LET US SPREAD
THE LIGHT

LOTUS HYDRO POWER PLC
ANNUAL REPORT 2020/21

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VISION & MISSION

To be a valuable stakeholder in the Sri Lankan Renewable Energy Industry by supplying green energy while safeguarding the environment

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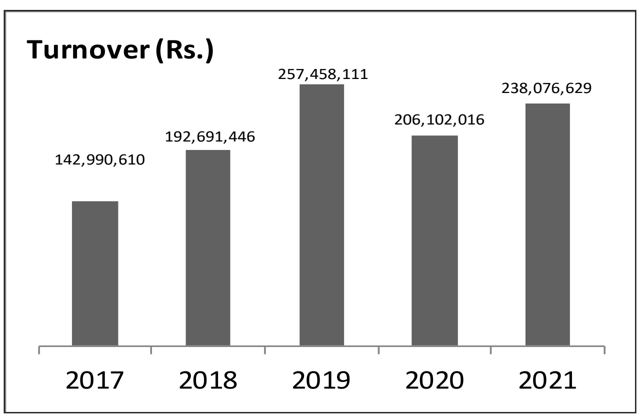
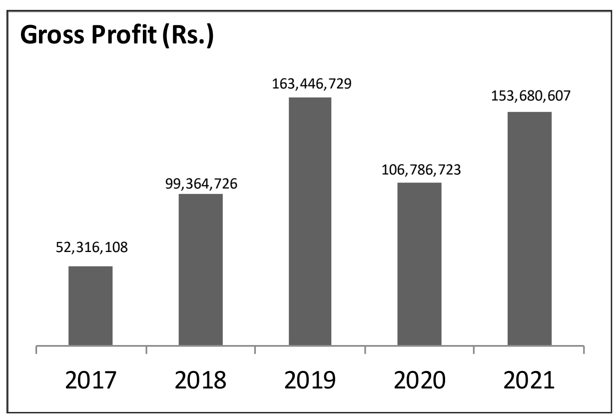
FINANCIAL HIGHLIGHTS – GROUP

Year Ended 31st March	2021 Rs.	2020 Rs.	Change %	2019 Rs.
Operating Results				
Group revenue (Rs.)	238,076,629	206,102,016	15.51	257,458,111
Profit before taxation (Rs.)	114,691,282	52,934,244	116.67	120,351,036
Profit after taxation (Rs.)	139,913,099	3,951,162	3,441.06	105,207,398
Other comprehensive income/(Loss) (Rs.)	36,504,877	101,383,131	(63.99)	(174,196)
Total Comprehensive income (Rs.)	176,417,976	105,334,293	67.48	105,033,202
Financial Position highlights				
Total shareholders' funds (Rs.)	818,793,330	751,463,466	8.96	733,399,663
Total assets (Rs.)	950,326,139	982,099,791	(3.24)	867,156,551
No of ordinary share (Nos.)	109,088,112	109,088,112	-	109,088,112
Shareholders information				
Earnings per share (Rs.)	1.28	0.04	3,100.00	0.96
Return on equity (%)	17.09	0.53	3,124.53	14.35
Net asset per share (Rs.)	7.51	6.89	9.00	6.72
Current ratio (Times)	7.97	5.06	57.51	4.48
Dividend payout ratio (%)	77.97	2,208.73	(96.47)	-
Market price as at 31st March (Rs.)	9.70	4.50	115.56	5.20
Market capitalization (Rs.)	1,058,154,686	490,896,504	115.56	567,258,182





BOARD OF DIRECTORS

MR. GARY SEATON
Executive Director/ Chairman

Mr. Gary Seaton was born and educated in Sydney, Australia, completing his formal education at the University of NSW. He embarked upon a career in Agribusiness, joining the Gardner Smith Group as a trainee in 1975. In 1984, Mr. Seaton opened up Gardner Smith's Singapore office as the first stepping stone to Gardner Smith's expansion to becoming a global player in the world market before rejoining Gardner Smith in 1988 to head up their International Operations.

Mr. Gary Seaton was responsible for the company's expansion into Global operations with the establishment of offices in India, Pakistan, Sri Lanka, China, Korea, South Africa, United Kingdom, Tanzania and Turkey. He left Gardner Smith in 1998 to form his own Group of companies including the Oceanic Group that continued their investments and involvements in Asia. Mr. Seaton currently heads the Oceanic Group which has operations in Singapore, Malaysia, Sri Lanka (tea plantation), India (investment in manufacturing plants) and Australia predominantly in the Agricultural Sector. Mr. Seaton also holds Directorship in Lotus Renewable Energy (Pvt) Ltd, Thebuwana Hydro Power (Pvt) Ltd, Stellenberg Hydro Power (Pvt) Ltd, Halgranoya Hydro Power (Pvt) Ltd, Zyrex Power Co Ltd, HI - Tech Power System (Pvt) Ltd, G & G Agro Commodities (Pvt) Ltd, Sri Bio Tech Lanka (Pvt) Ltd and Hatton Plantations PLC.

MR. MENAKA ATHUKORALA
Executive Director

Mr. Menaka Athukorala studied at Nalanda College Colombo, and is a Higher National Diploma holder of Plantation Management and Agriculture. His career path started as a Junior Assistant Superintendent in 1992 and became Superintendent at Salawa Estate under Pussellawa Plantations Limited in 2002. Where he worked up to 2013 as a Deputy General Manager. Thereafter he joined Lalan Rubber group as the Group General Manager and is presently the Country Manager cum Director of Lotus Renewable Energy (Pvt) Ltd. He also carries out duties and responsibilities in the capacity of a Chief Executive Officer of Lotus Hydro Power PLC. Mr. Menaka Athukorala also holds Directorship in Origin Tea Exports (Pvt) Ltd, Lotus Renewable Energy (Pvt) Ltd, Thebuwana Hydro Power (Pvt) Ltd, Stellenberg Hydro Power (Pvt) Ltd, Halgranoya Hydro Power (Pvt) Ltd, Lotus Mooloya Hydro Power (Pvt) Ltd, Zyrex Power Co Ltd, HI - Tech Power System (Pvt) Ltd, G & G Agro Commodities (Pvt) Ltd, Sri Bio Tech Lanka (Pvt) Ltd and Hatton Plantations PLC.

MR. GOWRI SHANKAR
Non- Executive Director

Mr. Gowri Shankar is a passionate and versatile Mechanical Engineer, Management, Clean energy professional, Corporate strategist with over 18 years experience in developed and developing markets. He has extensively contributed in the renewable energy space (especially Solar & Hydro Power Plants) & Agri-Commodity business space with hands on experience in structuring finance for Mergers & Acquisitions. Adept at negotiating with Governments, Vendors, Development Banks and Private Financing. He is leading an experienced team in South East Asia, apart from successfully managing companies in the renewable energy space, also provides consultancy to businesses in South East Asia and India. He has been involved in community development programmes in Africa, Australia, India and Sri Lanka. Recently he was awarded the "Distinguished Young Alumni of NIT, Warangal". He obtained a Bachelor of Technology degree in Machine Designing and Automation Engineering from NIT Jalandhar, India and MBA in Finance & Systems from NIT Warangal, India. Mr. Gowri Shankar also holds Directorship in Lotus Renewable Energy (Pvt) Ltd, Thebuwana Hydro Power (Pvt) Ltd, Stellenberg Hydro Power (Pvt) Ltd, Halgranoya Hydro Power (Pvt) Ltd, Zyrex Power Co Ltd, HI - Tech Power System (Pvt) Ltd, G & G Agro Commodities (Pvt) Ltd, G&G Group of Companies, Singapore and Hatton Plantations PLC.

DR. THIRUGNANASAMBANDAR SENTHILVERL
Non- Executive Director

Dr. Thirugnanasambandar Senthilverl was appointed to the Board of Directors of Lotus Hydro Power PLC in 2010 as a Non – Executive director. For over 5 decades he has been actively engaged in Manufacturing, Trading, Land Development, Heath Insurance, Finance, Power and Energy sectors and in industrial turnkey projections. At present Dr. Senthilverl serves as a Director on the board of CT Land Development PLC, CW Mackie PLC and many other companies.

MR. INDRAJITH FERNANDO
Independent Non- Executive Director

Mr. Indrajith Fernando is a thought leader and has over 28 years of experience in business and the profession. His contribution is beyond the confines of the profession which include the Corporate World and the Community at large. He was a past president of the Institute of Chartered Accountants of Sri Lanka (ICA), Member of International Federation of Accountant (IFAC) Developing Nations Committee, President–South Asian Federation of Accountants, Advisor/Chairman SAFA Committee on improving Transparency, Accountability and Governance (CiTAG). He is a fellow of the ICA-SL, CIMA UK and CMA Sri Lanka. He holds an MBA from the University of Queensland, Australia. He is a Senior Member of CPA-Maldives and the CISI (Advisory Committee member of Sri Lanka). Mr. Fernando serves as a Non-Executive Director, Chairman of the Audit Committee and the Integrated Risk Management Committee of listed companies. He serves as a Director on the Board of Strategic Insurance Brokers Pvt Limited, Beyond Wealth Pvt Ltd. BPO Connect (Pvt) Ltd, BPM One (Pvt) Ltd, Stromme Microfinance Asia (Guarantee) Ltd and Hatton Plantations PLC.

MR. UDITHA PALIHAKKARA

Independent Non- Executive Director

Mr. Uditha Harilal Palihakkara, a leading accounting and finance personality holding membership in many recognized professional institutions- Accounting, Banking, Corporate Secretarial and Economics, has been the President of the three leading accountancy professional bodies in Sri Lanka: the Institute of Chartered Accountants of Sri Lanka (ICASL), CIMA Sri Lanka and ACCA Sri Lanka. In 2010, he was elected President of the Organisation of Professionals Association of Sri Lanka. (OPA) a multi-disciplinary professional institution comprising of 52 member associations.

He has held leadership positions in several Public and Private Sector establishments including the Ceylon Electricity Board, Development Finance Corporation, People's Merchant Bank, Merchant Bank of Sri Lanka, Acland Insurance Services Ltd., Securities Council of Sri Lanka, National Enterprise Development Authority, Postgraduate Institute of Management etc., and served as a Financial Management Specialist in the Commonwealth Secretariat (CFTC).

After a successful career in investment banking, he expanded his outreach by engaging in many projects and programmes of the World Bank, Asian Development Bank, African Development Bank, International Fund for Agricultural Development, European Development Bank, International Labour Organization etc. In 2015, HE the President of Sri Lanka, on the recommendation of the Constitution al Council appointed him as the Chairman of the Finance Commission of Sri Lanka.

In appreciation of dedicated services, he was inducted into the Hall of Fame of ICASL, in 2014. In 2016, OPA presented him with the National Apex Award in recognition of his outstanding contribution to the profession and the nation.

In June 2017 he was conferred the "People Leader – Finance 2017, by the Institute of Personnel Management (IPM), in recognition of his contribution in promoting sound and vibrant people management practices in the world of work. In September 2017, he was honoured with a Recognition Award for his outstanding leadership and contribution and service to CIMA Sri Lanka.

Mr. Palihakkara is a Director of Hatton Plantations PLC and a few companies. He is a Trustee of the of the Organisation of Professionals Association of Sri Lanka and the President of the Sri Lanka China Business Cooperation Council.

CHAIRMAN'S REVIEW

Dear Shareholders,

On behalf of the Board of Directors of the Company, it is my pleasure to welcome you to the Annual General Meeting of Lotus Hydro Power PLC. We would like to present you the Annual Report of the Company along with the Audited Financial Statements for the year 2020/2021.

The year was not a favorable year to Sri Lanka and globally due to COVID –19 Pandemic. However, despite all the difficulties and uncertainties, your Company was able to operate all its power plants continuously to enhance the Shareholders wealth. During the period, the management of the Company was able to think out -of -the box for strategic decisions to enhance all-level operations steadfastly. It is heartening to note that your Company has recorded a better performance compared to last year despite the Pandemic resulting in all-round achievement.

While appreciating the noteworthy contribution the staff, we took steps to safeguard all categories of employment during the COVID -19 Pandemic. We strictly adhered to all health and safety guidelines of relevant authorities while running our power plants at optimal levels.

Group Overview

During the year, a consistent rainfall experienced in all the catchment areas enabled us to record a healthy revenue and profitability compared to the last year. Further, at all times cost-saving methods were adopted and appropriate measures were introduced to maximize the profitability of the Group.

The Group has supplied 15,635 MWh during the financial year 2020/2021 recording an increase of 1,393 MWh or 8% compared to last year due to favorable weather patterns and smooth operations. The Group gross profit and profit after tax have increased by 44% and 3,441% respectively mainly due to increase in power generation, change in annual depreciation estimations and change of useful life of power plants with the renewal of licenses for a further period of 20 years, reduction in the deferred tax rate to 14% and less impairment loss from Thebuwana Hydro Power (Pvt) Ltd.

Dividends

It is my pleasure to inform that your Company declared a dividend of Rs.1 /- per share amounting to Rs. 109 Mn, despite the turbulence of the fiscal year. The dividend payout is 25% more compared to the preceding year.

Renewable Energy Industry and Industry Related Issues

The Government decision to renew expired Mini Hydro projects which had completed the initial licensing period of 15 and 20 years favorably affected all Mini Hydro companies for continuation of the existing plants. Even though the tariff published for the renewed projects is low, your Company will be able to give a fair return on your investments. The Delta plant has completed its initial period of 15 years in April 2021 and the Company has applied for a renewal of license for a further period of 20 years. However, the new tariff rate will be very much less compared with Avoided Cost-based tariff. During the financial year, there were considerable delays in the settlement of dues from the Ceylon Electricity Board (CEB), and that had adversely affected the Company cash flows. It gives me immense pleasure to inform you that currently, CEB has come to some sort of a payment plan to avoid unnecessary delays in payments to power producers. It is noted that the CEB has raised 10 billion through debentures and is now in better financial shape than in previous years.

Lotus understands the paramount importance of safeguarding environment, especially to preserve water resources for the future generation. We are committed to preserving the natural environment by opting for all rules and regulations.

We expect favorable policies from government authorities for the renewable energy sector in the future too. Further, global price increase in fossil fuel will affect the cost of a unit of electricity generation from diesel. Therefore it is a key responsibility of the authorities concerned to adopt and implement favorable policies for the renewable energy sector by considering incentives to investors, and to reduce Sri Lanka's dependency on foreign oil imports.

New Projects

It is heartening to note that recent policies discussed by the government with the renewable energy developers seem more attractive. Therefore, we are in the process of evaluating the revised financial feasibilities of the projects which are yet to complete the approval process and construction. We will apply for license to construct a further 3MWh mini hydro plants. In addition, we are looking at further acquisitions to achieve our initial goal of 100MWh by 2023.

Appreciation

My heartfelt appreciation to the Board members for sharing their expert knowledge in all areas of operations during the Pandemic period. I also appreciate the continued trust and loyalty of our shareholders, relevant authorities, and other stakeholders. Despite all the adverse challenges, our employees' contribution to enhance the performance of the Company was remarkable. Therefore, I would like to convey my deep appreciation to all levels of employees and look forward for better contribution in the years to come.

....

Mr. G D Seaton
Chairman
17th August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Group Performance

During the year Lotus Group has registered a remarkable growth. The Group revenue and profit after tax have improved due to the increase in units generated as well as increase in Avoided Cost-based tariff. The Avoided Cost – tariff had increased by 9.5% (Rs. 19.51) for the wet season and by 6.5% (Rs. 21.25) for the dry season and this increase was only valid to Delta plant. The Government has decided to renew the existing hydro projects which have already completed an initial period of 15 or 20 years, for another 20 years. Accordingly, the group has commenced all the development and maintenance work immediately for smooth continuation of power plants in the future.

Group gross profit and net profit have increased by Rs. 47Mn and Rs. 136Mn respectively. Furthermore, better performance of the group shows a significant increase in earnings per share from Rs. 0.04 to Rs. 1.28 which is an increase of 3,100% compared to the previous year. During the year, an impairment of Rs. 12,334,595 has been charged on the fully owned subsidiary of Thebuwana investment. As expected in the last financial year, the Government has taken a favorable decision on the renewable energy sector by reducing the income tax rate to 14% thereby, reversing the deferred tax liability accounted during the current financial year. Furthermore, two operational 100% owned subsidiaries contributed to the profitability of the group favorably with better performance.

COVID 19 Pandemic

Impact on renewable energy sector due to COVID -19 Pandemic has been very minimal. The Company was able to assure the health and safety of all employees while operating all power plants at their optimum capacities. A decision was taken, the senior management for office staff to work remotely, while providing all facilities for engineering staff for effective running of the power plants. Furthermore, employees in high-risk areas were vaccinated under the Government vaccination program.

Existing Projects

Sanquhar plant had been operating under the new terms of SPPA during the financial year. However, there has been a delay in settlements of dues during the year and the Company has been able to collect all dues up to April 2021 by August 2021. The first 15 year period of the Delta plant also expired in April 2021 and the Company has commenced necessary steps for renewal. The renewal process dragged on mainly due to the COVID -19 Pandemic causing most of the authorities to deviate from their normal work schedule recognizing, health rules and regulations. We are, however, confident that we will be able to complete the signing of the new SPPA for Delta plant without further delays. The tariff rate applicable to the Delta plant will be much less compared to the previous Avoided Cost-based tariff. This will reduce revenue significantly in future financial years. The group was able to discuss the industry-related issues with the relevant authorities by participating actively along with the Small Hydro Power Association.

New Projects

The management of the Company is in the process of evaluating viable investment opportunities for the Group considering the favorable economic conditions such as availability of debt financing at very attractive rates and certainty of renewal of SPPA period of the power projects. Even though, no new projects were undertaken during the year, the latest communication with relevant authorities has been promising with a positive feedback on expediting the approval process for commencement of construction of new projects. Therefore, the Company is in the process of completing the related activities in Halgranoya Phase I and II.

CSR Initiatives

Due to the COVID -19 Pandemic, we had to restrict certain CSR work during the current financial year. However, we were able to support welfare-related activities of the areas where our power plants are located. Furthermore, we made contributions to construct village roads surrounding our power plants. We wish to place on record that more CSR work has been undertaken by the Parent Company of the Lotus Hydro Power PLC during the year by contributing to the development of education for needy children in the Thalawakele area and contributing to the construction of a hospital in Batticaloa.

Rating

ICRA Lanka Limited has assigned the issuer rating of [SL]BBB+ (Pronounced SL triple B plus) with Stable outlook for Lotus Hydro Power PLC (LHP or the Company) on 9th April 2021.

Future Outlook

Current economic conditions will give a positive future outlook for the renewable energy sector. Lotus Hydro Power PLC will be looking forward for more investments in renewable energy sectors in future with a greater support from the Government, the Ceylon Electricity Board, and other relevant authorities. Lotus Hydro's goal is to construct or acquire 100MW of Renewable energy by 2023.

CORPORATE GOVERNANCE

Governance is a responsibility of the Board of Directors for competent and ethical operations of the business. Lotus Hydro Power PLC understands the paramount importance of practicing Corporate Governance, as non adherence would cause consequences.

The Corporate Governance framework of the company is a reflection of our culture, policies, relationship with stakeholders and commitment to values. It also expects a high level of commitment across the Company and creation of awareness at all levels.

The Corporate Governance framework of the Company is depicted below:

- Complying with laws, rules and regulations of the Sri Lanka
- Allegiance to the Group Values
- Ensuring that no individual has unfettered decision making powers
- Exercising professionalism and integrity in all business transactions
- Timely and efficient decision making and resource allocation within a framework which is compliant with the laws of the territory and standards of governance

The key components of the Corporate Governance framework of the Company comprise of Internal Governance Structure, Assurance of Compliance and Regulatory Frameworks which guide the Company towards progress by way of developing and implementing appropriate corporate strategies are discussed in this report.

INTERNAL GOVERNANCE STRUCTURE

Internal Governance Structure of the Company facilitates effective and efficient decision making with accountability. This is based on,

I. The Chairman and the Board of Directors

The Chairman's primary role is to ensure that the Board is effective in its tasks of setting and implementing the Company's directions and strategy. The Board of Directors, along with the Chairman is the ultimate governing body of the Company and is abundant of experience, professionalism and has a wide range of expertise in diverse fields.

The Board is responsible for the ultimate supervision and accountability for the stewardship function of the Company. It gives leadership in setting the strategic direction and establishing a sound control Framework for the successful functioning of the Company. The Board of Directors is committed to uphold the highest standards of integrity, transparency, accountability and professional ethics, rewarding all its stakeholders with greater creation of values within the Company. Directors and employees of the Company and the Group at all levels are expected to display ethical and transparent behavior through their communication and role modeling in keeping with acceptable business practices.

The Board ensures compliance with the Code of Best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

As at date, the Board consists of 06 members comprising of-

- 2 Non-Executive Directors
- 2 Independent Non-Executive Directors
- 2 Executive Directors

No	Name of Director	Executive/Non Executive	Independent/ Non Independent	Gender Representation
01	Mr. Gary Seaton	Executive (Chairman)	Non-Independent	Male
02	Mr. Menaka Athukorala	Executive	Non-Independent	Male
03	Mr. Gowri Shankar	Non-Executive	Non-Independent	Male
04	Dr.Thirugnanasambandar Senthilverl	Non-Executive	Non-Independent	Male
05	Mr. Uditha Palihakkara	Non-Executive	Independent	Male
06	Mr. Indrajith Fernando	Non-Executive	Independent	Male

The Board comprises of Directors with varied experience and skills. The Profiles of the Chairman and each Director with their experience in businesses, professionalism and and other fields are set out in pages 5 to 6.

Independence of the Directors has been determined in terms of the prevailing Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The two Independent, Non- Executive Directors have submitted signed confirmations of their independence. Apart from the determination of independence, each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest arising from external associations, interests or personal relationships in material matters. All Directors make a formal declaration of all their interests on an annual basis.

All Directors are able to and willingly add value and independent opinion on the decision-making process, which is of immense benefit to the effective functioning of the Board. The Board of Directors is accountable to the shareholders for the governance of the company, the proper stewardship of the Company's affairs, and share a responsibility in ensuring the highest standards of disclosure and reporting, ethics and integrity across the Company and the Group. The Board of Directors maintain an appropriate dialog with share holders an any issues raised by them at General Meeting are dealt with.

All the Directors have access to the Company Secretaries, S S P Corporate Services (Pvt) Ltd who are responsible to the Board in ensuring that the proper Board procedures are followed and that applicable rules and regulations are complied with.

