Clean energy for sustainable economic development

Vallibel Power Erathna PLC

Annual Report 2008/09

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.

Contents

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 Hydropower 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

On behalf of the Board of Directors I am pleased to welcome you to the Eighth Annual General Meeting of the Company and present to you the Annual Report and the Audited Financial Statements of Vallibel Power Erathna PLC for the Financial Year ending March 31, 2009.

You will be pleased to note that the Company has performed very well this year both in terms of turnover and net profit. The turnover for the year was Rs.365.83 Mn and it represented a 20.4% increase from the previous year. The net profit from the core business of hydro power generation has increased from Rs. 203.98 Mn to Rs. 276.1 Mn representing an increase of 35.4%. During the period under review the Company has paid two interim dividends of Rs 0.29 per share and Rs. 0.12 per share totaling Rs. 0.41 per share. I would recommend that the interim dividend of Rs 0.12 per share, paid on 30th December 2008, be approved as the Final Dividend for the year ended March 31, 2009.

The Company is mindful that it needs to expand its core business activities with a view to maximizing returns to shareholders and the Company is looking forward to new investment opportunities in the hydro power sector. In this context we are actively exploring investment opportunities in this sector.

During the period under review, a prospective investor showed an interest to buy the entire shareholding of your Company at Rs. 5/- per share. However, by the time the investor concluded its due diligence the world financial market faced an unprecedented crisis, and as a result, the required funding for the proposed acquisition was not available to the investor. However, the investor has agreed to buy 160,000,000 issued and fully paid shares of the Company at Rs. 5/- per share. In order to make available this opportunity to all the shareholders across the board, the investor is offering to purchase the said amount of shares from all the existing shareholders on a pro rata basis. The prospective investor has obtained the approval in principle for this partial offer from the Securities and Exchange Commission of Sri Lanka subject to submitting the additional information as required under Rule 9 of the Code. In case any shareholder does not exercise this option, the major shareholders have given an undertaking to the investor that they would offer their shares to the investor to make the total purchase up to 160,000,000 shares.

I must mention that the Company has an excellent working relationship with the officials of the Ceylon Electricity Board and I thank them for their continued cooperation extended to the Company. I must especially thank the Ratnapura regional staff whose prompt actions have always been indeed a great contributory factor for the improved performance of the Company.

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 and his able management team for their commitment and dedicated efforts. In conclusion I also thank you, our valued shareholders whose patronage and support have been a great source inspiration for the Company.

K.D.Dhammika Perera
Chairman

28 May 2009

Board of Directors

K D Dhammika Perera – *Chairman*

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 Sri Lanka Export Development Board (EDB) and member of Petroleum Resources Development Committee. Mr. Perera is a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Shipping, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of The Fortress Resorts PLC, Vallibel Finance Ltd, Vallibel Holdings (Pvt) Ltd and holds directorships in his other private sector companies. He is the Deputy Chairman of Royal Ceramics Lanka PLC, LB Finance PLC & Amaya Leisure PLC. He is also Director Sampath Bank PLC, Hayleys PLC, Asian Alliance Insurance PLC & Hotel Reefcomber PLC.

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 35 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.

M T 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 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 and The Fortress Resorts PLC and Group Finance Director of Amaya Leisure PLC and Hotel Reef Comber PLC. Mr. Perera is also Deputy Chairman PABC Bank PLC, Director of LB Finance PLC, Asian Alliance Insurance PLC, Sathosa Motors PLC and Vallibel Finance Ltd. 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) Ltd, Amaya Leisure PLC, C.W. Mackie PLC. and Keells Food Products Ltd.

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 2009.

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 3 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:

	2008/2009 Rs. '000	2007/2008 Rs. '000
Profit after taxation	305,848	346,382
Profit brought forward	245,057	127,572
Dividends	530,448	239,075
Transfer of realized surplus on usage	10,178	10,178
Balance carried forward	30,634	245,057

The Financial Statements of the Company are given in pages 15 to 33

Stated Capital

In accordance with Section 58 of the Companies Act No. 7 of 2007, share capital and share premium were reclassified as stated capital. The stated capital as at 31st March 2009 was Rs.1,174,365,278/-.

Reserves

The reserves of the Company stand at Rs.76,342,640/- comprising capital reserves of Rs.45,708,328/- and revenue reserves of Rs.30,634,312/-.

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 29 cents per share (tax-free) for the financial year 2008/2009 paid on 8th September 2008
- 2nd Interim dividend of 12 cents per share (tax-free) for the financial year 2008/2009 paid on 30th December 2008

The Directors recommend to the shareholders that the 2nd Interim Dividend paid on 30th December 2008 be considered as the Final Dividend for the year ended 31st March 2009.

