	-	-
Gross carrying amount C/F	29,692,500	29,692,500	185,042,500	185,042,500
Accumulated amortisation				
Accumulated amortisation B/F	25,067,343	24,782,718	140,765,255	130,123,963
Amortisation for the period	284,625	284,625	10,641,292	10,641,292
Accumulated amortisation C/F	25,351,968	25,067,343	151,406,547	140,765,255
Net carrying amount at the end of the year	4,340,532	4,625,157	33,635,953	44,277,245

The above balance represents amount paid to purchase an exclusive right to generate hydro electric power. The Group amortises this right over 15 years (first term) on a straight line basis beginning from the year of commercial operations. The Company has fully amortised its initial intangible asset of Rs. 24,000,000 during its first term of 15 years period and subsequently the company has paid Rs. 5,692,500 for the energy permit which is being amortising over its next term of 20 years period.

17. OTHER NON-CURRENT ASSET

As at 31 March	Group	
	2024 Rs.	2023 Rs.
At the beginning of the year	4,500,000	4,500,000
Paid during the year	-	-
At the end of the year	4,500,000	4,500,000

The above balance represents refundable security deposit paid to the Janatha Estate Development Board in respect of the land obtained on a lease basis for a period of 30 years.

18. INVENTORIES

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Spare parts	4,214,329	3,569,002	16,998,201	15,901,645

Notes to the Financial Statements

19 TRADE AND OTHER RECEIVABLES

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade receivables	2,557,981	338,469,622	77,176,573	1,206,629,925
Advances and prepayments	6,534,482	4,188,407	16,162,894	11,909,466
Other receivables	8,958,092	7,123,598	18,231,293	17,501,371
	18,050,555	349,781,627	111,570,760	1,236,040,762

19.1 Age Analysis of Trade Receivables

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Below 30 days	2,557,981	11,250,709	28,458,972	46,414,945
30 to 60 days	-	4,599,286	48,717,601	28,598,579
60 to 180 days	-	89,268,108	-	288,856,937
Over 180 days	-	233,351,519	-	842,759,464
	2,557,981	338,469,622	77,176,573	1,206,629,925

19.2 Classification as Trade Receivables

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

19.3 Fair Value of Trade Receivables

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

19.4 Risk Exposure

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

20 AMOUNT DUE FROM RELATED PARTIES

As at 31 March			Company		Group	
			2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Country Energy (Private) Limited	- Kiriwaneliya MHPP	Subsidiary	1,118,373	1,197,706	-	-
	- Denewakaganga MHPP		1,450,610	1,215,224	-	-
Alternate Power Systems (Private) Limited	- Current account balance	Affiliate	1,576,102	1,702,621	1,576,102	1,732,630
Greenerwater Limited	- Current account balance	Affiliate	-	-	2,433	16,846
			4,145,085	4,115,551	1,578,535	1,749,476

20.1 Fair value of amounts due from related parties

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

21 CASH AND CASH EQUIVALENTS

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Investments in short-term deposits (Maturity period < 3 months)	343,992,333	113,980,292	858,205,769	493,839,039
Cash at bank and in hand	10,478,331	200,730	15,680,449	5,722,104
	354,470,664	114,181,022	873,886,218	499,561,143

21.1 Reconciliation to cash flow statement

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

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balances as above	354,470,664	114,181,022	873,886,218	499,561,143
Balances per statement of cash flows	354,470,664	114,181,022	873,886,218	499,561,143

21.2 Classification as cash equivalents

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

22.3 Restricted cash

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

22 STATED CAPITAL

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Issued and fully paid number of shares				
Ordinary shares	747,109,731	747,109,731	747,109,731	747,109,731
Value of issued and fully paid shares				
Ordinary shares	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278

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

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

Notes to the Financial Statements

23 RETIREMENT BENEFIT OBLIGATION

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
At the beginning of the year	21,486,363	21,190,958	32,375,039	31,670,861
Current service cost	1,693,765	1,586,223	2,688,733	4,214,752
Interest cost	4,082,409	3,178,644	6,151,257	3,158,208
Actuarial (gain)/loss	9,057,216	(4,469,462)	14,343,436	(6,668,783)
	36,319,754	21,486,363	55,558,465	32,375,038
Benefits paid	(229,549)	-	(2,506,896)	-
At the end of the year	36,090,205	21,486,363	53,051,569	32,375,038

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

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

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Less than a year	2,416,807	1,856,599	3,535,044	2,721,804
Between 2 - 5 years	6,808,926	5,527,208	11,097,644	9,925,715
Between 5 - 10 years	20,655,496	9,458,065	24,745,349	11,827,071
Over 10 years	6,208,976	4,644,491	13,673,532	7,900,448
	36,090,205	21,486,363	53,051,569	32,375,038

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Discount rate	13.00%	19.00%	13.00%	19.00%
Salary growth rate	10.00%	12.00%	10.00%	12.00%

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

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

	Company		Group	
	Rs.	Rs.	Rs.	Rs.
A one percentage point change in the discount rate.	+1%	-1%	+1%	-1%
As at 31 March 2024 (Increase / (Decrease))	(2,417,091)	2,680,521	(3,821,565)	4,299,729
As at 31 March 2023 (Increase / (Decrease))	(1,308,484)	1,441,505	(1,979,178)	2,199,708
A one percentage point change in the salary increment rate.	+1%	-1%	+1%	-1%
As at 31 March 2024 (Increase / (Decrease))	2,839,202	(2,595,541)	4,480,449	(4,039,256)
As at 31 March 2023 (Increase / (Decrease))	1,590,903	(1,458,775)	2,388,316	(2,171,176)

