



Vallibel Power Erathna PLC

Annual Report 2007-2008

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.

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Who we are?

Vallibel Power Erathna PLC is one of the largest privately owned hydro power companies with installed capacity of 9.9 MW. It began construction in July 2002 and commenced commercial operation in July 2004 and reached normal operational capacity in October 2004.

The Erathna Small Hydro Power Project is located in the Kuruwita Divisional Secretariat in the District of Ratnapura. The plant is 'Run-of-the-River' and utilizes the water flow of the upper reaches of the Kuru Ganga, which originates at the Adam's Peak at an elevation of 2,100 meters above the mean sea level. The river leaves the boundary of the sanctuary at an elevation of 1,030 meters and continues onward as a tributary of the Kalu Ganga.

The hydro plant infrastructure is sited on a total land extent of approximately 4.0 Ha, spanning two villages- Pelendakanda and Adavikanda. The land extent covers the land trace from the Weir through the Headrace channel up to the Forebay tank, the Penstock path, the Powerhouse and the Tailrace. The Powerhouse is located on the right bank of the river at Adavikanda and easily accessible by road.

The water catchments area for the plant is estimated to be 14.5 square Kilometers in extent. The water diversion point and the Weir are at an elevation of 840 meters above the mean sea level. The diverted water flows through the intake and along a covered Headrace channel to the Forebay tank.

It is then channeled down through a penstock of 2.4 kilo meters long to the Powerhouse, which is at an elevation of 377 meters. This provides a total energy head of 463 meters. Before reaching the Powerhouse, the Penstock bifurcates into two pipelines that feed twin Pelton turbines. The turbines drive the synchronous electric generators. The expended water is then released along the Tailrace channel to the Kuru Ganga.

The generated power is fed through two primary transformers and transmitted via an 18 km long interconnection line connecting to the Kosgama - Ratnapura 33 kV power line. The plant consists of turbine machinery manufactured by Voith Siemens, a reputed German producer of turbine machinery. The entire plant is operated, regulated and monitored from water intake to power generation by means of a computerized control system.

We are a BOI approved company with a 10 year tax holiday from the date of commercial operation. The other incentives include free transferability of shares of the Company to residents or non-residents without being subject to exchange control and other tax levies. In terms of Section 17 (2) of the Board of Investment of Sri Lanka Law No.4 of 1978 the business, capital or assets belonging to the Company are not liable to acquisition, expropriation and /or nationalization.

Chairman's Review

I am pleased to welcome you to the Seventh Annual General Meeting and present the Annual Report and Audited Financial Statements for the year ended March 31, 2008. During the period under review, the Company has generated 42.1 Mn Kwh of energy which resulted in a turnover of Rs. 303.8 Mn. The performance of the Company both in terms of generation and turnover represents an increase of 10.8% and 34% respectively. The net profit of the Company has increased from Rs. 152.8 Mn in 2006/2007 to Rs. 346.4 Mn in 2007/2008. The profit includes the capital gains of Rs. 135 Mn earned by disposing of the Company's investment in Didul (Pvt) Ltd.

During the period under review the Company has declared three interim dividend payments of Rs. 0.15, Rs. 0.12 and Rs. 0.30 per share respectively, thereby paying a total of Rs. 0.57 per share of tax free dividend. At the Annual General Meeting we are proposing to consider the Third Interim Dividend paid on May 5th 2008, as the Final Dividend for the Financial Year ending March 31, 2008. Your Company will enjoy the tax free status until July 15, 2014.

In the current economic situation of ever increasing cost of thermal energy, small hydro projects could play a significant role in the economic development of the country. It is believed that there are yet untapped small hydro resources in the country that could be developed into power generation. However, because of various impediments, both at approval stages and at construction stages, these resources could not be tapped for the generation of hydro power. I am pleased to note that the newly formed Sri Lanka Sustainable Energy Authority is addressing various impediments associated with the development of such resources.

As you know, we have entered into a Standardized Power Purchase Agreement (SPPA) with the Ceylon

Electricity Board up to July 15, 2019 and as per the terms the SPPA, tariffs have to be revised annually in January each year, based on avoided cost basis. As I reported in my previous Annual Report, your Company, as other small hydro power developers, does not have access to computing of the tariffs by the Ceylon Electricity Board nor does it have any remedy to challenge such computing. However, I am pleased to inform you that the tariffs for the year 2008 appear to be reflecting the true spirit of the pricing formula contained in the Standardized Power Purchase Agreement entered into between the Company and the CEB, and I hope that any future tariff revisions will also reflect the true spirit of the pricing formula.

I would like to record our appreciations of the regional officials of the CEB, whose prompt actions have always been indeed a great contributory factor for the improved performance of the Company.

During the period under review there was a change to the composition of the Board of Directors by the resignation of Mr. Nilantha Perera and I thank him for his valuable service. I value very much the advice and guidance extended to me by the Board of Directors. I take this opportunity to express my sincere appreciation to all my colleagues on the Board for their valuable contribution and to the Managing Director/CEO and his able Management Team for their commitment and dedicated efforts. In conclusion, let me also thank you, our valued shareholders, whose patronage and support have been a great source of inspiration for the Company.



K.D.Dhammika Perera
Chairman
14th August 2008

Board of Directors

K D Dhammika Perera - Chairman

Mr. Dhammika Perera is the Chairman/Director-General of the Board of Investment of Sri Lanka (BOI). He is a member of the Board of Directors of Strategic Enterprises Management Agency (SEMA) and the Sri Lanka Export Development Board (EDB) as well. Mr. Perera is a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Shipping, Manufacturing, Hospitality, Entertainment, Banking and Finance. He is the Chairman of Vallibel Holdings (Pvt) Ltd through which Mr. Perera has invested in various quoted and unquoted public companies in the above sectors. He is also the Chairman of several other companies including The Fortress Resorts PLC, Vallibel Finance Ltd & Vallibel Electric (Pvt) Ltd. He is the Deputy Chairman of LB Finance PLC, Connaissance Holdings PLC and Royal Ceramics Lanka PLC. Director of Sampath Bank PLC, Asian Alliance Insurance PLC & Hotel Reefcomber PLC. He was appointed to the Board of Lanka Ceramic PLC with effect from April 2008.