Corporate Donations

During the year the Company made donations amounting to Rs.1,000,000/- 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.11,358,368/- details of which are given in Note 3 on page 24

Property, Plant & Equipment

The movements in property, plant and equipment of the Company are given in Note 03 to the Financial Statements.

Shareholdings

As at 31st March 2009 there were 2,893 registered shareholders. The distribution of shareholders is indicated on pages 34 and 35

Report Of The Directors (Contd...)

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. P K Sumanasekera 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.

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

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 23 to the Financial Statements in page 32. 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 2009	As at 31st March 2008
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	53,000	28,000
Mr. S H Amarasekera	125,000	575,000
Mr. M T L Fernando	300,000	300,000

Corporate Governance

The report on Corporate Governance is given on page 07.

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.

Annual General Meeting

The 8th Annual General Meeting of the Company will be held on Friday the 31st day of July 2009 at 9.00 a.m at the 26th Floor East Tower, World Trade Center, Colombo - 01. The Notice of 8th Annual General Meeting is on page 37 of this report.

The Auditors

The Financial Statements for the year ended 31st March 2009 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.425,000/- (2007/08 - Rs.370,000/-). In addition they were paid Rs.240,000/- by the Company for solvency opinions. 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
Vallibel Power Erathna PLC

(Sgd.)
Secretaries & Registrars (Private) Limited
Secretaries

Colombo

28 May 2009

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 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 2009.

The Board

The Board comprises of one Executive Director and five Non-Executive Directors. Their details appear on page 04 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 four meetings and the attendance is given below.

		Attendance
Mr. K D D Perera (Chairman)	- NED	3/4
Mr. L Wickremarachchi (Managing Director)	- ED	4/4
Mr. P K Sumanasekera	- NED	3/4
Mr. W D N H Perera	- NED	3/4
Mr. S H Amarasekera	- I	4/4
Mr. M T L Fernando	- I	4/4

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 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 third of the Directors shall retire from office and offer themselves for re-election. The Managing Director and Directors 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 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.

Corporate Governance (Contd...)

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 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. M T L Fernando (Chairman - Independent Non-Executive Director)
Mr. W D N H Perera (Non Executive Director)
Mr. P K Sumanasekera (Non Executive Director)

The Audit Committee meets at least twice a year with the Managing Director and the Finance Manager 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. Audit Committee report appears on page 11.

Remuneration Committee

The Remuneration Committee, appointed by the Board of Directors, consists of three Non-Executive Directors, and two of them are Independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr. Harsha Amarasekera, (Independent Non-Executive Director) and the other two members are Mr. M.T.L. Fernando (Independent Non-Executive Director) and Mr. K.D.D. Perera (Non-Executive Director). Remuneration Committee report appears on page 12.

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 include 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.

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The following disclosures are made in conformity with Section 6 of the Rules of the Colombo Stock Exchange:-

Corporate Governance (Contd...)

Rule	Comments
6.1 Non-Executive Directors	The Board Consists of six Directors of them five Directors are Non-Executive Directors. The only Executive Director is the Managing Director. Thus the number of Non-Executive Directors is equivalent to more than 1/3rd of the total number of Directors.
6.2 Independent Directors	There are two Non-Executive Independent Directors on the Board. Each Non-Executive Director has submitted a signed and dated declaration. Thus the Company complies with Rule No. 6.2.
6.3 Disclosures relating to	Based on declaration made by each Non-Executive Director, the Board has Directors determined two of the five Non-Executive Directors are to be Independent as per the criteria stated in Rule No. 6.4. These Independent Non-Executive Directors are Mr. S H Amarasekera and Mr. M T L Fernando.
6.5 Remuneration Committee	The Remuneration Committee comprises of three Non-Executive Directors and two of them are Independent Directors. Thus the Company complies with Rule No. 6.5 A.
6.6 Audit Committee	The Audit Committee comprises of three Non-Executive Directors including an independent director.

Statement Of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements of the Company differs from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 14.

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.

The Directors consider that, in preparing Financial Statements set out on pages 15 to 33 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.

