



Powering the People, Nation and the Environment



“Panasian Power aims to operate as a Commercially focused sustainable company providing green energy solutions”

Powering the People, Nation and the Environment

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# Vision

“To provide sustainable shareholder value by generating hydro and such alternative power to enhance the power requirement of the region while ensuring that all the stake holder interests are looked after”

# Mission

**Shareholder** a sustainable return

**CEB** reliable standard of operation in providing electricity

**Community** consider them as partners of the operation

**Environment** value and preserve the environment that is critical to the sustainability of the project



# Chairman and Chief Executive Officer's Message



The Group's performances were healthier during the period under review with a marginal increase (by 1% compared to last year) in profit attributable to the shareholders. Despite the prolonged drought that prevailed in the Country during the year under

review, both our plants performed well especially, Manelwala with an increase of 621,978 units (9.2%) compared to last year.

It is with pleasure I welcome all of you to the Annual General Meeting of Panasian Power PLC and would like to present the Annual Report and the Consolidated Audited Financial Statements for the year ended 31 March 2013.

For the first time the Group has prepared and presented the Financial Statements in accordance with Sri Lanka Financial Reporting Standards (SLFRSs/LKASs) this year, Previous financial statements were prepared in accordance with Sri Lanka Accounting Standards (SLAS).

The Group's performances were healthier during the period under review with a marginal increase (by 1% compared to last year) in profit attributable to the shareholders. Despite the prolonged drought that prevailed in the Country during the year under review, both our plants performed well especially, Manelwala with an increase of 621,978 units (9.2%) compared to last year.

More information on the company's performance is provided in the Management Commentary and the financial statements in the latter part of this report.

Hemas Power PLC acquired 20% stake in Panasian Power in April,2013 and holds 29.3% of our share capital. With this acquisition, Hemas Power is the largest shareholder of the Company. We value the experience and exposure of Hemas Power in this sector.

The expansion of Rathganga power plant by 1 MW and the acquisition of 90% stake in Padiyapelella Hydropower Limited was delayed since we could not achieve the targeted dates due to unforeseen factors. However, the management has taken necessary steps to expedite the progress. Discussions are ongoing with investment banks for financing the same.

As presented in the financial statement, the Group has made large investment in the expansion activities. However, as we value our shareholders, the Board has approved to declare interim dividend of Rs 0.10 per share for the year ended 31 March 2013. We believe that the shareholders will appreciate the Board's decision.

Hemas Power PLC acquired 20% stake in Panasian Power in April,2013 and holds 29.3% of our share capital. With this acquisition, Hemas Power is the largest shareholder of the Company. We value the experience and exposure of Hemas Power in this sector.

The demand for power will increase with the rapid development projects that are being implemented by the government. In this context the contribution made by the small hydropower sector should be given its due recognition.

I wish to place on record my sincere appreciation to my fellow Board members for the great support extended throughout the year. While thanking the Malaysian colleagues Dato Shamsuddin Hayroni and Mr Herman Bin Latiff and Mr Dilith Jayaweera who resigned from the directorate, I warmly welcome the new members Mr Imtiaz Esufally, Mr Kishantha Nanayakara and Mr Riad Ameen to the Board. I also thank our valuable shareholders for the support and trust vested upon us and look forward to your continuous support in the future as well.

**Dr Prathap Ramanujam**

Chairman and Chief Executive Officer

# Board of Directors

The Board, with the existing directors served a full term for the year ended 31 March 2013. With the acquisition of 20% shareholding of the Company by Hemas Power PLC from Power Hub International Sdn Bhd, a change in directorate was affected on 24 April 2013. Brief profiles of the directors are given below:

## Dr Prathap Ramanujam

Chairman/ Chief Executive Officer

After completing extensive years of service in the Public Sector, Dr Prathap Ramanujam who initiated the first mini hydro power project in Sri Lanka back in 1993 joined the private sector by taking up the directorship of Panasian Power in 2010. He was appointed as the Chairman and the Chief Executive Officer in the same year, He brought in his diversified expertise from his distinguished career in Public Sector over the period of 38 years.

Dr Ramanujam holds a First Class B.Sc. (Hons.) degree from the University of Peradeniya Sri Lanka, a M.Sc. degree in Economics from the University of Bristol, U.K and a Ph.D in Economics from the Australian National University, Canberra, Australia.

He was appointed as the Chairman of Onally Holdings PLC (2008) and Waters Edge Limited (appointed by the Supreme Court of Sri Lanka in 2009) Currently he is the Chairman of Manelwala Hydropower (Pvt) Limited and Padiyapelella Hydropower Limited and serves for the board of Ceylon Agro-Industries Limited, and Panasian Investments (Pvt) Limited.

He is also currently Chairman of Senkadagala Finance PLC.

## Mr Mohd Hairol bin Mohd Shariff

Non-Executive Director

Mr Mohd Shariff has served several Organizations including C.K.Ooi & Co an Audit Firm in the Capacity of Audit Assistant under Internship, Arab Malaysian Finance Bhd, a Listed Finance Company as an Accounts Officer, MK Land Bhd, a Listed Property Development Company as Finance Manager, Land & General Bhd, a Listed Property Development Company as Finance Manager and PT Wapoga Mutiara Timber, Indonesia-subsidiary of Land & General Bhd as Head of Finance, Legal and Admin.

He holds a Diploma in Accountancy and is a Bachelor of Accountancy from the University Technology Mara, Malaysia.

At present he is the Chief Executive Officer of Power Hub International Sdn Bhd and Chief Operating Officer of Majulia Sdn Bhd.

Mr Shariff stepped down from his executive position on 24 April 2013 and continues to serve as a non-executive director.

## Mr Mohideen Rifky Badurdeen

Non-Executive Director

Mr Badurdeen who started his business carrier in the garment industry exported garments to USA and European countries for more than 15 years. A businessman with hands on experience in many different business fields completed construction of 85,000sq ft modern office complex in Colombo in collaboration with German Partners.

He currently serves as the Chairman of Asia Trust Investment (Pvt) Limited and is a director of Power Hub International Sdn Bhd, Manelwala Hydropower (Pvt) Limited, Lakeside Property Developers Limited, Padiyapelella Hydropower Limited and Panasian Investments (Pvt) Limited.

Mr Badurdeen resigned from his executive position on 24 April 2013, and continues to serve as a non-executive director.

## Dato' Shamsuddin Bin Hayroni

Non-Executive Director

Dato Shamsuddin bin Hayroni has served the Works Ministry of Malaysia during the period 1978-1993 and North South Highway Project (PLUS) i.e. a highway project connecting the north and south of Malaysia during the period 1993-1995.

He holds a Diploma in Civil Engineering from the University Technology Malaysia Skudai Johor and is a Bachelor of Civil Engineering of the University of New Hampshire USA (1983).

He is the Founder / Executive Chairman of Majulia Sdn Bhd, Electronic Commerce Technology Sdn Bhd and AIM Berhad a listed Company in KLSE and hold directorship in Power Hub International Sdn Bhd and Getrahome Sdn Bhd.

Dato Hayroni tendered his resignation from the Board on 24 April 2013.

## Mr Thirunavukarasu Someswaran

Independent Non-Executive Director

Mr Someswaran is the former Senior Partner of SJMS Associates, a firm of Chartered Accountants, an independent Correspondent Firm to Deloitte Touche Tohmatsu.

He serves on the Audit Committees of the Institute of Chartered Accountants Sri Lanka, Commercial Credit PLC and Serendib Lands (Pvt ) Ltd. He also serves on the committees of Equality based Community Support and Training in Galle and the Business Council of Indonesia of the Ceylon Chamber of Commerce.

He is a member of the Organization for Professional Association and the Sri Lanka Institute of Directors.

He is a fellow member of CMA and a member of its Governing Council.

Currently, he serves as Director on the Boards of Abans Finance PLC, Commercial Credit and Finance PLC, and CleanCo Lanka Ltd.

## Mr Herman Bin Abd Latiff

Non-Executive Director

Mr Latiff is directly involved in a 10 Mw mini hydro development at Sg. Berok, Gua Musang, Kelantan and the development of a 2.2 Mw mini hydro at Sg. Kerling Kuala Kubu, Ulu Selangor in the state of Selangor under the Small Renewable Energy Program (SREP) launched by the Malaysian Government under the Ministry of Green Energy.

He holds a Diploma in Land Surveying from MARA Institute of Technology, Shah Alam and B. Sc. (Civil Engineering) from South Dakota State University, U.S.A.

Mr Latiff is a Director of Laman Megah Sdn. Bhd, Renewable Power Sdn. Bhd and Power Hub International Sdn Bhd.

Mr Latiff extended his resignation from the board on 24 April 2013.

## Board of Directors

### Mr Deepal Sooriyaarachchi

Independent Non-Executive Director

Mr Sooriyaarachchi, counts over thirty years of experience in the fields of sales, advertising, marketing to human resource development and strategy. He is a renowned speaker and a trainer with several publications to his credit, mainly in the local language to support the majority of Sri Lankan businesses.

He is a Fellow member of the Chartered Institute of Marketing (CIM) UK, and holds an MBA from the Post graduate Institute of Management, University of Sri Jayewardenepura.

Mr Sooriyaarachchi is the Chairman of Sri Lanka Inventors Commission, former managing director of AVIVANDB Insurance PLC (Earlier known as Eagle Insurance PLC) currently serves as a director. He is also a director of Sampath Bank PLC and Hemas Manufacturing (Pvt) Limited.

### Mr Dilith Susantha Jayaweera

Independent Non-Executive Director

Mr Jayaweera, an Attorney-at-Law, holds an LLB from the University of Colombo and an MBA from the University of Wales. He is the co-founder of a dynamic conglomerate of 22 companies with diverse interests in communications, mass media, leisure, finance, property development and manufacturing. An entrepreneur committed to building strong and sustainable Sri Lankan businesses, Dilith has built a reputation for challenging convention with his can-do spirit.

He serves as a director in the boards of Colombo Land PLC and Citrus Leisure PLC.

Mr Jayaweera resigned from the board on 24 April 2013.

### Mr Kishantha Nanayakkara

Non-Executive Director

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

Mr Nanayakkara joined the director board of Panasian Power on 24 April 2013.

## Mr I.A.H. Esufally

Non-Executive Director

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

Mr Esufally Joined Panasian Power board on 24 April 2013.

## Mr Riad Ameen

Non-Executive Director

Mr. Ameen functions as the Legal Consultant to Hemas Holdings PLC. He is also a member of the Hemas Group Operations Committee (GOC) of Hemas Holdings PLC. He holds a Bachelor's Degree in Law (LLB) from the University of London and a Master of Laws Degree (LLM) from the University of Colombo. He is a Barrister of the Lincoln's Inn, UK, and an Attorney-at-Law. He has been associated with the Hemas Group for the past 7 years. Mr. Ameen has been an active civil law practitioner for the past 15 years.

Mr Ameen was appointed as a director on 24 April 2013.

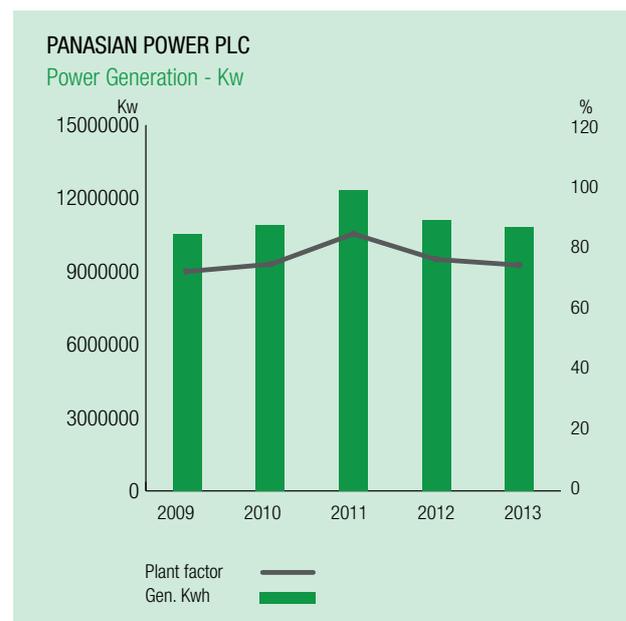
# Management Commentary

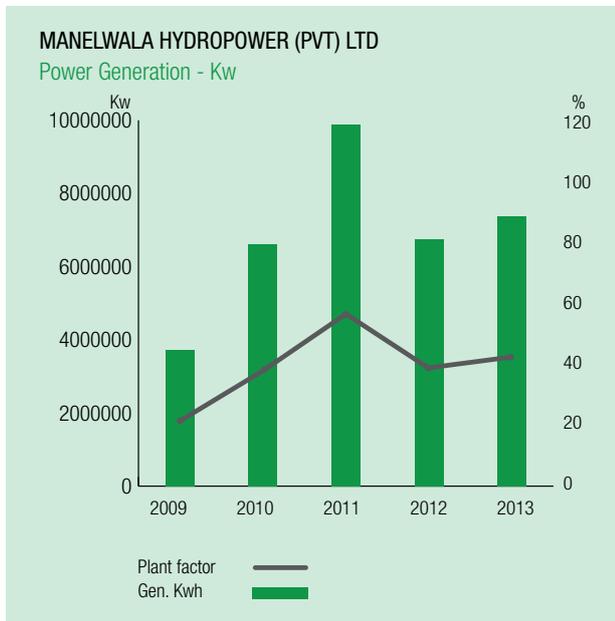
With a growth in industrial and manufacturing sectors, the demand for power will increase with the rapid development of projects that are being implemented by the government. In this context, the contribution made by the small hydropower sector should be considered as vital. Being a part of the small hydropower sector, Panasian Power has taken steps to contribute towards the increased demand with its expansion activities. The management has taken note of being behind the scheduled dates with regard to acquisition of 90% stake of Padiyapelella Hydropower Limited and expansion of Rathganga power plant by 1MW, and necessary steps have been taken to expedite the progress by identifying the reasons for delays.

For the first time, the Group has prepared and presented the financial statements in accordance with Sri Lanka Financial Reporting Standards (SRFRSs/ LKASs) this year. Previous years financial statements were prepared and presented in accordance with Sri Lanka Accounting Standard (SLAS). The Group adopted component depreciation by recognising significant parts of assets which have different useful lives separately and depreciated using their respective useful lives. The impact to depreciation, property plant and equipment and deferred tax liabilities due to this change for the Group and Company for the respective periods are given on Note 32.3 to the financial statements. Free hold land,

civil construction and electro mechanical equipment categories were revalued by engaging Mr S Sivaskantha, Incorporated Valuer.

The performances of both plants were fairly good despite the drought experienced in the first half of the year Island wide. Rathganga generated 10.8 Mn KW (2011/2012 – 11.1Mn KW) whilst, Manelwala produced 7.4Mn KW (2011/2012 -6.7 Mn KW). The Group reported revenue of Rs 175 Mn (2011/2012 – Rs 177 Mn) during the year. Decrease in avoided cost tariff for the year by approximately 7% contributed to the decrease in revenue during the year under review. The graph below depicts the power generation along with the plant factors for the Company and its Subsidiary Manelwala Hydropower (Pvt) Limited.





The interest income earned during the year declined by 38% at the Group level and by 24% at the Company level due to the investing activities carried out which reduced the savings. Reduction in total expenses by 4.2% at the Group level and by 15% at the Company level has helped to maintain the bottom line. The decline of profit attributable to shareholders by 7% at the Company level is mainly due to the decrease of dividend income by Rs 7.9Mn (decline by 26%).