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

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

Risk exposure

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

24 DEFERRED TAX LIABILITY

	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
As at 31 March				
At the beginning of the year	197,113,550	96,253,849	231,467,326	127,487,877
Charge/(reversal) recognised to profit/(loss)	(10,375,432)	76,258,444	(9,225,537)	79,048,294
Charge/(reversal) recognised to other comprehensive income/(loss)	(2,717,165)	24,601,257	(3,510,098)	24,931,155
At the end of the year	184,020,953	197,113,550	218,731,691	231,467,326

Notes to the Financial Statements

24 DEFERRED TAX LIABILITY (CONTD.)

24.1 Company

	2024		2023	
As at 31 March	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
As at 1 April	657,045,163	197,113,550	687,527,486	96,253,849
Amount originating/(reversing) of opening balance due to change in tax rate	-	-	-	110,004,398
Amount originating/(reversing) during the year	(43,641,986)	(13,092,597)	(30,482,323)	(9,144,697)
As at 31 March	613,403,177	184,020,953	657,045,163	197,113,550

(a) The balance comprises temporary differences attributable to:

	2024		2023	
As at 31 March	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Company				
Retirement benefit obligation	(36,090,205)	(10,827,061)	(21,486,364)	(6,445,909)
lease liabilities	(1,768,117)	(530,435)	(1,884,966)	(565,490)
Total deferred tax assets before offsetting	(37,858,322)	(11,357,496)	(23,371,330)	(7,011,399)
Offsetting deferred tax liability on:				
Property plant and equipment	504,686,221	151,405,866	533,422,175	160,026,653
Right of use assets	1,197,665	359,300	1,616,705	485,012
Revaluation surplus on freehold land	145,377,613	43,613,284	145,377,613	43,613,284
Total deferred tax liabilities before offsetting	651,261,499	195,378,450	680,416,493	204,124,949
Deferred tax assets / (liabilities) after offsetting	613,403,177	184,020,953	657,045,163	197,113,550

24.2 Group

	2024		2023	
As at 31 March	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
As at 1 April	886,070,334	231,467,326	910,627,698	127,487,877
Amount originating/(reversing) of opening balance due to change in tax rate	-	-	-	112,235,400
Amount originating / (reversing) during the year	(41,262,238)	(12,735,635)	(24,557,364)	(8,255,951)
As at 31 March	844,808,096	218,731,691	886,070,334	231,467,326

(a) The balance comprises temporary differences attributable to:

As at 31 March	2024		2023	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Group				
Retirement benefit obligation	(53,051,568)	(13,371,266)	(32,375,040)	(8,079,210)
lease liabilities	(42,826,267)	(6,689,158)	(41,325,070)	(6,481,506)
Total deferred tax assets before offsetting	(95,877,835)	(20,060,423)	(73,700,110)	(14,560,716)
Offsetting deferred tax liability on:				
Property plant and equipment	761,530,726	189,932,542	781,394,084	197,222,439
Right of use assets	33,777,592	5,246,289	32,998,747	5,192,319
Revaluation surplus on freehold land	145,377,613	43,613,284	145,377,613	43,613,284
Total deferred tax liabilities before offsetting	940,685,931	238,792,115	959,770,444	246,028,042
Deferred tax assets / (liabilities) after offsetting	844,808,096	218,731,691	886,070,334	231,467,326

The applicable tax rate used to calculate the deferred tax liability of the Company for all the temporary differences is 30% (2022/23 - at 30%) and the applicable tax rate of 15% is also used for deferred tax liability of the Subsidiary (2022/23 - at 15%).

25 ACCRUALS AND OTHER PAYABLES

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Accrued expenses	3,784,663	2,837,607	24,533,256	22,164,440
Unclaimed dividend	8,485,873	8,325,784	8,485,873	8,325,784
Other statutory liabilities	1,997,187	1,220,079	2,600,089	1,740,139
Other payables	5,430,185	1,836,961	11,925,695	7,262,663
Dividend tax payable	37,343,111	-	251,543,111	-
	57,041,018	14,220,431	299,088,023	39,493,026

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

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

Notes to the Financial Statements

26 DIVIDENDS PAID DURING THE YEAR

For the year ended 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Interim dividend for 2023/24	1,307,442,029	-	1,307,442,029	-
	1,307,442,029	-	1,307,442,029	-
Dividend per share (Rs.)	1.75	-	1.75	-
Final dividend for 2022/23 (paid during 2023/24)	-	373,554,866	-	373,554,866
	-	373,554,866	-	373,554,866
Dividend per share (Rs.)	-	0.50	-	0.50

27 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

28 COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

There are no capital commitments as at the reporting date .

