

FOCUSED ON POWER

ANNUAL REPORT 2009 - 2010



Vallibel Power Erathna PLC



Power Transformer



MV Panel Room



Turbine & Generator



Penstock



Power House

Vallibel Power Erathna PLC acquired Country Energy (Pvt) Ltd., which holds the rights to develop two Hydro Power projects Denawaka Ganga and Kiriwaneliya due to be completed by July 2011.



Penstock Supports - Kiriwaneliya



Weir - Kiriwaneliya



Weir - Kiriwaneliya



Weir Construction - Denawaka Ganga



Concrete Yard - Denawaka Ganga



Headrace Channel Completed
Denawaka Ganga

Our Vision

To be a significant producer of clean energy
for the sustainable economic development of Sri Lanka.



Our Mission

To generate the maximum amount of electricity
from the available water resources with minimal environmental pollution
by optimizing operational efficiencies of our assets.

We are one of the largest privately owned hydro power
developers with 9.9 MW of installed capacity in operation
and another 11.85 MW under construction through our
wholly owned subsidiary, Country Energy (Pvt) Ltd.

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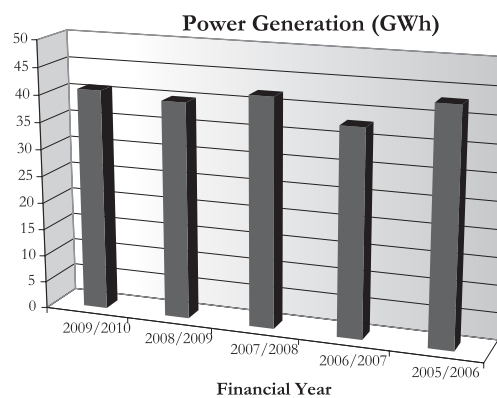
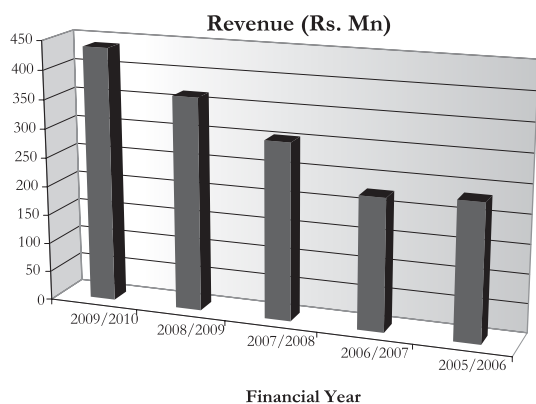
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Company Five Year Summary

	2009/2010 Rs'000	2008/2009 Rs'000	2007/2008 Rs'000	2006/2007 Rs'000	2005/2006 Rs'000
Operating Results					
Revenue	437,692	365,826	303,837	226,785	234,464
Gross Profit	396,821	330,441	266,900	192,016	203,626
Other Income	13,595	29,743	142,401	9,882	5,610
Administration Expenses	37,484	35,966	28,299	28,449	28,067
Finance Cost	14,393	2,008	1,042	5,363	40,279
PBT	398,663	310,793	348,796	155,391	139,949
Net Profit	394,079	305,848	346,382	152,831	139,302
Assets & Liabilities					
Non Current Assets	1,394,475	1,182,753	1,215,645	1,314,107	1,240,030
Current Assets	220,787	85,637	268,956	65,249	90,241
Total Assets	1,615,262	1,268,390	1,484,600	1,379,356	1,330,272
Current Liabilities	39,930	8,000	6,377	7,788	346,719
Non Current Liabilities	117,322	9,682	2,915	3,567	282
Retirement Benefit Obligations	3,951	1,942	1,235	919	282
Share Capital & Reserves					
Stated Capital	1,174,365	1,174,365	1,174,365	1,174,365	276,291
Revaluation Reserve	35,530	45,708	55,886	66,064	584,493
Accumulated Profit	248,114	30,634	245,056	127,572	122,485
Key Indicators					
	Rs.	Rs.	Rs.	Rs.	Rs.
Earnings Per Share	0.53	0.41	0.47	0.21	0.73
Dividend Per Share	0.25	0.41	0.57	0.27	-
Market Price of Share (Closing)	5.25	3.10	2.40	1.80	-
Net Assets Per Share	1.95	1.67	1.97	1.83	4.94
Power Generation (kWh)	40,945,693	39,934,417	42,129,891	38,039,211	43,172,160



Powering Growth

Vallibel Power Erathna PLC has completed half a decade of operation with an impressive past performance. Being mindful of the fact that our Shareholders should get the benefit of the Company's investment relief, the Company has distributed a sum of Rs. 1,124.4 Mn by way of dividends since the Company went public in 2006. Being a dynamic Company we are aware that the future success of our Company depends on the growth and therefore, we have been aggressively looking into new investment opportunities, especially in the small hydropower sector, where we can make best use of the knowledge and experience available in-house at Vallibel Power Erathna PLC.

In this process, the Company has acquired Country Energy (Pvt) Ltd., which holds the rights to develop two hydro power projects at Ratnapura and Norton Bridge; the Denawaka Ganga Hydro Power Project and the Kiriwaneliya Hydro Power Project. These two projects have obtained all statutory approvals required for implementation, and on completion, the two projects will have a cumulative installed capacity of 11.85 MW. Implementation of these projects has already commenced, and the Company would double its annual energy generation upon the completion of these two projects in July 2011.

In recent times, renewable energy has become the investment sector of choice for prudent investors the world over, due to the global interest and focus on reduction of global warming and environmental pollution. The small hydro Sector, with its minimal environmental impact, is one of the most sought after renewable energy technologies, and the Sri Lankan model for small hydro

Being a dynamic Company we are aware that the future success of our Company depends on the growth and therefore, we have been aggressively looking into new investment opportunities, especially in the small hydropower sector, where we can make best use of the knowledge and experience available in-house at Vallibel Power Erathna PLC.

development is acclaimed the world over for its focus, technical innovations, competitive costing and quality of construction. As per official records, the private sector developers in Sri Lanka had added over 170 MW of cumulative capacity in small hydro power projects, commonly known as run-of-the river hydro power plants, and over 20 projects with a cumulative installed capacity of 50 MW are under various stages of construction. Sri Lanka still has further significant potential for small hydro power development – especially in the low and medium head sectors.

The Government, through its Ministry of Power and Energy, has identified the potential for renewable energy development in Sri Lanka, and set up the Sustainable Energy Authority (SEA) vested with wide ranging statutory powers to assist and aid renewable energy developers. The SEA is now working diligently towards easing the most pressing issues that developers are faced with – such as grid limitation, the length of the approval process and funding constraints.

Powering Growth Contd..

With the CEB interconnection grid system reaching its limits in certain areas with a high density of embedded degenerating plants, there is now a need to augment and upgrade the grid system to connection of new embedded generating plants. This upgrade needs to be funded by the CEB/Government, and steps have now been taken to upgrade the grid system within a short period of time.

Developers have also brought to the notice of the SEA and the Ministry of Power and Energy, the hardships faced by them when going through the slow and cumbersome approval process. Unnecessary efforts and time are spent by the developers mostly at the hands of bureaucratic public officials, thereby seriously delaying the implementation of these projects, resulting in adverse impact on the national economy. While recognizing the importance of such approval processes to protect the interests of various stakeholders and ensure minimal environmental damage, the SEA is now looking at ways to minimize these delays through a consultative process between the developers and the public officials.

The developers have also drawn the attention of the Government to the issue of short term land leases given on crown lands and river reservations belonging to the Government – which prevents the developers raising long term debt financing from banks. As such some potential hydro power projects remain undeveloped due to funding restraints.

It is hoped that the Sustainable Energy Authority will take into consideration such constraints and step in to resolve these impediments with a view to developing renewable energy resources in an environmentally friendly manner. It is also hoped that the newly created Public Utilities Commission of Sri Lanka (PUCSL) – the regulatory body which has statutory powers to overlook all contractual and tariff issues with the independent power producers (IPP's) and the state utility – CEB, shall further develop transparency of the tariff calculating methodologies and also ensure that the IPP's rights related to long term operation of these embedded generating plants are safeguarded to maintain the industry's competitive edge. Sri Lanka has the potential to become the centre of excellence for renewable energy development in the region and share its expertise with other developing countries in the near future.

Chairman's Message

I am pleased to present to you the Annual Report and the Audited Financial Statements of Vallibel Power Erathna PLC for the Financial year ended 31st March 2010, and well come you to the ninth Annual General Meeting.

You will be pleased to note that the performance of the Company this year has been exceptional both in terms of turnover and net profit. The turnover for the year was Rs.437.6 Mn and it represented a 19.6% increase from the previous year. The net profit from the core business of hydro power generation has increased from Rs.286.5 Mn to Rs339.6 Mn representing an increase of 18.5%. During the period under review the Company has paid an interim dividend of Rs. 0.25 per share. I would recommend that the interim dividend of Rs.0.25 per share, paid on 14th October 2009, be approved as the Final Dividend for the year ended 31st March 2010.

I said in my last year's review that the Company was mindful that it needed to expand its core business activities with a view to maximizing returns to shareholders and in that context, we were actively exploring new investment opportunities in this sector. I am pleased to inform you that the Company has acquired 100% shareholding of Country Energy (Pvt) Ltd, which has got license to construct two Hydro Power Projects at Ratnapura and Norton Bridge. The construction works of these two projects are progressing well. Both these projects will have a combined installed capacity of 11.85 MW on completion.

As I had informed in my last year's review, Asia Energy Management Systems Inc completed the purchase of 159,845,891Mn shares amounting to 21.4% of capital of the Company at Rs.5/- per share from the existing Shareholders on prorata basis.

I express with regret the demise of Mr. M.T.L. Fernando in August 2009, who had served on the Board of the Company since the Company went public in 2006. Mr. Fernando had contributed to the affairs of the Company immensely both as the Chairman of the Audit Committee and as a member of the Board. I thank him for his exceptional services to the Company.

The performance of the Company this year has been exceptional both in terms of turnover and net profit.

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I warmly welcome Messrs Daryl S. Clark, Sunil E. De Silva and Haresh Somashantha who joined the Board during the period under review. Both Mr. Clark and Mr. De Silva have considerable experience in the renewable energy sector and I am positive that they will contribute to the future growth of the Company. Mr. Haresh Somashantha is an accomplished Accountant with considerable experience in auditing and financial management. I also cordially welcome Mr.L.D.Dickman who joined the Board on 29th April 2010 as an Independent Director.

I take this opportunity to express my appreciation to the Board of Directors for their valuable contribution and support extended to me in managing the Company. I also wish to thank the Company's Managing Director/ CEO, the technical and management staff and every other member of the staff for their commitment and dedicated efforts. In conclusion, I also thank you, our valued shareholders whose patronage and support have been a great source of inspiration to the Company.