Board Meetings

Board Meetings are held for the following purposes:

- To review strategic and operational issues.
- To approve interim and full year financial statements and annual budgets.
- To review profit and working capital forecasts and monthly management accounts.
- To provide advice and guidelines to Divisional Heads and Senior Managers.
- To provide and circulate timely and periodic reports to shareholders.
- To sanction major investments.
- To adopt annual and interim reports before they are published.

In addition, ad hoc meetings are scheduled to discuss and review specific matters.

The Directors are provided with all relevant information in advance of each meeting in order that they could participate at the meetings effectively.

For the financial year ended 31st March 2021 only two (02) Board Meetings were held due to the Pandemic situation and currently they are held regularly via Zoom.

Name	Attendance
Mr. Gary Seaton	2/2
Mr. Menaka Athukorala	2/2
Mr. Gowri Shankar	2/2
Dr.Thirugnanasambandar Senthilverl	1/2
Mr. Uditha Palihakkara	2/2
Mr. Indrajith Fernando	2/2

II. Sub-Committees

The Board has delegated some of its functions to board committees while retaining final decision rights pertaining to matters under the purview of these committees.

The Sub-Committees are;

Audit Committee:
Oversight of Internal Controls and Financial Reporting

Remuneration Committee:
Recommendation of remuneration framework of the Company

Related Party Transactions Review Committee:
To assist the Board in reviewing all Related Party Transactions

Audit Committee

The Audit Committee comprises of:

Mr. Indrajith Fernando - Chairman / Independent Non-Executive Director
Mr. Uditha Palihakkara - Member/ Independent Non-Executive Director
Mr. Gowri Shankar - Member/ Non-Executive Director

The Executive Director, General Manager Finance and other representatives of Senior Management join the meetings of the committee by invitation when necessary. The Secretary of S S P Corporate Services (Pvt) Ltd functions as the Secretary to the Committee.

For the financial year ended 31st March 2021 there has been a total number of four (04) Audit Committee Meetings.

The Audit Committee report is given on page 35-36 of the Annual Report.

Remuneration Committee

The Remuneration Committee comprises of:

Mr. Indrajith Fernando - Chairman / Independent Non-Executive Director
Mr. Uditha Palihakkara - Member/ Independent Non-Executive Director
Mr. Gowri Shankar - Member/ Non-Executive Director

The Secretary of S S P Corporate Services (Pvt) Ltd functions as the Secretary to the Committee. The Chairman of the Company shall be invited to attend meetings and shall be consulted on the performance and remuneration of Directors and senior management.

The Remuneration Committee is responsible for-

- Assisting the Board of Directors in establishing remuneration policies and practices in the Company;
- Evaluating the performance of the Executives/ Senior Managers of the Company; and
- In reviewing and recommending to the Board appropriate remuneration packages based on industry level and contributions made to the organization

The Remuneration Committee Report is given on page 37-38 of the Annual Report.

Related Party Transactions Review Committee

The Committee comprises of the following members and meets on quarterly basis:

- **Mr. Indrajith Fernando** - Chairman / Independent Non-Executive Director
- **Mr. Uditha Palihakkara** - Member/ Independent Non-Executive Director
- **Mr. Gowri Shankar** - Member/ Non-Executive Director
- **Mr. Gary Seaton** - Member / Executive Director
- **Mr. Menaka Athukorala** - Member / Executive Director

The purpose of the Committee is to review in advance all proposed Related Party Transactions of the Company as per the terms given in the Listing Rules of the Colombo Stock Exchange.

The Related Party Transactions Review Committee is responsible for the following:

- Reviewing in advance all proposed Related Party Transactions of the Company except those explicitly exempted;
- Adopting policies and procedures to review Related Party Transactions of the Company and reviewing and overseeing existing policies and procedures;
- Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- To establish separate guide lines to follow Recurrent Related Party Transactions of the Company;
- Ensures that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee;
- If there is any potential conflict in any Related Party Transaction, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction;
- Ensures that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

The Related Party Transactions Review Committee Report is given on page 39-40 of the Annual Report.

III. Internal Controls

Internal Controls namely, the Code of Business Conduct and Ethics, IT Governance and Internal Audit are designed to support and maintain a transparent and effective internal control system and institutionalization of the best processes of governance. The Board is committed to maintain high ethical standards in conducting its business and to communicate its values to its employees and ensure their conduct is based in such values.

B. ASSURANCE OF COMPLIANCE

Assurance of compliance is the supervisory module of the Corporate Governance structure, where a range of assurance mechanisms such as monitoring, tests on effectiveness are carried out and corrective actions are proposed and implemented towards a sound governance system.

The Board is conscious of its responsibility to the shareholders, the Government and the society in which it operates and is committed to uphold the highest standards of ethical behavior in conducting its business. The Board, through the Group Legal Division, the Group Finance Division and its other operating structures, monitors and assesses the level of compliance of the Company with laws and regulations. It also reviews the changes in regulations and strives to ensure that the Company is in compliance with the regulatory requirements of the country.

Report to the Shareholders and Public

The Board considers the Annual General Meeting as a prime opportunity to communicate with shareholders and encourage their participation. A Form of Proxy accompanies each Notice of Meeting giving opportunity to those who are unable to attend, to cast their vote. The Notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders fifteen working days prior to the meeting as required by the Companies Act No. 07 of 2007.

Going Concern and Financial Reporting

The Directors are satisfied that the company has sufficient resources to continue in operation for the foreseeable future. The company has adopted the going concern principle in preparing the financial statements. All statutory and material declarations are highlighted in the Directors' Report.

The Statement of Directors' Responsibilities in relation to financial reporting is given on page 34. The Directors' interests in contracts of the company are disclosed in note 29.1 to the Financial Statements.

Corporate Social Responsibility

The Company recognizes sensitively the need to look after the rights and claims of non-shareholder groups such as employees, consumers, suppliers, lenders and government. The Company is mindful when making corporate decisions, of the outcome affecting the stakeholder groups.

The Company considers the natural environment as one of the key and important stakeholders and makes deliberate efforts to take care of it in the best possible manner. The business units of the Company adhere to stringent eco-friendly practices, which ensure outputs that contribute towards a sustainable environment.

External Audit

M/s. KPMG, Chartered Accountants have been appointed as the external Auditors of the Company.

C. REGULATORY FRAME WORK

This refers to the regulatory structure within which the Company operates towards conforming to established governance related laws, regulations and best practice.

STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE RULES OF THE COLOMBO STOCK EXCHANGE (CSE).

(Implemented on 1st April 2009 and includes amendments to date)

CSE Rule	CSE Rule and Description	Compliance Status	Section Reference in the Annual Report
7.6	Contents of Annual Report		
I	Names of persons who during the financial year were Directors of the Entity	√	Board of Directors
II	Principal activities of the Entity and its subsidiaries during the year and any changes therein	√	Annual Report of the Board of Directors
III	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	√	List of 20 major shareholders
IV	The Public Holding percentage	√	Share Information
V	A statement of each Director's holding and Chief Executive Officer's holding" in shares of the Entity at the beginning and end of each financial year	√	Share Information, Annual Report of the Board of Directors
VI	Information pertaining to material foreseeable risk factors of the Entity	√	Risk Management
VII	Details of material issues pertaining to employees and industrial relations of the Entity	√	Annual Report of the Board of Directors
VIII	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	√	Notes to the Financial Statements (Note 12.4), Our Business Operation
IX	Number of shares representing the Entity's stated capital	√	Notes to the Financial Statements, (Note 20) Share Information.
X	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in different categories	√	Share Information
XI	The following ratios and market price information: • Dividend per share • Dividend pay out • Net asset value per share • Market value per share -Highest and lowest values recorded during the financial year -Value as at the end of financial year	√	Financial Highlights, Five Year Summary, Share Information
XII	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	N/A	
XIII	If during the year, the Entity has raised funds either through a public issue, Rights Issue, and private placement; a. statement as to the manner in which the proceeds of such issue has been utilized; b. if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and, c. any material change in the use of funds raised through an issue of Securities	N/A	

CSE Rule	CSE Rule and Description	Compliance Status	Section Reference in the Annual Report
XIV	Disclosures of each employee share option schemes and employee share purchase schemes.	N/A	
XV	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c)	√	Corporate Governance
XVI	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a Related Party and/ or amounts due from a Related Party to be set out separately The details shall include, as a minimum; I. The date of the transaction II. The name of the Related Party III. The relationship between the Entity and the Related Party IV. The amount of the transaction and terms of the transaction V. The rationale for entering into the transaction (This section was repealed on 1st January 2016 and the Code of Best Practices on Related Party Transactions are applicable w.e.f 1st January 2016)	√	No non-recurrent transactions meeting threshold

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE COLOMBO STOCK EXCHANGE (CSE).

(Implemented on 1st April 2009 and includes amendments to date)

CSE Rule	CSE Rule and Description	Compliance Status	The Company's Action
7.10	Compliance		
a/b/c	Compliance with Corporate Governance Rules	√	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1	Non-Executive Directors (NED)		
a/b/c	At least 03 members or 1/3 of the Board, whichever is higher should be NEDs	√	As at date the Board consists of 06 Directors and 04 out of the 06 Board members are NEDs, which complies with this Rule.
7.10.2	Independent Directors		
a.	02 or 1/3 of NEDs, whichever is higher shall be "independent"	√	As at date the Board consists of 04 NEDs and 02 out of the 04 Board members who are NEDs are independent.
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	√	Independence of the Directors has been determined in accordance with CSE Listing Rules and the Non-Executive Directors have submitted signed confirmation of their independence.
7.10.3	Disclosures relating to Directors		
a/b	Names of the Independent Directors should be disclosed in the Annual Report Board shall annually determine the independence or otherwise of NEDs	√	Refer Board of Directors section of the Annual Report. Non-Executive Directors have submitted declaration as to their independence.
c	A brief resume of each Director should be included in the annual report including the Directors' experience	√	Refer Board of Directors section of the Annual Report.

CSE Rule	CSE Rule and Description	Compliance Status	The Company's Action
d	Provide a resume of new Directors appointed to the Board along with details	√	Details of the new Directors as and when appointed have been submitted to the Colombo Stock Exchange.
7.10.4	Criteria for defining independence		
a. to h.	Requirements for meeting the criteria to be an independent Director	√	All of the Independent Directors of the Company met the criteria for independence specified in this rule.
7.10.5	Remuneration Committee		
	A Listed Company shall have a Remuneration Committee	√	Complied with
a.1	Shall comprise of Non- Executive Directors majority of whom shall be Independent		The Remuneration Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director.
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	√	One Independent Non-Executive Director is the Chairman of the Committee.
b.	The Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors to Promoter long term success of the Company	√	The remuneration of the Directors have been determined as per the remuneration principles of the Company and are recommended by the Remuneration Committee, after rigorous analysis Refer Remuneration Committee Report.
c.1	Names of Remuneration Committee members	√	Refer Remuneration Committee Report.
c.2	Statement of Remuneration Policy		Refer Remuneration Committee Report.
c.3	Aggregate remuneration paid to EDs and NEDs	√	Aggregate remuneration is given in the Notes to the Financial Statements in Note 9.
7.10.6	Audit Committee		
	The Company shall have an Audit Committee	√	Complied with
a.1	The Committee shall comprise of a minimum of three Non–Executive Directors of whom at least two should be independent.	√	The Audit Committee comprises of two Independent Non-Executive Directors and one Non- Executive Director.
a.2	An independent Non-Executive Director shall be the Chairman of the Committee. The Chairman of the Audit Committee or one member should be member of professional accountancy body.	√ √	An Independent Non-Executive Director is the Chairman of the Committee. Refer Audit Committee Report.

CSE Rule	CSE Rule and Description	Compliance Status	The Company's Action
b.	Functions of the Audit Committee shall include: Overseeing the preparation & presenting Financial Statements in accordance with Sri Lanka Accounting Standards. (SLFRS & LKRS) Overseeing the compliance with Financial reporting requirements and other related regulations and requirements. Overseeing the process to ensure the internal controls and risk management as per the Sri Lankan reporting standards. Assessment of the performance & independence of the external auditors. Recommendation to the board on appointment, re–appointment and removal of external auditors and their remuneration. Developing and implementing policy on engagement of external auditor to supply non-audit services.	√	Refer Audit Committee Report
c.1	Names of the Audit Committee members shall be disclosed	√	Refer Audit Committee Report.
c.2	Audit Committee shall make a determination of the independence of the external auditors	√	Refer Audit Committee Report.
c.3	Report on the manner in which Audit Committee carried out its functions	√	Refer Audit Committee Report.

STATEMENT OF COMPLIANCE UNDER SECTION 9 OF THE RULES OF THE COLOMBO STOCK EXCHANGE (CSE).

CSE Rule	CSE Rule and Description	Compliance Status	Section Reference in the Annual Report
9.3.2	Disclosures in the Annual Report		
9.3.2 (a)	In the case of non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements, the following information must be presented in the Annual Report: • Name of the Related Party • Relationship • Value of the Related Party Transactions entered into during the financial year • Value of Related Party Transactions as a % of Equity and as a % of Total Assets • Terms and Conditions of the Related Party Transactions • The rationale for entering into the transactions	√	No non-recurrent related party transaction happened during the year

CSE Rule	CSE Rule and Description	Compliance Status	Section Reference in the Annual Report
9.3.2 (b)	In the case of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/ income (or equivalent term in the Income Statement and in the case of group entity, the consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report with the following information; • Name of the Related Party • Relationship • Nature of the transaction • Aggregate value of Related Party Transactions entered into during the financial year • Aggregate value of Related Party Transactions as a % of Net Revenue/ Income • Terms and Conditions of the Related Party Transactions	√	Notes to the Financial Statements
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: • Names of the Directors comprising the Committee • A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors • The policies and procedures adopted by the Committee for reviewing the Related Party Transactions • The number of times the Committee has met during the Financial Year	√	Annual Report of the Board of Directors and Related Party Transaction Review Committee report
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	√	Annual Report of the Board of Directors and Related Party Transaction Review Committee report.

STATEMENT OF COMPLIANCE DISCLOSURES REQUIRED BY THE COMPANIES ACT NO. 07 OF 2007.

Section reference in the Companies Act No. 07 of 2007	Disclosure Requirement	Reference in the Annual Report
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Notes to the financial statements -page 50 to 84
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed.	Financial Statements and note to the financial statements - page 45 to 84
168 (1) (c)	Auditor's Report on Financial Statements of the Group and the Company	Independent Auditors' Report page 42 to 44
168 (1) (d)	Accounting Policies and any changes therein	Notes to the financial statements - page 50 to 62
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors - page 31
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the financial statements - page 63
168 (1) (g)	Corporate Donations made by the Company and its subsidiaries during the accounting period	Notes to the financial statements - page 63
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Group structure - page 88
168 (1) (i)	Amounts paid/payable to the External Auditors as audit fees and fees for other services rendered during the accounting period	Notes to the financial statements - page 63
168 (1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries	Annual Report of the Board of Directors - page 33 Audit Committee Report - page 35 to 36
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Annual Report of the Board of Directors - page 33

The Board of Directors has ensured that the Company has complied with the Listing rules of the Colombo Stock Exchange and The Companies Act No. 07 of 2007.

CODE OF BEST PRACTICES OF CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CA SRI LANKA) IN CONJUNTION WITH THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

(Issued on 2017 and includes amendments to date)

A. Directors

Rule		Compliance Status	Company's Action
A.1	The Board		
A.1	Company to be headed by an effective Board to direct and control the Company	√	The Company is headed by an effective Board of Directors who are responsible and accountable for the stewardship function of the company.

Rule		Compliance Status	Company's Action
A.1.1	Regular Board meetings at least once every quarter	√	The Board met two times during the year and has decided to improve regularity of meetings in future.
A.1.2	The Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions	√	Powers specifically vested in the Board to execute their responsibility include: • Providing direction and guidance to the Company in the formulation of its strategies, with emphasis on the medium and long term, in the pursuance of its operational and financial goals; • Reviewing and approving annual budget plans; • Monitoring systems of governance and compliance; • Reviewing and approving major investments, acquisitions, disposals and capital expenditure; • Approving of the Company's equity/debt securities.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	√	The Board seeks independent professional advice when deemed necessary.
A.1.4	Access to advice and services of the Company Secretary	√	To ensure robust deliberation and optimum decision making, the Directors have access to the services of the Company Secretaries whose appointment and/or removal is the responsibility of the Board.
A.1.5	Bring independent judgment on various business issues and standard of business conduct	√	Collectively, the Non-Executive Directors bring a wealth of value adding knowledge, ranging from domestic and international experience to functional know-how, thus ensuring adequate Board diversity in accordance with principles of Corporate Governance. Furthermore, every member of the Board brings independent judgment on various business issues.
A.1.6	Dedication of adequate time and effort	√	Allowing for Non-Executive Director involvement in various Board Committees and time spent by them in considering various matters that require discussion and decision in between the formal Board meetings, the Company estimates that Non- Executive Directors devote sufficient time to the Group during the year.

Rule		Compliance Status	Company's Action
A.1.7	Board induction and training	N/A	In instances where Directors are newly appointed to the Board, they are apprised of the: • Values and culture; • Operations of the Company/ Group and its strategies; • Operating model; • Policies, governance framework and processes; • Responsibilities as a Director in terms of prevailing legislation; • Important developments in the business activities of the Company/Group.
A.2	The Chairman		
A.2.1	Maintain a clear division between Chairman and the Chief Executive Officer	√	Mr. Gary Seaton is the Chairman of the Company. Mr. Menaka Athukorala acts in the capacity of a Chief Executive Officer.
A.3	The Chairman's role		
A.3.1	The Chairman should ensure that Board proceedings are conducted in a proper manner	√	Refer Chairman's role in Corporate Governance section in the Annual Report.
A.4.	Financial acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	√	02 Board members hold membership in professional accounting bodies. Refer Board of Director's section for more information.
A.5	Board balance		
A.5.1	The Board should include Non- Executive Directors of sufficient caliber	√	As at date, the Board Consists of 06 Directors, with a majority being Non-Executive Directors.
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be Independent Directors	N/A	Not applicable as the Board comprises of more than two Non-Executive Directors.
A.5.3	Definition of Independent Directors	√	All the Independent Directors of the Board are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.4	Declaration of Independent Directors	√	Each Non-Executive Director has submitted a signed and dated declaration of his/her independence.
A.5.5	Board determinations on independence or non-independence of Non-Executive Directors	√	All of the Independent Directors of the Company met the criteria for independency specified in this rule.

Rule		Compliance Status	Company's Action
A.5.6	Alternate Director	N/A	Not Applicable.
A.5.7	In the event the Chairman and the CEO are the same person, the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID)	N/A	Not Applicable.
A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns	N/A	Not Applicable.
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, at least once each year.	√	The Chairman will convene meetings as per this rule when deemed necessary.
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes	√	All the Board meeting proceedings are comprehensively recorded in the Board Minutes.
A.6	Supply of information		
A.6.1	Board should be provided with timely information to enable it to discharge its duties	√	The Board is provided with: • Information as is necessary to carry out their duties and responsibilities effectively and efficiently • Information updates from management on topical matters, new regulations and best practices as relevant to the Company/Group's business • External and internal auditors' opinions • Experts and other external professional services • The services of the Company Secretaries
A.6.2	Timely submission of the minutes, agenda and papers required for the Board meeting	√	Board agendas and necessary Board Papers and minutes are dispatched at least 07 days prior to the Board meeting.
A.7.1	Formal and transparent procedure for Board appointments	√	Board appointments follow a transparent and formal process.
A.7.2	Assessment of the capability of Board to meet strategic demands of the Company	√	The Board as a whole assesses its own composition to ascertain whether the experience and exposure of the Board members are adequate to meet the strategic demands faced by the Company.
A.7.3	Disclosure of new Board member profile and interests	√	Refer Board of Directors' section. All appointments of new Directors are informed to the shareholders through public announcements to the Colombo Stock Exchange.
A.8	Re-election		

Rule		Compliance Status	Company's Action
A.8.1 A.8.2	Re-election at regular intervals and should be subject to election and re-election by Shareholders	√	The Directors are appointed and recommended for re-election until their prescribed Company retirement age. The Directors are subject to re-election on the basis of 'longest in the office' as provided in the Articles of the Association. One third of the Directors shall retire by rotation on the basis prescribed in the Articles of the Company. Directors retiring by rotation or a Director who is subject to appointment are eligible for re-election by a shareholder resolution at the AGM.
A.9	Appraisal of Board performance		
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities	√	The Board continued with its annual Board performance appraisal. This is a formalized process of self-appraisal, whereby each member assesses, on an anonymous basis, the performance of the Board.
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees	√	The Board considers following areas for the annual self-evaluation; • Role and effective discharge of responsibilities; • Systems and procedures; • Quality of participation; • Board image.
A.9.3	The Board should state how such performance evaluations have been conducted	√	The performance evaluations are analyzed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening.
A.10	Disclosure of information in respect of Directors		
A.10.1	• Profiles of the Board of Directors • Directors' interests • Board meeting attendance • Board Committee memberships	√	Refer Board of Directors, Corporate Governance and Annual Report of Board of Directors sections.
A.11	Appraisal of the Chief Executive Officer		
A.11.1	Target/Goals for the Managing Director	√	At the commencement of each financial year, the Board in consultation with the Managing Director sets financial and nonfinancial goals based on the short, medium and long term objectives of the Company.
A.11.2	Evaluation of the performance of the Managing Director	√	The annual appraisal of the Managing Director is carried out by the Board at pre-agreed performance targets at the end of each financial year.

B. Directors Remuneration

Rule		Compliance Status	Company's Action
B.1	Remuneration procedure		
B.1.1	The Board of Directors should set up a Remuneration Committee	√	Complied with.
B.1.2.	The Remuneration Committees should consist exclusively of Non– Executive Directors	√	Refer Remuneration Committee Report.
B.1.3.	The Executive Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	√	Refer Remuneration Committee Report.
B.1.4.	Determination of the remuneration of Non-Executive Directors	√	NEDs receive a fee for devoting time and expertise for the benefit of the Group in their capacity as Directors.
B.1.5.	The Remuneration Committee should consult the Chairman about its proposals relating to the remuneration of other Executive Directors	√	Complied with.
B.2	Level and make-up of Remuneration.		
B.2.1	Level and make-up of the remuneration of the Managing Director	√	The Board makes assessments on the fact that the remuneration of Executive and the Non-Executive Directors reflects the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Company. The remuneration package of the Managing Director is structured to link rewards to corporate and individual performance, ensuring there is strong alignment between the short-term and long-term interests of the Company.
B.2.2	Comparison of remuneration with other companies	√	The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
B.2.3	Comparison of remuneration with other companies in the Group	√	It also takes into consideration data concerning executive pay among the related group companies when determining annual salary increases.
B.2.4	Performance related payments to the Managing Director	√	Performance based incentives have been determined to ensure that the total earnings of the Executive Director is aligned with the achievement of objectives and budgets of the Company.
B.2.5	Executive share options	√	There are no share options that have been offered to the Executive Director and senior management.

