



Lotus Renewables

LOTUS HYDRO POWER PLC

Holdings On

ANNUAL REPORT 2022 | 23

ABOUT US

Lotus Hydro Power PLC is a renewable energy development and operating company in Sri Lanka. The Group currently comprises of four operational power plants in the regions of Kandy, Rathnapura, and Nuwara Eliya while the head office is located in Colombo. With the core operations revolving around Renewable and Sustainable energy, Lotus is committed towards delivering value to its shareholders and other stakeholders with integrity and in a socially and environmentally responsible manner. As a Company that cares for the people and the planet we relentlessly work towards efficient management of the economic, social and environmental impacts of our operations.

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VISION & MISSION

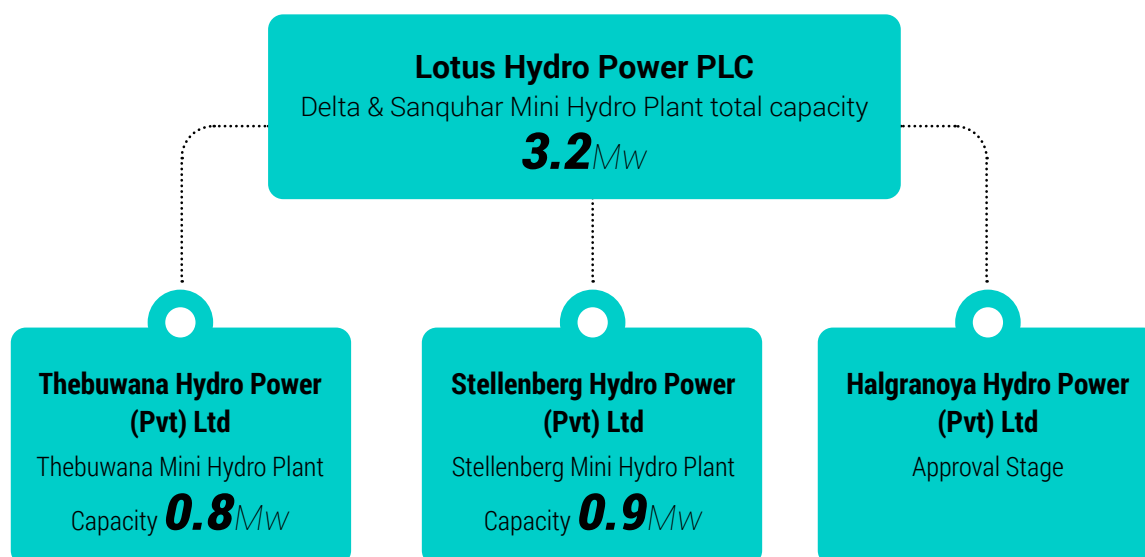
To be a valuable stakeholder
in the Sri Lankan Renewable
Energy Industry by supplying
green energy while
safeguarding the environment

VALUES

Accountability	- Responsibility to all our stakeholders
Bias for action	- We are driven to get results, swiftly
Integrity	- Treat others with respect and honesty and are true ourselves
Innovative	- Develop outside the box solutions
Passion	- Develop outside the box solutions
Quality	- What we do, we do well

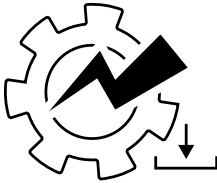
OUR ORGANISATIONAL STRUCTURE

Lotus Hydro Power PLC is a limited liability company listed on the Colombo Stock Exchange. The Company and its subsidiaries are incorporated and domiciled in Sri Lanka.



Name of Company	Reg: No.	Date of Incorporation	Ownership	Stated capital (Rs.)	Directors
Stellenberg Hydro Power (Pvt) Ltd	PV 70024	19/11/2009	100%	150 Mn	<ul style="list-style-type: none"> Mr. Gary Seaton Mr. Menaka Athukorala Mr. Gowri Shankar
Thebuwana Hydro Power (Pvt) Ltd	PV 70022	19/11/2009	100%	200 Mn	<ul style="list-style-type: none"> Mr. Gary Seaton Mr. Menaka Athukorala Mr. Gowri Shankar
Halgranoya Hydro Power (Pvt) Ltd	PV 68774	20/08/2009	100%	10 Mn	<ul style="list-style-type: none"> Mr. Gary Seaton Mr. Menaka Athukorala Mr. Gowri Shankar

DELIVERY OF VALUE



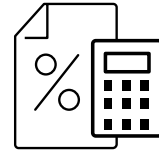
Total kW Installed

4,900 kW



Revenue

Rs. **200** Mn.



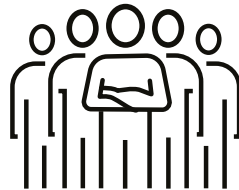
Taxes paid to Government

Rs. **21** Mn.



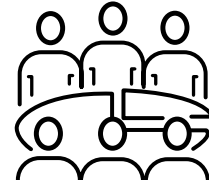
Operating Profit

Rs. **62** Mn.



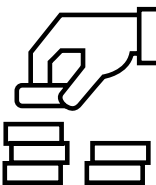
No. of Employees

51



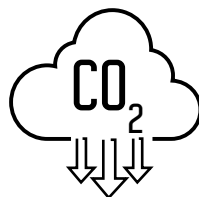
Number of Shareholders

2,391



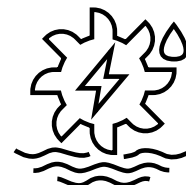
Net Assets Value per Share

Rs. **7.28**



CO2 Avoided

11,043 Tons



Electricity Generation

16,808,184 kW

FINANCIAL HIGHLIGHTS – GROUP

Year Ended 31st March	2023	2022	Change	2021
	Rs.	Rs.	%	Rs.
Operating Results				
Group revenue (Rs.)	200,234,291	223,736,214	(10.50)	238,076,629
Profit before taxation (Rs.)	81,276,067	100,408,354	(19.05)	114,691,282
Profit after taxation (Rs.)	43,709,694	81,813,425	(46.57)	139,913,099
Other comprehensive income/(Loss) (Rs.)	(42,416,434)	1,479,855	(2,966.26)	36,504,877
Total Comprehensive income (Rs.)	1,293,260	83,293,280	(98.45)	176,417,976

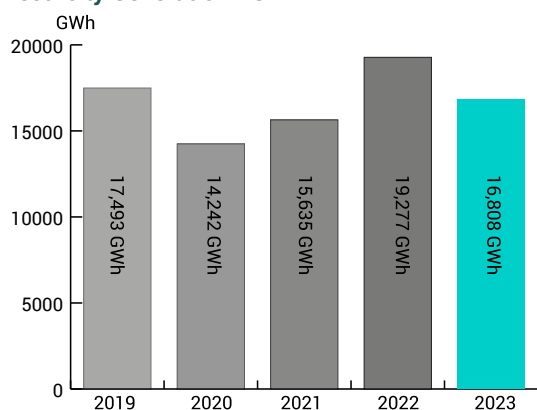
Financial Position highlights

Total shareholders' funds (Rs.)	794,291,758	792,998,498	0.16	818,793,330
Total assets (Rs.)	968,768,702	899,408,796	7.71	950,326,139
No of ordinary share (Nos.)	109,088,112	109,088,112	-	109,088,112

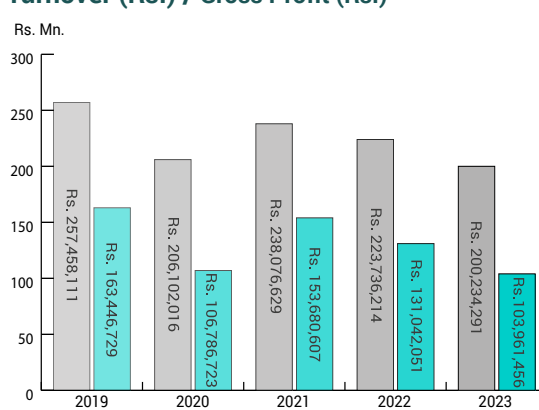
Shareholders information

Earnings per share (Rs.)	0.40	0.75	(46.67)	1.28
Return on equity (%)	5.50	10.32	(46.71)	17.09
Net asset per share (Rs.)	7.28	7.27	0.14	7.51
Current ratio (Times)	14.89	15.04	(1.00)	7.97
Dividend payout ratio (%)	-	133.34	-	77.97
Market price as at 31st March (Rs.)	7.80	8.90	(12.36)	9.70
Market capitalization (Rs.)	850,887,274	970,884,197	(12.36)	1,058,154,686

Electricity Generation - GWh



Turnover (Rs.) / Gross Profit (Rs.)



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, G&G Group of Companies, Singapore, Mark Marine Services (Pvt) Ltd, Good Earth Fertilizers (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, Good Earth Fertilizers (Pvt) Ltd, Zyrex Power Co Ltd, HI - Tech Power System (Pvt) Ltd, G & G Agro Commodities (Pvt) Ltd, Sri Bio Tech Lanka (Pvt) Ltd, Mark Marine Services (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 20 years of experience in developed and developing markets. He is currently the Group Director – G&G Group of Companies, Singapore. He is primarily responsible for the Investments & Collaboration strategy for G&G Group. He has extensively contributed in the renewable energy space (Solar, Hydro Power Plants, Bio-fuel) & Agri-Commodity business and food processing business with hands on experience in structuring finance for Mergers & Acquisitions. Adept at negotiating with Governments, Vendors, Business Collaboration, Development Banks and Private Financing. He is leading an experienced team in South East Asia, apart from successfully managing companies in the diversified business, also provides consultancy to businesses in South East Asia and Australia. 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 G&G Group of Companies (Singapore), Hatton Plantations PLC, Lotus Renewable Energy (Private) Limited, Thebuwana Hydro Power (Private) Limited, Stellenberg Hydro Power (Private) Limited, Halgranoya Hydro Power (Private) Limited, Zyrex Power Company Limited, Good Earth Fertilizers (Pvt) Ltd and HI – Tech Power System (Private) Limited.


DR. THIRUGNANASAMBANDAR SENTHILVEL
Non- Executive Director

Dr. Thirugnanasambandar Senthilvel 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, Health Insurance, Finance, Power and Energy sectors and in industrial turnkey projections. At present Dr. Senthilvel 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 Professional Accountant in Business and has over 35 years of experience. His contribution is beyond the confines of the profession which include the Corporate World and the Community at large.

Mr. Fernando is a member of the Monetary Board of Sri Lanka Advisory Audit Committee. He serves as a director on the Boards of Strategic Insurance Brokers Pvt Limited, Beyond Wealth Pvt Ltd and Hatton Plantations PLC. He is a Non-Executive Director, Chairman of the Audit Committee and the Integrated Risk Management Committee of the above public listed companies.

He was the President of the Institute of Chartered Accountants of Sri Lanka (ICA – 2004/2005), Member of International Federation of Accountant (IFAC 2004- 2006) Developing Nations Committee, President–South Asian Federation of Accountants (SAFA 2007), 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 a MBA from the University of Queensland, Australia. He is a Senior Member of CPA-Maldives and the Advisory Committee CISI - UK. He is a Golf enthusiastic and member of The Royal Colombo Golf Club.


MR. UDITHA PALIHAKKARA
Independent Non- Executive Director

Mr. Uditha Harilal Paliakkara, 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 Constitutional 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. Paliakkara 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 all to the twenty second Annual General Meeting of Lotus Hydro Power PLC and present you with our integrated annual report and audited financial statements for the financial year ended 31st March 2023.

The financial year 2022/2023 began with all the challenging economic and social environmental factors. Despite that, your company has performed well while trying to mitigate the impact of adverse economic conditions. The Sri Lankan economy was heavily impacted negatively due to the sharp devaluation of the rupee, massive inflation rates, restriction on import items and foreign exchange payments, a shortage of fuel and the inability to repay government debt both locally and internationally on a timely basis. Due to unbudgeted delays in receiving payments from the Ceylon Electricity Board, the cash flows of your

company have been adversely affected and as a result, revenue from investment income dropped considerably despite banks offering higher interest rates for deposits during the year. We experienced approximately 8 to 10 months of delay in receiving CEB payments compared to the agreed terms. Considering current economic conditions, your company will not make any new investments in renewable energy projects until CEB payments are streamlined and borrowing costs and exchange rates are stabilized in the market. Given the prevailing highly volatile economic conditions, the board is of the view that it is not prudent to make significant investment decisions at this stage.

With all these massive challenges, your company trusted all levels of staff and stakeholders and continued to strive to keep them satisfied at all times. The performance of the company for the year was relatively lower compared to the prior year. The reduction was mainly due to low rainfalls in catchments areas, low tariff rates on renewed and existing power projects, high inflationary rates and the shut down of Sanquhar plant during the months of February and March for scheduled maintenance of dry season repairs. Even though less performance is due to factors beyond our control, I would take this opportunity to express my heartfelt gratitude to all levels of staff and the management of the group who have made enormous efforts to maintain the capacity of all the plants at their maximum levels during the year.

Group Overview

The profit for the year of the group was reduced by Rs. 38.1 Mn (46.57%) compared to the previous year. The change in government tax rate from 14% to 30% effective from 1st October 2022 also had a direct impact on the decrease in profit after tax of the company given the increase in income tax expenses. As a result of an increase in the income tax rate, during the year an additional deferred tax liability amounting to Rs. 42.4 Mn was also accounted for in the revaluation reserve based on the future tax rate of 30%. The Group has generated 16,808 MWh of electricity during the financial year 2022/2023 and this is a decrease of 2,469 MWh (12.81%) compared to prior year. On a positive note, there was no impairment loss during the year on the subsidiary of Thebuwana Hydro Power (Pvt) Ltd.