Contingencies

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

29 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The group holds the following financial instruments:

29.1 Financial assets

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Financial assets at amortised cost:				
Trade and other receivables	18,050,555	349,781,627	111,570,760	1,236,040,762
Amount due from related parties	4,145,085	4,115,551	1,578,535	1,749,476
Cash and cash equivalents	354,470,664	114,181,022	873,886,218	499,561,143
Total	376,666,303	468,078,200	987,035,512	1,737,351,381

29.2 Financial liabilities

As at 31 March	Company		Group	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Liabilities at amortised cost:				
Lease liabilities	1,768,117	1,884,966	42,826,267	41,297,014
Accruals and other payables	57,041,018	14,220,431	299,088,023	39,493,026
Total	58,809,135	16,105,397	341,914,290	80,790,040

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

30 RELATED PARTY DISCLOSURES

30.1 Parent

The group is controlled by the following parties:

Name	Type	Place of incorporation	Ownership interest	
As at 31 March			2024	2023
Vallibel Power Limited	Immediate parent entity	Sri Lanka	40.08%	40.08%

30.2 Subsidiaries

Interests in subsidiaries are set out in note 15.1

30.3 Transactions with the related parties by the Company

Company	Relationship	Nature of transaction	Aggregate amount of transactions for the year ended 31 March	
			2024 Rs.	2023 Rs.
Country Energy (Private) Limited (CEPL)	Subsidiary	Net operating expenses incurred on behalf of CEPL	(34,665,845)	(28,940,823)
		Reimbursement of expenses by CEPL	34,509,793	30,166,424
		Dividend received from CEPL	1,356,187,715	-
Vallibel Finance PLC	Affiliate	Investment in fixed deposits	(35,087,335)	(21,452,925)
		Withdrawals of fixed deposits	37,212,319	59,095,190
		Interest received	91,756	662,881
Alternate Power Systems (Private) Limited (APSL)	Affiliate	Net operating expenses incurred on behalf of APSL	(22,348,954)	(18,812,452)
		Reimbursement of expenses by APSL	22,475,474	19,350,605
Hayleys PLC	Affiliate	Payment of ground rent, electricity, parking	(6,300,063)	(7,385,041)
Hayleys Power Limited (HPL)	Affiliate	Operating expenses incurred on behalf of HPL	(1,304,440)	(2,435,983)
		Reimbursement of expenses by HPL	1,304,440	2,437,963

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES (CONTD.)

30.3 Transactions with the related parties by the Subsidiary

Company	Relationship	Nature of transaction	Aggregate amount of transactions for the year ended 31 March	
			2024 Rs.	2023 Rs.
Vallibel Finance PLC	Affiliate	Investment in fixed deposits	(208,845,627)	(281,289,677)
		Withdrawals of fixed deposits	276,120,247	37,094,193
		Interest received	945,769	26,480,226
Greenerwater Ltd (GWL)	Affiliate	Net operating expenses incurred on behalf of GWL	(161,903)	(429,634)
		Reimbursement of expenses by GWL	176,316	455,611
Summer Season Limited (SSL)	Affiliate	Operating expenses incurred on behalf of SSL	-	(133,409)
		Reimbursement of expenses by SSL	-	148,177
Alternate Power Systems (Private) Limited (APSL)	Affiliate	Net operating expenses incurred on behalf of APSL	273,995	(30,009)
		Reimbursement of expenses by APSL	(304,004)	-

The above transactions were carried out on normal trading terms.

30.4 Terms and conditions

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

30.5 Non-recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2024 audited financial statements.

30.5 Recurrent related party transactions

There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/income of the Company as per 31 March 2024 audited financial statements. Details of related party disclosures are as follows,

Name of the related party - Vallibel Finance PLC

Relationship - Affiliate

Nature of transaction - Investment in fixed deposits

For the year ended 31 March	2024 Rs.	2023 Rs.
Aggregate value of related party transactions entered into during the financial year	35,087,335	21,452,925
Revenue as per latest audited financial statements	323,912,381	323,544,409
Aggregate value of related party transactions as a % of net revenue/income	11%	7%

30.6 Transactions with the key management personnel of the Company

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

Short-term employee benefits

For the year ended 31 March	2024 Rs.	2023 Rs.
Directors' emoluments	5,027,049	3,938,889
Other key management personnel	13,343,154	9,260,268

Post-employment benefits

For the year ended 31 March	2024 Rs.	2023 Rs.
Other key management personnel	3,148,910	2,825,897

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

30.7 Outstanding balances arising from the related party transactions

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

Notes to the Financial Statements

31. SEGMENT INFORMATION

	EMHPP		DMHPP		
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	
Revenue from contracts with customers	323,912	323,544	771,192	480,289	
Direct costs	(60,921)	(54,689)	(63,702)	(59,904)	
Gross profit	262,991	268,855	707,491	420,385	
Other income	1,357,354	2,497	-	-	
Administrative expenses	(69,466)	(55,897)	(52,346)	(45,204)	
Other expenses	(2,402)	(2,748)	(257)	(107)	
Finance income	38,784	17,409	52,721	22,148	
Finance cost	(350)	(311)	(4,170)	(3,930)	
Profit before tax	1,586,911	229,805	703,440	393,292	
Tax expenses	(69,704)	(126,745)	(116,835)	(65,116)	
Profit after tax	1,517,207	103,060	586,605	328,176	
Other comprehensive income / (loss)	(6,340)	(20,132)	(3,641)	1,391	
Total comprehensive income	1,510,867	82,928	582,964	329,567	
Segmental assets					
Non-current assets	1,481,165	1,512,995	668,712	693,202	
Current assets	380,881	471,647	548,564	835,100	
Total assets	1,862,045	1,984,642	1,217,276	1,528,302	
Segmental liabilities					
Lease liabilities	1,768	1,462	41,058	37,338	
Deferred tax liability/(asset)	184,021	197,114	17,874	19,422	
Retirement benefit obligations	36,090	21,486	13,539	8,992	
Current liabilities	77,065	31,349	206,348	49,503	
Total liabilities	298,945	251,411	278,820	115,255	
Other segment information					
Total depreciation	31,910	33,020	28,152	28,454	
Amortisation	285	285	1,000	1,000	
Capital expenditure	141	453	362	-	