Rule		Compliance Status	Company's Action
B.2.6	Deciding the Executive Directors' Remuneration	√	In deciding the remuneration of the Managing Director, the Committee takes note of the provisions set out in Schedule E of the Code.
B.2.7	Early termination of Directors	√	Not applicable to the Board except for the Managing Director who is an employee of the Company and his terms of employment is governed by the employment contract.
B.2.8	Early termination not included in the initial contract	N/A	
B.2.9	Remuneration of Non-Executive Directors	√	Please refer B.1.4 above.
B.3 B.3.1	Disclosure of remuneration policy and aggregate remuneration	√	In accordance with the guidelines of the Securities and Exchange Commission of Sri Lanka the aggregate remuneration paid to the Non-Executive Directors during the financial year 2020/2021 is disclosed in Note 9.

C. Relations with Shareholders

Shareholders have the opportunity at the AGM, to put forward questions to the Chairman and the Board of Directors to have better familiarity with the Company's business and operational workings

Rule		Compliance Status	Company's Action
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings	√	Complied with.
C.1.1	Counting of proxy votes		Complied with.
C.1.2	Separate resolution to be proposed for each item	√	Complied with.
C.1.3	Heads of Board sub-committees to be available to answer queries	√	All the Non-Executive Directors who are the heads of Board sub committees are available to answer queries.
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per the statute	√	Notice of the AGM and related documents are sent to shareholders along with the Annual Report within the specified period. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.
C.1.5	Summary of procedures governing voting at General meetings to be informed	√	Complied with.
C.2	Major Transactions		
C.2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets	√	Complied with.

Rule		Compliance Status	Company's Action
C.2.2	Policy and methodology for communication with shareholders	√	The Company will focus on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Company will ensure information is communicated accurately and in such a way as to avoid the creation or continuation of a false market.
C.2.3	Implementation of the policy and methodology for communication with shareholders	√	The Company adopts a two way communication policy with shareholders. At the Annual General Meeting, the Company openly welcomes any suggestions from the shareholders and shareholders may elect to receive the Annual Report in printed form. The Board of Directors is prepared to provide comprehensive explanations for queries of shareholders.
C.2.4/ C.2.6	Contact person in relation to shareholders' matters	√	Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or Management of the Company. Such questions, requests and comments should be addressed to the Company Secretary.
C.2.5	Process to make all Directors aware of major issues and concerns of shareholders	√	The Company Secretary shall maintain a record of all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual Director/s as applicable. The Board or individual Director/s, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretary to send the response to the particular shareholder.
C.2.7	The process of responding to shareholder matters	√	Please refer the comment for C.2.5 above.
C.3	Major and Material Transactions		
C.3.1/ C.3.2	Disclosure of major transactions to the shareholders and rules and regulation of securities exchange commission and by the CES	√	There have been no transactions during the year under review which fall within the definition of major transaction as set out in the companies Act No. 07 of 2007.

D. Accountability and Audit

Rule		Compliance Status	Company's Action
D.1	Financial reporting		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to regulators	√	Complied with.
D.1.2	Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	√	Refer Corporate Governance and Annual Report of the Board of Directors.
D.1.3	Statement of Directors' Responsibility	√	Refer Statement on Directors' Responsibility.
D.1.4	Management Discussion and Analysis	√	Refer Management Discussion and Analysis.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	√	The Board of Directors, upon the recommendation of the Audit Committee, is satisfied that the Company has sufficient resources to continue in operation for the foreseeable future.
D.1.6	Remedial action at Extraordinary General Meeting (EGM) if net assets fall below half of value of Shareholders funds	√	In the unlikely event that the net assets of the Company fall below half of the Shareholders' funds, shareholders would be notified and an extraordinary resolution would be passed on the proposed way forward.
D.1.7	Related party transactions	√	The Directors have instituted an effective and comprehensive system of Internal Controls for identifying, recording and disclosure of related party transactions. Steps have been taken by the Board to avoid any conflict of interest that may arise, in transacting with related parties. Further, the Board ensures that no related party benefits from favourable treatment. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with that what is applied to transactions between the Company and its unrelated parties. Related Party Transactions Review Committee was established by the Board w.e.f 1st January 2016 in accordance with the guidelines of the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka. The names of the members of the Related Party Transactions Review Committee are given on page 39. Related Party Transactions Review policy and procedures are discussed in the Related Party Transactions Review Committee report on pages 39 to 40. All related party transactions as defined in Sri Lanka Accounting Standard-24 (LKAS 24) on "Related Party Transactions" are disclosed in note 29 to the Financial Statements on page 76 - 77.

Rule		Compliance Status	Company's Action
D.2	Internal Control		
D.2.1	Annual review of effectiveness of system of internal control and report to shareholders as required	√	The Board has taken necessary steps to ensure the integrity of the Company's accounting and financial reporting systems and internal control systems remain effective via the review and monitoring of such systems on a periodic basis.
D.2.2	Internal Audit Function	√	The internal audit function of the Company is not outsourced to the external auditors of the Company to ensure the independence of the external auditor of the Company. The Auditors report on the Financial Statements of the Company for the year under review is found in the financial information section of the Annual Report.
D.2.3	Review of the process and effectiveness of risk management and internal controls by the Audit Committee	√	The Audit Committee monitors, reviews and evaluates the effectiveness of the risk management and internal control system including the internal controls over financial reporting. The internal auditors review the adequacy and effectiveness of the Internal control system and report their findings to the Audit Committee. In the financial year under review, the Board of Directors was satisfied with the effectiveness of the system of internal controls of the Company. Please refer Directors' Statement on Internal Control on page 34 and Audit Committee Report on page 35 to 36.
D.2.4	Responsibilities of Directors in maintaining a sound system of internal control	√	Please refer Directors' Statement on Internal Control on page 34.
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of three of whom at least two should be independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher The Chairman of the Committee should be a Non-Executive Director, appointed by the Board.	√	Refer Audit Committee Report on page 35-36.
D.3.2	Terms of reference, duties and responsibilities	√	The Audit Committee has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the Country and also of recommending to the Board, the adoption of best accounting policies. The Committee is also responsible for maintaining the relationship with the external auditors.
D.3.3	The Audit Committee is to have written terms of reference covering the salient aspects as stipulated in the section	√	The Audit Committee has written terms of reference outlining the scope.
D.3.4	Composition of the Audit Committee independence of the Auditors	√	Refer Audit Committee Report.
D.4/D.4.1	Code of Business Conduct and Ethics.	√	Business ethics at the Company ensure the business is carried out in an ethical manner.

Rule		Compliance Status	Company's Action
D.4.2	Affirmation by the Chairman that there is no violation of the Code of Conduct and Ethics	√	Please refer Corporate Governance.
D.5	Corporate Governance Disclosures		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report	√	Complied with.

E. Institutional Investors

Rule		Compliance Status	Company's Action
E.1	Shareholder voting		
E.1.1	A Listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	√	Complied with.
E.2	Evaluation of governance disclosures		
E.2.1	When evaluating companies governance arrangements, particularly those relating to the Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	√	Complied with.

G. Other investors

Rule		Compliance Status	Company's Action
F.1	Investing divesting decisions		
F.1.1	Individual shareholders, investing directly in shares of Companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	√	The Company maintains an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties.
F.2	Shareholder voting		
	Individual shareholders should be encouraged to participate in General Meetings of Companies and exercise their voting rights.	√	All steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period. Shareholders exercise their voting rights for the each resolution passed at the AGM.

H. Sustainability Reporting

Rule		Compliance Status	Company's Action
G.1	Sustainability Reporting		
G.1.1 - G.1.7	Disclosure on adherence to the sustainability principles	√	The Company carries out its business in adherence to the sustainability principles.

RISK MANAGEMENT

There is no activity which we could perform without having a risk. Accordingly, what is important is to identify the risks and careful management of it. The Audit Committee is set up, with industry experts and qualified professionals to help the Company to identify the risks involved in the industry and report to the Board of Directors with their recommendations on Risk Mitigation. Our Risk Management Process involves all the employees from top to bottom . The process involves identifying present as well as potential risks of the Company.

Type of Risk	Description	Risk Treatment	Monitoring and Review
Economic	Risk associated from Macro Economic Conditions such as change in Government Policies, Political Stability of the Country and Exchange Regulations.	New project appraisals carry out detailed evaluation while periodic Macro-economic reviews are carried out to determine the present situation of the Company.	Periodic macro – economic reviews discussed at Audit Committee and necessary recommendation are forwarded to the Board of Directors.
Operational	Risk arising from the Company's day to day activities and loss resulting in inadequate resources and people.	Identification of major risk areas and providing adequate resources and people to mitigate and minimize the losses. Clear goals set on performance of plant, which includes rewarding of achievement of goals. However, COVID 19 lockdown, has resulted in company having to make exceptions in place and may result in adopting the standing operating procedures to in line with continuous operations.	Reporting by line supervisors to Senior Management on operations on which they report to Directors, periodically.
Credit Risk	Risk of loss of Principal or Financial Benefit.	Our only creditor is the Ceylon Electricity Board and both parties are governed under Standard Power Purchase Agreement.	Ensure having a sound relationship with Ceylon Electricity Board.
Financial Risk	Risk of losing shareholder wealth as a result of the Company's incompetence.	Identify financial needs of the Company in the long run and plan and provide suitable short term and long term funding which is beneficial for the Company.	All Project funding and Financing is evaluated by the Audit Committee and forwarded for necessary recommendation to the Board.
Social, Regulatory & Environmental	Risk from company activities to the environment and society.	Comprehensive monitoring and strict adherence of Central Environmental Authority regulations during the operations while uplifting the community with providing of jobs and conducting CSR activities to the community.	Compliance report forwarded to the Board on all CSR activities and active participation in environmental protection programs.

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

The Board of Directors of Lotus Hydro Power PLC are pleased to present their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2021 together with the Auditor's Report thereon.

The Financial Statements and the disclosures made herein conform to the requirements of the Companies Act No. 07 of 2007. The Report also includes relevant disclosures required to be made under the Listing Rules of the Colombo Stock Exchange and is guided by the recommended best practices on accounting and corporate governance.

Principal Activities

Principal activities of the Company are to build, own, operate and maintain power generating facilities.

Parent entity

The Company's immediate parent and ultimate parent entities was Lotus Renewable Energy (Pvt) Ltd and Lotus Renewable Energy (Singapore) Pte Ltd respectively.

The Board of Directors

Mr. G.D. Seaton	- Chairman/ Executive Director
Mr. A.U.A.M. Athukorala	- Executive Director
Mr. K. Gowri Shankar	- Non-Executive Director
Dr.T. Senthilverl	- Non-Executive Director
Mr. U. H. Palihakkara	- Independent Non-Executive Director
Mr. W. M. A. Indrajith Fernando	- Independent Non-Executive Director

The names and brief profile of each Director who served as Directors of the Company during the year under review are given on pages 5 to 6.

Re-Election of Directors

In accordance with Article No. 24(6) of the Articles of Association of the Company Mr. Athukorala Udumullage Asantha Menaka Athukorala retires as a Director and being eligible offers himself for re-election.

In accordance with Section 210 of the Companies Act No. 07 of 2007 Mr. Uditha Harilal Palihakkara, Independent Non-Executive Director retires and offers himself for re-appointment. A Special Notice has been received pursuant to Sections 145 and 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution for such re-appointed notwithstanding the age limit of 70 years stipulated by Section 210 of the said Companies Act for a period of one year or until the conclusion of the next Annual General Meeting which ever occurs first.

In accordance with Section 210 of the Companies Act No. 07 of 2007 Dr. Thirugnanasambandar Senthilverl, Non-Executive Director retires and offers himself for re-appointment. A Special Notice has been received pursuant to Sections 145 and 211 of the Companies Act No. 07 of 2007 of the intention to propose an ordinary resolution for such re-appointment notwithstanding the age limit of 70 years stipulated by Section 210 of the said Companies Act for a period of one year or until the conclusion of the next Annual General Meeting which ever occurs first.

Company Secretaries/Registrars

S S P Corporate Services (Private) Limited has acted as Company Secretaries and Registrars during the year under review.

Board Committees

The Board has established the following Committees for better monitoring and guidance of different aspects of operations and control.

Audit Committee

The audit committee comprises of:

Mr. W.M.A.I. Fernando	- Chairman / Independent Non-Executive Director
Mr. U.H. Palihakkara	- Member/ Independent Non-Executive Director
Mr. K.G. Shankar	- Member/ Non-Executive Director

The report of the Audit Committee is given on pages 35-36.

Remuneration Committee

The remuneration committee comprises of:

Mr. W.M.A.I Fernando	- Chairman / Independent Non-Executive Director
Mr. U.H. Palihakkara	- Member/ Independent Non-Executive Director
Mr. K.G. Shankar	- Member/ Non-Executive Director

The report of the Remuneration Committee is given on pages 37-38.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee comprises of:

Mr. W.M.A.I Fernando	- Chairman/ Independent Non-Executive Director
Mr. U.H. Palihakkara	- Member/ Independent Non-Executive Director
Mr. G. D. Seaton	- Member/ Executive Director
Mr. A.U.A.M. Athukorala	- Member/ Executive Director
Mr. K.G. Shankar	- Member/ Non-Executive Director

The Related Party Transactions Review Committee Report is given on pages 39-40.

Compliance with Related Parties

The Board of Directors affirm that the Company has complied with CSE listing Rule No. 9 pertaining to Related Party Transactions.

Stated Capital and Reserve

The Stated Capital of the Company as at 31st March 2021 was Rs. 482,300,200 and consists of 109,088,112 Ordinary Shares.

Share Holdings/Share Information

There were 2,256 registered shareholders as at 31st March 2021. An analysis of shareholders based on shares held, the distribution of ownership category, the list of top twenty shareholders together with the last year's comparatives are available on page 86-87 and earnings per share of the Group for the year under review was Rs. 1.28 (Last year – Rs. 0.04). The Net assets per ordinary share of the Group for the year under review was Rs 7.51 (Last year – Rs. 6.89).

Directors' Interest Register

The Company maintains the Directors' Interest Register conforming to the provisions of the Companies Act. The Directors of the Company have disclosed their interests in other companies to the Board and those interests are recorded in the Interest Register confirm to the provisions to the Companies Act.

The Shareholding of the Directors are as follows;

Name	31st March 2021	31st March 2020
Mr. G. D. Seaton	Nil	Nil
Mr. K. Gowri Shankar	Nil	Nil
Mr. A.U.A.M. Athukorala	Nil	Nil
Dr. T. Senthilverl	Nil	Nil
Seylan Bank PLC/ Dr. T.Senthilverl	Nil	Nil
Seylan Bank PLC/ Senthilverl Holdings (Pvt) Ltd	1,557,457	1,557,457
Sampath Bank PLC/Dr. T.Senthilverl	15,000,000	15,000,000
Mr. U. H. Palihakkara	Nil	Nil
Mr. A. I. Fernando	Nil	Nil

Review of the year – Group

Financial performance is given below.

Year Ended 31st March	2020/2021 Rs.	2019/2020 Rs.
Revenue	238,076,629	206,102,016
Profit before taxation	114,691,282	52,934,244
Less: Income tax expense	25,221,817	(48,983,082)
Net profit for the year from continuing operations	139,913,099	3,951,162
Add / (less): Other comprehensive income	36,504,877	101,383,131
Total comprehensive income	176,417,976	105,334,293
Accumulated profit brought forward	78,353,317	147,213,047
Transferred from revaluation reserve to retained earings	11,389,514	14,826,374
Dividend for the year	(109,088,112)	(87,270,490)
Accumulated profit carried forward	119,990,557	78,353,317

Property, Plant and Equipment

The total capital expenditure incurred by the Group during the year under review was Rs. 3,149,263/- (Last year Rs. 222,975/-) the details are available in note 12.

Taxation

The Company has provided Rs. 6,965,385/- for income taxes (2020 – Rs. 18,262,089/-) and Group has provided (Rs. 25,221,817/-) (2020 - Rs. 48,983,082/-). The details are available in note 10 to the financial statements.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government and the employees have been made on time.

Corporate Governance

The Board of Directors have ensured that the Company has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors commitments in maintaining effective corporate governance practice are given in the Corporate Governance Report on Pages 9 to 28.

CSR Expenses and Donations

Donations made by the Group during the year amounted to Rs. 100,000/- (2020 – Rs. 165,519/-).

Subsidiaries and its Directors

The Directors of Subsidiaries are given on page 88 of the Annual Report.

Events Occurring after the Reporting

No circumstances have arisen subsequent to the reporting period that requires adjustments to or disclosures in the Financial Statements.

Going Concern

The Directors are satisfied that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future to justify adopting the "Going Concern Basis" in the preparation of the Financial Statements.

Material Issues Pertaining to employees and Industrial Relation

There are no issues to be disclosed in this regard.

Annual Report

The Board of Directors approved the consolidated financial statements on 17th August 2021. The appropriate number of copies of this report will be submitted to Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on or before 31st August 2021.

Annual General Meeting

The Twentieth Annual General Meeting will be held at as an on-line Audio-Visual Meeting at Lotus Hydro Power PLC, 2nd Floor, No.168, Negombo Road, Peliyagoda on the 24th September 2021 at 12.00p.m.

The Notice of Meeting is given on page 91.

Contingent Liabilities

The details of contingent liabilities are given in Note 27 to the financial statements.

Accounting Policies

The financial statements for the year ended 31st March 2021 and comparatives have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and in compliance with the Companies Act No. 07 of 2007.

Auditors

In accordance with Section 154 (1) of the Companies Act No. 07 of 2007 a resolution proposing the reappointment of Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year will be proposed at the Annual General Meeting.

In terms of Section 155 (a) of the Companies Act No. 07 of 2007 a resolution authorizing the Directors to fix the remuneration of the Auditors Messrs. KPMG, Chartered Accountants for the ensuing year will be proposed at the Annual General Meeting.

The Audit Report is found in the financial report section of the Annual Report. The involvements of Audit Committee with the work of the Auditors are set out in the Audit Committee Report.

The fees paid to Auditors are disclosed in Note 9 to the financial statements. As far as the Directors are aware, the Auditors do not have any relationship with the Company or any of its subsidiaries other than that of an Auditor. The Auditors also do not have any interest in the Company or any of its Group companies.

For and on behalf of the Board

....
Mr. Menaka Athukorala
Executive Director

K. Gowrishankar
....
Mr. Gowri Shankar
Director

....
S S P Corporate Services (Private) Limited
Secretaries
Colombo
17th August 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements which give a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and the profit and cash flows of the Company and the Group for the financial year.

The accompanying financial statements have been prepared in conformity with The Sri Lanka Accounting Standards (SLFRS / LKAS) and provide the information required by the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors have selected appropriate Accounting Policies and Standards in preparing the financial statements of the Group and the Company. The Directors have also taken reasonable steps to safeguard the assets of the Company and of the Group and to establish proper systems of internal control with a view to detect and prevent any irregularities.

Compliance report

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

By order of the Board of

Lotus Hydro Power PLC

....

Mr. Menaka Athukorala

Executive Director

17th August 2021

AUDIT COMMITTEE REPORT

The Audit Committee comprises of;

- Mr. Indrajith Fernando - Chairman / Independent Non-Executive Director
- Mr. Uditha Palihakkara - Member/ Independent Non-Executive Director
- Mr. Gowri Shankar - Member/ Non-Executive Director

Mr. Indrajith Fernando, who is the Chairman of the committee is a Fellow member of the ICASL and CIMA UK and also a Fellow member of CMA Sri Lanka.

The General Manager Finance / Executive Director attend the Audit Committee Meetings by invitation of its members. The Secretary of S S P Corporate Services (Pvt) Ltd functions as the secretaries to the Audit Committee.

The proceedings of the Audit Committee are regularly reported to the Board of Directors.

Meetings

There have been four Audit Committee meetings for the year under review.

Details of the participation of the members of the Audit Committee at such meetings is set out below:

Name		Attendance
Mr. Indrajith Fernando	Chairman / Independent Non-Executive Director	4/4
Mr. Uditha Palihakkara	Member/ Independent Non-Executive Director	4/4
Mr. Gowri Shankar	Member/ Non-Executive Director	4/4
By Invitation		
Mr. Menaka Athukorala	Executive Director	4/4
Mrs. D.P. Lokugalappaththi	General Manager Finance	4/4

Financial Reporting, Corporate Governance and Controls

Main function of the Audit Committee is to discuss the Company's Financial Statements prior to Publication, with relevant officials of the Company including the extent of compliance with Sri Lankan Accounting Standards (SLFRS & LKAS) and adequacy of the disclosures required by other applicable laws.

The Committee also reviews the status of the independence and performance of External Auditors. The Audit Committee also discussed current and future operations of the company and put forward the recommendations to the Board about the risk and controls needed to ensure smooth functioning of the company activities.

Internal Controls

The Committee was regularly updated on the group compliance with the statutory laws and requirements. In line with the Code of Best Practices, during the year Sarukkali Associates Chartered Accountants was appointed as the Internal Auditors. The firm independently and objectively evaluating systems and operations, assists the Company to accomplish its objectives through the effectiveness of risk management, control, and governance processes

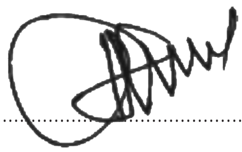
Audit and Auditor's independence

The Audit Committee assessed the independence and performance of the Company's external auditors and made recommendations to the Board pertaining to appointment/ re-appointment. The Audit Committee also reviewed the audit fees for the Company and approved the remuneration and terms of engagement of the external auditors and made recommendations to the Board. When doing so, the Audit Committee reviewed and determined that no non-audit services have been provided by the external auditors to the Company and thereby ensured that their independence as Auditors has not been impaired. The Audit Committee obtains an 'Auditor's Statement' from Messrs. KPMG confirming independence as required by Section 163 (3) of the Companies Act No.07 of 2007 on the audit of the statement of financial position and the related statements of profit or loss and other comprehensive income, changes in equity, and cash flows of the Company and the Lotus Group. The Audit Committee has recommended to the Board that Messrs KPMG, Chartered Accountants, be continued as external auditors of the Company for the financial year ending 31st March 2022.

KPMG acted as External Auditors for the period under review. The Audit Committee is satisfied with the status of the independence and performance of the External Auditors.