Shareholder Value

Your company is giving top priority to meeting shareholder expectations and focusing on long term sustainability of the business. This was proven in past years, however due to non-receiving of CEB payments on a timely basis, cash flows were adversely affected and we also had to maintain some cash buffer to run the business operations smoothly. Considering these challenges, the board did not declare any dividends during the financial year. We are experiencing some positive outlook in the Sri Lankan economy currently therefore this will enable the company to return to its

expected performance levels in the near future. We hope our valued shareholders will understand and appreciate the difficulties faced currently and continue their fullest support to lead the company to success.

Renewable Energy Industry, New Projects and Industry Related Issues

Even though current government policies in renewable energy sector are highly encouraging, countries current economic parameters do not encourage investment in new projects. Both Local and foreign direct investors are reluctant to invest in new projects since the return on investments is not certain with clear visibility. We have signed the SPPA for Halgrano II for 0.65 Mw on 6th April 2023. Renewable Energy suppliers had several communications with CEB on the revision of current tariff rates considering the adverse economic factors in this sector. CEB has published fair tariff rates on new projects which will give a positive outlook for new investors. We expect that CEB will favorably consider tariff revision for current projects without further delay. The favorable government policies such as arrangement of low cost financing, assistance in tax exemption or low tax rates and expediting the repayment of long overdue CEB payments with interest applicable to producers as per signed agreements will be of great support in reviving investment in the sector. We experienced a power shortage during the last year which impacted adversely on the

performance of all the sectors creating unnecessary socio environmental issues.

If the policy makers are supporting the industry, the country has enough natural resources to overcome the power shortage situations in the future. We greatly appreciate it if all the responsible authorities give high priority to the sector to resolve the existing industry related issues.

Appreciation

My heartfelt appreciation to the Board members for sharing their expert knowledge in all areas of operations and taking on more responsibilities to mitigate the impact of the current economic crisis in Sri Lanka. The valuable guidance from all the board members has been very supportive of the success of the group since its inception. I also appreciate the continued trust and loyalty of our shareholders, relevant authorities, and all other stakeholders. Despite all the adverse challenges, our employee contribution to maintaining the performance of the company was remarkable. Therefore, I would like to convey my deep appreciation to all levels of staff and look forward to a better contribution in the years to come.



G D Seaton
Chairman
22nd August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Group Performance

In the year 2022 /2023, the performance of the group was relatively lower than in the prior year. A revenue drop of Rs. 23.5 million (10.5%) was recorded due to low rainfall in some areas. An increase in operational expenses due to massive inflation and the sharp devaluation of the rupee also heavily impacted the lower profitability of the group. Furthermore, as a result of the increase in income tax rates from the 3rd quarter, income tax expenses and deferred tax expenses also increased significantly. On a positive note, no additional impairment charges were provided for any subsidiary of the group during the year. Also, despite average lending rates being extraordinarily high during the year, the group was not significantly affected given the low levels of borrowing within the group. During the year, banks offered significantly high interest rates on term deposits due to heavy inflation. If we had received outstanding payments as per the agreed terms, there would have been a significant increase in our financial income with the higher interest rates offered by the banks and other institutions.

Adverse Economic Condition

Sri Lanka's economy was adversely affected by various factors such as import restrictions, foreign exchange shortages, shortages in fuel supply, and high inflation rates on commodities and services. The renewable energy sector

also faced some difficulties. During the critical period we were able to provide financial and non-financial assistance to alleviate the burden of our valuable employees who were severely impacted by high rates of inflation and shortages of essential food and medicines. Throughout the year, we have been experiencing unbudgeted delays from CEB in making payments. This negatively impacted the pursuit of new investments in the renewable energy sector. During the year, the Government of Sri Lanka declared its inability to repay international debt obligations, a significant negative impact and a cascade of implications for all business sectors in the country. Further, international rating agencies downgraded the country, and as a result, we lost most of the potential investors. We urge the government to implement proper policies without further delay to mitigate the current distress for investors. While appreciating the new publication of tariffs on future projects, considering macro-economic indicators such as average lending rates and foreign exchange rates, etc., there was no revision for tariffs on existing and renewed projects. Existing projects are being paid very low rates with an annual increase of 3%, which is not adequate to sustain those businesses. During the year, domestic tariff rates have been increased by CEB significantly considering the adverse economic conditions and its accumulated losses. Even with these tariff increases, CEB has not made any tariff revisions for the

existing power producers. We anticipate a favorable tariff revision in the foreseeable future from CEB to gain some relief and enhance sustainability of the renewable energy sector. We had several communications with CEB with regard to the settlement of overdue payments and interest due to power producers. CEB has informed us that they are in the process of engaging with several financial intuitions to secure borrowing facilities. It is disappointing to note that nothing has materialized yet on receiving our long-overdue payments.

Existing / New Projects

The Board and potential foreign direct investors are apprehensive about investing in new projects until the country's economy is stabilized. Furthermore, the investment decisions are contingent on how quickly CEB streamlines its payments to energy providers. Currently, our overdue payments approximately amount to over Rs.104 Mn, and our overdue interest on delayed payments are more than Rs. 50 Mn. The government has formulated a new institution to expedite the approval of pending renewable energy projects. As a result, we were able to sign the SPPA of Halgranoya II on April 6, 2023. However, construction of the project will not commence until a favorable economic environment emerges. It is also important to recognize that the investors would look only for viable projects which would yield a reasonable return to the owners, subject to low risk environment.

CSR Initiatives

Despite all these challenges, the group and its parent company, Lotus Renewable Energy (Pvt) Ltd., have engaged in CSR activities substantially during the year. It has provided financial and non-financial support to Sri Sathya Sai Super Specialty Hospital at Batticaloa. This hospital aims to provide state of the art healthcare, completely free of charge, to

those in need. We reached a significant milestone in the service to patients in Sri Lanka when we inaugurated our Cath Lab services in collaboration with the Batticaloa Teaching Hospital cardiologists, nurses, technical staff and also with the support of all levels of staff at Karunanilayam foundation. The Foundation, with the blessings of the Ministry of Health and in collaboration

with the Batticaloa Teaching Hospital, has opened a new door to fulfill a long-overdue needs in the Eastern Province of Sri Lanka. We are proud to announce that the hospital has completed surgeries on 100 patients within a short period of six weeks after the commencement of Cath lab operations.

Future Outlook

The economy of the country is slightly moving in the right direction with the changes in tax policies and the signing of a loan agreement with the International Monetary Fund. However, it is the responsibility of policymakers to support all the business communities, considering their vital contribution to the country. The recent publication on new tariff rates considering macro- economic dimensions such as average lending rates, foreign exchange rates, etc. will encourage investors to move forward. We request CEB to revisit the existing tariff rates applicable to operational projects, considering the challenges faced by power producers in meeting their commitments. If the existing power producers can receive a fair return, the same will be invested back into clean energy solutions in both the commercial and domestic sectors. Given the CEB is the sole off-taker of our sector, any shortcomings and deficiencies will directly impact the growth of the sector. It is needed to restructure CEB and make new policies to make CEB a profitable and sustainable authority for investors to gain the required confidence and assurance on their return on investments when making investment decisions.



OUR BUSINESS OPERATIONS

Global Energy

Global energy refers to the total energy used by all countries and regions around the world. This includes energy consumed in various forms, such as electricity, oil, natural gas, coal, and renewable energy sources like wind, solar, and hydropower.

The world's energy consumption has been increasing steadily over the years due to population growth, economic development, and changes in lifestyle. Fossil fuels, such as oil, natural gas, and coal, have been the primary sources of energy for many years, but there has been a shift towards cleaner and more sustainable sources of energy in recent times.

Renewable energy sources like wind and solar power have seen a significant growth in recent years due to advancements in technology and the increasing concern over climate change. Governments around the world are also encouraging the transition towards cleaner energy sources by implementing policies and regulations to reduce greenhouse gas emissions.

The overall, global energy consumption and production will continue to play a vital role in shaping the world's economic and environmental future.

Local Energy

Sri Lanka's energy sector is dominated by fossil fuels, primarily oil and coal. The country has limited domestic energy resources, and most of its energy needs are met through imports.

Electricity generation in Sri Lanka is



primarily through thermal power plants that use oil and coal, with hydropower and other renewable sources accounting for a smaller portion of the energy mix. The country has set a target to generate 70% of its electricity from renewable energy sources by 2030, and there has been significant investment in recent years in solar and wind power projects.

In addition to electricity generation, Sri Lanka has a growing demand for transportation fuels, and the majority of the country's petroleum needs are imported. The government has implemented policies to promote the use of electric vehicles and biodiesel to reduce the country's dependence on imported petroleum.

Sri Lanka has also been exploring the potential for offshore oil and gas exploration, with several exploration projects currently underway. However, there has been significant opposition from environmental groups and local communities who are concerned about the potential impact on the marine ecosystem.

Overall, Sri Lanka's energy sector faces

challenges in terms of affordability, security, and environmental sustainability, and the government is working to promote the development of renewable energy sources and reduce the country's dependence on fossil fuels.

Our Operations

We passionately and resolutely continue to support the national effort to develop renewable energy resources in Sri Lanka. With four operational mini hydro power plants we have set our footprint across four regions of the country. All our projects are equipped with top of the range electromechanical equipment and a competent and skilled workforce, fueling our energy generation process allowing us to function at our optimum capability. With our core growth strategy revolving around hydro power we are consistently exploring other renewable energy sources such as solar power, wind power and biomass. As we scale up on our operations we are conscious of the fact that sustainability and concern for the people and planet permeates our operations and our carbon footprint remains at a minimal level.

Sanquhar Mini Hydro Power Project

Project Details	
Capacity	1,600 kW
Date of SPPA	December 2003
Tenure of SPPA	December 2038
Status of the Project	Operational
Location	Sanquhar Estate
District	Kandy
River	Galatha Oya
Tariff	Rs. 12.61 (2023)
Plant factor	
2022/2023	36.34%
2021/2022	38.45%
Generation	
2022/2023	5,093,630 kW
2021/2022	5,389,570 kW
Revenue	
2022/2023	Rs. 62,459,082
2021/2022	Rs. 64,184,446



Delta Mini Hydro Power Project

Project Details	
Capacity	1,600 kW
Date of SPPA	April 2006
Tenure of SPPA	April 2041
Status of the Project	Operational
Location	Delta Estate
District	Kandy
River	Atabage Oya
Tariff	Rs. 10.66 (2023)
Plant factor	
2022/2023	39.61%
2021/2022	50.88%
Generation	
2022/2023	5,551,255 kW
2021/2022	7,131,518 kW
Revenue	
2022/2023	Rs. 57,406,312
2021/2022	Rs. 71,460,530



Stellenberg Mini Hydro Power Project

Project Details	
Capacity	900 Kw
Date of SPPA	January 2014
Tenure of SPPA	January 2034
Status of the Project	Operational
Location	Pupuressa
District	Kandy
River	Atabage Oya
Tariff	Rs. 13.04
Plant factor	
2022/2023	46.92%
2021/2022	44.79%
Generation	
2022/2023	3,699,151 kW
2021/2022	3,531,475 kW
Revenue	
2022/2023	Rs. 48,236,407
2021/2022	Rs. 46,050,434



Thebuwana Mini Hydro Power Project

Project Details	
Capacity	800 kW
Date of SPPA	June 2015
Tenure of SPPA	June 2035
Status of the Project	Operational
Location	Devipahala
District	Rathnapura
River	Devipahala Maha Ela
Tariff	Rs. 13.04
Plant factor	
2022/2023	35.16%
2021/2022	46.00%
Generation	
2022/2023	2,464,148 kW
2021/2022	3,223,988 kW
Revenue	
2022/2023	Rs. 32,132,490
2021/2022	Rs. 42,040,804

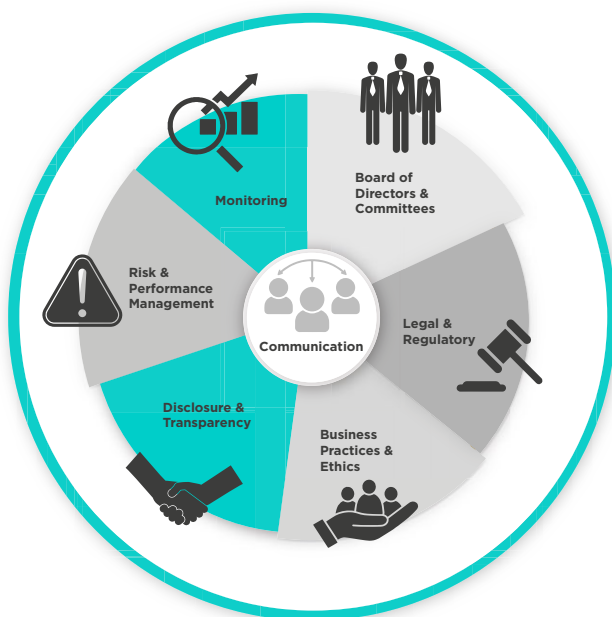


CORPORATE GOVERNANCE

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 any non adherence would cause consequences.