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 PABC Bank PLC and Vallibel Power Limited which owns a few other hydro power developing companies.

MT L Fernando

Mr. Fernando is a Fellow of the Institute of Chartered Accountants, England & Wales and Sri Lanka. He was the Precedent Partner of Ernst & Young, Sri Lanka for over 30 years. He serves on many directorates of public listed and unlisted companies, such as Caltex Lubricants PLC, Asian Hotels & Properties PLC, Royal Ceramics Lanka PLC and Lanka Orix Leasing Company PLC. He has also served on the Board of the Colombo

Stock Exchange and was a Member of the Council of the Institute of Chartered Accountants of Sri Lanka, past Chairman - Taxation Committee and a Committee Member of the Ceylon Chamber of Commerce.

P K Sumanasekera

Mr. Prabodha Sumanasekera holds B.Sc. in Physics from the Colombo University and has 15 years experience in the small hydro power sector. He has been involved in formulating and developing 15 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.

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 and The Fortress Resorts PLC and Group Finance Director of Connaissance Holdings PLC and Hotel Reef Comber PLC. Mr. Perera is also Deputy Chairman PABC Bank PLC, Director of LB Finance PLC and Vallibel Finance Ltd. He counts over 20 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) Ltd, Connaissance Holdings PLC, C.W. Mackie & Co. PLC. and Keells Food Products. He is also the Chairman of Asia Capital PLC.

Nilantha Perera

Mr. Nilantha Perera is a member of the Institute of Chartered Accountants of Sri Lanka with over 10 years experience in the field of finance and accounting. He resigned from the directorate on 29th November 2007.

Report of the 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 2008. The Financial Statements have been prepared in accordance with the Revised Sri Lanka Accounting Standards.

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 during the financial year and results of those operations are contained in the Chairman's Review on page 4 of the Annual Report. This report forms an integral part of the Directors' Report.

Summarized Financial Position

The summarized financial position of the Company is as follows:

	2007/2008 Rs. '000	2006/2007 Rs. '000
Profit after taxation	346,382	152,831
Profit brought forward	127,572	122,485
Dividends	239,075	168,100
Transfer of realized surplus on usage	10,178	20,356
Balance carried forward	245,057	127,572

The Financial Statements of the Company are given in pages 16 to 33.

Share Capital

In accordance with 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 2008 was Rs.1,174,365,278/-.

Reserves

The reserves of the Company stand at Rs. 300,942,684/- comprising capital reserves of Rs. 55,886,296/- and revenue reserves of Rs. 245,056,388/-.

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 the following dividend payments during the financial year under review.

- * 1st Interim dividend of 15 cents per share (tax-free) for the financial year 2007/2008 paid on 9th October 2007

* 2nd Interim dividend of 12 cents per share (tax-free) for the financial year 2007/2008 paid on 17th December 2007

* 3rd Interim dividend of 30 cents per share (tax-free) for the financial year 2007/2008 paid on 5th May 2008

The Directors recommend to the shareholders that the 3rd Interim Dividend paid on 5th May 2008 be considered as the Final Dividend for the year ended 31st March 2008.

Corporate Donations

During the year the Company made donations amounting to Rs. 512,300/= in terms of the resolution passed at the Annual General Meeting.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 14.0 Mn details of which are given in Note 3 on page 25.

Property, Plant & Equipment

The movements in property, plant and equipment of the Company are given in Note 3 to the Financial statements, in page 25.

Shareholdings

As at 31st March 2008 there were 2,906 registered shareholders. The distribution of shareholders is indicated on page 34.

Share Information

Information on share trading is given on page 35 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

Mr. M P N Perera (resigned on 29th November 2007)

Mr. S H Amarasekera retires by rotation in terms of Article 91 of the Articles of Association of the Company and being eligible offer himself for re-election with unanimous support of the Board.

Mr. M T L Fernando retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 7 of 2007 of his intention to propose the re-election with the unanimous support of the Board.

Interest Register

As required by the Companies Act No. 7 of 2007 an Interest Register is being maintained by the Company.

Directors' Interests

Directors' interests in contracts with the Company, both direct and indirect are disclosed in Note 23 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.

Report of the Directors (Contd.)

Directors' Interest in shares

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

	As at 31st March 2008	As at 31st March 2007
Mr. K D D Perera	184,276,750	184,276,750
Mr. L Wickremarachchi	80,000	80,000
Mr. P K Sumanasekera	150,000	150,000
Mr. W D N H Perera	28,000	3,000
Mr. S H Amarasekera	575,000	575,000
Mr. M T L Fernando	300,000	300,000
Mr. M P N Perera (resigned on 29th October 2007)	-	-

Corporate Governance

The report on Corporate Governance is given on pages 9 -11.

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

Third Interim Dividend of Rs. 0/30 per share amounting to Rs. 224,132,919/30 has been declared after the Balance Sheet date.

Annual General Meeting

The 7th Annual General Meeting of the Company will be held on Tuesday the 23rd day of September 2008 at 9.00 a.m. at the 26th floor, East Tower, World Trade Center, Colombo 1. The notice of the 7th Annual General Meeting is on page 36 of this report.