Conclusion

Based on its work, the Audit Committee is of the opinion that the control procedures and environment within the Group provide reasonable assurance regarding monitoring of operation, accuracy of financial statements and safegurding assets of Group.



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Mr. Indrajith Fernando
Chairman – Audit Committee
17th August 2021

REMUNERATION COMMITTEE REPORT

The Remuneration Committee comprises of,

- Mr. Indrajith Fernando - Chairman / Independent Non-Executive Director
- Mr. Uditha Palihakkara - Member / Independent Non-Executive Director
- Mr. Gowri Shankar - Member / Non-Executive Director

The Secretary of S S P Corporate Services (Pvt) Ltd functions as the Secretary to the Remuneration Committee. The Remuneration Committee recommends and forwards for the Approval of the Board of Directors the Remuneration Packages, bonuses and annual increments of Executive Directors and senior management as per the remuneration policy of the Company/ Group.

Committee Meetings

The Remuneration Committee meets as and when required and interact with Board members to keep them informed of the decisions of the committee.

Details of the participation of the members of the Remuneration Committee at such meetings is set out below:

Name	Attendance
Mr. Indrajith Fernando	1/1
Mr. Uditha Palihakkara	1/1
Mr. Gowri Shankar	1/1
By Invitation	
Mr. Menaka Athukorala	1/1

The Committee held one meeting during the period under review. The minutes of meetings of the Remuneration Committee are circulated to all members of the Board.

Role of the Committee

- Determine and recommend to the Board, the Company's remuneration philosophy and its principles ensuring that these are in line with the business strategy, objectives, values and long-term interests of the Company.
- Make recommendations to the Board on the Company's framework of executive remuneration and its cost, and to determine on behalf of the Board specific remuneration packages and conditions of employment (including compensation entitlements) for Executive Directors.
- Make recommendations to the Board and monitor the level and structure of remuneration for Senior Management.
- Make recommendations to the Board regarding the content of the Board's Annual Report to shareholders on Directors' Remuneration (including the Company's policy on Executive Director's remuneration, details of individual remuneration and other terms and conditions).

Advisers

The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Remuneration to Directors

The Remuneration paid to Directors during the year under review is indicated in Note 9 to the Financial Statements.

All Independent Non-Executive Directors receive a fee for serving on the Board and serving on Sub-Committees. They do not receive any performance related incentive payments.

The Committee studies and recommends the remuneration and perquisites applicable to the Executive Directors of the Company and makes appropriate recommendations to the Board of Directors of the Company for approval. The Committee also carries out periodic reviews to ensure that the remunerations are in line with market conditions. The Group remuneration policy was reviewed by the Committee and it remained unchanged during the year under review. Further, no Director was involved in deciding his/her own remuneration.

The Company does not have an Employee Share Ownership Plan for Directors and Key Management Personnel (KMPs).

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 Senior Executives.
- To ensure that performance is the key factor in determining individual rewards.

Conclusion

The annual evaluation of the Committee was carried out by the Board during the year and it was concluded that the Committee continues to operate effectively.

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Mr. Indrajith Fernando
Chairman - Remuneration Committee
17th August 2021

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee comprises of a combination of Non-Executive Directors, Executive Directors and Independent Non-Executive Directors. One Independent Non-Executive Director was appointed as Chairman of the Committee.

The members are;

- Mr. Indrajith Fernando - Chairman / Independent Non-Executive Director
- Mr. Uditha Palihakkara - Member/ Independent Non-Executive Director
- Mr. Gowri Shankar - Member/ Non-Executive Director
- Mr. Gary Seaton - Member / Executive Director
- Mr. Menaka Athukorala - Member / Executive Director

The General Manager Finance attends meetings by invitation and the Secretary of S S P Corporate Services (Pvt) Ltd functions as the secretary to the Related Party Transactions Review Committee.

Role of the Committee

The role of the Committee is to review in advance all proposed Related Party Transactions (other than those exempted by the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka) of the Company as per the terms given in the Listing Rules.

The committee ensures that the interests of shareholders as a whole are taken into account by the Company when entering into Related Party Transactions, so that it provides certain safeguards to prevent Directors, Chief Executives or Substantial Shareholders taking advantage of their positions.

Committee Meetings

Details of the participation of the members of the Related Party Transactions Review Committee Report Committee at such meetings is set out below:

Name	Attendance
Mr. Indrajith Fernando	4/4
Mr. Uditha Palihakkara	4/4
Mr. Gowri Shankar	4/4
Mr. Gary Seaton	0/4
Mr. Menaka Athukorala	4/4

The Committee held four meetings during the period under review. The minutes of meetings of the Related Party Committee are circulated to all members of the Board.

The role of the Committee further includes;

- Formulating and recommending a policy for adoption on related party transactions for the Company which is consistent with the Operating Model of the Company and the Listing Rules.
- Reviewing in advance all proposed Related Party Transactions of the Company except those explicitly exempted (if the transaction is expressed to be conditional on such review, prior to the completion of the transaction to be reviewed).
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- To establish separate guide lines to follow Recurrent Related Party Transactions of the Company.
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.
- If there is any potential conflict in any Related Party Transaction, the Committee recommends the creation of a special committee to review and approve the proposed Related Party Transaction.

- Ensure that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

The Committee in discharging its function ensures:

- that there is compliance with the Listing Rules of CSE;
- that shareholder interests are protected; and
- hat fairness and transparency are maintained

Committee Meetings

The Committee has decided to meet at least quarterly and as and when necessity arises. The minutes of all meetings are properly documented and communicated to the Board of Directors.

Procedures are also in place for the Related Party Transaction Committee to obtain

1. Quarterly declarations of related party transactions from Directors & Senior Management of all Group companies on recurrent & non-recurrent transactions undertaken by them or by their close family members.
2. Quarterly declarations of Directors & Senior Management of all Group companies who has a significant shareholding/ownership in a company.

Procedures are also in place for the assessment of the need to obtain shareholder approval for specified transactions and to inform the SEC/CSE on the applicable non-recurrent transactions.

Conclusion of report

Based on its work, the Related Party Transactions Review Committee confirms that there were no non-recurrent transactions with related parties during the year that warranted prior shareholder approval. It is also noted that in respect of recurrent transactions, the transactions were in the ordinary course of business, there were no changes to terms or practices over the previous year and general terms and conditions applicable to such transactions with related parties are similar to those entered into with non-related parties taking into account, if any, due consideration of factors such as volume, cost and any other special benefits which form part and parcel of such transactions. The observations of the Committee have been communicated to the Board of Directors.

Declaration

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

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Mr. Indrajith Fernando
Chairman - Related Party Transactions Review Committee
17th August 2021

FINANCIAL REPORTS

FINANCIAL INFORMATION

- Independent Auditor's Report
- Statements of Profit or Loss and Other Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sri Mohamed Macan Markar Mawatha,
P.O. Box 186.
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
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Internet : www.kpmg.com/lk

To the Shareholders of Lotus Hydro Power PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lotus Hydro Power PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 45 to 84 of the Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2021, 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 are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment of investments in subsidiaries - Company	
Refer Note 3.2.1 and Note 15 to the financial statements	
The Key Audit Matter	**Our Response**
As at 31st March 2021 the carrying amount of the Company's investment in subsidiaries amounted to Rs. 281,997,662/-. The Company is required to perform impairment assessment of its investments in subsidiaries whenever there is an indication that the investments may be impaired. Accordingly, the Company performed an impairment assessment on the cash generating units ("CGUs") relating to the subsidiaries which had an indication of impairment. The Company estimated the recoverable amounts of the CGUs based on its value in use ("VIU"). Estimating the VIU involves discounting the estimated future cash inflows and outflows expected to be derived from the CGUs to its present value using an appropriate discount rate. When determining the cash inflows and outflows the Company had to also estimate long term growth rates as well as the plant factor. We identified this as an area of audit focus as the VIU determined using discounted cash flows is complex and involves significant management judgement and estimates which could be subject to management bias.	*Our audit procedures included;* • Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the subsidiaries and experience of the industry in which it operates. • Testing the mathematical accuracy of, and the input data used in, the underlying calculations in the Company's discounted cash flow valuation models. • With the assistance of our own internal business valuation specialists, challenging the reasonableness of the key assumptions such as long-term growth rates, plant factors and discount rates. • Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherently subjective and key assumptions used.

Impairment of civil construction – Group	
Refer Note 3.9 and Note 12 to the financial statements.	
The Key Audit Matter	**Our Response**
The Group includes civil construction at the power plant amounting to cost Rs. 185,351,378/- as at 31 March 2021 relating to of Thebuwana Hydro Power (Private) Limited, a subsidiary of the Group. Based on indications of impairment, the civil construction at the power plant of Thebuwana Hydro Power (Private) Limited was tested for impairment by the management by computing the "value in use". Estimating the VIU involves discounting the estimated future cash inflows and outflows expected to be derived from the CGUs to its present value using an appropriate discount rate. When determining the cash inflows and outflows the Company had to also estimate long term growth rates as well as the plant factor. We identified this as an area of audit focus as the VIU determined using discounted cash flows is complex and involves significant management judgement and estimates which could be subject to management bias.	*Our audit procedures included;* • Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the Group and experience of the industry in which it operates. • Testing the mathematical accuracy of, and the input data used in, the underlying calculations in the Group's discounted cash flow valuation models. • With the assistance of our own internal business valuation specialists, challenging the reasonableness of the key assumptions such as long-term growth rates, plant factors and discount rates. • Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherently subjective and key assumptions used.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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 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 financial statements, management is responsible for assessing the 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company 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 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 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 Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion of the financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
17th August 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31st March,		**2021**	2020	**2021**	2020
	Note	**Rs.**	Rs.	**Rs.**	Rs.
Revenue	5	**238,076,629**	206,102,016	**167,774,546**	139,357,767
Cost of electricity generated		**(84,396,022)**	(99,315,293)	**(41,108,276)**	(54,640,641)
Gross profit		**153,680,607**	106,786,723	**126,666,270**	84,717,126
Other income	6	**5,039,350**	652,495	**4,800,000**	432,097
Other expense	7	**(4,134,406)**	-	**(1,967,973)**	-
Impairment of property, plant and equipment	12	**(12,334,595)**	(24,673,055)	**-**	-
Impairment of investment in subsidiary	15	**-**	-	**(12,334,595)**	(24,673,055)
Administrative expenses		**(32,810,639)**	(34,115,499)	**(31,511,988)**	(32,525,798)
Profit from operating activities		**109,440,317**	48,650,664	**85,651,714**	27,950,370
Finance income		**9,309,444**	11,165,941	**9,305,401**	11,160,749
Finance costs		**(4,058,479)**	(6,882,361)	**(97,712)**	-
Net finance income	8	**5,250,965**	4,283,580	**9,207,689**	11,160,749
Profit before tax	9	**114,691,282**	52,934,244	**94,859,403**	39,111,119
Income tax expense	10	**25,221,817**	(48,983,082)	**(6,965,385)**	(18,262,089)
Profit for the year		**139,913,099**	3,951,162	**87,894,018**	20,849,030
Other comprehensive income **Items that will never be reclassified to profit or loss**					
Actuarial loss on retirement benefit obligations	24	**(671,236)**	(509,408)	**(496,750)**	(344,648)
Deferred tax on actuarial loss on retirement benefit obligations	22	**93,973**	142,634	**69,545**	96,501
Revaluation gain on property plant and equipment	12	**-**	161,432,610	**-**	161,432,610
Deferred tax on revaluation of property, plant and equipment	22	**-**	(45,201,131)	**-**	(45,201,131)
Deferred tax implication on other comprehensive income due to rate differential	22	**37,082,140**	(14,481,574)	**37,082,140**	(14,481,574)
Other comprehensive income for the year, net of tax		**36,504,877**	101,383,131	**36,654,935**	101,501,758
Total comprehensive income for the year		**176,417,976**	105,334,293	**124,548,953**	122,350,788
Profit attributable to :					
Equity Holders of the Company		**139,913,099**	3,951,162	**87,894,018**	20,849,030
Non - controlling interests		**-**	-	**-**	-
Profit for the year		**139,913,099**	3,951,162	**87,894,018**	20,849,030
Total Comprehensive income attributable to :					
Equity Holders of the Company		**176,417,976**	105,334,293	**124,548,953**	122,350,788
Non - controlling interests		**-**	-	**-**	-
Total other comprehensive income for the year		**176,417,976**	105,334,293	**124,548,953**	122,350,788
Earnings per share	11	**1.28**	0.04	**0.81**	0.19

Figures in brackets indicate deductions

The notes on pages 50 to 84 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March,	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	**669,758,340**	723,893,878	**339,233,599**	358,812,360
Right of use assets	13.1	**17,278,797**	9,410,486	**10,747,308**	2,606,849
Capital work-in-progress	14	**9,368,488**	11,534,921	**-**	-
Investments in subsidiaries	15	**-**	-	**281,997,662**	294,332,257
Total non-current assets		**696,405,625**	744,839,285	**631,978,569**	655,751,466
Current assets					
Inventories	16	**8,505,883**	12,069,466	**4,040,704**	6,030,302
Trade and other receivables	17	**158,314,225**	120,403,394	**135,813,028**	97,786,596
Amounts due from related parties	18	**59,603,048**	89,481,887	**113,351,399**	158,127,493
Cash and cash equivalents	19	**27,497,358**	15,305,759	**27,292,467**	15,096,375
Total current assets		**253,920,514**	237,260,506	**280,497,598**	277,040,766
Total assets		**950,326,139**	982,099,791	**912,476,167**	932,792,232
EQUITY AND LIABILITIES					
Equity					
Stated capital	20	**482,300,200**	482,300,200	**482,300,200**	482,300,200
Revaluation reserve	21.1	**216,400,771**	190,708,145	**216,400,771**	190,708,145
Other reserves	21.2	**101,802**	101,802	**101,802**	101,802
Retained earnings		**119,990,557**	78,353,319	**137,204,372**	147,436,157
Total equity attributable to the equity holders of the parent		**818,793,330**	751,463,466	**836,007,145**	820,546,304
Non-current liabilities					
Deferred tax liabilities	22	**76,491,657**	157,733,454	**45,602,806**	92,882,904
Lease liability	13.2	**9,626,028**	6,986,276	**2,687,177**	-
Loans and borrowings	23	**7,850,000**	14,150,000	**-**	-
Retirement benefit obligations	24	**5,701,411**	4,855,759	**4,012,085**	3,543,142
Total non-current liabilities		**99,669,096**	183,725,489	**52,302,068**	96,426,046
Current liabilities					
Other payables	25	**7,797,113**	4,798,880	**6,491,352**	3,577,333
Amount due to related parties	26	**14,950**	2,430,000	**5,401,548**	2,030,000
Lease liability	13.2	**1,477,200**	47,424	**1,429,776**	-
Income tax payable		**11,590,843**	10,739,025	**10,844,278**	10,212,549
Loans and borrowings	23	**10,730,000**	28,331,687	**-**	-
Bank overdraft	19	**253,607**	563,820	**-**	-
Total current liabilities		**31,863,713**	46,910,836	**24,166,954**	15,819,882
Total liabilities		**131,532,809**	230,636,325	**76,469,022**	112,245,928
Total equity and liabilities		**950,326,139**	982,099,791	**912,476,167**	932,792,232
Net assets per ordinary share (Rs.)		**7.51**	6.89	**7.66**	7.52

Figures in brackets indicate deductions.
The notes on pages 50 to 84 form an integral part of these financial statements
I certify that the financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

....
Ms. D.P.Lokugalappaththi
(General Manager Finance)
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 of Lotus Hydro Power PLC.
For and on behalf of the Board ;

....
Mr.Menaka Athukorala
(Director)

K. Gowrishankar
....
Mr. Gowri Shankar
(Director)

Colombo
17th August 2021

STATEMENT OF CHANGES IN EQUITY-GROUP

	Stated capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April, 2019	**482,300,200**	**103,784,614**	**101,802**	**147,213,047**	**733,399,663**
Total comprehensive income for the year					
- Profit for the year	-	-	-	3,951,162	3,951,162
- Other comprehensive income	-	101,749,905	-	(366,774)	101,383,131
	-	101,749,905	-	3,584,388	105,334,293
Dividends	-	-	-	(87,270,490)	(87,270,490)
Depreciation transfer on revalued assets	-	(14,826,374)	-	14,826,374	-
Balance as at 31st March 2020	**482,300,200**	**190,708,145**	**101,802**	**78,353,319**	**751,463,466**
Total comprehensive income for the year					
- Profit for the year	**-**	**-**	**-**	**139,913,099**	**139,913,099**
- Other comprehensive income	**-**	**37,082,140**	**-**	**(577,263)**	**36,504,877**
	-	**37,082,140**	**-**	**139,335,836**	**176,417,976**
Dividends	**-**	**-**	**-**	**(109,088,112)**	**(109,088,112)**
Depreciation transfer on revalued assets	**-**	**(11,389,514)**	**-**	**11,389,514**	**-**
Balance as at 31st March 2021	**482,300,200**	**216,400,771**	**101,802**	**119,990,557**	**818,793,330**

	Group		Company	
	2021	2020	**2021**	2020
Dividend paid	**109,088,112**	87,270,490	**109,088,112**	87,270,490
Weighted average number of ordinary shares in issue (Nos.)	**109,088,112**	109,088,112	**109,088,112**	109,088,112
Dividend per share	**1.00**	0.80	**1.00**	0.80

Figures in brackets indicate deductions.

The notes on pages 50 to 84 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – COMPANY

	Stated capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April, 2019	**482,300,200**	**103,784,614**	**101,802**	**199,279,390**	**785,466,006**
Total comprehensive income for the year					
- Profit for the year	-	-	-	20,849,030	20,849,030
- Other comprehensive income	-	101,749,905	-	(248,147)	101,501,758
	-	101,749,905	-	20,600,883	122,350,788
Dividends	-	-	-	(87,270,490)	(87,270,490)
Depreciation transfer on revalued assets	-	(14,826,374)	-	14,826,374	-
Balance as at 31st March 2020	**482,300,200**	**190,708,145**	**101,802**	**147,436,157**	**820,546,304**
Total comprehensive income for the year					
- Profit for the year	**-**	**-**	**-**	**87,894,018**	**87,894,018**
- Other comprehensive income	**-**	**37,082,140**	**-**	**(427,205)**	**36,654,935**
	-	**37,082,140**	**-**	**87,466,813**	**124,548,953**
Dividends	**-**	**-**	**-**	**(109,088,112)**	**(109,088,112)**
Depreciation transfer on revalued assets	**-**	**(11,389,514)**	**-**	**11,389,514**	**-**
Balance as at 31st March 2021	**482,300,200**	**216,400,771**	**101,802**	**137,204,372**	**836,007,145**

Figures in brackets indicate deductions.

The notes on pages 50 to 84 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March,	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Cash flows from operating activities					
Profit before taxation		**114,691,282**	52,934,244	**94,859,403**	39,111,119
Adjustments for:					
Depreciation of property, plant and equipment	**12**	**44,950,206**	61,496,813	**20,137,868**	35,151,198
Amortisation of prepaid lease rentals / right of use assets	**13**	**1,331,689**	718,354	**1,059,541**	446,208
Impairment of property plant and equipment	**12**	**12,334,595**	24,673,055	**-**	-
Impairment of investment in subsidiary	**15**	**-**	-	**12,334,595**	24,673,055
Creditors non payable written back	**6**	**-**	(220,398)	**-**	-
Capital work-in-progress write-off	**7**	**2,166,433**	-	**-**	-
Profit on sale of fixed assets	**6**	**(4,800,000)**	-	**(4,800,000)**	-
Certified Emission Reduction (CER) write-off	**7**	**1,967,973**	(275,854)	**1,967,973**	(275,854)
Provision for retirement benefit obligations	**24.2**	**1,291,666**	1,086,311	**853,192**	737,925
Interest income	**8**	**(9,260,827)**	(11,145,182)	**(9,256,784)**	(11,139,990)
Interest expense	**8**	**4,058,479**	6,882,361	**97,712**	-
Operating cash flows before working capital changes		**168,731,496**	136,149,704	**117,253,500**	88,703,661
Decrease in inventories		**1,595,610**	660,262	**21,625**	507,419
Increase in trade and other receivables		**(29,791,760)**	(73,739,199)	**(38,026,432)**	(57,012,754)
Decrease/ (increase) in amount due from related parties		**(7,845,504)**	4,225,644	**10,473,027**	2,906,243
Decrease in amount due to related parties		**(2,415,050)**	-	**(11,087,303)**	-
Increase in other payables		**2,998,233**	635,960	**2,914,019**	633,687
		(35,458,471)	(68,217,333)	**(35,705,064)**	(52,965,405)
Cash generated from operating activities		**133,273,025**	67,932,371	**81,548,436**	35,738,256
Interest expense paid		**(3,165,904)**	(5,984,444)	**(97,712)**	-
Income tax paid		**(17,992,049)**	(15,525,868)	**(16,462,068)**	(14,979,687)
Retiring gratuity paid	**24.1**	**(1,117,250)**	-	**(881,000)**	-
Net cash flow from operating activities		**110,997,822**	46,422,059	**64,107,656**	20,758,569
Cash flow from investing activities					
Acquisition of property, plant and equipment	**12**	**(3,149,263)**	(222,975)	**(559,107)**	(204,445)
Interest income received		**1,141,756**	5,969,839	**1,137,713**	5,964,647
Additions of capital work-in-progress		**-**	(65,000)	**-**	-
Proceeds from sale of property, plant and equipment		**4,800,000**	-	**4,800,000**	-
Funds transferred to / from related companies		**37,724,343**	(45,038,870)	**56,880,989**	(27,695,033)
Net cash from / (used in) investing activities		**40,516,836**	(39,357,006)	**62,259,595**	(21,934,831)
Cash flow from financing activities					
Proceeds from long-term loans and borrowings	**23.1**	**-**	20,000,000	**-**	-
Repayment long-term borrowings	**23.1**	**(23,901,687)**	(28,088,313)	**-**	-
Payment of lease rental		**(6,023,047)**	(940,000)	**(5,083,047)**	-
Dividend paid		**(109,088,112)**	(87,270,490)	**(109,088,112)**	(87,270,490)
Net cash used in financing activities		**(139,012,846)**	(96,298,803)	**(114,171,159)**	(87,270,490)
Net increase / (decrease) in cash and cash equivalents		**12,501,812**	(89,233,750)	**12,196,092**	(88,446,752)
Cash and cash equivalents at the beginning of the year		**14,741,939**	103,975,689	**15,096,375**	103,543,127
Cash and cash equivalents at the end of the year (Note 19)		**27,243,751**	14,741,939	**27,292,467**	15,096,375

The notes on pages 50 to 84 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Domicile and legal form of reporting entity

Lotus Hydro Power PLC is a BOI approved quoted public company incorporated and domiciled in Sri Lanka; under the Companies Act No. 07 of 2007 and listed in the Colombo Stock Exchange. The registered office of the Company is located at 2nd Floor, No. 168, Negombo Road, Peliyagoda.

