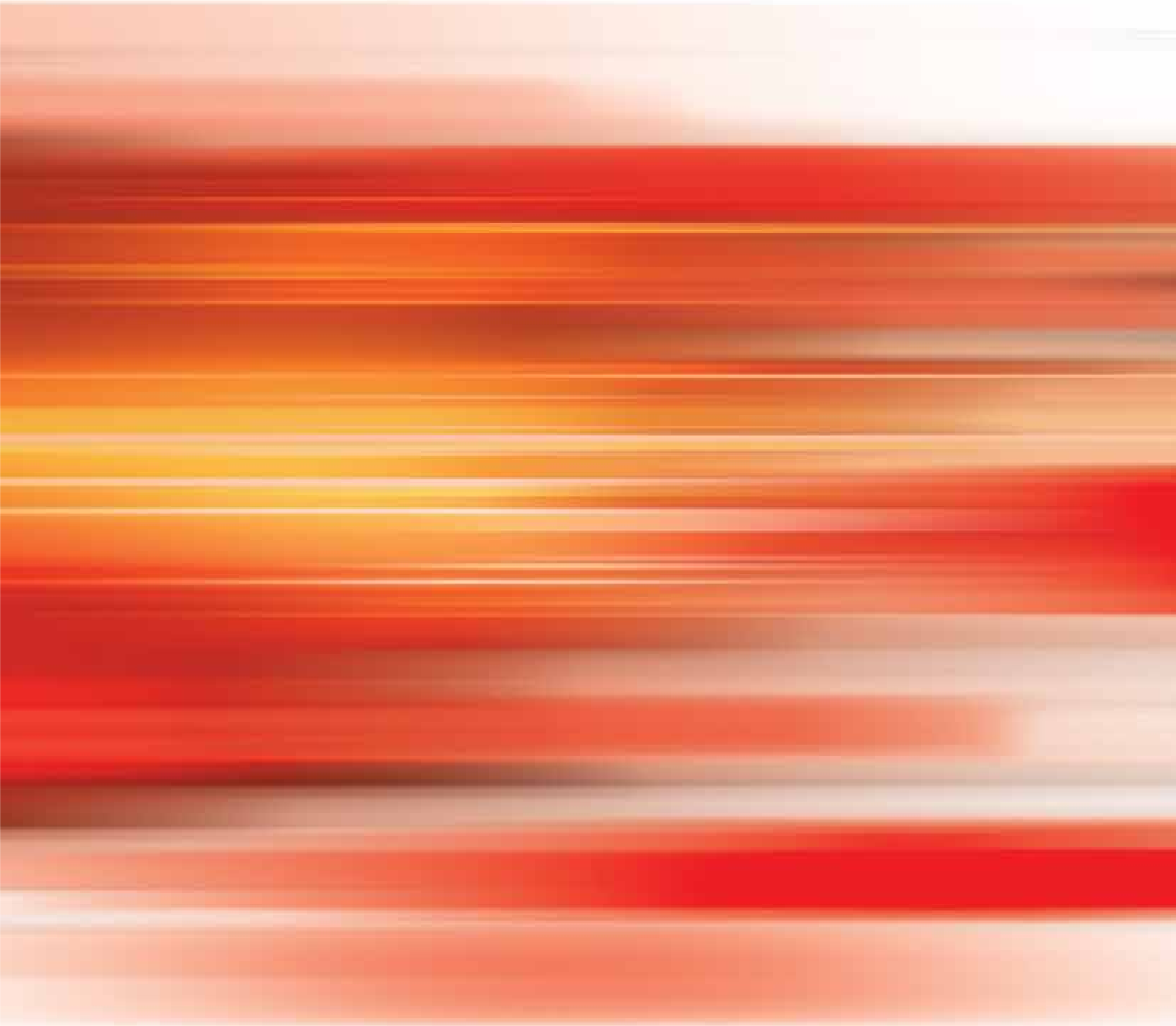
Aim Aspire Achieve

Helping to energise the nation



VALLIBEL POWER ERATHNA PLC

Annual Report 2012/13

Aim
Aspire
ACHIEVE

Aim
Aspire
ACHIEVE

Helping to energise the nation

Nine years of hard work, commitment and sheer persistence has seen us grow to where we are today: a solid, hard-working and highly respected hydropower company with a steadfast aspiration to become the best alternative energy supplier in Sri Lanka.

We know our aims can be achieved. For nine years, our many thousands of stakeholders have been the invisible strength behind our success. This report features Sri Lankans from a diversity of backgrounds and regions, talking about how their partnerships with Vallibel Power have empowered their communities, brightened their lives and brought good returns on their investments.

Helping to energise the nation

Contents

Vision

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

Mission

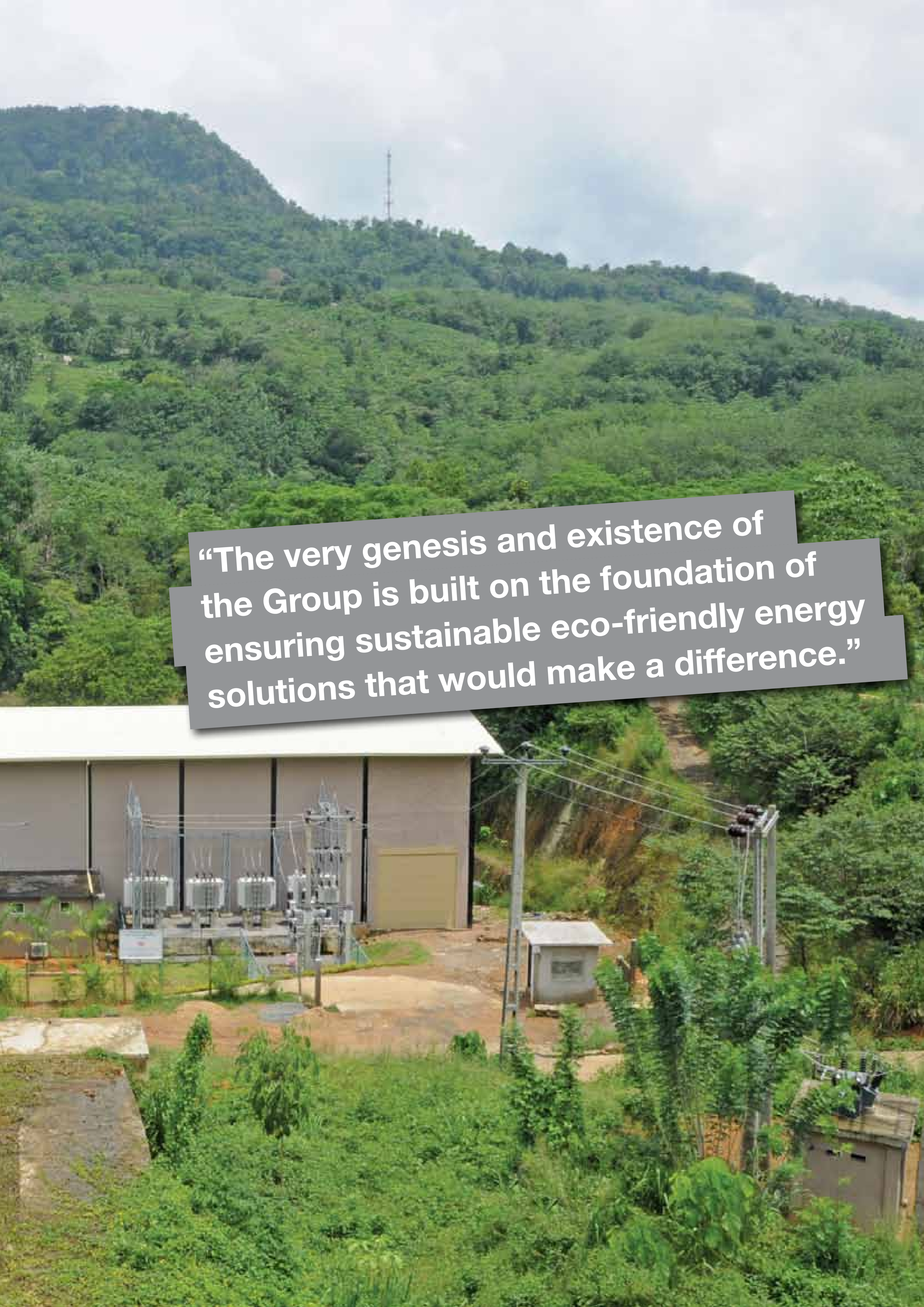
To generate the maximum amount of electricity from available water resources with minimal environmental pollution, by optimising the operational efficiencies of our assets.

Objectives

We are focused on a clear strategy to meet the aspirations of our stakeholders:

The environment. The employees.
The communities.
in which we operate. The investors.

by optimising operational efficiencies from existing assets and by acquisition of new, renewable energy opportunities.

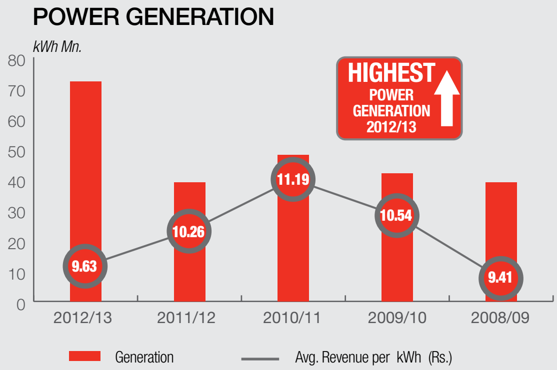


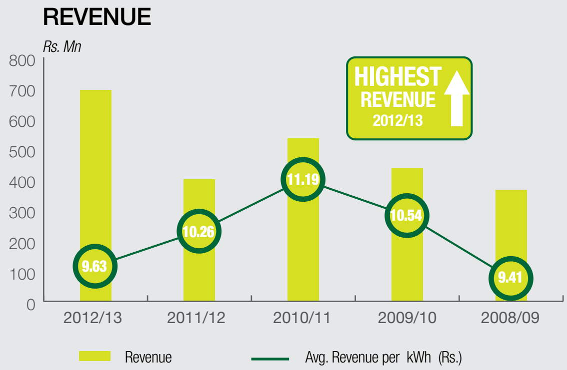
"The very genesis and existence of the Group is built on the foundation of ensuring sustainable eco-friendly energy solutions that would make a difference."

Group Financial Highlights

Year ended 31 March			2013	2012	%
Earnings Highlights & Ratios					
Revenue	- Erathna MHPP	Rs.'000	**379,478**	377,914	0.4
	- Denawaka Ganga MHPP*	Rs.'000	**200,068**	12,522	1,497.7
	- Kiriwaneliya MHPP*	Rs.'000	**113,486**	9,229	1,129.6
Total Revenue		Rs.'000	**693,031**	399,664	73.4
Profit After Tax		Rs.'000	**293,623**	244,006	20.3
Dividends Paid		Rs.'000	**186,777**	186,777	-
Earnings Per Share		Rs.	**0.39**	0.33	18.1
Financial Position Highlights & Ratios					
Non Current Assets		Rs.'000	**2,923,020**	3,005,032	(2.7)
Total Debt		Rs.'000	**1,173,246**	1,292,462	(9.2)
Total Shareholder Funds		Rs.'000	**1,822,753**	1,736,459	5.0
Net Assets Per Share		Rs.	**2.44**	2.32	5.0
No. of Shares in Issue			747,109,731	747,109,731	-
Market / Shareholder Information					
Market Price of Share (Closing)		Rs.	**5.60**	6.60	(15.2)
Market Capitalisation		Rs.'000	**4,183,814**	4,930,924	(15.2)
Dividend Per Share		Rs.	**0.25**	0.25	-
Other					
Power Generation	- Erathna MHPP	kWh	**39,433,006**	36,970,797	
	- Denawaka Ganga MHPP*	kWh	**20,701,143**	1,119,042	
	- Kiriwaneliya MHPP*	kWh	**11,846,218**	867,272	
Total Capacity		MW	**21.85**	21.85	

*2012/13 was the first full year of operation.





Project Highlights

		Erathna MHPP	Denawaka Ganga MHPP	Kiriwaneliya MHPP
Installed Capacity	Mega Watts	**10**	**7.2**	**4.65**
Net Head	Meters	**420**	**33**	**200**
Penstock Length	Meters	**2,250**	**97**	**1,690**
Channel Length	Meters	**300**	**1,800**	**300**
EM Plant Supplier		**Voith Siemens**	**Dongfeng Electric**	**VS Energy**
Power Generation - 2012/13	Kilo Watt Hours	**39,433,006**	**20,701,143**	**11,846,218**
Reduction in Carbon Footprint	Tons	**24,625**	**12,937**	**7,375**
Revenue	Rs. Mn	**379.4**	**200.0**	**113.4**

Chairman's
Message

As I write this review at the end of each financial year, there's one aspect that I wish to emphasise: Global energy demands are rising dramatically and somehow, despite sophisticated technology and a greater emphasis on meeting these rising demands, the solutions being introduced are insufficient and unable to keep up with the exacerbating demands. We do know that fossil fuel reserves are depleting and we also know that alternative and renewable energy sources remain the solutions to meet the energy demands of a rapidly rising global population. However, while global leaders gather at various forums each year and hammer out resolutions for the way forward for the future of the world's energy needs, the reality remains that sooner rather than later, there will be a global shortage, unless, collectively, all nations work together to find solutions.

Since 2004, Vallibel Power Erathna believed strongly that each of us has a responsibility to make a difference. The very genesis and existence of the Group is built on the foundation of ensuring sustainable eco-friendly energy solutions that would make this difference. We know that the world is grappling with depleting oil reserves, increasing demand for power, rising populations leading to scarcity in food and water which on the converse also heralds technological developments and modernization that requires massive energy input. It is these ground realities that has always steered us to aim, aspire and achieve our goals, founded on the vision of being a significant producer of clean energy, knowing full well that we are operating within a country that is on an accelerated national development agenda. In this context, we have to be aligned to Sri Lanka's national goals if we are to play a part in providing some part of the energy requirements crucial to meet the ultimate objective of a country such as Sri Lanka.

With this singular thought that we must energize the nation by optimising our knowledge and technology resources, while imbuing the imperative foundation of sustainable eco-friendly energy solutions, Vallibel Power Erathna collates the positives of all our stakeholders. These stakeholders, whether it is our team, communities, investors or the environment, are urged to stake ownership into what we are aspiring towards – an emerging economy that has within its portals clean sustainable eco-friendly energy options that will continue building our nation, while reducing the national carbon footprint. It is in this background therefore that I'm extremely honoured to present the Annual Report including our Sustainability Report and Financial Statements for the year ended 31 March 2013, having achieved the goals we set for ourselves in the last few years and are contributing what we promised to the country's energy resources.

The Global and Sri Lankan Economies

While there's a very detailed account of the prevailing economic background in the Management Discussion & Analysis of this report, if we review the global economy in synopsis, what really stands out is that it just didn't live upto expectation. In fact, even though the US did see an almost insignificant growth in the last year, Europe just continued descending into the doldrums. The good news however is that these problems that prevail in the developed nations has seen Asia take its place as the emerging economic power. And it is indeed fortunate, that Sri Lanka, being in this burgeoning region, is now poised to reap the benefits, given that the country is also pursuing its own ambitious development agenda.

There were several developed economies that went into double dip recession, which naturally did permeate through to the performance of developing and emerging economies. Japan and USA did show some relief having shown signs of emerging from the disasters invoked by the Tsunami and stimulating private consumption.

Coalescing with these and the fact that the Eurozone continued with high unemployment and inert domestic demand, worsened by vulnerability seen in the financial sector which prompted crises in countries like Greece and Cyprus, Asia, though showing much stronger fundamentals, did re-align its growth forecasts to reflect ground realities. Even Sri Lanka, which remained well above world and regional growth averages, downgraded growth forecasts from 7.5% to stand at a more realistic but commendable 6.4% by end 2012. Even India and China, now named the undisputed spearheads of the economic renaissance, slowed their growth percentages to 4.5% and 7.8% respectively.

"Much of what drives the Vallibel Power Erathna story remains constant.

Our strategy remains unchanged, and our aspiration remains the same - to be the island's best mini hydropower company, leading the way with every project we operate.

We are putting even greater focus on our clients and customers, on building deep and long-standing relationships and on improving the quality of our service and solutions."

Chairman's
Message

Some much needed good news also emanated from the MENA region encompassing the Middle East and North Africa buoyed by significant oil exports, fiscal spending on infrastructure projects and the penetrative initiatives into Asian economies, showcasing 5.2% growth in 2012. The Latin American and Caribbean bloc also buttressed the economic canvas with a calming 3% growth. Italy, Portugal and Spain added their battle scars to the economic scathing, heralding excessive fiscal tightening and debt burdens. Global growth therefore slowed from 3.9% to 3.2% in 2012, while advanced economies also slowed to 1.3% and the Eurozone, echoing all the encumbrances and battering received during the year, to contract by 0.4%.

Sri Lanka meanwhile continued its unabated focus to meet the demanding goals required of its vision to become South Asia's Economic Hub by 2015. While the country cannot move away from the gray clouds emanating from the world around it, the strong fundamentals and a clean vision seem to have given the country a steady hand to continue moving ahead. However, there are a number of issues that must be addressed, although the widening trade deficit which has for some years been a bugbear due to high import demand, was stemmed by the infusion of some policy and fiscal measures, seeing the overall fiscal deficit reduced to a further 6.4% of GDP.

There were other facets during the year that saw Sri Lanka challenged, including unfavourable weather conditions which impacted agricultural output and hydropower generation considerably. However, tight fiscal monitoring did ensure that inflation was contained to single digits while a surplus in the Balance of Payments was triggered by a narrowing of trade and current account deficits and higher inflows into the capital and financial account.

The positivity continued with all key sectors contributing to growth. Although the services sector moderated slightly to 4.6% due to the slowdown in external trade and the deceleration seen in the transport sub sector, the wholesale and retail trade sub sector did show signs of modest growth at 3.7%. This was echoed in the communications, banking, insurance, real estate, hotels and restaurants sub sectors which grew at a positive as well though slower in pace than in 2012.

The Industry sector significantly drove industry growth, specifically via the construction sub sector which is reflective of the public investment programme and large private sector real estate and tourism projects mooted in 2012, to stand at 10.3%. The construction sub sector accelerated this growth momentum to 21.6% from 14.2% in 2011. However, manufacturing, which is the largest sub sector in the industry sector, decelerated in terms of value added growth to 5.2% from 7.9%, although the apparel industry sustained performance despite major export destinations continuing downward growth trends. The agriculture sector too did add its might when having recovered from the adverse weather conditions to record 5.8% growth, due to substantial improvements in the Maha season paddy harvest and coconut, livestock and fisheries adding to the growth statement.

The Energy Nexus

While the world's economic recovery continues at snail pace if at all the events that compounded the uncertainty and volatility in the global energy vista saw oil prices rise, reflective of the social and political unrest seen in several oil producing countries. Another factor that continues to permeate the energy sphere even now is the damage caused to the Fukushima Daiichi nuclear reactors, which posts profound implications for the future of world nuclear power, although not in the longer term.

From a renewable perspective, the US Energy Information Administration estimates that 10% of the world's marketed energy consumption emanates from a combination of hydro-power, biomass, biofuels, wind, geothermal and solar currently, while 19% of electricity generation also emanates from these renewable energy sources. However, even with various initiatives mooted to create a sustainable foundation of renewable energy sources, the International Energy Agency says the world's electricity generation will only rise to 23% by 2035, from the current 19%, which doesn't augur too well for a planet grappling with reducing fossil fuels and rising energy demands. It is estimated that global hydroelectric and other renewable electric generating capacities will increase 2.7% YoY through 2035, with China and India leading the way.

Based on the IEA's 2011 report released last year, from a global perspective, it is installed solar capacity that has seen the largest growth rate, expanding 8.3% YoY. Wind has a capacity of 5.7%, geothermal 3.7%, hydro-power 2% and other renewables including woodwaste, landfill gas and agricultural by products contribute a capacity of 1.4%. Long term annual growth rates for nuclear is 2%, while natural gas-fired power plants are estimated at 1.6% and coal will have 1.3% capacity, with power plants running on petroleum products declining by 1%. Renewable energy sources will also account for the largest total installed generating capacity by 2035, 2,372 Gwh.

Predicting the energy canvas in the medium term, the World Energy Outlook report foretells the US overtaking Saudi Arabia and Russia as the world's top oil producer by 2017, auguring a substantial geopolitical shift. This fundamental switch in oil markets over the next four years will see myriad changes in trade, shipping and flows of oil and gas across continents, seeing a power shift in this sector. Right now, Japan is experimenting with the extraction of natural gas from frozen methane hydrate at the bottom of the sea opening the door to a new gas source; development of advanced biofuels from algae and switch grass may bring a breakthrough; power plants are converting coal into combustible gas reducing carbon dioxide emissions by half and fission reactors are being developed to run on their own nuclear waste, reducing the threat of proliferation and extending the lifespan of available uranium supplies. An explosive growth in renewable energy sources is foreseen.

For Sri Lanka, very dependent and vulnerable to oil shocks in international markets, the drought conditions had are significant and adverse impact leading to the infusion of expensive thermal power generation. Spiraling upward costs were further aggravated with a depreciating rupee and the economic sanctions imposed on Iran, which was Sri Lanka's primary crude oil supplier. As a result, Brent crude oil prices fluctuated from US$ 90 to US $130 per barrel during 2012.

Cleaner Energy

This discussion leads me to the crux of the very existence of Vallibel Power Erathna, the quest for cleaner energy sources. It has become more than apparent that Sri Lanka needs to tread a path that is formulated on a robust sustainable energy framework, that not only decreases the country's dependence on fossil fuels, but also allows us to pursue cleaner eco-friendly renewable energy alternatives. While there has been considerable positive progress in developing low-cost power generation projects, the need of the hour is for Sri Lanka to look at the energy crisis differently.

Being an island that has an abundance of natural resources including sunlight, water and wind these resources could be harnessed to develop clean energy, provided there is government support via incentive schemes to the private sector for investment in these projects. It is also imperative that we are cognizant to the energy developments and innovations taking place in other parts of the world in this regard, where concerted efforts are being implemented to reduce carbon emissions, cleaner energy imperatives are being rewarded through carbon credits and perpetrators to the green ethic will soon be taxed via the Carbon Emission Tax. An island we may be geographically, but an island we are not, when it comes to dealing with climate change and global environmental issues. We remain inextricably intertwined in green challenges and we must, as a responsible nation, try to be a harbinger of change.

I would like to commend the Sri Lanka Sustainable Energy Authority for their unrelenting focus on putting Sri Lanka on a sustainable energy footing pushing the country to use renewable energy and be more energy efficient.

The Authority is actively involved in conducting energy audits and extending technical advice to as many organisations as are keen to implement initiatives to conserve energy. It has also introduced a Code of Practice for energy efficient buildings which is now infused into the building approval process, while in tandem, regulations were published regarding the appointment of energy managers and energy auditors in bulk energy consuming institutions. Awareness programmes are also being conducted among young students and youth on measures that can be implemented for energy conservation.