The Auditors

The Financial Statements for the year ended 31st March 2008 have been audited by Messrs Ernst & Young, Chartered Accountants who offer themselves for re-appointment. The Auditors Report on the Financial Statements is given on page 15. As far as the Directors were aware the Auditors do not have any relationship other than that of an Auditor with the Company.

By order of the Board of
Vallibel Power Erathna PLC

(sgd)
Secretaries & Registrars (Private) Limited
Secretaries

Colombo

29th July 2008

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 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 standard 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 2008.

The Board

The Board comprises of one executive Director and five non-executive Directors. Their details appear on page 5 of the Annual Report. 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 and 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 7 meetings and the attendance is given below.

		Attendance
Mr. K D D Perera (Chairman)	- NED	- 5/7
Mr. L Wickremarachchi (Managing Director)	- ED	- 7/7
Mr. P K Sumanasekera	- NED	- 3/7
Mr. W D N H Perera	- NED	- 7/7
Mr. S H Amarasekera	- I	- 6/7
Mr. M T L Fernando	- I	- 4/7
Mr. M P N Perera (resigned on 29th November 2007)	- NED	- 5/7

Key

NED - Non-executive Director

ED - Executive Director

I - Independent non-executive Director

The roles of Chairman and Chief Executive Officer are separated 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 composition of the Board in order to assess whether they have the right mix of skills and experience to be better

prepared for managing the Company.

Re-election of Directors

As per the Articles of Association of the Company at each Annual General Meeting (AGM) one of the Directors shall retire from office and offer himself for re-election. The Managing Director is not subject to retirement by rotation. The 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. The Board reviewed the independence of non-executive Directors and concluded that Mr. M T L Fernando and Mr. S H Amarasekera both 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 30 of the Annual Report.

Company Secretary

Secretaries & Registrars (Private) Limited, Secretaries 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 the Board meetings. The company secretary advises 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. M T L Fernando (Chairman)
Mr. W D N H Perera
Mr. P K Sumanasekera

The Audit Committee meets at least two times a year 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. M T L Fernando

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.

Responsibilities

It is the responsibility of the Board of Directors to ensure 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 law, 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 Bi-annual Reports are the principal means of communication with the shareholders.

Statement of Directors Responsibilities

As per the provisions of the Companies Act No.7 of 2007 the Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the results of its operations for the financial year.

The Directors consider that, in preparing these financial statements set out in the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements. Further, the Directors have responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company, and to ensure that the financial statements presented comply with the requirements of the Companies Act No.7 of 2007.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard have given proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

The Directors are confident that they have discharged their responsibilities as set out in the statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company as at the Balance Sheet date have been paid or where relevant provided for.

By order of the Board of
Vallibel Power Erathna PLC

(sgd)
Secretaries & Registrars (Private) Limited
Secretaries

Colombo
29th July 2008

Managing Director's and Accountant's Responsibility Statement

The financial statements are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No. 7 of 2007 and any other applicable statutes. The accounting policies used in the preparation of the financial statement are appropriate and are consistently applied, except unless otherwise stated in the notes accompanying the financial statements.

The Board of Directors and the management of our Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the company's state of affairs. To ensure this, the company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The financial statements were audited by Ernst & Young, Chartered Accountants, the independent auditors.

The audit committee of our Company meets periodically with the internal auditors and the independent auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

Sgd.

Y.R.P. Suriyapperuma
Accountant

Sgd.

L. Wickremarachchi
Managing Director

29th July 2008.

Financial Information



Chartered Accountants

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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 which comprise the Balance Sheet as at March 31, 2008 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

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2008, and the Financial Statements give a true and fair view of the Company's state of affairs as at March 31, 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young


Colombo
16th June 2008

Partners: A D B Talwatte FCA FCMA T K Bandaranayake FCA M P D Cooray FCA 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)
A S M Ismail FCA FCMA 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

	Note	2008 Rs.	2007 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment - At Cost and Valuation	3	1,155,026,918	1,171,088,357
Investments	4	43,017,150	123,818,870
Intangible Assets - Right To Generate Hydro Power	5	17,600,000	19,200,000
		1,215,644,068	1,314,107,227
Current Assets			
Trade & Other Receivables	6	23,810,907	11,680,809
Amount Due from Related Parties	7	1,356,744	886,091
ESC Recoverable		-	474,484
Short Term Investment	4	235,906,750	48,942,054
Cash and Bank Balances		7,881,474	3,266,304
		268,955,875	65,249,742
Total Assets		1,484,599,943	1,379,356,969
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	8	1,174,365,278	747,109,731
Reserves	9	55,886,296	493,319,811
Accumulated Profit		245,056,388	127,571,857
Total Equity		1,475,307,962	1,368,001,399
Non Current Liabilities			
Interest Bearing Loans and Borrowings	10	1,679,540	2,648,639
Retirement Benefit Obligations	11	1,235,394	918,584
		2,914,934	3,567,223
Current Liabilities			
Interest Bearing Loans and Borrowings	10	897,931	634,454
Trade and Other Payables	12	2,520,197	3,058,089
Amounts Due to Related Parties	13	-	233,131
Dividend Payable		2,824,154	1,629,310
Tax Payables		134,765	2,233,363
		6,377,047	7,788,347
Total Equity and Liabilities		1,484,599,943	1,379,356,969


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



 Y.R.P. Suriyapperuma
 Accountant

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.D. Perera
 Chairman



 L. Wickremarachchi
 Managing Director

The Accounting Policies and Notes on pages 19 through 32 form an integral part of the Financial Statements.