The Corporate Governance framework of the company given below 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
- ◆ Recognition 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 organizational territory and standards of governance

The key components of the Corporate Governance framework of the Company comprise Internal Governance Structure, Assurance of Compliance and Regulatory Frameworks guiding the Company towards progress by way of developing and

implementing appropriate corporate strategies are discussed in this report.

A. 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. The wide and varying knowledge and experience of the directors make a well balanced board.

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 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 business and profession are set out in pages 5 and 7.

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 expression an 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 the 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 practices 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 annual budgets and interim and full year financial statements.
- ◆ 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 2023 only three (03) Board Meetings were held.

Name	Attendance
Mr. Gary Seaton	2/3
Mr. Menaka Athukorala	3/3
Mr. Gowri Shankar	3/3
Dr.Thirugnanasambandar Senthilverl	2/3
Mr. Udittha Palihakkara	3/3
Mr. Indrajith Fernando	3/3

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. Udittha Palihakkara

- Member/ Independent Non-Executive Director

Mr. Gowri Shankar

- Member/ Non-Executive Director

The Executive Director, Chief Financial Officer and other representatives of Senior Management are invited to 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 2023 there has been a total number of four (04) Audit Committee Meetings.

The Audit Committee report is given on page 45-46 of the Annual Report.

Remuneration Committee

The Remuneration Committee comprises of:

Mr. Indrajith Fernando

- Chairman / Independent Non-Executive Director

Mr. Udittha 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

For the financial year ended 31st March 2023 there has been a total number of two (02) Remuneration Committee Meetings.

The Remuneration Committee Report is given on page 47 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 Paliakkara
- 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 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;

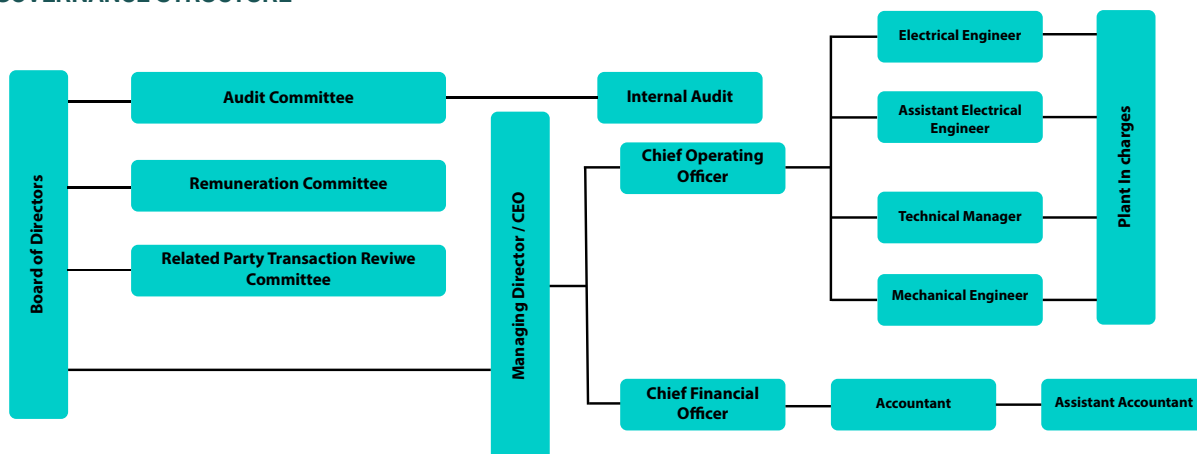
- Ensures that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

The Related Party Transactions Review Committee Report is given on page 48-49 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.

GOVERNANCE STRUCTURE



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 its shareholders and encourages 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 its operations in 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 44. The Directors' interests in contracts of the company are disclosed in note 28.1 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 also 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 functioned 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 11.4)
IX	Number of shares representing the Entity's stated capital	✓	Notes to the Financial Statements, (Note 19) 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: <ul style="list-style-type: none"> ◆ 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	

CSE Rule	CSE Rule and Description	Compliance Status	Section Reference in the Annual Report
XIII	<p>If during the year, the Entity has raised funds either through a public issue, Rights Issue, and private placement;</p> <p>a. statement as to the manner in which the proceeds of such issue has been utilized;</p> <p>b. if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and,</p> <p>c. any material change in the use of funds raised through an issue of Securities</p>	N/A	
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	<p>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</p> <p>The details shall include, as a minimum;</p> <p>IV. The date of the transaction</p> <p>V. The name of the Related Party</p> <p>VI. The relationship between the Entity and the Related Party</p> <p>VII. The amount of the transaction and terms of the transaction</p> <p>VIII. The rationale for entering into the transaction</p> <p>(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)</p>	✓	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.

CSE Rule	CSE Rule and Description	Compliance Status	The Company's Action
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.
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.

CSE Rule	CSE Rule and Description	Compliance Status	The Company's Action
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 8.
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.
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)	<p>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:</p> <ul style="list-style-type: none"> ◆ 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
9.3.2 (b)	<p>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;</p> <ul style="list-style-type: none"> ◆ 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

CSE Rule	CSE Rule and Description	Compliance Status	Section Reference in the Annual Report
9.3.2 (c)	<p>Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:</p> <ul style="list-style-type: none"> 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 <p>The number of times the Committee has met during the Financial Year</p>	✓	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 59 to 104
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 54 to 104
168 (1) (c)	Auditor's Report on Financial Statements of the Group and the Company	Independent Auditors' Report page 51 to 53
168 (1) (d)	Accounting Policies and any changes therein	Notes to the financial statements - page 59 to 74
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Annual Report of the Board of Directors - page 42
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Notes to the financial statements - page 76
168 (1) (g)	Corporate Donations made by the Company and its subsidiaries during the accounting period	Notes to the financial statements - page 76
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 2
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 76

Section reference in the Companies Act No. 07 of 2007	Disclosure Requirement	Reference in the Annual Report
168 (1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries	Annual Report of the Board of Directors - page 43 Audit Committee Report - page 45-46
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 43

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 CONJUNCTION 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.
A.1.1 Regular Board meetings at least once every quarter	✓	The Board met three 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	✓	<p>Powers specifically vested in the Board to execute their responsibility include:</p> <p>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;</p> <p>Reviewing and approving annual budget plans;</p> <p>Monitoring systems of governance and compliance;</p> <p>Reviewing and approving major investments, acquisitions, disposals and capital expenditure;</p> <p>Approving of the Company's equity/debt securities.</p>

Rule		Compliance Status	Company's Action
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.
A.1.7	Calling for resolutions for the best interest to the Company	✓	Any single Director may call for a resolution to be presented to the Board where he feels it is in the interest of the Company.
A.1.8	Board induction and training	✓	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 and Chief Executive Office			
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.

Rule	Compliance Status	Company's Action
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.
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.

Rule	Compliance Status	Company's Action
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	✓	<p>The Board is provided with:</p> <ul style="list-style-type: none"> 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	✓	<p>Refer Board of Directors' section.</p> <p>All appointments of new Directors are informed to the shareholders through public announcements to the Colombo Stock Exchange.</p>

Rule		Compliance Status	Company's Action
A.8 Re-election			
A.8.1	Re-election at regular intervals and should	✓	The Directors are appointed and recommended for re-election until their prescribed Company retirement age.
A.8.2	be subject to election and re-election by Shareholders		<p>The Directors are subject to re-election on the basis of 'longest in the office' as provided in the Articles of the Association.</p> <p>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.</p>
A.8.3	Resignation	N/A	Written communications are to be provided to the Board by Director
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	✓	The Board considers following areas for the annual self-evaluation;
A.9.3	that of its Committees and need for review the participation, contribution and engagement of each director at the time of re-election		<ul style="list-style-type: none"> ◆ Role and effective discharge of responsibilities; ◆ Systems and procedures; ◆ Quality of participation; ◆ Board image.
A.9.4	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	<ul style="list-style-type: none"> ◆ 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.

Rule	Compliance Status	Company's Action
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	✓	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.

Rule		Compliance Status	Company's Action
B.2.2	Design of remuneration for long term success and to promote long term success of the Company	✓	Executive Directors' and Key Management's remuneration is designed to promote the long-term success of the Company/Group.
B.2.3			
B.2.4	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.2.5	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.2.6	Executive share options	✓	There are no share options that have been offered to the Executive Director and senior management.
B.2.7	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.2.8	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.2.9	Early termination not included in the initial contract	N/A	
B.2.10	Remuneration of Non-Executive Directors	✓	Please refer B.1.4 above.
B.3	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 2022/2023 is disclosed in Note 8.
B.3.1			

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 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.1.2 Separate resolution to be proposed for each item	✓	Complied with.
C.1.3 Counting of proxy votes	✓	Complied with.
C.1.4 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.1.5 Summary of procedures governing voting at General meetings to be informed	✓	Complied with.
C.2 Communication with shareholders		
C.2.1 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.2.2		
C.2.3		
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.

Rule	Compliance Status	Company's Action
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 Review of financials before submitting to the audit committee	✓	The Chief Financial Officer quarterly and year-end Financial Statements before submitting to the Audit Committee
D.1.4 Directors Report	✓	The Declarations required to be made by the Board are given in the Annual Report of the Board of Directors
D.1.5 Statement of Directors' Responsibility	✓	Refer Statement on Directors' Responsibility.
D.1.6 Management Discussion and Analysis	✓	Refer Management Discussion and Analysis.
D.1.7 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.

Rule	Compliance Status	Company's Action
D.1.8 Related party transactions	✓	<p>The Directors have instituted an effective and comprehensive system of Internal Controls for identifying, recording and disclosure of related party transactions.</p> <p>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.</p> <p>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.</p> <p>The names of the members of the Related Party Transactions Review Committee are given on page 48.</p> <p>Related Party Transactions Review policy and procedures are discussed in the Related Party Transactions Review Committee report on pages 48 to 49.</p> <p>All related party transactions as defined in Sri Lanka Accounting Standard-24 (LKAS 24) on "Related Party Transactions" are disclosed in note 28 to the Financial Statements on page 94 - 96.</p>
D.2 Internal Control		
D.2.1 Annual review of effectiveness of system of internal control and report to shareholders as required	✓	<p>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.</p>
D.2.2 Internal Audit Function	✓	<p>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.</p>

Rule	Compliance Status	Company's Action
D.2.3 Review of the process and effectiveness of risk management and internal controls by the Audit Committee	✓	<p>The Audit Committee monitors, reviews and evaluates the effectiveness of the risk management and internal control system including the internal controls over financial reporting.</p> <p>The internal auditors review the adequacy and effectiveness of the Internal control system and report their findings to the Audit Committee.</p> <p>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 44 and Audit Committee Report on page 45-46.</p>
D.2.4 Responsibilities of Directors in maintaining a sound system of internal control	✓	Please refer Directors' Statement on Internal Control on page 44.
D.3 Audit Committee		
D.3.1 The Audit Committee should comprise of a minimum of three of whom at least two should be Independent Non-Executive Directors or exclusively Non- Executive Directors, the 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 45-46.
D.3.2 Terms of reference, duties and responsibilities	✓	<p>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.</p> <p>The Committee is also responsible for maintaining the relationship with the external auditors.</p>
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.4.1 Related Party Transaction Review Committee D.4.2 D.4.3	✓	Refer Related Party Transaction Committee Report.

Rule	Compliance Status	Company's Action
D.5.1 Code of Business Conduct and Ethics.	✓	Business ethics at the Company ensure the business is carried out in an ethical manner.
D.5.2		
D.5.3		
D.5.4 Affirmation by the Chairman that there is no violation of the Code of Conduct and Ethics	✓	Please refer Corporate Governance.
D.6 Corporate Governance Disclosures		
D.6.1 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.

F. 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.

G. Sustainability Reporting

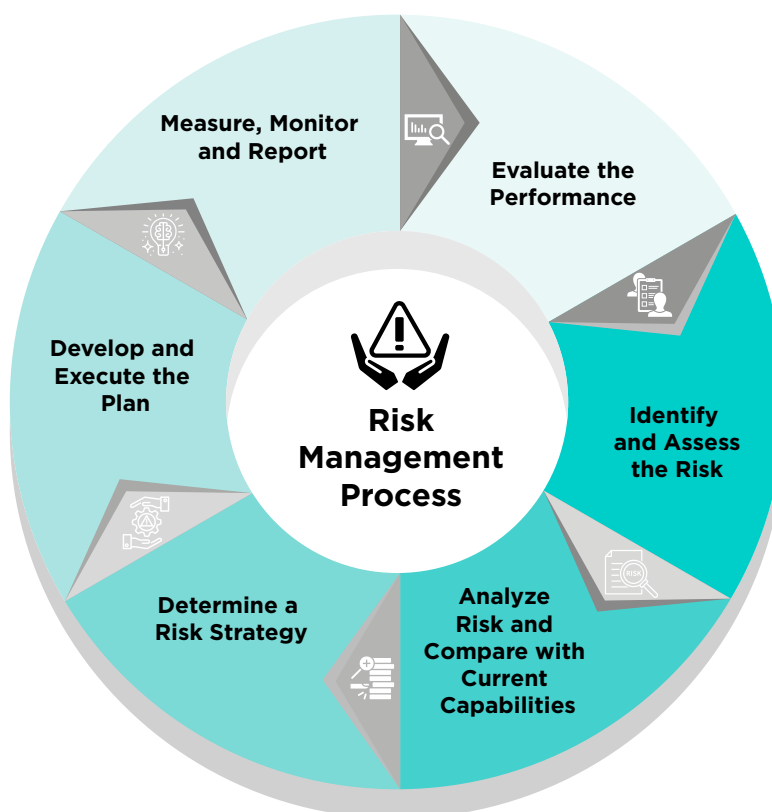
Rule	Compliance Status	Company's Action
G.1.1 - Internet of things and Cyber Security G.1.5	N/A	Governance of information systems, Intranet and Cyber security have not been implemented considering the nature and size of the organisation.