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

- 1) Erathna mini hydropower plant ('EMHP')
- 2) Denawaka mini hydropower plant ('DMHP')
- 3) Kiriwaneliya mini hydropower plant ('KMHP')

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

	KMHP		Group adjustments		Total	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
	380,144	318,736	-	-	1,475,249	1,122,569
	(42,278)	(37,692)	(8,890)	(8,890)	(175,791)	(161,175)
	337,866	281,044	(8,890)	(8,890)	1,299,458	961,394
		-	(1,356,188)	-	1,166	2,497
	(32,393)	(27,003)	-	-	(154,204)	(128,104)
	(542)	(219)	-	-	(3,201)	(3,074)
	36,742	26,578	-	-	128,248	66,135
	(3)	(36)	-	-	(4,523)	(4,277)
	341,671	280,364	(8,890)	(8,890)	1,266,944	894,571
	(59,328)	(47,594)	(239,327)	-	(485,194)	(239,455)
	282,343	232,770	(8,890)	(8,890)	781,750	655,117
	(852)	478	-	-	(10,833)	(18,263)
	281,491	233,248	(8,890)	(8,890)	770,917	636,854
	555,396	579,212	(796,493)	(787,593)	1,908,780	1,997,816
	170,838	542,597	(96,238)	(96,092)	1,004,044	1,753,252
	726,234	1,121,809	(892,731)	(883,685)	2,912,824	3,751,068
	-	151	-	-	42,826	38,951
	16,837	14,931	-	-	218,732	231,467
	3,422	1,897	-	-	53,052	32,375
	206,367	114,794	(96,248)	(96,243)	393,532	99,403
	226,625	131,773	(96,248)	(96,243)	708,142	402,196
	23,392	24,064	-	-	83,453	85,538
	466	466	8,890	8,890	10,641	10,641
	28	395	-	-	531	848

GREATER TOGETHER IN WORKING TOWARDS A COMMON GOAL





TEN YEARS FINANCIAL SUMMARY

	2023/24 Rs'000	2022/23 Rs'000	2021/22 Rs'000	2020/21 Rs'000	2019/20 Rs'000	2018/19 Rs'000	2017/18 Rs'000	2016/17 Rs'000	2015/16 Rs'000	2014/15 Rs'000
Operating results										
Revenue	1,475,249	1,122,569	1,322,265	1,076,977	1,058,308	1,286,725	1,117,602	863,722	1,181,807	1,317,931
Gross profit	1,299,458	961,394	1,171,935	928,346	911,534	1,134,947	955,252	714,020	1,043,214	1,171,084
Other Income	1,166	2,497	471	21,485	11,735	9,275	90	536	38	44,394
Administration expenses	154,204	128,104	100,888	105,170	103,974	100,302	100,852	102,928	114,134	107,584
Finance cost	4,523	4,277	4,492	4,604	5,203	4,178	35,645	59,394	59,713	87,024
Net profit before tax	1,266,944	894,572	1,087,254	865,348	861,456	1,085,341	849,086	592,263	900,179	1,042,342
Net profit after tax	781,750	655,117	854,792	621,996	707,577	889,999	763,383	515,800	813,028	960,092
Funds employed										
Stated capital	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365
Revenue reserves	846,060	1,866,791	1,301,977	1,313,302	1,809,412	1,386,695	1,070,765	899,422	1,001,587	973,852
Non-controlling interest	184,256	307,716	235,676	224,790	268,079	225,877	199,340	162,695	165,859	149,135
Borrowings (Both non-current & current)	-	-	-	-	-	-	157,403	365,723	573,723	758,879
Lease liability (Both non-current & current)	42,826	41,297	46,368	51,278	42,732	-	-	-	-	-
	2,247,508	3,390,169	2,758,386	2,763,735	3,294,588	2,786,937	2,601,874	2,602,205	2,915,534	3,056,232
Assets employed										
Non current assets	1,908,790	1,997,817	2,092,950	2,188,506	2,270,177	2,302,316	2,403,789	2,490,496	2,575,812	2,658,887
Current assets	1,004,034	1,753,253	956,987	874,349	1,282,648	769,888	401,848	254,801	529,048	537,950
Current liabilities	(393,532)	(97,058)	(132,393)	(126,433)	(104,483)	(147,780)	(64,488)	(42,929)	(90,057)	(39,810)
Retirement benefit obligations	(53,052)	(32,375)	(31,671)	(41,162)	(32,121)	(25,240)	(25,946)	(18,786)	(16,407)	(16,505)
Diferred tax liability	(218,732)	(231,467)	(127,488)	(131,525)	(121,632)	(112,246)	(113,329)	(81,378)	(82,862)	(84,290)
	2,247,508	3,390,169	2,758,386	2,763,735	3,294,588	2,786,937	2,601,874	2,602,205	2,915,534	3,056,232
Key indicators										
Earnings per share (Rs.)	0.90	0.78	1.02	0.74	0.87	1.12	0.96	0.66	1.04	1.21
Net assets per share (Rs.)	2.70	4.07	3.31	3.33	3.99	3.43	3.01	2.78	2.91	2.88
Market price of share-closing (Rs.)	7.40	6.70	7.20	7.40	5.40	5.90	7.30	7.10	8.00	7.90
Dividend per share (Rs.)	1.75	0.50	1.05	1.00	0.70	0.70	0.70	0.80	1.00	1.00
Price earning ratio (times)	8.22	8.58	7.06	10.01	6.22	5.27	7.59	10.74	7.73	6.52
Dividend payout (%)	194%	64%	103%	135%	81%	63%	73%	121%	97%	83%