Performance Overview

Both our new Mini Hydropower projects, which come under our subsidiary Country Energy (Pvt) Limited's umbrella, are now fully operational. We contributed 20.7 Gwh via the Denawaka Ganga Mini-Hydropower Project, while the Kiriwaneliya Mini-Hydropower project is generating 11.8 Gwh of power. While retaining a firm focus on our ethos of clean renewable eco-friendly energy options, both projects have successfully reduced CO2 emissions and aiming to gain earnings in carbon credits, as detailed in the Management Report.

Despite the drought conditions which did see our average capacity decline, the Group generated a total of 71,980,367 Kwh, a significant appreciation of 84% over last year's generation of 38,957,111 kWh. This increase is primarily due to the Denawaka Ganga project coming into full operation in February 2012 and adding to the existing Kiriwaneliya project commissioned in December 2011.
Being the first year that both projects were in full operation meant we added significantly to our generation capacity and bottom line.
The Company meanwhile generated 39,433,006, which is 6.6% above last year's generation of 36,970,797kWh.

Chairman's
Message

From a numbers perspective, the Group's revenue is posted at Rs 693 Mn, which is a commendable 73% over last year's Rs 399.6 Mn, while the Company's revenue remains somewhat flat at Rs 379.4 Mn compared to last year's Rs 377.9 Mn. As is the norm in Sri Lanka, the CEB has a policy of imposing different tariffs for the wet and dry seasons. The CEB reduced the tariff applicable for both seasons. Compared to Rs 10.23 paid last year for the wet period, the tariff this year was reduced to Rs 9.49, while the dry tariff was reduced to Rs 10.44 from Rs 11.19 of last year.

The fact that we have also remained within the timelines envisaged, brought in the required returns both in monetary terms and in carbon credits, ensured employment in areas we operate in and bridged some of the gaps in producing cleaner energy for the nation gives us impetus to reward our investors. Despite having worked through an year that did bring in some challenges, we are most pleased that we were able to pay a dividend of Rs 0.25 per share in February 2013. This amounts to a total dividend payout of Rs 186.7 Mn.

To aspire, aim and achieve in the future

With our dependency on rainfall for these run-of-river projects, weather conditions play a crucial factor in actualities vs forecasted figures. However, being one of the largest privately owned hydro-power companies in the country, we are extremely aware that our shareholders have retained a significant confidence in the way we conduct our business. We also see a dire need in the nation's agenda at this point of time, of moving faster towards alternative sources of energy and cleaner eco-friendly alternatives given that Sri Lanka is very vulnerable to the oil shocks that continue to rock the world. Moving towards cleaner, greener renewable energy sources is now an imperative, rather than an option.

While physical infrastructure and operations form an integral dynamic, we remain unrelenting in our pursuance of ensuring that our team is continually developed, our systems and processes subjected to constant reviews and technological infusions, our governance philosophy is beyond compliance and we are transparent and accountable at all times to all our stakeholders. These support trusses have surely brought in the requisite rewards in the nine years of our existence, where we have never once, lost sight of the fact that our primary vision is to produce clean eco-friendly renewable sustainable energy that will benefit all our stakeholders and the planet in general.

The investment in our projects therefore demand returns and these returns we are most happy to present both quantifiably and qualitatively. On a qualitative note, our stakeholders will be pleased with the honours we have accumulated, just over the last year. We were awarded a bronze award in the Mini-Hydro category at the National Green Awards for our efforts in promoting a greener environment. We also won two awards at the Annual Report Awards conducted by The Institute of Chartered Accountants of Sri Lanka, namely a Gold in the Power and Energy Companies category and a Bronze in the Service Sector Companies category. Highlighting our commitment to governance, ethics, sustainability and accountability, our sustainability report which conformed to Global Reporting Initiative guidelines won the First Time Reporting Award at the ACCA Sri Lanka Sustainability Reporting Awards aligned to a newly formulated Quality and Environmental Policy which forms the bedrock upon which we conduct our business, by June 2013, we would obtain ISO 9001:2008 and ISO 14001:2004 certifications and fully implemented the processes of ISO, which are currently in the external audit process.

It is these facets that truly give us the power to continue pursuing alternative avenues for investment and energy. Building into the sustainability features of a business that is consistent, on-going and doing things right, we know that we have the foundation, tenets and features to be an emulated leader in this industry. This has led us to look at other nations facing similar dilemmas in the energy field and reach out with our knowledge, know-how, skills and on-the-ground experience. It will not be long before Sri Lanka's renewable energy story will be emulated in other countries and we will be the proud flag bearer in doing so.

Appreciations

I must first congratulate two company directors who were selected as Committee Members of the Executive Committee of the Small Hydro-power Developers Association. Messrs P K Sumanasekera and S E De Silva have made Vallibel Power Erathna proud to be within this prestigious committee which is tasked with leading the journey in small hydro-power projects in Sri Lanka and ensuring optimum contribution to the country's energy goals.

Having firmly entrenched ourselves as a catalyst in the nation's development agenda, we are keen on further etching our presence in the clean energy sphere, encouraging the country to accelerate its quest in sourcing cleaner energy. To do this, we remain in discussion with related Ministry officials, including the Ministry of Power and Ministry of Environment, Ceylon Electricity Board, Central Environmental Authority and the Sri Lanka Sustainable Energy Authority and germane organizations, to ensure that we drive a meaningful national plan in sourcing cleaner greener energy. I thank each of them for their continuous guidance and proactive interaction with us.

I'm most appreciative of my Board of Directors who have undoubtedly been the stewards in this journey, having fully comprehended the imperative need to transform the nation into using alternative energy sources. Some changes to the directorate must be mentioned at this point: In August 2012, Nimal Perera resigned from the Board of Directors and in October last year, Prashan Buddika Perera was appointed as a Director.

I am also appreciative of our very professional team, who have worked unitedly at multiple sites, from the Head Office to all location sites, evidenced by the good results made this year. I take this opportunity to express my sincere thanks to all of them.

As we continue to aim, aspire and achieve within a milieu that can be challenging but one in which the understanding of cleaner greener energy is growing, I am confident that we at Vallibel Power Erathna can be the champion of change. We have already begun making inroads into renewable energy sources, are being emulated as industry stewards by other nations and are able to contribute considerably to the national vision. The journey for power has begun!

Dhammika Perera
Chairman
27 May 2013

Board
of Directors

1 K D D Perera - Chairman
2 S H Amarasekera
3 P K Sumanasekera
4 D S Clark
5 S E De Silva
6 H Somashantha
7 L D Dickman
8 S Shanmuganathan
9 P B Perera (Not in the picture)

K D D Perera
Chairman

Mr. Dhammika Perera is the quintessential strategist and business specialist with 25 years of business experience. His business interests include Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. Currently he holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Finance PLC, The Fortress Resorts PLC and Delmege Limited. He is the Deputy Chairman of Hayleys PLC, Royal Ceramics Lanka PLC & LB Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Dipped Products PLC, Orit Apparels Lanka (Pvt) Limited and Sri Lanka Insurance Corporation Ltd.

He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

S H Amarasekera
Director

Mr. Harsha Amarasekera, Presidents' Counsel is a Director of the Company since 28 April 2005. An Attorney-at-law by profession; he has a wide practice in the Original Courts as well as in the Appellate Courts, specializing in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He serves as an Independent Director in several listed companies in the Colombo Stock Exchange including Vallibel One PLC, CIC Holdings PLC, Keells Food Products PLC, Expo Lanka Holdings PLC and Amaya Leisure PLC. He is also a Director of CIC Agri Business (Pvt) Limited and Amana Bank Ltd.

P K Sumanasekera
Director

Mr. Prabodha Sumanasekera holds B.Sc. in Physics from the University of Colombo and has over 18 years experience in the small mini hydro power sector.

He has been involved in formulating and developing 15 small/mini hydropower projects, including the ground breaking Dickoya 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, Uganda & Kenya.

D S Clark
Director

Mr. Daryl S. Clark has a MBA from the University of Miami and a BSChemE from the University of Florida. He was appointed to the Board in January 2010.

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

Board
of Directors

S E De Silva
Director

Mr. Sunil Eksath De Silva holds an Honours Degree in Mechanical Engineering and is a Graduate Member of The Institute of Engineers, Australia. He was appointed to the Board in January 2010.

Mr. De Silva is the Executive Director of Renewable Energy Development Asia Energy Management Systems INC - California and was involved in the development and operation of renewable energy projects in Sri Lanka and Uganda. He is a Director of Lanka Ventures PLC. He joined DFCC Bank in 1987 and functioned in different positions up to his retirement in 2004 as the Vice President. He was the Executive Director of DFCC Consulting Limited from 2004 – 2008. Prior to joining DFCC Bank, Mr. De Silva worked in the copper industry in Zambia and steel industry in Sri Lanka. He has wide experience and considerable exposure to the renewable energy sector. He is also an Associate in Development Banking of ADFIAP.

H Somashantha
Director

Mr. Haresh Somashantha is a member of The Institute of Chartered Accountants of Sri Lanka and also holds a Bachelor's Degree in Mathematics from the University of Kelaniya. Having started the career with Ernst & Young, an International Accounting & Consulting firm, he counts over 12 years of experience in audit, financial management and reporting, including strategic and corporate planning across different industries. He was appointed to the Board in January 2010.

He is currently the Head of Finance & Treasury of Royal Ceramics Lanka PLC and Chief Financial Officer of Vallibel One PLC. He serves as a Director of Hayleys MGT Knitting Mills PLC, Ever Paint and Chemical Industries (Pvt) Ltd. and several companies in the Delmege Group. He is also an Alternate Director of The Fortress Resorts PLC and Amaya Leisure PLC.

L D Dickman
Director

Mr. Dickman holds BA in Public Administration from the Vidyodaya University and MSc in Town & Country Planning from the University of Moratuwa Sri Lanka. He was appointed to the Board in April 2010 and in April 2011 he was appointed as the General Manager.
Mr. L.D. Dickman was the Deputy Director General (Infrastructure) of Board of Investment of Sri Lanka before his retirement in December 2009 and had been working since its inception in 1979. He held various managerial posts during his long service in the Board of Investment. He had been working as a Deputy General Manager of Lanka Mirigama Special Economic Zone (Private) Limited.

Mr. Dickman is a Past President of The Institute of Town Planners of Sri Lanka and also had been a visiting lecturer in Town and Country Planning at the University of Sri Jayawardenapura and the University of Moratuwa. He had also attended a number of Executive Development Programs and Investment Promotion Programme in various countries at international level.

S Shanmuganathan
Director

Mr. Shan Shamuganathan is an Accountant by profession, Fellow Member of The Institute of Chartered Accountants of Sri Lanka and Fellow Member of Chartered Institute of Management Accountants of London. He was appointed to the Board in January 2012.

He has extensive experience in the Financial Services Industry; initially with American Express Bank where he ended up as the Director Marketing and Deputy Country Head and later with Union Bank of Colombo where he was the Founder CEO/Managing Director.

He is a Shareholder/Director in privately held companies engaged in the Leisure and IT Industry and he also functions as Senior Advisor to large privately held corporate houses.

He is member of the Council of The Institute of Chartered Accountants of Sri Lanka.

P B Perera
Director

Mr. Prashan Buddhika Perera is a graduate in Finance at the Bentley University of Boston, Massachusetts, USA. He was appointed to the Board in October 2012. Mr. Perera also serves on the Board of The Fortress Resorts PLC.

W D N H Perera
Alternate Director to P B Perera

Mr. Nimal Perera is the Chairman of Pan Asia Banking Corporation PLC, Don Wilbert Capital Ltd, N Sports (Pvt) Ltd and N Capital (Pvt) Ltd.

He is the Managing Director of Royal Ceramics Lanka PLC, Group Finance Director of Amaya Leisure PLC, The Executive Deputy Chairman of Vallibel One PLC, Executive Director of LB Finance PLC, The Fortress Resorts PLC and he also serves on the Boards of Hayleys PLC, Hotel Services (Ceylon) PLC, Vallibel Finance PLC, Haycarb PLC & Thalawakele Tea Estates PLC.

Mr. Perera, a member of the Sri Lanka Institute of Marketing, counts over 31 years of experience in the fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management services.

Corporate
Management Team

Seated left to right
L. D. Dickman - Executive Director/GM
Aruna Dheerasinghe - Jt. CEO
Russell De Zilva - Jt. CEO
M. Navaratnarajah - Manager

Standing left to right
Pathmanatha Poddiwala - Engineering Manager
Yogesh Suriyapperuma - Head of Finance

Our team thrives on the base values of our work culture which incorporates commitment, integrity, creativity, innovation, agility, flexibility and individual development for collective improvement.

Aim
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ACHIEVE

Helping to energise the nation

Management
Discussion & Analysis

Sri Lanka has for the last few decades grappled with the rising demands for power, as is symptomatic of any emerging economy. The evolving global quagmires including rising oil prices due to instability in oil producing nations and the fact that resources remain under-utilised have not helped our cause either. The robust curve of growth the country wants to pursue involves increased usage of energy to drive that growth agenda. It has thus become apparent that while the state has worked on initiatives to drive the energy industry, the private sector has a much bigger and discerning role to play in driving the development and upliftment of the nation.

Having recognised the vital role that the private sector energy industry will eventually be destined to play, long before Sri Lanka saw the plains of peace emerge, Vallibel Power Erathna worked on a vision to energise the nation. We aimed to make a difference and that we did, by working on sustainable eco-friendly solutions that are cost-effective and resource friendly. In tandem, we aspired to gain respect among our stakeholders by positing a solid, steady, ethical and principled hydropower company and have achieved results that have made us proud and cemented our position as one of the benchmarked leaders in our industry.

Vallibel Power Erathna is now working at its envisaged capacity, having completed our projects on the timelines established and delivering on our promise. The company is also adding to its bottom line with good revenue and returns as is seen in the dividends we are distributing to our shareholders this year, a considerable increase from our inception in 2004. In fact, this total dividend payout upto last year was a total of Rs 1,460.5 Mn, which has significantly increased to Rs 1,647.2 Mn Thus, we have created wealth for our shareholders as we promised and our customers have seen us further solidify our promise of producing sustainable eco-friendly solutions that will see us reduce the nation's carbon footprint while making energy a more viable tool in developing the country.

Industry Leadership

Our stature in the industry was amply exampled when the delegation who accompanied the President of the Seychelles James Alix Michel visited the Vallibel Power Erathna mini-hydropower project in Kuruwita. The aim was for the Seychelles delegation to gain further knowledge on the power generation strategy employed by mini-hydropower facilities, which they did by visiting our facility on the recommendation given by Sri Lanka's Ministry of External Affairs. The Seychelles delegation comprised the Minister of Natural Resources and Industry Peter Andrew Simon as well as leaders of various commerce and trade associations. The Seychelles was interested in emulating some of the mini-hydropower case studies in Sri Lanka as it does not possess its own indigenous power sources and is dependent on imported fossil fuels to cover its domestic demands. Industry leadership was further augmented when two directors of Vallibel Power Erathna PLC were elected into the committee of the Small Hydropower Developers' Association.


Visit of the Seychelles delegates to Erathna MHPP

In addition, the company won three awards during the year, exemplifying our commitment to sustainable green energy solutions and a strong foundation to reporting standards. The Company won a Bronze Award in the Mini-Hydropower category at the National Green Awards presented by the Central Environmental Authority under the aegis of the Ministry of Environment, a Gold Award in the Power and Energy Companies category at the Annual Report Awards organised by The Institute of Chartered Accountants of Sri Lanka and an ACCA Sustainability Reporting Award in the First Time Reporting category for small scale companies.

CA Sri Lanka Annual Report Award-Gold   ACCA Sustainability Reporting Award   National Green Award-Bronze

Mr. Russell De Zilva accepting the ACCA Sustainability Reporting Award

Mr. Aruna Dheerasinghe accepting the National Green Award-Bronze

Mr. Yogesh Suriyapperuma accepting the CA Sri Lanka Annual Report Award-Gold

Operating Environment

The accelerated development agenda has naturally led to a rising demand for energy, which given the global paradigms, especially the sanctions imposed on Iran which is the country's main crude oil supplier and the continuing instability in the Middle East, hasn't been conducive to drive the country's development plans. The highly volatile crude oil prices in the international markets and given Sri Lanka's dependence on hydropower which due to prolonged drought conditions within the country did face numerous challenges and forced the use of extensive thermal power generation, saw expenditure on energy needs prompt spiraling increases. This created uncertainty between CEB and CeyPetCo, resulting in problems in the energy sector, while the country also had to grapple with a depreciating Sri Lankan Rupee.

The reservoirs which saw insufficient rainfall, the lowest seen since 2001, augmented by frequent interruptions to power generation in the Norochcholai coal power plant actuated the need for thermal power generation rise to unprecedented levels and a re-imposition of the Fuel Adjustment Charge (FAC) on electricity tariffs. Given that Sri Lanka's total oil import bill rose by 4.9% to US $4.9 Bn which is 26% of the country's total import expenditure, there is a concerted effort by the State to reduce this over-reliance on fossil fuels at least in the medium term and increase coal, hydro and renewable energy generation, although Sri Lanka continues to be vulnerable to oil price shocks in the immediate.

The prevalent drought conditions from June to October in 2012 saw a drastic reduction in hydropower generation and with the shift to thermal power, electricity generation in 2012 increased by a modest 2.4% to 11,800 Gwh. Quantifiably, hydropower generation reduced a considerable 28.6% to 3,298 Gwh in 2012. This also meant thermal power generation increased, triggering additional foreign exchange outflow. However, there was also a palpable increase in private sector power contribution as is seen in the decrease to 52% from 57% in 2011 in power generation by the CEB, which in turn saw an increase in private sector contribution to stand at 48% from 43%.

With the Government's plan for 100% electrification by end 2013, implementation of rural electrification projects remained within timelines and electricity consumption in the household sector thus increased by 4.2%, which was also tagged to rising income levels leading to increased usage of electrical appliances. The rapid development in the hospitality sector too saw that category require an additional 5.5% energy, while the industrial sector's growth was in turn reflected in the incline of 4.9% in electricity consumption, due to the increase in usage of electricity by the hospitality sector and utilization of electricity in the country.

The Government has plans to generate more power which has let to the installation of numerous power generation projects in many parts of the island. The rural electrification projects continued, with the northern and eastern provinces gaining added emphasis, to bring those parts of the country into mainstream development. It is certainly commendable that the Jaffna peninsula was connected to the national grid after 25 years in September 2012 through a 33 kV line from Kilinochchi, a 132 kV transmission line connecting Vavuniya to Kilinochchi was also completed in 2012 and another 132 kV transmission line from the Kilinochchi substation to Chunnakam in Jaffna is in progress.

Implementing the energy plan based on the Government's Development Master Plan, the Upper Kotmale Hydropower plant was commissioned to add 150 MW to the national grid, while the second phase of the Norochcholai coal power plant which will add two 300 MW units, billed for completion in 2013 and 2014 respectively. Another hydropower project under construction, the Uma Oya project will add 120 Mw by end of 2015, while the Sampur Coal Power plant also under construction will add 500 MW by 2017, all of which will increase total installed capacity by 37% to 4,532 MW. However, it is evident that the government does recognise the need to add further diversity into the country's energy mix, reducing the dependency on fossil fuels. There is also a concerted effort to develop a robust framework that will ably support the low cost power generation projects currently being established and hence is also working on systems infusing apt technical knowhow and technology, monitoring and maintenance.

As a footnote to this discussion and analysis, further impetus to drive the focus on sustainable renewable energy generation and energy efficiency is being led by the Sri Lanka Sustainable Energy Authority, which has, within its objectives, an aim to increase the current renewable energy in power generation from the current 7% to 20% by 2020. Taken in collation, by end of 2012, Mini Hydropower generation contributed 234 MW, wind power 74MW, biomass energy 11.5MW and solar power connected to the national grid 1.4MW. Other renewable energy projects under construction are envisaged to add 350 MW once completed. Further, the Gama Shakthi programme which is designated to provide electricity to rural households via off-grid systems is also driven by the Authority.

Management
Discussion & Analysis

Performance Overview

Having commissioned both our new mini-hydropower projects, the Denawaka Ganga Mini-Hydro Power Project and the Kiriwaneliya Mini-Hydro Power project in our last financial year, we began contributing a total of 21.85 MWs to the national grid. As mentioned last year, we envisaged a considerable addition to our Net Profit and Revenue figures due to these projects being fully operational. Given that the CEB imposes two tariffs for the year on mini-hydropower developers, one for the wet season and one for the dry, in 2012, the Company worked on a tariff of Rs. 10.44 per unit for the dry season and Rs. 9.49 per unit for the wet season. There has been no drastic change from last year's tariff however, which we worked with in 2011 at Rs. 11.19 and Rs. 10.23 per unit for the dry and wet seasons respectively. The percentage reduction in tariff applied by the CEB for 2012 for one kilowatt decreased by 7.2% for the wet season and by 6.7% the dry season.

The Group earned a revenue of Rs 693 Mn by end of this financial year, having generated a total of 71.9 million kWh. An average income of Rs 9.63 per kWh was also reported. Given that both projects are now fully operational, it naturally cascaded to an increase in power generation from last year's 38.9 million kWh.

Despite having faced a reduction in tariffs, Group Net profit notched Rs. 293.6 Mn, while EBITDA is posted at Rs. 547.9 Mn and NP margin stands at 42.3%. We also posted an increase in the Group Shareholders' Fund to Rs. 1,822.7 Mn, while the Company Shareholders' Fund also gained, to be posted at Rs. 1,842.9 Mn.

New Web site

The web page of Vallibel Power Erathna which has been in existence since year 2008 was revamped in 2012 enabling our shareholders, other interest parties and viewers to acquire more accurate information on our projects.

We at Vallibel Power Erathna are cognizant that we have a significant role to play in the area of power generation to meet the national demand. In view of the future demand for sustainable energy, we have taken the initiative in the restructured web page to disseminate all vital information pertaining to power generation through our mini hydro projects located in Ratnapura and Nuwara Eliya districts.

Project Landscape

Power and energy projects require specific knowledge portals and an extensive application knowhow which also involves the use of technology, understanding of the environment both in a green sense and in locality and in ensuring that the infrastructure being constructed will have minimum impact on the surrounding Landscape. It is the human input therefore that remains a core axis on which the success of these projects revolve as the knowledge levels, expertise, innovative ideas and ability to execute ideas into reality is tasked within a team's able hands.

We are most fortunate to have the vision, the ideas, the competencies and capabilities that are very emblematic of our Group, where we retain those fundamentals within our purview, but work on a macro vision of industry stewardship and national development. The projects currently in place have both contributed considerably, not only economically in enhancing the country's energy capacity, but have also created awareness of the imperatives of a green foundation. Further, by generating employment within the adjacent locales, we have developed knowledge levels in those communities and added to their economic empowerment and upliftment of their social status.