H. Environment Society and Governance Reporting

Rule	Compliance Status	Company's Action
H.1.1 - Environment Society and Governance H.1.7	✓	The Company has adopted integrated approach for environmental, social and governance factors for the business model.

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. All the employees from top to bottom are involved in the Risk Mitigating process. Our Risk Management Process involves identifying present as well as potential risks of the Company.



Given below is a shared account of the major risk identified;

Economic Risk

Risk associated from Macro Economic Conditions such as change in Government Policies, Political Stability of the Country and Exchange Regulations.

Risk Treatment

New project appraisals carry out detailed evaluation while periodic Macro-economic reviews are carried out to determine the present situation of the Company.

Monitoring and Review

Periodic macro – economic reviews discussed at Audit Committee and necessary recommendation are forwarded to the Board of Directors.

Operational Risk

Risk arising from the Company's day to day activities and loss resulting in inadequate resources and people.

Risk Treatment

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.

Monitoring and Review

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.

Risk Treatment

Our only creditor is the Ceylon Electricity Board and both parties are governed under Standard Power Purchase Agreement.

Monitoring and Review

Ensure having a sound relationship with Ceylon Electricity Board.

Financial Risk

Risk of losing shareholder wealth as a result of the Company's incompetence.

Risk Treatment

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.

Monitoring and Review

All Project funding and Financing is evaluated by the Audit Committee and forwarded for necessary recommendation to the Board.

Social, Regulatory & Environmental Risk

Risk from company activities to the environment and society.

Risk Treatment

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.

Monitoring and Review

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 2023 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. Senthilvel
- 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 05 and 07.

Re-Election of Directors

In accordance with Article No. 24(6) of the Articles of Association of the Company Mr. Krishnamoorthy Gowri Shankar retires by rotation as a Director and being eligible offers himself for re-election.

Re-appointment of Directors

A resolution for the re-appointment of Mr. Uditha Harilal Palihakkara who is over 70 years of age will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No.07 of 2007. Mr. U.H. Palihakkara's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Dr. Thirugnanasambandar Senthilvel who is over 70 years of age will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No.07 of 2007. Dr. T. Senthilvel's re-appointment is recommended by the Directors.

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 page 45-46.

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 page 47.

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 48-49.

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 2023 was Rs. 482,300,200 and consists of 109,088,112 Ordinary Shares.

Share Holdings/Share Information

There were 2,391 registered shareholders as at 31st March 2023. 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 106-107 and earnings per share of the Group for the year under review was Rs. 0.40 (Last year – Rs. 0.75). The Net assets per ordinary share of the Group for the year under review was Rs 7.28 (Last year – Rs. 7.27).

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 2023	31st March 2022
Mr. G. D. Seaton	Nil	Nil
Mr. K. Gowri Shankar	Nil	Nil
Mr. A.U.A.M. Athukorala	Nil	Nil
Dr. T. Senthilvel	Nil	Nil
Seylan Bank PLC/ Dr. T.Senthilvel	Nil	Nil
Seylan Bank PLC/ Senthilvel Holdings (Pvt) Ltd	1,557,457	1,557,457
Sampath Bank PLC/Dr. T.Senthilvel	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	2022/2023 Rs.	2021/2022 Rs.
Revenue	200,234,291	223,736,214
Profit before taxation	81,276,067	100,408,354
Less: Income tax expense	(37,566,373)	(18,594,929)
Net profit for the year from continuing operations	43,709,694	81,813,425
Add / (less): Other comprehensive income	(42,416,434)	1,479,855
Total comprehensive income	1,293,260	83,293,280
Accumulated profit brought forward	105,585,239	119,990,557
Transferred from revaluation reserve to retained earnings	5,032,577	11,389,514
Dividend for the year	-	(109,088,112)
Accumulated profit carried forward	154,290,664	105,585,239

Property, Plant and Equipment

The total capital expenditure incurred by the Group during the year under review was Rs. 258,471/- (Last year Rs. 2,803,300/-) the details are available in note 11.

Taxation

The Company has provided Rs. 19,646,338/- for income taxes (2022 - Rs. 14,372,446/-) and Group has provided Rs. 37,566,373/- (2022 - (Rs. 18,594,929/-)). The details are available in note 9 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 15 to 38.

CSR Expenses and Donations

Donations made by the Group during the year amounted to Rs. 15,000/- (2022 – Rs. 60,000/-).

Subsidiaries and its Directors

The Directors of Subsidiaries are given on page 02 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 22nd August 2023. The appropriate number of copies of this report will be submitted to Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitory Board on or before 31st August 2023.

Annual General Meeting

The Twenty Second Annual General Meeting will be held at Park Premier Banquet Hall, Excel World, No. 338 T. B. Jayah Mawatha, Colombo 10 on 27th September 2023 at 11.30 a.m. The Notice of Meeting is given on page 110.

Contingent Liabilities

The details of contingent liabilities are given in Note 26 to the financial statements.

Accounting Policies

The financial statements for the year ended 31st March 2023 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.

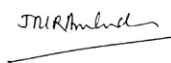
The Audit Report is found in the financial report section of the Annual Report. The involvements of Audit Committee with the work of the Auditors are set out in the Audit Committee Report.

The fees paid to Auditors are disclosed in Note 8 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


Menaka Athukorala
Executive Director
Colombo
22nd August 2023


Gowri Shankar
Director


S S P Corporate Services (Private) Limited
Secretaries

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



Menaka Athukorala

Executive Director
22nd August 2023

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, 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 Chief Financial Officer / 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	Chief Financial Officer	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 the 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 continued 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 2024.

KPMG acted as the 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 operations, accuracy of financial statements and safeguarding assets of the Group.



Indrajith Fernando

Chairman – Audit Committee

22nd August 2023

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	2/2
Mr. Uditha Palihakkara	2/2
Mr. Gowri Shankar	2/2
By Invitation	
Mr. Menaka Athukorala	2/2
Ms. Disna Lokugalappaththi	2/2

The Committee held two 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).

Advice

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

Remuneration to Directors

The Remuneration paid to Directors during the year under review is indicated in Note 8 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.



Indrajith Fernando

Chairman - Remuneration Committee
22nd August 2023

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 Paliakkara

- 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 Chief Financial Officer 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 at the meetings is set out below:

Name	Attendance
Mr. Indrajith Fernando	4/4
Mr. Uditha Paliakkara	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
- ◆ that 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.

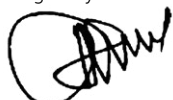
Procedures are also in place for the assessment of the need to obtain shareholder approval for specified transactions and to inform the SEC/ CSE on the applicable non-recurrent transactions.

Conclusion of the 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.



.....
Indrajith Fernando

Chairman - Related Party Transactions Review Committee

22nd August 2023



21657920	414264		
21215720	5498216		
326225		58742	221233
32255021	32154316	3322144	
1245755	1245755	32366987	3221
2154756	2154756		21258
320659	32659		
221233		121554	32186664
		323150	232312
214334	32147711	221550	12789452
5231			
47512588	54715087		



KPMG
(Chartered Accountants)
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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 31 March 2023, 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 54 to 104 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 2023, 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 14 to the financial statements	
The Key Audit Matter	Our Response
<p>As at 31 March 2023 the carrying amount of the Company's investment in subsidiaries amounted to Rs. 281,997,662/-.</p> <p>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.</p> <p>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.</p>	<p><i>Our audit procedures included;</i></p> <ul style="list-style-type: none"> Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the Company 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.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA	W.K.D.C. Abeyrathne FCA
S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA	Ms. P.M.K. Sumanasekara FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. FR Ziyad FCMA (UK), FTI



Impairment of property, plant and equipment – Group	
Refer Note 3.9 and Note 12 to the financial statements	
The Key Audit Matter	Our Response
<p>The Group includes civil construction at the power plant amounting to cost Rs. 187,421,448/- as at 31 st March 2023 relating to of Thebuwana Hydro Power (Private) Limited, a subsidiary of the Group.</p> <p>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”.</p> <p>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.</p> <p>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.</p>	<p><i>Our audit procedures included:</i></p> <ul style="list-style-type: none"> 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 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
22nd August 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees)

For the year ended 31st March,	Note	Group		Company	
		2023	2022	2023	2022
Revenue	5	200,234,291	223,736,214	119,865,394	135,644,976
Cost of electricity generated		(96,272,835)	(92,694,163)	(48,268,120)	(48,524,095)
Gross profit		103,961,456	131,042,051	71,597,274	87,120,881
Other income	6	3,911,751	1,603,969	21,911,751	24,103,969
Administrative expenses		(45,740,364)	(36,390,266)	(43,829,916)	(34,893,886)
Profit from operating activities		62,132,843	96,255,754	49,679,109	76,330,964
Finance income		20,512,483	6,103,574	20,511,028	6,100,364
Finance costs		(1,369,259)	(1,950,974)	(178,379)	(312,502)
Net finance income	7	19,143,224	4,152,600	20,332,649	5,787,862
Profit before tax	8	81,276,067	100,408,354	70,011,758	82,118,826
Income tax expense	9	(37,566,373)	(18,594,929)	(19,646,338)	(14,372,446)
Profit for the year		43,709,694	81,813,425	50,365,420	67,746,380
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Actuarial loss on retirement benefit obligations	23	(64,970)	(133,345)	(151,307)	(199,220)
Deferred tax on actuarial loss on retirement benefit obligations	21.3	28,124	18,668	45,392	27,891
Deferred tax implication on other comprehensive income due to changes in revaluation / rate differential	21.3	(42,379,588)	1,594,532	(42,379,588)	1,594,532
Other comprehensive income for the year, net of tax		(42,416,434)	1,479,855	(42,485,503)	1,423,203
Total comprehensive income for the year		1,293,260	83,293,280	7,879,917	69,169,583
Profit attributable to :					
Equity Holders of the Company		43,709,694	81,813,425	50,365,420	67,746,380
Non - controlling interests		-	-	-	-
Profit for the year		43,709,694	81,813,425	50,365,420	67,746,380
Total Comprehensive income attributable to :					
Equity Holders of the Company		1,293,260	83,293,280	7,879,917	69,169,583
Non - controlling interests		-	-	-	-
Total other comprehensive income for the year		1,293,260	83,293,280	7,879,917	69,169,583
Earnings per share	10	0.40	0.75	0.46	0.62

Figures in brackets indicate deductions.

The notes on pages 59 to 104 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees)

As at 31st March,	Note	Group		Company	
		2023	2022	2023	2022
ASSETS					
Non-current assets					
Property, plant and equipment	11	585,475,784	628,569,131	300,953,838	319,983,864
Right of use assets	12	13,184,959	14,734,520	6,203,051	8,475,179
Capital work-in-progress	13	9,368,488	9,368,488	-	-
Investments in subsidiaries	14	-	-	281,997,662	281,997,662
Total non-current assets		608,029,231	652,672,139	589,154,551	610,456,705
Current assets					
Inventories	15	7,499,846	7,474,152	5,457,079	5,144,673
Trade and other receivables	16	224,877,409	164,696,390	138,453,982	112,902,180
Amounts due from related parties	17	113,261,723	13,943,204	170,003,318	67,601,152
Cash and cash equivalents	18	15,100,493	60,622,911	14,988,650	60,354,576
Total current assets		360,739,471	246,736,657	328,903,029	246,002,581
Total assets		968,768,702	899,408,796	918,057,580	856,459,286
EQUITY AND LIABILITIES					
Equity					
Stated capital	19	482,300,200	482,300,200	482,300,200	482,300,200
Revaluation reserve	20.1	157,599,092	205,011,257	157,599,092	205,011,257
Other reserves	20.2	101,802	101,802	101,802	101,802
Retained earnings		154,290,664	105,585,239	163,967,439	108,675,357
Total equity attributable to the equity holders of the parent		794,291,758	792,998,498	803,968,533	796,088,616
Non-current liabilities					
Deferred tax liabilities	21	133,780,481	75,195,952	87,908,692	43,413,159
Lease liability	12.2	7,825,457	7,995,887	-	1,123,278
Retirement benefit obligations	23	8,638,346	6,807,932	6,298,465	4,832,761
Total non-current liabilities		150,244,284	89,999,771	94,207,157	49,369,198
Current liabilities					
Other payables	24	6,397,188	5,578,421	3,972,769	4,324,746
Amount due to related parties	25	147,898	72,677	147,898	72,677
Lease liability	12.2	1,201,323	1,624,122	1,123,278	1,563,899
Income tax payable		16,326,066	6,313,437	14,477,760	4,638,280
Loans and borrowings	22	-	2,420,000	-	-
Bank overdraft	18	160,185	401,870	160,185	401,870
Total current liabilities		24,232,660	16,410,527	19,881,890	11,001,472
Total liabilities		174,476,944	106,410,298	114,089,047	60,370,670
Total equity and liabilities		968,768,702	899,408,796	918,057,580	856,459,286
Net assets per ordinary share (Rs.)		7.28	7.27	7.37	7.30

Figures in brackets indicate deductions.

The notes on pages 59 to 104 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.