By Order of the Board
Vallibel Power Erathna PLC

(Sgd.)
SECRETARIES & REGISTRARS (PRIVATE) LIMITED
SECRETARIES

Colombo
28 May 2009

Audit Committee Report

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Vallibel Power Erathna PLC comprises of three Non Executive Directors. Mr. M.T.L. Fernando (Independent Non-Executive Director), functions as the Chairman of the Audit Committee. Mr. Nimal Perera and Mr. Prabodha Sumanasekera serve as members of the Committee. The Managing Director and the Finance Manager 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 2010, 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)
M.T.L. Fernando
Chairman - Audit Committee

28 May 2009

Remuneration Committee Report

The Remuneration Committee, appointed by the Board of Directors, consists of three Non-Executive Directors, and two of them are Independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr. Harsha Amarasekera, (Independent Non-Executive Director) and the other two members are Mr. M.T.L. Fernando (Independent Non-Executive Director) and Mr. K.D.D. Perera (Non-Executive Director).

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

28 May 2009

Financial Information

Auditors' Report

ERNST & YOUNG

Chartered Accountants
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Colombo 10
Sri Lanka

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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, 2009 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, 2009, and the Financial Statements give a true and fair view of the Company's state of affairs as at March 31, 2009 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.

Colombo
28 May 2009

Balance Sheet

As at 31 March 2009

	Note	2009 Rs.	2008 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment - At Cost and Valuation	3	1,134,119,232	1,155,026,918
Investments	4	32,633,700	43,017,150
Intangible Assets - Right To Generate Hydro Power	5	16,000,000	17,600,000
		1,182,752,932	1,215,644,068
Current Assets			
Trade & Other Receivables	6	29,844,190	23,810,907
Amount Due from Related Parties	7	21,810,426	1,356,744
Short Term Investment	4	32,738,892	235,906,750
Cash and Bank Balances		1,243,421	7,881,474
		85,636,929	268,955,875
Total Assets		1,268,389,861	1,484,599,943
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	8	1,174,365,278	1,174,365,278
Reserves	9	45,708,328	55,886,296
Accumulated Profit		30,634,312	245,056,388
Total Equity		1,250,707,918	1,475,307,962
Non Current Liabilities			
Interest Bearing Loans and Borrowings	10	7,739,775	1,679,540
Retirement Benefit Obligations	11	1,941,964	1,235,394
		9,681,739	2,914,934
Current Liabilities			
Interest Bearing Loans and Borrowings	10	467,436	897,931
Trade and Other Payables	12	4,599,708	5,344,351
Amounts Due to Related Parties	13	311,801	-
Tax Payables		2,621,259	134,765
		8,000,204	6,377,047
Total Equity and Liabilities		1,268,389,861	1,484,599,943

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

Y.R.P. 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 Wickremarachchi
Managing Director

The Accounting Policies and Notes on pages 19 through 33 form an integral part of the Financial Statements.

Colombo
28 May 2009

Income Statement

Year Ended 31 March 2009

	Note	2009 Rs.	2008 Rs.
Revenue	14	365,825,762	303,837,198
Cost of Sales		(35,384,727)	(36,847,185)
Gross Profit		330,441,035	266,990,013
Other Income	15	29,743,436	142,401,778
Administration Expenses		(35,966,514)	(28,298,842)
Other Operating Expenses		(1,034,413)	(703,265)
Provision For Impairment of Investment		(10,383,450)	(30,551,720)
Finance Cost	16	(2,007,093)	(1,042,046)
Profit Before Taxation	17	310,793,001	348,795,918
Income Tax Expense	18	(4,945,137)	(2,414,241)
Net Profit For The Year		305,847,864	346,381,677
Basic Earnings Per Share	19	0.41	0.47
Dividend Per Share		0.41	0.57

The Accounting Policies and Notes on pages 19 through 33 form an integral part of the Financial Statements.

Statement Of Changes In Equity

Year Ended 31 March 2009

	Stated Capital Rs.	Revaluation Reserve Rs.	Share Premium Rs.	Accumulated Profit Rs.	Total Rs.
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
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