Colombo
 16th June 2008

Income Statement

Year ended 31st March 2008

	Note	2008 Rs.	2007 Rs.
Revenue	14	303,837,198	226,784,895
Cost Of Sales		(33,199,384)	(34,768,844)
Gross Profit		270,637,814	192,016,051
Other Income	15	142,401,778	9,881,922
Administration Expenses		(32,458,943)	(28,449,539)
IPO Expenses		-	(12,614,467)
Other Operating Expenses		(190,965)	(79,937)
Provision For Impairment Of Investment		(30,551,720)	-
Finance Cost	16	(1,042,046)	(5,363,415)
Profit Before Taxation	17	348,795,918	155,390,615
Income Tax Expenses	18	(2,414,241)	(2,559,928)
Net Profit For The Year		346,381,677	152,830,687
Basic Earnings Per Share	19	0.47	0.21
Dividend Per Share		0.27	0.27

The Accounting Policies and Notes on Pages 19 through 32 form an integral part of the Financial Statements.

Colombo
16th June 2008.

Statement of Changes in Equity

As at 31st March 2008

	Stated Capital Rs.	Revaluation Reserve Rs.	Share Premium Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 31 March 2006	199,036,577	584,493,354	77,255,547	122,484,923	983,270,401
Share Premium	-	-	350,000,000	-	350,000,000
Net Profit for the year	-	-	-	152,830,687	152,830,687
Dividends	-	-	-	(168,099,689)	(168,099,689)
Bonus Issue	498,073,154	(498,073,154)	-	-	-
Transfer of realised surplus on usage	-	(20,355,936)	-	20,355,936	-
Balance as at 31 March 2007	747,109,731	66,064,264	427,255,547	127,571,857	1,368,011,399
Transferred to Stated Capital	427,255,547	-	(427,255,547)	-	-
Net Profit for the year	-	-	-	346,381,677	346,381,677
Dividends	-	-	-	(239,075,114)	(239,075,114)
Transfer of realised surplus on usage	-	(10,177,968)	-	10,177,968	-
Balance as at 31 March 2008	1,174,365,278	55,886,296	-	245,056,388	1,475,307,962

Cash Flow Statement

Year Ended 31st March 2008

	Note	2008 Rs.	2007 Rs.
Cash Flows From / (Used in) Operating Activities			
Net Profit before Income Tax Expense		348,795,918	155,390,615
Adjustments for			
Amortization of Intangible assets	5	1,600,000	1,600,000
Depreciation	17	30,065,321	28,573,744
Retirement Benefits	17	682,736	636,537
Write Back of Creditors		(480,761)	(1,589,805)
Profit From Sale Of Investment		(134,750,000)	-
Interest Income	15	(7,171,017)	(7,603,749)
Provision for Impairment of Investment		30,551,720	-
Finance Costs	16	1,042,046	5,363,415
Operating Profit/(Loss) before Working Capital Changes		270,335,963	182,370,757
(Increase)/ Decrease in Trade and Other Receivables		(12,293,116)	11,967,497
(Increase)/Decrease in Amounts Due from Related Parties		(470,653)	34,426,856
Increase /(Decrease) in Trade and Other Payables		(149,036)	(1,412,171)
Increase/(Decrease) in Amounts Due to Related Parties		(233,131)	165,678
Cash Generated from /(used in) Operating Activities		257,190,027	227,518,617
Finance Costs Paid		(559,084)	(5,254,170)
Interest Received		7,334,034	9,276,332
Gratuity Paid		(365,926)	-
VAT Paid		-	(2,078,191)
Taxes Paid		(3,946,450)	(1,130,346)
Net Cash from/(used in) Operating Activities		259,652,601	228,332,242
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment		(14,003,882)	(7,337,869)
Investment in Ordinary Shares		-	(93,272,000)
Sale of Investment		185,000,000	-
Investment in Fixed Deposits		(189,965,644)	(45,941,106)
Net Cash Flows from/(Used in) Investing Activities		(18,969,526)	(146,550,975)
Cash Flows from /(Used in) Financing Activities			
Payment of Term Loans		-	(333,545,615)
Dividend Paid		(237,880,270)	(166,470,379)
Lease Rental		(1,188,583)	(466,799)
Shares Issued		-	400,000,000
Net Cash Flows from/(Used in) Financing Activities		(239,068,853)	(100,482,793)
Net Increase/(Decrease) in Cash and Cash Equivalents		1,614,222	(18,701,526)
Cash and Cash Equivalents at the Beginning of the Period (Note A)		6,267,252	24,968,778
Cash and Cash Equivalents at the End of the Period (Note B)		7,881,474	6,267,252
Note A			
Cash and Cash Equivalents at the beginning of the period			
Cash in Hand & at Bank		3,266,304	2,707,567
REPO		3,000,948	26,900,000
Bank Over Draft		-	(4,637,789)
		6,267,252	24,969,778
Note B			
Cash and Cash Equivalents at the end of the period			
Cash in Hand & at Bank		7,881,474	3,266,304
REPO		-	3,000,948
		7,881,474	6,267,252

The Accounting Policies and Notes on Pages 19 through 32 form an integral part of the Financial Statements.

Colombo
16th June 2008

Notes to the Financial Statements

Year Ended 31st March 2008

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 Center, 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 Parent Enterprise

The company's parent undertaking is Vallibel Power Ltd.

1.4 Date of Authorisation for Issue

The financial statements of Vallibel Power Erathna PLC for the year ended 31st March 2008 were authorized for issue in accordance with a resolution of the Board of Directors on 16th June 2008.

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Taxation

a) Current Taxes

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.

b) Deferred Taxation

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

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 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 Bicycle	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 -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 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, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement.