The financial statements of Lotus Hydro Power PLC for the year ended 31st March 2021 include the financial statements of the Company and its fully owned subsidiaries (together referred to as the "Group"). Companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka and their financial statements are prepared for a common financial year, April to March.

1.2 Principal activities and nature of operations

The Company and subsidiaries were established for building, owning, operating and maintaining power generation facilities at Sanquhar, Delta, Stellenberg, Thebuwana and Keragala Estates in Pussellawa Plantations Limited (PPL).

1.3 Date of authorisation for issue

The financial statements of Lotus Hydro Power PLC., for the year ended 31st March, 2021 were authorised for issue on 17th August 2021 in accordance with a resolution of the Board of Directors.

1.4 Name of immediate and ultimate parent entity

In the opinion of the directors, the Company's immediate parent and ultimate parent entities as at 31st March 2021 was Lotus Renewable Energy (Pvt) Ltd and Lotus Renewable Energy (Singapore) Pte Ltd respectively.

1.5 Consolidated financial statements

The Consolidated Financial Statements of Lotus Hydro Power PLC as at and for the year ended 31st March 2021 comprise the Company and its Subsidiaries namely Stellenberg Hydro Power (Pvt) Ltd, Thebuwana Hydro Power (Pvt) Ltd and Halgranoya Hydro Power (Pvt) Ltd

1.6 Number of employees

The number of employees of the Group at the end of the year 31st March 2021 was 51 (2020 – 48) and Company 24 (2020 - 24)

2. Basis of Preparation

2.1 Statement of compliance

The financial statements which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes ("financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirement of the Companies Act No. 07 of 2007.

2.2 Basis of measurement

These financial statements have been prepared under historical cost conversion except for Companies civil construction at power plant, electrical equipment at power plant and penstock pipeline measured at fair value and retirement benefit obligation measured at the present value of the defined benefit obligation.

The financial statements are presented in Sri Lankan Rupees, and all values are rounded to nearest rupee. Where appropriate, specific policies are explained in the succeeding notes. No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 Functional and presentation currency

Items included in the financial statement are measured using the currency of the primary economic environment in which the Group operates (the functional currency). These financial statements are presented in Sri Lankan rupees, the Group's functional and presentation currency. There was no change in the Group's presentation and functional currency during the year under review.

2.3.1 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" (LKAS 1).

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS/SLFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results form the basis of making the judgements about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the Group's financial statements are included in the following notes;

2.4.1 Inventory valuation

Certified Emission Reduction Units (CER) as at the reporting date have been valued at their estimated net realizable value and disclosed in the financial statements as certified emission reduction units. (Note 16)

CER represent units of greenhouse gas reduction that has been generated and certified by the United Nations under the Cleaned Development Mechanism (CDM) provision of the Kyoto Protocol. These CERs can be traded and are used by industrialised countries to meet part of their emission reduction targets.

According to the advice given by Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), CER units have been recognised as an asset and disclosed under inventories. These inventories have been measured at Net Realizable Value (NRV) and any changes in value as at the reporting date is recognised in the statement of profit or loss.

2.4.2 Useful lives and residual values appropriate for property, plant and equipment

The Group tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of property, plant and equipment have been determined by professional valuers. (Note 12.3)

2.4.3 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions on an arm's length basis of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation considers cash flow projections based on financial budgets approved by the Management. The key assumptions used include the growth rate and discount rate applicable. (Note 15)

2.4.4 Retirement Benefit Obligations

The Group annually measures the present value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This involves making assumptions on discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. Due to the long–term nature of these plans, such estimates are subject to significant uncertainty. (Note 24)

2.5 Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for Note 3.1. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation/classification.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

2.6 Materiality and aggregation

Each material class of similar items are presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.7 Offsetting

Assets and liabilities, and income and expenses, are not offset unless required or permitted by SLFRSs.

2.8 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future and they do not intend either to liquidate or to cease trading. Therefore, the Going Concern basis is used in the preparation of Financial Statements.

Furthermore, when determining the basis of preparing the Financial Statements for the year ended 31st March 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the group companies and the appropriateness of the use of the going concern basis. Refer Note 31.

2.9 Directors' responsibilities for the financial statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting and Auditing Standards Act. No 15 of 1995 and as per the provisions of the Companies Act No. 07 of 2007. Those responsibilities include, designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

3. Significant Accounting Policies

3.1 Changes in Accounting Policies

The Group has initially adopted Definition of a Business (Amendments to IFRS 3) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1st January 2020. A number of other new standards are also effective from 1st January 2020, but they do not have a material effect on the Group's financial statements

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1st January 2020 in assessing whether it had acquired a business or a group of assets

3.2 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce inputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.2.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group (investor) has the control over an entity (investee), when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. Thus, the Group controls an entity, if and only if the Group has all of the following three criteria.

(a) Power over the entity.

The Group has the power over the entity, when the Group has existing rights that gives it the current ability to direct the relevant activities, i.e., the activities that significantly affect the investee's returns.

(b) Exposure, or rights, to variable returns from its involvement with the entity.

The Group is exposed, or has rights to variable returns from its involvement with the investee, when the investor's return from its involvement has the potential to vary as a result of investee's performance.

(c) The ability to use its power over the entity to affect the amount of the Group's returns.

The Group controls an entity, if the Group not only has power over the entity and exposure or rights to variable returns from its involvement with the entity, but also has the ability to use its power to affect the Group's returns from its involvement with the entity.

The Group considers all facts and circumstances when assessing whether it controls an investee. The group reassess whether it controls an investee, if facts and circumstances indicate that there are changes to one or more of the above three elements of control.

Joint ventures are arrangements in which the Group has joint control and have rights to the net assets of the arrangement. The group has joint control in a venture when there is contractually agreed sharing of control of the venture and the decisions about the relevant activities of the venture require the unanimous consent of the parties sharing control.

The financial statements of subsidiaries are included in the Group financial statements from the date on which control effectively commences, until the date that control effectively ceases. Acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, which is 12 months ended 31st March, using consistent accounting policies.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. If a member of the Group uses accounting policies other than those adopted in the Group Financial Statements for similar transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements in preparing the Group Financial Statements.

Subsidiaries of the Group are the following:,

Subsidiary	Percentage of Holding
Thebuwana Hydro Power (Pvt.) Ltd	100%
Stellenberg Hydro Power (Pvt.) Ltd	100%
Halgranoya Hydro Power (Pvt.) Ltd	100%

3.2.2 Non-controlling interest

Non–controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions. Company owns 100% of its Subsidiaries and accordingly there is no non-controlling interest.

3.2.3 Gain on bargain purchase

If the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately in the Consolidated Statement of Profit or Loss.

3.2.4 Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses arising from intra- group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2.5 Loss of control

The parent can lose control of a subsidiary with or without a change in absolute or relative ownership levels. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the Statement of Profit or Loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as other financial asset depending on the level of influence retained.

3.3 Assets and bases of their valuation

3.3.1 Property, plant and equipment

3.3.1.1 Cost and valuation

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such asset is revalued. Revaluations are made with sufficient intervals to ensure that their carrying amounts do not differ materially from their values at the reporting date. Subsequent to the initial recognition of an asset at cost, revalued property, plant and equipment are carried at revalued amounts and any subsequent depreciation and impairment losses thereon. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses.

Where items of property, plant and equipment are subsequently revalued, the entire class of such asset is revalued. Revaluation of the power plant are carried out every 5 years. When an asset is revalued any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised as an expense. In these circumstances, the increase is recognised as income to the extent of the previous written down value. When asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that asset. Any balance remaining in therevaluation surplus in respect of an asset is transferred directly to retained earnings on retirement or disposal of such asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

3.3.1.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day- to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.3.1.3 Depreciation and amortisation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Lands are not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

The estimated useful lives for the current year are as follows:

Class of assets	Number of years
Civil construction at power plant	20 years
Computers and accessories	02 years
Electrical equipment at power plant	20 years
Furniture and fittings	05 years
Office equipment	05 years
Motor vehicles	04 years
Tools	02 years
Penstock pipe line	20 years
Roads	20 years

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end.

3.3.1.4 Gains and losses on disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment and other non-current assets including investments have been accounted for in Profit or Loss having deducted from proceeds on disposal, the carrying amount of the assets and related property, plant and equipment amount remaining in revaluation reserve relating to that asset is transferred directly to retained earnings.

3.3.1.5 De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount. The gain or losses on de-recognition are recognized net amount other income and gains are not classified as revenue.

3.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost.

These are expenses of capital nature, incurred in construction of Hydro Power Plants.

Capital work in progress is transferred to the respective asset accounts when it is in a condition to be used by the Group in the manner it was intended to be used.

3.3.3 Borrowing cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

The amount of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - 'Borrowing Costs'.

The amount so capitalised and the capitalisation rates are disclosed in the Note 23.

3.3.4 Intangible assets

An Intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental or for administrative purpose.

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably in accordance with LKAS 38 on 'Intangible Assets'.

3.3.5 Foreign currency transactions

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected.

Monetary assets and liabilities denominated in foreign currencies are translated into Sri Lanka Rupees, at the rates of exchange prevailing at the reporting date while non-monetary assets and liabilities are translated at the rate prevailing at the time the transactions are effected.

The exchange difference arising there from is dealt within Profit or Loss.

3.4 Leases

Definition of a Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets and lease liabilities in the statement of financial position.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Prepaid operating leases

The non-current and current portion of pre-paid operating lease solely consists of the operating lease paid in advance for the land acquired by the group from Board of investment (BOI) in Sri Lanka during the year. The group amortise the lease hold land over the lease period of Thirty-Three (33) years, on straight line basis.

Leased assets

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate. Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value.

3.5 Financial instruments

3.5.1 Recognition and initial measurement

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

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.5.2 Classification and subsequent measurement

3.5.2.1 Financial assets

A. Classification

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designed as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This assessment in referred to as the SPPI test and it is performed at an instrument level. The Group's financial assets classified under amortised cost includes trade and other receivable, amounts due from related parties and cash and cash equivalents

A debt investment is measured at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

B. Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio levels because this best reflects the way the business is managed and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

C. Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

D. Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

E. Impairment

Trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ECL are discounted at the effective interest rate of the financial asset.

F. Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the trade receivables.

G. Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

H. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3.5.3 Financial liabilities

3.5.3.1 Initial recognition and measurement

The Group initially recognise debt securities and loans & borrowings on the date that they are originated. All other financial liabilities are recognised at initially on the trade date, which is the date that the Group become party to the contractual provisions of the instruments.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method.

Other financial liabilities comprise of loans and borrowings bank overdraft, amounts due to related parties and other payables.

3.5.3.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

3.5.4 Other financial liabilities – loans and borrowings

After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

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

3.5.4.1 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3.5.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.6 Current assets

Assets classified as current assets in the Statement of Financial Position are those expected to realise during the normal operating cycle of business or within one year from the reporting date, and cash balances. Assets other than current assets are those which the Group/Company intends to hold beyond the one year period from the Statement of Financial Position date.

3.6.1 Inventories

Inventories other than Carbon Emission Reduction (CER) unit are measured at the lower of cost and net realizable value. The costs incurred in bringing such inventory to its present condition and location are recognized at their actual amounts. Net realizable value is the estimated selling price less estimated costs of completion and costs to sell.

Certified emission reduction

CER as at the reporting date have been valued at their estimated net realizable value as inventories and disclosed in the financial statements as Certified Emission Reduction Units.

3.6.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.7 Liabilities and provisions

3.7.1 General

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the date of the Statement of Financial Position. All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.7.2 Retirement benefit obligations

3.7.2.1 Defined contribution plans – provident and trust fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Profit or loss and Other Comprehensive Income in the periods during which services are rendered by employees.

3.7.2.2 Employees' Provident Fund (EPF)

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the above mentioned funds.

3.7.2.3 Employees' Trust Fund (ETF)

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.7.2.4 Defined benefit plans – Retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

During the current year, the Group measured the present value of the defined benefits obligations using the actuarial method.

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation. The calculation is performed by a qualified actuary using the projected units credit method. Any actuarial gains or losses are recognized in other comprehensive income immediately.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested.

3.8 Provisions

3.8.1 Other payables and accrued expenses

Provisions are made for all obligations existing as at the date of Statement of Financial Position when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

3.9 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

3.10 Statement of profit or loss and comprehensive income

3.10.1 Revenue recognition

Performance obligations and revenue recognition policies

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

The Group is in the business of supplying electricity to the Ceylon Electricity Board. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from supply of electricity is recognised at the point in time when electricity is supplied to the Ceylon Electricity Board.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining this, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable Consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods / services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The following specific criteria have been used to recognise revenue.

A. Sale of electricity

The Group recognises revenue from electricity supplied upon delivery to the Ceylon Electricity Board when the electricity meets specifications of the Standardized Power Purchase Agreement and is received at the metering point when the Group satisfies the performance obligation by transferring the control of the promised good to the customer.

B. CER income

The changes in the net realizable value of CER is recognized on an accrual basis.

C. Interest

Interest income is recognized on a time-proportion basis using the effective interest method.

D. Other income

Other income is recognized on an accrual basis.

E. Dividend income

Dividend income is recognised in the Profit or loss on the date the Group's right to receive payment is established.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

3.10.2 Expenditure recognition

Expenses are recognised in Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit or loss for the year.

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income the Directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance and hence, such presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the Statement of Profit or Loss.

Repairs and renewals are charged to the Statement of Profit or Loss in the year in which the expenditure is incurred.

3.11 Income tax expense

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in the Statement of Changes in Equity.

3.11.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date in the country where the Company operates and generates taxable income.

Provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provision in the applicable Inland Revenue act. In estimating such provisions, the Group has applied the Inland Revenue Act No 24 of 2017 and amendments there to.

3.11.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using liability method.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of Profit or Loss and Other Comprehensive Income (Note 22).

3.12 The Group and Company profits are stated after:

Providing for all impairment losses and depreciation of property, plant and equipment.

Charging all expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency.

3.13 Earnings per share

Earnings per Share represent basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.14 Statement of cash flows

The Statement of cash flow has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the LKAS 7 - 'Statement of cash flows'.

3.15 Related party disclosures

3.15.1 Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24. The Pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Group and its unrelated customers (Note 29).

3.15.2 Transactions with key management personnel

According to LKAS 24 "Related party disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) have been classified as Key Management Personnel of the Group.

3.16 Events after reporting period

All material events since the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.17 Contractual commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

4. New Accounting standards issued but not effective as at the reporting date

4.1 SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The amendments are effective for reporting periods beginning on or after 1 January 2023, with early application permitted. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

4.2 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

4.3 Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020. This amendment is not expected to have a material impact on the Financial Statements of the Group in the foreseeable future.

4.4 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

4.5 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating

in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

4.6 Onerous Contracts – Costs of Fulfilling a Contract –Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4.7 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

4.8 Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

4.9 Amendments to LKAS1 and LKAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

For the year ended 31st March,		Group		Company	
		2021	2020	**2021**	2020
		Rs.	Rs.	**Rs.**	Rs.

5. REVENUE

Supply of electricity	- Sanquhar	**49,007,763**	40,854,708	**49,007,763**	40,854,708
	- Delta	**118,766,783**	98,503,059	**118,766,783**	98,503,059
	- Stellenberg	**40,166,656**	34,789,025	**-**	-
	-Thebuwana	**30,135,427**	31,955,224	**-**	-
		238,076,629	206,102,016	**167,774,546**	139,357,767

The Standard Power Purchase Agreement of Sanquhar Mini Hydro Power Plant had with the Ceylon Electricity Board expired on 02nd December 2018. Accordingly, The Company started the process of renewing the Standard Power Purchase Agreement and entered into the new Standard Power Purchase Agreement for Sanquhar Mini Hydro Power Plant with Ceylon Electricity Board on 07th July 2020 for the period of 20 years from 03rd December 2018.

6. OTHER INCOME

Net realizable value of Certified Emission Reduction units	**-**	275,854	**-**	275,854
Creditors non payable written back	**-**	220,398	**-**	-
Scrap sales gain	**239,350**	-	**-**	-
Insurance claim received	**-**	156,243	**-**	156,243
Gain on disposal of property, plant and equipment	**4,800,000**	-	**4,800,000**	-
	5,039,350	652,495	**4,800,000**	432,097

7. OTHER EXPENSE

Net realizable value of Certified Emission Reduction units	**(1,967,973)**	-	**(1,967,973)**	-
Capital work-in-progress written off	**(2,166,433)**	-	**-**	-
	(4,134,406)	-	**(1,967,973)**	-

8. NET FINANCE INCOME

Finance income				
Interest on inter-company balance	**8,192,462**	5,228,278	**8,192,462**	5,228,278
Interest on deposits	**1,068,365**	5,916,904	**1,064,322**	5,911,712
Exchange gain	**48,617**	20,759	**48,617**	20,759
	9,309,444	11,165,941	**9,305,401**	11,160,749
Finance cost				
Interest on loans	**(3,060,392)**	(5,886,717)	**-**	-
Interest on overdraft	**(7,800)**	(97,727)	**-**	-
Interest on lease liability	**(990,287)**	(897,917)	**(97,712)**	-
	(4,058,479)	(6,882,361)	**(97,712)**	-
Net finance income	**5,250,965**	4,283,580	**9,207,689**	11,160,749

9. PROFIT BEFORE TAX

Stated after charging all expenses including following :

Non-executive Directors' fees	**1,500,000**	600,000	**1,500,000**	600,000
Executive Directors' remuneration	**660,000**	3,960,000	**660,000**	3,960,000
Auditor's remuneration - Audit services	**1,083,896**	810,000	**691,286**	485,000
Depreciation on property, plant and equipment	**44,950,206**	61,496,813	**20,137,868**	35,151,198
Amortisation of prepaid lease rentals/ right of use assets	**1,331,689**	718,354	**1,059,541**	446,208
CSR expense and donations	**100,000**	165,519	**100,000**	74,959
Legal expenses and professional fees	**249,000**	284,116	**225,000**	236,516
Management fee	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Secretarial charges	**586,890**	677,977	**439,101**	509,737
Impairment of property, plant and equipment	**12,334,595**	24,673,055	**-**	-
Impairment of investment in subsidiary	**-**	-	**12,334,595**	24,673,055

For the year ended 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Staff costs				
Salaries, incentives and wages	**30,471,748**	28,656,781	**19,138,752**	17,509,619
Defined contribution plan costs - EPF / ETF	**3,066,489**	3,390,010	**2,033,356**	2,329,672
Defined benefit plan cost - Retiring gratuity	**1,291,666**	1,086,311	**853,193**	737,925
	34,829,903	33,133,102	**22,025,301**	20,577,216

10. INCOME TAX EXPENSE

Provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No 24. of 2017, and amendments thereto.

10.1 Companies exempt from income tax / liable to tax at concessionary rate

Company	Statute
Thebuwana Hydro Power (Pvt) Ltd	Section 17 of BOI law no.4 of 1978
Stellernberg Hydro Power (Pvt) Ltd	Section 17 of BOI law no.4 of 1978
Lotus Hydro Power PLC	14% under Section 201 in conjunction with section 7 of the sixth schedule of the Inland Revenue Act No. 24 of 2017 until 2020/2021 (Temporary concession for Renewable Energy)

10.1.1 According to the agreement entered with the Board of Investments of Sri Lanka (BOI), the profits of Stellenberg Hydro Power (Private) Limited were exempt for a period of five (05) years which ended on 31st March 2019 and the profits of Thebuwana Hydro Power (Private) Limited are exempt from income tax for a period of five (05) years ending 31st March 2023.

After the expiration of the tax exemption period, the profits of Stellenberg Hydro Power (Private) Limited will be liable for tax at 10% for the year 31st March 2020 and 31st March 2021 and the profits of Thebuwana Hydro Power (Private) Limited will be liable for tax at 10% for a period of two (02) years immediately succeeding the last date of the tax exemption period.

After expiration of the aforesaid concessionary tax period at the rate of 10% for two (02) years, the profits of the Companies shall be liable for income tax at the prevailing tax rates.

10.1.2 The income tax provision of Lotus Hydro Power PLC has been calculated at a rate of 14% and non business income at a rate of 24%.

10.2 Income tax expense

	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Current tax expense				
- Taxation on current year profit (Note 10.3)	**19,422,714**	15,167,344	**17,673,055**	14,094,276
- Income Tax (over) paid during the year of assessment 2018/2019	**(578,847)**	-	**(579,257)**	-
	18,843,867	15,167,344	**17,093,798**	14,094,276
Deferred tax expense				
- Origination/(reversal) of temporary differences (Note 22)	**(44,065,684)**	33,815,738	**(10,128,413)**	4,167,813
	(25,221,817)	48,983,082	**6,965,385**	18,262,089

10.3 Reconciliation between the accounting profit/(loss) and tax on current year

	Group		Company	
For the year ended 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Profit before income tax expense	**114,691,282**	52,934,244	**94,859,403**	39,111,119
Consolidation adjustment	**(12,334,595)**	(24,673,055)	**-**	-
Adjusted profit before tax	**102,356,687**	28,261,189	**94,859,403**	39,111,119
Aggregate disallowable expenses	**49,307,974**	75,792,563	**34,969,219**	61,359,230
Aggregate allowable expenses	**(21,323,244)**	(21,677,900)	**(10,149,834)**	(9,843,780)
Non-business income	**(14,464,008)**	(11,440,566)	**(9,305,401)**	(11,436,603)
Aggregate exempt (profit)/loss from the business	**11,982,870**	18,971,321	**-**	-
Adjusted profit from the business	**127,860,279**	89,906,607	**110,373,387**	79,189,966
Non business income	**9,257,297**	11,144,754	**9,253,254**	11,139,562
Exempt and non taxable income	**-**	-	**-**	-
Total taxable non business income	**9,257,297**	11,144,754	**9,253,254**	11,139,562
Total taxable income	**137,117,577**	101,051,361	**119,626,641**	90,329,528
Taxable income				
Taxable at 10%	**17,486,892**	10,716,641	**-**	-
Taxable at 14%	**110,373,387**	79,189,966	**110,373,387**	79,189,966
Taxable at 24%	**9,257,297**	2,786,152	**9,253,254**	2,784,890
Taxable at 28%	**-**	8,358,603	**-**	8,354,672
Taxable income	**137,117,576**	101,051,361	**119,626,641**	90,329,528
Income tax charged at				
- Special Rate @ 10%	**1,748,689**	1,071,664	**-**	-
- Special Rate @ 14%	**15,452,274**	11,086,595	**15,452,274**	11,086,595
- Special Rate @ 24%	**2,221,751**	668,676	**2,220,781**	668,374
- Normal Rate @ 28%	**-**	2,340,409	**-**	2,339,307
Taxation on profits for the year	**19,422,714**	15,167,344	**17,673,055**	14,094,276
Effective tax rate	**14.17%**	15.01%	**14.77%**	15.60%

11. EARNINGS PER SHARE - BASIC / DILUTED

The earnings per ordinary share has been computed based on net profit attributable to ordinary shareholders for the year divided by weighted average number of ordinary shares in issue. It has been calculated as follows ;

	Group		Company	
For the year ended 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Net profit attributable to ordinary shareholders (Rs.)	**139,913,099**	3,951,162	**87,894,018**	20,849,030
Weighted average number of ordinary shares in issue (Nos.)	**109,088,112**	109,088,112	**109,088,112**	109,088,112
Earnings per ordinary share (Rs.)	**1.28**	0.04	**0.81**	0.19

There were no potential dilutive ordinary shares outstanding at any time during the year or previous year. Therefore diluted earnings per share is equal to basic earnings per share.