Denawaka Ganga Mini-Hydro Power Project

Being our second project into which we infused an investment of Rs 925 Mn, we strongly believe that our aim of adding to the country's sustainable eco-friendly power solutions is quickly gaining ground. This project has an installed capacity of 7.2 MW and by end of this financial year, we generated a total of 20.7 Gwh emission free electricity. Being the first full year in operation, our revenue from this project, which comes under our subsidiary Country Energy (Pvt) Limited, is notched at Rs 200 Mn and which we estimated last year as exceeding Rs 250 Mn, on the prevalent tariffs.

Given the run-of-river nature of this project which uses the water from the Denawaka River located in Malwana in the Ratnapura District, we also envisaged reducing approximately 13,000 tonnes of CO2 annually, which we have done successfully. This not only further strengthen our bid to presenting the country a renewable, sustainable, environmentally friendly energy option as an alternative to fossil fuel based power plants, but we are also contributing in helping Sri Lanka earn valuable carbon credits and reducing carbon footprint.

Turbines & Generators

Weir & Intake

Forebay Tank

Power House

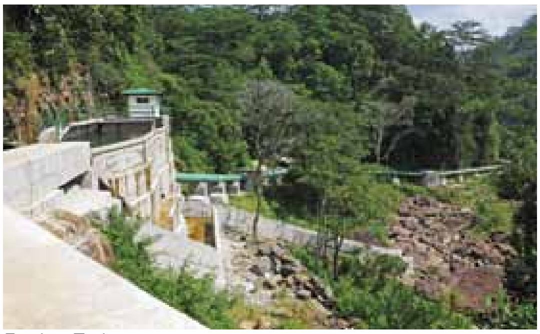
Management
Discussion & Analysis

Kiriwaneliya Mini-Hydro Power Project

Our maiden project under the Group subsidiary, Country Energy (Pvt) Ltd, and one that certainly required some extensive and specific knowledge especially with regard to the unusual terrain, we are most proud that Vallibel Power Erathna was able to infuse the most recent technology, skill and know how to keep to our eco-friendly sustainable rudiments, not only through the construction stage but in continued operation at the Kiriwaneliya project. This included the construction of a power house according to green specifications and using local technical manufacturing knowledge for two 4jet vertical pelton turbines.

This Rs 815 Mn investment generated an annual capacity of 11.8 Gwh of power, utilising water from the Maskeliya Oya. The installed capacity of 4.65 MW gained an annual revenue of Rs 113.4 Mn, well aligned to the anticipated revenue of Rs 160 Mn. This project has also successfully reduced 7,325 tonnes of $CO2$ generated annually, which in turn will reduce the country's carbon footprint and fuel the earning of carbon credits.

The unusual terrain as mentioned above, stems from the fact that the project sources water from the Laxapana waterfall in the Nuwara Eliya district, using 17 square kilometers of the Maskeliya Oya catchment areas in addition to several feeder streams. This also ensures that the project gains the advantage of a perennial flow of water, even during dry periods.



Forebay Tank

Penstock Pipes

Power House

Turbines & Generators

We remain well aligned to global trends in renewable energy paradigms and the opportunities that will undoubtedly emerge in a milieu that is transformational. We anticipate the challenges and are already aligned to overcoming them. For Vallibel Power Erathna, growing our sustainable eco-friendly renewable solutions platform is well articulated; we have proven unequivocally that we aim, aspire and achieve, keeping well into our plans to believe in our country, her goals and ambitions and prove that we are the invaluable foundation to build this vision upon.

Sri Lanka's requirement for energy will continue to grow quite exponentially, if the country is to keep apace with the ambitious development targets. This also means that we, as an industry steward, do have a responsibility to be the strength upon which the country can build its developmental trusses unhindered. Our responsibility therefore is multi-fold and having seen the consistent performance we have posted this year and are confident of posting in the future, we are equipped to meet the challenges that are bound to ensure in these multiple phases of an emerging economy.

We remain well aligned to global trends in renewable energy paradigms and the opportunities that will undoubtedly emerge in a milieu that is transformational. We anticipate the challenges and are already aligned to overcoming them. For Vallibel Power Erathna, growing our sustainable eco-friendly renewable solutions platform is well articulated; we have proven unequivocally that we aim, aspire and achieve, keeping well into our plans to believe in our country, her goals and ambitions and prove that we are the invaluable foundation to build this vision upon.

"We have both been working for Erathna project since inception. In our nine years with the company we learned a lot and we have a whole new set of skills today..."

Aim
Aspire
ACHIEVE

Helping to energise the nation

Sustainability
Report

Vallibel Power Erathna PLC is the largest public quoted mini hydropower company in Sri Lanka. With three mini hydropower projects in Kuruwita, Rathnapura and Norton Bridge, the company provides a cumulative capacity of 21.85 MW.

Producing clean energy to ensure sustainability of the planet is a responsibility that we, Vallibel Power Erathna PLC as corporate stewards and industry leaders should take very seriously. This, coupled with being a partner to the country's development drive adds further impetus to our vision, which combines the mission of being a significant producer of clean energy for the sustainable economic development of Sri Lanka.

We remain very committed to this and in fact, given that 20% of the world's electricity needs are met by hydropower, which remains the main source of energy in more than thirty countries including Sri Lanka. This means that we are tasked with optimising electricity production with the country's available water resources, while also ensuring that we minimise pollution and impact on the environment. We must also be mindful of making our energy solutions cost effective so that our contribution to the national grid is economical and sustainable. The fact that our three energy production sites namely Erathna, Denawaka Ganga and Kiriwaneliya Mini Hydro Power Projects also generate employment from within that locale, gives the added dimension to the triple bottom line namely people, profit and planet.

We have truly aspired, aimed and achieved the targets we have set for ourselves, despite continuing to face challenges, which remain inherent in this industry. We also know that Sri Lanka's cost of energy remains among the highest in the world. This is a primary reason for us to be conscious of optimising cost efficiencies, maximising productivity and being focused on pursuing alternative renewable energy options to offer more cost effective energy options to the country.

We remain unequivocally committed to building on the strong fundamentals we have now constructed, adding the necessary foundation for sustainable energy options and being a protagonist both for the industry and the country to drive clean and renewable sources of energy.

About this Report

This is our second Sustainability Report, the first which won an award last year on the platform of the Best First Time Reporting at the ACCA Sustainability Reporting Awards. Maintaining a clear focus on the triple bottom line concept in our reporting process, we are also cognizant of the need for ensuring a culture of compliance and beyond in corporate governance, ethics, accountability and transparency which drives us to monitor all systems, processes and the culture prevalent within Vallibel Power Erathna. Given our quest to be uncompromising in maintaining standards, being responsible and pursue ethical ways of producing clean energy options, we are committed to not only highlighting our achievements, but also any gaps that exist and solutions infused to bridge those gaps.

Reporting Standards

We continue to strive to report comprehensively on the way we do business and how we impact our stakeholders based on the Global Reporting Initiative guidelines to ensure a more transparent and accountable business model. Therefore, the reporting process is thorough, where our attempts in reporting are based not only on what is expected of us by regulatory bodies and compliance standards, including strict adherence to the Government mandates promulgated by the Central Environmental Authority and the Ministry of Power & Energy, but go beyond what is expected of us.

The report covers the Company's performance and operations for the year upto 31 March 2013 and indicates, wherever possible, qualitative descriptions and quantitative metrics which will further augment our claims. Financial information is reported in SL Rupees.

Sustainability
Report

Feedback

Given that stakeholder engagement is extremely imperative to ensure sustainability of our business, we are most appreciative of feedback we receive and this includes feedback on this report as well. We like to use this report as a tool for strengthening stakeholder relationships and being a vital dimension in our communication process, this feedback is crucial in our continuous improvement strategy. Feedback will also assist us in identifying gaps, instigating solutions, ensuring smooth communication between stakeholder groups, help planning company strategy and policy and be aware of the challenges, trends and opportunities that exist.

Please direct your comments to:

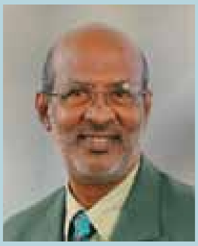
Vallibel Power Erathna PLC
27-2, East Tower, World Trade Center
Colombo 01.
energy@vallibel.com

More information on our Company could also be obtained on
www.vallibel-hydro.com

Materiality Analysis

Identifying economic, social and environmental issues that will impact our stakeholders and the company remains an overarching tenet in the reporting process. Material issues which have a significant current or future impact are analysed on the available data and other information. This is based on the trends observed in the external milieu, monitoring stakeholder expectations and concerns through direct dialogue, feedback and other available communication channels.

As mentioned above, the reporting process also gives the company a comprehensive outlook on various issues including repeat or recurring trends, need for prioritisation and in minimizing repeat occurrences of mistakes or threats wherever necessary. The need for materiality therefore is inherent in the way we do business as we strive to promote and understand the sustainability issues that would impact our stakeholders and us, which leads us to make responsible and rational decisions when shaping business strategies.



A Letter from the Executive Director

For Sri Lanka, now more than ever, there is a crucial need to pursue cost effective and cleaner energy options. As a country that's working on an accelerated development drive and a vision to become South Asia's Economic Hub by 2015, energy plays a vital role in achieving this vision. The country is also placed on a disadvantageous platform as cost of energy is extremely high. This can be daunting and debilitating when pursuing newer economic activities and development initiatives as prohibitive energy costs can slow growth or in some cases, limit growth capabilities. While there is a palpable positivity permeating the entire nation, with infrastructure development specifically gaining ground and the five plus one earmarked industries designed to become the key drivers in South Asia progressing apace, it is imperative for Sri Lanka to focus much more stringently on energy options, usage and cost efficiency.

The state is progressing, especially in its quest to power geographical areas that had hitherto remained cut off from the national grid due to the past conflict or were too remote in its rurality. The government's vision of 100% electrification for Sri Lanka is timely and in the process of meeting its targets and objectives. Similarly, with the development of roads, highways, ports and airports coupled with social initiatives that drive inclusiveness and rural empowerment which remains integral to the country meeting its key performance objectives by 2016, the nation is making rapid progress.

However, the pace in meeting energy demands remains challenged as does the need for clean energy sources. This is where I am very proud of Vallibel Power Erathna, which has surely been a key driver in assisting the country in meeting those challenges. Our projects, all three of them have delivered what we promised, using run-of-river technology and being environmentally responsible in producing eco-friendly green energy. Our contribution to the national grid has been impressive and has certainly met the targets we envisaged. We have also been very successful in reducing our carbon footprint via the reduction of CO2 emissions and hence, giving the country accessibility of getting carbon credits.

Our projects are now working to full capacity and the employment we have generated within the areas of the projects has seen a tangible upliftment of lifestyles in hitherto economically disadvantaged geographic areas. Our shareholders are ensured of the promised rate of return on their investment and our team, a constant knowledge gaining culture. The nation benefits immensely with our visionary focus on clean energy solutions including the pursuance of alternative energy sources, while our contribution to the industry is well established given that we were the recommended role model for a visiting delegation from the Seychelles and representation is well entrenched in the apex body of small hydropower producers.

These are what we have aspired and aimed towards and have undoubtedly achieved. I also know that the awards and accolades we won this year are a good examples that the Industry, Government and Corporate leaders believe in us; that our stakeholders have confidence in us and that we, ourselves, are committed to maintaining our corporate steward status. I'm also very proud of the fact that the Sustainability Report we published last year got a positive nod from ACCA Sri Lanka. Further impetus was gained when we won awards at the National Green Awards and the Annual Report Awards. However with these accolades also emerge further responsibilities for us and that is that we must be cognizant of maintaining a clear focus on our vision and mission, continuing to engage with our stakeholders, ensuring that good governance principles are paramount and managing risk astutely is ingrained into daily operations. Into this equation, we must also imbue ethical standards and financial discipline with no compromise, keeping the underlying principle of eco-friendly energy solutions aligned to all our actions.

Dickman

L.D. Dickman
Executive Director

Sustainability
Report

Sustainability Strategy

Our sustainability strategy is based on the simple ethos of producing clean energy that will have minimum impact on the environment and other stakeholders. These energy sources will in turn be the axis upon which development strategies will thrive and be driven forward. We are well aware that eco-friendly energy options will also be the harbinger of a better quality of life for the people of this nation and therefore, the sustainable power solutions we pursue will be key to empowerment of the people. Strategised by the policy makers of this company and driven by top management within a culture that relentlessly maintains focus on our ultimate vision, our Sustainability Strategy reiterated below affirms our commitment to the fundamentals of sustainability:

We are focused to meet the aspirations of all our stakeholders by developing and establishing eco-friendly cost effective sustainable power solutions, with effective resource management, optimised operational efficiencies and acquisition of new and renewable energy opportunities

We are committed to addressing sustainability challenges, that of balancing economic growth, social development and environmental conservation and protection to ensure that we leave a thriving planet earth for future generations.

Stakeholder Engagement and Profile

Our stakeholders are diverse and require constant engagement and proactive interaction. Given that the operating environment can be challenging as well as ambivalent at times, it is important that our stakeholders know we are transparent in the way we do business and responsive to their questions and needs. Our stakeholders include Government, communities, shareholders, customers, suppliers, employees, all of whom have a continuing dialogue and engagement with us. We are mindful of their concerns, suggest solutions and responses, proactive in identifying material issues and we benchmark performance against their expectations and grasp opportunities that emerge in these communication engagement processes.

The communication channels we have with our stakeholders are many and include internal and external one-on-one and group meetings and briefings, annual general meetings and via publications. We are also aware of the impracticalities that emerge in maintaining a seamless dialogue with all stakeholder groups but strive to do our best in listening and responding because we do know that it is the stakeholder voice that remains constant in giving us our strategies for the future. Sometimes, it can be difficult to address all stakeholder issues in a pragmatic manner, as it may not be practical.

Projects in operation

The core of Vallibel Power is hydropower – a recognised renewable resource for the generation of electricity. Our vision is to be a significant producer of clean energy for the sustainable economic development of Sri Lanka and while keeping that on the horizon, conserving nature and recognizing the importance of clean air. Every unit of electricity generated by us will result in the reduction of CO2 emissions.

The Erathna Mini Hydropower project is a run-of-the-river hydropower project located in Ratnapura. We generate approximately 40 GWh of energy each year, supporting the state power generation utility in improving the energy mix and providing for the sustainable development of the national energy sector.

State-of-the-art technology powered by Voith Siemens machinery make up our solid infrastructure comprising two turbines with an installed capacity of 5.15 MWs each and two generators with capacity of 5.6 MW each. We also adhere strictly to the Government mandates detailed by the Central Environmental Authority and the Ministry of Power & Energy in complying to policies, regulations and standards.

Denawaka Ganga Mini Hydro Power Project, also a run-of-river mini hydro power project has an installed capacity of 7.2 MW and was commissioned in February 2012. Located in Malwala, in the Rathnapura Divisional secretariat of the Rathnapura District, the plant uses the water flow of the Denawaka Ganga, a main tributary of the Kalu Ganga. Given that it has now been in operation for a full year, it generated emission free electricity of 20.7 GWh. The project comprises a diversion weir, headrace channel, forebay tank, penstocks, powerhouse, tailrace and switchyard.

The Kiriwaneliya Mini Hydro Power Project with its installed capacity of 4.65 MW and expected power generation of 16 Gwh, also runs on the concept of run-of-river. Commissioned in December 2011, the project utilizes water from the Maskeli Oya to generate electricity, which is delivered to the Ceylon Electricity Board's national grid. Located in the Kiriwaneliya village just downstream of the eighth highest waterfall in Sri Lanka, the Laxapana Falls in the Nuwara Eliya district of the central province, this project utilizes 17 square kilometers of the catchment area in Maskeli Oya and the flow of several feeder streams, which have a continuous flow even during the dry periods of the year.

The One Meter high Weir was constructed on a very narrow section of the river with its bed rock earth. Since the river water comprises a heavy concentration of silt and trash, special silt mitigation action was introduced closer to the intake, using the existing ground profile and with minimum disturbance to the environment. The filtered water is diverted to the Forebay through a 300m long compact designed concrete channel along the left bank of the river. This project has a long penstock line of 1690m to develop 200m gross head for electricity generation and ends up in the power house which was built according to an environment friendly design. With the relatively high head and available hydrology data, using state of the art technology, locally manufactured two 4jet vertical pelton turbines.

Both of the new projects are developed through Country Energy (Pvt) Limited, a subsidiary of Vallibel Power Erathna PLC.

Economic Highlights

SLR 293.6 Mn
in net earnings

SLR 29.1 Mn
in capital expenditure

SLR 186.7 Mn
paid as dividends

71,980,367 kWh contributed to the National Grid in total

Gold Award at Annual Report Awards

First Time Reporting Award at ACCA Sustainability Reporting Awards

Sustainability
Report

With our most recently commissioned plant in February 2012, this is the first year that all three projects have been fully operational for an entire year. Resulting from this, we generated a total of 71,980,367 kWh, which is within our estimated capacity, gaining an average income of Rs 9.63 per kWh. We have remained on par with our promise of delivering 81 GWh which has surely seen a considerable reduction in foreign exchange expended by the Country on fossil fuels. The past year has seen the country expend significant amounts on oil especially with volatility seen in world oil prices and embargoes being slapped on Iran, the largest oil supplier to Sri Lanka.

Given the emphasis we have always laid on empowerment which leads to the company always employing those within the locality of our projects and also building relationships with valued business partners by sourcing our materials and services locally, we infuse the dimension of economic sustainability, inclusivity and upliftment. Vallibel Power added eight more into our team this year, which brings our total team strength to 118. The fact that these team members are also constantly trained in the event they require special skills or knowledge areas also improves these individuals' knowledge capabilities and competencies. This also means that team members remain within their home locales, which limits urban migration and over-crowding of cities and exacerbating demands on resources as well. Another factor is that the communities from which our team members hail from, also see economic upliftment and improvement, while in a social sense, families remain within their home villages which prompts family togetherness as well.

A revenue of Rs 693 Mn was generated this year, a significant increase of 73% over last year's Rs 399.6 Mn. EBITDA is posted at Rs. 547.9 Mn, while Net Profit is at Rs. 293.6 Mn. Benefits of our performance has always been cascaded to shareholders and team members, a practice we continued this year too. Our consistent performance has enabled us to pay Rs. 0.25 as dividend per share, which is a total of Rs.186.7 Mn paid out in dividends. Shareholders' Funds too increased to Rs.1,822.7 Mn, while the contribution by way of taxation to the national treasury stands at Rs. 9.3 Mn.

We did grapple with some challenges including the country not gaining as much rainfall as anticipated which meant that difficulties did emerge in meeting the demand for energy and the tariff applied to mini hydropower developers being reduced by the CEB.

However, we remained well within our focus of creating wealth for our shareholders which is one of our primary responsibilities. It is imperative therefore that our performance is consistent and this is amply exampled in our YOY performance. Being most conscious of ensuring proactive shareholder engagement, we strive to maintain a communication process that allows them full access to information on the company's operations, strategies and policies.

Also, we remain true to our tenets of governance and compliance and maintain a stringent calendar in publishing financial information. This was admirably proven when the company won the Gold Award in the Power & Energy Category at the Annual Report Awards also etching our commitment to corporate governance. Quarterly Financial Statements are always published well within the stipulated timeframe to ensure that stakeholders have access to information. The Company website is also a comprehensive means of the latest quantitative and qualitative information, while we also use mass media channels for maximum coverage of new initiatives, new ventures and new developments. Annual General Meetings are forums designed for maximum participation in which the Annual Report and Financial Statements is used to disseminate information to stakeholders on both present and future plans, progress and performance.

Infusing Standards

One of the key initiatives we began this year with hope of completing by June 2013 are the certifications for both ISO 9001:2008 and ISO 14001:2004 within the implementation of the Integrated Management System. ISO standards are developed and published by the International Organisation for Standardization and is operative in 164 countries. While ISO 9001:2008 provides a set of standardized requirements for a quality management system, ISO 14001:2004 provides a framework for a holistic strategic approach to an organisations's environmental policy, plans and actions. The advantages for the Company are myriad, as we will now be benchmarked against other companies using universal standards, herald more productive and efficient processes that can identify problems, weaknesses, threats and gaps and create an accountable transparent management culture, while our ultimate green vision will be further entrenched. The certifications add a further advantage when venturing into offshore investments.

Industry Contribution

Vallibel Power Erathna was the recommended case study by the Government of Sri Lanka for a familiarisation tour by a delegation from the Government of the Seychelles, reiterating our status as an industry leader in the mini hydropower industry. Visiting the mini hydropower project in Kuruwita, the delegation headed by the Minister of Natural Resources and Industry comprised Seychelles corporate and ministry heads, who studied our project extensively as a case study that would help that country reduce its dependence on thermal power and move towards hydro-electricity.

This industry stewardship was reiterated further when two company directors were elected into the committee of the Small Hydropower Developers Association.

Environmental Highlights

44,987 MT
reduction in CO2 emissions

71.9 GWh
of emission free power

Zero Fuel Emissions into river waters
32 trees planted to increase forest cover and reduce CO2

Bronze Award at National Green Awards

The world continues to be plagued by global warming, a problem that seems to exacerbate despite nations around the world focusing on reducing its impact. It is a complex issue but one which can be tackled pragmatically. To us, tackling environmental problems begins with an individual, whether a person or an organisation, which can collectively make a difference. We also know that with aggressive development, the impact on the world can be devastating and hence, sustainable development comes into play. At Vallibel Power Erathna, we work on managing the environment and this not only means producing clean energy, but also reducing CO2 emissions and prudent management of water resources. We can also make a difference by reducing the country's dependency on fossil fuels which also translates into less foreign exchange being expended in purchasing oil.

The urgency has also spurred us to begin looking at alternative energy sources. Around the world, renewable energy sourced from natural resources is gaining added emphasis, whether its energy sourced from wind, sun, bio-fuels or even geothermal heat. Also the fact that VPEL is considered an example for other countries pursuing the use of hydropower as a renewable energy source to emulate, as was seen when the Seychelles delegation visited our Kuruwita project, showcases that our commitment to environmental sustainability is reaping the necessary rewards. Being an island that is blessed with an abundance of rivers, we intend pursuing more avenues for optimising the usage of our water resources, which are hitherto woefully underutilised, especially in producing energy.

Environmental Compliance

Based on our vision of producing clean eco-friendly energy solutions, we have remained very focused and committed to not only constructing but sustaining all our projects on a sound environmental platform. Each stage of design, construction and implementation, including the sourcing of necessary materials have a strong green ethos that is inbuilt into it. We also encourage our valued business partners including suppliers to work within environmentally friendly standards and in fact, do not work or source from any supplier whose green ethos is insufficient. Whenever possible, we do try and permeate our green practices to suppliers who may have gaps in their green dynamics.

Our machinery is sourced to green standards practiced globally and has no fuel input in any form. This eliminates emissions completely. Our powerhouses and underground tanks which are beneath the transformers to collect and prevent oil leaks to eliminate any leakages into the river, are also constructed to environmentally friendly specifications. We stringently monitor our noise pollution levels, which are mandated to be maintained at 60db levels within the power house and have thus far not had any diversions. All our projects strictly comply with all regulations and mandates laid down by the Central Environmental Authority and the Ministry of Power & Energy.