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 31 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 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 31st March 2008

3. PROPERTY, PLANT & EQUIPMENT

Gross Carrying Amounts At Cost	Balance As at 01.04.2007 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
Civil Constructions - Since Revaluation	4,942,948	2,205,815	-	7,148,763
Plant & Machinery - Since Revaluation	5,445,630	-	-	5,445,630
Project Equipment	338,132	-	-	338,132
Tools & Accessories	1,979,770	149,132	-	2,128,902
Motor Vehicles	10,138,779	-	-	10,138,779
Motor Bicycle	359,158	-	-	359,158
Furniture & Fittings	917,164	7,588,257	-	8,505,421
Computer	1,104,471	452,900	-	1,557,371
Container	75,000	-	-	75,000
Office Equipment	357,070	111,794	-	468,864
Fire Extinguisher	524,600	-	-	524,600
Generator	1,136,000	-	-	1,136,000
Site Fixtures & Fittings	44,000	2,861,173	-	2,905,173
Web Development	-	634,811	-	634,811
	<u>27,362,722</u>	<u>14,003,882</u>	<u>-</u>	<u>41,366,604</u>
Assets on Finance Lease				
Motor Vehicle	3,640,647	-	-	3,640,647
At Valuation	Balance as at 01.04.2007 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2008 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
	<u>1,225,861,175</u>	<u>-</u>	<u>-</u>	<u>1,225,861,175</u>
Depreciation At Cost	Balance As at 01.04.2007 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2008 Rs.
Civil Constructions - Since Revaluation	72,629	207,734	-	280,363
Plant & Machinery - Since Revaluation	68,843	163,369	-	232,212
Project Equipment	213,177	46,706	-	259,883
Tools & Accessories	1,854,845	97,641	-	1,952,486
Motor Vehicles	7,484,940	2,027,756	-	9,512,696
Motor Bicycle	359,156	-	-	359,156
Furniture & Fittings	322,427	219,400	-	541,827
Computer	361,152	296,667	-	657,819
Container	75,000	-	-	75,000
Office Equipment	39,220	37,903	-	77,123
Fire Extinguisher	71,924	52,460	-	124,384
Site Fixtures & Fittings	1,222	699,056	-	700,278
Generator	113,600	113,600	-	227,200
Web Development	-	21,160	-	21,160
	<u>11,038,135</u>	<u>3,983,452</u>	<u>-</u>	<u>15,021,587</u>

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

	Balance as at 01.04.2007 Rs.	Charges for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2008 Rs.
Assets on Finance Lease				
Motor Vehicle	223,438	728,129	-	951,567
At Valuation				
	Balance as at 01.04.2007 Rs.	Charges for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2008 Rs.
Civil Constructions	25,039,771	8,652,620	-	33,692,391
Plant & Machinery	49,474,843	16,701,120	-	66,175,963
	74,514,614	25,353,740	-	99,868,354
Written Down Value	1,171,088,357			1,155,026,918

Cash payments amounting to Rs.14,003,882/= (Rs.7,337,869 - 31.03.2007) were made during the period for purchase and construction of Property, Plant and Equipment.

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.

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 Rs.	Cumulative Depreciation if Assets were Carried at Cost Rs.	Net Carrying Amount March 2008 Rs.	Net Carrying Amount March 2007 Rs.
Free Hold Land	4,622,387	-	4,622,387	4,622,387
Civil Constructions	273,106,006	(17,714,998)	255,391,008	259,942,775
Plant & Machinery	354,133,484	(42,096,204)	312,037,280	322,661,285
	631,861,877	(59,811,202)	572,050,675	587,226,447

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

4. INVESTMENTS	2008	2007
Summary	Rs.	Rs.
Non Current		
Investment in Equity Securities (Quoted)		
The Fortress Resorts PLC		
(Market Value Rs. 43,017,150/- (2006-Rs. 48,950,550/-))	73,568,870	73,568,870
Provision for Impairment of Investment	(30,551,720)	
	43,017,150	73,568,870
Investment in Equity Securities (Non Quoted)		
Didul (Pvt) Ltd.	-	50,250,000
	43,017,150	123,818,870
Current		
Investment in Fixed Deposits	235,906,750	45,941,106
REPO	-	3,000,948
	235,906,750	48,942,054

5. INTANGIBLE ASSET - Right to Generate Hydro Power

	2008	2007
	Rs.	Rs.
Cost		
Gross carrying amount B/F	24,000,000	24,000,000
Gross carrying amount C/F	24,000,000	24,000,000
Amortisation		
Accumulated amortisation B/F	4,800,000	3,200,000
Amortization for the period	1,600,000	1,600,000
Accumulated amortisation C/F	6,400,000	4,800,000
Net carrying amount at the end of the period	17,600,000	19,200,000

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

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

6. TRADE AND OTHER RECEIVABLES

	2008 Rs.	2007 Rs.
Advances & Prepayments	2,982,410	2,517,778
Trade Receivable	20,045,622	7,089,009
Staff Debtors	622,224	752,992
Other Receivable (Includes interest receivable from L.B. Finance PLC Rs.75,000/-)	160,651	1,321,030
	23,810,907	11,680,809

7. AMOUNT DUE FROM RELATED PARTIES

	Relationship	2008 Rs.	2007 Rs.
Didul (Pvt) Ltd. - Current Account Balance	Related Company	-	343,310
Didul (Pvt) Ltd - Barcaple Project Expenses	Related Company	-	31,500
Alternate Power Systems (Pvt) Ltd.	Related Company	1,009,853	152,843
Country Energy (Pvt) Ltd.	Related Company	-	126,859
Rocell Bathware Ltd.	Related Company	346,891	231,579
		1,356,744	886,091

8. STATED CAPITAL

	2008 Rs.	2007 Rs.
Issued and Fully Paid Number of Shares		
Ordinary Shares	747,109,731	747,109,731
Value of Issued and Fully Paid Shares		
Ordinary Shares	1,174,365,278	747,109,731

Stated Capital represents the amount paid to the Company in respect of issuing 747,109,731 ordinary shares. With the enactment of the Companies Act No. 07 of 2007 which is applicable with effective from 03rd May 2007, the concept of authorized share capital and par value is no longer applicable.