12. PROPERTY,PLANT AND EQUIPMENT

12.1 Group

	Freehold land	Civil construction at power plant	Electrical equipment at power plant	Penstock pipe line	Roads	Motor vehicles	Tools	Plant and machinery	Office equipment	Furniture and fittings	Computers and accessories	Total
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2019	**10,677,214**	**374,534,258**	**288,238,245**	**260,543,016**	**1,147,908**	**15,355,097**	**2,702,466**	**52,990**	**1,063,098**	**3,415,628**	**1,423,375**	**959,153,295**
Additions	-	-	-	-	-	-	192,060	-	-	30,915	-	222,975
Adjustments on revaluation	-	37,548,148	(35,707,000)	(2,821,195)	-	-	-	-	-	-	-	(980,047)
Balance as at 31st March 2020	**10,677,214**	**412,082,406**	**252,531,245**	**257,721,821**	**1,147,908**	**15,355,097**	**2,894,526**	**52,990**	**1,063,098**	**3,446,543**	**1,423,375**	**958,396,223**
Additions	-	2,590,156	-	-	-	330,000	-	-	15,120	88,987	125,000	3,149,263
Disposals / Transfers	-	-	-	-	-	(5,388,518)	-	-	-	-	-	(5,388,518)
Balance as at 31st March 2021	**10,677,214**	**414,672,562**	**252,531,245**	**257,721,821**	**1,147,908**	**10,296,579**	**2,894,526**	**52,990**	**1,078,218**	**3,535,530**	**1,548,375**	**956,156,968**
Accumulated depreciation and impairment losses												
Balance as at 31st March 2019	**-**	**132,967,491**	**84,473,430**	**77,988,991**	**300,000**	**7,101,140**	**2,650,767**	**52,990**	**735,574**	**3,139,639**	**1,335,112**	**310,745,134**
Charger for the year	-	20,066,158	20,433,893	18,189,423	57,395	2,272,500	108,712	-	103,652	180,063	85,017	61,496,813
Impairment loss (Note 12.6)	-	24,673,055	-	-	-	-	-	-	-	-	-	24,673,055
Adjustments on revaluation	-	(40,558,790)	(66,910,911)	(54,942,956)	-	-	-	-	-	-	-	(162,412,657)
Balance as at 31st March 2020	**-**	**137,147,914**	**37,996,412**	**41,235,458**	**357,395**	**9,373,640**	**2,759,479**	**52,990**	**839,226**	**3,319,702**	**1,420,129**	**234,502,345**
Charger for the year	-	16,765,524	12,626,566	12,886,542	57,396	2,294,504	111,601	-	103,748	44,627	65,747	44,950,206
Impairment loss (Note 12.6)	-	12,334,595	-	-	-	-	-	-	-	-	--	12,334,595
Disposals / Adjustments	-	-	-	-	-	(5,388,518)	-	-	(6,049)	-	-	(5,388,518)
Balance as at 31st March 2021	**-**	**166,248,034**	**50,622,978**	**54,122,000**	**414,791**	**6,279,626**	**2,871,080**	**52,990**	**936,925**	**3,364,329**	**1,485,876**	**286,398,628**
Written down value												
- As at 31-03-2021	**10,677,214**	**248,424,528**	**201,908,267**	**203,599,821**	**733,117**	**4,016,953**	**23,446.00**	**-**	**141,293**	**171,201**	**62,499**	**669,758,340**
- As at 31-03-2020	10,677,214	274,934,492	214,534,833	216,486,363	790,513	5,981,457	135,047	-	223,872	126,841	3,246	723,893,878
Fully depreciated assets												
- As at 31-03-2021	**-**	**-**	**-**	**-**	**-**	**876,579**	**2,656,726**	**52,990**	**555,694**	**3,277,368**	**1,448,725**	**8,868,082**
- As at 31-03-2020	-	-	-	-	-	**6,265,097**	**2,656,726**	**52,990**	**555,694**	**3,170,808**	**1,330,225**	**14,031,540**

12.2 Company

Cost	Civil construction at power plant Rs.	Electrical equipment at power plant Rs.	Penstock pipe line Rs.	Motor vehicles Rs.	Tools Rs.	Office equipment Rs.	Furniture and fittings Rs.	Computers and accessories Rs.	Total Rs.
Balance as at 31st March 2019	**89,005,352**	**147,204,000**	**117,321,195**	**14,830,317**	**2,404,394**	**908,633**	**2,941,909**	**1,166,275**	**375,782,075**
Additions	-	-	-	-	173,530	-	30,915	-	204,445
Adjustment on revaluation	37,548,148	(35,707,000)	(2,821,195)	-	-	-	-	-	(980,047)
Balance as at 31st March 2020	**126,553,500**	**111,497,000**	**114,500,000**	**14,830,317**	**2,577,924**	**908,633**	**2,972,824**	**1,166,275**	**375,006,473**
Additions	-	-	-	330,000	-	15,120	88,987	125,000	559,107
Adjustment on revaluation	-	-	-	(5,388,518)	-	-	-	-	(5,388,518)
Balance as at 31st March 2021	**126,553,500**	**111,497,000**	**114,500,000**	**9,771,799**	**2,577,924**	**923,753**	**3,061,811**	**1,291,275**	**370,177,062**
Accumulated depriciation									
Balance as at 31st March 2019	**32,444,556**	**53,528,730**	**43,915,080**	**6,763,650**	**2,364,558**	**596,045**	**2,764,941**	**1,078,012**	**143,455,572**
Charge for the Year	8,114,234	13,382,181	11,027,876	2,200,000	96,078	96,598	149,214	85,017	35,151,198
Adjustment on revaluation	(40,558,790)	(66,910,911)	(54,942,956)	-	-	-	-	-	(162,412,657)
Balance as at 31st March 2020	**-**	**-**	**-**	**8,963,650**	**2,460,636**	**692,643**	**2,914,155**	**1,163,029**	**16,194,113**
Charge for the Year	6,327,672	5,574,852	5,724,996	2,222,000	102,336	98,730	21,535	65,747	20,137,868
Adjustment on revaluation	-	-	-	(5,388,518)	-	-	-	-	(5,388,518)
Balance as at 31st March 2021	**6,327,672**	**5,574,852**	**5,724,996**	**5,797,132**	**2,562,972**	**791,373**	**2,935,690**	**1,228,776**	**30,943,463**
Written down value									
- As at 31-03-2021	**120,225,828**	**105,922,148**	**108,775,004**	**3,974,667**	**14,952**	**132,380**	**126,121**	**62,499**	**339,233,599**
- As at 31-03-2020	126,553,500	111,497,000	114,500,000	5,866,667	117,288	215,990	58,669	3,246	358,812,360
Fully depreciated assets									
- As at 31-03-2021	**-**	**-**	**-**	**641,799**	**2,358,654**	**426,319**	**2,888,864**	**1,166,275**	**7,481,911**
- As at 31-03-2020	-	-	-	6,030,317	2,358,654	426,319	2,782,304	1,047,775	12,645,369

12.3 Revaluation of assets

The Company owns the Sanquhar power plant constructed in December 2003 and the Delta power plant constructed in April 2006 respectively. The civil construction at power plant, electrical equipment at power plant and penstock pipe lines of the Sanquhar and Delta Power Plants were revalued by an independent valuer, Mr.W.A.Chandrasena Chartered Valuation Surveyor as at 31st March 2020. The power plants at Stellenberg Hydro Power (Private) Limited and Thebuwana Hydro Power (Private) Limited came into operation in the years 2014 and 2015 respectively. The Directors are of the view that there is no significant increase in the valuation of the power plants at Stellenberg and Thebuwana as at 31st March 2021.

This fair value measurement of the Company is catergorized under " Level 3" of the fair value hierarchy. Details of the method adopted in determining fair value and the significant unobservable inputs used are explained below.

Asset	Method of valuation	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs	Revalued Amount
Electrical equipment at power plant	Depreciated replacement cost	Estimated price of machinery	Positively correlated	111,497,000
Civil construction at power plant	Depreciated replacement cost	Estimated price per square foot	Positively correlated	126,553,500
Penstock pipeline	Depreciated replacement cost	Estimated price per foot	Positively correlated	114,500,000

Summary description of valuation technique

Depreciated replacement cost

Depreciated replacement cost uses the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

12.4 Details of lands purchased by Thebuwana Hydro Power (Pvt) Ltd

Company	Location	Extent	Carrying amount as at 31st March 2021 (Rs.)
Thebuwana Hydro Power (Pvt) Ltd	Devipahala Grama Niladhari Division in Kuruwita Divisional Secretary's Division in Uda North Pattu of Kuruwiti Korale in the District of Ratnapura Sabaragamuwa province.	321 perches	10,353,214
	Agalawaththa - Kuruwita	54 perches	324,000

12.5 Carrying amount of revalued property, plant and equipment had it been recorded at cost as at 31st March 2021

	Group			Company		
	Cost Rs.	Accumulated depreciation Rs.	Written down value Rs.	Cost Rs.	Accumulated depreciation Rs.	Written down value Rs.
Civil construction at power plant	140,889,441	102,472,289	38,417,152	140,889,441	102,472,289	38,417,152
Electrical equipment at power plant	105,750,295	84,398,987	21,351,308	105,750,295	84,398,987	21,351,308
Penstock pipe line	24,375,035	19,497,389	4,877,646	24,375,035	19,497,389	4,877,646

12.6 During the year, based on impairment indicators mentioned in Note 15.1 to the financial statements, the Group computed the value-in-use of its hydro power plant and recognized an impairment loss of Rs. 12,334,595/- (2020 - Rs. 24,673,055/-) with resepect to civil construction at power plant of Thebuwana Hydro Power (Private) Limited.

The value in use calculation used cashflow projections based on financial budgets prepared by the management. A risk adjusted on weighted average cost of capital of 10.43% (2020 - 11.89%) has been used to determine the value in use.

13. RIGHT OF USE ASSETS

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Cost				
Balance as at beginning of the year	**13,712,570**	-	**6,636,787**	-
Reclassification from prepaid lease rental	**-**	6,636,787	**-**	6,636,787
Originated from initial application of SLFRS 16	**-**	7,075,783	**-**	-
Additions during the year	**9,200,000**	-	**9,200,000**	-
Balance at the end of the year	**22,912,570**	13,712,570	**15,836,787**	6,636,787
Amortisation				
Balance as at beginning of the year	**4,302,084**	-	**4,029,938**	-
Reclassification from prepaid lease rental	**-**	3,583,730	**-**	3,583,730
Amortisation for the year	**1,331,689**	718,354	**1,059,541**	446,208
Balance as at the end of the year	**5,633,773**	4,302,084	**5,089,479**	4,029,938
Carrying amount				
- At the end of the year	**17,278,797**	9,410,486	**10,747,308**	2,606,849

13.1 Right of use assets

Right of use assets - Land	**8,692,112**	9,410,486	**2,160,641**	2,606,849
Right of use assets - Motor vehicles	**8,586,667**	-	**8,586,667**	-
Balance at the end of the year	**17,278,797**	9,410,486	**10,747,308**	2,606,849

13.2 Lease Liabilities

Lease liabilities included in the statement of financial position

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Current liabilities	**1,477,200**	47,424	**1,429,776**	-
Non-current liabilities	**9,626,028**	6,986,276	**2,687,177**	-
	11,103,228	7,033,700	**4,116,953**	-
Lease liability				
Balance as at beginning of the year	**7,033,700**	-	**-**	-
Adjustment on initial application of SLFRS 16	**-**	7,075,783	**-**	-
Recognition during the year	**9,200,000**	-	**9,200,000**	-
Interest charge	**892,575**	897,917	**-**	-
Repayment	**(6,023,047)**	(940,000)	**(5,083,047)**	-
Balance as at 31st March	**11,103,228**	7,033,700	**4,116,953**	-
Amount recognized in statement of profit or loss				
Interest on lease liabilities	**892,575**	897,917	**-**	-
Right of use asset amortisation	**1,331,689**	718,354	**1,059,541**	446,208
Amount recognized in statement of cash flow				
Repayment of lease liability	**6,023,047**	940,000	**5,083,047**	-

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Maturity analysis of lease liabilities - contractual undiscounted cashflow				
Less than one year	**2,369,776**	940,000	**1,597,088**	-
One to five years	**7,387,177**	4,700,000	**3,048,987**	-
More than five years	**17,860,000**	18,800,000	**-**	-
	27,616,953	24,440,000	**4,646,075**	-

Details of leases

Lessor	Asset type	Repayment term	Interest rate	Balance as at 31st March 2021	Balance as at 31st March 2020
Sampath Bank PLC - Lotus Hydro Power PLC	Motor vehicles	3 years	9.00%	**4,116,953**	-
Pussewella Plantations Limited - Stellenberg	Land	26 years	12.69%	**4,756,614**	4,788,902
Pussewella Plantations Limited - Thebuwana	Land	26 years	12.69%	**2,229,663**	2,244,798
				11,103,229	7,033,700

14. CAPITAL WORK-IN-PROGRESS

	Group		Company	
As at 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Balance at the beginning of the year	**11,534,921**	11,469,921	**-**	-
Additions during the year	**-**	65,000	**-**	-
Write-off of capitalized balances	**(2,166,433)**	-	**-**	-
Balance at the end of the year	**9,368,488**	11,534,921	**-**	-

14.1 Class of asset-wise break-up

Class of asset -wise break-up				
Civil construction at power plant	**9,368,488**	**11,534,921**	**-**	-
	9,368,488	**11,534,921**	**-**	-

The capital work- in- progress represents the project cost of Halgranoya Hydro Power (Pvt) Ltd.

15. INVESTMENTS IN SUBSIDIARIES

As at 31st March,		Group		Company	
		2021	2020	**2021**	2020
		Rs.	Rs.	**Rs.**	Rs.
	Holding %				
Thebuwana Hydro Power (Pvt) Ltd	100%	**-**	-	**200,000,000**	200,000,000
Stellenberg Hydro Power (Pvt) Ltd	100%	**-**	-	**150,000,000**	150,000,000
Halgranoya Hydro Power (Pvt) Ltd	100%	**-**	-	**10,000,000**	10,000,000
Provision for impairment – Thebuwana Hydro Power (Pvt) Ltd		**-**	-	**(78,002,338)**	(65,667,743)
		-	-	**281,997,662**	294,332,257

15.1 The subsidiary company, Thebuwana Hydro Power (Pvt) Ltd had recorded continuous losses in previous years and it's net assets are less than half of the stated capital as at the reporting date. This has been considered as an indicator of impairment in the investment of Thebuwana Hydro Power (Pvt) Ltd. Based on the indications, the Company carred out a detailed assessment for impairment as per LKAS 36.

The recoverable amount of investments in subsidiaries is based on value-in-use computations. These calculations use cashflow projections based on financial budgets for the remaining period of the power purchase agreements with possible extension facilities. The key assumptions used are given below.

Plant Factor– Based on estimated future production as well as past data on electricity generation.

Discount Rate– Risk free rate adjusted by the addition of an appropriate risk premium has been determined at 10.43%.
Growth Rates– Based on long term average growth rate of each cash generating unit.

16. INVENTORIES

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Certified Emission Reduction (CER) units	**2,197,888**	4,165,861	**2,197,888**	4,165,861
Spare parts	**6,307,995**	7,903,605	**1,842,816**	1,864,441
	8,505,883	12,069,466	**4,040,704**	6,030,302

17. TRADE AND OTHER RECEIVABLES

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Trade receivables	**149,135,499**	109,743,980	**128,989,546**	90,383,870
Deposits, prepayments and advances	**8,211,133**	9,691,821	**5,855,889**	6,435,133
Other receivables	**967,593**	967,593	**967,593**	967,593
	158,314,225	120,403,394	**135,813,028**	97,786,596

18. AMOUNTS DUE FROM RELATED PARTIES

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Thebuwana Hydro Power (Pvt) Ltd	**-**	-	**52,690,305**	56,312,310
Stellenberg Hydro Power (Pvt) Ltd	**-**	-	**-**	8,800,842
Halgranoya Hydro Power (Pvt) Ltd	**-**	-	**3,623,092**	3,532,454
Zyrex Power Company Ltd	**23,717,318**	2,680	**21,152,272**	2,680
Lotus Mooloya Hydro Power (Pvt) Ltd	**2,851,737**	2,795,027	**2,851,737**	2,795,027
Lotus Renewable Energy (Pvt) Ltd	**23,583,671**	86,627,680	**23,583,671**	86,627,680
Hatton Plantation PLC	**-**	56,500	**-**	56,500
Hi Tech Power Systems (Pvt) Ltd	**9,450,322**	-	**9,450,322**	-
	59,603,048	89,481,887	**113,351,399**	158,127,493

18.1 The above balances are receivable on demand and are unsecured. Interest is charged in line with market interest rates on the balance due from Lotus Renewable Energy (Pvt) Ltd.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
As at 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs**	Rs.
Favourable cash and cash equivalents				
Cash at bank	**27,435,133**	15,201,432	**27,231,273**	15,001,315
Cash in hand	**62,225**	104,327	**61,194**	95,060
	27,497,358	15,305,759	**27,292,467**	15,096,375
Unfavourable cash and cash equivalents				
Bank overdraft	**(253,607)**	(563,820)	**-**	-
Cash and cash equivalents for the purpose of cash flow statement	**27,243,751**	14,741,939	**27,292,467**	15,096,375

20. STATED CAPITAL

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Issued and fully paid number of shares				
- 109,088,112 ordinary shares	**482,300,200**	482,300,200	**482,300,200**	482,300,200

Rights, preference and restrictions of stated capital:

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

21. RESERVES

21.1 Revaluation reserve

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
On property, plant and equipment				
Balance as at beginning of the year	**190,708,145**	103,784,614	**190,708,145**	103,784,614
Other comprehensive income	**37,082,140**	101,749,905	**37,082,140**	101,749,905
Depreciation transfer on revalued assets	**(11,389,514)**	(14,826,374)	**(11,389,514)**	(14,826,374)
Balance as at the end of the year	**216,400,771**	190,708,145	**216,400,771**	190,708,145

Revaluation reserve represents the surplus on revaluation of civil construction at power plant, electrical equipment at power plant and penstock pipelines. The revaluation surplus is transferred directly to retained earnings as the surplus is realised, with effect from the previous year. This amount is determined based on the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost.

21.2 Other reserves

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Balance as at beginning of the year	**101,802**	101,802	**101,802**	101,802
Balance as at the end of the year	**101,802**	101,802	**101,802**	101,802

This balance includes the favorable exchange rate difference transferred during the allotment of shares.

22. DEFERRED TAX LIABILITIES

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
Movement in deferred tax liabilities	**Rs.**	Rs.	**Rs.**	Rs.
Balance at the beginnig of the year	**157,733,454**	64,377,645	**92,882,904**	29,128,887
Recognised in statement of profit or loss	**(44,065,684)**	33,815,738	**(10,128,413)**	4,167,813
Recognised other comprehensive income (Note 22.3)	**(37,176,113)**	59,540,071	**(37,151,685)**	59,586,204
Balance at end of the year	**76,491,657**	157,733,454	**45,602,806**	92,882,904

22.1 The closing deferred tax liability relates to the following

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
Composition of deferred tax liabilities	**Rs.**	Rs.	**Rs.**	Rs.
Accelerated depreciation for tax purposes	**42,125,494**	84,993,205	**10,936,466**	19,710,705
Revaluation of property , plant and equipment	**35,228,032**	74,164,279	**35,228,032**	74,164,279
Retirement benefit obligations	**(798,198)**	(1,359,612)	**(561,692)**	(992,080)
Lease liability	**(978,079)**	(1,969,436)	**-**	-
Right of use assets	**914,408**	1,905,018	**-**	-
	76,491,657	157,733,454	**45,602,806**	92,882,904

22.2 The composition of the deferred tax liabilities is as follows:

	Group			
	2021		2020	
	Rs.	**Rs.**	Rs.	Rs.
	Temporary difference	**Deferred tax**	Temporary difference	Deferred tax
Accelerated depreciation for tax purposes	**300,896,384**	**42,125,494**	307,355,233	84,993,205
Revaluation of property , plant and equipment	**251,628,803**	**35,228,032**	264,872,425	74,164,279
Retirement benefit obligation	**(5,701,411)**	**(798,198)**	(4,855,759)	(1,359,612)
Lease liability	**(6,986,275)**	**(978,079)**	(7,033,700)	(1,969,436)
Right of use assets	**6,531,489**	**914,408**	6,803,637	1,905,018
	546,368,989	**76,491,657**	567,141,836	157,733,454

	Company			
As at 31st March,	**2021**		2020	
	Rs.	**Rs.**	Rs.	Rs.
	Temporary difference	**Deferred tax**	Temporary difference	Deferred tax
Accelerated depreciation for tax purposes	**78,117,616**	**10,936,466**	76,123,944	19,710,705
Revaluation of property , plant and equipment	**251,628,803**	**35,228,032**	264,872,425	74,164,279
Retirement benefit obligation	**(4,012,085)**	**(561,692)**	(3,543,142)	(992,080)
	325,734,334	**45,602,806**	337,453,227	92,882,904

22.3 Deferred tax expenses

	Group		Company	
As at 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Recognized in other comprehensive income				
Impact due to rate changes	**(37,082,140)**	14,481,574	**(37,082,140)**	14,481,574
Originated of temporary difference	**(93,973)**	45,058,497	**(69,545)**	45,104,630
	(37,176,113)	59,540,071	**(37,151,685)**	59,586,204

22.4 The Group calculated deferred tax as of 31st March 2021 at the rate of 14% (2020 - 28%) as per the amendment made to inland revenue act no. 10 of 2021 on 13th May 2021.