We go a step further by educating the communities in the surrounding locales on maintaining and preserving the environment which naturally permeates to creating a clean and eco-friendly milieu for the communities to live in.

Clean Development Mechanism

Increasing forest cover is also highly emphasized in our green practices and this year, we planted a further 32 trees around the rivers we sourced our waters from, as a measure to reduce CO2 emissions. Given that we have been very successful in reducing CO2 emission, which this year has seen a reduction of 44,987 MT, we have also paved the way for the country to cash in on carbon credits. Both the Kiriwaneliya Mini Hydro Power Project and Denawaka Ganga Mini Hydro Power Project almost completed the Clean Development Mechanism (CDM) which enables us to obtain carbon credits for emission reduction due to environmentally friendly power generation.

By way of synopsis, CDM, as defined in Article 12 of the Kyoto Protocol, allows a country with an emission-reduction or emission-limitation commitment under the Kyoto Protocol to implement an emission-reduction project in developing countries. Such projects can earn salable certified emission reduction (CER) credits, each equivalent to one tonne of CO2, which can be counted towards meeting Kyoto targets. The aim of introducing CDM is to stimulate sustainable development and emission reductions, while giving nations some flexibility to meet their emission reduction or limitation targets. An industrialized country that wishes to get credits from a CDM project must obtain the consent of the developing country hosting the project, ensuring that it contributes to sustainable development.

Quality and Environmental Policy

Our commitment therefore was further entrenched this year when after extensive discussion among team members and top management, the Company formulated the following Quality and Environmental Policy, constructed on our very strong beliefs and principles of maintaining the triple bottom line.

We aspire to be a significant producer of clean energy for the sustainable economic development of Sri Lanka by generating the maximum amount of electricity from the available water resources while preventing pollution and protecting the environment around us.

To meet the above objective, we are committed to an Integrated Quality and Environmental Management System complying with ISO 9001:2008 and ISO 14001:2004 International Standards, comply with all applicable legislation and other environmental requirements related to us, set quality and environmental objectives for processes of our organization and review achievement of those objectives at periodic intervals for continual improvement.

Social Sustainability Highlights

Completed Atikehalpola causeway bridge

Zero Lost Workday Case Accidents

2 Technical Scholarships

8 New employees from local communities

We have also striven to ensure that, in our quest for clean energy, we generate respect for the resources we source, the communities who live among us, respond to changing mindsets and are mindful of having a safe and healthy workplace. Social sustainability is important to us, because we also recognise that our stakeholders in this sphere, both our people and our communities, are the two dimensions that make our business a sustainable going concern. We know that our communities are an integral facet in our success and being open to their suggestions, proactive to their development and ensuring that they drive our success is important to us.

Health & Safety Principles

Believing strongly that a safe work environment fuels above par performance, we continue to be emphatic about the health and safety of our team members, grounding our business in a strong safety culture. This is further buoyed by stringent commitment to globally accepted best practices which include a strong commitment to:

- Providing and maintaining a safe and healthy environment including safe systems of work for our employees and non-company personnel as well within the Company premises.
- Closely monitoring and implementing the necessary steps to minimize and eliminate adverse impacts of our activities on the physical environment under its control.
- Analysing and evaluating occupational health and safety hazards prompted due to various activities conducted and initiating actions to mitigate the hazards.
- Nurturing a culture of prevention in safety.
- Complying with all prevalent national laws, regulations, mandates and guidelines pertaining to environmental health and safety and aligning them to our business objectives.
- Establishing procedures to assess and review the environmental health and safety impact of present and future activities.
- Seeking continuous improvement of our work environment and physical environment through conformance to a clearly defined set of Company objectives and targets, through proactive and cost effective measures.
- Fire Safety Training Programme was conducted at all three sites on fire safety theory, fire drill demonstration and evacuation.

Sustainability
Report

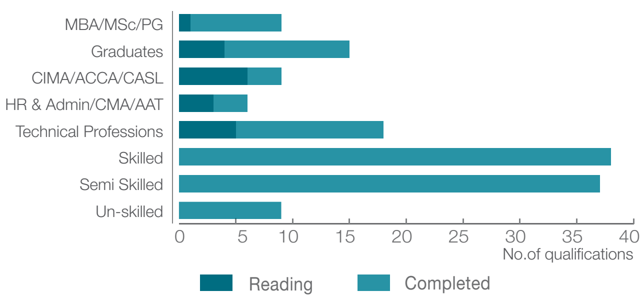
Our Motivated Team

Our team thrives on the base values of our work culture which incorporates commitment, integrity, creativity, innovation, agility, flexibility and individual development for collective improvement. Our corporate values, brand core and philosophy of green clean energy sources are the hinges that hold our team together and united in a singular vision of making a difference. Our team has an inherent focus to aspire, aim and achieve and given the performance both qualitatively and quantitatively, the company has certainly built and retained a team that are true to our values, principles and ethics, while being highly motivated to bring in extraordinary results.

Given that the energy industry requires very highly skilled individuals, we induct our team into our sustainable development core, which has seen them imbibe these values into the best qualities of the individuals. This also means that we continuously require our team to manage the earth's resources better. We urge them to think differently, to innovate, to seek newer more astute avenues of improvement which ultimately translate to us, as a company to raise the bar in professionalism, opportunities, responsibility, belonging and accomplishment.

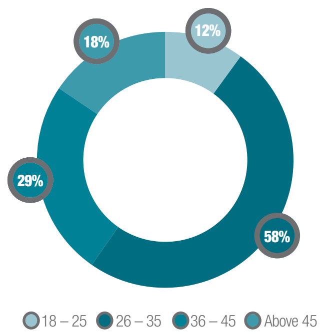
On an age analysis, our team is built on a non-discriminatory platform. 48% of our team fall into the age group between 26 and 35 years of age given that we require a significant portion of skilled team members, while 26% buoy the 36 to 45 age group categories. A unique feature prevalent in the younger age group is that this group specifically is recruited totally from the surrounding communities which has stemmed from employment opportunities we have generated from having our projects in these rural areas. This also adds the positive feature of concerted training and development programmes being permeated to this group, which means skills and knowledge levels are constantly being improved.

GROUP KNOWLEDGE BASE



(Note : Some employees have more than one qualification.)

GROUP EMPLOYEE AGE ANALYSIS



Recruitment

Our HR Policy is constructed on a platform of meritocracy and equality, where we do not condone child labour or underage labour, nor do we discriminate on class, gender, ethnicity, caste, religion, culture or age. This policy extends to our valued business partners, which in the event of non-adherence or diversion, a streamlined engagement process comes into play. Stakeholders are reiterated and re-familiarised with our policy and further awareness created. In the event the discriminatory practices continue, we do not associate with these stakeholders in any form.

Our recruitment for the most part is done on a succession plan and on absolute meritocracy. We advertise internally for any positions falling vacant and the performance reviews help in assisting us to find the right person for the right job. This principle has seen an unending sense of loyalty towards the company displayed by team members, while our succession path remains well planned and aligned to the business strategy.

Gender equality however is not always easy as the nature of our industry makes it more adaptable to males being recruited. However, in the event there is a qualified female who can fulfill the requirements of the job, she will always be recruited. We are also striving to employ more females in areas that do not require tiring physical work or difficult timeframes , which conform to community cultures and are accepted among the communities we operate in.

Training and Development

Continuous training and development is inherent in our working culture as the energy industry is a constantly evolving one and requires an upgrade and development of knowledge continually. We are also very committed to ensuring that our team flourishes in a knowledge gaining culture and therefore, are always striving to challenge their knowledge and skill levels to ensure they advance in their careers and have complete job satisfaction. Being a very technical industry, most of our T&D programmes are on-the-job, supported by workshops and seminars for specialized competencies.

New recruits undergo a comprehensive orientation conducted in house to suit operational requirements. Those recruited from the surrounding communities undergo a mandatory technical course conducted by the Technical Training School to ensure they possess apt levels of knowledge and skill. Head office team members are trained in management skills, accounting and leadership, while there is an overall emphasis on productivity improvement and effective cost management.

Matching career aspirations with company objectives remains integral to the HR management process. We therefore urge our team members to pursue higher studies, professional, academic or specialised so they can continue for upward career mobility. The company reimburses part of these educational expenses, while also sending senior team members for overseas training programmes.


Work Life Balance and 5S programme


Fire Safety Training programme

Sustainability
Report

T&D Programmes conducted during the year

- Work Life Balance and 5S conducted by the Sri Lanka Institute of Development Administration for all team members.
- ISO standards and certifications awareness conducted on the three sites of Erathna, Denawaka Ganga and Kiriwaneliya by an ISO Consultant Company to ensure complete understanding of the implementation and application of the standards.
- Record Management Procedures and implementation of the Integrated Management System.
- Management of all sites trained on identification of environmental aspects of operational processes by an Environmental Engineer.
- Quality and Environmental Objectives, Targets and Improvements.
- Ten internal auditors trained on Internal Auditing Processes based on ISO standards.
- Fire Safety Training programme.

Rewards and Remuneration

Maintaining a healthy work life balance is important to us as we believe this instills a culture of higher productivity, loyalty and commitment for the job. It also adds a sense of belonging into the organisation. This is well etched within the company when we unitedly celebrate all major religious festivals and have annual company outings, all of which inculcate team spirit and a sense of camaraderie.

Rewards and remuneration are an integral part of this healthy work life balance milieu. As is policy, remuneration is based on industry norms complimented by incentives for good performance and initiative for leadership, innovation and decision making. Based on annual assessments, remuneration is qualified by two performance appraisals conducted annually. While statutory benefits are mandatory, we believe in value additions that will create a better work environment.

The following are value added benefits extended to our team:

- Staff loans including assistance for personal requirements such as weddings and funerals
- A comprehensive medical scheme
- Snacks and tea for shift workers
- Accommodation for site employees who work away from home
- Laundry facilities

Believing in our Community

We are a responsible corporate steward and we are very aware that our communities form the backdrop to our success. This therefore drives us to act responsibly, engage with them proactively and ensure that we empower them so they develop and thrive due to the relationship we have with them.

Our community initiatives are worked on two platforms: Creating Knowledge Bases and Developing Infrastructure, both worked on in the three locations in which our projects are based. This is due to our affirmed belief that the communities around us should prosper due to our presence and consider us a partner to that prosperity.

Creating Knowledge Bases

The fact that we recruit from our site locales and develop the youth from those areas through competency and skill upliftment creates a sustainable knowledge base within those communities. From our project sites, about 73% are from the surrounding communities.

To develop extracurricular skills among young children, we organised the Vidooka art competition for the children residing in the Erathna and Adavikanda villages as well as the children of our team members. Of 150 budding artists, twenty of the most talented were presented with prizes and certificates, judged by one of Sri Lanka's most renowned children's authors and illustrators, Sybil Wettasinghe. The winning entries from the Erathna and Adavikanda villages were featured in the Vallibel Power Erathna calendar for 2013.

To ensure better facilities for furthering education, furniture was donated to the Sri Dhammananda Daham Pasala in Erathna, computers to Kiriwaneliya Vimalarama Daham Pasala and support given to the Erathna Maha Vidyala Dancing Troupe towards holding the All Island School Dancing Competition and the Malwala School Ratnapura's Cadet Team.

Vidooka Art Competition

Infrastructure Development

Developing national infrastructure on a green clean platform is an overarching tenet in our social initiatives. This also extends to developing infrastructure within our communities to ensure they are empowered and gain inclusiveness. It is important that our communities have infrastructure that will connect them to the rest of the country, will give them accessibility to better development prospects and enable them to travel without hindrance to source education and economic benefits.

In the past, we restored the Erathna-Adawikanda Road, Meegahatenna Road in Malwala and the concreting of the Sri Sambuddathwa Jayanthi Road in Kiriwaneliya and the community halls at Durekkanda and Koththallena in Hatton. This year, we completed the construction of the Atikehalpola causeway bridge which we began last year, enabling the villagers to safely cross the Denawaka River, sponsored the street boards at Norton Bridge, extended support to the Ginigathhena Raja Maha Viharaya with a loudspeaker so religious observations could be conducted with minimum hassle and renovated the Dharma Shalava at the Malwala Temple Ratnapura.

Sustainability
Report

Global Reporting Initiatives (GRI)

GRI Index	GRI Definition	Reference in the Report/Description	Page/s of Reference
1.0	Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organisation	Chairman's Message	6 to 11
1.2	Description of key impacts, risks and opportunities	Risk Management	45
2.0	Organisational Profile		
2.1	Name of the organisation	Corporate Information	Inner Back Cover
2.2	Primary brands, products and/or services	Corporate Information	Inner Back Cover
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Corporate Information/ Corporate Management Team	Inner Back Cover & 16
2.4	Location of organisation's headquarters	Corporate Information	Inner Back Cover
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	No countries other than Sri Lanka	NA
2.6	Nature of ownership and legal form	Corporate Information	Inner Back Cover
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Chairman's Message/MD&A	6 to 11 & 17 to 23
2.8	Scale of the reporting organisation	Project Highlights	5
2.9	Significant changes during the reporting period regarding size, structure or ownership	Financial Statements	101
2.10	Awards received in the reporting period	MD&A	18
3.0	Report Parameters		
3.1	Reporting period for information provided	Sustainability Report	25
3.2	Date of most recent previous Report	31 March 2012	NA
3.3	Reporting cycle	Once a year	NA
3.4	Contact point for questions regarding the report or its contents	Sustainability Report	26
3.5	Process for defining report content	Contents	Inner Front Cover
3.6	Boundary of the Report	Sustainability Report	25

NA - Not Applicable

Aim
Aspire
ACHIEVE

Helping to energise the nation

GRI Index	GRI Definition	Reference in the Report/Description	Page/s of Reference
3.7	Specific limitations on the scope or boundary of the Report	Not reported	NA
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Sustainability Report/Financial Statements	25 to 37 & 63 to 101
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the Report	Financial Statements (Used simple statistical calculations)	63 to 101
3.10	Explanation of the effect of any restatements of information provided in earlier Reports	Financial Statements	63 to 101
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report	Financial Statements	63 to 101
3.12	Table identifying the location of the standard disclosures in the Report	GRI Index	38 to 44
3.13	Policy and current practice with regard to seeking external assurance for the Report	None at present	NA
4.0	Governance, Commitments and Engagement		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Corporate Governance	47 to 50
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate Governance	47 to 50
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance	47 to 50
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Corporate Governance	47 to 50
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Not yet estimated	NA
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Not yet in process	NA
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	Corporate Governance	47 to 50
4.8	Internally-developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Vision, Mission & Objectives Statement and Sustainability Report	2 & 25 to 37

Sustainability
Report

Global Reporting Initiatives (GRI)

GRI Index	GRI Definition	Reference in the Report/Description	Page/s of Reference
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	Chairman's Message	6 to 11
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Not yet in process	NA
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Risk Management	45
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Sustainability Report	25 to 37
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organisations in which the organisation	SHPASL	NA
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report	28
4.15	Basis for identification and selection of stakeholders with whom to engage	Sustainability Report	28
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Report	28
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting	Sustainability Report	28

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Economic Performance				
Economic Performance	EC 1	Direct economic value generated and distributed, including revenues, operating cost, employee compensation, donations and other community investments, retained earnings, and payments to capital provider and Governments	Financial Statements/ Sustainability Report	63 t0 101 & 25 to 37
	EC 2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Risk Management	45
	EC 3	Coverage of the organisation's defined benefit plan obligations	Sustainability Report	36
	EC 4	Significant financial assistance received from Government	None	NA
Market Presence	EC 5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Comparable with Industry Level	NA
	EC 6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Sustainability Report	29
	EC 7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	No specific procedure for local hiring	NA
Indirect Economic Impacts	EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Sustainability Report	37
	EC 9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Not reported	NA
Environment Management				
Materials	EN 1	Materials used by weight or volume	None	NA
	EN 2	Percentage of materials used that are recycled input materials	None	NA
Energy	EN 3	Direct energy consumption by primary energy source	None	NA
	EN 4	Indirect energy consumption by primary source	Not reported	NA
	EN 5	Energy saved due to conservation and efficiency improvements	None	NA
	EN 6	Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives	None	NA
	EN 7	Initiatives to reduce indirect energy consumption and reductions achieved	None	NA
Water	EN 8	Total water withdrawal by source	Not reported	NA
	EN 9	Water sources significantly affected by withdrawal of water	Not reported	NA
	EN 10	Percentage and total volume of water recycled and reused	None	NA
Bio Diversity	EN 11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Annual Report of The Board of Directors on The Affairs of The Company	54
	EN 12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	None	NA
	EN 13	Habitats protected or restored	Not Reported	NA
	EN 14	Strategies, current actions and future plans for managing impacts on biodiversity	Not Reported	NA
	EN 15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	None	NA

Global Reporting Initiatives (GRI)

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Emissions, Effluents and Waste	EN 16	Total direct and indirect greenhouse gas emissions by weight	Sustainability Report	25 to 37
	EN 17	Other relevant indirect greenhouse gas emissions by weight	Sustainability Report	25 to 37
	EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Sustainability Report	25 to 37
	EN 19	Emissions of ozone-depleting substances by weight	Sustainability Report	25 to 37
	EN 20	NOx, SOx, and other significant air emissions by type and weight	None	NA
	EN 21	Total water discharge by quality and destination	Not reported	NA
	EN 22	Total weight of waste by type and disposal method	Sustainability Report	25 to 37
	EN 23	Total number and volume of significant spills	Not reported	NA
	EN 24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Not reported	NA
	EN 25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Not reported	NA
Products and Services	EN 26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Sustainability Report	25 to 37
	EN 27	Percentage of products sold and their packaging materials that are reclaimed by category	None	NA
Compliance	EN 28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None	NA
Transport	EN 29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce	None	NA
Overall	EN 30	Total environmental protection expenditures and investments by type	Not reported	NA
Social Labour Practices and Decent Work				
Employment	LA 1	Total workforce by employment type, employment contract and region	Not reported	NA
	LA 2	Total number and rate of employee turnover by age group, gender and region	Sustainability Report	NA
	LA 3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Sustainability Report	36
Labor/Management Relations	LA 4	Percentage of employees covered by collective bargaining agreements	None	NA
	LA 5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	None	NA
Occupational Health and Safety	LA 6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Sustainability Report	33
	LA 7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Sustainability Report	32
	LA 8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Sustainability Report	33, 35 & 36
	LA 9	Health and safety topics covered in formal agreements with trade unions	None	NA

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Training and Education	LA 10	Average hours of training per year per employee by employee category	Not reported	NA
	LA 11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Sustainability Report	35 & 36
	LA 12	Percentage of employees receiving regular performance and career development reviews	Sustainability Report	35 & 36
Diversity and Equal Opportunity	LA 13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Sustainability Report	34
	LA 14	Ratio of basic salary of men to women by employee category	Not reported	NA
Human Rights				
Investment and Procurement Practice	HR 1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported	NA
	HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not reported	NA
	HR 3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not reported	NA
Non-Discrimination	HR 4	Total number of incidents of discrimination and actions taken	None	NA
Freedom of Association and Collective Bargaining	HR 5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	Not reported	NA
Child Labour	HR 6	HR Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	Sustainability Report	35
Forced and Compulsory Labour	HR 7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	None	NA
Security Practices	HR 8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not reported	NA
Indigenous Rights	HR 9	Total number of incidents of violations involving rights of indigenous people and actions taken	None	NA
Society				
Community	SO 1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	Sustainability Report	36 & 37
Corruption	SO 2	Percentage and total number of business units analysed for risks related to corruption	Not Reported	NA
	SO 3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Not Reported	NA
	SO 4	Actions taken in response to incidents of corruption	None	NA

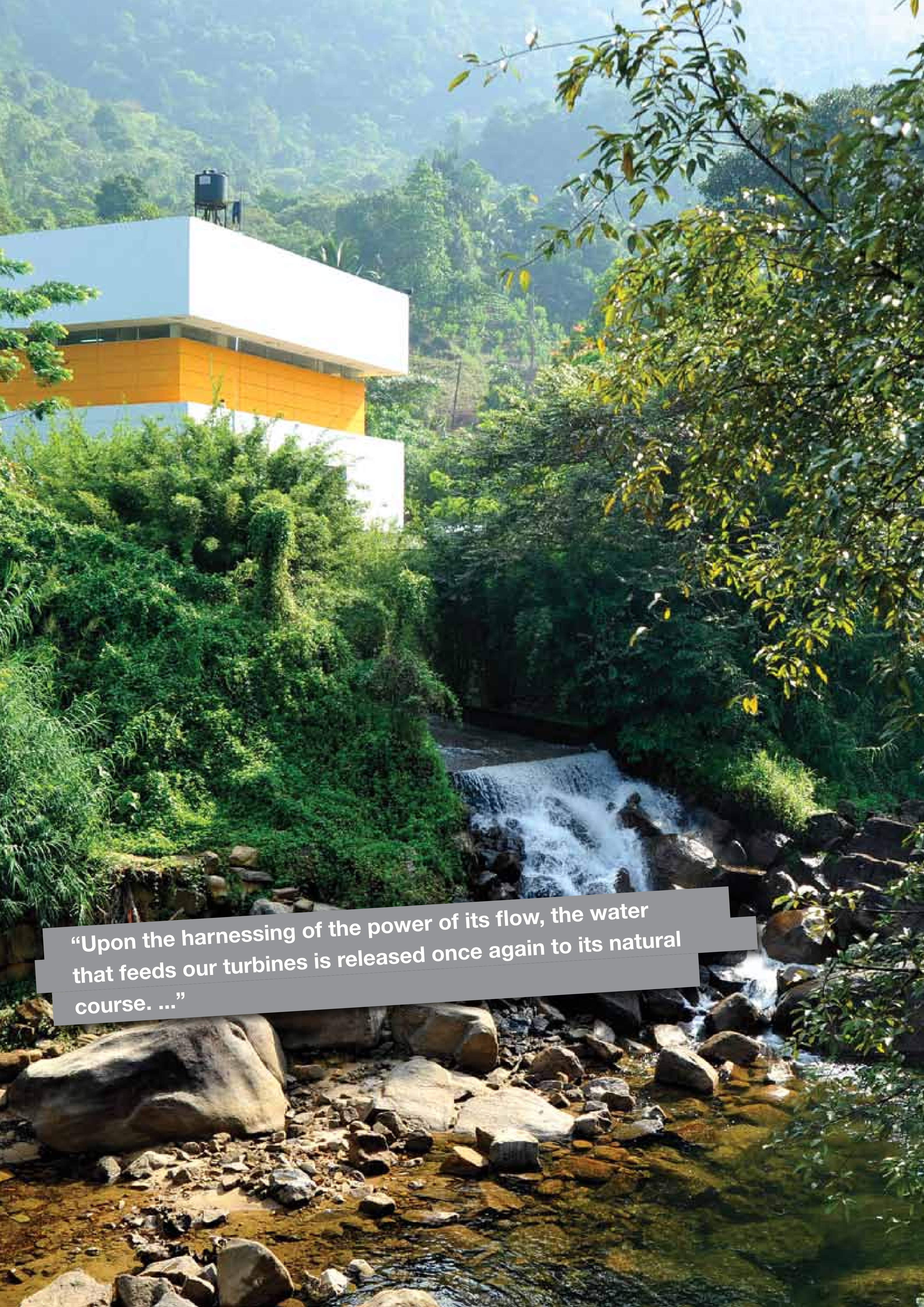
Global Reporting Initiatives (GRI)

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Public Policy	SO 5	Public policy positions and participation in public policy development and lobbying	Sustainability Report	36 & 37
	SO 6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None	NA
Anti-Competitive Behavior	SO 7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	None	NA
Compliance	SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None	NA
Products Responsibility				
Customer Health and Safety	PR 1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	None	NA
	PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	None	NA
Product and Service Labeling	PR 3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	None	NA
	PR 4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	None	NA
	PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	None	28
Marketing Communications	PR 6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	None	NA
	PR 7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	None	NA
Customer Privacy	PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None	NA
Compliance	PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	NA

Risk
Management

Risk Management

Risk Identification	Risk Evaluation	Management Strategy	Policies & procedures for managing risk	Compliance	System Maintenance	Annual Control Review
Financial	High	Further investment on renewable energy projects after careful appraisal of the micro economic situation of the industry	VPEL is conscious of the risk of climate changes & operational limitations due to drought conditions and also of the risk of continuing investment, hence is gearing on bank loan & Equity.	Yes	Adopted	✓
Operational	Medium	The experienced team 's continuous interaction with project sites by physical visits, dialogue with management and close supervision of all projects	Prompt maintenance of machinaries and equipment whilst upgrading the safety measures on a regular basis conducting workshops , meetings, etc	Yes	Adopted	✓
Regulatory & Legal	High	Awareness of current volatile situation of power sector and variation of tarriff structure	Compliance with any new laws or regulations that are time to time introduced for good governance	Yes	Adopted	✓
Environmental	Low	All mini hydro power projects in various parts of the country carryout impact assessment s & strictly follow conditions stipulated by the statutory organisations	Management is in the process of finalising & obtaining ISO 9001&14001 - Quality and Environmental Management Systems and all the practices will be strictly followed . Also care is taken to mitigate any adverse enviromental impacts	Yes	Adopted	✓
Social	Low	The management of VPEL ciontinuously determined to help the people and upgrade the social & economic infrastructure of the area	During the last year, VPEL has developed relationships with the religious and other voluntary groups by helping them to uplift their livelyhood	Yes	Adopted	✓


"Upon the harnessing of the power of its flow, the water that feeds our turbines is released once again to its natural course. ..."