K.D. Dhammika Perera
Chairman

29 April 2010

Board of Directors

K D Dhammika Perera - Chairman

Mr Perera is a well known prominent entrepreneur and investor whose business interests include Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He is the Chairman of The Fortress Resorts PLC, Vallibel Finance PLC, Vallibel Holdings (Pvt) Ltd and holds directorships in his other private sector companies. Deputy Chairman of Royal Ceramics Lanka PLC, L B Finance PLC, Amaya Leisure PLC. Director Sampath Bank PLC, Hayleys PLC, Haycarb PLC, Hayleys-MGT Knitting Mills PLC and Hotel Reefcomber PLC. He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA),

L Wickremarachchi - Managing Director/CEO

Mr. Leel Wickremarachchi is an Engineer with an M.Sc. (Engineering) from the People's Friendship University, Moscow and an MBA (Merit) from the Post Graduate Institute of Management (PIM) of the University of Sri Jayawardenepura. He has over 30 years experience in the fields of engineering, marketing, project financing and privatization. Immediately before assuming duties as Managing Director of the Company, he was the Director General of the Public Enterprises Reform Commission (PERC). He is also a Director of Vallibel Power Limited which owns a few other hydro power developing companies.

P K Sumanasekera

Mr. Prabodha Sumanasekera holds B.Sc. in Physics from the Colombo University and has 18 years experience in the small hydro power sector. He has been involved in formulating and developing 18 small/mini hydropower projects, including the ground breaking Dick-Oya mini hydro power project which is the first grid connected mini hydropower project in Sri Lanka. He is also a shareholder director in several companies owning, developing

and operating hydropower projects in Sri Lanka and Overseas.

W D N H Perera

Mr. Nimal Perera is a member of the Sri Lanka Institute of Marketing and currently functioning as Managing Director of Royal Ceramics Lanka PLC, The Fortress Resorts PLC and Group Finance Director of Amaya Leisure PLC and Hotel Reefcomber PLC. Mr. Perera is also the Deputy Chairman of Pan Asia Banking Corporation PLC, Director of LB Finance PLC, Sathosa Motors PLC, Vallibel Finance PLC and Hayleys PLC. He counts over 25 years experience in Finance, Capital Market Operations, Manufacturing, Marketing and Management Services.

S H Amarasekera

Mr. Harsha Amarasekera is an Attorney-at-Law by profession specializing in Commercial Banking and Securities Law. He is an Independent Director in a number of quoted companies including Chemical Industries (Colombo) PLC, Amaya Leisure PLC, and Keells Food Products Ltd.

S E De Silva

Mr. Sunil De Silva is an Executive Director of South Asia Energy Management Systems Inc and a Director of Lanka Ventures PLC and DFCC Consulting Limited. He joined the DFCC Bank in 1987 and functioned in different positions until retirement in 2004 as a Vice President. Prior to joining the DFCC Bank Mr. De Silva has worked in the copper industry in Zambia and steel industry in Sri Lanka for 13 years. He has wide experience in renewable energy sector, and was directly responsible for financing the first SHP in Sri Lanka in 1994. He holds an Honors Degree in Mechanical Engineering and is a Graduate Member of the Institute of Engineers, Australia. He is also an Associate in Development Banking of ADFIAP.

Board of Directors Contd...

D S Clark

Mr. Clark is Vice President, CFO and member of the board of South Asia Energy Management Systems Inc, a California corporation involved in the development, ownership and operation of renewable energy projects in international markets. He currently serves on the Board of Canadian Phoenix Resources Corp, a publicly-traded oil and gas exploration and production company in Canada and Sierra Geothermal Power Corp. a Vancouver-based renewable energy company focused on the exploration and development of clean, sustainable geothermal power. He was previously Vice President and CFO for Peachtree Settlement Funding, a specialty factoring firm, where he was instrumental in leading it through revenue growth from \$20M to \$180M annually. He was also CFO for META Security Group, a start-up consulting firm in Internet and Network Security. Mr. Clark has held key leadership positions with DirecTV and Sensormatic Electronics. He has an MBA from the University of Miami and a BSChemE from the University of Florida.

H Somashantha

Mr. Haresh Somashantha is a member of the Institute of Chartered Accountants of Sri Lanka and also holds a Bachelor's degree in Mathematics from the University of Kelaniya .He is currently the Head of Finance & Treasury of Royal Ceramics Lanka PLC, Chief Financial Officer and Alternate Director of Amaya Leisure PLC & The Fortress Resorts PLC. Having started the career with Ernst and Young, the International Accounting & Consulting firm, he counts over 10 years of experience in audit, financial management and reporting, including strategic and corporate planning across different industries.

L D Dickman

Mr. L.D. Dickman was the Deputy Director General (Infrastructure) of Board of Investment before his retirement in December 2009 and had been working since its inception in 1979. He held various managerial posts during his long service in the Board of Investment. He is currently the Deputy General Manager of Lanka Mirigama Special Economic Zone (Private) Limited (LMSEZ). Mr. Dickman is the President of the Institute of Town Planners of Sri Lanka and also had been a visiting lecturer in Town and Country Planning at the University of Sri Jayawardenepura and the University of Moratuwa. He holds BA in Public Administration from the Vidyodaya University and MSc in Town & Country Planning from the University of Moratuwa Sri Lanka. He had also attended a number of Executive Development Programs and Investment Promotion Programs in various countries at international level.

Annual Report of the Board of Directors

The Directors of Vallibel Power Erathna PLC have pleasure in presenting to the members their report together with the audited Financial Statements of the Company for the year ended 31st March 2010.

Legal Status

The Company was incorporated on 7th November 2001 under the name of “Zyrex Power Company Erathna Limited” and later changed its name to “Power Company Erathna Limited” on 14th October 2004. Thereafter, on 2nd June 2005 the name of the Company was changed to “Vallibel Power Erathna Limited”. The shares of the Company were listed on the Colombo Stock Exchange on 17th May 2006.

Principal Activity

The principal activity of the Company is generation of electricity using hydro resources and transmitting such electricity to the national grid of the CEB.

Business Review

A review of the operations of the Company business during the financial year and results of those operations are contained in the Chairman’s Message on page 5 of the Annual Report. This report forms an integral part of the Annual Report of the Board of Directors.

Summarised Financial Position

The summarised financial position of the Company is as follows:

	2009/2010 Rs. ‘000	2008/2009 Rs. ‘000
Profit after taxation	394,079	305,848
Profit brought forward	30,634	245,057
Dividends	186,777	530,448
Transfer of realized surplus on usage	10,178	10,178
Balance carried forward	248,114	30,634

The Financial Statements of the Company and the Group are given in pages 19 to 41.

Stated Capital

In accordance with the Section 58 of the Companies Act No. 7 of 2007, share capital and share premium was reclassified as stated capital. The stated capital as at 31st March 2010 was Rs. 1,174,365,278/-.

Reserves

The reserves of the Company stand at Rs. 283,644,713/- comprising capital reserves of Rs. 35,530,360/- and revenue reserves of Rs. 248,114,353/-.

Taxation

Pursuant to the Supplementary Agreement dated 8th October 2002 entered into with the Board of Investment of Sri Lanka under section 17 of the Board of Investment Law, the Company is exempt from income tax arising from the business of the generation of hydropower, for a period of 10 years commencing from 15th July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the Company. However, other income is taxed at the applicable tax rate.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made up to date.

Dividends

The Company made an interim dividend payment of Rs. 0/25 per share (tax-free) for the financial year 2009/10 paid on 14th October 2009.

The Directors recommend to the shareholders that the Interim Dividend paid on 14th October 2009 be considered as the Final Dividend for the year ended 31st March 2010.

Corporate Donations

During the year the Company made donations amounting to Rs. 811,000/- .

Annual Report of the Board of Directors Contd...

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 1,852,649/- details of which are given in Note 3 on page 30.

Property, Plant & Equipment

The movement in property, plant and equipment of the Company are given in Note 3 to the Financial statements.

Shareholdings

As at 31st March 2010 there were 2,681 registered shareholders. The distribution of shareholders is indicated on pages 42 and 43

Share Information

Information on share trading is given on page 43 of the Annual Report.

Directorate

The following Directors held Office during the year under review.

Mr. K D D Perera (Chairman)
Mr. L Wickremarachchi (Managing Director)
Mr. P K Sumanasekera
Mr. W D N H Perera
Mr. S H Amarasekera
Mr. M T L Fernando (ceased to be a director)
Mr. S E De Silva (Appointed w.e.f. 25/01/2010)
Mr. D S Clark (Appointed w.e.f. 25/01/2010)
Mr. H Somashantha (Appointed w.e.f. 25/01/2010)

It is with a deep sense of regret that the Directors wish to inform the shareholders of the demise of Mr. M T L Fernando on 14th August 2009.

Mr. L D Dickman was appointed to the Board on 29th April 2010.

Mr. K D D Perera retires by rotation in terms of Article 25(10) of the Articles of Association of the Company and being eligible offer himself for re-election with the unanimous support of the Board.

In terms of Article 25(3) of the Articles of Association of the Company, Messrs H. Somashantha, S E De Silva, D S Clark and L D Dickman retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

Interest Register

The Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. All Directors have disclosed their interests pursuant to Section 192(2) of the said Act.

Directors' Interests

Directors' interest in contracts with the Company, both direct and indirect are disclosed in Note 24 to the Financial Statements. These interests have been declared at the Meeting of the Board of Directors. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Directors' Interest in shares

The Directors' interest in shares of the Company as at the Balance Sheet date are as follows:

	As at 31st March 2010	As at 31st March 2009
Mr. K D D Perera	144,812,225	184,276,750
Mr. L Wickremarachchi	80,000	80,000
Mr. P K Sumanasekera	150,000	150,000
Mr. W D N H Perera	-	53,000
Mr. S H Amarasekera	98,230	125,000
Mr. S E De Silva	30,000	-
Mr. D S Clark	-	-
Mr. H Somashantha	-	-
Mr. L D Dickman	-	-

Annual Report of the Board of Directors Contd...

Corporate Governance

The report on Corporate Governance is given on pages 11 to 13.

Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. For this reason we continue to adopt the going-concern basis in preparing the accounts.

Post Balance Sheet Events

No circumstances have arisen and no material events have occurred since the Balance Sheet date, which would require adjustments to, or disclosure in the accounts other than those disclosed in the Financial Statements and this Report.

The Auditors

The Financial Statements for the year ended 31st March 2010 have been audited by Messrs Ernst & Young, Chartered Accountants who offer themselves for re-appointment.

In accordance with the Companies Act No. 07 of 2007, a resolution relating to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting. The audit fee and expenses of Messrs Ernst & Young for the current year was Rs. 468,000/-. (2008/09 – Rs. 425,000/-). In addition they were paid Rs. 218,700/- by the Company for solvency opinions and other opinions. As far as the Directors were aware, the Auditors do not have any relationship other than that of an Auditor with the Company.

Annual General Meeting

The 9th Annual General Meeting of the Company will be held on Tuesday the 29th day of June 2010 at 11.00 a.m. at the 26th Floor, East Tower, World Trade Center, Colombo 01. The Notice of the Annual General Meeting is on page 45 of this report.