23. LOANS AND BORROWINGS

As at 31st March,		Group		Company	
		2021	2020	**2021**	2020
		Rs.	Rs.	**Rs.**	Rs.
Term loan	**23.1**	**18,580,000**	42,481,687	**-**	-
Amount payable within one year					
Term loan	**23.1.1**	**10,730,000**	28,331,687	**-**	-
		10,730,000	28,331,687	**-**	-
Amount payable after one year					
Term loan	**23.1.1**	**7,850,000**	14,150,000	**-**	-
		7,850,000	14,150,000	**-**	-

23.1 Term loan

Balance at the beginning of the year	**42,481,687**	50,570,000	**-**	-
Add : Loans obtained during the year	**-**	20,000,000	**-**	-
	42,481,687	70,570,000	**-**	-
Less : Repayments during the year	**(23,901,687)**	(28,088,313)	**-**	-
Balance at the end of the year	**18,580,000**	42,481,687	**-**	-

23.1.1 Maturity analysis

Amount payable within one year	**10,730,000**	28,331,687	**-**	-
Amount payable after one year and within six year	**7,850,000**	14,150,000	**-**	-
	18,580,000	42,481,687	**-**	-

Facilities are taken from Sampath Bank PLC at the interest rate of AWPLR+ 2% subject to revisions quarterly.

23.2 Analysed by capital repayment

23.2.1 Group as at 31st March 2021

Bank	Payable in less than 3 months	Payable within 3 - 12 months	Payable within1-2 years	Payable within 2-5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Thebuwana Hydro Power (Pvt) Ltd					
Sampath Bank PLC	4,170,000	1,310,000	-	-	**5,480,000**
Stellenebrg Hydro Power (Pvt) Ltd					
Sampath Bank PLC	2,475,000	7,385,000	3,240,000	-	**13,100,000**
Total	**6,645,000**	**8,695,000**	**3,240,000**	**-**	**18,580,000**

23.2.2 Details of interest rates and capital repayment terms.

Company	Bank / Financial institution	Interest rate	Capital repayment	Facility Amount	Outstanding amount
Thebuwana Hydro Power (Pvt) Ltd	Sampath Bank PLC	AWPLR + 2%	7 years	100,000,000	5,480,000
Stellernberg Hydro Power (Pvt) Ltd	Sampath Bank PLC	AWPLR + 2%	2.5 years	20,000,000	13,100,000

24 RETIREMENT BENEFIT OBLIGATIONS

24.1 Movement in present value of defined benefit obligation

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs**	Rs.
Balance at the beginning of the year	**4,855,759**	3,260,039	**3,543,142**	2,460,568
- Current service cost	**781,811**	727,707	**481,163**	467,263
- Interest on obligation	**509,855**	358,604	**372,030**	270,663
- Acturial (gain) / loss on obligation	**671,236**	509,408	**496,750**	344,648
	6,818,661	4,855,759	**4,893,085**	3,543,142
- Benefits paid by the plan	**(1,117,250)**	-	**(881,000)**	-
Balance at the end of the year	**5,701,411**	4,855,759	**4,012,085**	3,543,142

24.2 Provision for retiring gratuity for the year is recognized in the following line items in profit or loss and other comprehensive income

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Profit or loss				
- Cost of sales	**851,151**	676,286	**412,678**	327,901
- Administrative expenses	**440,515**	410,025	**440,515**	410,025
	1,291,666	1,086,311	**853,193**	737,926
Others comprehensive income	**671,236**	509,408	**496,750**	344,648
	1,962,902	1,595,719	**1,349,943**	1,082,574

The provision for retirement benefits obligation is based on the acturial valuation carried out by professionally qualified Actuaries, Messers , Acturial & Management Consultants (Pvt) Ltd as at 31st March 2021. The liability is not externally funded.

The key assumptions used for the calculation are as follows

	2021	2020
- Rate of interest	**8%**	10.50%
- Rate of salary increment	**7.5%**	7.5%
- Retirement age	**55 years**	55 years
- Staff turnover factor	**5%**	5%

-The Group will continue as a going concern.

24.3 Sensitivity analysis

Sensitivity variation on rate of salaries / wages increment

Value appearing in the financial statements are sensitive to the changes of financial and non-financial assumptions used. Simulations made for retirement obligation show that a rise or decrease by 1% of the rate of salary / wage increment has the following effects on the retirement benefit obligations.

	Group		Company	
As at 31st March 2021	Variance		Variance	
	-1%	**+1%**	**-1%**	**+1%**
Retirement benefit obligations (Rs.)	**417,322**	**(411,933)**	**292,233**	**(326,276)**

Sensitivity variation on discount rate

Simulations made for retirement obligation show that a rise or decrease by 1% of the estimated discount rate has the following effects on the retirement benefit obligations.

As at 31st March 2021	Group Variance		Company Variance	
	-1%	**+1%**	**-1%**	**+1%**
Retirement benefit obligations (Rs.)	**(448,866)**	**392,901**	**(314,140)**	**276,294**

Although the analysis does not take accounts of the distribution of full cash flow expected under the plan, it does provide approximation of sensitivity of the assumption given.

25. OTHER PAYABLES

	Group		Company	
As at 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Accrued expenses	**7,652,213**	4,798,880	**6,346,452**	3,577,333
Payable to contractors	**144,900**	-	**144,900**	-
	7,797,113	4,798,880	**6,491,352**	3,577,333

26. AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
As at 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Hi - Tech Power System (Pvt) Ltd	**-**	2,430,000	**-**	2,030,000
Hatton Plantaions PLC	**14,950**	-	**14,950**	-
Stellenberg Hydro Power (Pvt) Ltd	**-**	-	**5,386,598**	-
	14,950	2,430,000	**5,401,548**	2,030,000

26.1 The above balance is payable on demand and unsecured. No interest is charged over this balance.

27. CONTINGENT LIABILITIES

Contingent liabilities – Company and Group

The Company and Group do not have any contingent liabilities which require adjustment to or disclosure in the financial statements as at the reporting date except as disclosed below.

Corporate guarantees given by Lotus Hydro Power PLC;

Name of the Company	Type of the facility	Name of the bank	Amount (Rs.)
Thebuwana Hydro Power (Pvt) Ltd – Note 23.2.2	Short Term Loan	Sampath Bank PLC	100,000,000
Stellenberg Hydro Power (Pvt) Ltd - Note 23.2.2	Short Term Loan	Sampath Bank PLC	20,000,000
Hatton Plantation PLC	Short Term Loan	State Bank of India	250,000,000
Lotus Renewable Energy (Pvt) Ltd	Overdraft	Nation Trust Bank	25,000,000

28. CONTRACTUAL COMMITMENTS - COMPANY AND GROUP

There are no material capital commitments contracted but not provided for or authorized by the Board but not contracted for, that require adjustment to or disclose in financial statements.

29. RELATED PARTY TRANSACTIONS

The Company and Group carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 "Related Party Disclosures" , the details of which are listed out below (Note 29.2).

29.1 Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures" key management personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly, the Board of Directors has been classified as key management personnel of the Group.

(i) Loans given to directors

No loans have been given to Directors of the Company.

(ii) Key management personnel compensation

No compensation has been given to key management personnel of the Company and Group except as disclosed in Note No. 09 in the financial statements.

29.2 Transactions with related Companies

Recurrent related party transactions

The Company and the Group have carried out recurrent related party transactions with entities that are related parties as defined in LKAS 24 as detailed below.

Name of the company	Relationship	Nature of transaction	Amount	Outstanding 31st March, 2021	Outstanding 31st March, 2020	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Net Revenue	Terms and Conditions of the Related Party Transactions
			Rs.	Rs.	Rs.	Rs.	%	
Thebuwana Hydro Power (Pvt) Ltd	Subsidiary Company	Expenses incurred	1,075,790					
		Fund advance	10,715,557					
		Settlement	(15,413,352)	52,690,305	56,312,310	(3,622,005)	-2.16%	-
Halgranoya Hydro Power (Pvt) Ltd	Subsidiary Company	Expenses incurred	90,638	3,623,092	3,532,454	90,638	0.05%	-
Lotus Mooloya Hydro Power (Pvt) Ltd	Subsidiary of parent Company	Expenses incurred	56,710	2,851,737	2,795,027	56,710	0.03%	-
Lotus Renewable Energy (Pvt) Ltd	Parent Company	Expenses incurred	58,418					
		Fund advanced	27,577,375					
		Interest Income*	7,020,198					
		Settlement	(92,700,000)					
		Management fee payable	(5,000,000)	23,583,671	86,627,680	(63,044,009)	-37.58%	Interest is charged at the rate of AWPLR+1%.
Zyrex Power Co Ltd	Common Directors	Expenses incurred	3,134,970					
		Funds advanced	18,187,500					
		Interest Income*	812,686					
		Settlement	(985,564)	21,152,272	2,680	21,149,592	12.61%	Interest is charged at the rate of AWPLR+1%.
HI - Tech Power System (Pvt) Ltd	Common Directors	Expenses incurred	997,789					
		Funds advanced	10,296,000					
		Interest Income*	286,187					
		Settlement	(99,654)	9,450,322	(2,030,000)	11,480,322	6.84%	Interest is charged at the rate of AWPLR+1%.
Hatton Plantation PLC	Common Directors	Expenses incurred	1,307,758					
		Expenses incurred	(14,950)					
		Settlement	(1,364,258)	(14,950)	56,500	(14,187,440)	-8.46%	-
Stellenberg Hydro Power (Pvt) Ltd	Subsidiary Company	Expenses incurred	271,411					
		Fund advance	7,588,400	(5,386,598)	8,800,842	(71,450)	-0.04%	-
		Fund advance	(5,386,598)					
		Settlement	(16,660,653)					

29.3 The following directors of Lotus Hydro Power PLC are also the directors of following

Name of the Director	THP	SHP	HHP	LMHP	OTE	LRE	ZPC	HPL	HTPS
Mr. G D Seaton	√	√	√	-	-	√	√	√	√
Mr. Gowri Shankar	√	√	√	-	-	√	√	√	√
Mr. Menaka Athukorala	√	√	√	√	√	√	√	√	√

Name of the company	Abbreviations	Nature of Relationship
Thebuwana Hydro Power (Pvt) Ltd	THP	Subsidiary
Stellenberg Hydro Power (Pvt) Ltd	SHP	Subsidiary
Halgranoya Hydro Power (Pvt) Ltd	HHP	Subsidiary
Lotus Mooloya Hydro Power (Pvt) Ltd	LMHP	Subsidiary of parent company
Origin Tea Exports (Pvt) Ltd	OTE	Common Directors
Lotus Renewable Energy (Pvt) Ltd	LRE	Parent
Zyrex Power Co Ltd	ZPC	Common Directors
Hatton Plantation PLC	HPL	Common Directors
HI - Tech Power System (Pvt) Ltd	HTPS	Common Directors

This note should be read in conjunction with amount due from / to related parties shown in the Note 18 & 26 to the financial statements respectively.

29.4 Non-recurrent related party transactions

The Company has not entered into any non-recurrent related party transactions during the year, which exceeds 10% of the equity or 5% of the total assets, whichever is lower, as per the Colombo Stock Exchange Section Listing rule 9.3.2.

30. EVENTS AFTER THE REPORTING PERIOD - COMPANY AND GROUP

There were no other material events that occurred between the reporting date and the date on which the financial statements are authorized for issue that require adjustment to or disclosure in the financial statements of the Group and Company other than those disclosed above.

31. IMPACT ON CORONAVIRUS (COVID-19) PANDEMIC

The unexpected shock of the COVID-19 outbreak has formed some uncertainties in the Group's operating environment since March 2020. Lotus Hydro Power PLC and the subsidiaries faced minor disruptions in business operations during the Island-wide curfew imposed by the Government of Sri Lanka. As the Group's main business activity is the generation of Hydro Power, even the lockdown period the power plants were continuously operating with close supervision. The impact of COVID-19 has been relatively minimal to the renewable energy sector, as an independent power producer.

The COVID-19 impact on the country's economy has reflected through a significant increase in credit risk. However, in the case of Lotus Hydro Power Group, the Group's major customer is Ceylon Electricity Board. The default risk with the government organizations is assumed to be nil therefore the recoverability of the balance outstanding is assumed to be certain. Further based on the assessments made on the recoverable amounts of non-financial assets and investment in subsidiaries of Lotus Hydro Power PLC there were no indications required to make an adjustment into financial statements of Company and Group due to the COVID-19.

Impact on operational activity of the Group

The Group's power plants are mainly operating in districts that were not critically affected by COVID-19 and also the Government policies on the power industry as an essential service, this allowed the Company & Group to operate frequently while implementing strict health care & safety measures. Even though the operations at the Head office level got interrupted due to the strict imposition of curfew in Colombo, operational work pursues under work from home concept.

Impact on the liquidity of the Group

COVID-19 pandemic has negatively impacted the liquidity position of the Group due to the delays in the signing of the SPPA extension of the Sanquhar plant and delays in receiving payments from the Ceylon Electricity Board (CEB). However, the Group and Company have a positive net current-asset position as of March 31, 2021, with a current ratio of 7.97 (2020 - 5.06) and 11.61 (2020 - 17.51) respectively (current assets/current liabilities). These assets will satisfy the short-term working capital requirements of the Company and Group if the need arises, without the need to draw additional borrowings.

32. ASSETS PLEDGED AS COLLATERALS

32.1 Assets pledged as collaterals – Company

No assets have been pledged as collaterals as at the reporting date.

32.2 Assets pledged as collaterals – Group

Thebuwana Hydro Power (Pvt) Ltd, (Subsidiary)

Name of financial instituion	Nature of the facility	Facility granted (Rs.)	Outstanding as at 31st March 2021	Securities Pledged
Sampath Bank PLC	Term Loan	100,000,000	5,480,000	Primary mortgage bond for Rs.100,000,000/-over entirety of shares issued/to be issued by Thebuwana Hydro Power (Pvt) Ltd,supported by an irrevocable Power of Attorney in favour Sampath Bank from share holders.
				Corporate guarantee for Rs.100,000,000/-from Lotus Hydro Power PLC.

Stellenberg Hydro Power (Pvt) Ltd, (Subsidiary)

Name of financial instituion	Nature of the facility	Facility granted (Rs.)	Outstanding as at 31st March 2021	Securities Pledged
Sampath Bank PLC	Term Loan	20,000,000	13,100,000	Primary mortgage bond for Rs.20,000,000/-over the leasehold rights of the project lands, civil structures, power generating plant, machinery and other equipment of the hydro power project.
				Corporate guarantee for Rs.20,000,000/-from Lotus Hydro Power PLC.

33. COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary in line with the presentation requirements for the current year.

34. SEGMENTAL INFORMATION

The Company and subsidiaries are engaged in the generation of hydro power thereby segmental analysis information is not applicable, as there are no reportable segments.

35. DIRECTOR'S RESPONSIBILITY

Directors of the Company are responsible for the preparation and presentation of these financial statements.

36. FINANCIAL INSTRUMENTS

Fair values of financial instruments.

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced liquidation or sale.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Fair value measurement

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates. The objective of the valuation technique is to arrive at a fair value determination that reflect the price of the financial instrument at the reporting date, that would have determined by the market participants acting at the arms length.

Fair value of financial instruments of the Company and Group

Classes of financial instruments that are not carried at fair value and are a reasonable approximation of fair value are trade and other receivables, amounts due from related parties, cash and cash equivalents, other payables, amounts due to related parties, bank overdrafts and loans and borrowings.

36.1 Accounting classifications of financial instruments

36.1.1 Group

As at 31st March 2021	Carrying amount		
	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total
Financial assets not measured at fair value			
Trade and other receivables*	**150,103,092**	**-**	**150,103,092**
Amounts due from related parties	**59,603,048**	**-**	**59,603,048**
Cash and cash equivalents	**-**	**-**	**27,497,358**
Financial liabilities not measured at fair value			
Other payables**	**-**	**144,900**	**144,900**
Loans and borrowings	**-**	**18,580,000**	**18,580,000**
Amount due to related parties	**-**	**14,950**	**14,950**
Bank overdrafts	**-**	**-**	**253,607**

As at 31st March 2020	Carrying amount		
	Financial assets at amotised cost	Other financial liabilities at amortised cost	Total
Financial assets not measured at fair value			
Trade and other receivables*	110,711,573	-	110,711,573
Amounts due from related parties	89,481,887	-	89,481,887
Cash and cash equivalents	-	-	15,305,759
Financial liabilities not measured at fair value			
Other payables**	-	42,481,687	42,481,687
Loans and borrowings	-	2,430,000	2,430,000
Bank overdrafts	-	-	563,820

*Trade and other receivables that are not financial assets of Rs. 8,211,133 (2020 - Rs. 9,691,821) are not included.

**Other payables that are not financial liabilities of Rs. 7,652,213 (2020 - Rs. 4,798,880) are not included.

36.1.2 Company

As at 31st March 2021	Carrying amount		
	Financial assets at amotised cost	Other financial liabilities at amortised cost	Total
Financial assets not measured at fair value			
Trade and other receivables*	**129,957,139**	**-**	**129,957,139**
Amounts due from related parties	**113,351,399**	**-**	**113,351,399**
Cash and cash equivalents	**-**	**-**	**27,292,467**
Financial liabilities not measured at fair value			
Other payables**	**-**	**144,900**	**144,900**

As at 31st March 2020	Carrying amount		
	Financial assets at amotised cost	Other financial liabilities at amortised cost	Total
Financial assets not measured at fair value			
Trade and other receivables*	91,351,463	-	91,351,463
Amounts due from related parties	158,127,493	-	158,127,493
Cash and cash equivalents	-	-	15,096,375
Financial liabilities not measured at fair value			
Other payables**	-	-	-

*Trade and other receivables that are not financial assets of Rs. 5,855,889 (2020 - Rs. 6,435,133) are not included.

**Other payables that are not financial liabilities of Rs. 6,346,452 (2020 - Rs. 3,577,333) are not included.

The carrying amount of loans and receivables and other financial liabilities of the Company and Group does not significantly differ from the value based on amortised costs.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group has other receivables, Trade and other receivables, cash and short term deposits that arise directly from its operations. The group's principle financial liabilities, comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the group's operations. The group is exposed to market risk, credit risk and liquidity risk.

37.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily for trade receivables) other advances including loans and advances to staff/workers and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The group trades only with recognised, creditworthy third parties. It is the group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the results that the group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents and short term investments, the Company's exposure to credit risk from default of the counter party.

37.2 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

Group

As at,	**31st March 2021**		31st March 2020	
	Amount	**Exposure %**	Amount	Exposure %
Trade and other receivables	**150,103,092**	**63.30%**	110,711,573	51.40%
Amounts due from related parties	**59,603,048**	**25.13%**	89,481,887	41.54%
Cash at bank	**27,435,133**	**11.57%**	15,201,432	7.06%
Total	**237,141,273**	**100.00%**	215,394,892	100.00%

Company

As at,	**31st March 2021**		31st March 2020	
	Amount	**Exposure %**	Amount	Exposure %
Trade and other receivables	**129,957,139**	**48.04%**	91,351,463	34.54%
Amounts due from related parties	**113,351,399**	**41.90%**	158,127,493	59.79%
Cash at bank	**27,231,273**	**10.07%**	15,001,315	5.67%
Total	**270,539,811**	**100.00%**	264,480,271	100.00%

37.2.1 Both the Group/Company held cash at bank of Rs. 27,435,133 and 27,231,273 respectively as at 31st March 2021.(2020 - Rs. 15.201.432 and Rs. 15,001,315). The cash at bank are held with reputed commercial banks.

	Group		Company	
Fitch Rating	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs**	Rs.
AA-	**3,016,609**	574,888	**2,888,726**	450,748
A	**24,418,524**	14,626,544	**24,342,547**	14,550,567
	27,435,133	15,201,432	**27,231,273**	15,001,315

37.3 Trade and other receivables

	Group		Company	
As at 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Past due but not impaired				
- 0-90 Days	**41,184,698**	68,871,169	**21,038,745**	49,511,059
- 90-365 days	**64,601,132**	38,377,851	**64,601,132**	38,377,851
- > 365 days	**44,317,262**	3,462,553	**44,317,262**	3,462,553
Total gross trade receivables	**150,103,092**	110,711,573	**129,957,139**	91,351,463
Impairment provision for trade receivable	**-**	-	-	-
Total net trade receivables	**150,103,092**	110,711,573	**129,957,139**	91,351,463

37.4 Amounts due from related parties

The Group's amounts due from related parties mainly consist of balances due from companies under common control and from related companies.

37.5 Liquidity risk

The group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the group has available funds to meet its short and medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The group holds cash and undraws committed facilities to enable the group to manage its liquidity risk.

The group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and project.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

37.5.1 Liquidity position

	Group		Company	
As at 31st March,	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Cash in hand and at bank	**27,497,358**	15,305,759	**27,292,467**	15,096,375
Liquid assets	**27,497,358**	15,305,759	**27,292,467**	15,096,375
Loans and borrowings	**18,580,000**	42,481,687	**-**	-
Bank overdrafts	**253,607**	563,820	**-**	-
Other payables	**7,797,113**	4,798,880	**6,491,352**	3,577,333
Liquid liabilities	**26,630,720**	47,844,387	**6,491,352**	3,577,333
Net cash	**866,638**	(32,538,628)	**20,801,115**	11,519,042

Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets or other secured borrowings.