D.P. Lokugapaththi
(Chief Financial Officer)

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 ;



Menaka Athukorala
(Director)
Colombo
22nd August 2023



Gowri Shankar
(Director)

STATEMENT OF CHANGES IN EQUITY-GROUP

(all amounts in Sri Lankan Rupees)

	Stated capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1st April, 2021	482,300,200	216,400,771	101,802	119,990,557	818,793,330
Total comprehensive income for the year					
- Profit for the year	-	-	-	81,813,425	81,813,425
- Other comprehensive income	-	-	-	1,479,855	1,479,855
	-	-	-	83,293,280	83,293,280
Dividends	-	-	-	(109,088,112)	(109,088,112)
Depreciation transfer on revalued assets	-	(11,389,514)	-	11,389,514	-
Balance as at 31st March 2022	482,300,200	205,011,257	101,802	105,585,239	792,998,498
Total comprehensive income for the year					
- Profit for the year	-	-	-	43,709,694	43,709,694
- Other comprehensive income	-	(42,379,588)	-	(36,846)	(42,416,434)
	-	(42,379,588)	-	43,672,848	1,293,260
Depreciation transfer on revalued assets	-	(5,032,577)	-	5,032,577	-
Balance as at 31st March 2023	482,300,200	157,599,092	101,802	154,290,664	794,291,758

	Group		Company	
	2023	2022	2023	2022
Dividend paid	-	109,088,112	-	109,088,112
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	-	1.00

Figures in brackets indicate deductions.

The notes on pages 59 to 104 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – COMPANY

(all amounts in Sri Lankan Rupees)

	Stated capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1st April, 2021	482,300,200	216,400,771	101,802	137,204,372	836,007,145
Total comprehensive income for the year					
- Profit for the year	-	-	-	67,746,380	67,746,380
- Other comprehensive income	-	-	-	1,423,203	1,423,203
	-	-	-	69,169,583	69,169,583
Dividends	-	-	-	(109,088,112)	(109,088,112)
Depreciation transfer on revalued assets	-	(11,389,514)	-	11,389,514	-
Balance as at 31st March 2022	482,300,200	205,011,257	101,802	108,675,357	796,088,616
Total comprehensive income for the year					
- Profit for the year	-	-	-	50,365,420	50,365,420
- Other comprehensive income	-	(42,379,588)	-	(105,915)	(42,485,503)
	-	(42,379,588)	-	50,259,505	7,879,917
Depreciation transfer on revalued assets	-	(5,032,577)	-	5,032,577	-
Balance as at 31st March 2023	482,300,200	157,599,092	101,802	163,967,439	803,968,533

Figures in brackets indicate deductions.

The notes on pages 59 to 104 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(all amounts in Sri Lankan Rupees)

For the year ended 31st March,	Note	Group		Company	
		2023	2022	2023	2022
Cash flows from operating activities					
Profit before taxation		81,276,067	100,408,354	70,011,758	82,118,826
Adjustments for:					
Depreciation of property, plant and equipment	11	43,351,818	43,992,509	19,288,497	19,934,098
Amortisation of prepaid lease rentals / right of use assets	12	2,589,488	2,544,277	2,272,128	2,272,129
Certified Emission Reduction (CER) write-off	6	(312,406)	(1,103,969)	(312,406)	(1,103,969)
Provision for retirement benefit obligations	23.2	1,929,994	973,176	1,314,397	621,456
Interest income	7	(20,467,332)	(5,905,180)	(20,465,877)	(5,901,970)
Interest expense	7	1,369,259	1,950,974	178,379	312,502
Operating cash flows before working capital changes		109,736,888	142,860,141	72,286,876	98,253,072
Decrease in inventories		286,712	2,135,700	-	-
Increase in trade and other receivables		(60,181,019)	(4,930,158)	(25,551,802)	22,910,848
Decrease/ (increase) in amount due from related parties		(272,838,837)	(39,533,250)	(251,067,325)	(43,332,425)
Decrease in amount due to related parties		75,221	57,727	75,221	(5,328,871)
Increase in other payables		818,767	(2,218,692)	(351,977)	(2,166,606)
		(331,839,156)	(44,488,673)	(276,895,883)	(27,917,054)
Cash generated from operating activities		(222,102,268)	98,371,468	(204,609,007)	70,336,018
Interest expense paid		(179,137)	(751,915)	-	-
Income tax paid		(11,320,679)	(23,554,840)	(7,645,521)	(21,145,669)
Retiring gratuity paid	23.1	(164,550)	-	-	-
Net cash flow from operating activities		(233,766,634)	74,064,713	(212,254,528)	49,190,349
Cash flow from investing activities					
Acquisition of property, plant and equipment	11	(258,471)	(2,803,300)	(258,471)	(684,363)
Interest income received		7,922,705	4,453,173	7,921,250	4,437,449
Funds transferred to / from related companies		186,064,945	85,193,094	161,209,786	90,547,194
Net cash from investing activities		193,729,179	86,842,967	168,872,565	94,300,280
Cash flow from financing activities					
Repayment long-term borrowings	22.1	(2,420,000)	(16,160,000)	-	-
Payment of lease rental	12.2	(2,823,278)	(2,682,278)	(1,742,278)	(1,742,278)
Dividend paid		-	(109,088,112)	-	(109,088,112)
Net cash used in financing activities		(5,243,278)	(127,930,390)	(1,742,278)	(110,830,390)
Net increase in cash and cash equivalents		(45,280,733)	32,977,290	(45,124,241)	32,660,239
Cash and cash equivalents at the beginning of the year		60,221,041	27,243,751	59,952,706	27,292,467
Cash and cash equivalents at the end of the year	18	14,940,308	60,221,041	14,828,465	59,952,706

Figures in brackets indicate deductions.

The notes on pages 59 to 104 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

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 2023 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 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, 2023 were authorised for issue on 22nd August 2023 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 2023 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 2023 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 2023 was 51 (2022 – 52) and Company 25 (2022 – 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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

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 15)

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 11.3).

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 14).

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 23).

2.4.5 Valuation of property plant and equipment

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

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.

2.8.1 Impact of Economic Condition

Based on available information, the management has assessed the prevailing uncertain and volatile macro-economic environment and its impact on the Group companies and the appropriateness of the use of the going concern basis. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

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

Several other amendments and interpretations apply for the first time in 2022/23, but do not have a material impact on the consolidated Financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

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 Electrical equipment at power plant, Civil construction at power plant and Penstock pipeline 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 (Note 11.3). All other property, plant and equipment are stated at historical cost less depreciation and impairment losses.

Where items of Electrical equipment at power plant, Civil construction at power plant and Penstock pipeline 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 the revaluation 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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

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'.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

The amounts capitalised and the capitalisation rates are disclosed in the Note 22.

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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees unless otherwise stated)

- 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 leased by the group from Pussellawa Plantations Limited (PPL). 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

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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 is 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

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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.

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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 Certified 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

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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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gain or losses on

the settlement of a defined plan when the settlement occurs.

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

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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, non-cash 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

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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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, contingent liabilities and Contingent assets.

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

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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 21).

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 28).

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.

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

The number of new standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted. However the Company has not early adopted the new or amended standards.

The following amended standards and the interpretations are not expected to have a significant impact on the Company Financial Statements.

- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)
- Classification of Liabilities as current and non-current (Amendments to LKAS 01)
- Disclosure of Accounting policies (Amendments to LKAS 01)
- Disclosure of Accounting estimates (Amendments to LKAS 08)

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For the year ended 31st March,

5. REVENUE

	Group		Company	
	2023	2022	2023	2022
Supply of electricity - Sanquhar	62,459,082	64,184,446	62,459,082	64,184,446
- Delta	57,406,312	71,460,530	57,406,312	71,460,530
- Stellenberg	48,236,407	46,050,434	-	-
-Thebuwana	32,132,490	42,040,804	-	-
	200,234,291	223,736,214	119,865,394	135,644,976

6. OTHER INCOME

	Group		Company	
	2023	2022	2023	2022
Dividend income	-	-	18,000,000	22,500,000
Insurance claim received	3,599,345	500,000	3,599,345	500,000
Certified Emission Reduction units Exchange gain	312,406	1,103,969	312,406	1,103,969
	3,911,751	1,603,969	21,911,751	24,103,969

7. NET FINANCE INCOME

	Group		Company	
	2023	2022	2023	2022
Finance income				
Interest on inter-company balance	12,544,627	1,464,521	12,544,627	1,464,521
Interest on deposits	7,922,705	4,440,659	7,921,250	4,437,449
Exchange gain	45,151	198,394	45,151	198,394
	20,512,483	6,103,574	20,511,028	6,100,364
Finance cost				
Interest on loans	(171,987)	(745,886)	-	-
Interest on overdraft	(7,150)	(6,029)	-	-
Interest on lease liability	(1,190,122)	(1,199,059)	(178,379)	(312,502)
	(1,369,259)	(1,950,974)	(178,379)	(312,502)
Net finance income	19,143,224	4,152,600	20,332,649	5,787,862

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8. PROFIT BEFORE TAX

	Group		Company	
	2023	2022	2023	2022
Stated after charging all expenses including following :				
Non-executive Directors' fees	1,800,000	900,000	1,800,000	900,000
Executive Directors' fees	1,200,000	600,000	1,200,000	600,000
Auditor's remuneration - Audit services	1,345,458	1,000,000	792,115	600,000
Depreciation on property, plant and equipment	43,351,818	43,992,509	19,288,497	19,934,098
Amortisation of prepaid lease rentals/ right of use assets	2,589,488	2,544,277	2,272,128	2,272,129
CSR expense and donations	15,000	60,000	-	10,000
Legal expenses and professional fees	341,848	527,000	282,054	527,000
Management fee	5,000,000	5,000,000	5,000,000	5,000,000
Secretarial charges	704,915	628,731	531,696	475,034
Staff costs				
Salaries, incentives and wages	41,404,556	36,947,251	27,875,613	23,857,452
Defined contribution plan costs - EPF / ETF	3,731,483	3,393,225	2,590,747	2,317,100
Defined benefit plan cost - Retiring gratuity	1,929,994	973,176	1,314,397	621,456
	47,066,033	41,313,652	31,780,757	26,796,008

9. 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 45 of 2022, and amendments thereto.

9.1 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	Income tax have been provided as per the new rates legislated by the Inland Revenue (Amendment) Act No. 45 of 2022

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9.1.1 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 2022.

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 20% tax rates.

9.1.2 Income tax provision of Stellenberg Hydro Power (Private) Limited has been calculated at the rate of 14% and non business income at a rate of 24% to end of 30th September 2022 balance period business income at the rate of 20% and non business income at a rate of 30%.

9.1.3 Income tax provision of Lotus Hydro Power PLC has been calculated at the rate of 14% and non business income at a rate of 24% to end of 30th September 2022 balance period business income and non business income at the rate of 30%.

9.2 Income tax expense

	Note	Group		Company	
		2023	2022	2023	2022
Current tax expense					
- Taxation on current year profit	9.3	21,377,064	18,026,962	17,528,754	14,689,198
- Income Tax (over) paid during the year of assessment		(43,756)	250,472	(43,753)	250,472
		21,333,308	18,277,434	17,485,001	14,939,670
Deferred tax expense					
- Origination/(reversal) of temporary differences	21	16,233,065	317,495	2,161,337	(567,224)
		37,566,373	18,594,929	19,646,338	14,372,446

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

For the year ended 31st March,	Group		Company	
	2023	2022	2023	2022
Profit before income tax expense	81,276,067	100,408,354	70,011,758	82,118,826
Consolidation adjustment	18,000,000	22,500,000	-	-
Adjusted profit before tax	99,276,067	122,908,354	70,011,758	82,118,826
Aggregate disallowable expenses	49,619,081	49,370,130	23,539,352	23,823,580
Aggregate allowable expenses	(34,439,601)	(33,873,980)	(4,385,152)	(4,125,081)
Non-business income	(38,824,889)	(7,009,149)	(38,823,434)	(7,005,939)
Aggregate exempt (profit)/loss from the business	497,885	(12,748,304)	-	-
Adjusted profit from the business	76,128,543	118,647,051	50,342,524	94,811,386
Non business income	38,461,754	5,901,561	38,460,299	5,898,351
Total taxable non business income	38,461,754	5,901,561	38,460,299	5,898,351
Total taxable income	114,590,297	124,548,612	88,802,823	100,709,737
Taxable income				
Taxable at 10%	1,332,315	-	-	-
Taxable at 14%	57,130,808	118,647,051	37,530,610	94,811,386
Taxable at 15%	18,000,000	-	18,000,000	-
Taxable at 20%	4,853,506	-	-	-
Taxable at 24%	6,788,035	-	6,786,581	5,898,351
Taxable at 30%	26,485,633	5,901,561	26,485,632	-
Taxable income	114,590,297	124,548,612	88,802,823	100,709,737
Income tax charged at				
- Special Rate @ 10%	133,232	-	-	-
- Special Rate @ 14%	7,998,313	16,610,587	5,254,285	13,273,594
- Special Rate @ 15%	2,700,000	-	2,700,000	-
- Special Rate @ 20%	970,701	-	-	-
- Special Rate @ 24%	1,629,128	1,416,375	1,628,779	1,415,604
- Special Rate @ 30%	7,945,690	-	7,945,690	-
Taxation on profits for the year	21,377,064	18,026,962	17,528,754	14,689,198
Effective tax rate	18.66%	14.47%	19.74%	14.59%

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

10. 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 ;

