

## **Koladeniya Hydropower (Private) Limited - 2018**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Koladeniya Hydropower (Private) Limited for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 read in conjunction with provisions of the National Audit Act No. 19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company

## 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 2. 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 and Section 6(1)(d) and Section 12 of the National Audit Act No, 19 of 2018, 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 explanation that 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 requirement of Section 151 of the Companies Act No. 07 of 2007
  - The Financial statements of the Company are in consistence with the preceding year.
  - Includes the recommendations made by me in the previous year.
  - Nothing has come to my attention that causes me to believe any direct or indirect interest in any contracts have been entered into by the Company with any member of the governing body.

## 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 2018 had resulted in a pre-tax net profit of Rs.70, 669,387as compared with the corresponding pre-tax net profit of Rs. 69,585,957 in the preceding year, thus indicating an improvement of Rs. 1,083,430 in the financial results for the year under review. Increase of revenue from power generation by Rs. 1,669,190 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.

	<u>2018</u>	<u>2017</u>
Gross Profit Ratio (Percentage)	<b>58</b>	<b>60</b>
Current Ratio (Number of Times)	<b>1:39</b>	<b>1:16</b>

Gross Profit Ratio had been decreased by 2 per cent as compared with the preceding year, mainly due to increased of cost of sales by Rs.2.8 million.

## 4 Operational 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 production 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 the previous 04 years are shown below.

<u>Year</u>	<u>Power Generation</u> (Kwh)	<u>Income</u> (Rs. Million)
2018	5,544,438	90.10
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 Goal

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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. Even though the instructions had not been received from relevant Ministry, the Company had processed some activities regarding the Sustainable Development Goals relate to its scope. However, the Company should identify the sustainable development goals further to be achieved and indicators suitable for measuring the progress which relate to its scope.