LAUGFS POWER LIMITED

FINANCIAL STATEMENTS

31 MARCH 2017

EY
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Ernst & Young
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AUDIT REPORT
TO THE SHAREHOLDERS OF LAUGFS POWER LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of LAUGFS Power Limited, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

(Contd...2/)

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Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

a) The basis of opinion and Scope and Limitations of the audit are as stated above.

b) In our opinion :

- 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,

- The financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

26 May 2017
Colombo

LAUGFS Power Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 Rs.	2016 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	6	233,981,575	247,272,363
Investment in Subsidiaries	7	2,822,000,000	1,422,000,000
Leasehold Prepayments		844,000	794,000
		3,056,825,575	1,670,066,363
Current Assets			
Inventory		223,081	223,081
Trade and Other Receivables	8	120,201,106	44,362,349
Income Tax Receivables		2,060	18,072
Cash and Short Term Deposits	9	4,383,534	5,929,256
		124,809,781	50,532,758
Total Assets		3,181,635,356	1,720,599,121
EQUITY AND LIABILITIES			
Equity			
Stated Capital	10	1,880,000,000	130,000,000
Retained Earnings		41,269,328	23,156,641
Total Equity		1,921,269,328	153,156,641
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	12	90,575,633	112,128,988
Deferred Tax Liability	4.6	2,013,105	1,917,675
Employee Benefit Liability	11	393,022	256,542
		92,981,760	114,303,205
Current Liabilities			
Other Payables	13	1,092,278,010	1,390,727,570
Interest Bearing Loans and Borrowings	12	75,106,258	62,411,705
		1,167,384,268	1,453,139,275
Total Equity and Liabilities		3,181,635,356	1,720,599,121

I certify that these financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

....
Finance Officer

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

....
Director

....
Director

The accounting policies and notes on pages 8 through 28 form an integral part of these financial statements.

ERNST & YOUNG
Chartered Accountants
26 May 2017
Colombo
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STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
Revenue	3.1	23,239,964	35,345,804
Cost of Sales		(13,785,212)	(9,488,527)
Gross Profit		9,454,752	25,857,277
Administrative Expenses		(15,838,566)	(7,137,966)
Operating Profit/(Loss)		(6,383,814)	18,719,311
Other Income	3.2	38,592,132	-
Finance Income	3.3	860,546	484,683
Finance Cost	3.4	(14,823,368)	(5,166,019)
Profit/(Loss) Before Tax	3.5	18,245,496	14,037,975
Income Tax Expense	4.1	(195,460)	(320,146)
Net Profit/(Loss) for the Year		18,050,036	13,717,829
Earnings Per Share-Basic/Diluted	5	0.92	1.06

The accounting policies and notes on pages 8 through 28 form an integral part of these financial statements.

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STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
Profit/(Loss) for the Year		18,050,036	13,717,829
Other Comprehensive Income			
Actuarial Gain/(Loss) on Employee Benefit Obligation		71,194	379,809
Income Tax Effect		(8,543)	(45,577)
Other Comprehensive Income for the Year Net of Tax		62,651	334,232
Total Comprehensive Income for the Year Net of Tax		18,112,687	14,052,061

The accounting policies and notes on pages 8 through 28 form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
As at 1 April 2015	130,000,000	9,104,580	139,104,580
Total Comprehensive Income for the Year	-	14,052,061	14,052,061
As at 31 March 2016	130,000,000	23,156,641	153,156,641
Issue of Shares	1,750,000,000	-	1,750,000,000
Total Comprehensive Income for the Year	-	18,112,687	18,112,687
As at 31 March 2017	1,880,000,000	41,269,328	1,921,269,328

The accounting policies and notes on pages 8 through 28 form an integral part of these financial statements.