For the year ended 31st March,	Group		Company	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders (Rs.)	43,709,694	81,813,425	50,365,420	67,746,380
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.)	0.40	0.75	0.46	0.62

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Group

Cost	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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 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
Additions	-	2,070,070	-	-	-	-	454,992	-	-	31,238	247,000	2,803,300
Disposals	-	-	-	-	-	-	-	-	(440,714)	(2,551,666)	(377,225)	(3,369,605)
Balance as at 31st March 2022	10,677,214	416,742,632	252,531,245	257,721,821	1,147,908	10,296,579	3,349,518	52,990	637,504	1,015,102	1,418,150	955,590,663
Additions	-	-	-	-	-	-	-	-	247,000	11,471	-	258,471
Balance as at 31st March 2023	10,677,214	416,742,632	252,531,245	257,721,821	1,147,908	10,296,579	3,349,518	52,990	884,504	1,026,573	1,418,150	955,849,134
Accumulated depreciation and impairment losses												
Balance as at 1st April 2021	-	166,248,033	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
Charger for the year	-	16,038,554	12,626,560	12,600,300	57,395	2,308,286	98,968	-	85,639	52,558	124,249	43,992,509
Disposals	-	-	-	-	-	-	-	-	(440,714)	(2,551,666)	(377,225)	(3,369,605)
Balance as at 31st March 2022	-	182,286,587	63,249,538	66,722,300	472,186	8,587,912	2,970,048	52,990	581,850	865,221	1,232,900	327,021,532
Charger for the year	-	16,075,517	12,626,561	12,600,298	57,395	1,532,667	227,495	-	54,238	54,147	123,500	43,351,818
Balance as at 31st March 2023	-	198,362,104	75,876,099	79,322,598	529,581	10,120,579	3,197,543	52,990	636,088	919,368	1,356,400	370,373,350
Written down value												
- As at 31st March 2023	10,677,214	218,380,528	176,655,146	178,399,223	618,327	176,000	151,975	-	248,416	107,205	61,750	585,475,784
- As at 31st March 2022	10,677,214	234,456,044	189,281,707	190,999,521	675,722	1,708,667	379,470	-	55,654	149,881	185,250	628,569,131
Fully depreciated assets												
- As at 31st March 2023	-	-	-	-	-	9,966,579	2,894,526	52,990	399,330	746,278	1,196,500	15,256,203
- As at 31st March 2022	-	-	-	-	-	1,166,579	2,894,526	52,990	217,130	725,703	1,196,500	6,253,428

11.1.1 Civil construction at power plant of the Group includes cost amounting to Rs. 187,421,448/- and written down value amounting to Rs. 55,407,560/- as at 31st March 2023 relating to Thebuwana Hydro Power (Private) Limited.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

11.2 Company

Cost	Civil construction at power plant	Electrical equipment at power plant	Penstock pipe line	Motor vehicles	Tools	Office equipment	Furniture and fittings	Computers and accessories	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 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
Additions	-	-	-	-	406,125	-	31,238	247,000	684,363
Disposals	-	-	-	-	-	(440,714)	(2,551,666)	(377,225)	(3,369,605)
Balance as at 31st March 2022	126,553,500	111,497,000	114,500,000	9,771,799	2,984,049	483,039	541,383	1,161,050	367,491,820
Additions	-	-	-	-	-	247,000	11,471	-	258,471
Balance as at 31st March 2023	126,553,500	111,497,000	114,500,000	9,771,799	2,984,049	730,039	552,854	1,161,050	367,750,291
Accumulated depreciation									
Balance as at 1st April 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
Charge for the Year	6,327,678	5,574,849	5,438,754	2,266,000	85,583	81,469	35,516	124,249	19,934,098
Disposals	-	-	-	-	-	(440,714)	(2,551,666)	(377,225)	(3,369,605)
Balance as at 31st March 2022	12,655,350	11,149,701	11,163,750	8,063,132	2,648,555	432,128	419,540	975,800	47,507,956
Charge for the Year	6,327,675	5,574,849	5,438,750	1,532,667	203,062	50,890	37,104	123,500	19,288,497
Balance as at 31st March 2023	18,983,025	16,724,550	16,602,500	9,595,799	2,851,617	483,018	456,644	1,099,300	66,796,453
Written down value									
- As at 31st March 2023	107,570,475	94,772,450	97,897,500	176,000	132,432	247,021	96,210	61,750	300,953,838
- As at 31st March 2022	113,898,150	100,347,299	103,336,250	1,708,667	335,494	50,911	121,843	185,250	319,983,864
Fully depreciated assets									
- As at 31st March 2023	-	-	-	9,441,799	2,577,924	261,605	357,775	914,050	13,553,153
- As at 31st March 2022	-	-	-	641,799	2,577,924	84,105	337,199	914,050	4,555,077

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

11.3 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 2023.

This fair value measurement of the Company is categorized 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.

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

Company	Location	Extent	Carrying amount as at 31st March 2023 (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

11.5 Carrying amount of revalued property, plant and equipment had it been recorded at cost as at 31st March 2023

	Group			Company		
	Cost	Accumulated depreciation	Written down value	Cost	Accumulated depreciation	Written down value
Civil construction at power plant	140,889,441	116,561,233	24,328,208	140,889,441	116,561,233	24,328,208
Electrical equipment at power plant	105,750,295	94,974,017	10,776,278	105,750,295	94,974,017	10,776,278
Penstock pipe line	24,375,035	21,934,893	2,440,142	24,375,035	21,934,893	2,440,142

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

12. RIGHT OF USE ASSETS

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Cost				
Balance as at beginning of the year	22,912,570	22,912,570	15,836,787	15,836,787
Adjustment on right of use assets	1,039,927	-	-	-
Balance at the end of the year	23,952,497	22,912,570	15,836,787	15,836,787
Amortisation				
Balance as at beginning of the year	8,178,050	5,633,773	7,361,608	5,089,479
Amortisation for the year	2,589,488	2,544,277	2,272,128	2,272,129
Balance as at the end of the year	10,767,538	8,178,050	9,633,736	7,361,608
Carrying amount				
- At the end of the year	13,184,959	14,734,520	6,203,051	8,475,179

12.1 Right of use assets

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Right of use assets - Land	8,278,292	7,987,853	1,296,384	1,728,512
Right of use assets - Motor vehicles	4,906,667	6,746,667	4,906,667	6,746,667
Balance at the end of the year	13,184,959	14,734,520	6,203,051	8,475,179

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

12.2 Lease Liabilities

Lease liabilities included in the statement of financial position

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Current liabilities	1,201,323	1,624,122	1,123,278	1,563,899
Non-current liabilities	7,825,457	7,995,887	-	1,123,278
	9,026,780	9,620,009	1,123,278	2,687,177
Lease liability				
Balance as at beginning of the year	9,620,009	11,103,228	2,687,177	4,116,953
Adjustment on lease liability	1,039,927	-	-	-
Interest charge	1,190,122	1,199,059	178,379	312,502
Repayment	(2,823,278)	(2,682,278)	(1,742,278)	(1,742,278)
Balance as at 31st March	9,026,780	9,620,009	1,123,278	2,687,177
Amount recognized in statement of profit or loss				
Interest on lease liabilities	1,190,122	1,199,059	178,379	312,502
Right of use asset amortisation	2,589,488	2,544,277	2,272,128	2,272,129
Amount recognized in statement of cash flow				
Repayment of lease liability	2,823,278	2,682,278	1,742,278	1,742,278
Maturity analysis of lease liabilities - contractual undiscounted cashflow				
Less than one year	2,164,474	2,622,055	1,161,519	1,742,278
One to five years	3,899,393	5,424,430	-	1,161,519
More than five years	10,976,149	9,544,477	-	-
	17,040,016	17,590,962	1,161,519	2,903,797

Details of leases

Lessor	Asset type	Repayment term	Interest rate	Balance as at 31st March 2023	Balance as at 31st March 2022
Sampath Bank PLC - Lotus Hydro Power PLC	Motor vehicles	3 years	9.00%	1,123,278	2,687,177
Pussewella Plantations Limited - Stellenberg	Land	26 years	12.69%	5,381,108	4,720,226
Pussewella Plantations Limited - Thebuwana	Land	26 years	12.69%	2,522,394	2,212,606
				9,026,780	9,620,009

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

13. CAPITAL WORK-IN-PROGRESS

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the year	9,368,488	9,368,488	-	-
Additions during the year	-	-	-	-
Balance at the end of the year	9,368,488	9,368,488	-	-

13.1 Class of asset-wise break-up

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Class of asset -wise break-up				
Civil construction at power plant	9,368,488	9,368,488	-	-
	9,368,488	9,368,488	-	-

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

14. INVESTMENTS IN SUBSIDIARIES

As at 31st March,	Holding %	Group		Company	
		2023	2022	2023	2022
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)	(78,002,338)
		-	-	281,997,662	281,997,662

14.1 The subsidiary company, Thebuwana Hydro Power (Pvt) Ltd had recorded continuous losses in previous years and it's net assets are less than the carrying amount of the investment 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 carried 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 at 38%.
Discount Rate	– Risk free rate adjusted by the addition of an appropriate risk premium has been determined at 32% to 12%.
Growth Rates	– Based on long term average growth rate of each cash generating unit at 2%.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

15. INVENTORIES

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Certified Emission Reduction (CER) units	3,614,263	3,301,857	3,614,263	3,301,857
Spare parts	3,885,583	4,172,295	1,842,816	1,842,816
	7,499,846	7,474,152	5,457,079	5,144,673

16. TRADE AND OTHER RECEIVABLES

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Trade receivables	208,534,082	154,415,413	124,334,622	105,269,882
Deposits, prepayments and advances	15,375,734	9,313,384	13,151,767	6,664,705
Other receivables	967,593	967,593	967,593	967,593
	224,877,409	164,696,390	138,453,982	112,902,180

17. AMOUNTS DUE FROM RELATED PARTIES

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Thebuwana Hydro Power (Pvt) Ltd	-	-	36,078,128	46,712,862
Stellenberg Hydro Power (Pvt) Ltd	-	-	16,460,904	3,238,583
Halgranoya Hydro Power (Pvt) Ltd	-	-	4,202,563	3,706,503
Zyrex Power Company Ltd	19,000,000	2,100,000	19,000,000	2,100,000
Sri Bio-Tech Lanka (Pvt) Ltd	32,776	2,513,470	32,776	2,513,470
Lotus Renewable Energy (Pvt) Ltd	94,228,947	9,329,734	94,228,947	9,329,734
	113,261,723	13,943,204	170,003,318	67,601,152

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

18. CASH AND CASH EQUIVALENTS

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Favourable cash and cash equivalents				
Term deposit	-	40,000,000	-	40,000,000
Cash at bank	15,017,358	20,509,886	14,907,338	20,241,551
Cash in hand	83,135	113,025	81,312	113,025
	15,100,493	60,622,911	14,988,650	60,354,576
Unfavourable cash and cash equivalents				
Bank overdraft	(160,185)	(401,870)	(160,185)	(401,870)
Cash and cash equivalents for the purpose of cash flow statement	14,940,308	60,221,041	14,828,465	59,952,706

19. STATED CAPITAL

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Issued and fully paid number of shares	482,300,200	482,300,200	482,300,200	482,300,200
- 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.

20. RESERVES

20.1 Revaluation reserve

As at 31st March,	Group		Company	
	2023	2022	2023	2022
On property, plant and equipment				
Balance as at beginning of the year	205,011,257	216,400,771	205,011,257	216,400,771
Other comprehensive expenses	(42,379,588)	-	(42,379,588)	-
Depreciation transfer on revalued assets	(5,032,577)	(11,389,514)	(5,032,577)	(11,389,514)
Balance as at the end of the year	157,599,092	205,011,257	157,599,092	205,011,257

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

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.

20.2 Other reserves

As at 31st March,	Group		Company	
	2023	2022	2023	2022
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.

21. DEFERRED TAX LIABILITIES

As at 31st March,	Note	Group	Company		
		2023	2022	2023	2022
Movement in deferred tax liabilities					
Balance at the beginnig of the year		75,195,952	76,491,657	43,413,159	45,602,806
Recognised in statement of profit or loss		(47,003,173)	317,495	(47,453,704)	(567,224)
Recognised in profit or loss- due to tax rate changes		42,351,464	-	42,334,196	-
Recognised other comprehensive income	21.3	63,236,238	(1,613,200)	49,615,041	(1,622,423)
Balance at end of the year		133,780,481	75,195,952	87,908,692	43,413,159

21.1 The closing deferred tax liability relates to the following

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Composition of deferred tax liabilities				
Accelerated depreciation for tax purposes	68,779,847	42,869,426	22,255,763	10,715,821
Revaluation of property , plant and equipment	67,542,469	33,373,926	67,542,469	33,373,925
Retirement benefit obligations	(2,357,516)	(953,111)	(1,889,540)	(676,587)
Lease liability	(1,580,701)	876,308	-	-
Right of use assets	1,396,382	(970,596)	-	-
	133,780,481	75,195,952	87,908,692	43,413,159

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

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

As at 31st March,	Group			
	2023		2022	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Accelerated depreciation for tax purposes (tax rate 30%)	74,185,876	22,255,763	306,210,190	42,869,426
Accelerated depreciation for tax purposes (tax rate 20%)	232,620,418	46,524,084	-	-
Revaluation of property , plant and equipment (tax rate 30%)	225,141,562	67,542,469	238,385,182	33,373,925
Retirement benefit obligation (tax rate 30%)	(6,298,465)	(1,889,540)	(6,807,932)	(953,110)
Retirement benefit obligation (tax rate 20%)	(2,339,881)	(467,976)	-	-
Lease liability (tax rate 20%)	(7,903,502)	(1,580,701)	(6,932,832)	(970,596)
Right of use assets (tax rate 20%)	6,981,908	1,396,382	6,259,341	876,307
	522,387,916	133,780,481	537,113,949	75,195,952

As at 31st March,	Company			
	2023		2022	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Accelerated depreciation for tax purposes	74,185,876	22,255,763	76,541,575	10,715,821
Revaluation of property , plant and equipment	225,141,562	67,542,469	238,385,182	33,373,925
Retirement benefit obligation	(6,298,465)	(1,889,540)	(4,832,761)	(676,587)
	293,028,973	87,908,692	310,093,996	43,413,159

21.3 Deferred tax expenses

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Recognized in other comprehensive income				
Revaluation transfer / impact due to rate changes	42,379,588	(1,594,532)	42,379,588	(1,594,532)
Originated of temporary difference	(28,124)	(18,668)	(45,392)	(27,891)
	42,351,464	(1,613,200)	42,334,196	(1,622,423)

21.4 The Company calculated deferred tax as of 31st March 2023 at the rate of 30% (2022 - 14%) and Subsidiaries calculated deferred tax as of 31st March 2023 at the rate of 20% (2022 - 14%).