For and on behalf of the Board

(sgd.)
Director

L Wickremarachchi

(sgd.)
Director

W D N H Perera

(sgd)

Secretaries & Registrars (Private) Limited
Secretaries

Colombo
29 April 2010.

Corporate Governance

Corporate governance, the system by which companies are managed and controlled, is a topic of increasing importance, both to the Directors of a Company and to its shareholders.

The Board manages the Company on behalf of the shareholders. It is the policy of the Company to manage its affairs in accordance with appropriate standards for good corporate governance. The Company has complied with the provisions of the Code of Best Practices for the full accounting period ended 31st March 2010.

The Board

The Board comprises of an Executive Director and eight Non-Executive Directors. Their details appear on page 6 of the Annual Report. The Executive Director generally has responsibility for making and implementing operational decisions and running the Company's business. The Non-Executive Directors support the skills and experience of the Executive Director, contributing to the formulation of policy and decision-making through their knowledge and experience of other business sectors.

Board Meetings

The Board meets regularly and has a formal schedule of matters reserved to it. The Board and its committees are supplied with full and timely information to enable them to discharge their responsibilities.

Attendance at Meetings

The Directors are expected to prepare themselves for and to attend all Board meetings, relevant committee meetings and the Annual General Meeting. To facilitate active and informed discussion at Board and committee meetings, Directors receive background materials in advance of meetings. Over the past year the Board held four meetings and the attendance is given below.

	Attendance
Mr. K D D Perera (<i>Chairman</i>) - NED	- 3/4
Mr. L Wickremarachchi (<i>Managing Director</i>) - ED	- 4/4
Mr. P K Sumanasekera - NED	- 3/4
Mr. W D N H Perera - I	- 3/4
Mr. S H Amarasekera - I	- 3/4
Mr. M T L Fernando - I (<i>Ceased to be a Director</i>)	- 0/2

Mr. S E De Silva - NED	(appointed w.e.f. 25th January 2010)
Mr. D S Clark - NED	(appointed w.e.f. 25th January 2010)
Mr. H Somashantha - NED	(appointed w.e.f. 25th January 2010)
Mr. L D Dickman - I	(appointed w.e.f. 29th April 2010)

Key

NED - Non-Executive Director

ED - Executive Director

I - Independent Non-Executive Director

Chairman and Managing Director

The roles of Chairman and Managing Director are separate with responsibilities divided between them.

Appraisal of the Managing Director

The Board has delegated the responsibility for the day-to-day management of the Company to the Managing Director, who is responsible for recommending strategy to the Board and implementing operational decisions. The performance of the Managing Director is reviewed every year by the Board.

Time commitment

The Board dedicates adequate time to discharge their duties effectively. In addition to Board meetings, they attend sub-committee meetings and make decisions via circular resolutions.

Appointment to the Board

New appointments to the Board are based on the collective decision of the Board. In making new appointments, the Board considers the recommendations made by the Nomination Committee and the composition of the Board in order to assess whether they have the right mix of skills and experience to be better prepared for the managing of the Company.

Re-election of Directors

As per the Articles of Association of the Company at each Annual General Meeting (AGM) one third of the Directors shall retire from office and offer themselves for re-election. The Managing Director and Directors

Corporate Governance Contd...

nominated by Vallibel Power Limited under Article 25(2) are not subject to retirement by rotation. Any Directors appointed during the year seek re-election at the next AGM.

Independence of Non-Executive Directors

The CSE Listing Rules set out circumstances, which the Board may find relevant when determining the independence of a Non-Executive Director. All Non-Executive Directors have submitted a declaration of his independence or Non-Independence to the Board of Directors. The Board reviewed the independence of Non-Executive Directors and concluded that Messrs. S H Amarasekera, W D N H Perera and L D Dickman continue to demonstrate the essential characteristics of independence expected by the Board.

Access to Management and Independent Advisors

Board members have access to management. The Board and the Board Committees have access to the advice of the Company Secretary and independent legal, accounting and other experts and consultants, as they may deem appropriate at the Company's expense.

Remuneration of the Directors

The remuneration of the Directors is determined by the Board and disclosed on page 39 of the Annual Report.

Company Secretary

Secretaries & Registrars (Private) Limited acts as the Company Secretary. The role of the Secretary is dealing with Directors at board meetings and with shareholders. The company Secretary attends Board meetings and ensures that minutes are kept of all proceedings at each Board meetings. The Company Secretary advises the Board and ensures that proper procedures and applicable rules and regulations are followed by the Board.

Board Committees

Specific responsibilities have been delegated to the Board Committees. The two principal Board Committees are:-

Audit Committee

Mr. S H Amarasekera (Chairman)
Mr. W D N H Perera

Mr. P K Sumanasekera
Mr. H Somashantha

The Audit Committee meets once a quarter with the Managing Director and the external auditors to review, inter alia, the Company's annual and interim financial statements and compliance reports and reviews the effectiveness of the Company's system of internal audit. Periodically, it also approves and reviews the appointment and retirement of external Auditors, as well as their relationship with the Company.

Remuneration Committee

Mr. S H Amarasekera (Chairman)
Mr. K D D Perera
Mr. W D N H Perera
Mr. S E De Silva

The Remuneration Committee usually meets once a year. Its role is to make recommendations to the Board on the following.

- Remuneration policy for the Managing Director
- Remuneration policy and specific packages for certain senior executives
- Employee benefits and long term incentive schemes

The Company's remuneration policy is based on the following principles.

- To deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Company.
- To support the recruitment, motivation and retention of high quality senior executives
- To ensure that performance is the key factor in determining individual reward

The Committee is not responsible for setting the level of remuneration of Non-Executive Directors, which is determined by the Board.

Responsibilities

It is the responsibility of the Board of Directors to ensure

Corporate Governance Contd...

good corporate governance. Good corporate governance requires that the Board must govern the Company with integrity. This includes the following:-

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of board appointments
- Determine the Company's purpose and values, strategy and ensure that procedures and practices are in place
- Monitor and evaluate the implementation of strategies and policies for better management performance
- Ensure compliance with the relevant laws, regulations and codes of best practice
- Communicate with shareholders effectively and serve the legitimate interest of the shareholders
- Report to shareholders of the progress and performance of the Company periodically and timely
- Review processes and procedures regularly and ensure that internal control is effective
- Identify key risk areas and ensuring that these risks are addressed and managed effectively
- Appoint and evaluate the performance of the Managing Director
- Approve the Annual Budget
- Ensure the continuation of the Company as a going concern

Investor relations

The Annual General Meeting, Annual Report of the Company and Interim Financial Statements are the principal means of communication with the shareholders.

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The following disclosures are made in conformity with Section 7 of the Listing Rules of the Colombo Stock Exchange:-

Rule	Comments
7.10.1 Non-Executive Directors	Eight Directors are Non-Executive except the Managing Director.
7.10.2 Independent Directors	There are 3 independent Directors on the Board. Including Mr. L D Dickman who was appointed to the Board on 29 th April 2010. Each Non-Executive Director has submitted a signed and dated declaration annually.
7.10.3 Disclosures relating to Directors	Three of the eight Non-Executive Directors meet all the criteria set out in Rule 7.10.4 for determining the Independence of Directors. These Independent Directors are Messrs S H Amarasekera, W D N H Perera and L D Dickman.
7.10.5 Remuneration Committee	Comprises of four Non-Executive Directors including 2 Independent Directors.
7.10.6 Audit Committee	Comprises of four Non-Executive Directors Including 2 Independent Directors.

Statement of Directors' Responsibilities

The responsibility of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 18.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit or loss of the Company for the financial year which comply with the requirements of the Companies Act.

The Directors consider that, in preparing financial statements, set out on pages 19 to 41 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure the financial statements comply with the Companies Act No. 7 of 2007.

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare financial statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent 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 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, in arriving at the financial results for the year under review.

For and on behalf of the Board

(sgd.)
Director

L Wickremarachchi

(sgd.)
Director

W D N H Perera

(sgd)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo
29 April 2010.

Audit Committee Report

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Vallibel Power Erathna PLC comprises of four Non- Executive Directors. Mr. Harsha Amarasekera (Independent Non-Executive Director), functions as the Chairman of the Audit Committee. Mr. Nimal Perera, Mr. Prabodha Sumanasekera and Mr. Haresh Somashantha serve as members of the Committee. The Managing Director, the Finance Manager, and the two Joint CEOs of the Company's fully owned subsidiary attend the meetings by invitation.

Role of the Committee

The key purpose of the Audit Committee of Vallibel Power Erathna PLC is to assist the Board of Directors in fulfilling its oversight responsibilities for;

1. The integrity of Financial Statements in accordance with Sri Lanka Accounting Standards.
2. The Company's compliance with legal and regulatory requirements.
3. The external auditor's independence.
4. The performance of the Company's internal audit functions to ensure that Company's internal controls and risk management are adequate.

The Audit Committee has recommended to the Board of Directors that M/s Ernst & Young, Chartered Accountants, be re-appointed as the auditors of the Company for the financial year ending 31st March 2011, subject to the approval of the Shareholders at the Annual General Meeting. The Audit Committee is of the view that Messes Ernst & Young is an independent entity as per their declaration made to the Company and the Audit Committee concurs with their declaration.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the Audited Accounts are free from any material mis-statements.

(sgd)

Harsha Amarasekera
Chairman – Audit Committee

29 April 2010.

Remuneration Committee Report

The Remuneration Committee, appointed by the Board of Directors, currently consists of four Non- Executive Directors.

The Chairman of the Remuneration Committee is Mr. Harsha Amarasekera who is an Independent Non-Executive Director and the other members are Messrs K.D.D. Perera, W D N H Perera and S E De Silva.

The Remuneration Committee usually meets once a year. Its role is to make recommendations to the Board on the following.

- Remuneration policy for the Managing Director.
- Remuneration policy and specific packages for certain Senior Executives.
- Employee benefits and long terms incentive schemes.

The Company's remuneration policy is based on the following principles.

- To deliver improved shareholder value by ensuring that individual performance and reward reflect and reinforce the business objectives of the Company.
- To support the recruitment, motivation and retention of high quality Senior Executives.
- To ensure that performance is the key factor in determining individual reward.

The Committee is not responsible for setting the level of remuneration of Non-Executive Directors, which is determined by the Board.

(sgd)

Harsha Amarasekera

Chairman

Remuneration Committee

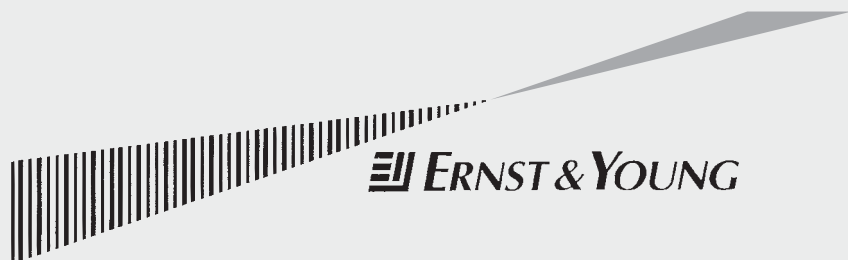
29 April 2010.