INVESTOR INFORMATION

1 GENERAL

Stated Capital	Rs. 1,174,365,278
The number of shares representing the Stated Capital	747,109,731

2 STOCK EXCHANGE LISTING

Vallibel Power Erathna PLC, is a quoted public company and the issued ordinary shares of which are listed in the Colombo Stock Exchange of Sri Lanka. (Stock Code - VPEL.N0000)

3 PUBLIC SHAREHOLDING

The percentage of Ordinary Shares held by the public was 40.52% of the issued share capital as at 31st March 2024. It represents 7,068 of shareholders as at 31st March 2024.

4 FLOAT ADJUSTED MARKET CAPITALIZATION

The Float Adjusted Market Capitalization as at 31st March 2024 is Rs. 2,240,029,180.40 The Company complies with option 5 of the Listing Rules 7.14.1 (i) (a).

5 DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2024

There were 7,073 Registered shareholders as at 31st March 2024.

No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	3,016	42.64	1,095,820	0.15
1,001	10,000	2,588	36.59	10,903,670	1.46
10,001	100,000	1,193	16.87	40,304,160	5.39
100,001	1,000,000	242	3.42	63,220,548	8.46
Over 1,000,000		34	0.48	631,585,533	84.54
Total		7,073	100.00	747,109,731	100.00

6 ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2024

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individuals	6,878	97.24	336,232,991	45.00
Institutions	195	2.76	410,876,740	55.00
Total	7,073	100.00	747,109,731	100.00
Resident	7,029	99.38	738,522,666	98.85
Non-resident	44	0.62	8,587,065	1.15
Total	7,073	100.00	747,109,731	100.00

Investor Information

7 TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2024

	Name of the Shareholder	Number of shares as at 31.03.2024	(%)	Number of shares as at 31.03.2023	(%)
1	Vallibel Power Limited	299,425,830	40.08	299,425,830	40.08
2	Mr K D D Perera	144,812,225	19.38	144,812,225	19.38
3	Sri Lanka Insurance Corporation Ltd - Life Fund	28,994,243	3.88	28,994,243	3.88
4	Sri Lanka Insurance Corporation Ltd - General Fund	26,450,000	3.54	26,450,000	3.54
5	Mr K D H Perera	18,750,000	2.51	18,750,000	2.51
6	Mr K D A Perera	18,750,000	2.51	18,750,000	2.51
7	Employees Trust Fund Board	9,688,029	1.30	9,688,029	1.30
8	Ms K D C Samanthi	9,375,000	1.25	9,375,000	1.25
9	DFCC BANK PLC A/C 1	8,400,000	1.12	6,400,000	0.86
10	Perera and Sons Bakers Pvt Limited	7,000,000	0.94	7,000,000	0.94
11	Mackenzie Capital Ltd	7,000,000	0.94	7,000,000	0.94
12	Mr P P Subasinghe	5,457,746	0.73	5,010,540	0.67
13	Mr M F Hashim	4,783,414	0.64	4,257,665	0.57
14	Mr. S M Jayasooriya	4,710,000	0.63	4,313,559	0.58
15	Mr. K C Vignarajah	4,017,830	0.54	2,357,057	0.32
16	Mr. D D Gunaratne	3,250,030	0.44	3,151,000	0.42
17	Mr B C Tay	3,000,000	0.40	3,000,000	0.40
18	Mr. M I M Shafie & Mrs. F R Shafie	2,500,000	0.33	2,500,000	0.33
19	N P Capital Ltd	2,500,000	0.33	-	-
20	MR. D.N.P. Rathnayake	2,054,346	0.27	748,958	0.10
	Total	610,918,693	81.77	601,984,106	80.57
	Others	136,191,038	18.23	145,125,625	19.43
	Grand Total	747,109,731	100.00	747,109,731	100.00

8 SHARE TRADING INFORMATION

For the year ended 31 March	2024	2023
Highest (Rs.)	9.30	8.20
Lowest (Rs.)	6.30	6.10
Closing (Rs.)	7.40	6.70
Value of shares trades (Rs.)	696,537,182	344,363,055
No. of shares traded	88,442,724	50,867,154
No. of trades	13,995	14,399

9 EQUITY INFORMATION

For the year ended 31 March	2024	2023
Earnings per share-Basic (Rs.)	0.90	0.78
Dividend per share (Rs.)	1.75	0.50
Net asset value per share (Rs.)	2.70	4.07
Dividend pay out ratio (%)	194%	64%

INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING



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Independent practitioner's assurance report to the Board of Directors of Vallibel Power Erathna PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2023/24

SCOPE

We have been engaged by **Vallibel Power Erathna PLC** to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on **Vallibel Power Erathna PLC's Economic, Environment, Social and Governance (EESG) indicators** (the "Subject Matter") contained in **Vallibel Power Erathna PLC's** (the "Entity's") **Integrated Annual Report/ Annual Report/ Sustainability Report for the year ended 31 March 2024** (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY VALLIBEL POWER ERATHNA PLC

In preparing the Subject Matter, Vallibel Power Erathna PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>

Such Criteria were specifically designed for **the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria;** As a result, the subject matter information may not be suitable for another purpose.