Corporate
Governance

Vallibel Power Erathna PLC strives to maintain the highest levels of transparency in all our activities. Governance and Risk Management are top priorities for the Company.

Corporate Governance, the system by which companies are managed and controlled, is a topic of increasing importance, both to 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 Section 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance for the full accounting period ended 31March 2013.

The Board

The Board comprises of an Executive Director and eight Non-Executive Directors. Their details appear on pages 12 to 15 of the Annual Report. The Executive Director generally has responsibility for making and implementing operational decisions and running the Company's business. The Non-Executive Directors support the skills and experience of the Executive Director, contributing to the formulation of policy and decision-making through their knowledge and experience of other business 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 three meetings and the attendance is given below.

		Attendance
Mr. K D D Perera (Chairman)	NED	- 2/3
Mr. W D N H Perera*	NED	- 1/1
Mr. S H Amarasekera	I	- 3/3
Mr. P K Sumanasekera	I	- 2/3
Mr. H Somashantha	NED	- 3/3
Mr. S E De Silva	NED	- 3/3
Mr. D S Clark	NED	- 3/3
Mr. L D Dickman	ED	- 3/3
Mr. S Shanmuganathan	I	- 2/3
Mr. P B Perera**	NED	- 0/2

* Resigned w.e.f. 28.08.2012
** Appointed w.e.f. 01.10.2012

Key
NED - Non-Executive Director ED - Executive Director I - Independent Non-Executive Director

Corporate
Governance

Chairman and Executive Director

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

Appraisal of the Executive Director

The Board has delegated the responsibility for the day-to-day management of the Company to the Executive Director, who is responsible for recommending strategy to the Board and implementing operational decisions. The performance of the Executive 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, subject to Article 25(2) of the Articles of Association. 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 add value to the deliberations of the Board and in particular the Listing Rules pertaining to Corporate Governance.

Re-election of Directors

As per the Articles of Association of the Company at each Annual General Meeting (AGM) one third of the Directors except the Directors referred to hereinafter shall retire from office and offer themselves for re-election. The Executive Director and Directors nominated by Vallibel Power Erathna PLC under Article 25(2) are not subject to retirement by rotation. Any Director appointed during the year seek re-election at the next AGM.

Independence of Non-Executive Directors

The CSE Listing Rules sets 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. S H Amarasekera, Mr. P K Sumanasekera and Mr. S Shanmuganathan demonstrate the essential characteristics of independence expected by the Board.

Access to Management and Independent Advisors

Board members have access to the management. The Board and the Board Committees have access to the advice of the Company Secretaries 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 in Note 18 to the Financial Statements on Page 97.

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretaries for the Company. Being qualified Company Secretaries, P W Corporate Secretarial (Pvt) Limited attend Board Meetings and ensure that minutes are kept of all proceedings at each Board Meeting. The Company Secretaries advise the Board and ensure that proper procedures and applicable rules and regulations are followed by the Board.

Board Committees

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

Audit Committee

Mr. S H Amarasekera (Chairman)
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S Shanmuganathan

The Audit Committee meets with the Executive 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. P K Sumanasekera

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

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

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

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

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

Corporate
Governance

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 the appointments to the Board are effectively managed.
- 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 ensure that these risks are addressed and managed effectively.
- Appoint and evaluate the performance of the Executive Director.
- Approve the Annual Budget.
- Ensure the continuation of the Company as a going concern.

Investor relations

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

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

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

Rule	Comments
7.10.1 Non-Executive Directors	Eight Directors are Non-Executive with one Executive Director
7.10.2 Independent Directors	There are three Independent Directors on the Board. Each Non-Executive Director submits a signed and dated declaration annually.
7.10.3 Disclosures relating to Directors	Three of the Eight Non-Executive Directors meet all the criteria set out in Rule 7.10.4 for determining the independence of Directors. These independent directors are, Messrs S H Amarasekera, P K Sumanasekera and S Shanmuganathan.
7.10.5 Remuneration Committee	Comprises of three Non-Executive Directors including two Independent Directors.
7.10.6 Audit Committee	Comprises of four Non-Executive Directors including three Independent Directors.

Annual Report
of the Board of Directors on the Affairs of the Company

The Directors of Vallibel Power Erathna PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2013.

Legal Status

The Company was incorporated on 7 November 2001 under the name of "Zyrex Power Company Erathna Limited" and later changed its name to "Power Company Erathna Limited" on 14 October 2004. Thereafter, on 2 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 17 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 Ceylon Electricity Board.

Business Review

A review of the operations of the Group business during the financial year and results of those operations are contained in the Chairman's Message on page 6 of the Annual Report. This report forms an integral part of the Annual Report of the Directors.

Summarised Financial Position

The summarized financial position of the Company is as follows:

	2012/13 Rs. '000	2011/12 Rs. '000
Total comprehensive income for the year, net of tax	260,904	230,595
Profit brought forward	594,425	550,607
Dividends	186,777	186,777
Profit carried forward	668,552	594,425

The Financial Statements of the Company and the Group are given in pages 63 to 101.

Financial Statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary, duly signed by two Directors on behalf of the Board and the Auditors are included in this Annual Report and form part and parcel hereof.

Annual Report
of the Board of Directors on the Affairs of the Company

Independent Auditors' Report

The Report of the Independent Auditors on the Group Financial Statements of the Company is attached with the Financial Statements.

Stated Capital

The Stated Capital as at 31 March 2013 was Rs. 1,174,365,278.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 68 to 80.

Reserves

The reserves of the Company stand at Rs. 668,552,453 comprising revenue reserves totally.

Taxation

Pursuant to the Supplementary Agreement dated 8 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 15 July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the Company. However, other income is taxed at the applicable tax rate.

Statutory Payments

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

Dividends

The Company made an interim dividend payment of Twenty Five Cents (Rs. 25 cents) per share (tax-free) for the financial year 2012/13 paid on 19 February 2013.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 2,224,100 details of which are given in Note 3 to the Financial Statements on page 86.

Property, Plant & Equipment

The movement in property, plant and equipment of the Company are given in Note 3 to the Financial Statements on page 86.

Shareholdings

As at 31 March 2013 there were 3,630 registered shareholders. The distribution of shareholders is indicated on page 102.

Share Information

Information on share trading is given on page 103 of the Annual Report.

Directorate

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 12 to 15

Mr. K D D Perera (Chairman)
Mr. S H Amarasekera
Mr. P K Sumanasekera
Mr. D S Clark
Mr. S E De Silva
Mr. H Somashantha
Mr. L D Dickman
Mr. S Shanmuganathan
Mr. P B Perera (Appointed w.e.f. 01.10.2012)

Mr. S E De Silva and Mr. H Somashantha retire by rotation in terms of Article 25(10) and Mr. P B Perera in terms of Article 25(3) of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

Directors of the subsidiary company as at the end of the accounting period:

Country Energy (Private) Limited

Mr. K D H Perera
Mr. K D A Perera
Mr. P K Sumanasekera
Mr. S E De Silva
Mr. J P Lenihan
Mr. G A R D Prasanna

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.

Annual Report
of the Board of Directors on the Affairs of the Company

Directors' Holding

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

	As at 31 March 2013	As at 31 March 2012
Mr. K D D Perera	144,812,225	144,812,225
Mr. S H Amarasekera	30	30
Mr. P K Sumanasekera	150,000	150,000
Mr. D S Clark	Nil	Nil
Mr. S E De Silva	30,000	30,000
Mr. H Somashantha	15,000	15,000
Mr. L D Dickman	Nil	Nil
Mr. S Shanmuganathan	Nil	Nil
Mr. P B Perera	Nil	Nil

Directors Remuneration

The Directors Remuneration is disclosed in Note 18 to the Financial Statements on Page 97.

Land Holdings

The Company's land holdings referred to in Note 3 of the accounts comprise a land (freehold) in extent of 5.5 and another land in extent of 5.1 acres (leasehold) in the Ratnapura District, which carries at its book value of Rs. 150,000,000. The subsidiary company's land holdings referred to in Note 3 of the accounts comprise a land in extent of 1.3 acres (freehold) and another in extent of 2.7 acres (leasehold) in the Ratnapura District which carries at its book value of Rs. 2,865,105. Further it holds another land in the Nuwara Eliya District in extent of 3.9 acres of value of Rs. 22,939,752.

Investments

Details of the Company's quoted and unquoted investments as at 31 March 2013 are given in Note 4 to the Financial Statements on page 89.

Donations

The Company made donations amounting to Rs. 368,280 in total, during the year under review.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee and the Integrated Risk Management Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on page 45.

Corporate Governance

The report on Corporate Governance is given on pages 47 to 50.

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.

Events Occurring After the Date of Statement of Financial Position

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

Auditors

The Financial Statements for the year ended 31 March 2013 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 of Messrs Ernst & Young for the current year was Rs. 506,000 /-. (2011/12 – Rs. 459,800/-). In addition they were paid Rs. 87,808 by the Company for professional services. As far as the Directors were aware, the Auditors do not have any relationship other than that of the Auditor with the Company.

Annual General Meeting

The 12th Annual General Meeting of the Company will be held at The Kingsbury, 48 Janadhipathi Mawatha, Colombo 01 on Thursday, 27 June 2013 at 9.30 a.m. The Notice of the Annual General Meeting is on page 108 of this Report.

For and on behalf of the Board

S. H. Amaraskera
Director

L. D. Dickman
Executive Director

Secretaries
P W Corporate Secretarial (Pvt) Limited

Colombo
27 May 2013

Statement
of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 62.

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

The Directors consider that, in preparing Financial Statements set out on pages 63 to 101 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 reporting date have been paid or, where relevant provided for, in arriving at the financial results for the year under review.

For and on behalf of the Board

Vallibel Power Erathna PLC
P W Corporate Secretarial (Pvt) Ltd.

Secretaries

Colombo
27 May 2013

Audit
Committee Report

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Vallibel Power Erathna PLC comprises of four Non- Executive Directors. Mr. Harsha Amarasekera P.C. (Independent Non-Executive Director), functions as the Chairman of the Audit Committee. Mr. Prabodha Sumanasekera, Mr. Shan Shanmuganathan who are Independent Non-Executive Directors and Mr. Haresh Somashantha who is a Non-Executive Director serve as members of the Committee.

Meetings

Two meetings of the Committee were held during the year. The Executive Director, two Joint Chief Executive Officers and Head of Finance attend these meetings by invitation. The other officials of the Company attend the meetings by invitation on need basis. The external auditors and internal auditors are present at the Audit Committee Meetings when matters pertaining to their functions come up for consideration.

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 responsibilities for;

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

The Audit Committee has recommended to the Board of Directors that Messrs KPMG be re-appointed as the internal auditors of the Group. The Audit Committee has further 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 31 March 2014, subject to the approval of the Shareholders at the Annual General Meeting. The Audit Committee is of the view that Messrs 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 misstatements.

S H Amarasekera
Chairman
Audit Committee

27 May 2013

Other Members
P K Sumanasekera, S Shanmuganathan, H Somashantha

Remuneration
Committee Report

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

The Chairman of the Remuneration Committee is Mr. Harsha Amarasekera P C who is an Independent Non-Executive Director and the other members are Mr. Dhammika Perera, Non-Executive Director and Mr. Prabodha Sumanasekera an Independent Non-Executive Director. The Remuneration Committee met twice this year and will meet more often if required. Its role is to make recommendations to the Board on the following.

- Remuneration policy for the Executive 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 qualified 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.

S H Amarasekera
Chairman
Remuneration Committee

27 May 2013

Other Members
K D D Perera, P K Sumanasekera

Aim
Aspire
ACHIEVE

FINANCIAL INFORMATION

Financial Calendar

Rs.0.25 per share (tax free) interim dividend for the financial year 2012/13	-	19 February 2013
Interim Report – 1st Quarter 2012/13	-	14 August 2012
Interim Report – 2nd Quarter 2012/13	-	07 November 2012
Interim Report – 3rd Quarter 2012/13	-	13 February 2013
Interim Report – 4th Quarter 2012/13	-	27 May 2013
Annual Report 2012/13	-	27 May 2013
12th Annual General Meeting	-	27 June 2013

"...we will continue to empower communities, brighten lives and deliver good returns to shareholders in the years ahead as well."

Helping to energise the nation

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com

ADBT/CSW/PNG

TO THE SHAREHOLDERS OF VALLIBEL POWER ERATHNA PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Vallibel Power Erathna PLC and the consolidated financial statements of the company and its subsidiary which comprise the Statements of Financial Position as at 31 March 2013 and the Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

OPINION

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013, and the Financial Statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2013 and the financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting standards of the company and its subsidiary dealt with thereby, so far as concerns the shareholders of the company.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

27 May 2013
Colombo

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

Statement of Financial Position

As at 31st March	Note	Company 2013 Rs.	Company 2012 Rs.	Company As at 01 April 2011	Group 2013 Rs.	Group 2012 Rs.	Group As at 01 April 2011
Assets							
Non-Current Assets							
Property, Plant & Equipment	3	**999,466,472**	1,032,410,450	1,065,935,578	**2,676,700,753**	2,733,702,114	1,823,382,616
Investments	4	**910,620,980**	769,374,480	816,248,340	**89,001,000**	102,054,480	148,928,340
Intangible Assets	5	**9,600,000**	11,200,000	12,800,000	**152,818,755**	164,775,418	168,150,000
Deposit on Leasehold Land	6	-	-	-	**4,500,000**	4,500,000	4,500,000
		1,919,687,452	1,812,984,930	1,894,983,918	**2,923,020,508**	3,005,032,012	2,144,960,956
Current Assets							
Trade & Other Receivables	7	**41,915,310**	23,990,279	49,525,017	**95,904,293**	50,410,716	153,193,026
Amount Due from Related Parties	8	**22,345,973**	151,367,698	45,795,831	**18,666,212**	6,999,323	3,304,283
Short Term Investment	4	**32,737,313**	20,740,000	42,893,187	**143,496,276**	187,485,258	52,893,187
Cash and Bank Balances		**357,967**	994,771	2,316,005	**18,818,619**	19,594,658	7,827,650
Tax Receivables		-	-	685,452	-	-	685,452
		97,356,563	197,092,748	141,215,492	**276,885,400**	264,489,954	217,903,598
Total Assets		**2,017,044,015**	2,010,077,678	2,036,199,410	**3,199,905,908**	3,269,521,966	2,362,864,554
Equity and Liabilities							
Equity attributable to Equity Holders of the Parent							
Stated Capital	9	**1,174,365,278**	1,174,365,278	1,174,365,278	**1,174,365,278**	1,174,365,278	1,174,365,278
Accumulated Profit		**668,552,453**	594,425,165	550,607,317	**648,388,609**	562,093,886	547,041,268
		1,842,917,731	1,768,790,443	1,724,972,595	**1,822,753,887**	1,736,459,164	1,721,406,546
Non-Controlling Interest		**-**	-	-	**99,584,644**	92,086,986	63,067,358
Total Equity		**1,842,917,731**	1,768,790,443	1,724,972,595	**1,922,338,531**	1,828,546,150	1,784,473,904
Non Current Liabilities							
Interest Bearing Loans and Borrowings	10	**15,254,231**	80,754,053	153,271,890	**944,663,872**	1,135,216,834	403,114,683
Retirement Benefit Obligations	11	**7,828,903**	5,886,213	5,610,653	**9,713,631**	7,116,346	7,087,569
Deferred Tax Liability	12	**72,397,610**	73,529,327	73,994,818	**72,397,610**	73,529,327	73,994,818
		95,480,744	160,169,593	232,877,361	**1,026,775,113**	1,215,862,507	484,197,070
Current Liabilities							
Trade and Other Payables	13	**9,368,803**	8,288,503	6,536,065	**20,197,602**	64,346,489	21,133,844
Interest Bearing Loans and Borrowings	10	**68,898,239**	72,517,837	71,813,389	**228,583,001**	157,245,769	72,886,334
Amounts Due to Related Parties	14	**-**	-	-	**-**	1,655,532	73,074
Tax Payables		**378,498**	311,302	-	**2,011,661**	1,865,519	100,327
		78,645,540	81,117,642	78,349,454	**250,792,264**	225,113,309	94,193,580
Total Equity and Liabilities		**2,017,044,015**	2,010,077,678	2,036,199,410	**3,199,905,908**	3,269,521,966	2,362,864,554

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

Yogesh Suriyapperuma
Head of Finance

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

Dhammika Perera
Chairman

L.D.Dickman
Executive Director

The Accounting Policies and Notes on Pages 68 through 101 form an integral part of the Financial Statements.

27 May 2013
Colombo

Statement of Income

For the year ended 31st March	Note	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
Revenue	15	**379,478,383**	377,913,617	**693,031,968**	399,664,981
Cost of Sales		**(46,921,663)**	(42,652,774)	**(135,891,595)**	(54,407,762)
Gross Profit		**332,556,720**	335,260,843	**557,140,373**	345,257,219
Other Income	16	**490,700**	2,992,303	**703,533**	10,356,429
Administration Expenses		**(50,275,618)**	(42,109,772)	**(100,541,251)**	(73,083,421)
Other Operating Expenses		**(888,655)**	(2,884,742)	**(6,581,727)**	(3,605,100)
Finance Income		**11,641,714**	7,719,831	**32,712,970**	16,318,185
Finance Cost	17	**(17,301,301)**	(21,309,260)	**(181,645,294)**	(46,627,138)
Profit Before Taxation	18	**276,223,560**	279,669,203	**301,788,604**	248,616,174
Tax Expenses	19	**(2,265,359)**	(2,200,062)	**(8,165,310)**	(4,609,752)
Net Profit for the Year		**273,958,201**	277,469,141	**293,623,294**	244,006,423
Attributable To:					
Equity Holders of the Parent		**273,958,201**	277,469,141	**289,140,130**	248,703,911
Non-Controlling Interest		**-**	-	**4,483,164**	(4,697,488)
		273,958,201	277,469,141	**293,623,294**	244,006,423
Basic Earnings Per Share	20	**0.37**	0.37	**0.39**	0.33
Dividend Per Share		**0.25**	0.25	**0.25**	0.25

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 68 through 101 form an integral part of the Financial Statements.

Statement of Comprehensive Income

For the year ended 31st March	Note	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
Profit for the year		**273,958,201**	277,469,141	**293,623,294**	244,006,423
Other Comprehensive Income / (Loss)					
Loss on Fair Value of Investments	4	**(13,053,480)**	(46,873,860)	**(13,053,480)**	(46,873,860)
Other comprehensive income / (loss) for the year, net of tax		**(13,053,480)**	(46,873,860)	**(13,053,480)**	(46,873,860)
Total comprehensive income for the year, net of tax		**260,904,721**	230,595,281	**280,569,814**	197,132,563
Attributable To:					
Equity Holders of the Parent		**260,904,721**	230,595,281	**276,086,650**	201,830,051
Non-controlling Interest		**-**	-	**4,483,164**	(4,697,488)
		260,904,721	230,595,281	**280,569,814**	197,132,563

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 68 through 101 form an integral part of the Financial Statements.

