

## **Koladeniya Hydropower (Private) Limited – 2017**

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The audit of financial statements of the Koladeniya Hydropower (Private) Limited (“the Company”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Board’s Responsibility for the Financial Statements**

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The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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

#### **2.1.1 Report on Other Legal and Regulatory Requirements**

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As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- a.) The basis of opinion and scope and limitations of the audit are as stated above.
- b.) In my opinion :
  - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

## **3. Financial Review**

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### **3.1 Financial Result**

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According to the financial statements presented, the operations of the Company for the year ended 31 December 2017 had resulted in a pre-tax net profit of Rs.69,585,957 as compared with the corresponding pre-tax net profit of Rs. 54,757,419 in the preceding year, thus indicating an improvement of Rs. 14,828,538 in the financial results for the year under review. Increase of revenue from power generation was the main reason attributed for this improvement in the financial results.

### **3.2 Analytical Financial Review**

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#### **3.2.1 Significant Accounting Ratios**

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According to the information made available, some important ratios of the Company for the year under review and the preceding year are as follows.

	<b>2017</b>	<b>2016</b>
Gross Profit Ratio (Percentage)	60	55
Current Ratio (Number of Times)	1:16	1:54

Gross Profit Ratio had been increased by 9 per cent as compared with the preceding year, mainly due to increase of revenue by Rs. 12 million.

### 3.2.2 Profitability of the Company

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Major income and expenditure items of the year under review as compared with the preceding year with the variance are shown below.

<b>Item</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b> <b>{Favourable/</b> <b>(Adverse)}</b>	<b>As a</b> <b>percentage</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>%</b>
Income from Hire of Power Plant	88,427,927	75,767,005	12,660,922	17
Cost of Sales	35,027,564	33,921,202	(1,106,362)	3
Administration Expenses	9,228,418	3,893,565	(5,334,853)	137
Interest Income from Fixed Deposits	24,717,492	12,681,516	12,035,976	95

Although the total revenue from Hire of Power Plant and Investments in Fixed Deposits was increased approximately by Rs. 24.69 million in the year under review, other expenses included in administration expenses had increased approximately by Rs. 5 million due to increase of infrastructure development activities under CSR project.

## 4. Operating Review

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### 4.1 Performance

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The main objective of the Company is to build, operate and manage a Mini Hydro Power Plant for generation and sales of electricity to the National Grid. Accordingly, the power Generation of the Company and the income earned thereof during the year under review and in the previous 03 years are shown below.

<b>Year</b>	<b>Power</b> <b>Generation</b> <b>Kwh</b>	<b>Income</b> <b>Rs.</b> <b>million</b>
2017	5,461,989	88.43
2016	4,692,097	75.76
2015	6,080,937	97.23
2014	5,753,953	91.54

Although the estimated annual Power Generation at the feasibility studies stage was 4,688,086 Kwh, the actual Power Generation of the Company well ahead as compared with the estimated figure.

## **5. Sustainable Development Goals**

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Every public institution should act in line with the United Nations Sustainable Development Agenda for the year 2030 as prescribed in Sri Lanka Sustainable Development Act, No. 19 of 2017. However, due to unaware of the said Agenda for the year 2030, the Company had not taken actions to identify the sustainable development goals which relate to its scope and targets to be achieved by the Company.