Cash Flow Statement

Year Ended 31 March 2009

Cash Flows From / (Used in) Operating Activities	Note	2009 Rs.	2008 Rs.
Net Profit before Income Tax Expense		310,793,001	348,795,918
Adjustments for			
Amortization of Intangible assets	5	1,600,000	1,600,000
Depreciation	17	29,384,714	30,065,321
Retirement Benefits	17	838,963	682,736
Write Back of Creditors		(127,268)	(480,761)
Write off Debtors		25,988	-
Profit From Sale of Investment		-	(134,750,000)
Dividend Income		(15,000,000)	-
Interest Income	15	(14,616,168)	(7,171,017)
Provision for Impairment of Investment		10,383,450	30,551,720
Finance Costs	16	2,007,094	1,042,046
Operating Profit/(Loss) before Working Capital Changes		325,289,774	270,335,963
(Increase)/ Decrease in Trade and Other Receivables		(5,233,963)	(12,293,116)
(Increase)/Decrease in Amounts Due from Related Parties		(20,453,682)	(470,653)
Increase /(Decrease) in Trade and Other Payables		(1,003,015)	(149,036)
Increase/(Decrease) in Amounts Due to Related Parties		311,801	(233,131)
Cash Generated from /(used in) Operating Activities		298,910,915	257,190,027
Finance Costs Paid		(1,023,230)	(559,084)
Interest Received		13,816,848	7,334,034
Gratuity Paid		(108,959)	(365,926)
Taxes Paid		(2,458,643)	(3,946,450)
Net Cash from/(used in) Operating Activities		309,136,931	259,652,601
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment		(2,858,368)	(14,003,882)
Sales of Investment		-	185,000,000
Investment in Fixed Deposits		209,272,026	(189,965,644)
Dividend Received		15,000,000	-
Net Cash Flows from/(Used in) Investing Activities		221,413,658	(18,969,526)
Cash Flows from /(Used in) Financing Activities			
Dividend Paid		(530,189,536)	(237,880,270)
Lease Rental		(894,938)	(1,188,583)
Net Cash Flows from/(Used in) Financing Activities		(531,084,474)	(239,068,853)
Net Increase/(Decrease) in Cash and Cash Equivalents		(533,885)	1,614,222
Cash and Cash Equivalents at the Beginning of the Period (Note A)		7,881,474	6,267,252
Cash and Cash Equivalents at the end of the Period (Note B)		7,347,589	7,881,474
Note A			
Cash and Cash Equivalents at the beginning of the period			
Cash in Hand & at Bank		7,881,474	3,266,304
Call Deposits & Repo		-	3,000,948
		7,881,474	6,267,252
Note B			
Cash and Cash Equivalents at the end of the period			
Cash in Hand & at Bank		1,243,421	7,881,474
Call Deposits & Repo		6,104,168	-
		7,347,589	7,881,474

The Accounting Policies and Notes on pages 19 through 33 form an integral part of the Financial Statements.

Notes To The Financial Statements

Year Ended 31 March 2009

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 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 31March 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 28th May 2009.

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 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

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

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 recourses 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

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

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 -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

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

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 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	17%
Future Salary Increment Rate	15%
Staff Turnover Rate	05%

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.

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

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 31 March 2009

3. PROPERTY, PLANT & EQUIPMENT

Gross Carrying Amounts At Cost	Balance As at 01.04.2008 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
Civil Constructions - Since Revaluation	7,148,763	605,193	-	7,753,956
Plant & Machinery - Since Revaluation	5,445,630	188,285	-	5,633,915
Project Equipment	338,132	-	-	338,132
Tools & Accessories	2,128,902	241,012	-	2,369,914
Motor Vehicles	10,138,779	-	10,138,779	-
Motor Bicycle	359,158	-	-	359,158
Furniture & Fittings	8,505,421	1,190,931	-	9,696,352
Computer	1,557,371	135,600	-	1,692,971
Container	75,000	-	-	75,000
Office Equipment	468,864	144,200	-	613,064
Fire Extinguisher	524,600	-	-	524,600
Generator	1,136,000	-	-	1,136,000
Site Fixtures & Fittings	2,905,173	64,308	-	2,969,481
Web Development	634,811	-	-	634,811
	41,366,604	2,569,529	10,138,779	33,797,354
Assets on Finance Lease				
Motor Vehicle	3,640,647	8,758,500	3,640,647	8,758,500

At Valuation	Balance as at 01.04.2008 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2009 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 2009

3. PROPERTY, PLANT & EQUIPMENT Contd...

Depreciation At Cost	Balance As at 01.04.2008 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2009 Rs.
Civil Constructions - Since Revaluation	280,363	126,411	-	406,774
Plant & Machinery - Since Revaluation	232,212	164,052	-	396,264
Project Equipment	259,883	46,706	-	306,589
Tools & Accessories	1,952,486	170,729	-	2,123,215
Motor Vehicles	9,512,696	130,435	9,643,131	-
Motor Bicycle	359,156	-	-	359,156
Furniture & Fittings	541,827	953,757	-	1,495,584
Computer	657,819	375,245	-	1,033,064
Container	75,000	-	-	75,000
Office Equipment	77,123	55,680	-	132,803
Fire Extinguisher	124,384	52,460	-	176,844
Site Fixtures & Fittings	700,278	971,954	-	1,672,232
Generator	227,200	113,600	-	340,800
Web Development	21,160	126,963	-	148,123
	15,021,587	3,287,992	9,643,131	8,666,448
Assets on Finance Lease				
Motor Vehicle	951,567	741,312	1,254,955	437,924