Maturity analysis

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

Company

As at 31st March 2021	**Carrying amount**	**Contractual cash flows**	**Less than 3 months**	**3 to 12 Months**	**More than 12 Months**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Amount due to related parties	**5,401,548**	**5,401,548**	**5,401,548**	**-**	**-**	**5,401,548**
Lease liability	**4,116,953**	**4,646,075**	**399,272**	**1,197,816**	**3,048,987**	**4,646,075**
Other payables	**6,491,352**	**6,491,352**	**6,491,352**	**-**	**-**	**6,491,352**
Total	**16,009,853**	**16,538,975**	**12,292,172**	**1,197,816**	**3,048,987**	**16,538,975**

As at 31st March 2020	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 Months	More than 12 Months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Amount due to related parties	2,030,000	2,030,000	2,030,000	-	-	2,030,000
Other payables	3,577,333	3,577,333	3,577,333	-	-	3,577,333
Total	5,607,333	5,607,333	5,607,333	-	-	5,607,333

Group

As at 31st March 2021	**Carrying amount**	**Contractual cash flows**	**Less than 3 months**	**3 to 12 Months**	**More than 12 Months**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Other payables	**7,797,113**	**7,797,113**	**7,652,213**	**144,900**	**-**	**7,797,113**
Amount due to related parties	**14,950**	**14,950**	**14,950**	**-**	**-**	**14,950**
Loans and borrowings	**18,580,000**	**18,580,000**	**6,645,000**	**8,695,000**	**3,240,000**	**18,580,000**
Lease liability	**11,103,228**	**27,616,953**	**592,444**	**1,777,332**	**25,247,177**	**27,616,953**
Bank overdrafts	**253,607**	**253,607**	**253,607**	**-**	**-**	**253,607**
Total	**37,748,898**	**54,262,623**	**15,158,214**	**10,617,232**	**28,487,177**	**54,262,623**

As at 31st March 2020	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 Months	More than 12 Months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Other payables	4,798,880	4,798,880	4,798,880	-	-	4,798,880
Amount due to related parties	2,430,000	2,430,000	2,430,000	-	-	2,430,000
Loans and borrowings	42,481,687	42,481,687	8,481,482	19,850,205	14,150,000	42,481,687
Lease liability	7,033,700	24,440,000	235,000	705,000	23,500,000	24,440,000
Bank overdrafts	563,820	563,820	563,820	-	-	563,820
Total	57,308,087	74,714,387	16,509,182	20,555,205	37,650,000	74,714,387

37.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/'issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective 'of market risk management is to manage and control 'market risk exposures within acceptable parameters, while optimizing the return on risk.

37.6.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligation. The Group utilises various financial instruments to manage exposures to interest rate risks.

At the reporting date, the Group's interest-bearing financial instruments were as follows:

As at 31st March,	Carrying Amount	
	2021	2020
	Rs.	Rs.
Variable rate instruments		
Financial Liabilities		
Loans and borrowings	**18,580,000**	42,481,687
Bank overdraft	**253,607**	563,820
	18,833,607	43,045,507

Cash Flow Sensitivity Analysis for Variable Rate Instruments

The Group is exposed to changes in market interest rates through bank borrowings at variable interest rates.

31st March 2021,	Profit or Loss	
	100 bp Decrease	100 bp Increase
Variable Rate Instruments	**(97,008)**	97,008
Cash Flow Sensitivity (Net)	**(97,008)**	97,008

Interest rate risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

In order to reduce the Interest rate risk, the Group implements the following strategies.

1. Debt has been structured through variable interest rates in order to manage the volatility in the market.
2. Work towards the low gearing ratio.
3. Proper mechanism to monitor the fluctuations in interest rates.

38. CAPITAL MANAGEMENT

The objectives of the capital management can be summarised as follows:

• Appropriately allocate capital to meet strategic objectives.

• Enable the Group to face any economic downturn/ crisis situation.

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence in order to sustain future development of the business. The impact of the shareholders' return is also recognised and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group manages its capital structure and adjusts it accordingly in line with changes in global and local economic and market conditions and its overall risk appetite.

Given below is a summary of the capital structure of the Group and the Company as follows:

As at 31st March,	Group		Company	
	2021	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.
Long-term borrowings (Note 23)	**18,580,000**	42,481,687	**-**	-
Equity	**818,793,330**	751,463,466	**836,007,145**	820,546,304
Total equity and long-term borrowings	**837,373,330**	793,945,153	**836,007,145**	820,546,304
Gearing ratio (%)	**2%**	6%	**0%**	0%

FIVE YEAR SUMMARY – GROUP

FINANCIAL REVIEW AND INVESTOR INFORMATION OF LOTUS HYDRO POWER PLC

For the year end 31st March 2021 extracts of the financial statement and significant Group financial ratios can be summarized as follows

Year ended 31st March	2017 Rs.	2018 Rs.	2019 Rs.	2020 Rs.	**2021** **Rs.**
A) Summary of operations					
Turnover	142,990,610	192,691,446	257,458,111	206,102,016	**238,076,629**
Gross profit	52,316,108	99,364,726	163,446,729	106,786,723	**153,680,607**
Profit before taxation	11,944,507	29,268,534	120,351,036	52,934,244	**114,691,282**
Taxation	(8,772,406)	(12,483,684)	(15,143,639)	(48,983,082)	**25,221,817**
Profit attributable to shareholders	3,172,101	16,784,850	105,207,398	3,951,162	**139,913,099**
B) Summary of financial position					
Capital and reserves					
Stated capital	482,300,200	482,300,200	482,300,200	482,300,200	**482,300,200**
Reserves (Restated)	215,175,482	118,712,789	103,886,416	190,809,947	**216,502,573**
Retained earnings (Restated)	(42,820,790)	27,353,472	147,213,047	78,353,319	**119,990,557**
Total equity	654,654,892	628,366,461	733,399,663	751,463,466	**818,793,330**
Assets and liabilities					
Current assets	42,849,796	68,805,164	204,225,412	237,260,506	**253,920,514**
Current liabilities	(63,056,978)	(46,246,070)	(45,549,204)	(46,910,836)	**(31,863,713)**
Net current assets /(liabilities)	(20,207,182)	22,559,094	158,676,208	190,349,670	**222,056,801**
Property, plant and equipment and prepaid lease rentals	803,930,438	713,756,561	651,461,218	733,304,364	**687,037,137**
Other non-current assets	13,306,996	13,410,121	11,469,921	11,534,921	**9,368,488**
Non-current liabilities	(142,375,360)	(121,359,315)	(88,207,684)	(183,725,489)	**(99,669,096)**
Net assets	654,654,892	628,366,461	733,399,663	751,463,466	**818,793,330**
Key indicators					
Earnings per share (Rs.)	0.03	0.15	0.96	0.04	**1.28**
Dividends per share (Rs.)	0.80	0.35	-	0.80	**1.00**
Net assets per share (Rs.)	6.00	5.76	6.72	6.89	**7.51**
Current ratio (times)	0.68	1.49	4.48	5.06	**7.97**

SHARE ANALYSIS

Analysis of shareholders according to the category

As at 31st March 2021

Shares	Resident			Non-Resident Total			Total		
	No. of Shareholders	No. of shares	(%)	No. of Shareholders	No. of shares	(%)	No. of Shareholders	No. of shares	(%)
1 to 1000 shares	1,336	617,509	0.57	4	3,014	0.00	1,340	620,523	0.57
1001 to 10,000 shares	770	2,609,173	2.39	6	11,850	0.01	776	2,621,023	2.40
10,001 to 100,000 shares	117	3,376,669	3.10	-	-	-	117	3,376,669	3.10
100,001 to 1000,000 shares	19	4,551,559	4.17	-	-	-	19	4,551,559	4.17
over 1,000,000 shares	4	97,918,338	89.76	-	-	-	4	97,918,338	89.76
TOTAL	2,246	109,073,248	99.99	10	14,864	0.01	2,256	109,088,112	100.00

As at 31st March 2020

Shares	Resident			Non-Resident			Total		
	No. of Shareholders	No. of shares	(%)	No. of Shareholders	No. of shares	%	No. of Shareholders	No. of shares	%
1 to 1000 shares	1,295	631,198	0.58	3	2,014	-	1,298	633,212	0.58
1001 to 10,000 shares	769	2,498,394	2.29	7	17,500	0.02	776	2,515,894	2.31
10,001 to 100,000 shares	127	3,648,808	3.34	-	-	-	127	3,648,808	3.34
100,001 to 1000,000 shares	16	5,381,860	4.93	-	-	-	16	5,381,860	4.93
over 1,000,000 shares	3	96,908,338	88.83	-	-	-	3	96,908,338	88.83
TOTAL	2,210	109,068,598	99.98	10	19,514	0.02	2,220	109,088,112	100.00

Catergories of Shareholders	As at 31st March 2021			As at 31st March 2020		
	No of shareholders	No of shares	%	No of shareholders	No of shares	%
Individual	2,213	11,489,382	10.53	2,157	10,234,339	9.38
Institutional	43	97,598,730	89.47	63	98,853,773	90.62
TOTAL	2,256	109,088,112	100.00	2,220	109,088,112	100.00

Share Price Information on ordinary shares of the Company

	2021 (Rs.)	2020 (Rs.)
High	12.20	6.20
Low	9.00	4.30
Close	9.70	4.50

LIST OF 20 MAJOR SHAREHOLDERS

As at 31st March 2021				As at 31st March 2020			
	Name	No. of Shares	%		Name	No. of Shares	%
1	National Development Bank PLC/ Lotus Renewable Energy Private Limited	80,350,881	73.66	1	National Development Bank PLC/ Lotus Renewable Energy Private Limited	80,350,881	73.66
2	Sampath Bank PLC/ Dr.T.Senthilverl	15,000,000	13.75	2	Sampath Bank PLC/ Dr.T.Senthilverl	15,000,000	13.75
3	Seylan Bank PLC/ Senthilverl Holdings (Pvt) Ltd	1,557,457	1.43	3	Seylan Bank PLC/ Senthilverl Holdings (Pvt) Ltd	1,557,457	1.43
4	Mr.D.D Gunaratne	1,010,000	0.93	4	Mr.D.D Gunaratne	830,057	0.76
5	Mr. S.Senthimaaran	469,200	0.43	5	Mechant Bank of Sri Lanka & Finance PLC/Mr.S.Gobinath	800,000	0.73
5	Mr. S. N. Senthilverl	469,200	0.43	6	Mr. P.P.Subasinghe	689,122	0.63
7	Mr.P.P. Thevarajah	463,423	0.42	7	Mr. S.Senthimaaran	469,200	0.43
8	Mr. K.W.S.V. Gamage	331,147	0.30	7	Mr. S. N. Senthilverl	469,200	0.43
9	Mr. C.R. Athukorala	330,000	0.30	9	Mr.P.P. Thevarajah	463,423	0.42
10	Mr. P.P.Subasinghe	268,220	0.25	10	Mrs. M.P.R. Silva	264,000	0.24
11	Mr. H.P.L. Prabath	265,795	0.24	11	Peter Valley Estates Co Ltd	235,900	0.22
12	Mrs. M.P.R. Silva	264,000	0.24	12	Bank Of Ceylon No. 1 Account	173,194	0.16
13	Mr. G.S.H. Kumara	251,000	0.23	13	Mr. K.M.S.M.Razeek	166,000	0.15
14	Peter Valley Estates Co Ltd	235,900	0.22	14	Mrs. F.F. Musthapha	153,503	0.14
15	Mr. K.M.S.M.Razeek	166,000	0.15	15	Mr. G.K. Kulatilleke	152,300	0.14
16	T.D.R.S. Senadeera	154,500	0.14	16	Mr.T.J. Lerociyan	140,000	0.13
17	Mrs. F.F. Musthapha	153,503	0.14	17	Sierra Construction Limited	137,600	0.13
18	Mr. G.K. Kulatilleke	152,300	0.14	18	Mr. A.P.L. Fernando	125,500	0.12
19	Mr. A.K. Palliya Guruge Don	134,400	0.12	19	C J Investment Holdings (Pvt) Ltd	112,861	0.10
20	Mr. R.A.Y.S. Perera	125,470	0.12	20	Merchant Bank of Sri Lanka PLC / J.A.S. Priyantha	100,000	0.09
				20	People's Leasing & Finance PLC/Dr. H.S.D. Soysa / Mrs. G. Soysa	100,000	0.09
				20	Mrs. B.R.N. Priyadarshani	100,000	0.09
	TOTAL	102,152,396	93.64			102,590,198	94.04

	As at 31st March 2021	As at 31st March 2020
No. of shares held by public (Nos.)	12,179,774	12,179,774
No. of shareholders representing the public holding (Nos.)	2,253	2,217
Percentage of shares held by public (%)	11.17%	11.17
Existing float adjusted market Capitalization (Rs.)	118,143,808	54,808,983
Company in complied under option 2		

SUBSIDIARIES

Name of Company			Directors As at 31st March 2021
1	Halgranoya Hydro Power (Pvt) Ltd Reg: No.PV 68774	Full Owned Subsidiary	MR. GARY SEATON MR. MENAKA ATHUKORALA MR. GOWRI SHANKAR
2	Thebuwana Hydro Power (Pvt) Ltd Reg: No.PV 70022	Full Owned Subsidiary	MR. GARY SEATON MR. MENAKA ATHUKORALA MR. GOWRI SHANKAR
3	Stellenberg Hydro Power (Pvt) Ltd Reg: No.PV 70024	Full Owned Subsidiary	MR. GARY SEATON MR. MENAKA ATHUKORALA MR. GOWRI SHANKAR

GLOSSARY OF FINANCIAL TERMS

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

Accrual Basis
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

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

Basic Earnings per Share (EPS)
Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

Borrowings
All interest bearing liabilities.

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

Capital Employed
Total equity and interest –bearing borrowings.

Current Ratio
Current assets divided by current liabilities - a measure of liquidity

Contingent Liability
A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

Capital Reserves
Reserves identified for specific purposes and considered not available for distribution.

Dividends
Distribution of profits to holders of equity investments.

Dividend Cover
Profit attributable to ordinary shareholders divided by dividend - Measure the number of times divided is covered by distribution of profits.

Dividend Yield
Dividend per share as a percentage of the market price - A measure of return on investments.

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

EBITDA
Abbreviation for Earnings before Interest Tax, Depreciation and Amortization.

Effective Tax Rate
Provision for taxation excluding deferred taxation divided by the profit before tax.

Equity
Shareholders' fund.

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.

Foreign Currency Transactions
The realized gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the balance sheet date at prevailing rates which differ from those rates in force at inception or on the previous balance sheet date.

Financial Instruments
Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Gearing
Proportion of total interest –bearing borrowings to capital employed.

Group
A group is a parent and all its subsidiaries.

LKAS
Sri Lanka Accounting Standards.

SLFRS
Sri Lanka Financial Reporting Standards.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Asset
An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / servicesfor rental to others or for administrative purposes.

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

Market Capitalization
Number of Shares issues multiplied by the market value of each share at the reported date.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates credit spreads and other asset prices.

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

OCI
Other Comprehensive Income.

Parent
A parent is an entity that has one or more subsidiaries.

Price–Earnings Ratio
Market price of a share divided by earnings per share as reported date.

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

Retirement Benefits
Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Return on Average Assets (ROA)
Net income expressed as a percentage of average total assets, used along with ROE as a measure of profitability and as a basis of intra- industry performance comparison.

Return on Average Equity (ROE)
Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Return on Capital Employed
Profit before tax plus net interest cost divided by capital employed.

Revaluation Reserve
Excess value identified between the fair value and carrying value of the revalued assets.

Revenue Reserves
Reserves consolidated as being available for distribution and investments.

SLFRS / LKAS
Sri Lanka Accounting Standards corresponding to International Financial Reporting standards.

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

Shareholders' Funds
Total of issued and fully paid share capital, capital reserves and revenue reserves.

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.

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

Non- Financial Terms

CEB	-Ceylon Electricity Board
SLSEA	-Sri Lanka Sustainable Energy Authority.
PUCSL	-Public Utilities Commission of Sri Lanka.
CEA	-Central Environmental Authority
CSE	-Colombo Stock Exchange
CDM	-Clean Development Mechanism
CER	-Certified Emission Reduction
MHPP	-Mini Hydro Power Project
CSR	-Corporate Social Responsibility
GRI	-Global Reporting Initiatives.
Watt-hour	-Unit of energy expended for one hour of time.
Kilowatt (kW)	-Equal to 1000 watt.
Mega watt	-Equals to one million watts or (MW) to 1000 kilowatts.
Giga watt	-Equal to one billion watts or to 1000 megawatts.
GWh	-Giga watt hours

NOTICE OF THE ANNUAL GENERAL MEETING

LOTUS HYDRO POWER PLC
REG. NO. PV 7385 PB / PQ

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF LOTUS HYDRO POWER PLC WILL BE HELD ON 24^{TH} SEPTEMBER 2021 AT 12.00 P.M. AS AN ON-LINE AUDIO-VISUAL MEETING FROM LOTUS HYDRO POWER PLC, 2^{ND} FLOOR, NO.168, NEGOMBO ROAD, PELIYAGODA.

The business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the Directors and the Audited Financial Statements for the year ended 31^{st} March 2021 together with the Report of the Auditors thereon.

2. To re-elect Mr Athukorala Udumullage Asantha Menaka Athukorala as a Director who retires by rotation in accordance with Article 24(6) of the Articles of Association of the Company.

3. To re-appoint as an Independent Non-Executive Director Mr. Uditha Harilal Palihakkara who has attained the age of 78 years. In terms of Section 210 of the Companies Act No.7 of 2007 a Special Notice has been received from a shareholder, pursuant to Sections 145 and 211 of the Companies Act No.7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

   ORDINARY RESOLUTION

   "That Mr. Uditha Harilal Palihakkara who has attained the age of 78 years be and is hereby re-appointed as an Independent Non-Executive Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act No 07 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. Uditha Harilal Palihakkara."

4. To re-appoint as a Non-Executive Director Dr. Thirugnanasambandar Senthilverl who has attained the age of 76 years. In terms of Section 210 of the Companies Act No.7 of 2007 a Special Notice has been received from a shareholder, pursuant to Sections 145 and 211 of the Companies Act No.7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

   ORDINARY RESOLUTION

   "That Dr. Thirugnanasambandar Senthilverl who has attained the age of 76 years be and hereby re-appointed as an Non-Executive Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act No 07 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Dr. Thirugnanasambandar Senthilverl."

5. To re-appoint M/s KPMG, Chartered Accountants as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine contributions to charities and other donations for the year 2021/2022 until the next Annual General Meeting.

BY ORDER OF THE BOARD OF
LOTUS HYDRO POWER PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED

SECRETARIES
24^{th} August 2021

Notes:

1. Any member/s is/are entitled to attend and vote is/are entitled to appoint a proxy in his stead.
2. A form of Proxy accompanies this notice. A proxy need not be a shareholder.
3. Instruments appointing proxies must be lodged with the Company not less that 48 Hours before the meeting.

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FORM OF PROXY

LOTUS HYDRO POWER PLC – PV 7385 PB / PQ

I/We,...
of... being a member/
members of Lotus Hydro Power PLC hereby appoint Mr./Mrs./Ms...
....(NIC No......................................) of... whom failing,

Mr. Gary Donald Seaton	whom failing,
Mr. Athukorala Udumullage Asantha Menaka Athukorala	whom failing,
Mr. Krishnamoorthy Gowri Shankar	whom failing,
Dr. Thirugnanasambandar Senthilverl	whom failing,
Mr. Uditha Harilal Palihakkara	whom failing,
Mr. Wannakuwatte Mitiwaduge Asela Indrajith Fernando	

as my /our proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held on 24th September 2021 at 12.00p.m. as an on-line Audio-Visual Meeting from Lotus Hydro Power PLC, 2nd Floor, No.168, Negombo Road, Peliyagoda and at any adjournment thereof.

		FOR	AGAINST
1.	To receive and consider the Annual Report of the Directors and the Audited Financial Statements for the year ended 31st March 2021 together with the Report of the Auditors thereon.	☐	☐
2.	To re-elect Mr Athukorala Udumullage Asantha Menaka Athukorala as a Director who retires by rotation in accordance with Article 24(6) of the Articles of Association of the Company.	☐	☐
3.	To re – appoint as an Independent Non-Executive Director Mr. Uditha Harilal Palihakkara who has attained the age of 78 years by passing the Ordinary Resolution set out in the Notice.	☐	☐
4.	To re-appoint as a Non-Executive Director Dr.Thirugnanasambandar Senthilverl who has attained the age of 76 years by passing the Ordinary Resolution set out in the Notice.	☐	☐
5.	To re-appoint M/s KPMG, Chartered Accountants as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and authorize the Directors to determine their remuneration.	☐	☐
6.	To authorize the Directors to determine contributions to charities and other donations for the year 2021/2022 until the next Annual General Meeting.	☐	☐

Signed this..........................day of ....Two Thousand and Twenty One.

....

NIC No./Passport No. Signature

Note:

(a)*Please delete the inappropriate words.

(b)Instructions are noted on the reverse hereof.

Please provide the following details

Full Name of the Shareholder	....
CDS A/C No/ NIC No/Company Reg No.	....
E – Mail address	....
Folio No/ No of Shares held	....
Full Name of the Proxy holder	....
Proxy holder's ID No (if not a Director)	....
Proxy holder's E – Mail address	....

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY:

1. Please complete the Form of Proxy after filling in legibly your full name, NIC Number and address and by signing in the space provided.
2. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, Lotus Hydro Power PLC, 2nd Floor, No. 168, Negombo Road, Peliyagoda not less than 48 hours before the time appointed for holding the meeting.
3. Please indicate clearly how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion may vote as he thinks fit.
4. If the shareholder is a Company or body corporate, a form of Corporate Representation executed under its Common Seal in Accordance with its Articles of Association or Constitution should be submitted.
5. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the company along with the Form of Proxy.
6. Any Shareholder / Proxy attending the Annual General Meeting is kindly requested to bring with him/her the National Identity Card or any other form of valid identification.

CORPORATE INFORMATION

NAME OF COMPANY	LOTUS HYDRO POWER PLC
LEGAL FORM	A Public Limited Liability Company incorporated in Sri Lanka on 24th April 2000 under the Compaies Act No.07 of 2007 and is a BOI approved Company quoted on Colombo Stock Exchange.
COMPANY REGISTRATION NO.	PV 7385 PB/PQ
DIRECTORS	Mr. Gary Seaton *Chairman/Executive Director* Mr. Menaka Athukorala *Executive Director* Mr. Gowri Shankar *Non-Executive Director* Dr. Thirugnanasambandar Senthilverl *Non-Executive Director* Mr. Uditha Palihakkara *Independent Non-Executive Director* Mr. Indrajith Fernando *Independent Non-Executive Director*
REGISTERED OFFICE	2nd Floor, No. 168, Negombo Road, Peliyagoda, Sri Lanka.
BUSINESS OFFICE	2nd Floor, No. 168, Negombo Road, Peliyagoda, Sri Lanka. Tel No.: +941 1511 7780/81/82 Fax No.: +941 1592 3338
COMPANY SECRETARIES	S S P Corporate Services (Pvt) Ltd No. 101, Inner Flower Road, Colombo 03.
AUDITORS	KPMG, Chartered Accountants, 32 A, Sir Mohamed Macan Markar Mawatha , Colombo 03.
BANKERS	Seylan Bank PLC Sampath Bank Hatton National Bank PLC National Development Bank PLC

REG. NO. PV 7385 PB/PQ