Financial Reports

Financial Calendar

Rs.0.25 per share interim dividend for the financial year 2009/2010 (To be considered as the final dividend for 2009/2010 at the AGM)	- 14 October 2009
Interim Report – 1st half 2009/2010	- 16 October 2009
Interim Report – 3rd Quarter 2009/2010	- 8 February 2010
Interim Report – 4th Quarter 2009/2010	- 5 May 2010
Annual Report 2009/2010	- 29 April 2010
9th Annual General Meeting	- 29 June 2010

Independent Auditor's Report



ERNST & YOUNG

Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALLIBEL POWER ERATHNA PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Vallibel Power Erathna PLC and the consolidated financial statements of the company and its subsidiary which comprise the Balance Sheet as at March 31, 2010 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

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 control 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 misstatements.

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 principles 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 purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2010, and the Financial Statements give a true and fair view of the Company's state of affairs as at March 31, 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2010 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting standards of the company and its subsidiary dealt with thereby, so far as concerns the shareholders of the company.

Report on Other Legal and Regulatory Requirements

In our opinion, these Financial Statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

Colombo
29 April 2010


Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA
W K B S P Fernando FCA ACMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

Balance Sheet


As at 31 March 2010

	Note	Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	3	1,105,506,270	1,134,119,232	1,277,253,263	1,134,119,232
Investments	4	274,568,870	32,633,700	73,568,870	32,633,700
Intangible Assets	5	14,400,000	16,000,000	169,750,000	16,000,000
Deposit on Leasehold Land	6	-	-	4,500,000	-
		1,394,475,140	1,182,752,932	1,525,072,133	1,182,752,932
Current Assets					
Trade & Other Receivables	7	19,558,906	29,844,190	35,056,013	29,844,190
Amount Due from Related Parties	8	143,121,948	21,810,426	27,655,869	21,810,426
Short Term Investment	4	52,751,482	32,738,892	54,351,482	32,738,892
Cash and Bank Balances		5,354,223	1,243,421	6,044,699	1,243,421
		220,786,559	85,636,929	123,108,063	85,636,929
Total Assets		1,615,261,699	1,268,389,861	1,648,180,196	1,268,389,861
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	9	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278
Reserves	10	35,530,360	45,708,328	35,530,360	45,708,328
Accumulated Profit		248,114,353	30,634,312	268,116,271	30,634,312
Total Equity		1,458,009,991	1,250,707,918	1,478,011,909	1,250,707,918
Non Current Liabilities					
Interest Bearing Loans and Borrowings	11	113,370,993	7,739,775	113,370,993	7,739,775
Retirement Benefit Obligations	12	3,950,951	1,941,964	4,704,464	1,941,964
		117,321,944	9,681,739	118,075,457	9,681,739
Current Liabilities					
Trade and Other Payables	13	5,295,142	4,599,708	15,418,992	4,599,708
Interest Bearing Loans and Borrowings	11	31,680,371	467,436	31,680,371	467,436
Amounts Due to Related Parties	14	2,176,626	311,801	4,215,722	311,801
Tax Payables		777,625	2,621,259	777,745	2,621,259
		39,929,764	8,000,204	52,092,830	8,000,204
Total Equity and Liabilities		1,615,261,699	1,268,389,861	1,648,180,196	1,268,389,861

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007


Yogesh Suriyapperuma
 Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by.


K.D. Dhammika Perera
 Chairman


Leel Wickremarachch
 Managing Director

The Accounting Policies and Notes on Pages 23 through 41 form an integral part of the Financial Statements.

Colombo
 29 April 2010

Income Statement

Year Ended 31 March 2010

	Note	Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Revenue	15	437,692,284	365,825,762	437,692,284	365,825,762
Cost of Sales		(40,870,896)	(35,384,727)	(40,870,896)	(35,384,727)
Gross Profit		396,821,388	330,441,035	396,821,388	330,441,035
Other Income	16	1,654,751	15,127,268	36,881,792	15,127,268
Administration Expenses		(37,484,383)	(35,966,514)	(50,377,531)	(35,966,514)
Other Operating Expenses		(811,000)	(1,034,413)	(3,156,317)	(1,034,413)
(Provision)/ Reversal for the Falling Value of Investment		40,935,170	(10,383,450)	40,935,170	(10,383,450)
Finance Income		11,940,702	14,616,168	11,964,823	14,616,168
Finance Cost	17	(14,393,146)	(2,007,094)	(14,394,396)	(2,007,094)
Profit Before Taxation	18	398,663,482	310,793,000	418,674,929	310,793,000
Income Tax Expense	19	(4,583,978)	(4,945,137)	(4,593,506)	(4,945,137)
Net Profit for the Year		394,079,504	305,847,863	414,081,423	305,847,863
Basic Earnings Per Share	20	0.53	0.41	0.55	0.41
Dividend Per Share		0.25	0.41	0.25	0.41

The Accounting Policies and Notes on Pages 23 through 41 form an integral part of the Financial Statements.

Statement of Changes in Equity

Year Ended 31 March 2010

Company	Stated Capital Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 31 March 2008	1,174,365,278	55,886,296	245,056,388	1,475,307,962
Net Profit for the year	-	-	305,847,864	305,847,864
Dividends	-	-	(530,447,908)	(530,447,908)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-
Balance as at 31 March 2009	1,174,365,278	45,708,328	30,634,312	1,250,707,918
Net Profit for the year	-	-	394,079,504	394,079,504
Dividends	-	-	(186,777,432)	(186,777,432)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-
Balance as at 31 March 2010	1,174,365,278	35,530,360	248,114,353	1,458,009,991

Group	Stated Capital Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 31 March 2008	1,174,365,278	55,886,296	245,056,388	1,475,307,962
Net Profit for the year	-	-	305,847,864	305,847,864
Dividends	-	-	(530,447,908)	(530,447,908)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-
Balance as at 31 March 2009	1,174,365,278	45,708,328	30,634,312	1,250,707,918
Net Profit for the year	-	-	414,081,423	414,081,423
Dividends	-	-	(186,777,432)	(186,777,432)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-
Balance as at 31 March 2010	1,174,365,278	35,530,360	268,116,271	1,478,011,909

The Accounting Policies and Notes on Pages 23 through 41 form an integral part of the Financial Statements.

Cash Flow Statement

Year Ended 31 March 2010

Cash Flows From / (Used in) Operating Activities	Note	Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Net Profit before Income Tax Expense		398,663,482	310,793,001	418,674,929	310,793,001
Adjustments for					
Amortization of Intangible assets	5	1,600,000	1,600,000	1,600,000	1,600,000
Depreciation	18	30,435,272	29,384,714	30,828,676	29,384,714
Retirement Benefits Provision & Adjustments	12	2,008,987	838,963	2,632,815	838,963
Write Back of Creditors		-	(127,268)	-	(127,268)
Write off Debtors		-	25,988	-	25,988
Dividends Income		-	(15,000,000)	-	(15,000,000)
Interest Income		(11,940,702)	(14,616,168)	(11,964,823)	(14,616,168)
Provision/(Reversal) for Impairment of Investment		(40,935,170)	10,383,450	(40,935,170)	10,383,450
Finance Costs	17	14,393,146	2,007,094	14,394,396	2,007,094
Negative Goodwill		-	-	(35,148,386)	-
Operating Profit/(Loss) before Working Capital Changes		394,225,015	325,289,774	380,082,437	325,289,774
(Increase)/ Decrease in Trade and Other Receivables		13,494,935	(5,233,963)	(9,687,702)	(5,233,963)
(Increase)/Decrease in Amounts Due from Related Parties		(121,311,522)	(20,453,682)	(5,845,443)	(20,453,682)
Increase/(Decrease) in Trade and Other Payables		(140,552)	(1,003,015)	9,983,298	(1,003,015)
Increase/(Decrease) in Amounts Due to Related Parties		1,864,825	311,801	3,903,921	311,801
Cash Generated from/(used in) Operating Activities		288,132,701	298,910,915	378,436,511	298,910,915
Finance Costs Paid		(11,428,579)	(1,023,230)	(11,429,832)	(1,023,230)
Interest Received		8,731,049	13,816,848	8,731,049	13,816,848
Gratuity Paid		-	(108,959)	-	(108,959)
Taxes Paid		(6,427,612)	(2,458,643)	(6,437,020)	(2,458,643)
Net Cash from/(used in) Operating Activities		279,007,559	309,136,931	369,300,708	309,136,931
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(1,822,310)	(2,858,368)	(91,901,440)	(2,858,368)
Investment in Fixed Deposits		10,883,242	209,272,026	9,283,242	209,272,026
Dividend Received		-	15,000,000	-	15,000,000
Acquisition of Subsidiary	2.1.4	(201,000,000)	-	(198,923,543)	-
Net Cash Flows from/(Used in) Investing Activities		(191,939,068)	221,413,658	(281,541,741)	221,413,658
Cash Flows from/(Used in) Financing Activities					
Bank Loan Received		150,000,000	-	150,000,000	-
Bank Loan Paid		(12,711,865)	-	(12,711,865)	-
Dividend Paid		(185,941,446)	(530,189,536)	(185,941,446)	(530,189,536)
Lease Rental		(3,408,546)	(894,938)	(3,408,546)	(894,938)
Net Cash Flows from/(Used in) Financing Activities		(52,061,857)	(531,084,474)	(52,061,857)	(531,084,474)
Net Increase/(Decrease) in Cash and Cash Equivalents		35,006,634	(533,885)	35,697,110	(533,885)
Cash and Cash Equivalents at the Beginning of the Period (Note A)		7,347,589	7,881,474	7,347,589	7,881,474
Cash and Cash Equivalents at the end of the Period (Note B)		42,354,223	7,347,589	43,044,699	7,347,589
Note A					
Cash and Cash Equivalents at the beginning of the period					
Cash in Hand & at Bank		1,243,421	7,881,474	1,243,421	7,881,474
Call Deposits & Repo		6,104,168	-	6,104,168	-
		7,347,589	7,881,474	7,347,589	7,881,474
Note B					
Cash and Cash Equivalents at the end of the period					
Cash in Hand & at Bank		5,354,223	1,243,421	6,044,699	1,243,421
Call Deposits & Repo		37,000,000	6,104,168	37,000,000	6,104,168
		42,354,223	7,347,589	43,044,699	7,347,589

The Accounting Policies and Notes on Pages 23 through 41 form an integral part of the Financial Statements.

Notes to the Financial Statements

Year Ended 31 March 2010

1. CORPORATE INFORMATION

1.1 General

Vallibel Power Erathna PLC is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No 27 – 02, East Tower, World Trade Centre, Echelon Square, Colombo 01 and the Company's power generating plant is situated at Erathna, Rathnapura.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the company were generation and sale of hydro electric energy to the Ceylon Electricity Board.

1.3 Date of Authorisation for Issue

The financial statements of Vallibel Power Erathna PLC for the year ended 31st March 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 29th April, 2010.

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis except for certain Property, Plant and Equipment which are stated at revalued amounts. The Financial Statements are presented in Sri Lankan Rupees and all values are rounded to the nearest rupee.