9. RESERVES

	2008 Rs.	2007 Rs.
Summary		
Capital Reserves		
Share Premium (9.1)	-	427,255,547
Revaluation Reserve (9.2)	55,886,296	66,064,264
	55,886,296	493,319,811

9.1 Share Premium

	2008 Rs.	2007 Rs.
At the beginning of the year	427,255,547	77,255,547
Received during the year	-	350,000,000
Transferred to Stated Capital	(427,255,547)	-
At the end of the year	-	427,255,547

With the enactment of the Companies Act No. 07 of 2007 which is applicable with effective from 03rd May 2007 Share Premium treated as Stated Capital.

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

9.2 Revaluation Reserve

	2008 Rs.	2007 Rs.
Balance as at the beginning of the year	66,064,264	584,493,354
Utilised for Bonus Issue	-	(498,073,154)
Realised Surplus on usage Transferred to Accumulated Profit	(10,177,968)	(20,355,936)
Balance as at the end of the year	<u>55,886,296</u>	<u>66,064,264</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 unrealized amount cannot be distributed to shareholders.

10. INTEREST BEARING - LOANS AND BORROWINGS

Finance Leases (L.B. Finance PLC)

	As At 31.03.2008 Rs.	Repayable within 1 year Rs.	Repayable within 2-5 years Rs.
Gross Liability	3,040,608	1,181,988	1,858,620
Finance Charges allocated to future periods	(463,137)	(284,057)	(179,080)
Net Liability	<u>2,577,471</u>	<u>897,931</u>	<u>1,679,540</u>

	As At 31.03.2007 Rs.	Repayable within 1 year Rs.	Repayable within 2-5 years Rs.
Gross Liability	4,222,596	1,027,812	3,194,784
Finance Charges allocated to future periods	(939,503)	(393,358)	(546,145)
Net Liability	<u>3,283,093</u>	<u>634,454</u>	<u>2,648,639</u>

11. RETIREMENT BENEFIT OBLIGATION

	2008 Rs.	2007 Rs.
At the beginning of the year	918,584	282,047
Provision made for the year	682,736	636,537
Payment made during the year	(365,926)	-
At the end of the year	<u>1,235,394</u>	<u>918,584</u>

12. TRADE AND OTHER PAYABLES

	2008 Rs.	2007 Rs.
Accrued Expenditure	2,458,486	2,609,402
Retention Money	61,711	315,563
Payable to Contractors	-	133,124
	<u>2,520,197</u>	<u>3,058,089</u>

13. AMOUNTS DUE TO RELATED PARTIES

	Relationship	2008 Rs.	2007 Rs.
Vallibel Lanka (Pvt) Ltd.	Related Company	-	233,131
		-	<u>233,131</u>

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

14. REVENUE

	2008	2007
	Rs.	Rs.
Sales from Electricity Generation	303,837,198	226,784,895
	<u>303,837,198</u>	<u>226,784,895</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 were 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 the 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.

15. OTHER INCOME

	2008	2007
	Rs.	Rs.
Interest Income *	7,171,017	7,603,749
Profit on Sale of Shares	134,750,000	-
Write back of Creditors	480,761	1,589,805
Scrap sales	-	688,368
	<u>142,401,778</u>	<u>9,881,922</u>

* The above Interest Income includes related Company interest of Rs.6,985,396/= (2007 - Rs.6,338,565/=)

16. FINANCE COST

	2008	2007
	Rs.	Rs.
Term Loan Interest	-	3,666,172
Overdraft Interest	-	2,402
Debit Tax	519,686	1,498,141
Bank Charges	39,398	87,455
Lease Interest	482,962	109,245
	<u>1,042,046</u>	<u>5,363,415</u>

17. PROFIT / (LOSS) BEFORE TAXATION

Stated after Charging / (Crediting):	2008	2007
	Rs.	Rs.
Directors' Fees	775,281	230,000
Auditors' Remuneration	300,000	265,000
Depreciation	30,065,321	28,573,744
Retirement Benefits	682,736	636,537
Personnel Costs includes		
- Defined Contribution Plan Costs - EPF & ETF	1,135,836	1,117,084
- Staff Salaries	7,572,238	7,079,952
- Other Staff Costs	2,731,181	3,234,512

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

18. 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.

	2008 Rs.	2007 Rs.
Interest Income	7,171,017	7,603,749
Statutory Tax Rate	33 1/3%	33 1/3%
Income Tax	2,390,339	2,534,583
SRL (1%)	23,902	25,345
Current Income Tax Expense on Interest Income	2,414,241	2,559,928

19. 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.

Amounts Used as the Numerators:	2008 Rs.	2007 Rs.
Profit Attributable to Ordinary Shareholders for basic Earnings per Share	346,381,677	152,830,687

Number of Ordinary Shares Used as Denominators:	2008 Number	2007 Number
Weighted Average number of Ordinary Shares in issue	747,109,731	742,943,064

20. DIVIDENDS PAID DURING THE YEAR

	2008 Rs.	2007 Rs.
Final 2006/2007 - Rs.0.05 per share	37,355,486	-
First Interim 2007/2008 - Rs.0.15 per share (Last Year - First Interim 2006/2007 - Rs.0.15 per share)	112,066,460	112,066,460
Second Interim 2007/2008 - Rs.0.12 per share (Last Year - Second Interim 2006/2007 - Rs.0.075 per share)	89,653,168	56,033,229
	239,075,114	168,099,689

21. POST BALANCE SHEET EVENTS

Third Interim dividend of 224,132,919/= (Rs.0.30 per share) has been declared after the balance sheet date.