There had been no material issues affecting employees or industrial relationships during the year under review.

The management with the direction of the Audit Committee has established an effective system of internal control

#### Panasian Power PLC – Related party transaction

Date of transaction	Name of the related party	Relationship	Amount (Rs)	Rationale for entering into the transaction	Nature of transaction
09.07.2012	Manelwala Hydropower (Pvt) Limited	Subsidiary (100 % owned)	10,000,000	Advance payment for Padiyapelella Hydropower Limited	Fund transfer
02.10.2012			15,000,000		
20.12.2012			7,500,000		
29.01.2013			2,500,000	Working capital	
07.03.2013			7,200,000	Advance payment for Padiyapelella Hydropower Limited	
25.03.2013			13,000,000		
28.03.2013			10,000,000		

to safeguard Company's assets. An Internal Audit was not performed during the year considering the nature and size of the Company. However, the management with the oversight of Audit Committee ensured that the recommended practices suggested by Ms Ernst & Young, Chartered Accountants, who conducted a review during the financial year 2011/2012 are effectively implemented. As it is vital for any business to identify, evaluate, measure and take remedial actions to mitigate the risks that are inherent, the Group has analysed the risks under three categories; Financial, Operational and Legal. The impact, likelihood and steps taken to mitigate the risks are analysed for each risk identified under these categories. The risk grid is monitored by the management regularly as the risk factors are subject to change. Overall, the Company is exposed mainly to the following risks:

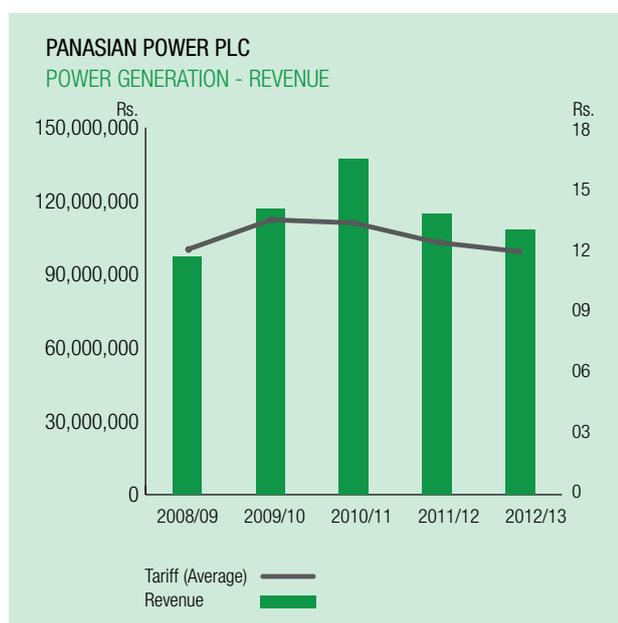
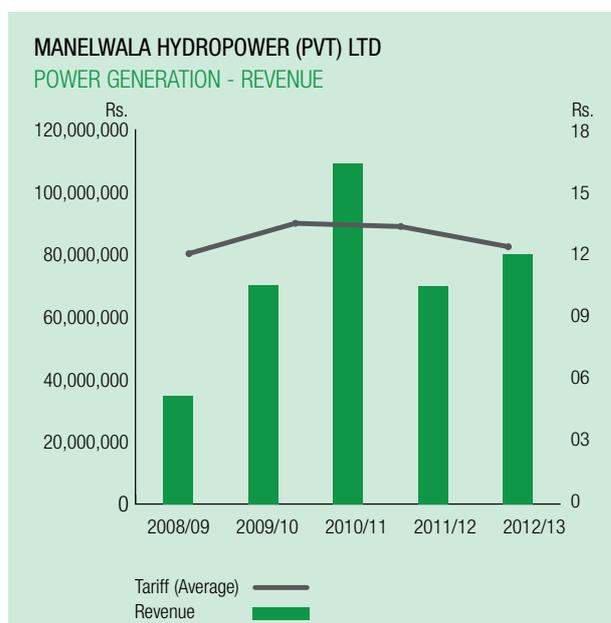
- Economic risk
- Credit risk
- Environment risk
- Interest rate risk
- Social risk
- Fraud risk
- Information risk
- Operational risk
- Physical risk
- Business risk
- Human resource risk
- Regulatory and Compliance risk

Being committed to harnessing the natural resources to enable energy secure future for Sri Lanka, the extensive environmental regulations imposed on power plants are complied by the Group.

# Financial Review

## Revenue

The drop in Group revenue from generation of hydropower during the financial year was very minimal (1%) compared to previous financial year. Manelwala plant showed better performances during the year with an increase of 10% in units generated whilst; Rathganga plant generated units were decreased by 2.5%. However, the decrease in avoided cost tariff announced during the year by approximately 7% contributed to the decrease in revenue. Other income; interest income at the Group level reduced by 38% compared to last year due to the investment activities. At the Company level, other income consisted interest income of Rs 2.3Mn and dividend income of Rs 23.7Mn from the Subsidiary, Manelwala Hydropower (Pvt) Limited. The graph below depicts the revenue and tariff pattern over the last five years



## Finance Cost

The expenses consist of interest expense on finance lease obligation and long term loan obtained to purchase vehicles. The decrease in finance cost by 24% is due to the decrease in the interest cost on a reducing balance method.

## Taxation

The Company is on a tax holiday of 15 years from the year 2002/2003 under Section 18A of the Inland Revenue Act 38 of 2000 (subsequently governed by Section 218(2) of the Inland Revenue Act 10 of 2006) granted by the Department of Inland Revenue. Its subsidiary, Manelwala Hydropower (Pvt) Limited currently enjoys a tax holiday

pursuant to the agreement entered into with the Board of Investments. Tax free profits from generation and supply of mini hydropower will continue during the next year for the Company. The income tax expense shown in the statement of comprehensive income includes the origination of deferred tax liabilities as given in Note 10 and 15 to the financial statements.

The Group is taxed on the prevailing tax rates for other income earned.

## Profitability

The change in Group's net profit attributable to shareholders showed a reduction by less than 1% when compared to last year. The Company witnessed a decline by 7% whilst Manelwala showed a 10% increase compared to last year.

## Investments

With your approval to acquire 90% stake of Padiyapelella Hydropower Limited, the Company entered into an agreement with Padiyapelella Hydropower Limited and

Power Hub International Sdn Bhd on the terms and conditions of the transaction. Accordingly, advances were given to Power Hub as agreed amounting to Rs 161,450,000. Subsequent to the balance sheet date an Addendum was entered into between the above parties and the Group has paid Rs 276,450,000 as at the reporting date as advances. Balance purchase consideration of Rs 633,550,000 will fall due on completion of Padiyapelella construction. The Company will engage in expansion of Rathganga by 1 MW in near future. Professional advise is taken on funding arrangement on the above from an Investment bank.

## Capital Structure

The equity attributable to the shareholders has shown a marginal increase (3.6%) compared to the decrease in last year (2012 – reduced by 2%). The Group declared an interim dividend of 0.10 per share for 2012/13 period (Rs 0.15 – 2011/2012) with a 46% dividend payout ratio.

### Key Ratios - Company

	31-03-2013	31-03-2012	31-03-2011	31-03-2010
GP Ratio	89.8%	89%	84%	81%
NP Ratio	82%	84%	63%	66%
EPS	0.17	0.18	0.25	0.25
DPS	0.15	0.25	0.04	-
Net Assets per Share	1.63	1.61	1.68	0.88

# Investor Information

## 1. Analysis of Shareholders According to the Number of Shares as at 31 March 2013

Shareholdings	Resident			Non Resident			TOTAL		
	Number of Shareholders	No. of Shares	Percentage %	Number of Shareholders	No. of Shares	Percentage %	Number of Shareholders	No. of Shares	Percentage %
01 - 1,000	2,465	1,689,889	0.34	8	4,701	0	2,473	1,694,590	0.34
1,001 - 10,000	3,895	18,553,076	3.71	14	78,800	0.02	3,909	18,631,876	3.73
10,001 - 100,000	1,589	53,471,226	10.69	20	1,028,300	0.21	1,609	54,499,526	10.90
100,001 - 1,000,000	270	77,201,226	15.44	10	3,764,000	0.75	280	80,965,226	16.19
Over 1,000,000	45	224,533,882	44.91	2	119,674,900	23.93	47	344,208,782	68.84
<b>TOTAL</b>	<b>8,264</b>	<b>375,449,299</b>	<b>75.09</b>	<b>54</b>	<b>124,550,701</b>	<b>24.91</b>	<b>8,318</b>	<b>500,000,000</b>	<b>100</b>

## 2. Shareholders by Category as at 31 March 2013

Categories of shareholders	Number of shareholders	No. of shares
Individual	8,097	231,425,454
Institutional	221	268,574,546
<b>TOTAL</b>	<b>8,318</b>	<b>500,000,000</b>

### 3. Twenty Major Shareholders of the Company as at 31 March 2013

Name	No of Shares	%
Power Hub International SDN BHD, Malaysia	117,174,900	23.43
Okanda Power Grid (Pvt) Limited	36,200,000	7.24
Mr Z A M Thahir	31,594,742	6.32
Commercial Bank of Ceylon PLC/ A K Pathirage	24,500,000	4.90
Almar Trading Co (Pvt) Ltd	13,118,778	2.62
Mr P D R R Weeraratne	11,799,900	2.36
Mr M F Farook	10,780,438	2.16
Upper Agra Oya Hydro Power (Pvt) Limited	10,300,000	2.06
Commercial Bank of Ceylon PLC / Capital Trust Holdings (Pvt) Limited	8,477,698	1.70
Dr W U N Gamage	7,224,859	1.44
Mrs Z S Hussein	4,900,000	0.98
Lexinton Holdings (Pvt) Limited	4,244,600	0.85
Lanka Orix Leasing Company PLC	4,000,000	0.80
Mr V P K A Palpita	3,432,990	0.69
Janashakthi Limited Account No.1	3,000,000	0.60
Mr H Beruwalage	2,764,200	0.55
Mr M A W Samoon Joint Mrs S T R Samoon	2,656,250	0.53
Mr D N Hundlani	2,510,000	0.50
Fidelity Investment & Trade Pte Ltd	2,500,000	0.50
DFCC Vardhana Bank Limited / D N Hundlani and R M Hundlani and D D Hundlani	2,500,000	0.50
	303,679,355	60.74
Shares held by remaining shareholders	196,320,645	39.26
	500,000,000	100.00

# Investor Information

## 4. Public Holding

Description	Number of shares 2013	Number of shares 2012
<b>Major shareholder</b>		
Power Hub International Sdn Bhd	117,174,900	117,174,900
<b>Directors' shareholding</b>		
Dr P Ramanujam	2,350,000	2,350,000
Mr T Someswaren	7	
Mr M R Badurdeen	7	2,700,000
	<b>119,524,907</b>	<b>122,224,900</b>
Issued share capital	500,000,000	500,000,000
Less: Directors' shareholding and major shareholders	119,524,907	122,224,900
Public Holding	<b>380,475,093</b>	<b>377,775,100</b>
Public holding as a % of issued share	<b>76.09</b>	<b>75.56</b>

## 5. Share Trading Information

Market Values	2013	2012
Highest (Rs)	3.30	8.80
Lowest (Rs)	1.90	2.30
Closing (Rs)	2.70	2.60
Price Earnings Ratio (Times)	15.80	14.40

## 6. Equity Information – Company

Description	2012/13	2011/12
Earnings per share (Rs)	0.17	0.18
Dividends per share (Rs)	0.15	0.25
Net Asset Value per share (Rs)	1.65	1.63
Dividend Payout Ratio	58.82%	93.75%
Dividend yield	3.70%	5.77%

## 7. Group Real Estate Portfolio

Owning Company & Location	Land	
	Freehold	Leasehold
Properties in Ratnapura District		
Panasian Power PLC	1A 1R 38P	1A 28.3P
Properties in Nuwara Eliya District		
Manelwala Hydropower (Pvt) Ltd	2A 32.3P	2A 3R 4P

# Corporate Governance

## Introduction

Corporate Governance is the system by which Companies are directed and controlled by the Board in the best interest of its stakeholders and others. It essentially involves balancing the interests of many stakeholders in a company – these include its shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

## Company's Philosophy on Corporate Governance

Panasian Power PLC is fully aware and committed to implementing governance standards that conform to best practices and is working towards enhancing its processes over the period of time.

The level of compliance with the Code of best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka & the Securities & Exchange Commission of Sri Lanka is described in the table below.

Corporate Governance Principle	Principle No	Level of Compliance																		
Directors																				
Frequency of Board Meetings	A.1.1	<p>Two Board meetings were held during the year under review and the attendance of Directors during the meetings is depicted in the table below:</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>No. of meetings attended</th> </tr> </thead> <tbody> <tr> <td>Dr. P Ramanujam</td> <td>2/2</td> </tr> <tr> <td>Mr. M R Badurdeen</td> <td>2/2</td> </tr> <tr> <td>Mr. M H Mohd Shariff</td> <td>2/2</td> </tr> <tr> <td>Dato' S B Hayroni</td> <td>2/2</td> </tr> <tr> <td>Mr. H B A Latiff</td> <td>1/2</td> </tr> <tr> <td>Mr. T Someswaran</td> <td>2/2</td> </tr> <tr> <td>Mr. D Sooriyaarachchi</td> <td>2/2</td> </tr> <tr> <td>Mr. D Jayaweera</td> <td>2/2</td> </tr> </tbody> </table> <p>Apart from Board meetings, the Board also takes decisions via circular resolutions, which are required to be signed by all the Directors.</p>	Name of Director	No. of meetings attended	Dr. P Ramanujam	2/2	Mr. M R Badurdeen	2/2	Mr. M H Mohd Shariff	2/2	Dato' S B Hayroni	2/2	Mr. H B A Latiff	1/2	Mr. T Someswaran	2/2	Mr. D Sooriyaarachchi	2/2	Mr. D Jayaweera	2/2
Name of Director	No. of meetings attended																			
Dr. P Ramanujam	2/2																			
Mr. M R Badurdeen	2/2																			
Mr. M H Mohd Shariff	2/2																			
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Mr. H B A Latiff	1/2																			
Mr. T Someswaran	2/2																			
Mr. D Sooriyaarachchi	2/2																			
Mr. D Jayaweera	2/2																			

Corporate Governance Principle	Principle No	Level of Compliance
Responsibilities of the Board	A.1.2	<p>The Board of Directors is responsible for ensuring :-</p> <ul style="list-style-type: none"> <li>■ The formulation, implementation &amp; monitoring of strategy</li> <li>■ Effective systems are in place to secure the integrity of information, internal controls &amp; risk management</li> <li>■ Compliance with laws, regulations and ethical standards</li> <li>■ All stakeholder interests are considered in corporate decisions;</li> </ul> <p>The Board has delegated several functions to Board Committees, while retaining final decision rights pertaining to matters under the purview of the Committees. The composition and the functions of these sub-committees are discussed in detailed under the relevant sections of this Report.</p>
Compliance with Laws & independent Professional advice	A 1.3	<p>The Directors individually &amp; collectively as a Board act in accordance with the laws applicable to the business enterprise.</p> <p>In discharging their duties the Directors seek independent professional advice from external parties when necessary at the expense of the Company.</p>
Company Secretary	A 1.4	<p>The Directors' have access to the advice &amp; services of the Company Secretary. The Company Secretary ensures that Board Procedures, relevant statutory obligations and other applicable rules and regulations are complied with.</p>
Independent judgment	A1.5	<p>All Directors exercise independent judgment in all decisions pertaining to strategy, performance, resource allocation and standards of business conduct.</p>
Dedication of adequate time & effort	A 1.6	<p>Board members dedicate adequate time and effort to fulfill their duties &amp; responsibilities as Directors of the Company and ensure that they are satisfactorily discharged.</p>
Separation of role Chairman & CEO	A 2.1	<p>Considering the scale of operations of the company it has been considered appropriate not to separate the role of the Chairman and CEO</p>
Chairman's Role	A 3.1	<p>The Chairman is responsible for preserving order and facilitating the effective discharge of Board functions.</p> <p>The Chairman in running of the Board facilitates the effective discharge of board proceedings and ensures:-</p> <ul style="list-style-type: none"> <li>■ The effective participation of both executive and non- executive directors</li> <li>■ Effective contributions by all Directors at proceedings,</li> <li>■ The views of directors on issues under consideration are ascertained,</li> <li>■ Board control on the affairs of the company and its obligations to all stakeholders.</li> </ul>