VALLIBEL POWER ERATHNA PLC'S RESPONSIBILITIES

Vallibel Power Erathna PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Vallibel Power Erathna PLC on 04 March 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

OUR INDEPENDENCE AND QUALITY MANAGEMENT

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

Partners: D K Hulugamuwa FCA FICPA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manethunga FCA, W A B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sa'eedani FCA, A A J J Perera FCA ACMA, N Y R L Fernando ACA, D H Gamaya ACA ACMA, C A Yalagala ACA ACMA

Principals: J P V Ruberu FCMA FCCA MBA (USJ-SL), G B Goudilan ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), J L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Sankithi B.Com (Sp)

A member firm of Ernst & Young Global Limited

Independent Assurance Report on Sustainability Reporting



EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

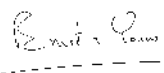
EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

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

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Vallibel Power Erathna PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.



16 May 2024

Colombo

GRI STANDARDS CONTENT INDEX

Statement of use	Vallibel Power Erathna PLC has reported in accordance with the GRI Standards for the period from 1st April 2023 to 31st March 2024
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	NA

A gray cell indicates something that does not apply. This only relates to the 'Omission' and 'GRI Sector Standard ref. no.' columns.

GRI Standard / Other Source	Disclosure	Location (Page Ref.)	Omission			GRI Sector Standard Ref. No
			Requirement Omitted	Reason	Explanation	
General Disclosures						
2-1	Organisational details	6, 7, 173				
2-2	Entities included in the organisation’s sustainability reporting	4				
2-3	Reporting period, frequency and contact point	4, 5				
2-4	Restatements of information	4				
2-5	External assurance	4				
2-6	Activities, value chain and other business relationships	6, 12, 77				
2-7	Employees	64				
2-8	Workers who are not employees	64				
2-9	Governance structure and composition	91, 92				
2-10	Nomination and selection of the highest governance body	92, 93, 98				
2-11	Chair of the highest governance body	92				
2-12	Role of the highest governance body in overseeing the management of impacts	97, 99				
2-13	Delegation of responsibility for managing impacts	37, 91				
2-14	Role of the highest governance body in sustainability reporting	104				
2-15	Conflicts of interest	95				
2-16	Communication of critical concerns	36, 37, 91				
2-17	Collective knowledge of the highest governance body	91, 96				
2-18	Evaluation of the performance of the highest governance body	99				
2-19	Remuneration policies	99, 107				
2-20	Process to determine remuneration	99, 107				
2-21	Annual total compensation ratio		2-21 a, b, c	Confidential Information	VPE has not disclosed confidential information as its policy	
2-22	Statement on sustainable development strategy	18				
2-23	Policy commitments	40, 77				
2-24	Embedding policy commitments	40				
2-25	Processes to remediate negative impacts	37, 61, 70				
2-26	Mechanisms for seeking advice and raising concerns	61, 70, 78				
2-27	Compliance with laws and regulations	58, 73, 74				
2-28	Membership associations	78				
2-29	Approach to stakeholder engagement	26, 27				

GRI Standards Content Index

GRI Standard / Other Source	Disclosure	Location (Page Ref.)	Omission			GRI Sector Standard Ref. No
			Requirement Omitted	Reason	Explanation	
2-30	Collective bargaining agreements	68				
GRI 3: Material Topics 2021						
3-1	Process to determine material topics	28				
3-2	List of material topics	29				
GRI 201: Economic						
3-3	Management of material topics	45, 50				
201-1	Direct economic value generated and distributed	50				
201-2	Financial implications and other risks and opportunities due to climate change	53				
201-3	Defined benefit plan obligations and other retirement plans	66				
201-4	Financial assistance received from government	74				
GRI 202: Market Presence						
3-3	Management of material topics	63, 66				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	66				
202-2	Proportion of senior management hired from the local community	63				
GRI 203: Indirect Economic Impacts						
3-3	Management of material topics	74, 75, 76				
203-1	Infrastructure investments and services supported	74, 75, 76				
203-2	Significant indirect economic impacts	74, 75, 76				
GRI 204: Procurement Practices						
3-3	Management of material topics	77				
204-1	Proportion of spending on local suppliers	77, 78				
GRI 205: Anti-corruption						
3-3	Management of material topics	78				
205-1	Operations assessed for risks related to corruption	78				
205-2	Communication and training about anticorruption policies and procedures	78				
205-3	Confirmed incidents of corruption and actions taken	78				
GRI 206: Anti-competitive Behavior						
3-3	Management of material topics	78				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	78				
GRI 207: Tax						
207-1	Approach to tax	74				
207-2	Tax governance, control, and risk management	74				
207-3	Stakeholder engagement and management of concerns related to tax	74				

GRI Standard / Other Source	Disclosure	Location (Page Ref.)	Omission			GRI Sector Standard Ref. No
			Requirement Omitted	Reason	Explanation	
GRI 301: Material Management						
3-3	Management of material topics	54, 60				
301-1	Materials used by weight or volume	54, 60, 61				
301-2	Recycled input materials used	60, 61				
301-3	Reclaimed products and their packaging materials	60, 61				
GRI 302: Energy						
3-3	Management of material topics	58				
302-1	Energy consumption within the organisation	58				
302-2	Energy consumption outside of the organisation	58				
302-3	Energy intensity	58				
302-4	Reduction of energy consumption	58				
302-5	Reductions in energy requirements of products and services		302-5	Information unavailable	Energy requirement is very insignificant due to the nature of business	
GRI 303: Water and Effluents						
3-3	Management of material topics	54				
303-1	Interactions with water as a shared resource	54				
303-2	Management of water discharge-related impacts	54				
303-3	Water withdrawal	54				
303-4	Water discharge	54				
303-5	Water consumption	54				
GRI 304: Biodiversity						
3-3	Management of material topics	55, 60				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	60				
304-2	Significant impacts of activities, products, and services on biodiversity	60				
304-3	Habitats protected or restored	60				
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	60				
GRI 305: Emissions						
3-3	Management of material topics	56				
305-1	Direct (Scope 1) GHG emissions	56				
305-2	Energy indirect (Scope 2) GHG emissions	56				
305-3	Other indirect (Scope 3) GHG emissions		305-3	Information unavailable	No gathered data for indirect emissions outside the organisation	