At Valuation	Balance as at 01.04.2008 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2009 Rs.
Civil Constructions	33,692,391	8,652,620	-	42,345,011
Plant & Machinery	66,175,963	16,702,790	-	82,878,753
	99,868,354	25,355,410	-	125,223,764
Written Down Value	1,155,026,918			1,134,088,893

	Balance as at 01.04.2008 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2009 Rs.
Capital Work-In-Progress	-	30,339	-	30,339
	1,155,026,918	-	-	1,134,119,232

Cash payments amounting to Rs. 2,858,368/- (Rs.14,003,882- 31.03.2008) were made during the period for purchase and construction of Property, Plant and Equipment. (This includes Rs.258,500/- incurred on improving the lease asset)

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

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 valuvers 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 2009 Rs.	Net Carrying Amount March 2008 Rs.
Free Hold Land	4,622,387	-	4,622,387	4,622,387
Civil Constructions	273,106,006	22,266,765	250,839,241	255,391,008
Plant & Machinery	354,133,484	52,720,209	301,413,275	312,037,280
	631,861,877	74,986,974	556,874,903	572,050,675

4. INVESTMENTS

Summary	2009 Rs.	2008 Rs.
Non Current		
Investment in Equity Securities (Quoted)		
The Fortress Resorts PLC		
(Market Value Rs. 32,633,700/- (2008-Rs. 43,017,150/-)	43,017,150	73,568,870
Provision for Impairment of Investment	(10,383,450)	(30,551,720)
	32,633,700	43,017,150
Current		
Investment in Fixed Deposits	26,634,724	235,906,750
Call Deposit	6,104,168	-
	32,738,892	235,906,750

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

5. INTANGIBLE ASSET - Right to Generate Hydro Power

	2009 Rs.	2008 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	6,400,000	4,800,000
Amortization for the period	1,600,000	1,600,000
Accumulated amortisation C/F	8,000,000	6,400,000
Net carrying amount at the end of the period	16,000,000	17,600,000

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. TRADE AND OTHER RECEIVABLES

	2009 Rs.	2008 Rs.
Advances & Pre Payments	4,591,600	2,982,410
Trade Receivable	23,101,805	20,045,622
Staff Debtors	1,276,465	622,224
Other Receivable	874,320	160,651
	29,844,190	23,810,907

7. AMOUNT DUE FROM RELATED PARTIES

	Relationship	2009 Rs.	2008 Rs.
Alternate Power Systems (Pvt) Ltd - Current Account Balance	Related Company	1,724,501	1,009,853
- Loan (Note)		20,000,000	-
Rocell Bathware Ltd.	Related Company	85,925	346,891
		21,810,426	1,356,744

Note:- Short Term Loan given at the interest rate of 20% per annum

8. STATED CAPITAL

	2009 Rs.	2008 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	1,174,365,278

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

8. STATED CAPITAL Contd...

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 authorised share capital and par value is no longer applicable.

9. RESERVES

	2009 Rs.	2008 Rs.
Summary		
Capital Reserves		
Share Premium (9.1)	-	-
Revaluation Reserve (9.2)	45,708,328	55,886,296
	45,708,328	55,886,296
9.1 Share Premium		
At the beginning of the year	-	427,255,547
Received During The Year	-	-
Transferred to Stated Capital	-	(427,255,547)
At the end of the year	-	-

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.

9.2 Revaluation Reserve		
Balance as at the beginning of the year	55,886,296	66,064,264
Realised Surplus on usage Transferred to Accumulated Profit	(10,177,968)	(10,177,968)
Balance as at the end of the year	45,708,328	55,886,296

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.