# Corporate Governance

Corporate Governance Principle	Principle No	Level of Compliance
Financial Acumen	A 4	The Board comprises of members who possess the necessary knowledge and competence to offer guidance on matters of finance.
Board Balance	A 5.1	As at 31st March 2013, five of the Directors were considered as Non Executive Directors.
Independent Directors	A 5.2	As at 31st March 2013, two Directors out of the five Non executive directors were considered independent.
	A 5.3	These Directors 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 judgement.
	A 5.4	The Independent Directors have submitted written Declarations of their independence as required by section 7.10.2(b) of the Listing rules.
	A 5.5	The Board annually determines the independence of each Non Executive Director based on the Declarations submitted by them.  Messrs. T Someswaran and D Sooriyaarachchi meet the criteria for independence specified by Rule 7.10.4 of the Listing Rules of the Colombo Stock Exchange.
Recording of concerns in Board Minutes	A 5.9	Concerns raised by the Directors on matters of the Company, which cannot be resolved unanimously are duly recorded in the Board minutes.
Managements obligation to provide appropriate & timely information	A 6.1	The Board is provided with timely information in an appropriate manner enabling it to discharge it's duties effectively.
	A 6.2	The Agenda for the Board meeting and connected discussion papers are circulated to the Directors in advance to facilitate the effective conduct of the meeting.

Corporate Governance Principle	Principle No	Level of Compliance
Appointments to the Board	A 7.1 A 7.2  A 7.3	The Board has not established a Nominations Committee to make recommendations on Board appointments. Hence appointments to the Board are made collectively and with the consent of all the Directors  The Colombo Stock Exchange is informed upon the appointment of a new Director to the Board, along with a brief resume of the Director which includes; the nature of his expertise in relevant functional area other Directorships or memberships in Board sub committees whether the Director is considered an Independent Director
Re-election of Directors	A 8.2	A Director appointed by the Directors during the year retires at the next Annual General Meeting of the Company and seeks re- appointment in terms of the Articles of the Company.
Disclosure of information in respect of Directors	A 10.1	The biographical details of the Directors' are set out on page 06 to 09 of this Annual Report.
<b>Directors' Remuneration</b>		
Establishment of a Remuneration Committee	B 1.1	The Board has appointed a Remuneration Committee to make recommendations to the Board on remuneration policy and practice that is consistent with the objectives of the Company.
Composition	B 1.2	The Remuneration Committee consists of two independent Directors and a Non Executive Director. The Chairman of the Committee is an independent Director.  The members of the Committee are indicated in the Annual Report of the Board of Directors.
Level and mark up of remuneration	B 2.2	The committee ensures that the remuneration of executives at each level of Management is competitive and is line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.
Disclosure of remuneration	B 3.1	The total remuneration paid to the Directors are disclosed in Note 9.2 to the Financial statement
<b>Relations with Shareholders</b>		
Proxy votes	C 1.1	The Company counts all proxies lodged on each resolution and the percentage "for and against" each resolution.

# Corporate Governance

Corporate Governance Principle	Principle No	Level of Compliance
Separate resolutions	C.1.2	A separate resolution is proposed for each issue at the AGM
Availability of Board sub committee chairpersons	C.13.	The chairpersons of the Audit and Remuneration Committees are present at the AGM to answer any questions raised by the shareholders if so requested by the Chairman
Adequate notice of AGM	C.1.4	The Notice of the Annual General Meeting and the relevant documents are published and dispatched to the shareholders within 15 working days prior to the meeting as required by Section 135(1) of the Companies Act No. 7 of 2007
Procedure for voting	C.1.5	The procedure governing votes at the General Meeting is circulated with the Notice of Meeting
Major transaction	C.2	The Company on 26 <sup>th</sup> September 2012 obtained the approval of the shareholders for the acquisition of 90% stake in Padiyapelella Hydropower Limited. at a total consideration of Rs. 910 Mn which amounted to a major transaction in terms of Section 185 of the Companies Act No. 7 of 2007.
<b>Accountability and Audit</b>		
Boards responsibility for statutory and regulatory reporting	D.1.1	The Board is accountable for presenting the Financial Statements of the Company and Group to regulators as well as the information required to be presented by Statute.
Declarations	D1.2.	The Declarations required to be made by the Board is given in the Annual Report of the Board of Directors.
Statement of Directors and Auditors responsibility for the financial statement	D1.3	The statement of Directors responsibility in preparation of the Financial Statements is given on page 34 while the independent auditors report on page 35 state the Auditors responsibility for the Financial Statements
Management Discussion Analysis	D.1.4	Management commentary and Financial Review are given on page 10-11 of this report
Declaration on Going concern	D .1.5	The declarations by the Board that the Company is a going concern is given in the Annual Report of the Board of Directors
Internal Control	D.2	The Board has established an effective system of internal control to safeguard the assets of the Company.

Corporate Governance Principle	Principle No	Level of Compliance
Composition of the Audit Committee	D 3.1	The Audit Committee consists of two Independent Directors and one Non Executive Director. The Chairman of the Committee is an independent Director appointed by the Board
Duties	D 3.2	<p>The duties of the Audit Committee include keeping under review the scope &amp; results of the internal and external audit and its effectiveness and the independence and objectivity of the external auditors.</p> <p>In the event the auditors are contracted for non-audit services, the Committee reviews the nature and extent of such services with the aim of balancing objectivity, independence and value for money.</p>
Terms of Reference	D 3.3	The terms of reference of the Audit Committee has been approved by the Board.
Disclosures	D 3.4	The members of the Committee are indicated in the Annual Report of the Board of Directors.
Code of Business Conduct and ethics	D 4.2	The Company has adopted a Code of Business conduct and ethics and the Directors are committed to the code and the principles contained therein.
Corporate Governance Disclosures	D 5.1	The Corporate Governance Report sets out the manner and extent to which the Company has complied with the principles and provisions of the code
<b>Institutional &amp; Other Investors</b>		
Shareholder Voting	E.1	The Company is committed to maintaining good communications with investors. The Chairman conducts a structured dialogue with the shareholders based on the mutual understanding of objectives and ensures that the views of the shareholders are communicated to the Board as whole.
<b>Other Investors</b>		
Investing & Divesting decisions	F.1	Individual shareholders, investing or divesting directly in shares of the Company are encouraged to carry out adequate analysis and seek the independent advice in such decisions.
Shareholder Voting	F .2	All shareholders are encouraged to participate at meetings of the company and a form of proxy accompanies each notice providing shareholders who are unable to attend such meeting the opportunity to cast their vote

# Corporate Governance

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

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
<b>Board of Directors</b>			
7.10.1.	Non executive Directors(NEDs)	One – third of the total number of Directors subject to a minimum of two.	Complied
7.10.2 (a)	Independent Directors	One – third of the Non – Executive Directors subject to a minimum of two.	Complied
7.10.2 (b)		Each Non-Executive Director should submit a declaration of independence/ non-independence.	Complied
7.10.3 (a) and (b)	Disclosure relating to Directors Independence	Names of Independent Directors should be disclosed in the Annual Report and the basis for determination of independence of NEDs, if criteria for independence is not met.	Complied
7.10.3 (c)		A brief resume of each Director should be included in the Annual Report, including his area of expertise.	Complied
7.10.3 (d)		Upon appointment of a new Director a brief resume of of the Director to be submitted to the Exchange.	Complied
<b>Remuneration Committee</b>			
7.10.5 (a)	Composition	The Committee shall Comprise of Non–Executive Directors, a majority of whom shall be independent. The Chairman of the Committee shall be a Non-Executive Director.	Complied
7.10.5 (b)	Functions of the Remuneration Committee	The Committee shall recommend the remuneration payable to the Executive directors and Chief executive officer or equivalent role.	Complied
7.10.5 (c)	Disclosure in the Annual Report	The Annual Report should set out the names of the members of the Remuneration committee, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non - Executive directors.	Complied

CSE Rule No.	Applicable Rule	Requirement	Status of compliance
<b>Audit Committee</b>			
7.10.6. (a)	Composition	The committee shall comprise Non Executive Directors a majority of who shall be independent. The Chairman shall be a Non-Executive director. The Chairman or a member should be a member of a recognized professional accounting body.	Complied
7.10.6 (b)	Functions	*Overseeing the preparation , presentation and adequacy of the disclosures in the financial statements in accordance with the SLAS. *Overseeing compliance with financial reporting related regulations and requirements. *Overseeing the processes to ensure that internal controls and risk management are adequate. *Assessing the independence and performance of the external auditors. *Recommending to the board the appointment, re- appointment and removal of the external auditors and approving their remuneration and terms of engagement.	Complied
7.10.6 (c)	Disclosure in the Annual Report	The names of the members of the Audit Committee should be disclosed in the Annual Report The committee to determine the independence of Auditors and disclose the basis of such determination in the Annual Report. Annual Report to contain a report by the Audit Committee setting out the manner of compliance in relation with their functions.	Complied

#### Directors Interest In Contracts With The Company

Company	Director	Nature of transaction	Amount 2013 Rs.	Amount 2012 Rs.
Manelwala Hydropower (Pvt) Limited	Dr Prathap Ramanujam	Fund transfer	65,200,000	16,000,000
	Mr Rifky Badurdeen	Apartmental rent	1,200,000	1,200,000
	Dato Shamsuddin Bin Hayroni			
		Fixed asset transfers	–	1,000,000
		Dividend income	125,000,000	75,000,000
Power Hub International Sdn Bhd	Mr Rifky Badurdeen	Advance payment for the acquisition of Padiyapelella Hydropower Limited	126,450,000	-
	Dato Shamsuddin Bin Hayroni			

# Audit Committee Report

The Audit Committee (“the Committee”) appointed by the Board of Directors with the following objectives:

- Increase public confidence in the credibility and objectivity of published financial information;
- Assisting directors in meeting their responsibilities in respect of financial reporting in accordance with relevant Laws, Regulations and Standards; and
- Strengthening the independent position of the Company’s external auditor.

The Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. The Chairman, Mr Thirunavukarasu Someswaran, an Independent Non-Executive Director and Mr Deepal Sooriyaarachchi, an Independent Non-Executive Director and Mr Imtiaz Esufally (appointed in place of Dato Shamsuddin Hayroni who resigned on 24 April 2013) a Non-Executive Director serves as the members of the Committee.

A brief profile of the Directors is included in pages 06 to 09.

The Committee met twice during the year. Apart from meetings the committee advises the management on a regular basis and takes decisions via circular resolution which are required to be signed by members

On review of Non Audit Services rendered by the External Auditors, the Committee is of the view that Messrs KPMG is an independent entity as such services were not prohibited under Guidelines for Listed Companies on Audit and Audit Committees issues by the Securities

and Exchange Commission of Sri Lanka. The Committee has recommended the Board of Directors that Messrs KPMG, Firm of Chartered Accountants, be re-appointed for the financial year ending 31 March 2014, subject to the approval of shareholders at the next Annual General Meeting.

The committee ensured that the recommended practices given by the Internal Auditors were implemented by the management throughout the year. The Committee also reviewed the Risk Analysis process adopted by the management in identifying, evaluating and managing the risks faced by the Company and its Subsidiaries.

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

## **Mr Thirunavukarasu Someswaran**

Chairman

# Remuneration Committee Report

The Remuneration Committee (“the Committee”) appointed by and responsible to the Board of Directors comprises two Independent Non-Executive Directors and one Non-Executive Director.

The Chairman of the Remuneration Committee is Mr Deepal Sooriyaarachchi who is an Independent Non-Executive Director and the other members are Mr Thirunavukarasu Someswaran, Independent Non-Executive Director and Mr Imtiaz Esufelly (appointed in place of Mr Herman Bin Abd Latiff who resigned on 24 April 2013) Non-Executive Director.

Brief profiles of the Directors given on pages 06 to 09

## Policy

The Remuneration Committee must establish remuneration packages which are sufficient to attract, retain and motivate directors to run the company successfully, but without paying more than is necessary. The level of remuneration must strike a balance between the interests of the company and its shareholders.

## Responsibilities

The main responsibilities of the Committee are as follows:

- to set salary level, terms and conditions relating to Executive staff;
- take recommendations to the Board on the Company's framework of Executive Directors'

remuneration and its cost and to make determination on behalf of the Board specific remuneration packages for executive directors;

- recommend any contract of employment or related contract with Executive Directors on behalf of the Company; and
- determination the terms of any compensation package in the event of early termination of the contract of any Executive Director.

## Meetings

The Committee met once during the year under review. The minutes were circulated amongst the members and it was ensured that the matters were discussed implemented and adapted by the Board.

## Advisors

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

Remuneration paid to the directors are disclosed on Note 9.2 to the Financial Statements.

### **Mr Deepal Sooriyaarachchi**

Chairman

# Financial Information

# Annual Report of the Board of Directors

The Board of Directors of Panasian Power PLC has pleasure in presenting their Report together with the Audited Financial Statements of the Company and Consolidated Financial Statements of the group for the year ended 31st March 2013.

## Principal Activities of the Company & Group

The principal activity of the Company and its subsidiary which is generation of hydro power remained unchanged during the year under review.

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

## Review of Operations & Future Developments

The financial and operational performance of the Company during the year under review and future developments are discussed in the Chairman's Review and the Management Commentary. These Reports together with the Audited Financial Statements reflect the state of affairs of the Company and the Group.

## Corporate Governance

The Directors confirm that the Company is in compliance with the Rules on Corporate Governance laid down by the Colombo Stock Exchange. The Corporate Governance practices of the Company are given on pages 18 to 25 of this report.

## Going Concern

The Board of Directors after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, have a reasonable expectation that the Company possesses adequate resources to continue its operations for the foreseeable future. For this reason, the Company continues to adopt the 'Going Concern basis' in preparing the Financial Statements.

## Financial Statements

The Financial Statements of the Company and Group as at 31st March 2013 are given on pages 36 to 64 of the Annual Report.