2.1.1 Statement of Compliance

The Financial Statements of Vallibel Power Erathna PLC have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS) adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL) and also in compliance with the requirements of the Companies Act No 07 of 2007.

2.1.2 Going Concern

The Directors have made an assessment of the

Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year unless otherwise stated.

2.1.4 Business Combinations and Goodwill

Business Combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets, equity instrument issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

On 31st October 2009, the group acquired 100% of the voting shares of Country Energy (Pvt) Ltd, an unlisted company engaged in the business of generation of hydro electric energy. The acquisition has been accounted for using the purchase method of accounting.

The fair value of the identifiable assets and liabilities of Country Energy (Pvt) Ltd. as at the date of acquisition were,

	Fair Value Recognized on Acquisition	Previous Carrying Value
Property, Plant & Equipment	77,460,106	60,171,026
Intangible Assets-Right to Generate Hydro Power	155,350,000	22,000,000
Trade & Other Receivables	6,213,928	6,213,928
Amounts Due From Related Parties	53,954	53,954
Cash & Cash Equivalent	2,076,457	2,076,457
	<u>241,154,445</u>	<u>90,515,365</u>

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

Retirement Benefit Obligation	(129,684)	(129,684)
Trade & Other Payables	(2,291,102)	(2,291,102)
Amounts Due To Related Parties	(2,585,273)	(2,585,273)
	<u>(5,006,059)</u>	<u>(5,006,059)</u>
Net Assets	236,148,386	85,509,306
Negative Goodwill (Refer Note 16)	(35,148,386)	
Total Acquisition Cost	<u>201,000,000</u>	

Fair value of the tangible and intangible assets was carried out by M/s Sunil Fernando & Associates (Pvt) Ltd., Chartered Valuation Surveyors, Property Managers and Property Consultants which is an independent firm of professional valuers as of the acquisition date.

The total acquisition cost of Rs.201,000,000 comprised a cash payment of Rs.200,000,000 and costs of Rs.1,000,000 directly attributable to the acquisition.

Net Cash acquired with the Subsidiary	2,076,457
Cash Paid	<u>(201,000,000)</u>
Net Cash Outflow	<u>(198,923,543)</u>

From the date of acquisition, Country Energy (Pvt) Ltd has contributed a loss of Rs.15, 028,315/- to the net profit of the Group. If the combination had taken place at the beginning of the year, the loss from continuing operations for the period would have been Rs.23,878,312/-.

2.1.5 Consolidation Policy

2.1.5.1 The Consolidated Financial Statements include results, assets & liabilities of Vallibel Power Erathna PLC and its subsidiary Country Energy (Pvt) Ltd.

2.1.5.2 All companies in the Group have a common financial year ended on 31st March.

2.1.5.3 Subsidiary is fully consolidated from the date of acquisition, being the date on which the group obtains control, and continues to be consolidated until the date that such control ceases.

2.1.5.4 All intra-group balances, income and expenses and unrealized gain and losses resulting from intra-group transactions are eliminated in full.

2.1.5.5 Goodwill/Negative goodwill arising on the acquisition of the subsidiary written off or written back to the Income Statement.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Taxation

a) Current Taxes

Company

Pursuant to the supplementary agreement dated 08th October 2002 entered into with Board of Investment under section 17 of the Board of Investment Law, the Company is exempt from income tax arising from the business of the generation of hydropower, for a period of 10 years commencing from 15th July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the company. However, other income is taxed at the applicable tax rate.

Subsidiary

Pursuant to the agreement entered into with the Board of Investment of Sri Lanka, the Company is exempt from income tax for a period of 06 years reckoned from the year of assessment as may be determined by the Board. For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profit in relation to its transactions in that year or any year of assessment not later than 02 years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as may be specified in a certificate issued by the Board. After the expiration of the aforesaid tax exemption period referred to in above, the profits and income of the enterprise shall for any year of assessment be charged at the rate of 15%.

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

b) **Deferred Taxation**

Deferred taxation is not provided for since the company and the subsidiary enjoys a tax holiday period of 10 years and 6 years respectively.

2.2.2 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.2.3 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles

are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research and Development Costs

Research costs are expensed as incurred. An intangible assets arising from development expenditure on an individual project is recognised only when the company can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the assets, how the assets will generate future economic benefits, the availability of resources to complete the assets and the ability to measure reliably the expenditure during the development.

During the period of development, the assets is tested for impairment annually, following the initial recognition of the development expenditure, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the assets begins when development is complete and the asset is available for use. It is amortised over the period of expected future sales. During the period of which the asset is not yet in use it is tested for impairments annually

2.2.4 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

2.2.5 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

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

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

2.2.6 Property, Plant and Equipment

Except Free Hold Land, Civil Constructions and Plant & Machinery, all other assets are stated at cost less accumulated depreciation and accumulated impairment in value.

Free Hold Land, Civil Constructions and Plant & Machinery are measured at fair value less depreciation on Buildings, Plant & Machinery and impairment charged subsequent to the date of the revaluation.

Depreciation is calculated on a straight line basis over the useful life of the assets. The useful lives of the assets are as follows.

Civil Constructions	over 60 years
Plant & Machinery	over 33 1/3 years
Project Equipment	over 05 years
Tools & Accessories – Site	over 03 years
Motor Cycle	over 03 years
Motor Vehicle	over 05 years
Computers	over 04 years
Furniture, Fittings &	
Other Equipment	over 10 years
Container	over 02 years
Generator	over 10 years
Web Development	over 05 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

An amount equal to the excess of the annual depreciation charge on revalued assets over the national historical cost depreciation charge on those assets is transferred annually from the surplus in the revaluation reserve to the Accumulated Profit / (loss).

Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

When each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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

2.2.7 Leases (Finance)-Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in 2.2.6

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

2.2.8 Investments

a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The company distinguishes and presents current and non current investment in the balance sheet.

b) Measurement

Current Investment:

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio.

Unrealized losses arising from reduction to market value and reversals of such reduction required to state current investments at lower of cost and market value are included in income statement.

Long Term Investments

Long term investments are stated at cost. Carrying

amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

Disposal of Investment

On disposal of an investment, the different between net disposals and proceed and the carrying amounts is recognised as income or expense.

2.2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.2.10 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Balance Sheet, in a manner computed using the prescribed formula in Appendix E of SLAS 16 (Revised). The resulting difference between brought forward provision at

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

the beginning of a year, net of any payments made and the carried forward provision at the end of a year is dealt with in the income statement. The principle assumptions used were as follows:

Discount Rate	9.5%
Expected Salary Increment Rate	15.0%
Staff Turnover Rate	7.0%

The gratuity liability is not funded nor actuarially valued. This item is grouped under Non Current Liabilities in the Balance Sheet.

b) **Defined Contribution Plans – Employees’ Provident Fund & Employees’ Trust Fund**

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees’ Provident Fund and Employees’ Trust Fund respectively.

2.2.11 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs

to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31st March either individually or at the cash generating unit level, as appropriate.

2.2.12 Revenue Recognition

Revenue is recognised to the extent that it is

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

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

a) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

b) Rendering of Services

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

c) Interest

Revenue is recognised on a time proportion basis that takes in to accounts the effective interest rate on asset.

d) Dividends

Dividend Income is recognised when the shareholders' right to receive the payment is established.

e) Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms.

f) Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

g) Others

Other income is recognised on an accrual basis

2.2.13 Expenditure Recognition

a) Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the Profit / (Loss) for the year.

b) For the purpose of presentation of Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

3. PROPERTY, PLANT & EQUIPMENT - Company

	Balance As at 01.04.2009 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs
Gross Carrying Amounts At Cost				
Civil Constructions - Since Revaluation	7,753,956	788,371	-	8,542,327
Plant & Machinery - Since Revaluation	5,633,915	-	-	5,633,915
Project Equipment	338,132	-	-	338,132
Tools & Accessories	2,369,914	13,300	-	2,383,214
Motor Vehicles	-	-	-	-
Motor Bicycle	359,158	106,940	-	466,098
Furniture & Fittings	9,696,352	272,862	-	9,969,214
Computer	1,692,971	67,275	-	1,760,246
Container	75,000	-	-	75,000
Office Equipment	613,064	493,901	-	1,106,965
Fire Extinguisher	524,600	-	-	524,600
Generator	1,136,000	110,000	-	1,246,000
Site Fixtures & Fittings	2,969,481	-	-	2,969,481
Web Development	634,811	-	-	634,811
	33,797,354	1,852,649	-	35,650,003
Assets on Finance Lease				
Motor Vehicle	8,758,500	-	-	8,758,500
At Valuation	Balance as at 01.04.2009 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2010 Rs.
Free Hold Land	150,000,000	-	-	150,000,000
Civil Constructions	519,157,179	-	-	519,157,179
Plant & Machinery	556,703,996	-	-	556,703,996
	1,225,861,175	-	-	1,225,861,175

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

3. PROPERTY, PLANT & EQUIPMENT - Company (Cont.)

Depreciation At Cost	Balance As at 01.04.2009 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
Civil Constructions - Since Revaluation	406,774	141,940	-	548,714
Plant & Machinery - Since Revaluation	396,264	167,347	-	563,611
Project Equipment	306,589	46,707	-	353,296
Tools & Accessories	2,123,215	190,487	-	2,313,702
Motor Bicycle	359,156	20,794	-	379,950
Furniture & Fittings	1,495,584	978,310	-	2,473,894
Computer	1,033,064	403,664	-	1,436,728
Container	75,000	-	-	75,000
Office Equipment	132,803	94,240	-	227,043
Fire Extinguisher	176,844	52,460	-	229,304
Site Fixtures & Fittings	1,672,232	989,817	-	2,662,049
Generator	340,800	115,434	-	456,234
Web Development	148,123	126,962	-	275,085
	8,666,448	3,328,162	-	11,994,610
Assets on Finance Lease				
Motor Vehicle	437,924	1,751,700	-	2,189,624
At Valuation	Balance as at 01.04.2009 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2010 Rs.
Civil Constructions	42,345,011	8,652,620	-	50,997,631
Plant & Machinery	82,878,753	16,702,790	-	99,581,543
	125,223,764	25,355,410	-	150,579,174
Written Down Value	1,134,088,893			1,105,506,270
	Balance as at 01.04.2009 Rs.	Additions for the Year Rs.	Capitalised during the Year Rs.	Balance as at 31.03.2010 Rs.
Capital Work-In-Progress				
Civil Constructions	30,339	-	(30,339)	-
	30,339	-	(30,339)	-
	1,134,119,232			1,105,506,270

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

3A. PROPERTY, PLANT & EQUIPMENT - Group

Gross Carrying Amounts At Cost	Balance As at 01.04.2009 Rs.	Additions for the Year Rs.	Disposals/ Transfers/ Increase in Valuation Rs.	Balance As at 31.03.2010 Rs.
Land	-	488,200	-	488,200
Building	-	431,140	-	431,140
Civil Constructions - Since Revaluation	7,753,956	788,371	-	8,542,327
Plant & Machinery - Since Revaluation	5,633,915	-	-	5,633,915
Project Equipment	338,132	-	-	338,132
Tools & Accessories	2,369,914	990,750	-	3,360,664
Motor Vehicles	-	4,860,415	-	4,860,415
Motor Bicycle	359,158	695,140	-	1,054,298
Furniture & Fittings	9,696,352	567,974	-	10,264,326
Computer	1,692,971	344,025	-	2,036,996
Container	75,000	-	-	75,000
Office Equipment	613,064	597,787	-	1,210,851
Fire Extinguisher	524,600	-	-	524,600
Generator	1,136,000	110,000	-	1,246,000
Site Fixtures & Fittings	2,969,481	-	-	2,969,481
Web Development	634,811	-	-	634,811
	33,797,354	9,873,802	-	43,671,156
Assets on Finance Lease				
Motor Vehicle	8,758,500	-	-	8,758,500
At Valuation	Balance as at 01.04.2009 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2010 Rs.
Free Hold Land	150,000,000	20,926,984	-	170,926,984
Civil Constructions	519,157,179	-	-	519,157,179
Plant & Machinery	556,703,996	-	-	556,703,996
	1,225,861,175	20,926,984	-	1,246,788,159

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

3A. PROPERTY, PLANT & EQUIPMENT - Group (Cont.)