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

22. LOANS AND BORROWINGS

	Note	Group		Company	
		2023	2022	2023	2022
As at 31st March,					
Term loan	23.1	-	2,420,000	-	-
Amount payable within one year					
Term loan	23.1.1	-	2,420,000	-	-
		-	2,420,000	-	-

22.1 Term loan

	Group		Company	
	2023	2022	2023	2022
As at 31st March,				
Balance at the beginning of the year	2,420,000	18,580,000	-	-
Less : Repayments during the year	(2,420,000)	(16,160,000)	-	-
Balance at the end of the year	-	2,420,000	-	-

22.1.1 Maturity analysis

	Group		Company	
	2023	2022	2023	2022
As at 31st March,				
Amount payable within one year	-	2,420,000	-	-
	-	2,420,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

23 RETIREMENT BENEFIT OBLIGATIONS

23.1 Movement in present value of defined benefit obligation

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the year	6,807,932	5,701,411	4,832,761	4,012,085
- Current service cost	908,805	807,443	589,483	497,459
- Past service cost	-	(290,379)	-	(196,969)
- Interest on obligation	1,021,189	456,112	724,914	320,966
- Acturial (gain) / loss on obligation	64,970	133,345	151,307	199,220
	8,802,896	6,807,932	6,298,465	4,832,761
- Benefits paid by the plan	(164,550)	-	-	-
Balance at the end of the year	8,638,346	6,807,932	6,298,465	4,832,761

23.2 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	
	2023	2022	2023	2022
Profit or loss				
- Cost of sales	1,212,431	652,020	596,834	300,300
- Administrative expenses	717,563	321,156	717,563	321,156
	1,929,994	973,176	1,314,397	621,456
Others comprehensive income	64,970	133,345	151,307	199,220
	1,994,964	1,106,521	1,465,704	820,676

The provision for retirement benefits obligation is based on the actuarial valuation carried out by professionally qualified Actuaries, Messers, Acturial & Management Consultants (Pvt) Ltd as at 31st March 2023. The liability is not externally funded.

The key assumptions used for the calculation are as follows:

	2023	2022
- Rate of interest	18%	15%
- Rate of salary increment	16%	13%
- Retirement age	60 years	60 years
- Staff turnover factor	5%	5%

The weighted average duration of retirement benefit obligation is 3.88 to 11.53 years.

The Group will continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

Demographic assumption

The demographic assumptions underlying the valuation are retirement age at 60 years, early withdrawal from services and death before and after retirement. Assumption regarding the future mortality are based on the 1967-70 mortality table issued by the Institute of Actuaries, London.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the

characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 16% is considered appropriate to be in line with the Company's targeted future. Due to the discount rate and salary increment rate account the current market conditions and inflation rate. salary increments when taking into

assumptions used, nature of non-financial assumptions and experience of the assumptions of the company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

23.3 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.

As at 31st March 2023	Group		Company	
	Variance		Variance	
	-1%	+1%	-1%	+1%
Retirement benefit obligations (Rs.)	(634,363)	710,814	(453,958)	508,372

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 2023	Group		Company	
	Variance		Variance	
	-1%	+1%	-1%	+1%
Retirement benefit obligations (Rs.)	672,483	(591,281)	482,281	(424,161)

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

24. OTHER PAYABLES

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Accrued expenses	6,397,188	4,946,694	3,972,769	3,693,019
Payable to contractors	-	631,727	-	631,727
	6,397,188	5,578,421	3,972,769	4,324,746

25. AMOUNTS DUE TO RELATED PARTIES

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Hatton Plantaions PLC	147,898	72,677	147,898	72,677
	147,898	72,677	147,898	72,677

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

26. 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	Note	Type of the facility	Name of the bank	Amount (Rs.)
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

27. 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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

28. 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 28.2).

28.1 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. 08 in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

28.2 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		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
				31st March, 2023	31st March, 2022			
			Rs.	Rs.	Rs.		%	
Thebuwana Hydro Power (Pvt) Ltd	Subsidiary	Expenses incurred	456,566	36,078,128	46,712,862	(10,634,734)	-8.87%	-
	Company	Fund advance	12,218,700					
		Settlement	(23,310,000)					
Halgranoya Hydro Power (Pvt) Ltd	Subsidiary Company	Expenses incurred	496,060	4,202,563	3,706,503	496,060	0.41%	-
Lotus Renewable Energy (Pvt) Ltd	Parent	Expenses incurred	265,631	94,228,947	9,329,734	84,899,213	70.83%	Interest is charged at the rate of AWPLR+1%.
	Company	Fund advanced	98,560,000					
		Interest Income	12,423,582					
		Settlement	(21,350,000)					
		Management fee payable	(5,000,000)					
Zyrex Power Co Ltd	Other affiliate	Funds advanced	22,600,000	19,000,000	2,100,000	16,900,000	14.10%	-
		Settlement	(5,700,000)					
Stellenberg Hydro Power (Pvt) Ltd	Subsidiary	Expenses incurred	80,917	16,460,904	3,238,583	13,222,321	11.03%	-
	Company	Fund advance	12,636,459					
		Dividend Paid	18,000,000					
		Settlement	(17,495,055)					
Sri Bio Tech Lanka (Pvt) Ltd	Common	Expenses incurred	101,424	32,776	2,513,470	(2,480,694)	-2.07%	Interest is charged at the rate of AWPLR+1%.
	Directors	Interest Income	54,873					
		Fund advance	2,650,000					
		Settlement	(5,286,991)					
Hatton Plantation PLC	Common	Expenses incurred	(2,777,942)	(147,898)	(72,677)	(75,221)	0.06%	-
	Directors	Settlement	2,702,721					

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

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

Name of the Director	THP	SHP	HHP	GEF	SBTL	LRE	ZPC	HPL	HTPS
Mr. G D Seaton	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Gowri Shankar	✓	✓	✓	✓	-	✓	✓	✓	✓
Mr. Menaka Athukorala	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Indrajith Fernando	-	-	-	-	-	-	-	✓	-
Mr. Uditha Palihakkara	-	-	-	-	-	-	-	✓	-

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
Good Earth Fertilizers (Pvt) Ltd (Formally known as Lotus Mooloya Hydro Power (Pvt) Ltd)	GEF	Subsidiary of parent company
Sri Bio-Tech Lanka (Pvt) Ltd	SBTL	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 17 & 25 to the financial statements respectively.

28.4 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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

29. 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.

30. ASSETS PLEDGED AS COLLATERALS

30.1 Assets pledged as collaterals – Company

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

30.2 Assets pledged as collaterals – Group

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

31. COMPARATIVE INFORMATION

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

32. 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.

33. DIRECTOR'S RESPONSIBILITY

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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

34. 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.

34.1 Accounting classifications of financial instruments

34.1.1 Group

As at 31st March 2023	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*	209,501,675	-	209,501,675
Amounts due from related parties	113,261,723	-	113,261,723
Cash and cash equivalents	-	-	15,100,493
Financial liabilities not measured at fair value			
Amount due to related parties	-	147,898	147,898
Bank overdrafts	-	-	160,185

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

As at 31st March 2022	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*	155,383,006	-	155,383,006
Amounts due from related parties	13,943,204	-	13,943,204
Cash and cash equivalents	-	-	60,622,911
Financial liabilities not measured at fair value			
Other payables**	-	631,727	631,727
Loans and borrowings	-	2,420,000	2,420,000
Amount due to related parties	-	72,677	72,677
Bank overdrafts	-	-	401,870

*Trade and other receivables that are not financial assets of Rs. 15,375,734 (2022 - Rs. 9,313,384) are not included.

**Other payables that are not financial liabilities of Rs. 6,397,188 (2022 - Rs. 4,946,694) are not included.

34.1.2 Company

As at 31st March 2023	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*	125,302,215	-	125,302,215
Amounts due from related parties	170,003,318	-	170,003,318
Cash and cash equivalents	-	-	14,988,650
Financial liabilities not measured at fair value			
Amount due to related parties	-	147,898	147,898
Bank overdrafts	-	-	160,185

As at 31st March 2022	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*	106,237,475	-	106,237,475
Amounts due from related parties	67,601,152	-	67,601,152
Cash and cash equivalents	-	-	60,354,576
Financial liabilities not measured at fair value			
Other payables**	-	631,727	631,727
Amount due to related parties	-	72,677	72,677

*Trade and other receivables that are not financial assets of Rs. 13,151,767 (2022 - Rs. 6,664,705) are not included.

**Other payables that are not financial liabilities of Rs. 3,972,769 (2022 - Rs. 3,693,019) 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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

35. 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.

35.1 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.

35.2 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.

As at,	31st March 2023		31st March 2022	
	Amount	Exposure %	Amount	Exposure %
Group				
Trade and other receivables	209,501,675	62.02%	155,383,006	67.60%
Amounts due from related parties	113,261,723	33.53%	13,943,204	6.07%
Cash at bank	15,017,358	4.45%	60,509,886	26.33%
Total	337,780,756	100.00%	229,836,096	100.00%
Company				
Trade and other receivables	125,302,215	40.39%	106,237,475	45.39%
Amounts due from related parties	170,003,318	54.80%	67,601,152	28.88%
Cash at bank	14,907,338	4.81%	60,241,551	25.73%
Total	310,212,871	100.00%	234,080,178	100.00%

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

35.2.1 Both the Group/Company held cash at bank of Rs. 15,017,358 and 14,907,338 respectively as at 31st March 2023.(2022 - Rs. 60,509,886 and Rs. 60,241,551). The cash at bank are held with reputed commercial banks.

Fitch Rating	Group		Company	
	2023	2022	2023	2022
AA-	-	8,902,231	-	8,709,873
A+	-	51,495,928	-	51,495,928
A	2,096,265	111,727	2,096,265	35,750
A-	111,727	-	35,750	-
BBB+	12,809,366	-	12,775,323	-
	15,017,358	60,509,886	14,907,338	60,241,551

35.3 Trade and other receivables

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Past due but not impaired				
- 0-90 Days	30,690,475	20,127,620	22,590,984	12,961,232
- 90-365 days	185,887,143	144,568,770	111,393,770	99,940,948
- > 365 days	8,299,791	-	4,469,228	-
Total gross trade and other receivables	224,877,409	164,696,390	138,453,982	112,902,180
Impairment provision for trade and other receivable **	-	-	-	-
Total net trade and other receivables	224,877,409	164,696,390	138,453,982	112,902,180

**More than 365 days trade and other receivables are received after the financial year.

35.4 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.

35.5 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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

35.5.1 Liquidity position

As at 31st March,	Group		Company	
	2023	2022	2023	2022
Short term investments	-	40,000,000	-	40,000,000
Amounts due from related parties	113,261,723	13,943,204	170,003,318	67,601,152
Cash in hand and at bank	15,100,493	20,622,911	14,988,650	20,354,576
Liquid assets	128,362,216	74,566,115	184,991,968	127,955,728
Loans and borrowings	-	2,420,000	-	-
Amount due to related parties	147,898	72,677	147,898	72,677
Bank overdrafts	160,185	401,870	160,185	401,870
Other payables	6,397,188	5,578,421	3,972,769	4,324,746
Liquid liabilities	6,705,271	8,472,968	4,280,852	4,799,293
Net cash	121,656,945	66,093,147	180,711,116	123,156,435

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

	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 Months	More than 12 Months	Total
As at 31st March 2023						
Amount due to related parties	147,898	147,898	147,898	-	-	147,898
Lease liability	1,123,278	1,161,520	435,570	725,950	-	1,161,520
Bank overdrafts	160,185	160,185	160,185	-	-	160,185
Total	1,431,361	1,469,603	743,653	725,950	-	1,469,603
As at 31st March 2022						
Amount due to related parties	72,677	72,677	72,677	-	-	72,677
Lease liability	2,687,177	2,903,797	435,570	1,306,710	1,161,517	2,903,797
Bank overdrafts	401,870	401,870	401,870	-	-	401,870
Total	3,161,724	3,378,344	910,117	1,306,710	1,161,517	3,378,344

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

Group

	Carrying amount	Contractual cash flows	Less than 3 months	3 to 12 Months	More than 12 Months	Total
As at 31st March 2023						
Amount due to related parties	147,898	147,898	147,898	-	-	147,898
Lease liability	9,026,780	17,040,017	675,189	1,489,286	14,875,542	17,040,017
Bank overdrafts	160,185	160,185	160,185	-	-	160,185
Total	9,334,863	17,348,100	983,272	1,489,286	14,875,542	17,348,100

As at 31st March 2022						
Amount due to related parties	72,677	72,677	72,677	-	-	72,677
Loans and borrowings	2,420,000	2,420,000	2,420,000	-	-	2,420,000
Lease liability	9,620,009	17,590,962	645,761	1,976,296	14,968,905	17,590,962
Bank overdrafts	401,870	401,870	401,870	-	-	401,870
Total	12,514,556	20,485,509	3,540,308	1,976,296	14,968,905	20,485,509

35.6 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.