## Auditor s' Report

The Auditor s' Report on the Financial Statements of the Company and the Group is given on page 35

# Annual Report of the Board of Directors

## Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given from page 40 to 47 of this Report

## Results

The Financial Results of the Group and Company as at the Balance Sheet date is tabulated below:-

	Group		Company	
	2013 (Rs)	2012 (Rs)	2013 (Rs)	2012 (Rs)
Revenue	175,831,188	177,487,609	104,732,416	110,035,071
Gross Profit	151,448,425	151,129,344	94,086,924	97,494,296
Profit Before Taxation	114,290,288	115,452,340	86,729,754	93,297,014
Income Tax expenses	(6,548,860)	(8,375,594)	(1,079,297)	(1,175,419)
Profit/(loss) After Taxation	107,741,428	107,076,746	85,650,457	92,121,595

## Dividends

The Directors approved the payment of an interim dividend of Rs. 0.10 per share (2012 – Rs. 0.15 per share) amounting to Rs. 50,000,000 for the financial year 2012/13. (2012 – Rs. 75,000,000)

In Compliance with the Companies Act, the Directors signed a Certificate stating that in their opinion, the Company based on the information available satisfies the Solvency Test immediately after the dividend distribution. The Company will obtain a Certificate of Solvency from the Auditors prior to dispatching the dividend payment to the shareholders.

## Property Plant & Equipment

The capital expenditure incurred by the Group and Company during the year amounted to Rs. 98,829/- (2012 – Rs. 8,838,841/-) and Rs.98,829 (2012 – Rs. 8,838,841/- ) respectively.

Details of Property, Plant & Equipment and their movement during the financial year is disclosed under Note 13 to the financial statements.

Details of Land held by the Company is given on page 54

## Investments

Details of investments made by the Company are disclosed in Notes 16 and 17 to the Financial Statements.

## Stated Capital

The stated capital of the Company as at 31st March 2013 amounted to Rs.630,000,000/-divided into 500,000,000 ordinary shares. There was no change to the stated capital of the company during year under review.

## Contingent Liabilities

Details of contingent liabilities are given in note 29 to the Financial Statements.

## Events Occurring After the Reporting Date

No circumstances have arisen since the reporting date that would require adjustment to or disclosure in the Accounts other than those disclosed in Note 30 to the Financial Statements.

## Statutory Payments & Compliance with Laws and regulations

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

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

## Employment

The Company adopts a non discriminatory policy in recruitment and employment which gives full and fair consideration to persons in selection, training, development and promotion ensuring that all decisions are based on merit.

## Environmental Protection

The Company confirms that it complies with all relevant environmental laws and regulations applicable to the industry.

## Corporate Donations

Donations made by the Group and Company during the year under review amounted to Rs. 1,300,874/- (2012 – Rs. 1,646,832/-) and Rs. 1,248,934/- (2012 – Rs. 1,539,832/-) respectively.

## Directors

The Board of Directors of the Company during the financial year under review is given below:-

Dr P Ramanujam

Mr M R Badurdeen

Mr M H Mohd Shariff

Dato' S B Hayroni

Mr H B A Latiff

Mr T Someswaran

Mr D Sooriyaarachchi

Mr D Jayaweera

Dato' S B Hayroni, Messrs. H B A Latiff and D Jayaweera resigned from the Directorate with effect from 24th April 2013.

Messrs. I A H Esufally, G A K Nanayakkara and M R Ameen were appointed to the Directorate with effect from 24th April 2013.

Messer's Imtiaz Esufally, Kishantha Nanayakkara and Riad Ameen retire in terms of Article 26(4) of the Articles of Association of the Company and being eligible offer themselves for re-election.

# Annual Report of the Board of Directors

## Board Committees

The following members served on the Audit & Remuneration Committees of the Board:-

### Audit Committee

Mr. T Someswaran (Chairman)

Mr. D Sooriyaarachchi

Mr. I A H Esufally (appointed in place of Dato S B Hayroni who resigned on 24.04.2013)

### Remuneration Committee

Mr. D Sooriyaarachchi (Chairman)

Mr. T Someswaran

Mr. I A H Esufally (appointed in place of Mr. H B A Latiff who resigned on 24.04.2013)

## Remuneration & Other Benefits of Directors

Details of Directors emoluments paid during the year are disclosed in Note 11 to the Financial Statements.

Name of the Director	31.03.13	01.04.12	31.03.12
Dr P Ramanujam	2,350,000	2,350,000	2,350,000
Mr M R Badurdeen	-	2,700,000	2,700,000
Mr M H Mohd Shariff	-	-	-
Dato' S B Hayroni	-	-	-
Mr H B A Latiff	-	-	-
Mr T Someswaran	7	-	-
Mr D Sooriyaarachchi	-	-	-
Mr D Jayaweera	-	-	-

## Interest Register

In compliance with the requirements of the Companies Act No. 7 of 2007, an Interest Register was maintained by the Company during the accounting period ended 31st March 2013.

In terms of section 192 of the Companies Act, the Directors have declared their interests in contracts in the Company and have refrained from voting on matters in which they were materially interested. Directors Interest in contracts with the Company is disclosed on page 25 of the report.

## Directors' interest in shares

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

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

## Related Party transactions exceeding 10% of the equity or 5 % of the Total assets of the Company

Transactions carried out by the company with its related parties during the year ended 31st March 2013 exceeded 5% of the total assets of the company, and disclosed page 11.

## Company Secretaries

M/s Hemas Corporate Services (Pvt) Ltd of Hemas House, No. 75, Braybrooke Place, Colombo 02 was appointed as Secretaries of the Company in place of M/s SSP Corporate Services (Pvt) Ltd who resigned with effect from 1st July 2013.

## Internal Control

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

## Shareholders

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

## Auditors

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

Audit Fees - Rs. 240,000/- (2012 – Rs. 220,000/-)

Fees for non –audit services - Rs.50,000 (2011 – Rs. 50,000)

The Directors have confirmed that to the best of their knowledge the Auditors have had no interest in or relationship with the Company or its subsidiaries other than that of External Auditors.

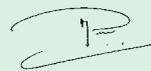
The Auditors have confirmed that they are independent in accordance with the code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Messrs. KPMG have expressed their willingness to continue in office. A resolution to re-appoint them and to authorize the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of  
**Panasian Power PLC**



**Dr. Prathap Ramanujam**  
Director



**Hemas Corporate Services (Pvt) Ltd.**  
Secretaries

30 August 2013

# Statement of Directors' Responsibility

The responsibility of the Directors in relation to the Financial Statements of the Company and its Subsidiaries prepared in accordance with the provisions of the Companies Act No 7 of 2007 is set out in the following statement. The responsibilities of the External Auditor in relation to the Financial Statements are set out in the Report of the Auditors given on page 35 of the Annual Report.

As per the provisions of the Companies Act No 7 of 2007 the Directors are required to prepare Financial Statements for each financial year and place them before a General Meeting. The Financial Statements comprise the Statement of Financial Position as at 31 March 2013, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows for the year then ended and notes thereto.

The Financial Statements of the Company and its Subsidiaries give a true and fair view of:

1. the state of affairs of the Company and its Subsidiaries as at 31 March 2013; and
2. the profit or loss of the Company and its Subsidiaries for the financial year then ended.

In preparing these financial statements the Directors have ensured that:

- i. The appropriate accounting policies have been selected and applied in a consistent manner. Material departures, if any, have been disclosed and explained;
- ii. All applicable accounting standards as relevant have been followed;
- iii. Judgments and estimates have been made which are reasonable and prudent;
- iv. It provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The directors have also ensured that the Company and its Subsidiaries have adequate resources to continue in operation to justify applying the good concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Companies within the Group maintains sufficient accounting records to disclose, with reasonable accuracy of the financial position of the Company and its Subsidiaries and to ensure that

the financial statements presented comply with the requirements of the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange.

The directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution of dividends, in accordance with Section 57 of the Companies Act No 7 of 2007, and will obtain a certificate of solvency from the Auditors, prior to the payment of an interim dividend of Rs 0.10 per share for the year under review.

The Directors are required to prepare the financial statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion.

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

## Compliance Report

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

For and on behalf of the Board of

**Panasian Power PLC**

  
**Dr Prathap Ramanujam**  
Director

  
**Mr Rifky Badurdeen**  
Director

# Independent Auditors' Report



**KPMG**  
(Chartered Accountants)  
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TO THE SHAREHOLDERS OF PANASIAN POWER PLC

## Report on the Financial Statements

We have audited the accompanying financial statements of Panasian Power PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31st March, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 40 to 64 of the Annual Report.

## Management's Responsibility for the Financial Statements

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

## Scope of Audit and Basis of Opinion

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

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

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

## Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March, 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiary dealt with thereby as at 31st March, 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.



**CHARTERED ACCOUNTANTS**

Colombo

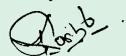
29th August, 2013

# Statement of Financial Position

As at,	Note	Group			Company		
		31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipments	13	456,964,192	476,874,349	486,804,903	150,639,158	161,227,142	160,269,389
Intangible assets	14	299,025,208	300,553,779	302,082,354	6,599,992	7,699,992	8,799,996
Investment in subsidiaries	16	-	-	-	605,107,184	605,107,184	565,107,184
Other investments	17	161,450,000	35,000,000	100	126,450,000	-	100
		917,439,400	812,428,128	788,887,357	888,796,334	774,034,318	734,176,669
<b>Current assets</b>							
Trade and other receivables	18	40,981,958	26,187,338	53,239,731	15,891,974	11,934,402	16,719,879
Amount due from related companies	19	1,320,000	2,368,000	2,368,000	1,320,000	1,320,000	55,535,916
Cash and cash equivalents	20	27,548,768	109,703,107	127,841,895	14,878,708	58,275,755	58,114,859
		69,850,726	138,258,445	183,449,626	32,090,682	71,530,157	130,370,654
<b>Total assets</b>		<b>987,290,126</b>	<b>950,686,573</b>	<b>972,336,983</b>	<b>920,887,016</b>	<b>845,564,475</b>	<b>864,547,323</b>
<b>Equity and liabilities</b>							
<b>Equity</b>							
Stated capital	21	630,000,000	630,000,000	630,000,000	630,000,000	630,000,000	630,000,000
Other reserves		88,024,541	88,024,541	88,024,541	59,079,041	59,079,041	59,079,041
Retained earnings		227,622,528	194,881,100	212,804,354	128,100,330	117,449,873	150,328,278
<b>Total equity attributable to the owners of the company</b>		<b>945,647,069</b>	<b>912,905,641</b>	<b>930,828,895</b>	<b>817,179,371</b>	<b>806,528,914</b>	<b>839,407,319</b>
<b>Non-current liabilities</b>							
Retirement benefit obligations	22	2,192,446	1,368,962	793,109	1,862,872	1,234,127	694,786
Finance lease obligations	23	1,741,490	3,595,631	10,335,698	815,524	1,694,335	7,682,189
Interest bearing loans and borrowings	24	2,741,175	3,561,612	-	2,741,175	3,561,612	-
Deferred tax liabilities	15	22,237,086	19,550,276	16,032,922	9,022,903	8,712,189	8,392,534
		28,912,197	28,076,481	27,161,729	14,442,474	15,202,263	16,769,509
<b>Current liabilities</b>							
Amount due to related companies	25	-	-	-	82,200,000	17,000,000	-
Finance lease obligations	23	1,891,192	1,423,978	2,606,223	878,811	706,290	1,807,197
Interest bearing loans and borrowings	24	1,657,452	1,657,452	-	1,657,452	1,657,452	-
Income tax payable		2,968,046	2,968,998	7,894,198	2,991,270	2,222,687	3,724,374
Other payables and accruals	26	6,214,170	3,654,023	3,845,938	1,537,638	2,246,869	2,838,924
		12,730,860	9,704,451	14,346,359	89,265,171	23,833,298	8,370,495
<b>Total liabilities</b>		<b>41,643,057</b>	<b>37,780,932</b>	<b>41,508,088</b>	<b>103,707,645</b>	<b>39,035,561</b>	<b>25,140,004</b>
<b>Total equity and liabilities</b>		<b>987,290,126</b>	<b>950,686,573</b>	<b>972,336,983</b>	<b>920,887,016</b>	<b>845,564,475</b>	<b>864,547,323</b>

The notes on pages 40 to 64 form an integral part of these financial statements.

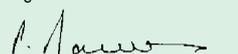
I certify that these financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Financial Controller

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

Signed on behalf of the board



Dr Prathap Ramanujam  
Director



Mr Rifky Badurdeen  
Director

# Statement of Comprehensive Income

<i>For the year ended 31st March</i>		Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
	Note				
Revenue	6	175,831,188	177,487,609	104,732,416	110,035,071
Direct expenses		(24,382,763)	(26,358,265)	(10,645,492)	(12,540,775)
Gross profit		151,448,425	151,129,344	94,086,924	97,494,296
Administrative expenses		(38,700,396)	(38,942,213)	(31,887,803)	(37,240,074)
Other operating income / (expenses)	7	(285,150)	(174,287)	23,501,950	31,716,125
Profit from operations		112,462,879	112,012,844	85,701,071	91,970,347
Finance income	8.1	3,628,015	5,886,821	2,337,276	3,056,300
Finance expenses	8.2	(1,800,606)	(2,447,325)	(1,308,593)	(1,729,633)
Net finance income		1,827,409	3,439,496	1,028,683	1,326,667
Profit before taxation	9	114,290,288	115,452,340	86,729,754	93,297,014
Income tax expense	10	(6,548,860)	(8,375,594)	(1,079,297)	(1,175,419)
Profit for the year		107,741,428	107,076,746	85,650,457	92,121,595
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year attributable to equity holders of the company		107,741,428	107,076,746	85,650,457	92,121,595
Earnings per share	11	0.22	0.21	0.17	0.18
Dividend per share	12	0.15	0.25	0.15	0.25

The notes on pages 40 to 64 form an integral part of these financial statements.

*The figures in bracket indicate deductions.*

# Statement of Changes in Equity

Group	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1st April, 2011 - Previously reported	630,000,000	-	212,804,354	842,804,354
Revaluation reserve	-	102,041,652	-	102,041,652
Origination of deferred tax liability	-	(14,017,111)	-	(14,017,111)
<b>Balance as at 1st April, 2011</b>	<b>630,000,000</b>	<b>88,024,541</b>	<b>212,804,354</b>	<b>930,828,895</b>
<b>Total comprehensive income for the year</b>				
- Profit or loss	-	-	107,076,746	107,076,746
- Other comprehensive income	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>				
- Dividends paid	-	-	(125,000,000)	(125,000,000)
<b>Balance as at 31st March, 2012</b>	<b>630,000,000</b>	<b>88,024,541</b>	<b>194,881,100</b>	<b>912,905,641</b>
<b>Total comprehensive income for the year</b>				
- Profit or loss	-	-	107,741,428	107,741,428
- Other comprehensive income	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>				
- Dividends paid	-	-	(75,000,000)	(75,000,000)
<b>Balance as at 31st March, 2013</b>	<b>630,000,000</b>	<b>88,024,541</b>	<b>227,622,528</b>	<b>945,647,069</b>
<b>Company</b>				
Balance as at 1st April, 2011 - Previously reported	630,000,000	-	150,328,278	780,328,278
Revaluation reserve	-	67,594,552	-	67,594,552
Origination of deferred tax liability	-	(8,515,511)	-	(8,515,511)
<b>Balance as at 1st April, 2011</b>	<b>630,000,000</b>	<b>59,079,041</b>	<b>150,328,278</b>	<b>839,407,319</b>
<b>Total comprehensive income for the year</b>				
- Profit or loss	-	-	92,121,595	92,121,595
- Other comprehensive income	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>				
- Dividends Paid	-	-	(125,000,000)	(125,000,000)
<b>Balance as at 31st March, 2012</b>	<b>630,000,000</b>	<b>59,079,041</b>	<b>117,449,873</b>	<b>806,528,914</b>
<b>Total comprehensive income for the year</b>				
- Profit or loss	-	-	85,650,457	85,650,457
- Other comprehensive income	-	-	-	-
<b>Transaction with owners recorded directly in equity</b>				
- Dividends Paid	-	-	(75,000,000)	(75,000,000)
<b>Balance as at 31st March, 2013</b>	<b>630,000,000</b>	<b>59,079,041</b>	<b>128,100,330</b>	<b>817,179,371</b>

The notes on pages 40 to 64 form an integral part of these financial statements.  
The figures in bracket indicate deductions.