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STATEMENT CASH FLOWS

Year ended 31 March 2017

	Note	2017	2016
Cash Flows From/(Used in) Operating Activities		**Rs.**	**Rs.**
Net Profit/(Loss)before Income Tax Expense		18,245,496	14,037,975
Non-Cash Adjustment to Reconcile Profit Before Tax to Net Cash Flows:			
Depreciation of Property, Plant and Equipment	6.2	14,379,358	10,293,682
Finance Costs	3.3	14,823,368	5,166,019
Finance Income	3.2	(860,546)	(484,683)
Provision for Employee Benefit Liability		207,674	291,070
Actuarial Gain/(Loss) on Employee Benefit Obligation		-	
Operating Profit/(Loss) before Working Capital Changes		46,795,350	29,304,063
Working Capital Adjustments:			
(Increase)/ Decrease in Inventories		-	10,931
(Increase)/ Decrease in Trade and Other Receivables		(75,838,757)	(5,818,595)
(Increase)/ Decrease in Leasehold Prepayments		(50,000)	(394,000)
Increase/ (Decrease) in Other Payables		(298,449,560)	1,378,145,128
Cash Generated from Operating Activities		(327,542,967)	1,401,247,527
Income Tax Paid		(92,562)	(129,785)
Net Cash From/(Used in) Operating Activities		(327,635,529)	1,401,117,743
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	6.1	(1,088,569)	(82,571,362)
Investments in Subsidiaries	7	(1,400,000,000)	(1,422,000,000)
Finance Income	3.2	860,546	484,683
Net Cash Flows from/(Used in) Investing Activities		(1,400,228,024)	(1,504,086,678)
Cash Flows from / (Used in) Financing Activities			
Proceeds from Interest Bearing Loans and Borrowings	12	104,000,000	182,515,500
Repayment of Interest Bearing Loans and Borrowings	12	(118,018,904)	(71,391,535)
Issue of ordinary shares		1,750,000,000	-
Finance Costs Paid	3.3	(14,823,368)	(5,166,019)
Net Cash Flows from/(Used in) Financing Activities		1,721,157,728	105,957,946
Net Increase/(Decrease) in Cash and Short Term Deposits.		(6,705,825)	2,989,012
Cash and Short Term Deposits at the beginning of the year	9	5,929,256	2,940,244
Cash and Short Term Deposits at the end of the year	9	(776,569)	5,929,256

The accounting policies and notes on pages 8 through 28 form an integral part of these financial statements.

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1. CORPORATE INFORMATION

1.1 General

LAUGFS Power Limited "(Company)" is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 101, Maya Avenue, Colombo 06 and the Principal place of business is also situated at the same address.

1.2 Principal Activities and Nature of Operations

Company is engaged in hydro power generation projects.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is LAUGFS Gas PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is LAUGFS Holdings Ltd, which is incorporated in Sri Lanka

1.4 Directors' Responsibility Statement

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

1.5 Date of Authorization for Issue

The Financial Statements of LAUGFS Power Limited for the year ended 31 March 2017 was authorized for issue in accordance with a resolution of the Board of Directors on 26 May 2017.

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2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

2.1.1 Basis of Measurement

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

The financial statements are presented in Sri Lanka Rupees.

2.1.2 Statement of Compliance

The financial statement of LAUGFS Power Limited has been prepared in accordance with SLFRS.

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007.

The Company is a wholly owned subsidiary of LAUGFS Gas PLC which prepares consolidated financial statements that are available for public use. The Company's debt or equity instruments are not traded in public and it is not in the process of filling for public issue. Accordingly, the Company utilised the exemption under paragraph 08 of LKAS 27 to not to prepare consolidated financial statements.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The respective carrying amounts of assets are given in related notes to the financial statements

a) Employee Benefit Liability

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty.

b) Useful Lives of Property, Plant and Equipment

The Company reviews the assets' residual values, useful lives and methods of depreciation at each reporting date; judgment by management is exercised in the estimation of these values, rates and methods.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements.

2.3.1 Foreign Currency Translation

The Company's financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognised in profit or loss.

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

2.3.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue.

a) Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods; with the Company not retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Service Income

Revenue from rendering of services is recognized in the period in which the services are rendered or performed.

c) Interest Income

Interest Income is recognized as the interest accrued unless collectability is in doubt. Interest income is included in finance income in the consolidated income statement.

d) Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

e) Others

Other income is recognized on an accrual basis

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2.3.3 Taxation

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with provisions of Inland Revenue Act.

Withholding tax on dividends received from Subsidiaries is recognized as a tax expense in the income statement.

Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except, when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or/and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except, when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or/and In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the investment properties.