Statement of Changes In Equity

For the year ended 31st March

Company	**Stated Capital** Rs.	**Accumulated Profit** Rs.	**Total** Rs.
Balance as at 1 April 2011	1,174,365,278	550,607,317	1,724,972,595
Net Profit for the Period	-	277,469,141	277,469,141
Other Comprehensive Income / (Loss)	-	(46,873,860)	(46,873,860)
Dividends	-	(186,777,433)	(186,777,433)
Balance as at 31 March 2012	1,174,365,278	594,425,165	1,768,790,443
Net Profit for the Period	-	273,958,201	273,958,201
Other Comprehensive Income / (Loss)	-	(13,053,480)	(13,053,480)
Dividends	-	(186,777,433)	(186,777,433)
Balance as at 31 March 2013	1,174,365,278	668,552,453	1,842,917,731

Group	**Stated Capital** Rs.	**Accumulated Profit** Rs.	**Non-controlling Interest** Rs.	**Total** Rs.
Balance as at 1 April 2011	1,174,365,278	547,041,268	63,067,358	1,784,473,904
Issues of Shares	-	-	40,000,000	40,000,000
Net Profit/ (Loss) for the Period	-	248,703,911	(4,697,488)	244,006,423
Other Comprehensive Income / (Loss)	-	(46,873,860)	-	(46,873,860)
Impact on Change in Share Structure of the Subsidiary	-	-	(6,282,884)	(6,282,884)
Dividends	-	(186,777,433)	-	(186,777,433)
Balance as at 31 March 2012	1,174,365,278	562,093,886	92,086,986	1,828,546,150
Net Profit/ (Loss) for the Period	-	289,140,130	4,483,164	293,623,294
Other Comprehensive Income / (Loss)	-	(13,053,480)	-	(13,053,480)
Dividends	-	(186,777,433)	-	(186,777,433)
Impact on Change in Share Structure of the Subsidiary	-	(3,014,494)	3,014,494	-
Balance as at 31 March 2013	1,174,365,278	648,388,609	99,584,644	1,922,338,531

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 68 through 101 form an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 31st March	Note	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
Cash Flows From / (Used in) Operating Activities					
Net Profit before Income Tax Expense		**276,223,560**	279,669,203	**301,788,604**	248,616,174
Adjustments for					
Amortization of Intangible assets	5	**1,600,000**	1,600,000	**11,956,663**	3,374,582
Depreciation	18	**35,168,079**	34,510,036	**85,285,342**	44,493,463
Retirement Benefits Provision & Adjustments	11	**2,112,055**	(1,164,303)	**2,960,461**	(637,038)
(Profit) / Loss on Disposal of Property, Plant & Equipment		**-**	(28,000)	**(212,833)**	(1,409,242)
Deemed Disposal Gain		**-**	-	**-**	(6,282,884)
Interest Income		**(11,641,714)**	(7,719,831)	**(32,712,970)**	(16,318,185)
Finance Costs	17	**17,301,301**	21,309,260	**181,645,294**	46,627,138
Operating Profit/(Loss) before Working Capital Changes		**320,763,281**	328,176,366	**550,710,561**	318,464,008
(Increase)/Decrease in Trade and Other Receivables		**(18,098,284)**	25,605,343	**(43,254,819)**	102,852,916
(Increase)/Decrease in Amounts Due from Related Parties		**128,976,857**	(105,091,149)	**(11,760,949)**	(3,911,456)
Increase /(Decrease) in Trade and Other Payables		**1,102,860**	1,871,214	**(45,341,578)**	40,224,499
Increase/(Decrease) in Amounts Due to Related Parties		**171,034**	959,146	**(1,484,498)**	2,464,690
Cash Generated from /(used in) Operating Activities		**432,915,748**	251,520,920	**448,868,717**	460,094,657
Finance Costs Paid		**(17,301,302)**	(21,309,260)	**(180,430,044)**	(43,520,214)
Interest Received		**11,645,651**	7,469,575	**30,304,901**	16,067,929
Retirement Benefits Obligations Paid		**(295,532)**	-	**(440,151)**	-
Taxes Paid		**(3,160,564)**	(1,489,151)	**(8,981,571)**	(2,444,950)
Net Cash from/(used in) Operating Activities		**423,804,002**	236,192,084	**289,321,852**	430,197,422
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		**(2,224,100)**	(984,908)	**(29,176,146)**	(952,636,364)
Net Investment in Fixed Deposits		**5,077,687**	15,414,187	**81,777,951**	(150,179,891)
Proceeds from Disposal of Property, Plant & Equipment		**-**	28,000	**1,105,000**	2,328,000
Investment in Subsidiary		**(154,299,980)**	-	**-**	-
Net Cash Flows from/(Used in) Investing Activities		**(151,446,393)**	14,457,279	**53,706,805**	(1,100,488,255)
Cash Flows from /(Used in) Financing Activities					
Proceeds from Interest Bearing Loans & Borrowings		**-**	-	**30,812,248**	882,322,080
Repayment of Interest Bearing Loans & Borrowings		**(69,937,043)**	(69,937,045)	**(146,740,385)**	(69,937,045)
Dividend Paid		**(186,799,993)**	(186,896,210)	**(186,799,993)**	(186,896,210)
Issue of Shares to Minority		**-**	-	**-**	40,000,000
Lease Rental Paid		**(2,580,792)**	(1,876,344)	**(4,505,061)**	(3,097,251)
Net Cash Flows from/(Used in) Financing Activities		**(259,317,828)**	(258,709,599)	**(307,233,191)**	662,391,574
Net Increase/(Decrease) in Cash and Cash Equivalents		**13,039,781**	(8,060,235)	**35,795,465**	(7,899,260)
Cash and Cash Equivalents at the Beginning of the Period (Note A)		**6,734,771**	14,795,005	**22,407,390**	30,306,650
Cash and Cash Equivalents at the end of the Period (Note B)		**19,774,552**	6,734,771	**58,202,855**	22,407,390
Note A					
Cash and Cash Equivalents at the beginning of the period					
Cash in Hand & at Bank		**994,771**	2,316,005	**2,874,521**	7,827,650
Bank Overdraft		**-**	-	**(5,266,525)**	-
Savings Accounts		**-**	-	**17,908,216**	-
Call Deposits & Repo		**5,740,000**	12,479,000	**6,891,178**	22,479,000
		6,734,771	14,795,005	**22,407,390**	30,306,650
Note B					
Cash and Cash Equivalents at the end of the period					
Cash in Hand & at Bank		**300,613**	994,771	**752,657**	2,874,521
Bank Overdraft		**(3,398,415)**	-	**(5,295,913)**	(5,266,525)
Savings Accounts		**57,354**	-	**18,065,963**	17,908,216
Call Deposits & Repo		**22,815,000**	5,740,000	**44,680,148**	6,891,178
		19,774,552	6,734,771	**58,202,855**	22,407,390

Figures in brackets indicate deductions.

The Accounting Policies and Notes on Pages 68 through 101 form an integral part of the Financial Statements.

Notes to the Financial Statements

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.

The Consolidated financial statements of the company as at and for the year ended 31 March 2013 comprise the Company and its Subsidiary namely Country Energy (Pvt) Ltd (together referred as the "Group").

The Company has 87.2% holding of Country Energy (Pvt) Ltd which is engaged in hydro power generation too. It comprises of two power generating plants situated as Durekkanda in Rathnapura District & Norton Bridge in Nuwara Eliya District.

All the companies in the group have a common financial year, which ends on 31st March.

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorisation for Issue

The financial statements of Vallibel Power Erathna PLC for the year ended 31 March 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 27 May 2013.

2. ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards which comprise of SLFRSs and LKASs as issued by The Institute of Chartered Accounts of Sri Lanka.

For all periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards as issued by The Institute of Chartered Accounts of Sri Lanka. These financial statements for the year ended 31 March 2013 are the first the Group has prepared in accordance with SLFRSs and LKASs. Refer to Note 2.4 for information on how the Company adopted SLFRSs and LKASs.

2.1.2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS). The preparation and presentation of these financial statements are in compliance with the Companies Act No. 7 of 2007.

2.1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

2.2.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate Sri Lanka Accounting Standards.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.2.2 Foreign Currency Translations

The Group's consolidated financial statements are presented in Sri Lankan rupees, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the Statement of Income with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

2.2.3 Taxes

Company

Pursuant to the supplementary agreement dated 08 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 15 July 2004. After the expiration of the aforesaid period the provisions of the Inland Revenue Laws for the time being in force shall apply to the company. However, other income is taxed at the applicable tax rate.

Subsidiary

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

  Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor tax able profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ven tures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

2.2.4 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs are not capitalised and expenditure is reflected in the Statement of Income in the year in which the expenditure is incurred.

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 Statement of Income in the expense category consistent with the function/nature of the intangible asset. Amortisation is commenced when the assets are available for use.

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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Income when the asset is derecognized.

2.2.5 Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the Statement of Income. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Income. The losses arising from impairment are recognised in the Statement of Income in finance costs for loans and in cost of sales or other operating expenses for receivables.

c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Income. The losses arising from impairment are recognised in the Statement of Income in finance costs.

d) Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the Statement of Income in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Income.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Income – is removed from other comprehensive income and recognised in the Statement of Income. Impairment losses on equity investments are not reversed through the Statement of Income;

Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Income, the impairment loss is reversed through the Statement of Income.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Income.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Income.

iv) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

v) Fair value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the financial statements.

2.2.6 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 Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts – (interest free). Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.2.7 Property, Plant and Equipment

Cost

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a 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. All other repair and maintenance costs are recognised in the Statement of Income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions and Provisions for further information about the recorded decommissioning Provision.

Depreciation

Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

Civil Constructions	over 40 years
Plant & Machinery	over 33 1/3 years
Project Equipment	over 05 years
Tools & Accessories – Site	over 03 years
Motor Cycle	over 03 years
Motor Vehicle	over 05 years
Computers	over 04 years
Furniture, Fittings & Other Equipment	over 10 years
Container	over 02 years
Generator	over 10 years
Web Development	over 05 years

An item of property, plant and equipment and any significant part initially recognised 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 Statement of Income when the asset is derecognised.

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

2.2.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with the SLFRS 1.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement 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 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 recognised in finance costs in the Statement of Income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2.10 Provisions

Provisions are recognized when the Group 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 Statement of Income 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 a finance expense.

2.2.11 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 Statement of Financial Position, in a manner computed using the assumptions given below. 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 Statement of Income. The principle assumptions used were as follows:

Discount Rate	12.15%
Expected Salary Increment Rate	10%
Staff Turnover Rate	8%

The gratuity liability is not funded nor actuarially valued. This item is grouped under Non Current Liabilities in the Statement of Financial Position.

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.

2.2.12 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 or cash-generating unit, unless the asset or cash-generating unit does not generate cash inflows that are largely independent of those from other assets or cash-generating units. 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, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Statement of Income 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 excluding goodwill, 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 Statement of Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

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

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods.

Intangible Assets

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

2.2.13 Statement of Income

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. The following specific criteria are used for the purpose of recognition of revenue.

a) Rendering of Services

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

b) Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Statement of Income.

c) Dividends

Dividend income is recognized on a cash basis (net of dividend tax) when the shareholder's right to receive payment is established.

d) Rental Income

Rental income is recognized on an accrual basis.

e) Gains and Losses

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non current assets including investments are accounted for in the Statement of Income, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses. On the disposal of revalued Property, Plant and Equipment, the amount remaining in the Revaluation Reserve, relating to that particular asset is transferred directly to Retained Earnings.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

f) Other Income

Other income is recognized on an accrual basis.

2.2.14 **Expenditure Recognition**

a) Expenses are recognised in the Statement of Income 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 Statement of Income 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.

2.3 Significant Accounting Judgements, Estimates & Assumptions

The preparation of the financial statements of the group require the management to make judgements, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Defined Benefit Plans

The cost of the retirement benefit plan of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, special premium, retirement age and going concern of the Company. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

c) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments .

2.4 First-Time Adoption of SLFRSs

These financial statements, for the year ended 31 March 2013, are the first the Company has prepared in accordance with SLFRSs. For periods up to and including the year ended 31 April 2012, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards as issued by The Institute of Chartered Accounts of Sri Lanka.

Accordingly, the Company has prepared financial statements which comply with SLFRSs applicable for periods ended on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Company's opening Statement of Financial Position was prepared as at 01 April 2011, the Company's date of transition to SLFRSs. This note explains the principal adjustments made by the Company in restating its statement of financial position as at 1 April 2011 and its previously published financial statements as at and for the year ended 31 March 2012.

Exemptions applied

SLFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

The Group has applied the following exemptions:

- SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in associates and joint ventures that occurred before 1 April 2011. Use of this exemption means that the local GAAP carrying amounts of assets and liabilities, which are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SLFRS recognition requirements. SLFRS 1 also requires that the local GAAP carrying amount of goodwill must be used in the opening SLFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS.

- Freehold land and buildings, other than investment property, were carried in the statement of financial position prepared in ac cordance with Sri Lanka Accounting Standards on the basis of valuations performed previously. The Group has elected to regard those values as deemed cost at the date of transition to SLFRS since they were broadly comparable to fair value.

- The Group has elected to disclose the following amounts prospectively from the date of transition (SLFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed): (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on the plan li abilities and the plan assets.

Estimates

The estimates at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart fromthe following items where application of Local GAAP did not require estimation:

- Pensions and other post employment benefits
- Available-for-sale financial assets – unquoted equity shares

The estimates used by the Group to present these amounts in accordance with SLFRS reflect conditions at 1 April 2011, the date of transition to SLFRS and as of 31 March 2012.

2.5 Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

SLFRS 9 Financial Instruments: Classification and Measurement

SLFRS 9 as issued reflects the first phase of the ICASL's work on the replacement of LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the ICASL will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

SLIFRS 12 Disclosure of Involvement with Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

SLFRS 13 – Fair Value measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Fund is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013

2.6 Explanations to the transition to SLFRS

Reconciliation of total Comprehensive Income for the year ended 31 March 2012

For the year ended 31st March	Notes	Group SLFRS/LKAS 2012 Rs.	Group Remeasurements Rs.	Group SLAS 2012 Rs.	Company SLFRS/LKAS 2012 Rs.	Company Remeasurements Rs.	Company SLAS 2012 Rs.
Revenue		399,664,981		399,664,981	377,913,617		377,913,617
Cost of Sales	A	(54,407,762)	(6,090,131)	(48,317,631)	(42,652,774)	(4,424,487)	(38,228,287)
Gross Profit		345,257,219	(6,090,131)	351,347,350	335,260,843	(4,424,487)	339,685,330
Other Income		10,356,429	-	10,356,429	2,992,303	-	2,992,303
Administration Expenses		(73,083,421)	-	(73,083,421)	(42,109,772)	-	(42,109,772)
Other Operating Expenses		(3,605,100)	-	(3,605,100)	(2,884,742)	-	(2,884,742)
Finance Income		16,318,185	-	16,318,185	7,719,831	-	7,719,831
Finance Cost		(46,627,138)	-	(46,627,138)	(21,309,260)	-	(21,309,260)
Profit Before Tax		248,616,174	(6,090,131)	254,706,305	279,669,203	(4,424,487)	284,093,690
Income Tax Expenses	B	(4,609,751)	465,492	(5,075,243)	(2,200,061)	465,492	(2,665,553)
Net Profit for the year		244,006,423	(5,624,640)	249,631,062	277,469,141	(3,958,995)	281,428,137
Other Comprehensive Income / (Loss)							
Loss on Fair Value of Investments	C	(46,873,860)	(46,873,860)	-	(46,873,860)	(46,873,860)	-
Total comprehensive income for the year, net of tax		197,132,563	(52,498,500)	249,631,062	230,595,281	(50,832,855)	281,428,137

Notes to the Financial Statements

2.6 Explanations to the transition to SLFRS (Contd.)

Reconciliation of Equity as at 31 March 2012

		Group			Company		
	Notes	SLFRS/LKAS As At 31 March 2012 Rs.	Remeas-urements Rs.	SLAS As At 31 March 2012 Rs.	SLFRS/LKAS As At 31 March 2012 Rs.	Remeas-urements Rs.	SLAS As At 31 March 2012 Rs.
Assets							
Non-current Assets							
Property, Plant & Equipment	A	2,733,702,114	(37,464,699)	2,771,166,813	1,032,410,450	(35,799,057)	1,068,209,507
Investments	C	102,054,480	28,485,610	73,568,870	769,374,480	28,485,610	740,888,870
Intangible Assets		164,775,418	-	164,775,418	11,200,000	-	11,200,000
Deposit on Leasehold Land		4,500,000	-	4,500,000	-	-	-
Total Non-current Assets		3,005,032,012	(8,979,089)	3,014,011,101	1,812,984,930	(7,313,447)	1,820,298,377
Current Assets							
Trade and Other Receivables		50,410,716	-	50,410,716	23,990,279	-	23,990,279
Amounts due from Related Parties		6,999,323	-	6,999,323	151,367,698	-	151,367,698
Short Term Investment		187,485,258	-	187,485,258	20,740,000	-	20,740,000
Cash and Bank Balances		19,594,658	-	19,594,658	994,771	-	994,771
Tax Receivables		-	-	-	-	-	-
Total Current Assets		264,489,954	-	264,489,954	197,092,748	-	197,092,748
Total Assets		3,269,521,966	(8,979,089)	3,278,501,055	2,010,077,678	(7,313,447)	2,017,391,125
Equity and Liabilities							
Equity							
Stated Capital		1,174,365,278	-	1,174,365,278	1,174,365,278	-	1,174,365,278
Reserves		-	(15,174,424)	15,174,424	-	(15,174,424)	15,174,424
Accumulated Profits	D	562,093,886	(67,076,317)	629,170,203	594,425,165	(65,668,348)	660,093,515
		1,736,459,164	(82,250,741)	1,818,709,905	1,768,790,443	(80,842,772)	1,849,633,217
Non-Controlling Interest		92,086,986	(257,675)	92,344,661	-	-	-
Total Equity		1,828,546,150	(82,508,416)	1,911,054,566	1,768,790,443	(80,842,772)	1,849,633,217
Non-current Liabilities							
Interest Bearing Loans & Borrowings		1,135,216,834	-	1,135,216,834	80,754,053	-	80,754,053
Retirement Benefit Obligations		7,116,346	-	7,116,346	5,886,213	-	5,886,213
Deferred Tax Liability	B	73,529,327	73,529,327	-	73,529,327	73,529,327	-
Total Non-current Liabilities		1,215,862,507	73,529,327	1,142,333,180	160,169,593	73,529,327	86,640,266
Current Liabilities							
Interest Bearing Loans and Borrowings		157,245,769	-	157,245,769	72,517,837	-	72,517,837
Trade and Other Payables		64,346,489	-	64,346,489	8,288,503	-	8,288,503
Amounts due to Related Parties		1,655,532	-	1,655,532	-	-	-
Tax Payables		1,865,519	-	1,865,519	311,301	-	311,301
Total Current Liabilities		225,113,309	-	225,113,309	81,117,641	-	81,117,641
Total Liabilities		1,440,975,816	73,529,327	1,367,446,489	241,287,234	73,529,327	167,757,907
Total Equity and Liabilities		3,269,521,966	(8,979,089)	3,278,501,055	2,010,077,678	(7,313,447)	2,017,391,125

2.6 Explanations to the transition to SLFRS (Contd.)

Reconciliation of Equity as at 01 April 2011 (Date of transition to SLFRS/LKAS)

		Group			Company		
	Notes	SLFRS/LKAS As At 1 April 2011 Rs.	Remeas-urements Rs.	SLAS As At 1 April 2011 Rs.	SLFRS/LKAS As At 1 April 2011 Rs.	Remeas urements Rs.	SLAS As At 1 April 2011 Rs.
Assets							
Non-current Assets							
Property, Plant & Equipment	A	1,823,382,616	(31,374,569)	1,854,757,185	1,065,935,578	(31,374,569)	1,097,310,147
Investments	C	148,928,340	75,359,470	73,568,870	816,248,340	75,359,470	740,888,870
Intangible Assets		168,150,000	-	168,150,000	12,800,000	-	12,800,000
Deposit on Leasehold Land		4,500,000	-	4,500,000	-	-	-
Total Non-current Assets		2,144,960,956	43,984,901	2,100,976,055	1,894,983,918	43,984,901	1,850,999,017
Current Assets							
Trade and Other Receivables		153,193,026	-	153,193,026	49,525,017	-	49,525,017
Amounts due from Related Parties		3,304,283	-	3,304,283	45,795,831	-	45,795,831
Short Term Investment		52,893,187	-	52,893,187	42,893,187	-	42,893,187
Cash and Bank Balances		7,827,650	-	7,827,650	2,316,005	-	2,316,005
Tax Receivables		685,452	-	685,452	685,452	-	685,452
Total current assets		217,903,598	-	217,903,598	141,215,492	-	141,215,492
Total assets		2,362,864,554	43,984,901	2,318,879,653	2,036,199,410	43,984,901	1,992,214,509
Equity And Liabilities							
Equity							
Stated Capital		1,174,365,278	-	1,174,365,278	1,174,365,278	-	1,174,365,278
Reserves		-	(25,352,392)	25,352,392	-	(25,352,392)	25,352,392
Accumulated Profits	D	547,041,268	(4,657,525)	551,698,793	550,607,317	(4,657,525)	555,264,842
		1,721,406,546	(30,009,917)	1,751,416,463	1,724,972,595	(30,009,917)	1,754,982,512
Non-Controlling Interest		63,067,358	-	63,067,358	-	-	-
Total Equity		1,784,473,904	(30,009,917)	1,814,483,821	1,724,972,595	(30,009,917)	1,754,982,512
Non-current liabilities							
Interest Bearing Loans & Borrowings		403,114,683	-	403,114,683	153,271,890	-	153,271,890
Retirement Benefit Obligations		7,087,569	-	7,087,569	5,610,653	-	5,610,653
Deferred Tax Liability	B	73,994,818	73,994,818	-	73,994,818	73,994,818	-
Total non-current liabilities		484,197,070	73,994,818	410,202,252	232,877,361	73,994,818	158,882,543
Current liabilities							
Interest Bearing Loan and Borrowings		72,886,334	-	72,886,334	71,813,389	-	71,813,389
Trade and Other Payables		21,133,844	-	21,133,844	6,536,065	-	6,536,065
Amounts due to Related Parties		73,074	-	73,074	-	-	-
Tax Payables		100,327	-	100,327	-	-	-
Total current liabilities		94,193,579	-	94,193,579	78,349,454	-	78,349,454
Total liabilities		578,390,650	73,994,818	504,395,832	311,226,815	73,994,818	237,231,997
Total equity and liabilities		2,362,864,554	43,984,901	2,318,879,653	2,036,199,410	43,984,901	1,992,214,509

2.6 Explanations to the transition to SLFRS (Contd.)

Notes to the reconciliation of equity as at 1 April 2011, 31 March 2012 and total comprehensive income ("CI") for the year ended 31 March 2012

A Cost of sales

Changes of useful lives of property, plant & equipment

The depreciation for the year has been changed as a result of changes in useful lives. Accordingly, civil constructions depreciated over 60 years as per SLAS reduced to 40 years under SLFRS.

Nature of SLFRS adjustment	Net assets as at		CI for year ended
	31 March 2012	01 April 2011	31 March 2012
	Rs.	Rs.	Rs.
Company			
Effect on depreciation for the year by restatement of depreciation rates	(35,799,055)	(31,374,568)	(4,424,487)
Total	(35,799,055)	(31,374,568)	(4,424,487)
Group			
Effect on depreciation for the year by restatement of depreciation rates	(37,464,699)	(31,374,568)	(6,090,131)
Total	(37,464,699)	(31,374,568)	(6,090,131)
Tax effect	-	-	-

B Deferred tax liability

Nature of SLFRS adjustment	Net assets as at		CI for year ended
	31 March 2012	01 April 2011	31 March 2012
	Rs.	Rs.	Rs.
Company			
Effect on Deferred tax for the year	(73,529,327)	(73,994,819)	465,492
Total	(73,529,327)	(73,994,819)	465,492
Group			
Effect on deferred tax for the year	(73,529,327)	(73,994,819)	465,492
Total	(73,529,327)	(73,994,819)	465,492
Tax effect	-	-	-

C **Available for sale financial assets**

Under SLAS, the group accounted for strategic investments in quoted equity shares has financial instruments measured at cost. Under SLFRS, the group has designated such investment as available for sale investments. SLFRS requires available for sale investments to be measured at fair value.