# Statement of Cashflows

<i>For the year ended 31st March,</i>	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
<b>Cash flows from operating activities</b>				
Profit before taxation	114,290,288	115,452,340	86,729,754	93,297,014
Adjustments for,				
Depreciation of property, plant and equipments	16,373,837	17,595,108	7,051,662	7,689,788
Amortisation of intangible assets	1,528,571	1,528,575	1,100,000	1,100,004
Provision for retiring gratuity	881,484	575,853	686,745	539,341
Dividend income	-	-	(23,787,100)	(31,716,125)
Loss on disposal of property, plant and equipments	285,150	174,287	285,150	-
Interest income	(3,628,015)	(5,886,821)	(2,337,276)	(3,056,300)
Interest expense	1,800,606	2,447,325	1,308,593	1,729,633
<b>Operating profit before working capital changes</b>	<b>131,531,921</b>	<b>131,886,666</b>	<b>71,037,528</b>	<b>69,583,355</b>
(Increase) / Decrease in receivables	(14,794,620)	27,656,976	(3,957,572)	4,785,477
Decrease / (Increase) in related company receivables	1,048,000	-	-	54,215,916
Increase / (Decrease) in payables	2,560,147	(191,915)	(709,231)	(592,054)
Increase / (Decrease) in related company payables	-	-	65,200,000	17,000,000
<b>Cash generated from operations</b>	<b>120,345,448</b>	<b>159,351,727</b>	<b>131,570,725</b>	<b>144,992,694</b>
Interest paid	(1,800,606)	(585,865)	(1,308,593)	(585,865)
Income tax paid	(3,173,444)	(6,726,650)	329,627	(2,357,451)
Retiring gratuity paid	(58,000)	-	(58,000)	-
<b>Net cash generated from operating activities</b>	<b>115,313,398</b>	<b>152,039,212</b>	<b>130,533,759</b>	<b>142,049,378</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipments	(98,829)	(8,838,841)	(98,829)	(8,647,541)
Proceeds from disposal of property, plant and equipments	3,350,000	1,000,000	3,350,000	-
Investment in subsidiary company	-	-	-	(40,000,000)
Investment in other companies	(126,450,000)	(35,000,000)	(126,450,000)	-
Dividend income received	-	-	23,787,100	31,716,125
Disposal of investment	-	100	-	100
Interest received	3,628,015	5,886,821	2,337,276	3,056,300
<b>Net cash used in investing activities</b>	<b>(119,570,814)</b>	<b>(36,951,920)</b>	<b>(97,074,453)</b>	<b>(13,875,016)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loan	-	5,600,000	-	5,600,000
Repayment of loan	(820,437)	(380,936)	(820,437)	(380,936)
Dividend paid	(75,000,000)	(125,000,000)	(75,000,000)	(125,000,000)
Payment of finance lease liabilities	(2,076,486)	(9,557,994)	(1,035,916)	(8,232,530)
<b>Net cash used in financing activities</b>	<b>(77,896,923)</b>	<b>(129,338,930)</b>	<b>(76,856,353)</b>	<b>(128,013,466)</b>
Net (decrease) / increase in cash and cash equivalents	(82,154,339)	(18,138,788)	(43,397,047)	160,896
Cash and cash equivalents at the beginning of the year	109,703,107	127,841,895	58,275,755	58,114,859
<b>Cash and cash equivalents at the end of the year (Note 20)</b>	<b>27,548,768</b>	<b>109,703,107</b>	<b>14,878,708</b>	<b>58,275,755</b>

The notes on pages 40 to 64 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1 General Information

### 1.1 Reporting entity

Panasian Power PLC (the "Company") is a public limited company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at "Hemas House", No 75, Braybrooke Place, Colombo 2.

The consolidated financial statements of the Company as at and for the year ended 31 March 2013 comprise the Company and its subsidiaries Manelwala Hydropower (Pvt) Limited and Panasian Investments (Pvt) Limited.

### 1.2 Principal activities and nature of operations

The principal activity of the Company and its Subsidiary Manelwala Hydropower (Pvt) Limited is to produce hydro power. The ultimate parent of the Company was Power Hub International Sdn.Bhd (PHISB), incorporated in Malaysia until 24 April 2013 and, on acquisition of 100 million shares from PHISB, Hemas Power PLC enjoys the status of the ultimate parent Company.

The Company entered into Small Power Purchase Agreement with the Ceylon Electricity Board (CEB) for the sale of electrical energy from Rath Ganga Mini-Hydro Production Facilities for a period of 15 years, beginning on the Commercial Operation Date of 5th July 2004. The capacity of power potential is 2000KW and situated at Rath Ganga, Ratnapura.

The Subsidiary, Manelwala Hydropower (Pvt) Limited entered into Small Power Purchase Agreement with the Ceylon Electricity Board (CEB) for the sale of electrical energy from Kurundu Oya Mini-Hydro Production Facilities for a period of 15 years, beginning on the Commercial Operation Date of 18th June 2008. The capacity of power potential is 2400KW and situated at Walapane, Nuwara Eliya.

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with new Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirement of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Group and its subsidiaries prepared its financial statements for all periods upto 31st March 2012 in accordance with Sri Lanka Accounting Standards effective up to 31st December 2012. These are the Group's first financial statements prepared in accordance

with SLFRSs and LKASs and SLFRS -1 First time Adoption of Sri Lanka Accounting Standard has been applied.

The Company and its subsidiaries has prepared financial statements which comply with SLFRS and LKAS applicable for financial period beginning after 31st March 2012 and the comparative financial statements for the period ended 31st March 2012 and 31st March 2011 were restated to comply with the new SLFRSs / LKASs. The Company's and the Group's opening statement of financial position was prepared as at 01st April 2011 which was the date of transition to SLFRSs/ LKASs.

An explanation of how the transition to SLFRSs/LKASs, has affected the reported financial position, and financial performance of the Group and the Company and its impact to Group and Company is provided in Note 32.

### 2.2 Approval of financial statements

The consolidated financial statements were authorised for issue by the Board of Directors on 29 August 2013

### 2.3 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis except for Retirement benefit obligation which is measured at the present value of the retirement benefit obligation.

### 2.4 Functional and presentation currency

These financial statements are presented in Sri Lankan rupees, which is the Group's functional currency.

### 2.5 Use of Estimates and judgments

The preparation of the financial statements of the Group and the Company in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 22 – Measurement of retirement benefit obligation
- Note 15 – Deferred tax liabilities

## 2.6 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 operations.

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statement of the Group and the Company and in preparing the opening SLFRS statement of financial position as at 01st April 2011 for the purposes of the transition to SLFRSs, unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

### 3.1 Basis of consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Existence of control is evident when the Company controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or is entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

#### 3.1.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### 3.1.3 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is initially recognised at cost. Such goodwill is identified into cash generating units and is annually tested for impairment. Subsequent to initial recognition goodwill is stated at cost less accumulated impairment losses.

Goodwill on acquisition of subsidiaries is presented as an intangible asset in the consolidated statement of financial Position.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed 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 the difference (bargain purchase gain) is immediately recognised in the consolidated comprehensive income statement.

### 3.2 Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lankan rupees, which is the functional currency, at the exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognised in statement of comprehensive income.

### 3.3 Financial Instruments

#### 3.3.1 Financial assets

##### 3.3.1.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

##### (i) Financial assets at fair value through profit or loss

A financial asset is classified into this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the reporting date.

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the reporting date.

## Notes to the Financial Statements

### (iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

### 3.3.1.2 Recognition of financial asset

Regular purchases and sales of financial assets are recognised on the trade - date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other (losses) / gains – net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Company's right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'other gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

### 3.3.1.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 3.3.1.4 Impairment of financial assets

#### (i) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

### 3.3.2 Financial liabilities

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

The group classifies its financial liabilities in to following categories;

- (i) Financial liabilities at fair value through profit or loss
- (ii) Other financial Liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

#### (i) 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.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

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

**(ii) Other financial Liabilities**

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities.

All other financial liabilities are recognized initially at fair value plus directly attributable transaction costs.

**3.4 Assets and bases of their valuation**

**3.4.1 Property, plant and equipment**

**3.4.1.1 Measurement**

All property, plant and equipment is stated at historical cost or construction cost, including incidental expenses less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

All items of property, plant and equipment is initially recognised at cost. A revaluation is carried out when there is a substantial difference between fair value and the carrying amount of the property, and is undertaken by professionally qualified valuers.

Expenditure incurred for the purpose of acquiring, extending or improving Assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

The cost of replacing a part of an item of property, plant and equipment is recognised in carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The cost of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

**3.4.1.2 Depreciation**

Freehold land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, to their residual values over their estimated useful lives as follows:

Office equipment	4 years
Furniture and fittings	4 years
Motor vehicles	4 years
Civil construction (Note I)	15 years (Up to 31 March 2011)
Electro Mechanical Equipment (Note II)	10 years (Up to 31 March 2011)

**Note I**

The Group has reestimated the economic life of the assets group of Civil Construction as follows;

Component	
Intake Weir	44 years
Headrace Channel	44 years
De-silting Tank	47 years
Spillway Gate	41 years
Forebay tank	47 years
Penstock	44 years
Power House	44 years
Rest Rooms	41 years

**Note II**

The Group has reestimated the economic life of the assets group of Electro Mechanical Equipment as follows;

Component	
Turbines	27 years
Generators	29 years
Transformers and Power Lines	29 years
Voltage Panel	27 years
Crane	27 years

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 or is derecognised.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

## Notes to the Financial Statements

### 3.4.1.3 Disposals

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in determining operating profit or loss in the statement of comprehensive income.

### 3.4.2 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

### 3.4.3 Intangible assets

An Intangible Asset is recognised initially at cost when it is probable that future economic benefits that are attributable to the asset will flow to the Group and when the cost of the asset can be measured reliably. These intangible assets are carried in the statement of financial position at cost less accumulated impairment losses.

#### 3.4.3.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets for measurement of goodwill at initial recognition.

#### 3.4.3.2 Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and impairment loss on such an investment is not allocated to any asset including goodwill, that forms part of the carrying amount of the equity accounted investees.

#### 3.4.3.3 Right to generate hydro power

An Intangible Asset is recognised initially at cost when it is probable that future economic benefits that are attributable to the asset will flow to the Group and when the cost of the asset can be measured reliably in accordance with LKAS 38 on intangible assets. Accordingly, the assets are stated in the Balance sheet at cost less amortisation.

Company policy is to amortise the intangible assets over 10 years on a straight line basis. (Subsidiary - 14 years).

### 3.4.4 Accounting for leases by the lessee

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of lease.

### 3.4.5 Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. An impairment estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end.

### 3.4.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### 3.4.7 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 3.4.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### 3.4.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in profit or loss in the period in which they incurred.

### 3.4.10 Taxation

#### (a) Current taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous year.

#### (b) Deferred taxes

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.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits and differences relating to investment in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

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

A deferred tax asset is recognised for unused tax losses 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 benefit will be realised.

### 3.4.11 Employee benefits

#### (a) Defined benefit obligation

defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service. The liability is not externally funded.

The Group recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

#### (b) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligations to pay further amounts. All employees of the Group and the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employers contribute 12% - 15% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. Obligations for contributions to defined benefit plans, EPF and ETF, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### (c) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

### 3.4.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is

# Notes to the Financial Statements

probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

## 3.5 Revenue recognition

### (a) Service income

Sale of services is recognised upon performance of services, net of sales taxes and discounts.

### (b) Finance income/(expenses)

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Finance expenses comprise interest expense on borrowings, preference dividends and impairment losses recognised on financial assets.

### (c) Dividend income

Dividend income is recognised when the right to receive payment is established.

## 3.6 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 3.7 Cash flow statement

The cash flow statement has been prepared using the "indirect method".

## 3.8 Capital commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or

non occurrence of uncertain future events, which are beyond the Group's control. Capital commitments and contingent liabilities of the Company are disclosed in the respective notes to the financial statements.

## 3.9 Events occurring after the reporting date

All material post reporting date events have been considered and where appropriate adjustment to or disclosures have been made in the financial statements.

## 3.10 Earnings per share (EPS)

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

#### (a) Estimated impairment of non-current assets

The group reviews for impairment of property, plant and equipment in accordance with the accounting policy in note 2.8 The recoverable amount of these assets have been determined based on higher of the assets' fair value less cost to sell and value in use. These calculations require the use of estimates and judgments.

Management believes that any reasonably possible change in the estimated future cash flows of the operations on which the recoverable amounts of the cash-generating units is based would not cause the cash-generating units' carrying on amount to exceed its recoverable amount.

#### (b) Defined benefit plan – Gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using

a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plans are based in part on current market conditions, additional information is disclosed in note 22.

## 5 First time adoption of SLFRS/LKAS Exemptions applied

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRS/LKAS.

### 5.1 The Company has applied the following optional exemptions:

SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS/LKAS occurred before 1 April 2011.

Use of this exemption means that the SLAS carrying amounts of assets and liabilities, which are required to be recognised under SLFRS/LKAS, are stated at their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS/LKAS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS statement of financial position. Revalued amounts of free hold lands, civil construction and electro mechanic equipments are taken as deemed cost at the date of transition. office equipment, furniture and fittings and motor vehicles were carried in the statement of financial position prepared in accordance with SLAS in cost basis.

SLFRS 1 also requires that the SLAS carrying amount of goodwill must be used in the opening SLFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Company has tested goodwill for impairment at the date of transition to SLFRS/LKAS.

### 5.2 The Company has applied the following mandatory exceptions:

#### 5.2.1 Significant accounting judgment, estimates and assumptions

Significant accounting judgment, estimates and assumptions at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with SLAS effective up to 31 March 2011 (after adjustments to reflect any differences in accounting policies).

The estimates used by the Group and the Company to present these amounts in accordance with SLFRS/LKAS effective from 1 April 2012 reflect conditions at 1 April 2011, the date of transition to SLFRS/LKAS and as of March 31, 2012.

#### 5.2.2 Explanation of transition to SLFRSs

As noted in Note 2.1, these are the Company's and its subsidiaries first financial statements prepared in accordance with SLFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2013, the comparative information presented in these financial statements for the year 31 March 2012 and in the preparation of an opening SLFRS Statement of financial position at 1 April 2011.

In preparing its opening IFRS statement of financial position, the Company and its Group has adjusted the amounts reported previously in financial statements prepared in accordance with SLAS. An explanation of how the transition from previous SLAS to SLFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

## Notes to the Financial Statements

<i>For the year ended 31st March,</i>		Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
<b>6</b>	<b>Revenue</b>				
	Turnover	175,831,188	177,487,609	104,732,416	110,035,071
		175,831,188	177,487,609	104,732,416	110,035,071

The Group entered into Standardized Power Purchase Agreements with the Ceylon Electricity Board (CEB) for the sale of electrical energy from Rath Ganga and Kurudu Oya mini-hydro power production facilities for a period of 15 years, from the Commercial Operation date of 5th July 2004 and 18th July 2008 for Rath Ganga and Kurudu Oya respectively. The capacity of Rath Ganga power plant is 2,000KW and it is situated at Rath Ganga. The capacity of the Kurudu Oya power plant is 2,400KW which is situated at walapane.