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Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except, where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognized as a part of the cost of the asset or part of the expense items, as applicable and receivable and payable that are stated with the amount of sales tax included. The net amount of sales tax recoverable from or payable to the taxation authorities is included as a part of receivables or payables in the statement of financial position.

2.3.4 Property, Plant and Equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Depreciation is calculated on a straight line basis over the useful life of the assets is disclosed in Note 6.4.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3.5 Leasehold Property

Prepaid lease rentals paid to acquire land use rights are amortized over the lease term in accordance with the pattern of benefits derived from the use of such property. Leasehold property is tested for impairment annually and the carrying amount of such property is reduced to its recoverable amount where applicable.

The impairment loss if any is immediately recognized in the income statement.

2.3.6 Leases

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

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Company as a lessee

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

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

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

2.3.7 Borrowing Costs

Borrowing costs are recognized as an expense in the year in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using Company's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for development, but only where activities necessary to prepare the asset for redevelopments are in progress.

2.3.8 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.8.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include trade and other receivables, loans and other receivables and quoted equity instruments.

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Subsequent Measurement

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

a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. 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 income in the income statement. The losses arising from impairment are recognized in the income statement in selling and distribution expenses.

c) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. 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 income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

The Company did not have any held-to-maturity investments during the years ended 31 March 2016 and 31 March 2017.

d) Available-for-Sale Financial Investments

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

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

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

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

Derecognition

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

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

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

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

2.3.8.2 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial Assets Carried at Amortised Cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

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

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

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

b) **Available-for-Sale Financial Investments**

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

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

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

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

2.3.8.3 Financial Liabilities

Initial Recognition and Measurement

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

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All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

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

Subsequent Measurement

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

a) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the income statement.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

b) Loans and Borrowings

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

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

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

2.3.8.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8.5 Fair Value of Financial Instruments

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

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For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

2.3.9 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Consumables	-	At actual cost on weighted average cost basis
Goods in Transit	-	At actual cost

2.3.10 Impairment of Non-Financial Assets

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

The Company bases its impairment calculations on detailed budgets and forecasts which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecasts are generally covering a period of three years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized 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 recognized.

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 recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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2.3.11 Cash and Short Term Deposits

Cash and short term deposits are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and short term deposits consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.12 Dividend Distributions

The Company recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

2.3.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation and a reliable estimate can be made of the amount of the obligation.

2.3.14 Employee Benefit Liability

a) Defined Benefit Plan - Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every financial year using Projected Unit Cost Method. Actuarial gains and losses are recognized in other comprehensive income (OCI) in the period in which it arises. The liability is not funded.

b) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contribution funds in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

c) Lump-sum Payments to Employees

Provision has been made in the financial statements for lump-sum allowances payable to employees by the collective agreement decided by the management.

2.4 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

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2.4.1 SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

2.4.2 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

The following amendments and improvements are not expected to have a significant impact on the Company's/Group's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- Annual Improvements to SLFRS 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure Initiative (Amendments to LKAS 1).

3. REVENUE/OTHER INCOME AND EXPENSES

3.1 Revenue

	2017 Rs.	2016 Rs.
Supply of Electricity	23,239,964	35,345,804
	23,239,964	35,345,804

3.2 Other Income

	2017 Rs.	2016 Rs.
Dividend Income	38,592,132	-
	38,592,132	-

3.3 Finance Income

	2017 Rs.	2016 Rs.
Interest Income	860,546	484,683
	860,546	484,683

3.4 Finance Costs

	2017 Rs.	2016 Rs.
Interest Expenses on Loans	13,669,718	4,174,082
Interest Expenses on Overdraft	-	22,412
Commission on Corporate Guarantee	1,153,650	969,525
	14,823,368	5,166,019

3.5 Profit/(Loss) Before Income Tax

	2017 Rs.	2016 Rs.
Stated after Charging/(Crediting)		
Including in Cost of Sales		
Depreciation	8,724,270	6,045,024
Employees Benefits (including the followings)		
-Defined Contribution Plan Costs - EPF and ETF (included in Employee Benefits)	4,834,431	2,852,960
Including in Administration Expenses		
Auditors' Remuneration - Fees	242,000	220,000
- Last year (Over)/Under Provision	50,435	6,883
Depreciation	5,655,087	4,248,656
Feasibility Study Expenses - Proposed Projects	657,134	-
Maintenance Expenses	686,883	276,196
Donations	1,727,534	1,006,175

4. INCOME TAX

4.1 Statement of Profit or Loss

	2017 Rs.	2016 Rs.
Current Income Tax Expense (Note 4.3)	108,574	88,212
Under/(Over) Provision of Current Taxes in respect of Prior Years	-	-
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 4.5)	86,886	231,934
Income Tax Expense reported in the Statement of Profit or Loss	195,460	320,146

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4. INCOME TAX (Contd...)