10. INTEREST BEARING LOANS AND BORROWINGS

Finance Leases (L.B . Finance PLC)	As At 31.03.2009 Rs.	Repayable within 1 year Rs.	Repayable within 2-5 years Rs.
Gross Liability	16,014,860	3,432,000	12,582,860
Finance Charges allocated to future periods	(7,807,649)	(2,964,564)	(4,843,085)
Net liability	8,207,211	467,436	7,739,775

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

10. INTEREST BEARING LOANS AND BORROWINGS Contd...

	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	2,577,471	897,931	1,679,540

11 RETIREMENT BENEFIT OBLIGATION

	2009 Rs.	2008 Rs.
At the beginning of the year	1,235,394	918,584
Provision made for the year	838,963	682,736
Payment made during the year	(108,959)	(365,926)
Transfers	(23,434)	-
At the end of the year	1,941,964	1,235,394

12 TRADE AND OTHER PAYABLES

	2009 Rs.	2008 Rs.
Accrued Expenditure	1,517,182	2,458,486
Retention Money	-	61,711
Other Payable	3,082,526	2,824,154
	4,599,708	5,344,351

13. AMOUNTS DUE TO RELATED PARTIES

	Relationship	2009 Rs.	2008 Rs.
Vallibel Lanka (Pvt) Ltd	Related Company	311,801	-
		311,801	-

14. REVENUE

	2009 Rs.	2008 Rs.
Sales from Electricity Generation	365,825,762	303,837,198
	365,825,762	303,837,198

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.

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

15. OTHER INCOME

	2009 Rs.	2008 Rs.
Interest Income *	14,616,168	7,171,017
Profit On sales Of Shares	-	134,750,000
Write Back of Creditors	127,268	480,761
Dividend Income	15,000,000	-
	29,743,436	142,401,778

* The above Interest Income includes related Company interest of Rs. 10,485,590/= (2008-Rs. 6,985,396/=)

16 FINANCE COST

	2009 Rs.	2008 Rs.
Debit Tax	876,704	519,686
Bank Charges	146,526	39,398
Lease Interest	983,864	482,962
	2,007,094	1,042,046

17 PROFIT / (LOSS) BEFORE TAXATION

Stated after Charging / (Crediting):

	2009 Rs.	2008 Rs.
Directors' Remuneration	6,197,291	5,125,281
Auditors' Fees & Expenses	425,000	370,000
Depreciation	29,384,714	30,065,321
Retirement Benefits	838,963	682,736
Personnel Costs includes		
- Defined Contribution Plan Costs - EPF & ETF	1,733,289	1,135,836
- Staff Salaries	11,555,262	7,572,238
- Other Staff Costs	2,262,949	2,731,181

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.

Interest Income	14,616,168	7,171,017
Statutory Tax Rate	33 1/3 %	33 1/3 %
Income Tax	4,872,056	2,390,339
SRL (1.5 %)	73,081	23,902
Current Income Tax Expense on Interest Income	4,945,137	2,414,241

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

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:	2009 Rs.	2008 Rs.
Profit Attributable to Ordinary Shareholders for basic Earnings Per Share	305,847,864	346,381,677

Number of Ordinary Shares Used as Denominators:	2009 Number	2008 Number
Weighted Average number of Ordinary Shares in issue	747,109,731	747,109,731

20 DIVIDENDS PAID DURING THE YEAR

	2009 Rs.	2008 Rs.
Final 2007/ 2008 - Rs. 0.30 per share (2006/2007-Rs. 0.05 per share)	224,132,919	37,355,486
First Interim 2008/ 2009 - Rs. 0.29 per share (Last Year- First Interim 2007/ 2008- Rs. 0.15 per share)	216,661,822	112,066,460
Second Interim 2008/ 2009 - Rs. 0.12 per share (Last Year - Second Interim 2007/ 2008- Rs. 0.12 per share)	89,653,167	89,653,168
	530,447,908	239,075,114

21 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.

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 3.1 (2) and (3) to the financial statements

23. RELATED PARTY DISCLOSURES

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

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

23.1 Transactions with the Parent and Related entities.

Company	Name of Director	Relationship	Nature of Transaction	Amount 2009 Rs.	Amount 2008 Rs.
Vallibel Lanka (Pvt) Ltd.	Mr.K.D.D.Perera	Related Company	Payments on behalf of the company		
			Operating Expenses	3,938,248	11,797,886
			Funds transferred to Vallibel Lanka (Pvt) Ltd.	3,626,447	12,031,017
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	5,675,028	8,094,394
			Funds Received from Alternate Power Systems (Pvt) Ltd.	3,950,527	7,237,384
			Inter Company loan given to Alternate Power Systems (Pvt) Ltd at 20% pa	20,000,000	-
			Loan interest	580,822	-
LB Finance PLC	Mr.K.D.D.Perera Mr. W.D.N.H. Perera	Related Company	Investment in Fixed Deposits	306,625,976	447,286,020
			Fixed Deposits withdrawals	279,991,251	218,289,666
			Interest Received	12,781,480	6,910,396
			Lease Installments Paid	1,350,495	1,181,988
Rocell Bathware Ltd.	Mr.K.D.D.Perera Mr. W.D.N.H. Perera Mr. M.T.L.Fernando	Related Company	Remuneration paid to staff temporally attached to Rocell Bartware Ltd.	813,742	595,625
			Reimbursement from Rocell Bartware Ltd.	727,817	480,313

Notes To The Financial Statements (Contd...)