<i>For the year ended 31st March,</i>		Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
<b>7</b>	<b>Other operating income/(expenses)</b>				
	Loss on disposal of property plant and equipment	(285,150)	(174,287)	(285,150)	-
	Dividend income from subsidiary company	-	-	23,787,100	31,716,125
		(285,150)	(174,287)	23,501,950	31,716,125
<b>8</b>	<b>Net finance income/(expense)</b>				
<b>8.1</b>	<b>Finance income</b>				
	Interest income	3,628,015	5,886,821	2,337,276	3,056,300
		3,628,015	5,886,821	2,337,276	3,056,300
<b>8.2</b>	<b>Finance expense</b>				
	Interest on long-term loan	(854,657)	(585,865)	(854,657)	(585,865)
	Interest on finance lease obligations	(945,949)	(1,861,460)	(453,936)	(1,143,768)
		(1,800,606)	(2,447,325)	(1,308,593)	(1,729,633)
	Net finance income	1,827,409	3,439,496	1,028,683	1,326,667
<b>9</b>	<b>Profit before taxation</b>				
	<i>Profit before taxation is stated after charging all the expenses including the following :</i>				
	Direct costs				
	Staff cost (Note 9.1)	7,367,525	7,012,417	4,742,186	4,563,017
	Insurance	1,280,430	1,442,179	680,140	665,415
	Repairs and maintenance services	538,095	1,366,748	355,788	1,006,902
	Depreciation on property, plant and equipment	13,182,305	14,539,368	4,126,757	4,896,691
	Amortisation of intangible assets	1,528,571	1,528,575	1,100,000	1,100,004

<i>For the year ended 31st March,</i>	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
<i>Administrative expenses</i>				
Depreciation on property, plant and equipment	3,055,739	3,191,532	2,924,905	2,793,097
Auditors remuneration				
- Statutory audit	415,000	365,000	240,000	220,000
- Non audit services	50,000	50,000	50,000	50,000
Donations	1,300,874	1,646,832	1,248,934	1,539,832
Staff cost (Note 9.2)	18,312,333	18,011,623	17,272,466	17,115,681
<b>9.1 Staff Cost – Direct cost</b>				
Salaries and wages	6,321,432	5,974,313	4,044,573	3,863,687
Defined contribution plan cost-EPF and ETF	1,046,093	1,038,104	697,613	699,330
	7,367,525	7,012,417	4,742,186	4,563,017
<b>9.2 Staff cost – Administrative expenses</b>				
Salaries and wages	5,998,065	6,378,082	5,227,303	5,646,174
Directors' fees	10,118,004	9,819,696	10,118,004	9,819,696
Defined contribution plan cost-EPF and ETF	1,372,780	1,237,992	1,240,414	1,110,470
Defined benefit plan cost -retiring gratuity	823,484	575,853	686,745	539,341
	18,312,333	18,011,623	17,272,466	17,115,681
<b>Total staff cost</b>	<b>25,679,858</b>	<b>25,024,040</b>	<b>22,014,652</b>	<b>21,678,698</b>
<b>10 Income tax expense</b>				
<b>Current tax expense</b>				
Taxation on current year's profit	1,219,039	1,334,219	768,583	855,764
Tax on dividend paid by subsidiaries	2,643,011	3,524,021	-	-
	3,862,050	4,858,240	768,583	855,764
<b>Deferred tax expense</b>				
Origination of temporary differences	2,686,810	3,517,354	310,714	319,655
<b>Income tax expense in statement of comprehensive income</b>	<b>6,548,860</b>	<b>8,375,594</b>	<b>1,079,297</b>	<b>1,175,419</b>
<b>Tax reconciliation statement</b>				
Profit before taxation	140,951,801	143,671,812	86,729,754	93,297,014
Non business income	(4,319,680)	(6,019,697)	(2,569,973)	(3,056,300)
Aggregate disallowed expenses	22,084,215	55,209,886	11,389,294	23,780,723
Aggregate allowable expenses	(41,230,364)	(49,468,452)	(8,134,558)	(16,171,182)
Exempt income from business	117,665,941	134,103,281	87,453,552	88,559,987

## Notes to the Financial Statements

<i>For the year ended 31st March,</i>		Group 2013 Rs.	2012 Rs.	Company 2013 Rs.	2012 Rs.
<b>10</b>	<b>Income tax expense (Contd.)</b>				
	<b>Income from other sources</b>				
	(Loss) / taxable profit on disposal of fixed assets	-	(1,254,630)	-	-
	Interest income	4,319,680	6,019,697	2,569,973	3,056,300
	Utilisation of tax losses	-	-	-	-
	<b>Taxable income</b>	<b>4,353,711</b>	<b>4,765,067</b>	<b>2,744,938</b>	<b>3,056,300</b>
	<b>Income tax charged at</b>				
	Standard rate of 28%	1,219,039	(1,334,219)	768,583	(855,764)
	<b>Taxation on current profits</b>	<b>1,219,039</b>	<b>(1,334,219)</b>	<b>768,583</b>	<b>(855,764)</b>

The Company enjoys a tax holiday of 15 years from the year 2002/2003 under Section 18 A of the Inland Revenue Act 38 of 2000 (subsequently governed by Section 218 (2) of the Inland Revenue Act 10 of 2006), granted by the Department of Inland Revenue. After the expiration on the aforesaid tax exemption period, the profits and income of the enterprise shall be charged at the rate of 10% for a period of two years immediately succeeding the last date of the tax exemption period. After the expiration of the aforesaid concessional tax rate of 10%, the profit and income of the Company for any year of assessment be charged at the rate of 20%. Income from other sources of the Company will be taxed at the standard rate of 28%.

### 11 Earnings per share

Basic earnings 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 following reflect the income and share data used in the basic earnings per share computation.

	Group		Company	
	2013	2012	2013	2012
Net profit attributable to ordinary shareholders (Rs.)	107,741,428	107,076,746	85,650,457	92,121,595
Weighted average number of ordinary shares	500,000,000	500,000,000	500,000,000	500,000,000
Earnings per share (Rs.)	0.22	0.21	0.17	0.18

There were no dilutive potential ordinary shares outstanding at any time during the period.

## 12 Dividend per share

The calculation of dividend per share is based on the dividend attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

For the year ended 31st March,	Group		Company	
	2013	2012	2013	2012
Dividend declared (Rs.)	75,000,000	125,000,000	75,000,000	125,000,000
Number of ordinary shares	500,000,000	500,000,000	500,000,000	500,000,000
Dividends per share (Rs.)	0.15	0.25	0.15	0.25

The company has paid an interim dividend Rs.0.15/- per share (2010/2011 - 0.25/-) for the year ended 31st March 2012, after the year end.

# Notes to the Financial Statements

## 13 Property plant and equipment Group

	Freehold land		Office equipments		Furniture and fittings		Motor vehicles		Intake weir and Headrace channel		De-silting tank and forbay tank		Spillware gate and rest rooms		Pen stock and power house		Turbines and Generators		Transformers and power lines		Voltage panel and crane		Leasehold Motor vehicle		Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Cost</b>																									
Balance as at 1 April 2011	10,273,000	3,162,066	680,057	7,490,194	102,750,000	64,487,500	26,720,000	55,495,000	176,475,000	11,845,000	24,326,250	10,663,764	494,367,831	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Additions	-	444,550	185,000	6,622,945	-	-	-	1,586,346	-	-	-	-	8,838,841	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at 31 March 2012	10,273,000	3,606,616	865,057	14,113,139	102,750,000	64,487,500	26,720,000	57,081,346.00	176,475,000	11,845,000	24,326,250	7,845,476	500,388,384	-	-	-	-	-	-	-	-	-	-	-	
Additions	-	31,770	67,059	-	-	-	-	-	-	-	-	-	98,829	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(7,270,300)	-	-	-	-	-	-	-	-	(7,270,300)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2013	10,273,000	3,638,386	932,116	6,842,839	102,750,000	64,487,500	26,720,000	57,081,346	176,475,000	11,845,000	24,326,250	7,845,476	493,216,913	-	-	-	-	-	-	-	-	-	-	-	
<b>Depreciation</b>																									
Balance as at 1 April 2011	-	2,475,693	337,652	1,654,010	-	-	-	-	-	-	-	-	7,562,928	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	380,803	154,496	2,637,927	2,335,227	1,372,074	651,707	1,261,250	5,067,272	378,869	806,984	2,548,499	17,595,108	-	-	-	-	-	-	-	-	-	-	-	
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	(1,644,001)	(1,644,001)	-	-	-	-	-	-	-	-	-	-	-	
Balance as at 31 March 2012	-	2,856,496	492,148	4,291,937	2,335,227	1,372,074	651,707	1,261,250	5,067,272	378,869	806,984	4,000,071	23,514,035	-	-	-	-	-	-	-	-	-	-	-	
Depreciation for the year	-	356,113	198,770	1,984,202	2,335,227	1,372,074	651,707	1,261,250	5,067,272	378,869	806,984	1,961,369	16,373,837	-	-	-	-	-	-	-	-	-	-	-	
Accumulated depreciation on disposals	-	-	-	(3,635,150)	-	-	-	-	-	-	-	-	(3,635,150)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2013	-	3,212,609	690,918	2,640,989	4,670,455	2,744,149	1,303,415	2,522,500	10,134,543	757,737	1,613,967	5,961,440	36,252,721	-	-	-	-	-	-	-	-	-	-	-	
<b>Carrying amount</b>																									
As at 31-03-2013	10,273,000	425,777	241,198	4,201,850	98,079,545	61,743,351	25,416,585	54,558,846	166,340,457	11,087,263	22,712,283	1,884,036	456,964,192	-	-	-	-	-	-	-	-	-	-	-	
As at 31 -03-2012	10,273,000	750,120	372,909	9,821,202	100,414,773	63,115,426	26,068,293	55,820,096	171,407,728	11,466,131	23,519,266	3,845,405	476,874,349	-	-	-	-	-	-	-	-	-	-	-	
As at 01 -04-2011	10,273,000	686,373	342,405	5,836,184	102,750,000	64,487,500	26,720,000	55,495,000	176,475,000	11,845,000	24,326,250	7,568,191	486,804,903	-	-	-	-	-	-	-	-	-	-	-	

13 Property plant and equipment  
Company

	Freehold land		Office equipments		Furniture and fittings		Motor vehicles		Intake weir and Headrace channel		De-silting tank and forbay tank		Spillware gate and rest rooms		Pen stock and power house		Turbines and Generators		Transformers and power lines		Voltage panel and crane		Leasehold Motor vehicle		Total			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Cost</b>																												
Balance as at 1 April 2011	5,950,000	2,670,157	296,757	7,388,074	39,100,000	27,200,000	11,900,000	21,675,000	34,650,000	2,695,000	8,085,000	3,711,966	165,321,954															
Additions	-	253,250	185,000	6,622,945	-	-	-	1,586,346	-	-	-	-	8,647,541															
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-															
Balance as at 31 March 2012	5,950,000	2,923,407	481,757	14,011,019	39,100,000	27,200,000	11,900,000	23,261,346.00	34,650,000	2,695,000	8,085,000	3,711,966	173,969,495															
Additions	-	31,770	67,059	-	-	-	-	-	-	-	-	-	98,829															
Disposals	-	-	-	(7,270,300)	-	-	-	-	-	-	-	-	(7,270,300)															
Balance as at 31 March 2013	5,950,000	2,955,177	548,816	6,740,719	39,100,000	27,200,000	11,900,000	23,261,346	34,650,000	2,695,000	8,085,000	3,711,966	166,798,024															
<b>Depreciation</b>																												
Balance as at 1 April 2011	-	2,280,214	164,050	1,602,977	-	-	-	-	-	-	-	-	5,052,565															
Depreciation for the year	-	213,986	58,671	2,612,384	888,636	578,723	290,244	492,614	1,234,163	92,931	299,444	927,991	7,689,788															
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-															
Balance as at 31 March 2012	-	2,494,200	222,721	4,215,361	888,636	578,723	290,244	492,614	1,234,163	92,931	299,444	1,933,315	12,742,353															
Depreciation for the year	-	185,311	102,945	1,958,659	888,636	578,723	290,244	492,614	1,234,163	92,931	299,444	927,991	7,051,662															
Accumulated depreciation on disposals	-	-	-	(3,635,150)	-	-	-	-	-	-	-	-	(3,635,150)															
Balance as at 31 March 2013	-	2,679,511	325,666	2,538,870	1,777,273	1,157,447	580,488	985,227	2,468,327	185,862	598,889	2,861,306	16,158,866															
<b>Carrying amount</b>																												
As at 31-03-2013	5,950,000	275,666	223,150	4,201,849	37,322,727	26,042,553	11,319,512	22,276,119	32,181,673	2,509,138	7,486,111	850,660	150,639,158															
As at 31-03-2012	5,950,000	429,207	259,036	9,795,658	38,211,364	26,621,277	11,609,756	22,768,732	33,415,837	2,602,069	7,785,556	1,778,651	161,227,142															
As at 01-04-2011	5,950,000	389,943	132,707	5,785,097	39,100,000	27,200,000	11,900,000	21,675,000	34,650,000	2,695,000	8,085,000	2,706,642	160,269,389															
<b>Fully depreciated assets</b>																												
As at 31-03-2013	-	2,441,934	438,947	219,895	-	-	-	-	-	-	-	-	3,100,776															
As at 31-03-2012	-	2,441,934	438,947	219,895	-	-	-	-	-	-	-	-	3,100,776															
As at 01-04-2011	-	2,298,184	438,947	102,120	-	-	-	-	-	-	-	-	2,839,251															

## Notes to the Financial Statements

### 13 Property plant and equipment (contd.)

#### Land revaluation

	Location	Last revalued	Extent	Carrying amount as at 31 March 2013	Revaluation surplus	Carrying amount at cost
Panasian Power PLC	Rathnapura	4/1/2011	3.6A	5,950,000	901,556	5,048,444
Manelwala Hydropower PLC	Walapane	4/1/2011	3.7A	4,323,000	324,622	3,998,378

### 14 Intangible assets

#### Right to generate hydro power

	2013 Rs	Group 2012 Rs	2,011 Rs	2013 Rs	Company 2012 Rs	2,011 Rs
<b>Cost</b>						
Balance as at the beginning of the year	17,000,000	17,000,000	11,000,000	11,000,000	11,000,000	11,000,000
On acquisition of subsidiary	-	-	6,000,000	-	-	-
Balance as at end of the year	17,000,000	17,000,000	17,000,000	11,000,000	11,000,000	11,000,000
<b>Amortisation</b>						
Balance the beginning of the year	4,585,722	3,057,147	1,100,000	3,300,008	2,200,004	1,100,000
Amortisation charge for the year	1,528,571	1,528,575	1,957,147	1,100,000	1,100,004	1,100,004
Balance the end of the year	6,114,293	4,585,722	3,057,147	4,400,008	3,300,008	2,200,004
<b>Carrying amount</b>	10,885,707	12,414,278	13,942,853	6,599,992	7,699,992	8,799,996
<b>Goodwill on acquisition of subsidiary</b>	288,139,501	288,139,501	288,139,501			
	299,025,208	300,553,779	302,082,354			

(i) The right to generate hydro power represent the amounts paid to purchase exclusive rights to generate hydro power.

(ii) Goodwill on acquisition of subsidiary represents that arising from the acquisition of equity in Manelwala Hydro Power (Pvt) Ltd.