4.2 Statement of Comprehensive Income

	2017 Rs.	2016 Rs.
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 4.5)	8,543	45,577
Income Tax Charged Directly to Comprehensive Income	8,543	45,577

4.3 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

		2017 Rs.	2016 Rs.
Accounting Profit/(Loss) before Tax		18,245,496	14,037,975
Aggregate Disallowed Items		16,331,205	14,426,795
Aggregate Allowable Expenses		(95,932,969)	(57,983,223)
Trading Profit and Other Sources of Income		(860,546)	(484,683)
Liable Profit/(Loss)		(62,216,814)	(30,003,136)
Trading Profit and Other Sources of Income		596,558	484,683
Total Statutory Income		596,558	484,683
Less : Qualifying Payments and Other Allowable Deductions		(208,795)	(169,639)
Total Taxable Income		387,763	315,044
Taxable Profits Liable			-
Taxable Other Sources of Income Liable		387,763	315,044
Statutory Tax Rate	- Business Profit	12%	12%
	- Other Sources of Income	28%	28%
Current Income Tax Expense		108,574	88,212

4.4 Deferred Tax Assets, Liabilities and Income Tax relates to the followings:

	Statement of Financial Position		Statement of Profit or Loss		Statement of Comprehensive Income	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Deferred Tax Liability						
Capital Allowances for Tax Purposes	(14,386,145)	(5,649,528)	8,736,617	2,938,125	-	-
	(14,386,145)	(5,649,528)	8,736,617	2,938,125		-
Deferred Tax Assets						
Employee Benefit Liability	47,163	30,785	(24,921)	(34,928)	8,543	45,577
Tax Losses Carried Forward	12,325,877	3,701,068	(8,624,809)	(2,671,263)		-
	12,373,040	3,731,853	(8,649,731)	(2,706,191)	8,543	45,577
Deferred Income Tax (Income)/ Expense			86,886	231,934	8,543	45,577
Net Deferred Tax (Liability)/Asset	(2,013,105)	(1,917,675)				

4.5 Reconciliation of Net Deferred Tax Asset/(Liability)

	2017 Rs.	2016 Rs.
As at 1 April	(1,917,675)	(1,640,164)
Tax Income/(Expense) during the Year recognised in Statement of Profit or Loss	(86,886)	(231,934)
Tax Income/(Expense) during the year recognised in Statement of Comprehensive Income	(8,543)	(45,577)
As at 31 March	(2,013,105)	(1,917,675)

5. EARNINGS PER SHARE

Basic Earning Per Share is calculated by dividing the net Profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and previous year adjusted for event that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the basic Earning Per Share computation.

	2017 Rs.	2016 Rs.
Amounts Used as the Numerator		
Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	18,050,036	13,717,829
Weighted Average Number of Ordinary Shares in Issue	19,712,329	13,000,000
Applicable to Basic Losses/Profit Per Share	0.92	1.06

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Gross Carrying Amounts

	Balance as at 01.04.2016 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Balance as at 31.03.2017 Rs.
At Cost				
Freehold Land	311,000	-	-	311,000
Civil Construction	119,825,579	-	-	119,825,579
Plant and Machinery	137,642,311	99,735	-	137,742,046
Furniture and Fittings	94,030	421,246	-	515,276
Office Equipment	303,265	-	-	303,265
Motor Vehicles	6,622,500	-	-	6,622,500
Computer	-	178,000	-	178,000
Total Value of Depreciable Assets	264,798,684	698,981	-	265,497,666
In the Course of Construction				
Capital Work in Progress	-	389,588	-	389,588
	-	389,588	-	389,588
Total Assets	264,798,684	1,088,569	-	265,887,254