35.6.1 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	
	2023	2022
Variable rate instruments		
Financial Liabilities		
Loans and borrowings	-	2,420,000
Bank overdraft	160,185	401,870
	160,185	2,821,870

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts are in Sri Lankan Rupees)

36. 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	
	2023	2022	2023	2022
Long-term borrowings (Note 22)	-	2,420,000	-	-
Equity	794,291,758	792,998,498	803,968,533	796,088,616
Total equity and long-term borrowings	794,291,758	795,418,498	803,968,533	796,088,616
Gearing ratio (%)	-	0.31%	-	-

FIVE YEAR SUMMARY – GROUP

FINANCIAL REVIEW AND INVESTOR INFORMATION OF LOTUS HYDRO POWER PLC

For the year end 31st March 2023 extracts of the financial statement and significant Group financial ratios can be summarized as follows;

Year ended 31st March	2019	2020	2021	2022	2023
	Rs.	Rs.	Rs.	Rs.	Rs.
A) Summary of operations					
Turnover	257,458,111	206,102,016	238,076,629	223,736,214	200,234,291
Gross profit	163,446,729	106,786,723	153,680,607	131,042,051	103,961,456
Profit before taxation	120,351,036	52,934,244	114,691,282	100,408,354	81,276,067
Taxation	(15,143,639)	(48,983,082)	25,221,817	(18,594,929)	(37,566,373)
Profit attributable to shareholders	105,207,398	3,951,162	139,913,099	81,813,425	43,709,694
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)	103,886,416	190,809,947	216,502,573	205,113,059	157,700,894
Retained earnings (Restated)	147,213,047	78,353,319	119,990,557	105,585,239	154,290,664
Total equity	733,399,663	751,463,466	818,793,330	792,998,498	794,291,758
Assets and liabilities					
Current assets	204,225,412	237,260,506	253,920,514	246,736,657	360,739,471
Current liabilities	(45,549,204)	(46,910,836)	(31,863,713)	(16,410,527)	(24,232,660)
Net current assets /(liabilities)	158,676,208	190,349,670	222,056,801	230,326,130	336,506,811
Property, plant and equipment	648,408,161	723,893,878	669,758,340	628,569,131	585,475,784
Prepaid lease rentals	3,053,057	-	-	-	-
Right of use assets	-	9,410,486	17,278,797	14,734,520	13,184,959
Other non-current assets	11,469,921	11,534,921	9,368,488	9,368,488	9,368,488
Non-current liabilities	(88,207,684)	(183,725,489)	(99,669,096)	(89,999,771)	(150,244,284)
Net assets	733,399,663	751,463,466	818,793,330	792,998,498	794,291,758
Key indicators					
Earnings per share (Rs.)	0.96	0.04	1.28	0.75	0.40
Dividends per share (Rs.)	-	0.80	1.00	1.00	-
Net assets per share (Rs.)	6.72	6.89	7.51	7.27	7.28
Current ratio (times)	4.48	5.06	7.97	15.04	14.89

SHARE ANALYSIS

Analysis of shareholders according to the category

As at 31st March 2023

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	1,422	615,410	0.56	4	3,014	0.00	1,426	618,424	0.56
1001 to 10,000 shares	786	2,638,391	2.43	7	15,800	0.01	793	2,654,191	2.44
10,001 to 100,000 shares	150	4,232,050	3.88	1	54,344	0.05	151	4,286,394	3.93
100,001 to 1000,000 shares	17	3,590,765	3.29	-	-	-	17	3,590,765	3.29
over 1,000,000 shares	4	97,938,338	89.78	-	-	-	4	97,938,338	89.78
TOTAL	2,379	109,014,954	99.94	12	73,158	0.06	2,391	109,088,112	100.00

As at 31st March 2022

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	1,428	630,586	0.58	5	4,014	0.00	1,433	634,600	0.58
1001 to 10,000 shares	777	2,642,019	2.42	7	14,050	0.01	784	2,656,069	2.43
10,001 to 100,000 shares	152	4,490,086	4.12	1	54,344	0.05	153	4,544,430	4.17
100,001 to 1000,000 shares	16	3,334,675	3.06	-	-	-	16	3,334,675	3.06
over 1,000,000 shares	4	97,918,338	89.76	-	-	-	4	97,918,338	89.76
TOTAL	2,377	109,015,704	99.94	13	72,408	0.06	2,390	109,088,112	100.00

Categories of Shareholders	As at 31 st March 2023			As at 31 st March 2022		
	No of shareholders	No of shares	%	No of shareholders	No of shares	%
Individual	2,341	11,286,720	10.35	2,333	11,373,260	10.43
Institutional	50	97,801,392	89.65	57	97,714,852	89.57
TOTAL	2,391	109,088,112	100.00	2,390	109,088,112	100.00

Share Price Information on ordinary shares of the Company

	2023	2022
Highest during the period (Rs.)	9.80	13.10
Lowest during the period (Rs.)	6.90	8.50
Close price (Rs.)	7.80	8.90

LIST OF 20 MAJOR SHAREHOLDERS

As at 31st March 2023			As at 31st March 2022		
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.Senthilvel	15,000,000	13.75	2. Sampath Bank PLC/ Dr.T.Senthilvel	15,000,000	13.75
3. Seylan Bank PLC/ Senthilvel Holdings (Pvt) Ltd	1,557,457	1.43	3. Seylan Bank PLC/ Senthilvel Holdings (Pvt) Ltd	1,557,457	1.43
4. Mr. D.D Gunaratne	1,030,000	0.94	4. Mr. D.D Gunaratne	1,010,000	0.93
5. Mr. S. N. Senthilvel	469,200	0.43	5. Mr. S. N. Senthilvel	469,200	0.43
5. Mr. S.Senthimaaran	469,200	0.43	5. Mr. S. Senthimaaran	469,200	0.43
7. Mr. P.P.Subasinghe	316,562	0.29	7. Mr. P.P. Subasinghe	316,562	0.29
8. Mr. H.A.R. Pieris	300,000	0.28	8. Mr. K.W.S.V. Gamage	307,771	0.28
9. Mr. M.W.M.D. Weeraratne	216,048	0.20	9. Mr. H.A.R. Pieris	200,000	0.18
10. Mrs. V. Saraswathi	213,771	0.20	10. Mr. A.M.K.M.G. Dharmasena	192,460	0.18
11. Mr. H.P.L. Prabath	198,271	0.18	11. Mr. M. Sundaresan	185,451	0.17
12. Mr. A.M.K.M.G. Dharmasena	192,460	0.18	12. Mr. H.P.L. Prabath	169,143	0.16
13. Mr. M. Sundaresan	185,451	0.17	13. People's Merchant Finance PLC / R.A.Y.S. Perera	159,924	0.15
14. PMF Finance PLC / R.A.Y.S.Perera	159,924	0.15	14. Mrs. F.F. Musthapha	153,503	0.14
15. Mrs. F.F. Musthapha	153,503	0.14	15. Mr. G.K. Kulatilleke	152,300	0.14
16. Mr. G.K. Kulatilleke	152,300	0.14	16. Mr. M.W.M.D. Weeraratne	136,551	0.13
17. Mr. N.A. Withana	129,757	0.12	17. Merchant Bank Of Sri Lanka & Finance PLC / H.M.C.M. Abewardana	108,719	0.10
18. Merchant Bank of Sri Lanka & Finance PLC/ H.M.C.M. Abewardana	114,125	0.10	18. Mr. H.M.H. Bandara	108,698	0.10
19. Mr. K.C. Vignarajah	111,066	0.10	19. Mr. M.N. Aththas	104,127	0.10
20. Universal Capital Holdings (Pvt) Ltd	105,000	0.10	20. Mr. K.C. Vignarajah	101,066	0.09
TOTAL	101,424,976	92.98	TOTAL	101,253,013	92.82

	As at 31st March 2023	As at 31st March 2022
No. of shares held by public (Nos.)	12,179,774	12,179,774
No. of shareholders representing the public holding (Nos.)	2,388	2,387
Percentage of shares held by public (%)	11.17%	11.17%
Existing float adjusted market Capitalization (Rs.)	95,002,237	108,399,989

Company in complied under option 2

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 dividend is covered by distribution of profits.

Dividend Yield

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

Deferred 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 / services for 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
SPPA	-Standard Power Purchase Agreement

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 27TH SEPTEMBER 2023 AT 11.30 A.M. AT PARK PREMIER BANQUET HALL, EXCEL WORLD, NO. 338 T. B. JAYAH MAWATHA, COLOMBO 10.

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 31st March 2023 together with the Report of the Auditors thereon.
2. To re-elect Mr. Krishnamoorthy Gowry Shankar who, in terms of Article 24 (6) of the Articles of Association of the Company, retires by rotation at the Annual General Meeting as a Director
3. To consider and if thought fit to pass the following ordinary resolution pertaining to the re-appointment of Mr. Uditha Harilal Palihakkara as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.07 of 2007 and whose re-appointment is recommended by the Board of Directors.
4. To consider and if thought fit to pass the following ordinary resolution pertaining to the re-appointment of Dr. Thirugnanasambandar Senthilvel as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.07 of 2007 and whose re-appointment is recommended by the Board of Directors.

ORDINARY RESOLUTION

"That the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to Dr. Thirugnanasambandar Senthilvel, Director who is 78 years of age and accordingly that Dr. Thirugnanasambandar Senthilvel be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007".

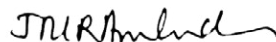
ORDINARY RESOLUTION

"That the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Uditha Harilal Palihakkara, Director who is 80 years of age and accordingly that Mr. Uditha Harilal Palihakkara be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007"

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 2023/2024 until the next Annual General Meeting.

BY ORDER OF THE BOARD OF
 LOTUS HYDRO POWER PLC

S S P CORPORATE SERVICES (PRIVATE) LIMITED



SECRETARIES

29th August 2023

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 than 48 Hours before the meeting.

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 Gowry 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 27th September 2023 at 11.30 a.m at Park Premier Banquet Hall, Excel World, No. 338 T. B. Jayah Mawatha, Colombo 10 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 2023 together with the Report of the Auditors thereon.	<input type="radio"/>	<input type="radio"/>
2. To re-elect Mr. Krishnamoorthy Gowry Shankar as a Director who retires by rotation in accordance with Article 24(6) of the Articles of Association of the Company	<input type="radio"/>	<input type="radio"/>
3. To re-appoint Mr. Uditha Harilal Palihakkara who is over 70 years of age as a Director of the Company, by passing the ordinary resolution set out in the Notice of Meeting.	<input type="radio"/>	<input type="radio"/>
4. To re-appoint Dr.Thirugnanasambandar Senthilverl, who is over 70 years of age as a Director of the Company, by passing the ordinary resolution set out in the Notice of Meeting	<input type="radio"/>	<input type="radio"/>
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.	<input type="radio"/>	<input type="radio"/>
6. To authorize the Directors to determine contributions to charities and other donations for the year 2023/2024 until the next Annual General Meeting.	<input type="radio"/>	<input type="radio"/>

(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

REGISTERED OFFICE

2nd Floor, No. 168, Negombo Road,
Peliyagoda, Sri Lanka.

LEGAL FORM

A Public Limited Liability Company
incorporated in Sri Lanka on 24th April
2000 under the Companies Act No.07 of
2007 and is a BOI approved Company
quoted on Colombo Stock Exchange.

BUSINESS OFFICE

2nd Floor, No. 168, Negombo Road,
Peliyagoda, Sri Lanka.
Tel No.: +94 11 51 17 780/81/82 /
+94 11 48 45 392
+94 11 48 45 421

DATE OF INCORPORATION

24th April 2000

COMPANY SECRETARIES

S S P Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road, Colombo 03.

COMPANY REGISTRATION NO.

PV 7385 PB/PQ

AUDITORS

KPMG, Chartered Accountants,
32 A, Sir Mohamed Macan Markar
Mawatha, Colombo 03.

DIRECTORS

Mr. Gary Seaton
Chairman/Executive Director

Mr. Menaka Athukorala
Executive Director

Mr. Gowri Shankar
Non-Executive Director

Dr. Thirugnanasambandar Senthilvel
Non-Executive Director

Mr. Uditha Palihakkara
Independent Non-Executive Director

Mr. Indrajith Fernando
Independent Non-Executive Director

BANKERS

Sampath Bank
National Development Bank PLC
Nations Trust Bank PLC
Hatton National Bank PLC
Seylan Bank PLC

www.lotusreenergy.com