Depreciation At Cost	Balance As at 01.04.2009 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2010 Rs.
Building	-	12,142	-	12,142
Civil Constructions - Since Revaluation	406,774	141,940	-	548,714
Plant & Machinery - Since Revaluation	396,264	167,347	-	563,611
Project Equipment	306,589	46,707	-	353,296
Tools & Accessories	2,123,215	258,943	-	2,382,158
Motor Vehicles	-	183,086	-	183,086
Motor Bicycle	359,156	52,681	-	411,837
Furniture & Fittings	1,495,584	1,028,733	-	2,524,317
Computer	1,033,064	445,269	-	1,478,333
Container	75,000	-	-	75,000
Office Equipment	132,803	100,045	-	232,848
Fire Extinguisher	176,844	52,460	-	229,304
Site Fixtures & Fittings	1,672,232	989,817	-	2,662,049
Generator	340,800	115,434	-	456,234
Web Development	148,123	126,962	-	275,085
	8,666,448	3,721,566	-	12,388,014
Assets on Finance Lease				
Motor Vehicle	437,924	1,751,700	-	2,189,624
At Valuation	Balance as at 01.04.2009 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2010 Rs.
Civil Constructions	42,345,011	8,652,620	-	50,997,631
Plant & Machinery	82,878,753	16,702,790	-	99,581,543
	125,223,764	25,355,410	-	150,579,174
Written Down Value	1,134,088,893			1,134,061,003
	Balance as at 01.04.2009 Rs.	Additions for the Year Rs.	Capitalised during the Year Rs.	Balance as at 31.03.2010 Rs.
Capital Work-In-Progress				
Civil Constructions	30,339	142,801,610	(30,339)	142,801,610
Plant & Machinery	-	390,650	-	390,650
	30,339	143,192,260	(30,339)	143,192,260
	1,134,119,232			1,277,253,263

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

- 3.1** Certain civil constructions of the hydro power project of the company constructed on a land leased from the Land Reform Commission. The lease period is 30 years commencing from 19th February 2003. Following are the significant conditions contained in the lease agreement among other conditions.
- 1) The tentative lease rental will be Rs. 62,676/= per year.
 - 2) The tentative lease rental is subject to revision based on the Government Chief Valuer's valuation on the land. The revised rental has not yet been determined.
 - 3) Lessor reserves the right to review the rental contained in the agreement at the lapse of every five years (05) from the date of the commencement of this lease and in such event a fresh agreement should be entered in to in respect of revised rental, the other conditions of this agreement remain unchanged.
- 3.2** The Freehold Land, Civil Constructions and Plant & Machinery were revalued by M/s Sunil Fernando & Associates (Pvt) Ltd., Chartered Valuation Surveyors, Property Managers and Property Consultants which is an independent firm of professional valuers as of 31.03.2005 and the results of such valuation were incorporated in these financial statements as at that date. Such assets were valued on the basis of Depreciated Replacement Cost (DRC) method. The surplus arising from the revaluation was transferred to a revaluation reserve. Further free hold land of subsidiary was revalued by the same valuer as of 31st October 2009.

The carrying amounts of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation, is as follows.

Class of Asset	Cost	Cumulative Depreciation if Assets were Carried at Cost	Net Carrying Amount March 2010	Net Carrying Amount March 2009
	Rs.	Rs.	Rs.	Rs
Free Hold Land	7,733,307	-	7,733,307	4,622,387
Civil Constructions	273,106,006	26,818,532	246,287,474	250,839,241
Plant & Machinery	354,133,484	63,344,214	290,789,270	301,413,275
	<u>631,861,877</u>	<u>90,162,746</u>	<u>544,810,051</u>	<u>556,874,903</u>

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

4. INVESTMENTS Summary Non Current	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Investment in Equity Securities (Quoted)				
Fortress Resorts PLC (Market Value Rs. 114,217,950/- (2009-Rs. 32,633,700/-)				
	32,633,700	43,017,150	73,568,870	43,017,150
(Provision)/ Reversal for falling value of Investment	40,935,170	(10,383,450)	-	(10,383,450)
	73,568,870	32,633,700	73,568,870	32,633,700
Investment in Subsidiary (Holding 100%)	201,000,000	-	-	-
	274,568,870	32,633,700	73,568,870	32,633,700
Current				
Investment in Fixed Deposits	15,751,482	26,634,724	17,351,482	26,634,724
Call Deposit	1,000,000	6,104,168	1,000,000	6,104,168
Repo	36,000,000	-	36,000,000	-
	52,751,482	32,738,892	54,351,482	32,738,892

5. INTANGIBLE ASSET - Right to Generate Hydro Power	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Cost				
Gross carrying amount B/F	24,000,000	24,000,000	24,000,000	24,000,000
Increase due to Acquisition	-	-	155,350,000	-
Gross carrying amount C/F	24,000,000	24,000,000	179,350,000	24,000,000
Amortisation				
Accumulated amortisation B/F	8,000,000	6,400,000	8,000,000	6,400,000
Amortization for the period	1,600,000	1,600,000	1,600,000	1,600,000
Accumulated amortisation C/F	9,600,000	8,000,000	9,600,000	8,000,000
Net carrying amount at the end of the period	14,400,000	16,000,000	169,750,000	16,000,000

The above balance represents amount paid to purchase an exclusive right to generate hydro electric power. Company expects to amortise this right over 15 years on a straight line basis beginning from the year of commercial operations.

6. DEPOSIT ON LEASEHOLD LAND	2010 Rs.	2009 Rs.
At the Beginning of the year	-	-
Paid during the year	4,500,000	-
At the End of the year	4,500,000	-

The above balance represents refundable security deposit paid to the Janatha Estate Development Board in respect of Land obtained on a operating lease basis for a period of 30 years subject to review the rental amendment at the laps of every 05 years.

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

7. TRADE AND OTHER RECEIVABLES	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Advances & Pre Payments	3,135,250	4,591,600	8,359,589	4,591,600
Trade Receivable	11,175,208	23,101,805	11,815,820	23,101,805
Staff Debtors	1,164,477	1,276,465	1,391,521	1,276,465
Other Receivable	4,083,971	874,320	13,489,083	874,320
	<u>19,558,906</u>	<u>29,844,190</u>	<u>35,056,013</u>	<u>29,844,190</u>

8. AMOUNT DUE FROM RELATED PARTIES	Relationship	Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Alternate Power Systems (Pvt) Ltd.					
- Current Account Balance	Related Company	6,881,937	1,724,501	6,881,937	1,724,501
- Loan (Note)	Related Company	20,000,000	20,000,000	20,000,000	20,000,000
Rocell Bathware Ltd.	Related Company	-	85,925	-	85,925
Vallibel Power Ltd.	Parent Company	773,932	-	773,932	-
Country Energy (Pvt) Ltd.					
- Kiriwaneiya Project	Subsidiary Company	34,244,633	-	-	-
- Denewakaganga Project	Subsidiary Company	81,221,446	-	-	-
		<u>143,121,948</u>	<u>21,810,426</u>	<u>27,655,869</u>	<u>21,810,426</u>

Note:- Short Term Loan given at market interest rate.

9. STATED CAPITAL	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Issued and Fully Paid Number of Shares				
Ordinary Shares	747,109,731	747,109,731	747,109,731	747,109,731
Value of Issued and Fully Paid Shares				
Ordinary Shares	1,174,365,278	1,174,365,278	1,174,365,278	1,174,365,278

10. RESERVES	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Summary				
Capital Reserves				
Revaluation Reserve (10.1)	35,530,360	45,708,328	35,530,360	45,708,328
	<u>35,530,360</u>	<u>45,708,328</u>	<u>35,530,360</u>	<u>45,708,328</u>
10.1 Revaluation Reserve				
Balance as at the beginning of the year	45,708,328	55,886,296	45,708,328	55,886,296
Realised Surplus on usage Transferred to Accumulated Profit	(10,177,968)	(10,177,968)	(10,177,968)	(10,177,968)
Balance as at the end of the year	<u>35,530,360</u>	<u>45,708,328</u>	<u>35,530,360</u>	<u>45,708,328</u>

The above revaluation surplus consists of net surplus resulting from the revaluation of Free Hold Land, Civil Constructions and Plant & Machinery as described in Note 3.2. The unrealised amount cannot be distributed to shareholders.

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

11. INTEREST BEARING LOANS AND BORROWINGS

	As At 31.03.2010 Rs.	Repayable within 1 year Rs.	Repayable within 2-5 years Rs.	As At 31.03.2009 Rs.	Repayable within 1 year Rs.	Repayable within 2-5 years Rs.
Finance Leases (11.1)	7,763,229	1,171,897	6,591,332	8,207,211	467,436	7,739,775
Long Term Loan-DFCC*	137,288,135	30,508,474	106,779,661	-	-	-
	145,051,364	31,680,371	113,370,993	8,207,211	467,436	7,739,775

* **Securities Pledged** - An assignment over 100,000,000 ordinary shares of vallibel Power Erathna PLC held by Vallibel Power Ltd.