6.2 Depreciation

	Balance As at 01.04.2016 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Balance as at 31.03.2017 Rs.
At Cost				
Civil Construction	7,089,174	5,942,036	-	13,031,210
Plant and Machinery	8,190,413	6,832,410	-	15,022,823
Furniture and Fittings	26,120	185,215	-	211,335
Office Equipment	83,270	73,884	-	157,154
Motor Vehicles	2,137,344	1,313,614	-	3,450,958
Computer	-	32,200		32,200
Total Depreciation	17,526,321	14,379,358	-	31,905,679

6.3 Net Book Values

	2017 Rs.	2016 Rs.
At Cost		
Freehold Land	311,000	311,000
Civil Construction	106,794,369	112,736,405
Plant and Machinery	122,719,223	129,451,898
Furniture and Fittings	303,941	67,910
Office Equipment	146,111	219,995
Motor Vehicles	3,171,542	4,485,156
Computer	145,800	
	233,591,986	247,272,363
In the Course of Construction		
Capital Work in Progress	389,588	-
Total Carrying Value of Property, Plant and Equipment	233,981,575	247,272,363

6. PROPERTY, PLANT & EQUIPMENT (Contd...)

6.4 The useful lives of the assets are estimated as follows:

	2017	2016
Civil Construction	20 Years	20 Years
Plant and Machinery	20 Years	20 Years
Furniture and Fittings	4 Years	4 Years
Office Equipment	4 Years	4 Years
Motor Vehicles	5 Years	5 Years

6.5 During the financial year, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs.1,088,569/- (2016 - Rs.82,571,362/-).

7. INVESTMENTS IN SUBSIDIARIES

	2017 Rs.	2016 Rs.
As at 1 April	1,422,000,000	-
Acquisition of Investments	1,400,000,000	1,422,000,000
As at 31 March	2,822,000,000	1,422,000,000

7.1 Investments in Subsidiaries

Non-Quoted	% of Holding 2017	% of Holding 2016	Cost 2017 Rs.	Directors' Valuation 2017 Rs.	Cost 2016 Rs.	Directors' Valuation 2016 Rs.
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd.	100%	100%	37,000,000	37,000,000	37,000,000	37,000,000
Anorchi Lanka (Pvt) Ltd.	100%	100%	1,292,500,000	1,292,500,000	592,500,000	592,500,000
Iris Eco Power Lanka (Pvt) Ltd.	100%	100%	1,292,500,000	1,292,500,000	592,500,000	592,500,000
Pams Power (Pvt) Ltd.	100%	100%	200,000,000	200,000,000	200,000,000	200,000,000
			2,822,000,000	2,822,000,000	1,422,000,000	1,422,000,000

8. TRADE AND OTHER RECEIVABLES

	2017 Rs.	2016 Rs.
Trade Receivable - Others	3,916,312	6,669,033
Other Receivable - Related Party (Note 8.1)	59,838,654	6,987,716
	63,754,965	13,656,749
Advances and Prepayments	56,446,141	30,705,600
	120,201,106	44,362,349

8.1 Amounts Due from Related Parties

	Relationship	2017 Rs.	2016 Rs.
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd.	Subsidiary	55,339,789	6,987,716
PAMS Power (Pvt) Ltd	Subsidiary	4,498,865	-
		59,838,654	6,987,716

9. CASH AND SHORT TERM DEPOSITS

Components of Cash and Short Term and Deposits	2017 Rs.	2016 Rs.
9.1 Favourable Cash & Short Term Deposits Balances		
Cash and Short Term Deposits	4,383,534	5,929,256
	4,383,534	5,929,256
9.2 Unfavourable Cash & Short Term Deposits		
Bank Overdraft (Note 12)	(5,160,103)	-
Total Cash and Short Term Deposit For the Purpose of Cash Flow Statement	(776,569)	5,929,256

10. STATED CAPITAL

10.1 Ordinary Shares	2017 Number	2017 Rs.	2016 Number	2016 Rs.
As at 1 April	13,000,000	130,000,000	13,000,000	130,000,000
Issue of Shares during the Year	175,000,000	1,750,000,000	-	-
As at 31 March	188,000,000	1,880,000,000	13,000,000	130,000,000

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10. STATED CAPITAL (Contd...)