22. 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 9.1(2) and (3) to the financial statements.

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

23. RELATED PARTY DISCLOSURES

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

23.1 Transactions with the Parent and Related entities.

Company	Name of Director	Relationship	Nature of Transaction	Amount		
				2008 Rs.	2007 Rs.	
Vallibel Lanka (Pvt) Ltd.	Mr. K.D.D. Perera	Related Company	Payments on behalf of the Company			
			Operating Expenses	11,797,886	3,499,965	
			Funds received from Vallibel Lanka (Pvt) Ltd.	-	2,939,903	
			Funds transferred to Vallibel Lanka (Pvt) Ltd.	12,031,017	6,206,737	
Didul (Pvt) Ltd.	Mr. K.D.D. Perera	Related Company	Payments on behalf of Didul (Pvt) Ltd.			
			Mr. L. Wickremarachchi	Operating Expenses	8,196,626	5,372,988
			Mr. P. K. Sumanasekera	Other Transactions		
				Fund Transferred to Didul (Pvt) Ltd.	13,881,000	8,500,000
				Funds received from Didul (Pvt) Ltd.	22,452,436	13,498,178
	Shares Received for due balance	-	50,000,000			
	Interest Received from Didul (Pvt) Ltd.	-	4,735,336			
Alternate Power Systems (Pvt) Ltd.	Mr. K.D.D. Perera	Related Company	Payments on behalf of Alternate Power Systems (Pvt) Ltd.			
			Mr. L. Wickremarachchi	Operating Expenses	8,094,394	1,158,199
				Other Transactions		
		Funds Received from Alternate Power Systems (Pvt) Ltd.	7,237,384	1,005,356		
The Fortress Resorts PLC	Mr. K.D.D. Perera	Related Company	Investment in Ordinary Shares	-	43,022,000	
	Mr. W.D.N.H. Perera					
Country Energy (Pvt) Ltd.	Mr. K.D.D. Perera	Related Company	Payments on behalf of Country Energy (Pvt) Ltd.			
			Mr. L. Wickremarachchi	Operating Expenses	2,111,246	1,252,718
			Mr. P.K. Sumanasekera	Funds Received from Country Energy (Pvt) Ltd.	2,238,105	1,125,859

Notes to the Financial Statements (Contd.)

Year Ended 31st March 2008

Company	Name of Director	Relationship	Nature of Transaction	Amount 2008 Rs.	2007 Rs.
L.B. Finance PLC	Mr. K.D.D. Perera	Related Company	Investment in Fixed Deposits	447,286,020	127,000,000
	Mr. W.D.N.H. Perera		Fixed Deposit withdrawals	218,289,666	84,290,373
			Interest Received	6,910,396	3,231,478
			Lease Installment Paid	1,181,988	590,994
Royal Ceramics Lanka PLC	Mr. K.D.D. Perera	Related Company	Purchase of Tiles	-	417,524
	Mr. W.D.N.H. Perera				
	Mr. M.T.L. Fernando				
Rocell Bathware Ltd.	Mr. K.D.D. Perera	Related Company	Remuneration paid to staff temporarily attached to Rocell Bathware Ltd.	595,625	231,579
	Mr. W.D.N.H. Perera		Reimbursement from Rocell Bathware Ltd.	480,313	-
	Mr. M.T.L. Fernando				

23.2 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 and its parent other than those disclosed in Note 17. Key Management compensation paid during the year was Rs.3,653,655/=.

24. RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 4, 6, 7, 10, 15 & 23 to the Financial Statements.

Shareholder and Investor Information

1. General

Stated Capital	Rs.1,174,365,278
Number of Shares	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 24.18% as at 31st March 2008

4. Distribution of Shareholding as at 31st March 2008

There were 2,906 Registered shareholders as at 31st March 2008, distributed as follows.

		Number of Shares held	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	-	1,000	409	14.07	214,780	0.03
1,001	-	5,000	1,269	43.67	3,793,989	0.51
5,001	-	10,000	468	16.10	3,623,650	0.49
10,001	-	50,000	517	17.79	12,123,091	1.62
50,001	-	100,000	100	3.44	7,727,400	1.03
100,001	-	500,000	100	3.44	21,766,900	2.91
500,001	-	1,000,000	19	0.65	14,441,100	1.93
		1,000,001 & over	24	0.83	683,418,821	91.48
		Total	2,906	100.00	747,109,731	100.00

5. Analysis report of Shareholders as at 31st March 2008.

Category	No. of Shareholders	% of Shareholders	Total Holdings	% of Total Holdings
Individual	2,812	96.77	289,357,760	38.73
Institutional	94	3.23	457,751,971	61.27
Total	2,906	100.00	747,109,731	100.00

Category	No. of Shareholders	% of Shareholders	Total Holdings	% of Total Holdings
Residents	2,890	99.45	736,588,631	98.59
Non-residents	16	0.55	10,521,100	1.41
Total	2,906	100.00	747,109,731	100.00

Shareholder and Investor Information (Contd.)