11.1 Finance Leases (LB Finance PLC)

	As At 31.03.2010 Rs.	Repayable within 1 year Rs.	Repayable within 2-5 years Rs.	As At 31.03.2009 Rs.	Repayable within 1 year Rs.	Repayable within 2-5 years Rs.
Gross Liability	12,606,314	3,432,000	9,174,314	16,014,860	3,432,000	12,582,860
Finance Charges allocated to future periods	(4,843,085)	(2,260,103)	(2,582,982)	(7,807,649)	(2,964,564)	(4,843,085)
Net liability	7,763,229	1,171,897	6,591,332	8,207,211	467,436	7,739,775

12. RETIREMENT BENEFIT OBLIGATION

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
At the beginning of the year	1,941,964	1,235,394	2,071,349	1,235,394
Provision made for the year	1,941,961	838,963	2,184,539	838,963
Payment made During the year	-	(108,959)	-	(108,959)
Transfers	67,026	(23,434)	448,576	(23,434)
At the end of the year	3,950,951	1,941,964	4,704,464	1,941,964

13. TRADE AND OTHER PAYABLES

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Trade Payables	-	-	309,072	-
Accrued Expenditure	1,376,630	1,517,182	7,299,817	1,517,182
Retention Money	-	-	1,891,591	-
Other Payable	3,918,512	3,082,526	5,918,512	3,082,526
	5,295,142	4,599,708	15,418,992	4,599,708

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

14. AMOUNTS DUE TO RELATED PARTIES	Relationship	Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
	Vallibel Lanka (Pvt) Ltd.	2,176,626	311,801	2,571,890	311,801
	Bonamici Corporation (Pvt) Ltd.	-	-	1,207,641	-
	Vallibel Power Ltd.	-	-	106,394	-
	Alternate Power System (Pvt) Ltd.	-	-	243,075	-
	Vallibel Plantation (Pvt) Ltd.	-	-	86,722	-
		<u>2,176,626</u>	<u>311,801</u>	<u>4,215,722</u>	<u>311,801</u>

15. REVENUE		Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
	Sales from Electricity Generation	437,692,284	365,825,762	437,692,284	365,825,762
		<u>437,692,284</u>	<u>365,825,762</u>	<u>437,692,284</u>	<u>365,825,762</u>

Company has entered into an agreement (Standardized Power Purchase Agreement) with the Ceylon Electricity Board to sell energy output generated from the power project. This agreement shall continue for a period of 15 years beginning on the commercial operations date. The commercial operations of the project was started on 15th July 2004. Further extension of this agreement will have to be agreed with the Ceylon Electricity Board after the expiry of the aforesaid 15 years. As per the Article 11 of the Standardized Power Purchase Agreement, Ceylon Electricity Board shall have the right of first refusal on terms identical to those offered by a third party to the company, to purchase any electrical energy to be sold from the project.

16. OTHER INCOME		Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
	Write Back of Creditors	-	127,268	-	127,268
	Dividend Income	-	15,000,000	-	15,000,000
	Sundry Income	1,654,751	-	1,654,751	-
	Net Income From Durekkanda Estate	-	-	78,655	-
	Negative Goodwill on acquisition of subsidiary	-	-	35,148,386	-
		<u>1,654,751</u>	<u>15,127,268</u>	<u>36,881,792</u>	<u>15,127,268</u>

17 FINANCE COST		Company		Group	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
	Debit Tax	601,901	876,704	601,901	876,704
	Bank Charges	130,046	146,526	131,296	146,526
	Lease Interest	2,964,564	983,864	2,964,564	983,864
	Loan Processing Fee	818,472	-	818,472	-
	Loan Interest	9,878,163	-	9,878,163	-
		<u>14,393,146</u>	<u>2,007,094</u>	<u>14,394,396</u>	<u>2,007,094</u>

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

18. PROFIT / (LOSS) BEFORE TAXATION

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Stated after Charging / (Crediting):				
Directors' Fees	701,112	667,291	701,112	667,291
Auditors' Remuneration	468,000	425,000	633,000	425,000
Depreciation	30,435,272	29,384,714	30,828,676	29,384,714
Retirement Benefits	1,941,961	838,963	2,184,239	838,963
Personnel Costs includes				
- Defined Contribution Plan Costs - EPF & ETF	1,698,428	1,733,289	2,145,259	1,733,289
- Staff Salaries	11,322,859	11,555,262	14,301,728	11,555,262
- Other Staff Costs	2,603,156	2,262,949	3,322,756	2,262,949

19. INCOME TAX EXPENSES

Pursuant to the supplementary agreement dated 08th October 2002 entered into with Board of Investment under section 17 of the Board of Investment Law, the company is exempt from income tax arising from the business of the generation of hydropower, for a period of 10 years commencing from 15th July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the company. However, other income is taxable at the applicable tax rate.

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Liable Income	13,548,702	14,616,168	13,572,823	14,616,168
Statutory Tax Rate	33 1/3 %	33 1/3 %	33 1/3%&15%	33 1/3 %
Income Tax	4,516,234	4,872,056	4,525,621	4,872,056
SRL (1.5 %)	67,744	73,081	67,885	73,081
Current Income Tax Expense on Liable Income	4,583,978	4,945,137	4,593,506	4,945,137

20. EARNINGS/(LOSS) PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the basic Earnings Per Share computations.

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

Amounts Used as the Numerators:	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Profit Attributable to Ordinary Shareholders for basic Earnings Per Share	394,079,504	305,847,863	414,081,423	305,847,863

Number of Ordinary Shares Used as Denominators:	2010	2009	2010	2009
	Number	Number	Number	Number
Weighted Average number of Ordinary Shares in issue	747,109,731	747,109,731	747,109,731	747,109,731

21. DIVIDENDS PAID DURING THE YEAR

	Company		Group	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
2009/ 2010 - Nil (Final 2007/2008 - Rs. 0.30 per share)	-	224,132,919	-	224,132,919
2009/2010- Nil (First Interim 2008/ 2009 - Rs. 0.29 per share)	-	216,661,822	-	216,661,822
2009/2010 - Rs. 0.25 per share (Final 2008/ 2009 - Rs. 0.12 per share)	186,777,432	89,653,167	186,777,432	89,653,167
	186,777,432	530,447,908	186,777,432	530,447,908

22. POST BALANCE SHEET EVENTS

There have been no material events occurred subsequent to the balance sheet date that require adjustments or disclosure in the financial statements.

23 COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

There are no capital commitments as at the balance sheet date.

Contingencies

There are no contingent liabilities exist as at the Balance Sheet date other than the matter disclosed in Note 3.1 (2) and (3) and Note 6 to the financial statements.

Notes to the Financial Statements Contd...

Year Ended 31 March 2010

24. RELATED PARTY DISCLOSURES

The details of the significant related party disclosures are as follows.

24.1 Transactions with the Parent and Related entities.

Company	Name of Director	Relationship	Nature of Transaction	Amount	
				2010 Rs.	2009 Rs.
Vallibel Lanka (Pvt) Ltd.	Mr. K.D.D.Perera	Related Company	Payments on behalf of the company Operating Expenses Other Transactions Reimbursement to Vallibel Lanka (Pvt) Ltd.	2,715,520 - -	3,938,248 3,626,447
Alternate Power Systems (Pvt) Ltd.	Mr. K.D.D.Perera Mr. L.Wickramarachchi	Related Company	Payments on behalf of Alternate Power Systems (Pvt) Ltd. Operating Expenses Other Transactions Inter Company Loan Interest Funds Received from Alternate Power Systems (Pvt) Ltd Inter Company loan given to Alternate Power Systems (Pvt) Ltd	5,157,436 3,501,370 - -	5,675,028 580,822 3,950,527 20,000,000
Country Energy (Pvt) Ltd.	Mr. K.D.D.Perera Mr. L.Wickramarachchi Mr. P.K. Sumanasekera	Subsidiary Company	Payments on behalf of Country Energy (Pvt) Ltd. Operating Expenses Other Transactions Funds Transferred to Country Energy (Pvt) Ltd.	9,263,192 106,202,888	- -
LB Finance Ltd.	Mr. K.D.D.Perera Mr.W.D.N.H.Perera	Related Company	Investment in Fixed Deposits Fixed Deposits Withdrawals Interest Received Lease Installment Paid	183,893,559 210,528,282 2,721,954 3,408,546	306,625,976 279,991,251 12,781,480 1,350,495
Rocell Bathware Ltd.	Mr. K.D.D.Perera Mr. W.D.N.H.Perera	Related Company	Remuneration paid to staff temporally attached to Rocell Bathware Ltd. Reimbursement from Rocell Barthware Ltd.	- 85,925	813,742 727,817

24.2 Transactions with the Key Management Personnel of the Company or parent and Key Management Personnel Compensation

There were no transactions with the key management personnel of the company other than management compensation of Rs. 5,530,000/= (2009-Rs. 5,530,000/=) paid during the year.

25. RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 4, 8, 11, 14 & 24 to the Financial Statements.

Your Share in Detail

1 General

Stated Capital

Rs. 1,174,365,278

The Number of shares representing the Stated Capital is.

747,109,731

2 Stock Exchange Listing

Vallibel Power Erathna PLC, is a quoted public company and the issued ordinary shares of which are listed in the Colombo Stock Exchange of Sri Lanka.

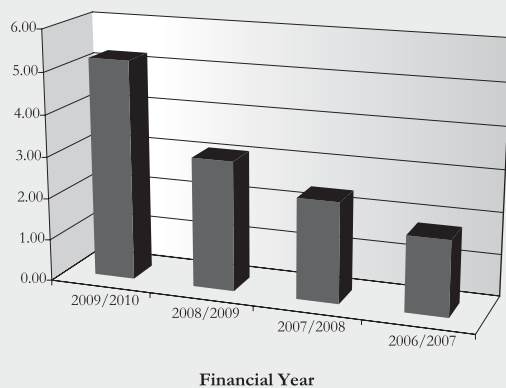
3 Shares held by the public was 19.1 % as at 31st March 2010

4 Distribution of Shareholding as at 31st March 2010

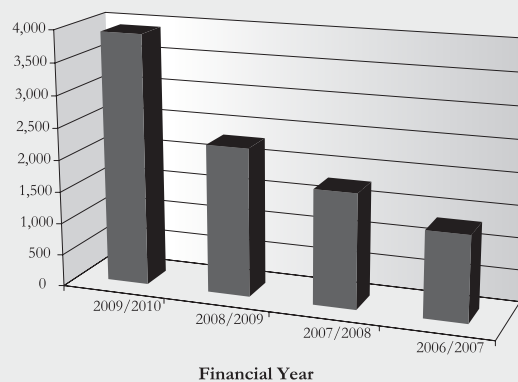
There were 2,681 Registered Shareholders as at 31st March 2010.

No. of Shares held	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1 - 1,000	852	31.78	391,897	0.05
1,001 - 10,000	1,322	49.31	5,684,021	0.76
10,001 - 100,000	424	15.81	14,121,370	1.89
100,001 - 1,000,000	71	2.65	19,451,998	2.61
Over 1,000,000	12	0.45	707,460,445	94.69
Total	2,681	100.00	747,109,731	100.00

Market Price (Rs.)



Market Capitalisation (Rs.Mn)



Your Share in Detail Contd...