(iii) There has been no permanent impairment of intangible assets that requires a provision. Methods used in estimating recoverable amount is given below:

The recoverable value of Manelwala Hydro Power (Pvt) Ltd was based on value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and key assumptions used there given below.

Business Growth	Based on historical growth rate and business plan
Inflation	Based on the current inflation rate and the percentage of the total cost subjected to the inflation.
Discount rate	Average market borrowing rate adjusted for risk premium.
Margin	Based on current margin and business plan.

(iv) Remaining amortisation period of rights to generate hydro power.

Remaining amortisation period	Carrying amount
Due within five year	7,775,505
Due after five years	3,110,202
	10,885,707

<i>As at,</i>	Group			Company		
	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.
<b>15 Deferred tax assets / liabilities</b>						
Balance as at beginning of the year	19,550,276	16,032,922	2,444,069	8,712,189	8,392,534	(115,019)
Originatio n of temporary difference	2,686,810	3,517,354	13,588,853	310,714	319,655	8,507,553
Balance as at end of the year	22,237,086	19,550,276	16,032,922	9,022,903	8,712,189	8,392,534

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Composition of deferred tax assets and liabilities is as follows,

<i>As at,</i>	Group			Company		
	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.
Property, plant and equipment	22,456,331	19,687,172	16,112,233	9,209,190	8,835,601	8,462,013
Retirement benefit obligations	(219,244)	(136,897)	(79,311)	(186,287)	(123,413)	(69,479)
Net deferred tax liability	22,237,086	19,550,276	16,032,922	9,022,903	8,712,189	8,392,534
Tax loss carried forward	77,371,247	77,371,247	77,371,247	-	-	-

Deferred tax asset have not been recognised in respect of tax losses carried forward because it is not certain that these losses can be utilised against future taxable profits.

## Notes to the Financial Statements

As at,	Holding %	Group			Company		
		31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.
<b>16 Investment in subsidiaries</b>							
Manelwala Hydropower (Pvt) Limited	100	-	-	-	565,107,184	565,107,184	565,107,184
Panasian Investments (Pvt) Limited	100	-	-	-	40,000,000	40,000,000	-
		-	-	-	605,107,184	605,107,184	565,107,184
<b>17 Other investments</b>							
Padiyapelella Hydropower Limited		-	-	100	-	-	100
Advance to Padiyapelella Hydropower Limited		161,450,000	35,000,000	-	126,450,000	-	-
		161,450,000	35,000,000	100	126,450,000	-	100
<b>18 Trade and other receivables</b>							
<b>Trade receivables</b>							
Ceylon Electricity Board		34,025,076	18,809,126	48,561,409	10,770,593	8,014,849	14,378,711
<b>Other receivables</b>							
Deposits paid		558,605	681,960	800,785	349,523	372,878	491,703
Prepayments		3,843,830	3,379,239	2,858,569	2,293,411	1,903,589	1,429,978
Advance recoverable		544,500	395,000	146,750	468,500	300,000	73,375
Economic Service Charge recoverable		-	-	872,218	-	-	346,112
Other receivable		2,009,947	2,922,013	-	2,009,947	1,343,086	-
		40,981,958	26,187,338	53,239,731	15,891,974	11,934,402	16,719,879
<b>19 Amount due from related companies</b>							
Powerhub International SDN.BHD		1,320,000	2,368,000	2,368,000	1,320,000	1,320,000	1,320,000
Manelwala Hydropower (Pvt) Limited		-	-	-	-	-	54,215,916
		1,320,000	2,368,000	2,368,000	1,320,000	1,320,000	55,535,916
<b>20 Cash and cash equivalents</b>							
Cash at bank		27,513,060	109,655,797	127,755,618	14,844,371	58,229,445	58,045,340
Cash in hand		35,708	47,310	86,277	34,337	46,310	69,519
Cash and cash equivalents for the statement of cash flows		27,548,768	109,703,107	127,841,895	14,878,708	58,275,755	58,114,859

As at,

31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.
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21 Stated capital

Issued and fully paid number of shares

500,000,000 ordinary shares

630,000,000	630,000,000	630,000,000
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Rights, Preference and Restrictions of Classes of Capital

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

As at,

	Group			Company		
	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.

22 Retirement benefit obligations

Present value of unfunded obligations

2,192,446	1,368,962	793,109	1,862,872	1,234,127	694,786
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Total present value of the obligation

2,192,446	1,368,962	793,109	1,862,872	1,234,127	694,786
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Balance as at the beginning of the year

1,368,962	793,109	328,626	1,234,127	694,786	328,626
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Acturial (gain)/losses

99,699	(53,447)	131,985	(1,966)	(35,049)	236,993
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Current service cost

631,199	87,242	177,088	552,957	76,426	129,167
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Interest cost

150,586	542,058	-	135,754	497,964	-
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2,250,446	1,368,962	637,699	1,920,872	1,234,127	694,786
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Benefit paid by the plan

(58,000)	-	-	(58,000)	-	-
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Defined benefit obligations of company acquired

-	-	155,410	-	-	-
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Balance as at end of the year

2,192,446	1,368,962	793,109	1,862,872	1,234,127	694,786
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Expense recognised in profit or loss;

Interest cost

150,586	542,058	-	135,754	497,964	-
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Current service cost

631,199	87,242	177,088	552,957	76,426	129,167
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Net actuarial (gain)/losses

99,699	(53,447)	131,985	(1,966)	(35,049)	236,993
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881,484	575,853	309,073	686,745	539,341	366,160
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Principal actuarial assumptions used;

2012/13	2011/12
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%	%
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(i) Rate of discount

11	12
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(ii) Salary increment rate

10	10
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(iii) Retirement age - years

55	55
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(iv) The company will continue in business as going concern

This note indicates the assumptions used and the movement in the employee benefits and is not externally funded. Refer note 3.13 for accounting policy on employee benefits. As at 31st March 2013 the gratuity liability was actuarially valued under the projected unit credit (PUC) method by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Limited. The liability is not externally funded. The valuation is performed annually.

## Notes to the Financial Statements

As at,	Group			Company		
	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.	31 March 2013 Rs.	31 March 2012 Rs.	01 April 2011 Rs.
<b>23 Finance lease obligations</b>						
Balance as at the beginning of the year	6,312,955	17,195,526	5,082,895	3,011,063	12,568,170	5,082,895
Lease obligations entered during the year	–	–	18,548,544	–	–	10,221,371
Amount obliged from acquisition	–	–	3,532,550	–	–	–
Cessation of lease	–	(8,065,931)	(5,127,785)	–	(7,841,119)	–
Lease rentals paid during the year	(2,076,486)	(2,816,640)	(4,840,678)	(1,035,916)	(1,715,988)	(2,736,096)
<b>Balance at the end of the year</b>	<b>4,236,469</b>	<b>6,312,955</b>	<b>17,195,526</b>	<b>1,975,147</b>	<b>3,011,063</b>	<b>12,568,170</b>
Finance charges unamortised	(603,787)	(1,293,346)	(4,253,605)	(280,812)	(610,438)	(3,078,784)
<b>Balance as at the end of the year</b>	<b>3,632,682</b>	<b>5,019,609</b>	<b>12,941,921</b>	<b>1,694,335</b>	<b>2,400,625</b>	<b>9,489,386</b>
Due within one year	1,891,192	1,423,978	2,606,223	878,811	706,290	1,807,197
Due after one year and within five years	1,741,490	3,595,631	10,335,698	815,524	1,694,335	7,682,189
	3,632,682	5,019,609	12,941,921	1,694,335	2,400,625	9,489,386
<b>24 Interest bearing loans and borrowings</b>						
Balance as at the beginning of the year	5,219,064	5,600,000	–	5,219,064	5,600,000	–
Repayments made during the year	(820,437)	(380,936)	–	(820,437)	(380,936)	–
<b>Balance as at the end of the year</b>	<b>4,398,627</b>	<b>5,219,064</b>	<b>–</b>	<b>4,398,627</b>	<b>5,219,064</b>	<b>–</b>
Due within one year	1,657,452	1,657,452	–	1,657,452	1,657,452	–
Due after one year and within five years	2,741,175	3,561,612	–	2,741,175	3,561,612	–
	4,398,627	5,219,064	–	4,398,627	5,219,064	–
<b>25 Amount due to related companies</b>						
Manelwala Hydropower (Pvt) Limited	–	–	–	82,200,000	17,000,000	–
	–	–	–	82,200,000	17,000,000	–
<b>26 Other payables and accruals</b>						
Other payables	5,299,237	3,253,481	1,271,753	1,175,550	2,024,883	602,423
Accruals	914,933	400,542	2,574,185	362,088	221,986	2,236,501
	6,214,170	3,654,023	3,845,938	1,537,638	2,246,869	2,838,924

## 27 Related party transactions

### 27.1 Identify of the related parties

The Company acquired 100% of Manelwala Hydropower (Pvt) Limited on 31 August 2010. The company has a related party relationship with the former parent company Power- Hub International Sdn.Bhd. and its affiliates.

### 27.2 Transactions with key management personnel

Key management personnel comprise of Directors of the Company.

#### (i) Loans given to Directors

No loans given to the Directors of the Company.

#### (ii) Key management personnel compensation

There were no transactions other than employment benefits disclosed in note 9 to the Financial Statements, with key management personnel during the year.

#### (iii) Transactions with affiliate companies

The Company has a related party relationship with its related group Companies. The following transactions were carried out with related parties during the year ended 31st March 2013.

Name of the Company	Relationship	Nature of Transaction	Transaction Amount	Outstanding amount as at 31/3/2013	Outstanding amount as at 31/3/2012	Outstanding amount as at 31/3/2011
			Rs.	Rs.	Rs.	Rs.
Power Hub International Sdn. Bhd	Affiliate		-	1,320,000	1,320,000	1,320,000
Manelwala Hydropower (Pvt) Ltd	Subsidiary	Fund transfer	65,200,000	(82,200,000)	(17,000,000)	54,215,916
Padiyapelella Hydropower Limited	Affiliate	Disposal of Investment	-	-	-	100
Panasian Investments (Pvt) Limited	Subsidiary	Investment	-	40,000,000	40,000,000	-

The above transactions have been taken place on normal terms, in the ordinary course of business during the year. During the year no payments were made to the directors of the affiliate companies.

## 28 Capital commitments

As per the Addendum entered into between Power Hub International Sdn Bhd, Padiyapelella Hydropower Limited and Panasian Power PLC for the acquisition of 90% stake of Padiyapelella Hydropower Limited, an advance payment of Rs 276,450,000 has been paid by end of first quarter 2013/2014. The Company is committed to pay the balance payment of Rs 633,550,00 on the commencement of operation of Padiyapelella Hydropower Limited, which is currently under construction. Except for the above, there are no material capital expenditure committed for the company by the Directors as at 31st March, 2013. No capital commitments by the subsidiary companies as at reporting date.

## 29 Contingent liabilities

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

## Notes to the Financial Statements

### 30 Events occurring after the reporting date

Hemas Power PLC acquired 100 Million Ordinary Shares of the Company for Rs 3/- each on the 24 April 2013 and thereby, enjoys the status of single major share holder of the Company. Hemas Power PLC together with its subsidiaries hold 29.3% of the stated capital. The detail break up is given below:

Company Name	No of shares held	%
Hemas Power PLC	100,000,000	20
Okanda Power Grid (Pvt) Limited	36,200,000	7.24
Upper Agra Oya Hydro Power (Pvt) Limited	10,300,000	2.06
	146,500,000	29.30

The directorate of the Company changed as at 24 April 2013 as given in pages 6 to 9

An interim dividend of Rs. 0.10 per share has been declared by the Group for the year ended 31 March 2013 in August 2013 amounting to Rs. 50,000,000 (2012 -Rs. 0.15 per share amounting to Rs. 75,000,000).

### 31 Financial Risk Management

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

#### 31.1 Credit risk

'Credit risk' is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was;

As at, Group	31 Mar 2013 Rs.	31 Mar 2012 Rs.	1 Apr 2011 Rs.
Trade receivables	34,025,076	18,809,126	48,561,409
Prepayments and deposits	4,402,435	4,061,199	3,659,354
Other receivables	2,009,947	2,922,013	-
Cash deposits	27,548,768	109,703,107	127,841,895
	67,986,226	135,495,445	180,062,658

#### 31.2 Market risk

'Market risk' is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

##### 31.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates. The table below summarises the maturity profile of the Group's financial liabilities

As at 31 March 2013	Less than 12 months	1 to 5 years	Total
Interest bearing loans and borrowings	1,657,452	2,741,175	4,398,627
Other payables and accruals	6,214,170	-	6,214,170
Finance lease obligations	1,891,192	1,741,490	3,632,682
	9,762,814	4,482,665	14,245,479
<b>As at 31 March 2012</b>			
Interest bearing loans and borrowings	1,657,452	3,561,612	5,219,064
Other payables and accruals	3,654,023	-	3,654,023
Finance lease obligations	1,423,978	3,595,631	5,019,609
	6,735,453	7,157,243	13,892,696
<b>As at 01 April 2011</b>			
Interest bearing loans and borrowings	-	-	-
Other payables and accruals	3,845,938	-	3,845,938
Finance lease obligations	2,606,223	10,335,698	12,941,921
	6,452,161	10,335,698	16,787,859

### 31.3 Explanatory notes to the transition from SLAS to SLFRS/LKAS's

#### 31.3.1 Component depreciation

The group adopted component depreciation by recognising significant parts of assets which have different useful lives separately and depreciated using their respective useful lives. The impact to depreciation, property plant and equipment and deferred tax liabilities due to this change for the Group and Company for the respective periods are as follows,

	Statement of comprehensive income 31 March 2012 Rs	Statement of financial position 31 March 2012 Rs	01 April 2011 Rs
<b>Group</b>			
Depreciation	9,290,268	-	-
Property, plant and equipment	-	131,011,482	102,041,653
Retained earnings	-	26,120,596	(113,961)
Deferred tax liabilities	-	16,866,345	14,017,111
<b>Company</b>			
Depreciation	29,244,547	-	-
Property, plant and equipment	-	76,884,821	67,594,552
Retained earnings	-	1,568,929	(8,515,511)
Deferred tax liabilities	-	7,721,340	8,392,534

## Notes to the Financial Statements

### 32 Explanation of transition to new SLFRS

As stated in note 2.1, these are the Company's first financial statements prepared in accordance with new SLFRSs/LKASs.

In preparing its opening SLFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous SLAS. An explanation of how the transition from previous SLASs has affected the Company's financial position and financial performance is set out in the following tables.