Nature of SLFRS adjustment	Net assets as at		CI for year ended
	31 March 2012	01 April 2011	31 March 2012
	Rs.	Rs.	Rs.
Company			
Effect on fair value of investments	28,485,610	75,359,470	(46,873,860)
Total	28,485,610	75,359,470	(46,873,860)
Group			
Effect on fair value of investments	28,485,610	75,359,470	(46,873,860)
Total	28,485,610	75,359,470	(46,873,860)
Tax effect	-	-	-

D **Retained Earnings**

The changes upto 01 April 2011 due to SLFRS conversion adjusted through retained earnings. Impact to the Retained Earnings is given below.

Nature of SLFRS Adjustment	Net Assets as at	
	31 March 2012	1 April 2011
	Rs.	Rs.
Company		
Effect on depreciation for the year by restatement of depreciation rates	(35,799,055)	(31,374,568)
Effect on fair value of investments	28,485,610	75,359,470
Effect on deferred tax for the year	(73,529,327)	(73,994,819)
Transfer of revaluation reserves	15,174,424	25,352,392
	(65,668,348)	(4,657,525)

Nature of SLFRS Adjustment	Net Assets as at	
	31 March 2012	1 April 2011
	Rs.	Rs.
Group		
Effect on depreciation for the year by restatement of depreciation rates	(37,464,699)	(31,374,568)
Effect on fair value of investments	28,485,610	75,359,470
Effect on deferred tax for the year	(73,529,327)	(73,994,819)
Effect on non-controlling interest	257,675	-
Transfer of revaluation reserves	15,174,424	25,352,392
	(67,076,317)	(4,657,525)

3. PROPERTY, PLANT & EQUIPMENT

	Company					
Gross Carrying Amounts At Cost	Balance As at 01.04.2011 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Additions for the Year Rs.	Balance As at 31.03.2013 Rs.
Free Hold Land	150,000,000	-	-	150,000,000	-	**150,000,000**
Civil Constructions	530,938,434	-	-	530,938,434	-	**530,938,434**
Plant & Machinery	577,692,396	-	-	577,692,396	-	**577,692,396**
Project Equipment	886,411	-	-	886,411	-	**886,411**
Tools & Accessories	2,600,114	120,000	-	2,720,114	-	**2,720,114**
Motor Bicycle	358,987	138,720	(62,349)	435,358	164,900	**600,258**
Furniture & Fittings	10,121,049	290,939	-	10,411,988	205,960	**10,617,948**
Computer	2,732,406	245,743	-	2,978,149	476,220	**3,454,369**
Container	75,000	-	(75,000)	-	-	**-**
Office Equipment	1,377,170	189,507	-	1,566,677	123,526	**1,690,203**
Fire Extinguisher	524,600	-	-	524,600	-	**524,600**
Generator	1,246,000	-	-	1,246,000	-	**1,246,000**
Site Fixtures & Fittings	4,148,354	-	-	4,148,354	-	**4,148,354**
Web Development	634,811	-	-	634,811	1,253,494	**1,888,305**
	1,283,335,732	984,909	(137,349)	1,284,183,292	2,224,100	**1,286,407,392**
Assets on Finance Lease						
Motor Vehicle	8,758,500	-	-	8,758,500	-	**8,758,500**
Total	1,292,094,232	984,909	(137,349)	1,292,941,792	2,224,100	**1,295,165,892**

	Company					
	Balance As at 01.04.2011 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Charge for the period/ Transfers Rs.	Balance As at 31.03.2013 Rs.
Depreciation At Cost						
Civil Constructions	91,726,663	13,273,462	-	105,000,125	13,273,461	**118,273,586**
Plant & Machinery	117,204,054	17,330,772	-	134,534,826	17,330,772	**151,865,598**
Project Equipment	417,911	56,923	-	474,834	109,656	**584,490**
Tools & Accessories	2,472,091	48,221	-	2,520,312	115,995	**2,636,307**
Motor Bicycle	308,485	78,036	(62,349)	324,172	97,737	**421,909**
Furniture & Fittings	3,476,835	980,101	-	4,456,936	1,044,243	**5,501,179**
Computer	1,961,694	140,233	-	2,101,927	408,169	**2,510,096**
Container	75,000	-	(75,000)	-	-	**-**
Office Equipment	359,027	153,491	-	512,518	163,862	**676,380**
Fire Extinguisher	281,764	52,456	-	334,220	52,460	**386,680**
Site Fixtures & Fittings	2,950,924	461,597	-	3,412,521	392,958	**3,805,479**
Generator	580,834	56,083	-	636,917	124,600	**761,517**
Web Development	402,048	126,962	-	529,010	302,466	**831,476**
	222,217,330	32,758,337	(137,349)	254,838,318	33,416,379	**288,254,696**
Assets on Finance Lease						
Motor Vehicle	3,941,324	1,751,700	-	5,693,024	1,751,700	**7,444,724**
Total	226,158,654	34,510,037	(137,349)	260,531,342	35,168,079	**295,699,420**
Written Down Value	1,065,935,578			1,032,410,450		**999,466,472**

3A. Property, Plant & Equipment

	Group						
	Balance As at 01.04.2011 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Additions for the Year Rs.	Disposals / Transfers Rs.	Balance As at 31.03.2013 Rs.
Gross Carrying Amounts							
At Cost							
Land	173,723,089	2,012,768	-	175,735,857	69,000	-	**175,804,857**
Civil Constructions	530,938,434	1,164,112,189	-	1,695,050,623	15,853,039	-	**1,710,903,662**
Plant & Machinery	577,692,396	497,872,540	-	1,075,564,936	11,599,041	(3,012,518)	**1,084,151,459**
Project Equipment	886,411	-	-	886,411	-	-	**886,411**
Tools & Accessories	4,054,564	514,204	-	4,568,768	445,031	(325,000)	**4,688,799**
Motor Vehicles	4,860,415	8,915,000	(1,750,000)	12,025,415	-	-	**12,025,415**
Motor Bicycle	1,419,467	138,720	(62,349)	1,495,838	164,900	-	**1,660,738**
Furniture & Fittings	10,746,070	358,446	-	11,104,516	235,814	-	**11,340,330**
Computer	3,222,316	588,933	-	3,811,249	504,520	-	**4,315,769**
Container	75,000	-	(75,000)	-	-	-	**-**
Office Equipment	1,590,336	533,406	-	2,123,742	522,895	-	**2,646,637**
Fire Extinguisher	597,794	242,831	-	840,625	-	-	**840,625**
Generator	1,389,000	-	-	1,389,000	1,430,000	(780,000)	**2,039,000**
Site Fixtures & Fittings	4,148,354	-	-	4,148,354	-	-	**4,148,354**
Web Development	634,811	-	-	634,811	1,253,494	-	**1,888,305**
	1,315,978,457	1,675,289,037	(1,887,349)	2,989,380,145	32,077,734	(4,117,518)	**3,017,340,361**
Assets on Finance Lease							
Motor Vehicle	14,066,608	5,634,355	-	19,700,963	-	-	**19,700,963**

	Balance as at 01.04.2011 Rs.	Additions for the Year Rs.	Capitalised during the Year Rs.	Balance as at 31.03.2012 Rs.	Additions for the Year Rs.	Capitalised during the Year Rs.	Balance as at 31.03.2013 Rs.
Capital Work-In-Progress							
Civil Constructions	662,881,512	501,230,677	(1,164,112,189)	-	-	-	**-**
Plant & Machinery	58,979,410	438,893,130	(497,872,540)	-	-	-	**-**
	721,860,922	940,123,807	(1,661,984,729)	-	-	-	**-**
Total	2,051,905,987	2,621,047,199	(1,663,872,078)	3,009,081,108	32,077,734	(4,117,518)	**3,037,041,324**

3A. Property, Plant & Equipment (Contd)

	Group						
	Balance As at 01.04.2011	Charge for the period/ Transfers	Disposals/ Transfers	Balance As at 31.03.2012	Additions for the Year	Disposals / Transfers	Balance As at 31.03.2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Depreciation At Cost							
Civil Constructions	91,726,663	18,626,665	-	110,353,328	42,543,749	(108,112)	**152,788,965**
Plant & Machinery	117,204,054	20,488,572	-	137,692,626	32,425,521	(56,485)	**170,061,662**
Project Equipment	417,911	56,923	-	474,834	109,656	-	**584,490**
Tools & Accessories	2,789,494	444,988	-	3,234,482	494,817	(130,000)	**3,599,299**
Motor Vehicles	1,117,913	2,439,000	(831,242)	2,725,671	2,405,079	-	**5,130,750**
Motor Bicycle	622,570	431,500	(62,349)	991,721	429,817	-	**1,421,538**
Furniture & Fittings	3,573,750	1,044,081	-	4,617,831	1,115,488	-	**5,733,319**
Computer	2,099,622	289,263		2,388,885	618,474	-	**3,007,359**
Container	75,000	-	(75,000)	-		-	**-**
Office Equipment	380,211	185,091	-	565,302	244,153	-	**809,455**
Fire Extinguisher	282,412	64,148	-	346,560	84,065	-	**430,625**
Site Fixtures & Fittings	2,950,924	461,597	-	3,412,521	392,958	-	**3,805,479**
Generator	585,602	70,386	-	655,988	178,904	(29,167)	**805,725**
Web Development	402,048	126,962	-	529,010	302,468	-	**831,478**
	224,228,174	44,729,176	(968,591)	267,988,759	81,345,149	(323,764)	**349,010,144**
Assets on Finance Lease							
Motor Vehicle	4,295,197	3,095,039	-	7,390,236	3,940,193	-	**11,330,429**
Total	228,523,371	47,824,215	(968,591)	275,378,995	85,285,342	(323,764)	**360,340,573**
Written Down Value	1,823,382,616			2,733,702,114			**2,676,700,753**

4. INVESTMENTS

As at 31st March	Company 2013 Rs.	Company 2012 Rs.	Company As at 01 April 2011 Rs.	Group 2013 Rs.	Group 2012 Rs.	Group As at 01 April 2011 Rs.
Summary						
Non Current						
Investment in Equity Securities (Quoted)						
The Fortress Resorts PLC	**89,001,000**	102,054,480	148,928,340	**89,001,000**	102,054,480	148,928,340
	89,001,000	102,054,480	148,928,340	**89,001,000**	102,054,480	148,928,340
Investment in Subsidiary (Holding 87.2%)	**821,619,980**	667,320,000	667,320,000	**-**	-	-
	910,620,980	769,374,480	816,248,340	**89,001,000**	102,054,480	148,928,340
Current						
Investment in Fixed Deposits	**9,922,313**	15,000,000	30,414,187	**98,816,128**	180,594,079	30,414,187
Call Deposit	**-**	-	2,000,000	-	-	12,000,000
Repo	**22,815,000**	5,740,000	10,479,000	**44,680,148**	6,891,179	10,479,000
	32,737,313	20,740,000	42,893,187	**143,496,276**	187,485,258	52,893,187

5. INTANGIBLE ASSET - RIGHT TO GENERATE HYDRO POWER

As at 31st March	Company 2013 Rs.	Company 2012 Rs.	Company As at 01 April 2011 Rs.	Group 2013 Rs.	Group 2012 Rs.	Group As at 01 April 2011 Rs.
Cost						
Gross carrying amount B/F	**24,000,000**	24,000,000	24,000,000	**179,350,000**	179,350,000	179,350,000
Gross carrying amount C/F	**24,000,000**	24,000,000	24,000,000	**179,350,000**	179,350,000	179,350,000
Amortisation						
Accumulated amortisation B/F	**12,800,000**	11,200,000	9,600,000	**14,574,582**	11,200,000	9,600,000
Amortization for the period	**1,600,000**	1,600,000	1,600,000	**11,956,663**	3,374,582	1,600,000
Accumulated amortisation C/F	**14,400,000**	12,800,000	11,200,000	**26,531,245**	14,574,582	11,200,000
Net carrying amount at the end of the period	**9,600,000**	11,200,000	12,800,000	**152,818,755**	164,775,418	168,150,000

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

6. DEPOSIT ON LEASEHOLD LAND

As at 31st March	Group 2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
At the Beginning of the year	**4,500,000**	4,500,000	4,500,000
At the End of the year	**4,500,000**	4,500,000	4,500,000

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

7. TRADE AND OTHER RECEIVABLES

	Company			Group		
As at 31st March	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Advances & Pre Payments	**10,173,074**	7,874,238	6,192,902	**16,526,124**	16,807,234	109,112,614
Trade Receivable	**28,964,560**	13,406,874	41,422,427	**73,029,774**	30,091,310	41,422,427
Staff Debtors	**2,504,010**	2,262,249	1,533,376	**3,662,723**	2,909,217	2,243,592
Other Receivable	**273,666**	446,918	376,312	**273,666**	602,955	414,393
Interest Receivable	-	-	-	**2,412,006**	-	-
	41,915,310	23,990,279	49,525,017	**95,904,293**	50,410,716	153,193,026

8. AMOUNT DUE FROM RELATED PARTIES

		Company			Group		
As at 31st March Entity	**Relationship**	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Country Energy (Pvt) Ltd.							
- Kiriwaneliya Project	Subsidiary Company	**3,247,173**	68,630,713	2,236,054	**-**	-	-
- Denawaka Ganga Project	Subsidiary Company	**1,973,672**	77,352,113	43,469,652	**-**	-	-
Alternate Power Systems (Pvt) Ltd.	Related Company	**17,125,128**	5,384,872	90,125	**17,125,128**	5,384,872	90,125
Vallibel Plantation (Pvt) Ltd.	Related Company	**-**	-	-	**1,541,084**	1,541,084	3,214,158
Vallibel Power Kiriwaneliya (Pvt) Ltd.	Related Company	**-**	-	-	**-**	73,367	-
		22,345,973	151,367,698	45,795,831	**18,666,212**	6,999,323	3,304,283

9. STATED CAPITAL

As at 31st March	Company 2013 Rs.	Company 2012 Rs.	Company As at 01 April 2011 Rs.	Group 2013 Rs.	Group 2012 Rs.	Group As at 01 April 2011 Rs.
Issued and Fully Paid Number of Shares						
Ordinary Shares	**747,109,731**	747,109,731	747,109,731	**747,109,731**	747,109,731	747,109,731
Value of Issued and Fully Paid Shares						
Ordinary Shares	**1,174,365,278**	1,174,365,278	1,174,365,278	**1,174,365,278**	1,174,365,278	1,174,365,278

10. INTEREST BEARING LOANS AND BORROWINGS

Company

	Long Term Loan Rs.	Finance Lease Rs.	Bank Overdraft Rs.	Total Rs.
	(Note 10.1.1)	*(Note 10.1.2)*		
Repayable within one year from year-end	69,937,045	2,580,792	-	72,517,837
Repayable between 2 and 5 years from year-end	78,619,855	2,134,198	-	80,754,053
Balance as at 01 April 2012	148,556,900	4,714,990	-	153,271,890
Repayable within one year from year-end	**63,365,626**	**2,134,198**	**3,398,415**	**68,898,239**
Repayable between 2 and 5 years from year-end	**15,254,231**	**-**	**-**	**15,254,231**
Balance as at 31 March 2013	**78,619,857**	**2,134,198**	**3,398,415**	**84,152,470**

Group

	Long Term Loan Rs.	Finance Lease Rs.	Bank Overdraft Rs.	Total Rs.
	(Note 10.2.1)	*(Note 10.2.2)*		
Repayable within one year from year-end	148,662,261	4,505,062	4,078,446	157,245,769
Repayable between 2 and 5 years from year-end	775,085,023	7,134,442	-	782,219,465
Repayable later 5 years from year-end	352,997,369	-	-	352,997,369
Balance as at 01 April 2012	1,276,744,653	11,639,504	4,078,446	1,292,462,603
Repayable within one year from year-end	**218,932,292**	**4,354,796**	**5,295,913**	**228,583,001**
Repayable between 2 and 5 years from year-end	**784,480,896**	**2,779,647**	**-**	**787,260,543**
Repayable later 5 years from year-end	**157,403,329**	**-**	**-**	**157,403,329**
Balance as at 31 March 2013	**1,160,816,517**	**7,134,443**	**5,295,913**	**1,173,246,873**

10. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

10.1.1 Long-Term Loans - Company

As at 31st March	DFCC Rs.	Total 2013 Rs.	Total 2012 Rs.	As at 01 April 2011 Rs.
At the beginning of the year	148,556,900	**148,556,900**	218,493,945	137,288,135
Repayments during the year	(69,937,043)	**(69,937,043)**	(69,937,045)	(33,794,190)
Obtained during the year	-	**-**	-	115,000,000
At the end of the year	78,619,857	**78,619,857**	148,556,900	218,493,945
Analysis of Long-Term Interest Bearing Borrowings by Year of Payment				
Repayable within one year from year-end	63,365,626	**63,365,626**	69,937,045	69,937,045
Repayable between 2 and 5 years from year-end	15,254,231	**15,254,231**	78,619,855	148,556,900
	78,619,857	**78,619,857**	148,556,900	218,493,945

10.1.2 Finance Lease - Company

As at 31st March	LB Finance PLC Rs.	Total 2013 Rs.	Total 2012 Rs.	As at 01 April 2011 Rs.
At the beginning of the year	4,714,990	**4,714,990**	6,591,334	7,763,233
Repayments during the year	(2,580,792)	**(2,580,792)**	(1,876,344)	(1,171,899)
Obtained during the year	-	**-**	-	-
At the end of the year	2,134,198	**2,134,198**	4,714,990	6,591,334
Gross Liability	2,310,314	**2,310,314**	5,742,314	9,174,314
Finance Charges allocated to future period	(176,116)	**(176,116)**	(1,027,324)	(2,582,980)
Net Liability	2,134,198	**2,134,198**	4,714,990	6,591,334
Analysis of Long-Term Interest Bearing Borrowings by Year of Payment				
Repayable within one year from year-end	2,134,198	**2,134,198**	2,580,792	1,876,344
Repayable between 2 and 5 years from year-end	-	-	2,134,198	4,714,990
	2,134,198	**2,134,198**	4,714,990	6,591,334

10. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

10.2.1 Long-Term Loans - Group

As at 31st March	DFCC Rs.	HNB Rs.	Commercial Bank of Ceylon PLC Rs.	Total 2013 Rs.	Total 2012 Rs.	As at 01 April 2011 Rs.
At the beginning of the year	586,150,777	437,593,876	253,000,000	**1,276,744,653**	464,359,618	137,288,135
Repayments during the year	(99,097,603)	(24,037,781)	(23,605,000)	**(146,740,384)**	(69,937,045)	(33,794,190)
Obtained during the year	15,406,124	15,406,124	-	**30,812,248**	882,322,080	360,865,673
At the end of the year	502,459,298	428,962,219	229,395,000	**1,160,816,517**	1,276,744,653	464,359,618
Analysis of Long-Term Interest Bearing Borrowings by Year of Payment						
Repayable within one year from year-end	126,438,959	62,753,333	29,740,000	**218,932,292**	148,662,261	69,937,045
Repayable between 2 and 5 years from year-end	316,752,563	299,563,333	168,165,000	**784,480,896**	775,085,023	394,422,573
Repayable later 5 years from year-end	59,267,776	66,645,553	31,490,000	**157,403,329**	352,997,369	-
	502,459,298	428,962,219	229,395,000	**1,160,816,517**	1,276,744,653	464,359,618

10.2.2 Finance Lease - Group

As at 31st March	LB Finance PLC Rs.	HNB Rs.	Total 2013 Rs.	Total 2012 Rs.	As at 01 April 2011 Rs.
At the beginning of the year	8,692,016	2,947,488	**11,639,504**	11,641,399	7,763,229
Repayments during the year	(3,852,803)	(652,258)	**(4,505,061)**	(3,097,250)	(1,429,942)
Obtained during the year	-	-	**-**	3,095,355	5,308,112
At the end of the year	4,839,213	2,295,230	**7,134,443**	11,639,504	11,641,399
Gross Liability	5,305,628	2,674,155	**7,979,783**	14,095,811	15,592,934
Finance Charges allocated to future period	(466,415)	(378,925)	**(845,340)**	(2,456,307)	(3,951,535)
Net Liability	4,839,213	2,295,230	**7,134,443**	11,639,504	11,641,399
Analysis of Long-Term Interest Bearing Borrowings by Year of Payment					
Repayable within one year from year-end	3,605,273	749,523	**4,354,796**	4,505,062	2,949,289
Repayable between 2 and 5 years from year-end	1,233,940	1,545,707	**2,779,647**	7,134,442	8,692,110
	4,839,213	2,295,230	**7,134,443**	11,639,504	11,641,399

10. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

10.3 Details of Long-Term Loans - Group

Lender	Approved Facility	Purpose	Repayment Terms	Security
Company				
DFCC Bank	Rs. 150,000,000	To Invest in Subsidiary	59 equal monthly installment after a grace period of 1 month	An Assignment over 100,000,000 ordinary shares of Vallibel Power Erathna PLC held by Vallibel Power Ltd in favor of DFCC Bank.
DFCC Bank	Rs. 115,000,000	To Invest in Subsidiary	35 equal monthly installment after a grace period of 1 month	A further assignment over 100,000,000 ordinary shares of Vallibel Power Erathna PLC held by Vallibel Power Ltd in favor of DFCC Bank.
Subsidiary				
DFCC Bank	Rs. 200,000,000	To part finance Kiriwaneliya Mini Hydropower Project	72 equal monthly installment after a grace period of 24 months	1. Rs. 166.5 Mn by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and equipment . 2. Rs. 33.5 Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company. 3. Lodgment of Project documents.
DFCC Bank	Rs. 253,000,000	To part finance Denawaka Ganga Mini Hydropower Project	78 varied monthly installment after a grace period of 18 months	1. Rs. 210.6Mn a) by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and equipment. b) primary concurrent mortgage over freehold land as additional security. 2. Rs. 42.4Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company. 3 Lodgment of Project documents
Hatton National Bank PLC	Rs. 200,000,000	To part finance Kiriwaneliya Mini Hydropower Project	72 equal monthly installment after a grace period of 24 months	1. Rs. 166.5 Mn by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and equipment. 2. Rs. 33.5 Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company.

10. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

10.3 Details of Long-Term Loans - Group (Contd.)

Lender	Approved Facility	Purpose	Repayment Terms	Security
				3 Irrevocable Power of Attorney in favor of the bank with the right to transfer the shares of the Company.
Hatton National Bank PLC	Rs. 253,000,000	To part finance Denawaka Ganga Mini Hydropower Project	78 varied monthly installment after a grace period of 18 months	1. Rs. 210.6Mn a) by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and equipment. b) primary concurrent mortgage over freehold land as additional security. 2. Rs. 42.4Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company. 3 Irrevocable Power of Attorney in favor of the bank with the right to transfer the shares of the Company.
Commercial Bank of Ceylon PLC	Rs. 253,000,000	To part finance Denawaka Ganga Mini Hydropower Project	78 varied monthly installment after a grace period of 18 months	1. Rs. 210.6Mn a) by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and equipment. b) primary concurrent mortgage over freehold land as additional security. 2. Rs. 42.4Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company. 3 Lodgment of Project documents.