10.2 Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

11. EMPLOYEE BENEFIT LIABILITY

11.1 Net Benefit Expense

	2017 Rs.	2016 Rs.
Current Service Cost	177,941	256,542
Interest Cost on Benefit Obligation	29,733	34,528
Total Expenses	207,674	291,070

11.2 Employee Benefit Liability

Changes in the present value of the defined benefit obligation are as follows:

	2017 Rs.	2016 Rs.
As at 1 April	256,542	345,281
Current Service Cost	177,941	256,542
Interest Cost on Benefit Obligation	29,733	34,528
Actuarial (Gain)/Loss on Obligation	(71,194)	(379,809)
Benefit Paid	-	-
As at 31 March	393,022	256,542

11.3 Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2016. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.03.2016 are as follows:

	2017	2016
Method of Actuarial Valuation:	Projected Unit Credit method	Projected Unit Credit method
Discount Rate	12.50%	11.59%
Salary Increment Rate	12%	11%
Staff Turnover Rate	13%	10%
Retirement Age	55 years	55 years
Mortality Table:	A67/70 Mortality Table	A67/70 Mortality Table

11.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2017.

The sensitivity of the income statement and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year is as follows.

Increase/(Decrease)		2017		
In Discount Rate	In Rate of Salary Increment	Effect on Income Statement (Reduction)/ Increase in Results for the Year	Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	Present Value of Defined Benefit Obligation
		Rs.	Rs.	Rs.
+1%		20,887	(20,887)	372,135
-1%		(23,189)	23,189	416,211
	+1%	(24,538)	24,538	417,560
	-1%	22,464	(22,464)	370,558

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12. INTEREST BEARING LOANS AND BORROWINGS

	Amount Repayable Within 1 Year 2017 Rs.	Amount Repayable After 1 Year 2017 Rs.	Total 2017 Rs.	Amount Repayable Within 1 Year 2016 Rs.	Amount Repayable After 1 Year 2016 Rs.	Total 2016 Rs.
Term Loans (Note 12.1)	19,946,155	90,575,633	110,521,788	13,411,671	112,128,988	125,540,658
Short Term Loans (Note 12.2)	50,000,000	-	50,000,000	49,000,034	-	49,000,034
Bank Overdrafts (Note 9.2)	5,160,103	-	5,160,103	-	-	-
	75,106,258	90,575,633	165,681,891	62,411,705	112,128,988	174,540,692

12.1 Term Loans

	As at 01.04.2016 Rs.	Loans Obtained Rs.	Repayments/ Transfer Rs.	As at 31.03.2017 Rs.
Commercial Bank of Ceylon PLC - Loan 1	4,981,658	-	1,233,270	3,748,388
Commercial Bank of Ceylon PLC - Loan 2	53,059,000	-	8,964,000	44,095,000
Commercial Bank of Ceylon PLC - Loan 3	67,500,000	-	4,821,600	62,678,400
	125,540,658	-	15,018,870	110,521,788

12.2 Short Term Loans

	As at 01.04.2016 Rs.	Loans Obtained Rs.	Repayments/ Transfer Rs.	As at 31.03.2017 Rs.
HNB Term Loan - Rs 50M	49,000,034	104,000,000	(103,000,034)	50,000,000
	49,000,034	104,000,000	(103,000,034)	50,000,000

Institution	Interest Rate	Repayment Terms
Commercial Bank of Ceylon PLC		
Loan 1	9% per annum	Repayable by 60 monthly instalment of Rs. 135,967/- .
Loan 2	AWPLR* + 2% per annum	Repayable by 83 monthly instalment of Rs. 747,000/- and the final instalment of Rs. 769,000/-.
Loan 3	AWPLR + 2% per annum	Repayable by 83 monthly instalment of Rs. 803,600/- and the final instalment of Rs. 801,200/- .commencing after 12 months grace period on capital from the date of 1st disbursement.