Year Ended 31 March 2009

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. 5,530,000 /= - (2008- Rs. 4,350,000/=)

24 RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 4, 7, 10, 13, 15 & 23 to the Financial Statements.

Shareholder and Investor Information

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 we listed in the Colombo Stock Exchange of Sri Lanka.

3 **Shares held by the public was 24.24% as at 31st March 2009**

4 **Distribution of Shareholding as at 31st March 2009**

There were 2,893 Registered Shareholders as at 31st March 2009.

No. of Shares held			No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	-	1,000	708	24.47	440,481	0.06
1,001	-	5,000	1,155	39.92	3,391,036	0.46
5,001	-	10,000	396	13.69	3,213,701	0.43
10,001	-	50,000	404	13.97	9,956,591	1.33
50,001	-	100,000	97	3.35	7,790,601	1.04
100,001	-	500,000	93	3.22	22,585,400	3.02
500,001	-	1,000,000	11	0.38	7,825,800	1.05
1,000,001 & over	-		29	1.00	691,906,121	92.61
Total			2893	100.00	747,109,731	100.00

5 Analysis report of Shareholders as at 31st March 2009

Category	No. of Shareholders	% of Shareholders	Total Holding	% Total Holding
Individual	2,800	96.79	298,380,860	39.94
Institutiional	93	3.21	448,728,871	60.06
Total	2,893	100.00	747,109,731	100.00
Resident	2,872	99.27	734,162,431	98.27
Non-resident	21	0.73	12,947,300	1.73
Total	2,893	100.00	747,109,731	100.00

Shareholder and Investor Information Contd...

6 Twenty Major Shareholders as at 31st March 2009

	Shareholder	No. of Shares as at 31/03/2009	%	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	13,000,000	1.74	15,000,000	2.01
6	Ms. K D C Samanthi	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	Mr. R Perera	5,966,500	0.80	-	-
9	Seylan Bank Limited / P A De Silva	5,200,000	0.70	-	-
10	Asian Alliance Insurance PLC-A/C 02 (Life Fund)	4,702,200	0.63	-	-
11	Merchant Bank of Sri Lanka Limited A/C No.1	4,450,000	0.60	5,575,000	0.75
12	Eagle Insurance Company Limited A/C No.3	4,364,900	0.58	4,065,000	0.54
13	Mr. M R S Samarasinghe	3,478,500	0.47	-	-
14	Elles (Private) Limited	3,388,800	0.45	-	-
15	Belmont Agents Limited	3,017,500	0.40	-	-
16	Mr. B C Tay	3,000,000	0.40	3,000,000	0.40
17	Bank of Ceylon - No.2 A/C	3,000,000	0.40	-	-
18	Mrs. P N Bhatt	2,826,000	0.38	-	-
19	Miss. A M Udeshi	2,508,600	0.34	-	-
20	Thurston Investments Limited	2,500,000	0.33	5,400,000	0.72

7 Share Trading Information

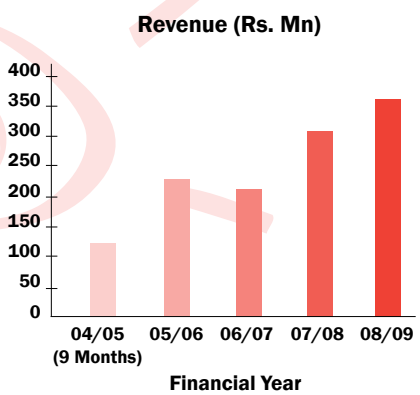
	2008/2009	2007/2008
Highest (Rs)	4/70	2/50
Lowest (Rs.)	2/20	1/60
Closing (Rs.)	3/10	2/40
Turnover (Rs.)	801,006,510	129,756,340
No. of Shares Traded	211,966,900	65,148,000
No. of Trades	14,283	4,338