5 Analysis report of Shareholders as at 31st March 2010

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individual	2,598	96.90	266,775,383	35.71
Institutional	83	3.10	480,334,348	64.29
Total	2,681	100.00	747,109,731	100.00
Resident	2,658	99.14	580,356,180	77.68
Non-resident	23	0.86	166,753,551	22.32
Total	2,681	100.00	747,109,731	100.00

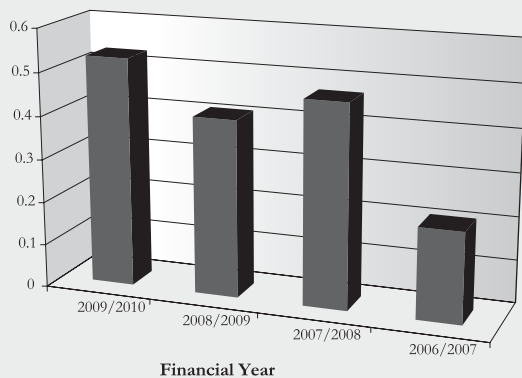
6 Share Trading Information

	2009/2010	2008/2009
Highest (Rs.)	5/75	4/70
Lowest (Rs.)	3/00	2/20
Closing (Rs.)	5/25	3/10
Turnover (Rs.)	780,709,795	801,006,510
No. of Shares Traded	182,653,758	211,966,900
No. of Trades	11,954	14,283

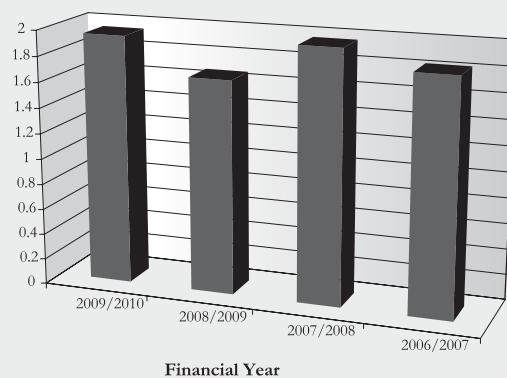
7 Equity Information

	2009/2010	2008/2009
Earnings per share (Rs.)	0.53	0.41
Dividend per share (Rs.)	0.25	0.41
Net asset value per share (Rs.)	1.95	1.67
Dividend pay out ratio	47%	100%

Earnings Per Share (Rs.)



Net Assets Per Share (Rs.)



Your Share in Detail Contd...

8 Twenty Major Shareholders as at 31st March 2010

Shareholder	No. of Shares as at 31/03/2010	%	No. of Shares as at 31/03/2009	%
1 Vallibel Power Limited	299,425,830	40.08	381,025,971	51.00
2 Asia Energy Management Systems Inc.	159,845,891	21.40	-	-
3 Mr. K D D Perera	144,812,225	19.38	184,276,750	24.67
4 Dr. T Senthiverl	38,183,999	5.11	-	-
5 Mr. K D A Perera	18,750,000	2.51	18,750,000	2.51
6 Mr. K D H Perera	18,750,000	2.51	18,750,000	2.51
7 Ms. K D C Samanthi	9,375,000	1.25	9,375,000	1.25
8 DFCC Bank A/C1	7,500,000	1.00	7,500,000	1.00
9 Belmont Agents Limited	3,017,500	0.40	3,017,500	0.40
10 Mr. B C Tay	3,000,000	0.40	3,000,000	0.40
11 Bank of Ceylon - No. 2 A/C	3,000,000	0.40	3,000,000	0.40
12 The Ceylon Chamber of Commerce - A/C No. 2	1,800,000	0.24	-	-
13 Mr. M F Hashim	767,081	0.10	-	-
14 Mr. D D Gunaratne	700,000	0.09	-	-
15 Mr. V S Rajasooriyar	628,674	0.08	-	-
16 Mr. W R H Perera	600,000	0.08	-	-
17 Dr. M Ramasubbu	532,300	0.07	-	-
18 Mr. M N Hameed	522,600	0.07	-	-
19 Mr. A Sithampalam	518,740	0.07	-	-
20 First Capital Markets Limited/Mr. M A U Gnanathilaka	500,007	0.07	-	-

Group Real Estate Portfolio

Owning Company and Location	Land in acres Freehold	Land in acres Leasehold	2009/2010 Rs.	2008/2009 Rs.
Properties in Rathnapura District				
Vallibel Power Erathna PLC	5.5	4.0	150,000,000	150,000,000
Country Energy (Pvt) Ltd.	1.3	2.7	4,988,200	-
Properties in Nuwara Eliya District				
Country Energy (Pvt) Ltd.	3.6	-	20,926,984	-

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Vallibel Power Erathna PLC will be held at the 26th Floor, East Tower, World Trade Centre, Colombo 01, on Tuesday the 29th day of June 2010 at 11.00 a.m. for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors, Statements of Accounts and the Balance Sheet of the Company, for the year ended 31st March 2010 together with the Report of the Auditors thereon.
- 2) To re-elect Mr. K D D Perera who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.
- 3) To re-elect Mr. H Somashantha who retires in terms of Article 25 (3) of the Articles of Association, as a Director of the Company.
- 4) To re-elect Mr. S E De Silva who retires in terms of Article 25 (3) of the Articles of Association, as a Director of the Company.
- 5) To re-elect Mr. D S Clark who retires in terms of Article 25 (3) of the Articles of Association, as a Director of the Company.
- 6) To re-elect Mr. L D Dickman who retires in terms of Article 25 (3) of the Articles of Association, as a Director of the Company.
- 7) To ratify the Interim Dividend of Rs. 0/25 per share paid on 14th October 2009 as the Final Dividend for the year ended 31st March 2010.
- 8) To re-appoint Messrs Ernst & Young, as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- 9) Special Business
 - I. To authorize the Directors to determine and make payments for charitable and other purposes for the year 2010/2011 as set out in Companies Donation Act (Cap 147).
 - II. As a Special Resolution – To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange.

The existing Article Number 11 (3) (i) be deleted and the following be substituted therefor:

“The Board may resolve to refuse to register a transfer of a share within six (06) weeks of receipt of the transfer, if any amount payable to the Company in respect of the share is due but unpaid. The Company shall not register more than three persons as Joint holders (including the principal holder) of any shares (except in the case of executors, administrators or heirs of a deceased member). If the Board resolves to refuse to register a transfer for these reasons, it must give notice of the refusal to the shareholder within one (01) week of the date of the resolution”

Notice of Meeting Contd...

- III. As a Special Resolution – To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange.

The existing Article Number 12 (1) be amended by adding new Article No. 12 (1) (iv) and 12 (1) (v) immediately after the existing Article Number 12 (1) (iii) as follows:

“12 (1) (iv) Where notice is given by an advertisement, such advertisement, shall be published in Sinhala, Tamil and English national daily newspapers.”

“12 (1) (v) Any member whose registered address is not within Sri Lanka may name an address within Sri Lanka which for the purpose of notice, shall be considered as his registered address.”

- IV. As a Special Resolution – To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange.

The existing Articles of Association of the Company be amended by adding new Article Number 47 under the caption “Compliance with Rules” immediately after the existing Article Number 46 (3) as follows:

COMPLIANCE WITH RULES

47. Notwithstanding anything to the contrary contained in the Articles of Association of the Company, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the Rules of the Colombo Stock Exchange and the Central Depository Systems, which shall be in force from time to time.”

By Order of the Board

SECRETARIES & REGISTRARS (PRIVATE) LIMITED

(sgd.)

SECRETARIES

Colombo
29 April 2010

Note:

A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend instead of him/her.

A form of Proxy is enclosed in this Report.

The completed form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, not less than 48 hours before the time for holding the Meeting.

For security reasons shareholders / proxy holders are requested to bring their National Identity Card or Passport when attending the meeting

Form of Proxy

I/We..... of being a member/ members of VALLIBEL POWER ERATHNA PLC, do hereby appoint of.....or failing *him/her

Mr. K D D Perera	of Colombo or failing him
Mr. L Wickremarachchi	of Colombo or failing him
Mr. P K Sumanasekera	of Colombo or failing him
Mr. W D N H Perera	of Colombo or failing him
Mr. S H Amarasekera	of Colombo or failing him
Mr. S E De Silva	of Colombo or failing him
Mr. H Somashantha	of Colombo or failing him
Mr. L D Dickman	of Colombo or failing him
Mr. D S Clark	of USA

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the 9TH ANNUAL GENERAL MEETING OF THE COMPANY to be held at the 26th Floor, East Tower, World Trade Centre, Colombo 01, at 11.00 a.m. on Tuesday the 29th day of June 2010 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors, Statements of Accounts and the Balance Sheet of the Company for the year ended 31st March 2010 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. K D D Perera who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. H Somashantha who retires in terms of Article 25(3) of the Articles of Association of the Company, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. S E De Silva who retires in terms of Article 25(3) of the Articles of Association of the Company, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. D S Clark who retires in terms of Article 25(3) of the Articles of Association of the Company, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect Mr. L D Dickman who retires in terms of Article 25(3) of the Articles of Association of the Company, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7) To ratify the Interim Dividend of Rs. 0/25 per share paid on 14th October 2009 as the Final Dividend for the year ended 31st March 2010.	<input type="checkbox"/>	<input type="checkbox"/>
8) To re-appoint Messrs Ernst & Young, as Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
9) Special Business		
I. To authorize the Directors to determine and make payments for charitable purposes and other purposes for the year 2010/2011 as set out in the Companies Donation Act (Cap 147)	<input type="checkbox"/>	<input type="checkbox"/>
II. As a Special Resolution - To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange as set out in the Notice of the Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
III. As a Special Resolution - To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange as set out in the Notice of the Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
IV. As a Special Resolution - To amend the Articles of Association of the Company as per Circular No. 12/2009 issued by the Colombo Stock Exchange as set out in the Notice of the Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Ten.

.....
*Signature/s

Note:

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

Instructions as to Completion

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. Please indicate with an “X” in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed 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, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, not less than forty eight (48) hours before the appointed time for the Meeting.

Please provide the following details :

Shareholder's NIC/ Passport/ Company Registration No.	Shareholder's Folio No.	Number of shares held	Proxy Holder's NIC No. (if not a Director)

Corporate Information

Name of the Company

Vallibel Power Erathna PLC

Legal Form

A Public Quoted Company with limited liability incorporated under the provisions of Companies Act No. 7 of 2007

Date of Incorporation

07th November 2001

Company Registration Number

PQ 103

Nature of Business

Generate and Supply Electric Power to the National Grid

Board of the Directors

K. D. D. Perera - Chairman

L. Wickremaratchi - Managing Director/CEO

P. K. Sumanasekera

W. D. N. H. Perera

S. H. Amarasekera

S. E. De Silva

Daryl S. Clark

H. Somashantha

L. D. Dickman

Head Office and Registered Office

27-2, East Tower, World Trade Center

Echelon Square, Colombo 01.

Telephone: 011 2381111

Fax: 011 2381115

E-mail: energy@vallibel.com

Web: www.vallibel-hydro.com

Subsidiary Companies

Country Energy (Pvt) Ltd. (unquoted)

Company Secretaries

Secretaries & Registrars (Private) Limited

No. 32 A, 1st Floor, KPMG Building,

Sir Mohamed Macan Mawatha, Colombo 03.

Telephone: 011 2325761

Fax: 011 2342047

E-mail: s&r@eureka.lk

Auditors

Ernst and Young

Chartered Accountants

No. 201, De Saram Place

Colombo 10.

Bankers

Commercial Bank of Ceylon PLC

DFCC Vardhana Bank Ltd

DFCC Bank PLC

Positioned for the Future