* AWPLR - Average Weighted Primary Lending Rate

13. OTHER PAYABLES

	2017 Rs.	2016 Rs.
Other Payable - Related Party (Note 13.1)	894,096,294	1,385,012,496
Retention Payable	1,415,144	2,622,849
	895,511,438	1,387,635,345
Sundry Creditors including Accrued Expenses	196,766,572	3,092,225
	1,092,278,010	1,390,727,570

13.1 Amounts Due to Related Parties

	Relationship	2017 Rs.	2016 Rs.
LAUGFS Gas PLC	Parent	52,282,649	370,373,525
LAUGFS Holdings Ltd.	Ultimate Parent	11,144	11,144
Anorchi Lanka (Pvt) Ltd.	Subsidiary	429,343,992	363,047,756
Iris Eco Power Lanka (Pvt) Ltd.	Subsidiary	412,052,688	362,572,025
PAMS Power (Pvt) Ltd.	Subsidiary	-	289,008,045
Laugfs Property Developers (Pvt) Ltd	Subsidiary	405,821	-
		894,096,294	1,385,012,496

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16. COMMITMENTS AND CONTINGENCIES

16.1 Capital Expenditure Commitments

The Company does not have significant capital commitments as at reporting date.

16.2 Contingent Liabilities

There were no contingent liabilities to the Company as at reporting date.

17. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Asset	Nature of Liability	Carrying Amount Pledged 2017 Rs.	2016 Rs.	Included Under
Motor Vehicle	Primary Mortgage over Motor Vehicle	3,171,542	4,485,156	Property, Plant and Equipment
Project Assets	Primary Mortgage over Land and Building	107,701,221	115,711,772	Property, Plant and Equipment
Ordinary Shares	Primary Mortgage over ordinary shares of the company	130,000,000	130,000,000	Equity

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in Company's business activities, but is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. The Board of Directors of the Company places special consideration on the management of such risks.

19. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the Balance Sheet date that require adjustments or disclosure in the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

LAUGFS POWER LIMITED

DETAILED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 MARCH 2017

LAUGFS Power Limited

DETAILED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2016

	Statement	2017 Rs.	2016 Rs.
Revenue		23,239,964	35,345,804
Less : Cost of Sales	I	(13,785,212)	(9,488,527)
Gross Profit		9,454,752	25,857,277
Less : Administrative Expenses	II	(15,838,566)	(7,137,966)
Profit from Operating Activities		(6,383,814)	18,719,311

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COLOMBO

LAUGFS Power Limited

DETAILED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

STATEMENT I

COST OF SALES

	2017 Rs.	2016 Rs.
	2,282,334	1,555,600
Staff Salary	305,541	199,152
EPF	71,664	49,788
ETF	1,494,142	661,170
Overtime	680,750	387,250
Allowances	-	7,000
Labour Charges	8,724,270	6,045,024
Depreciation	87,975	510,804
Plant and Machine Maintenance	138,536	72,739
Electricity Charges	13,785,212	9,488,527

STATEMENT II

ADMINISTRATIVE EXPENSES

	2017 Rs.	2016 Rs.
	141,059	98,672
Travelling & Subsistance	207,674	291,070
Gratuity	3,000	11,382
Electricity Expenses	156,000	-
Water Rent	153,044	65,184
Telephone Expenses	370,546	235,699
Insurance	242,000	220,000
Audit Fees	50,435	6,883
Under / (Over) Provision in respect of prior year	792,691	230,000
Staff Salary	96,511	28,179
EPF	24,128	7,045
ETF	824,077	130,000
Allowance	139,497	56,263
Overtime	141,065	1,640
Staff Welfare	14,580	1,300
Medical Expenses	676,532	474,850
Bonus	-	2,240
Advertisement Expenses	32,850	16,200
Professional Charges	686,883	276,196
Maintenance Expenses	403,331	-
Vehicle Maintenance	657,134	-
Feasibility Study Expenses - Proposed Projects	161,486	62,999
Bank Charges	45,979	32,353
Poles Rent	28,050	(3,824,789)
Creditors Write Back	138,783	29,754
Meal Expenses	77,125	57,204
Printing & Stationary	5,655,087	4,248,656
Depreciation	1,510	2,845
Stamp & Postage	98,586	69,839
Tax Consultancy Fees	26,439	-
Site Visit Expenses	111,764	119,902
Secretarial Expenses	1,727,534	1,006,175
Donations	-	3,126,380
Stamp Duty	7,265	2,095
House Keeping Expenses	-	29,851
Staff Equipment	1,500	21,900
Staff Training	1,944,421	-
Rent & Accomadation	15,838,566	7,137,966