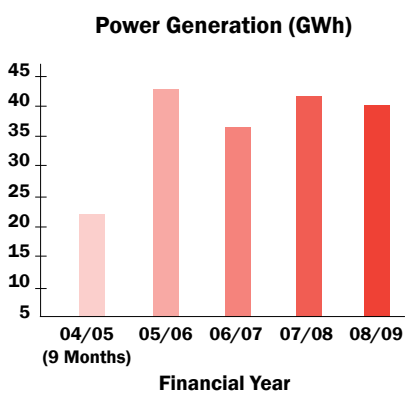
8 Equity Information

	2008/2009	2007/2008
Earnings per share (Rs.)	0.41	0.47
Dividend per share (Rs.)	0.41	0.57
Net Asset Value per share (Rs.)	1.67	1.97

Five Year Summary

	2008/2009 Rs'000	2007/2008 Rs'000	2006/2007 Rs'000	2005/2006 Rs'000	2004/2005 Rs'000
Operating Results					
Revenue	365,826	303,837	226,785	234,464	128,117
Gross Profit	330,441	266,990	192,016	203,626	110,718
Other Income	29,743	142,402	9,882	5,610	832
Administration Expenses	35,966	28,299	28,449	28,067	27,644
Finance Cost	2,008	1,042	5,363	40,279	51,898
PBT	310,793	348,796	155,391	139,949	30,457
Net Profit	305,848	346,382	152,831	139,302	30,290
Assets & Liabilities					
Non Current Assets	1,182,753	1,215,645	1,314,107	1,240,030	1,233,952
Current Assets	85,637	268,956	65,249	90,241	41,575
Total Assets	1,268,390	1,484,600	1,379,356	1,330,272	1,275,526
Current Liabilities	8,000	6,377	7,788	346,719	188,020
Non Current Liabilities	9,682	2,915	3,567	282	331,831
Retirement Benefit Obligations	1,942	1,235	919	282	71
Share Capital & Reserves					
Stated Capital	1,174,365	1,174,365	1,174,365	276,291	188,000
Revaluation Reserve	45,708	55,886	66,064	584,493	584,493
Accumulated Profit / (Loss)	30,634	245,056	127,572	122,485	(16,817)
Key Indicators					
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Earnings Per Share	0.41	0.47	0.21	0.73	0.16
Dividend Per Share	0.41	0.57	0.27	-	-
Market Price of Share (Closing)	3.10	2.40	1.80	-	-
Net Assets Per Share	1.67	1.97	1.83	4.94	4.02
Power Generation (kWh)	39,934,417	42,129,891	38,039,211	43,172,160	21,764,760





Notice Of Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Vallibel Power Erathna PLC will be held at the 26th Floor, East Tower, World Trade Centre, Colombo 01, on Friday the 31st day of July 2009 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 2009 together with the Report of the Auditors thereon.

2) To re-elect Mr. P K Sumanasekera 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. 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 82 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 2nd Interim Dividend of Rs. 0/12 per share paid on 30th December 2008 as the Final Dividend for the year ended 31st March 2009.

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 2009/2010 as set out in Companies Donation Act (Cap 147).

By Order of the Board
SECRETARIES & REGISTRARS (PRIVATE) LIMITED

(sgd.)
SECRETARIES
Colombo
28 May 2009

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.

Notes

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. M T L Fernando	of Colombo

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the 8TH ANNUAL GENERAL MEETING OF THE COMPANY to be held at the 26th Floor, East Tower, World Trade Centre, Colombo 01, at 9.00 a.m. on Friday the 31st day of July 2009 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 2009 together with the Report of the Auditors thereon.		
2)	To re-elect Mr. P K Sumanasekera who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.		
3)	To re-elect Mr. M T L Fernando who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
4)	To ratify the 2nd Interim Dividend of Rs. 0/12 per share paid on 30th December 2008 as the Final Dividend for the year ended 31st March 2009.		
5)	To re-appoint Messrs Ernst & Young, as Auditors and to authorize the Directors to determine their remuneration.		
6)	Special Business To authorize the Directors to determine and make payments for charitable purposes and other purposes for the year 2009/2010 as set out in the Companies Donation Act (Cap 147)		

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

.....
*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 under the provision of the 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 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 1
Telephone : 011 2381111
Fax : 011 2381115
E mail : energy@vallibel.com
Website : www.vallibel-hydro.com

Company Secretaries
Secretaries & Registrars (Private) Ltd.
No. 32A, 1st Floor, Sir Mohamed
Macan Markar Mawatha,
Colombo 03.
Telephone : 011 2325761
Fax : 011 2342047
E mail : s&r@eureka.lk

Auditors
Ernst & Young
Chartered Accountants
No. 201, De Saram Place
Colombo 10.

Bankers
Commercial Bank of Ceylon PLC
DFCC Vardhana Bank Ltd

Designed & printed by Kalamazoo Systems PLC