GRI Standards Content Index

GRI Standard / Other Source	Disclosure	Location (Page Ref.)	Omission			GRI Sector Standard Ref. No
			Requirement Omitted	Reason	Explanation	
305-4	GHG emissions intensity	56				
305-5	Reduction of GHG emissions	56				
305-6	Emissions of ozone-depleting substances (ODS)		305-6	Information unavailable	No significant impact from Ozone-depleting substances (ODS)	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		305-7	Information unavailable	No significant impact from Ozone-depleting substances (ODS)	
GRI 306: Waste						
3-3	Management of material topics	60, 61				
306-1	Waste generation and significant waste related impacts	60, 61				
306-2	Management of significant waste-related impacts	60, 61				
306-3	Waste generated	60, 61				
306-4	Waste diverted from disposal	60, 61				
306-5	Waste directed to disposal	60, 61				
GRI 401: Employment						
3-3	Management of material topics	63				
401-1	New employee hires and employee turnover	65				
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	66				
401-3	Parental leave	66				
GRI 402: Labor/Management Relations						
3-3	Management of material topics	68				
402-1	Minimum notice periods regarding operational changes	68				
GRI 403: Occupational Health And Safety						
3-3	Management of material topics	68, 69, 70				
403-1	Occupational health and safety management system	68, 69, 70				
403-2	Hazard identification, risk assessment, and incident investigation	68, 69, 70				
403-3	Occupational health services	68, 69, 70				
403-4	Worker participation, consultation, and communication on occupational health and safety	68, 69, 70				
403-5	Worker training on occupational health and safety	68, 69, 70				
403-6	Promotion of worker health	68, 69, 70				
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	68, 69, 70				
403-8	Workers covered by an occupational health and safety management system	68, 69, 70				

GRI Standard / Other Source	Disclosure	Location (Page Ref.)	Omission			GRI Sector Standard Ref. No
			Requirement Omitted	Reason	Explanation	
403-9	Work-related injuries	68, 69, 70				
403-10	Work-related ill health	68, 69, 70				
GRI 404: Training and Education						
3-3	Management of material topics	67, 68				
404-1	Average hours of training per year per employee	67				
404-2	Programs for upgrading employee skills and transition assistance programs	67				
404-3	Percentage of employees receiving regular performance and career development reviews	67				
GRI 405: Diversity and Equal Opportunity						
3-3	Management of material topics	63, 64				
405-1	Diversity of governance bodies and employees	64				
405-2	Ratio of basic salary and remuneration of women to men		405-2	Confidential Information	VPE has not disclosed confidential information as its policy	
GRI 406: Non-discrimination						
3-3	Management of material topics	66				
406-1	Incidents of discrimination and corrective actions taken	66				
GRI 407: Freedom of Association and Collective Bargaining						
3-3	Management of material topics	68				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	68				
GRI 408: Child Labor						
3-3	Management of material topics	64				
408-1	Operations and suppliers at significant risk for incidents of child labor	64				
GRI 409: Forced or Compulsory Labor						
3-3	Management of material topics	64				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	64				
GRI 413: Local Communities						
3-3	Management of material topics	74, 75, 76, 78				
413-1	Operations with local community engagement, impact assessments, and development programs	74, 75, 76				
413-2	Operations with significant actual and potential negative impacts on local communities	78				
GRI 415: Public Policy						
3-3	Management of material topics	77				
415-1	Political contributions	77				

GLOSSARY

A

ACCOUNTING POLICIES

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

ACCRUAL BASIS

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

ACTUARIAL GAINS AND LOSSES

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

AMORTISATION

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

AVAILABLE-FOR-SALE (AFS)

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

B

BASIC EARNINGS PER SHARE

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

BORROWINGS

All interest-bearing liabilities

C

CAPITAL EMPLOYED

Total equity, minority interest and interest-bearing borrowings.

CASH EQUIVALENTS

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

CEA

Central Environment Authority

CEB

Ceylon Electricity Board

CEPL

Country Energy (Pvt) Ltd – Subsidiary

CER

Certified Emission Reduction

CONTINGENCIES

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

CO₂

Carbon Dioxide

CURRENT RATIO

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

CURRENT SERVICE COST

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

CSE

Colombo Stock Exchange

CSR

Corporate Social Responsibility

D

DEFERRED TAXATION

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

DIVIDENDS

Distribution of profits to holders of equity investments.

DIVIDEND PAY-OUT

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

DIVIDEND YIELD

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

E

EBITDA

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

EFFECTIVE TAX RATE

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

E-FLOW

Minimum environmental water flow that must be maintained in a stream to ensure that existing ecosystems thrive under appropriate hydrological and environmental conditions that respect the ecological balance.

ECONOMIC VALUE ADDED (EVA)

A measure of performance considering cost of total invested equity.