	Note	Company		As per SLFRS Rs.	Group		As per SLFRS Rs.
		As per SLAS Rs.	Effect of transition Rs.		As per SLAS Rs.	Effect of transition Rs.	
Revenue		110,035,071	-	110,035,071	177,487,609	-	177,487,609
Direct expenses	32.3	(21,831,043)	9,290,268	(12,540,775)	(55,602,812)	29,244,547	(26,358,265)
Gross profit		88,204,028	9,290,268	97,494,296	121,884,797	29,244,547	151,129,344
Administrative expenses		(37,240,074)	-	(37,240,074)	(38,942,213)	-	(38,942,213)
Other operating income		31,716,125	-	31,716,125	(174,287)	-	(174,287)
Profit from operations		82,680,079	-	91,970,347	82,768,297	-	112,012,844
Finance income		3,056,300	-	3,056,300	5,886,821	-	5,886,821
Finance expenses		(1,729,633)	-	(1,729,633)	(2,447,325)	-	(2,447,325)
Net finance income		1,326,667	-	1,326,667	3,439,496	-	3,439,496
Profit before tax		84,006,746	9,290,268	93,297,014	86,207,793	29,244,547	115,452,340
Income tax expense		(1,969,590)	794,171	(794,171)	(1,841,584)	(6,534,010)	(8,375,594)
<b>Profit for the year</b>		<b>82,037,156</b>	<b>10,084,439</b>	<b>92,121,595</b>	<b>84,366,209</b>	<b>22,790,537</b>	<b>107,076,746</b>
Other Comprehensive Income for the period		-	-	-	-	-	-
<b>Total Comprehensive Income for the period</b>		<b>82,037,156</b>	<b>10,084,439</b>	<b>92,121,595</b>	<b>84,366,209</b>	<b>22,790,537</b>	<b>107,076,746</b>

Figures in brackets indicate deductions.

### 32.1 Reconciliation of Statement of Financial Position as at 01 April 2011 and 31 March 2012

Group							
As at,							
	Note	Reconciliation of equity as at 31 March 2012			Reconciliation of equity as at 1st April 2011 (date of transition to SLFRS / LKAS)		
		As per SLAS Rs.	Effect of transition to SLFRS Rs.	As per SLFRS Rs.	As per SLAS Rs.	Effect of transition to SLFRS Rs.	As per SLFRS Rs.
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	32.3	345,862,867	131,011,482	476,874,349	384,763,250	102,041,653	486,804,903
Intangible assets		300,553,779	-	300,553,779	302,082,354	-	302,082,354
Investment in subsidiaries		-	-	-	-	-	-
Other investments		35,000,000	-	35,000,000	100	-	100
		681,416,646	131,011,482	812,428,128	686,845,704	102,041,653	788,887,357
<b>Current assets</b>							
Trade and other receivables		26,187,338	-	26,187,338	53,239,732	-	53,239,732
Amount due from related companies		2,368,000	-	2,368,000	2,368,000	-	2,368,000
Cash and cash equivalents		109,703,107	-	109,703,107	127,841,895	-	127,841,895
		138,258,445	-	138,258,445	183,449,627	-	183,449,627
<b>Total Assets</b>		819,675,091	131,011,482	950,686,573	870,295,331	102,041,653	972,336,984
<b>Equity and liabilities</b>							
<b>Equity</b>							
Stated capital		630,000,000	-	630,000,000	630,000,000	-	630,000,000
Retained earnings		168,760,504	26,120,596	194,881,100	212,918,315	(113,961)	212,804,354
Other reserves	32.3	-	88,024,541	88,024,541	-	88,024,541	88,024,541
<b>Total equity attributable to the owners of the company</b>		798,760,504	114,145,137	912,630,913	842,918,315	87,910,581	930,828,895
<b>Non-current liabilities</b>							
Retirement benefit obligations		1,368,962	-	1,368,962	793,109	-	793,109
Finance lease obligations		3,595,631	-	3,595,631	10,335,698	-	10,335,698
Interest bearing loans and borrowings		3,561,612	-	3,561,612	-	-	-
Deferred tax liabilities	32.3	2,683,931	16,866,345	19,550,276	2,015,811	14,017,111	16,032,922
		11,210,136	16,866,345	28,076,481	13,144,618	14,017,111	27,161,729
<b>Current liabilities</b>							
Other payables Accruals		3,654,023	-	3,654,023	3,845,938	-	3,845,938
Amount due to related companies		-	-	-	-	-	-
Income tax payable		2,968,998	-	2,968,998	7,780,237	113,961	7,894,198
Finance lease obligations		1,423,978	-	1,423,978	2,606,223	-	2,606,223
Interest bearing loans and borrowings		1,657,452	-	1,657,452	-	-	-
		9,704,451	-	9,704,451	14,232,398	113,961	14,346,359
<b>Total liabilities</b>		20,914,587	16,866,345	37,780,932	27,377,016	14,131,072	41,508,088
<b>Total Equity and Liabilities</b>		819,675,091	131,011,482	950,686,573	870,295,331	102,041,653	972,336,983

## Powering the People, Nation and the Environment

### 32.2 Reconciliation of Statement of Financial Position as at 01 April 2011 and 31 March 2012

Company		Reconciliation of equity as at 31 March 2012			Reconciliation of equity as at 1st April 2011 (date of transition to SLFRS / LKAS)		
As at,		As per SLAS	Effect of transition to SLFRS	As per SLFRS	As per SLAS	Effect of transition to SLFRS	As per SLFRS
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	32.3	84,342,322	76,884,820	161,227,142	92,674,837	67,594,552	160,269,389
Intangible assets		7,699,992	-	7,699,992	8,799,996	-	8,799,996
Deferred tax		-	-	-	122,977	(122,977)	-
Investment in subsidiaries		605,107,184	-	605,107,184	100	-	100
Other investments		-	-	-	565,107,184	-	565,107,184
		697,149,498	76,884,820	774,034,318	666,705,094	67,471,575	734,176,669
<b>Current assets</b>							
Trade and other receivables		11,934,402	-	11,934,402	16,719,879	-	16,719,879
Amount due from related companies		1,320,000	-	1,320,000	55,535,916	-	55,535,916
Cash and cash equivalents		58,275,755	-	58,275,755	58,114,859	-	58,114,859
		71,530,157	-	71,530,157	130,370,654	-	130,370,654
<b>Total Assets</b>		<b>768,679,655</b>	<b>76,884,820</b>	<b>845,564,475</b>	<b>797,075,748</b>	<b>67,471,575</b>	<b>864,547,323</b>
<b>Equity and liabilities</b>							
<b>Equity</b>							
Stated capital		630,000,000	-	630,000,000	630,000,000	-	630,000,000
Retained earnings	32.3	107,365,433	1,568,929	108,934,362	150,328,278	(8,515,511)	141,812,767
Other reserves	32.3	-	67,594,552	67,594,552	-	67,594,552	67,594,552
<b>Total equity</b>		<b>737,365,433</b>	<b>69,163,481</b>	<b>806,528,914</b>	<b>780,328,278</b>	<b>59,079,041</b>	<b>839,407,319</b>
<b>Non-current liabilities</b>							
Retirement benefit obligations		1,234,127	-	1,234,127	694,786	-	694,786
Finance lease obligations		1,694,335	-	1,694,335	7,682,189	-	7,682,189
Interest bearing loans and borrowings		3,561,612	-	3,561,612	-	-	-
Deferred tax liabilities	32.3	990,849	7,721,340	8,712,189	-	8,392,534	8,392,534
		7,480,923	7,721,340	15,202,263	8,376,975	8,392,534	16,769,509
<b>Current liabilities</b>							
Other payables and accruals		2,246,869	-	2,246,869	2,838,924	-	2,838,924
Amount due to related parties		17,000,000	-	17,000,000	-	-	-
Income tax payable		2,222,687	-	2,222,687	1,807,197	-	1,807,197
Finance lease obligations		706,290	-	706,290	3,724,374	-	3,724,374
Interest bearing loans and borrowings		1,657,452	-	1,657,452	-	-	-
		23,833,299	-	23,833,298	8,370,495	-	8,370,495
<b>Total liabilities</b>		<b>31,314,222</b>	<b>7,721,340</b>	<b>39,035,561</b>	<b>16,747,470</b>	<b>8,392,534</b>	<b>25,140,004</b>
<b>Total Equity And Liabilities</b>		<b>768,679,655</b>	<b>76,884,821</b>	<b>845,564,475</b>	<b>797,075,748</b>	<b>67,471,575</b>	<b>864,547,323</b>

# Five Years Summary

## Company

A) Summary of Financial position	2013 Rs	2012 Rs	2011 Rs	2010 Rs	2009 Rs
Turnover	104,732,416	110,035,071	141,149,938	118,049,752	97,026,487
Gross Profit	94,086,924	97,494,296	119,102,199	95,757,625	69,082,541
Net Profit before Finance cost	85,701,071	91,970,347	92,028,781	79,672,127	65,340,526
Profit before Taxation	86,729,754	93,297,014	90,706,700	79,260,424	61,916,706
Taxation	(1,079,297)	(1,175,419)	(2,058,262)	(1,339,278)	(418,992)
Profit loss after Taxation	85,650,457	92,121,595	88,648,438	77,921,145.95	61,497,714

B) Summary of Financial position	2013 Rs	2012 Rs	2011 Rs	2010 Rs	2009 Rs
<b>Capital Reserves</b>					
Ordinary Shares	630,000,000	630,000,000	630,000,000	30,000,000	15,000,000
Preference Shares	Nil	Nil	Nil	85,000,000	85,000,000
Retained Earnings	128,100,330	117,449,873	150,328,278	104,097,285	81,376,139
Other Reserve	59,079,041	59,079,041	59,079,041	Nil	Nil
Total Equity	817,179,371	806,528,914	839,407,319	219,097,285	181,376,139

### Assets & Liabilities

Current Assets	32,090,682	71,530,157	130,370,654	113,263,878	79,954,421
Current Liabilities	7,065,171	6,833,298	8,370,495	2,148,526	28,741,598
Net Current Assets	25,025,511	48,551,495	122,000,159	111,115,352	51,212,823

Property, Plant and Equipment	150,639,158	161,227,142	160,269,389	100,760,078	109,136,385
Other Non Current Assets	738,157,176	613,012,041	574,030,257	10,015,019	47,279,617
Related Party payables	82,200,000	17,000,000	Nil	Nil	Nil
Non Current Liabilities	14,442,474	15,202,263	16,769,509	2,793,164	26,252,686
Net Assets	817,179,371	806,528,914	839,407,319	219,097,285	181,376,139
Total Assets	920,887,016	845,564,475	864,547,323	224,038,975	236,370,423

Stated Capital	630,000,000	630,000,000	630,000,000	30,000,000	15,000,000
Dividends Declared / Paid	50,000,000	75,000,000	125,000,000	13,200,000	Nil

Note : Figures are given according to SLFRS for the year 2013 and 2012 whilst other figures are provided as per SLAS.

# Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of **Panasian Power PLC** will be held at the Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 02 on Monday, 30th September 2013 at 2.30 p.m for the following purpose :

## AGENDA

1. To receive and consider the Statements of Accounts of the Company and Group for the year ended 31st March 2013, together with the Report of the Directors and Auditors thereon.
2. To re-elect as Director, Mr. Imtiaz Esufally who retires in terms of Article 24(2) of the Articles of Association of the Company.
3. To re-elect as Director, Mr.Kishantha Nanayakkara who retires in terms of Article 24(2) of the Articles of Association of the Company.
4. To re-elect as Director, Mr. Riad Ameen who retires in terms of Article 24(2) of the Articles of Association of the Company
5. To re-appoint M/s KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine and make donations to charity for the year 2013/14.
7. To consider any other business of which due notice has been given.

By Order of the Board of

**Panasian Power Plc**



**Hemas Corporate Services (Private) Limited**

Secretaries

Colombo

30th August 2013

### **Note:**

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote in his/her place.
2. A Proxy need not be a Member of the Company.
3. A Form of Proxy accompanies this Notice.
4. Shareholders attending the meeting are kindly requested to bring with them their National Identity card or other similar form of identification for production at the reception desk.

# Form of Proxy

I/We.....  
of.....  
being a Member/s of PANASIAN POWER PLC do hereby appoint .....  
of.....or failing him/her

Dr. Prathap Ramanujam	or failing him
Mr. Mohideen Rifky Badurdeen	or failing him
Mr. Mohd Hairol Mohd Shariff	or failing him
Mr. Thirunavukarasu Someswaran	or failing him
Mr. Deepal Sooriyaarachchi	or failing him
Mr. Imtiaz Abidhusein Hassanally Esufally	or failing him
Mr. Godakande Aratchige Kishantha Nanayakkara	or failing him
Mr. Mahmud Riad Ameen	

as\*my/our proxy to represent \*me/us and to vote on \*my/our behalf at the Annual General Meeting of the Company to be held on Monday, 30th September 2013 at 2.30 p.m at the Auditorium of the Ceylon Chamber of Commerce, No 50, Nawam Mawatha, Colombo 02 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Statement of Accounts for the year ended 31st March 2013 together with the Report of the Directors and Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Imtiaz Esufally who retires in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Kishantha Nanayakkara, who retires in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Riad Ameen, who retires in terms of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint M/s KPMG, Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize Directors to determine and make Contributions to charity.	<input type="checkbox"/>	<input type="checkbox"/>

Signature of Shareholder/s .....NIC/Passport No.....

Dated this ..... day of ..... 2013.

- (i) \*Please delete the inappropriate words.
- (ii) Instructions regarding completion appear on the reverse hereof.

# Form of Proxy

## INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your name in full and address and by signing in the space provided. Please fill in the date of signature.
2. Please indicate with an "X" in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.
5. In case of joint holders the Form of Proxy must be signed by the first holder.
6. The completed Form of Proxy should be deposited at the office of the Company, Panasian Power PLC, "Hemas House" , No. 75, Braybrooke Place, Colombo 02 not less than forty eight (48) hours before the appointed time for the meeting.

# Corporate Information

## Name of the Company

Panasian Power PLC

## Legal Form

A Public Quoted Company with limited liability incorporated under the Provision of the Companies Act No 17 of 1982 and reregistered under the Provision of the Companies Act No 07 of 2007. The Company has been registered under Section 17(2) of the BOI Law No 4 of 1978 on 26 November 2008

## Date of Incorporation

22 April, 2002

## Company Registration Number

PV 9959 PB/PQ

## Accounting Year End

31, March

## Stated Capital

Rs 630,000,000

## Number of shares representing the stated capital

500,000,000 Ordinary Shares

## Registered Office and Head Office

“Hemas House” No 75, Braybrooke Place, Colombo 2

## Subsidiary Companies

Manelwala Hydropower (Pvt) Limited  
Panasian Investments (Pvt) Limited

## Nature of business

Generate and supply hydro power to the National Grid

## Directors

Dr Prathap Ramanujam  
Mr Mohd Hairol Mohd Shariff  
Mr Mohideen Rifky Badurdeen  
Mr Thirunavukarasu Someswaran  
Mr Deepal Sooriyaarachchi  
Mr Kishantha Nanayakkara  
Mr I.A.H. Esufally  
Mr Riad Ameen

## Audit Committee

Mr Thirunavukarasu Someswaran (Chairman)  
Mr Deepal Sooriyaarachchi  
Mr I.A.H. Esufally

## Remuneration Committee

Mr Deepal Sooriyaarachchi (Chairman)  
Mr Thirunavukarasu Someswaran  
Mr I.A.H. Esufally

## Secretaries

Hemas Corporate Services (Pvt) Limited  
“Hemas House” No 75, Braybrooke Place  
Colombo 2  
Tel: +94 114 731731

## Registrars

S S P Corporate Services (Pvt) Limited  
No 101, Inner Flower Road  
Colombo 3  
Tel: +94 112 573894

## Auditors

Ms KPMG  
Chartered Accountants  
32A, Sir Mohamed Macan Marker Mawatha  
Colombo 3  
Tel: +94 115 426426

## Bankers

Sampath Bank PLC  
110, Sir James Peiris Mawatha  
Colombo 2  
Tel: +94 112 303050

## Lawyers

Ms Nithya Partners  
Attorneys-at-Law & Notary Public

## Website

[www.panasianpower.com](http://www.panasianpower.com)

[www.panasianpower.com](http://www.panasianpower.com)