6. Twenty Major Shareholders as at 31st march 2008

SHAREHOLDER	NO. OF SHARES AS AT 31.03.2008	%	NO. OF SHARES AS AT 31.03.2008	%
1. Vallibel Power Limited	381,025,971	51.00	381,025,971	51.00
2. Mr. K D D Perera	184,276,750	24.67	184,276,750	24.67
3. Mr. K D A Perera	18,750,000	2.51	18,750,000	2.51
4. Mr. K D H Perera	18,750,000	2.51	18,750,000	2.51
5. Phoenix Ventures Limited	15,000,000	2.01	15,000,000	2.01
6. Ms. K D C Samantha	9,375,000	1.25	9,375,000	1.25
7. DFCC Bank A/C1	7,500,000	1.00	7,500,000	1.00
8. S K M Lanka Holdings (Private) Limited	7,108,000	0.95	-	-
9. Merchant Bank of Sri Lanka Limited A/C No. 1	5,575,000	0.75	5,575,000	0.75
10. Thurston Investments Limited	5,400,000	0.72	5,400,000	0.72
11. Eagle Insurance Company Limited A/C No. 3	4,065,000	0.54	-	-
12. Expolnaka Commodities (Private) Limited	3,365,000	0.45	3,375,000	0.45
13. Mr. B C Tay	3,000,000	0.40	3,000,000	0.40
14. Amana Takaful PLC	2,708,000	0.36	-	-
15. Mr. S C Rodrigo	2,619,800	0.35	-	-
16. Asian Alliance Insurance PLC-General Fund A/C No. 1	2,564,500	0.34	1,500,000	0.20
17. Waldock Mackenzie Limited/ Ceylinco Shriram Captial Management	2,550,000	0.34	2,550,000	0.34
18. Ceylinco Capital Investment Company (Private) Limited	2,550,000	0.34	2,550,000	0.34
19. The Ceylon Chamber of Commerce - A/C No. 2	1,500,000	0.20	-	-
20. Mr. K S H M Razik	1,246,900	0.17	-	-

7. Share Trading Information

	2007/2008	2006/2007
Highest (Rs.)	2/50	8/25
Lowest (Rs.)	1/60	1/60
Closing (Rs.)	2/40	1/80
Turnover (Rs.)	129,756,340	226,734,515
No. of shares Traded	65,148,000	98,434,958
No. of Trades	4,338	10,173

8. Equity Information

	2007/2008	2006/2007
Earnings per share (Rs.)	0.47	0.21
Dividend per share (Rs.)	0.27	0.27
Net Asset Value per share (Rs.)	1.97	1.83

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Vallibel Power Erathna PLC will be held at the 26th Floor, East Tower, World Trade Center, Colombo 01, on Tuesday the 23rd day of September 2008 at 9.00 a.m. for the following purposes:

- 1) To receive and consider the Report of the Directors, Statements of Accounts and the Balance Sheet of the Company ,for the year ended 31st March 2008 together with the Report of the Auditors thereon.
- 2) To re-elect Mr. S H Amarasekera who retires by rotation in terms of Article 91 of the Articles of Association as a Director of the Company.
- 3) To re-elect Mr. M T L Fernando as Director of the Company. Special Notice has been received from a shareholder pursuant to Section 211 of the Companies Act No. 7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

"RESOLVED that Mr. M T L Fernando who has reached the age of 81 be and is hereby re-elected as a Director of the Company, and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 7 of 2007".
- 4) To ratify the 3rd Interim Dividend of Rs. 0/30 per share paid on 5th May 2008 as the Final Dividend for the year ended 31st March 2008.
- 5) To re-appoint Messrs Ernst & Young, as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- 6) Special Business
 - I. To authorize the Directors to determine and make payments for charitable and other purposes for the year 2008/2009 as set out in Companies Donation Act (Cap 147).

By Order of the Board

SECRETARIES & REGISTRARS (PRIVATE) LIMITED

(Sgd)

Secretaries & Registrars (Private) Limited

Secretaries

Colombo

29th July 2008

Note:

- i) 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.
- ii) A form of Proxy is enclosed in this Report.
- iii) 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.
- iv) 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/s 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 Wickremaratchi 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. M T L Fernando of Colombo

as *my/our Proxy to** vote for *me/us on *my/our behalf at the 7TH ANNUAL GENERAL MEETING OF THE COMPANY to be held at 9.00 a.m. on Tuesday the 23rd day of September 2008 at the 26th Floor, East Tower, World Trade Center, Colombo 1. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Report of the Directors, Statements of Accounts and the Balance sheet of the Company for the year ended 31st March 2008 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. S H Amarasekera who retires by rotation in terms of Article 91 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. M T L Fernando who retires in terms of Section 210 of the Companies Act No. 7 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
4) To ratify the 3rd Interim Dividend paid on 5th May 2008 as the Final Dividend for the year ended 31st March 2008.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint Messrs Ernst & Young, as Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) Special Business To authorize the Directors to determine and make payments for charitable purposes and other purposes for the year 2008/2009 as set out in the Companies Donation Act (Cap 147)	<input type="checkbox"/>	<input type="checkbox"/>

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

Note

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.
- 3) If you wish your Proxy to speak at the meeting you should interpolate the words "speak and" in the place indicated with ** and initial such interpolation.

.....
 * Signature/s

Instructions as to Completion

- a. Kindly perfect the Form of Proxy after filling in legibly your name in full and address and sign in the space provided. Please fill in the date of signature.
- b. 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. The Proxy may not speak at the Meeting unless expressly authorized by the instrument appointing 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.
- c. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.
- d. 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.
- e. The completed Form of Proxy should be deposited at the registered office of the Company, #27-2, East Tower, World Trade Center, Colombo 01, not less than forty eight (48) hours before the appointed time for the Meeting.

Corporate Information

Name of the Company

Vallibel Power Erathna PLC

Legal Form

A Public Quoted Company with limited liability 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. Wickremarachchi - Managing Director/CEO
M. T. L. Fernando
P. K. Sumanasekera
W. D. N. H. Perera
S. H. Amarasekera

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

Company Secretaries

Secretaries & Registrars (Private) Limited.

32 A, 1st Floor, Sir Mohamed Macan

Markar 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.