Notes to the Financial Statements

As at 31st March	Company 2013 Rs.	Company 2012 Rs.	Company As at 01 April 2011 Rs.	Group 2013 Rs.	Group 2012 Rs.	Group As at 01 April 2011 Rs.

11. RETIREMENT BENEFIT OBLIGATION

	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
At the beginning of the year	**5,886,213**	5,610,653	3,950,951	**7,116,346**	7,087,569	4,704,464
Charge for the year	**1,176,238**	1,020,444	1,313,537	**1,806,245**	1,454,205	1,661,928
Interest cost	**715,175**	605,950	288,419	**864,636**	765,454	343,426
Acturial Gain/ (Loss)	**220,643**	(2,790,697)	75,267	**289,581**	(2,856,700)	219,049
	7,998,269	4,446,350	5,628,175	**10,076,808**	6,450,531	6,928,868
Benefit Paid	**(295,532)**	-	(157,694)	**(440,151)**	-	21,529
Transfers	**126,167**	1,439,863	140,172	**76,974**	665,815	140,172
At the end of the year	**7,828,903**	5,886,213	5,610,653	**9,713,631**	7,116,346	7,090,569

12. DEFERRED TAX LIABILITY

	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
At the beginning of the year	**73,529,327**	73,994,818	-	**73,529,327**	73,994,818	-
Provision / (Reversal) for the year	**(1,131,717)**	(465,491)	73,994,818	**(1,131,717)**	(465,491)	73,994,818
At the end of the year	**72,397,610**	73,529,327	73,994,818	**72,397,610**	73,529,327	73,994,818

13. TRADE AND OTHER PAYABLES

	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Accrued Expenditure	**2,708,731**	2,749,104	1,968,480	**10,593,238**	10,728,026	4,373,172
Retention Money	**77,662**	118,362	40,700	**2,301,363**	19,453,485	11,051,187
Other Payable	**6,582,410**	5,421,037	4,526,885	**7,303,001**	34,164,978	5,709,485
	9,368,803	8,288,503	6,536,065	**20,197,602**	64,346,489	21,133,844

14. AMOUNTS DUE TO RELATED PARTIES

As at 31st March		Company			Group		
Entity	**Relationship**	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Vallibel Lanka (Pvt) Ltd.	Related Company	**-**	-	-	**-**	1,600,000	-
Bonamici Corporation (Pvt) Ltd.	Related Company	**-**	-	-	**-**	-	73,074
Alternate Power Systems (Pvt) Ltd.	Related Company	**-**	-	-	**-**	55,532	-
		-	-	-	**-**	1,655,532	73,074

15. REVENUE

For the year ended 31st March	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
Sales from Electricity Generation:				
Erathna MHPP	**379,478,383**	377,913,617	**379,478,383**	377,913,617
Denawaka Ganga MHPP	**-**	-	**200,068,028**	12,522,080
Kiriwaneliya MHPP	**-**	-	**113,485,557**	9,229,284
	379,478,383	377,913,617	**693,031,968**	399,664,981

Company and the subsidiary have 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 projects of the Group were started on 15th July 2004, 15 December 2011 and 14 February 2012 respectively. 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.

For the year ended 31st March	Company 2013 Rs.	Company 2012 Rs.	Group 2013 Rs.	Group 2012 Rs.
16. OTHER INCOME				
Profit on Disposal of Property, Plant & Equipments	**-**	28,000	**212,833**	1,409,242
Over Provision for Retirement Benefits	**-**	1,164,303	**-**	1,164,303
Deemed Disposal Gain	**-**	-	**-**	6,282,884
Sundry Income	**490,700**	1,800,000	**490,700**	1,500,000
	490,700	2,992,303	**703,533**	10,356,429
17. FINANCE COST				
Debit Tax	**-**	52,669	-	121,852
Bank Charges & OD Interest	**200,788**	243,127	**962,246**	367,103
Lease Interest	**851,208**	1,555,656	**1,610,966**	2,289,553
Loan Interest	**16,249,305**	19,457,808	**179,072,082**	108,847,707
	17,301,301	21,309,260	**181,645,294**	111,626,215
Interest Capitalised	**-**	-	**-**	(64,999,077)
	17,301,301	21,309,260	**181,645,294**	46,627,138
18. PROFIT / (LOSS) BEFORE TAXATION				
Stated after Charging / (Crediting):				
Directors' Fees	**4,877,778**	2,566,667	**4,877,778**	2,566,667
Auditors' Remuneration	**506,000**	459,800	**685,685**	651,068
Depreciation	**35,168,079**	34,510,036	**85,285,342**	44,493,463
Personnel Costs include				
- Defined Benefit Plan Cost/(Reversal)	**2,112,055**	(1,164,303)	**2,960,460**	(637,038)
- Defined Contribution Plan Costs - EPF & ETF	**2,188,980**	1,940,855	**6,157,899**	3,520,623
- Staff Salaries	**14,593,200**	12,939,036	**41,052,660**	23,470,828
- Other Staff Costs	**6,929,160**	5,286,149	**21,324,801**	9,714,652

19. INCOME TAX EXPENSES

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

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

	Company		Group	
For the year ended 31st March	**2013** Rs.	2012 Rs.	**2013** Rs.	2012 Rs.
Income Tax Expense	**3,397,076**	2,665,553	**9,297,027**	5,073,093
Originating /(Reversal) of Temporary Differences	**(1,131,717)**	(465,491)	**(1,131,717)**	(465,491)
Tax Adjustment	**-**	-	-	2,150
Total Tax Expense	**2,265,359**	2,200,062	**8,165,310**	4,609,752

19.1 Reconciliation between tax expense and the product of accounting profit

	Company		Group	
For the year ended 31st March	**2013** Rs.	2012 Rs.	**2013** Rs.	2012 Rs.
Net profit before tax	**276,223,560**	279,669,203	**301,788,604**	248,616,174
Add: Disallowable Expenses	**40,973,535**	39,015,234	**104,457,637**	51,416,145
Less: Allowable Expenses	**(27,048,060)**	(10,466,955)	**(319,681,757)**	(19,785,319)
Total Statutory Income	**290,149,035**	308,217,482	**86,564,484**	280,247,000
Tax exempt (profit)/loss from business	**(278,016,621)**	(298,697,650)	**(53,360,814)**	(262,128,815)
Taxable Income	**12,132,414**	9,519,832	**33,203,670**	18,118,185
Statutory income tax rate %	**28%**	28%	**28%**	28%
Income Tax	**3,397,076**	2,665,553	**9,297,027**	5,073,093
Income Tax Expense on Liable Income	**3,397,076**	2,665,553	**9,297,027**	5,073,093

20. EARNINGS/(LOSS) PER SHARE

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

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

	Company		Group	
For the year ended 31st March	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Amounts Used as the Numerators:				
Profit Attributable to Ordinary Equity Shareholders for basic Earnings Per Share	**273,958,201**	277,469,141	**289,140,130**	248,703,911
Number of Ordinary Shares Used as Denominators:				
Weighted Average number of Ordinary Shares in issue	**747,109,731**	747,109,731	**747,109,731**	747,109,731
Basic Earnings Per Share	**0.37**	0.37	**0.39**	0.33

21. DIVIDENDS PAID DURING THE YEAR

	Company		Group	
For the year ended 31st March	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
2012/13 - Rs. 0.25 per share (2011/12 - Rs. 0.25 per share)	**186,777,433**	186,777,433	**186,777,433**	186,777,433

22. EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

There have been no material events occurred subsequent to the Reporting Date that require adjustments or disclosure in the financial statements.

23. COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

There are no capital commitments as at the Reporting Date.

Contingencies

There are no contingent liabilities exist as at the Reporting Date.

24. RELATED PARTY DISCLOSURES

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

24.1 Transactions with the Parent and Related entities.

Entity	Relationship	Nature of Transaction	2013 Rs.	2012 Rs.
Country Energy (Pvt) Ltd. (CEPL)	Subsidiary Company	**Transactions with Vallibel Power Erathna PLC**		
		Operating Expenses incurred on behalf of CEPL	**(21,036,780)**	(13,408,480)
		Operating Expenses incurred on behalf of the Company by CEPL	**201,479**	-
		Construction Expenses incurred on behalf of CEPL	**-**	(19,096,404)
		Other Transactions		
		Funds Transferred to CEPL	**(500,000)**	(68,400,000)
		Shares issued against the amount due from CEPL	**154,299,980**	-
		Funds Received from CEPL	**7,817,386**	850,000
		Other Payments	**(20,083)**	(222,235)
LB Finance PLC (LB)	Related Company	**Transactions with Vallibel Power Erathna PLC**		
		Investment in Fixed Deposits	**163,210,796**	(386,574,785)
		Withdrawals of Fixed Deposits	**(168,288,483)**	401,988,972
		Interest Received	**9,380,198**	4,881,655
		Lease Installment Paid	**(3,432,000)**	(3,432,000)
Vallibel Power Limited (VPL)	Parent Company	**Transactions with Vallibel Power Erathna PLC**		
		Operating Expenses incurred on behalf of VPL	**(276,223)**	(109,123)
		Reimbursement by VPL	**276,223**	109,123

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

There were no transactions with the key management personnel of the company other than management compensation of Rs. 4,416,030 (2011/12-Rs. 4,509,750) paid during the year.

24.3 Other Related Party Transaction

On 31 January 2013, with issue of new shares in the subsidiary Company to parent, the holding percentage of the parent has increased to 87.20% from 84.53%. The resulted impact of Rs 3,014,494/- is adjusted through Statement of Changes in Equity.

24.4 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 4, 8, 10.1.2, 10.2.2, 14 & 24 to the Financial Statements.

Investor
Information

1. General

Stated Capital	Rs.1,174,365,278
The number of shares representing the Stated Capital	747,109,731

2. Stock Exchange Listing

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

3. Shares held by the public was 19.10 % as at 31 March 2013

4. Distribution of Shareholding as at 31 March 2013

There were 3,630 Registered shareholders as at 31 March 2013.

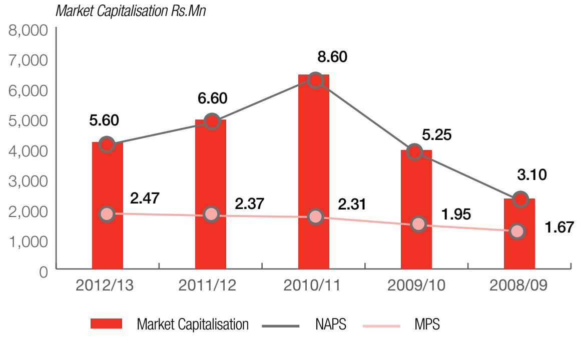
No. of Shares held		No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1	1,000	1,437	39.59	683,514	0.09
1,001	10,000	1,585	43.66	6,850,876	0.92
10,001	100,000	488	13.44	14,678,843	1.97
100,001	1,000,000	102	2.81	28,644,184	3.83
Over 1,000,000		18	0.50	696,252,314	93.19
Total		**3,630**	**100.00**	**747,109,731**	**100.00**

5. Analysis report of Shareholders as at 31 March 2013

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individual	3,465	95.45	233,119,494	31.20
Institutional	165	4.55	513,990,237	68.80
Total	3,630	100.00	747,109,731	100.00
Resident	3,597	99.09	581,941,896	77.90
Non-resident	33	0.91	165,167,835	22.10
Total	**3,630**	**100.00**	**747,109,731**	**100.00**

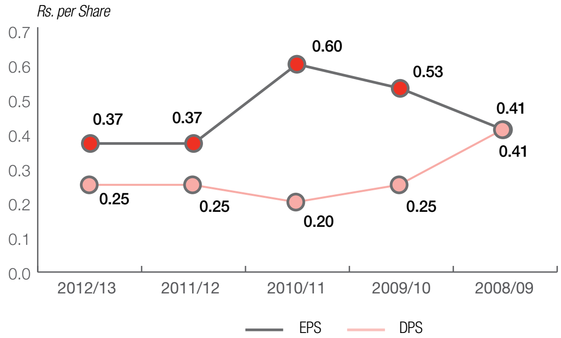
PERFORMANCE OF THE SHARE

Market Capitalisation Rs.Mn



EPS Vs DPS - COMPANY

Rs. per Share



6. Twenty Major Shareholders as at 31 March 2013

		No of shares as at 31.3.2013	%	No of shares as at 31.3.2012	%
1	Vallibel Power Limited	299,425,830	40.08	299,425,830	40.08
2	Asia Energy Management Systems Inc	160,000,000	21.42	160,000,000	21.42
3	Mr. K D D Perera	144,812,225	19.38	144,812,225	19.38
4	Mr. K D A Perera	18,750,000	2.51	18,750,000	2.51
5	Mr. K D H Perera	18,750,000	2.51	18,750,000	2.51
6	Aviva NDB Insuarance PLC A/C No. 07	11,239,875	1.50	4,013,159	0.54
7	Ms. K D C Samanthi	9,375,000	1.25	9,375,000	1.25
8	Seylan Bank PLC / Dr. T. Senthilverl	7,085,900	0.95	8,085,900	1.08
9	DFCC Bank A/C1	6,400,000	0.86	7,500,000	1.00
10	Employees Trust Fund Board	5,197,715	0.70	4,041,500	0.54
11	NDB Aviva Wealth Management Ltd S/A Hatton National Bank PLC	3,206,655	0.43	6,129,100	0.82
12	Mr. B C Tay	3,000,000	0.40	3,000,000	0.40
13	Seylan Bank PLC - A/C No. 3	2,328,300	0.31	2,760,000	0.37
14	Deutsche Bank Ag-Comtrust Equity Fund	2,253,422	0.30	117,478	0.02
15	Commercial Bank Of Ceylon PLC/Metrocorp (Pvt) Ltd.	1,258,868	0.17	141,900	0.02
16	Mr. D D Gunaratne	1,100,000	0.15	1,000,000	0.13
17	Waldock Mackenzie Limited /Mr.Chamila Damion Kohombanwickramage	1,065,500	0.14	1,065,500	0.14
18	Distilleries Company Of Sri Lanka PLC A/C No. 01	1,003,024	0.13	174,404	0.02
19	Mr. F G N Mendis	990,000	0.13	1,355,300	0.18
20	Mr. M A Omar	954,460	0.13	925,000	0.12
		698,196,774	93.45	691,422,296	92.53
	Others	48,912,957	6.55	55,687,435	7.47
	Total	747,109,731	100.00	747,109,731	100.00

7. Share Trading Information

	2012/13	2011/12
Highest (Rs.)	7.00	11.70
Lowest (Rs.)	4.50	5.50
Closing (Rs.)	5.60	6.60
Value of Shares Trades (Rs)	162,856,478	830,214,888
No. of shares Traded	27,552,781	82,225,560
No. of Trades	3,786	11,213

8. Equity Information - Company

	2012/13	2011/12
Earnings per share (Rs.)	0.37	0.37
Dividend per share (Rs.)	0.25	0.25
Net Asset Value per share (Rs.)	2.47	2.37
Dividend Pay Out Ratio	67.57%	67.57%

Company
Five Year Summary

	2012/13 Rs'000	2011/12 Rs'000	2010/11 Rs'000	2009/10 Rs'000	2008/09 Rs'000
Operating Results					
Revenue	**379,478**	377,914	533,588	437,692	365,826
Gross Profit	**332,557**	335,261	497,120	396,821	330,441
Other Income	**491**	2,992	9,479	13,595	29,743
Administration Expenses	**50,276**	42,110	36,315	37,484	35,966
Finance Cost	**17,301**	21,309	20,291	14,393	2,008
PBT	**276,224**	279,669	449,493	398,663	310,793
Net Profit	**273,958**	277,469	446,394	394,080	305,848
Assets & Liabilities					
Non Current Assets	**1,919,687**	1,812,985	1,894,984	1,394,475	1,182,753
Current Assets	**97,357**	197,093	141,215	220,787	85,637
Total Assets	**2,017,044**	2,010,078	2,036,199	1,615,262	1,268,390
Current Liabilities	**78,646**	81,118	78,349	39,930	8,000
Non Current Liabilities	**95,481**	160,170	232,877	117,322	9,682
Retirement Benefit Obligations	**7,829**	5,886	5,610	3,951	1,942
Share Capital & Reserves					
Stated Capital	**1,174,365**	1,174,365	1,174,365	1,174,365	1,174,365
Accumulated Profit	**668,552**	594,425	550,607	248,114	30,634
Key Indicators					
	Rs.	Rs.	Rs.	Rs.	Rs.
Earnings Per Share	**0.37**	0.37	0.60	0.53	0.41
Dividend Per Share	**0.25**	0.25	0.20	0.25	0.41
Market Price of Share (Closing)	**5.60**	6.60	8.60	5.25	3.10
Net Assets Per Share	**2.47**	2.37	2.31	1.95	1.67
Power Generation (kWh)	**39,433,006**	36,970,797	47,678,030	40,945,693	39,934,417

Glossary

Financial Terms

Accounting policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Accrual Basis

Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Basic earnings per share

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

Borrowings

All interest-bearing liabilities.

Capital employed

Total equity, minority interest and interest-bearing borrowings.

Cash equivalents

Liquid investments with original maturity periods of three months or less.

Contingent liability

A condition or situation existing at the balance sheet date due to past events, where the financial effects is not recognized because;

01. The obligation is crystalised by the occurrence or non occurrence of one or more future events or,

02. A probable outflow of economic resources is not expected or,

03. It is unable to be measured with sufficient reliability.

Current ratio

Current assets divided by current liabilities. A measure of liquidity.

Deferred taxation

The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividends

Distribution of profits to holders of equity investments.

Dividend cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend yield

Dividend per share as a percentage of the market price. A measure of return on investment.

EBITDA

Abbreviation for Earnings Before Interest, Tax, Depreciation and Amortisation.

Effective tax rate

Income tax expense divided by profit from ordinary activities before tax.

Equity

Shareholders' fund.

Equity Instruments

Is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Fair value

Fair Value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction.

Financial Instruments

Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Gearing

Proportion of total interest-bearing borrowings to capital employed.

IAS

International Accounting Standards.

Glossary

IFRS
International Financial Reporting Standards.

Key management personnel
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Market capitalisation
Number of shares in issue multiplied by the market value of a share at the reported date.

Net Assets per Share
Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Non-controlling interest
Is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Price earnings ratio
Market price of a share divided by earnings per share as reported at that date.

Related parties
Parties who could control or significantly influence the financial and operating policies of the business.

Retirement benefits
Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Current service cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost
Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Return on assets
Profit before tax plus net interest cost divided by total assets.

Return on equity
Attributable profits to the shareholders divided by shareholders' funds.

Return on capital employed
Profit before tax plus net interest cost divided by capital employed.

Revaluation reserves
Excess value identified between the fair value and carrying value of the revalued assets.

Revenue reserves
Reserves considered as being available for distribution and investments.

Segments
Constituent business units grouped in terms of similarity of operations and location.

SLAS
Sri Lanka Accounting Standards. Also known as LKAS and SLFRS.

SLFRS/LKAS
Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

Subsidiary
A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity (known as the parent).

Value addition
The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working capital
Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

Non-Financial Terms

Watt-hour
Unit of energy which expended for one hour of time.

Kilowatt (kW)
Equal to 1000 watt.

Mega watt (MW)
Equal to one million watts or to 1000 kilowatts

Giga watt (GW)
Equal to one billion watts or to 1000 megawatts.

GWh
Giga watt hours

GRI
Global Reporting Initiatives.

CSE
Colombo Stock Exchange.

CSR
Corporate Social responsibility

CEB
Ceylon Electricity Board.

SLSEA
Sri Lanka Sustainable Energy Authority.

PUCSL
Public Utility Commission of Sri Lanka.

CEA
Central Environment Authority

CO2
Carbon Dioxide.

CDM
Clean Development Mechanism.

MHPP
Mini Hydro Power Project

Notice
of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Vallibel Power Erathna PLC will be held at, The Kingsbury, 48 Janadhipathi Mawatha, Colombo 01, on Thursday, 27 June 2013 at 9.30 a.m. for the following purposes:

1) To receive and consider the Annual Report of the Board of Directors, Financial Statements of the Company & Group for the year ended 31 March 2013 together with the Report of the Auditors thereon.

2) To re-elect Mr. S E De Silva who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.

3) To re-elect Mr. H Somashantha who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.

4) To re-elect Mr. P B Perera who retires by rotation in terms of Article 25 (3) of the Articles of Association, as a Director of the Company.

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) To authorize the Directors to determine and make donations for the year ending 31 March 2014 and up to the date of the next Annual General Meeting.

By Order of the Board

Vallibel Power Erathna PLC
P W Corporate Secretarial (Pvt) Ltd.

Secretaries

Colombo
27 May 2013

Note:

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

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, by 9.30 a.m. on 25 June 2013.

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

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Form
of Proxy

*I/We .... of

.... being* a member/ members of VALLIBEL POWER ERATHNA PLC, do hereby appoint

.... of...or failing * her/him

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

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the 12th ANNUAL GENERAL MEETING OF THE COMPANY to be held at The Kingsbury, 48 Janadhipathi Mawatha, Colombo 01, on Thursday, the 27 June 2013 at 9.30 a.m, and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors, Financial Statements of the Company & Group for the year ended 31 March 2013 together with the Report of the Auditors thereon.		
2) To re-elect Mr. S E De Silva 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. H Somashantha who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.		
4) To re-elect Mr. P B Perera who retires by rotation in terms of Article 25(3) of the Articles of Association of the Company, as a Director of the Company.		
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.		
Special Business		
6) To authorize the Directors to determine and make Donations for the financial year 2013/14 and up to the date of the next Annual General Meeting.		

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

....
*Signature/s

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

Instructions to Complete the Form of Proxy

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 her/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 her/his discretion will vote as she/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, by 9.30 a.m. on 25 June 2013.

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)

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NOTES

Corporate Information

Name of Company
Vallibel Power Erathna PLC

Legal Form
A Public quoted company with limited liability incorporated under the Provisions of the Companies Act, No. 07 of 2007.

Date of Incorporation
07th November 2001

Company Registration Number
P.Q. 103

Nature of the Business
Generate and Supply Electric Power to the National Grid.

Board of Directors
K D D Perera - Chairman
S H Amarasekera
P K Sumanasekera
D S Clark
S E De Silva
H Somashantha
L D Dickman
S Shanmuganathan
P B Perera

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 Site : www.vallibel-hydro.com

Subsidiary Companies
Country Energy (Pvt) Ltd. (unquoted)

Company Secretaries
P W Corporate Secretarial (Pvt) Limited
No.3/17, Kynsey Road,
Colombo 08.

Telephone : 011- 4640360
Fax : 011- 4740588
E-mail : pwcs@pwcs.lk

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

Bankers
Commercial Bank of Ceylon PLC
DFCC Vardhana Bank Limited
DFCC Bank
Hatton National Bank PLC
Pan Asia Banking Corporation PLC

Designed & Produced by emagewise
Photography by Dhanush de Costa
Digital Plates by Imageline (Pvt) Ltd
Printed by Printage (Pvt) Ltd