EQUITY

Shareholders' fund

ESG

Environmental, social, and governance, is a set of aspects, including environmental issues, social issues and corporate governance that can be considered in investing.

F

FINANCIAL INSTRUMENTS

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

FAIR VALUE

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

G**GEARING**

Proportion of total interest-bearing borrowings to capital employed.

GHG

Greenhouse Gas Emission

GIGA JOULES (GJ)

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

GRI

Global Reporting Initiatives

GWh

Giga watt hours. Equal to one million kilowatt hours.

I**ICASL/CA SRI LANKA**

The Institute of Chartered Accountants of Sri Lanka

INTEGRATED REPORTING

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

K**KEY MANAGEMENT PERSONNEL**

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

KILOWATT (KW)

Equal to 1000 watt

L**LTGEP**

Long-Term Generation Expansion Plan

M**MARKET CAPITALISATION**

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

MARKET VALUE ADDED (MVA)

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

MEGAWATT (MW)

Equal to one million watts or to 1000 kilowatts.

MHP

Mini Hydropower Project

N**NCRE**

Non-Conventional Renewable Energy

NET ASSETS PER SHARE

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

NON-CONTROLLING INTEREST

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

O**OUTAGE**

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

O&M COST

Operational and maintenance cost without depreciation and amortisation.

P**PRICE EARNINGS RATIO**

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

PAST SERVICE COST

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

PUCSL

Public Utility Commission of Sri Lanka

R**RELATED PARTIES**

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

RETURN ON EQUITY - ROE

Attributable profits to the shareholders divided by shareholders' funds.

RETURN ON CAPITAL EMPLOYED - ROCE

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

REVENUE RESERVES

Reserves considered as being available for distribution and investments.

S**SDG**

Sustainable Development Goals adopted by United Nations members with 17 goals.

SEGMENTS

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

SUBSIDIARY

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

Glossary

SLFRS/LKAS

Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

SLSEA

Sri Lanka Sustainable Energy Authority.

SPPA

Standard Power Purchase Agreement

T

TAGS AWARD

Awards program designed by CA Sri Lanka to recognise excellence in Transparency, Accountability, Governance, and Sustainability of corporate entities in Sri Lanka.

V

VALUE ADDITION

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

VPE

Vallibel Power Erathna PLC - Company

W

WORKING CAPITAL

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

WATT-HOUR

Unit of energy which expended for one hour of time.

CORPORATE INFORMATION

GRI 2-1

NAME OF COMPANY

Vallibel Power Erathna PLC

LEGAL FORM

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

DATE OF INCORPORATION

07th November 2001

COMPANY REGISTRATION NUMBER

P.Q. 103

FINANCIAL YEAR END

31st March

NATURE OF THE BUSINESS

Generate and Supply Electric Power to the National Grid.

STOCK EXCHANGE LISTING

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

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

BUSINESS OFFICE

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

SUBSIDIARY COMPANIES

Country Energy (Pvt) Ltd. (unquoted)

COMPANY SECRETARIES

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

AUDITORS

Deloitte Parnters
 Chartered Accountants
 P. O. Box 918
 100, Braybrooke Place,
 Colombo 2
 Telephone : 011 771 9700
 Fax : 011 230 3197
 Web site : www.deloitte.com

BANKERS

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

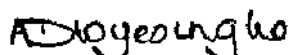
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 23 RD ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON 28th JUNE 2024 AT 3.00 PM AT THE BALMORAL, THE KINGSBURY HOTEL, COLOMBO 01

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Financial Statements for the year ended 31st March 2024 and the Report of the Auditors thereon.
2. To re-elect Mr. Haresh Somashantha , who retires by rotation in terms of Article 25(10) of the Articles of Association, as a Director of the Company;
3. To appoint Mr. Shan Shanmuganathan who is 70 years of age as a Director of the Company pursuant to the provisions of the Companies Act No.07 of 2007
4. To re-appoint Messrs Deloitte Partners, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.

By Order of the Board

VALLIBEL POWER ERATHNA PLC



P W Corporate Secretarial (Pvt) Ltd

Director / Secretaries

At Colombo

16 May 2024

Notes:

1. A shareholder entitled to participate and vote at the above meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate in the above meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.

FORM OF PROXY

*I/We holder of

NIC No. of being a

*Shareholder /Shareholders of Vallibel Power Erathna PLC, do hereby appoint

..... holder of NIC No. of or failing him/her

Mr. Harsha Amarasekera of Colombo or failing him
 Mr. Prabodha Sumanasekera of Colombo or failing him
 Mr. Hareesh Somashantha of Colombo or failing him
 Mr. Shan Shanmuganathan of Colombo or failing him
 Mr. Chatura Cabraal of Colombo or failing him
 Ms. Dinusha Bhaskaran of Colombo

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 28th June 2024 at 3.00 p.m. and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2024 and the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect Mr. Hareesh Somashantha , who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To appoint Mr. Shan Shanmuganathan who is 70 years of age as a Director of the Company pursuant to the provisions of the Companies Act No.07 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-appoint Messrs Deloitte Partners, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To authorise the Directors to determine payments for the year 2024/2025 and up to the date of the next Annual General Meeting for Charitable and other purposes as set out in the Companies Donations Act (Cap 147).	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Twenty Four.

.....
Signature

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

Corporate Information

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to dineshg@vallibel.com by 11.30 a.m on 26th June 2024.



27-2, East Tower, World Trade Center
Echelon Square, Colombo 01.

