



Wired for Power

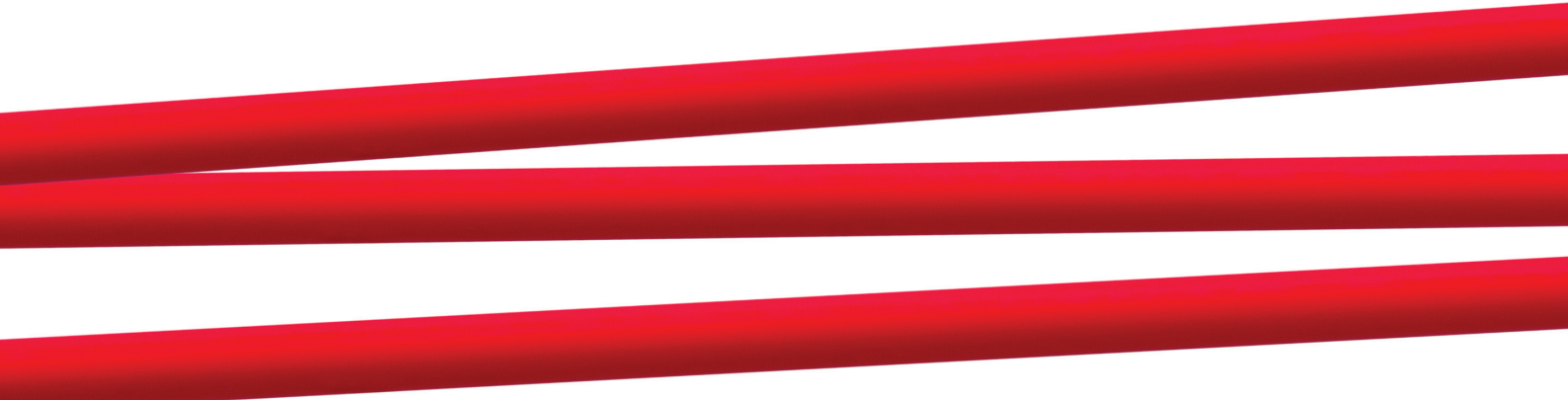


VALLIBEL POWER ERATHNA PLC

Annual Report 2011/12

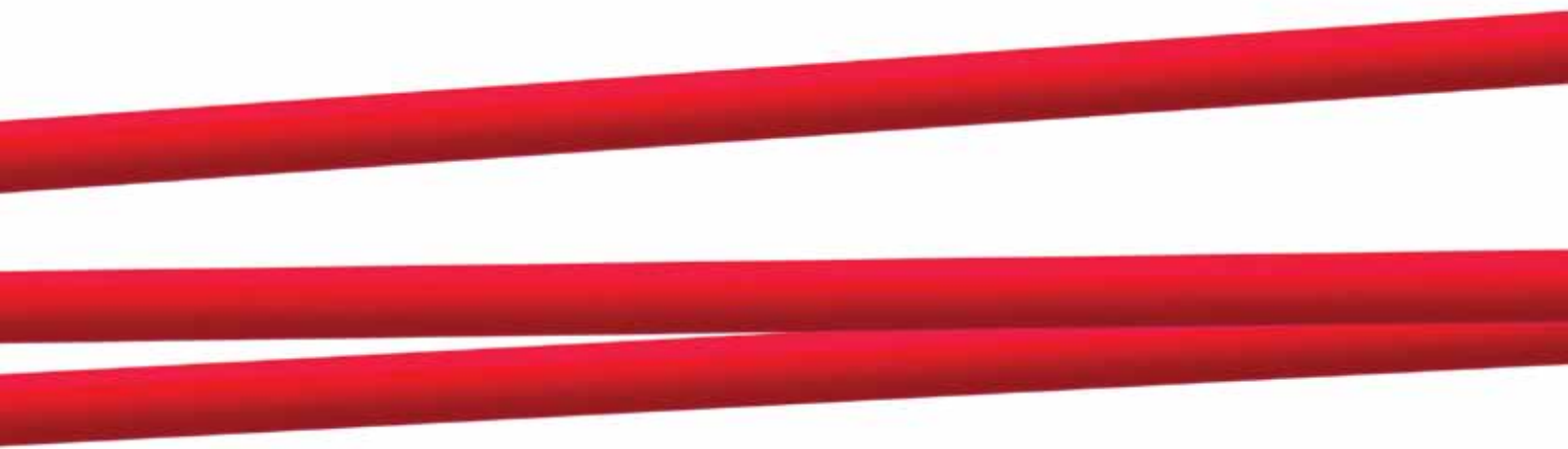
Wired for Power

It's not just about powering the nation, it's about eco-friendly, sustainable solutions that are cost-effective, planet-friendly and green...

Three thick, wavy red lines that sweep across the page from left to right, creating a sense of motion and energy. They are positioned below the main headline and above the descriptive paragraph.


With just seven very successful years experience in the power and energy industry, our vision is to deliver affordable and reliable renewable energy solutions to every Sri Lankan. Serving the nation in this most vital of services, we have aligned ourselves firmly with the national vision to conserve Sri Lanka's pristine landscapes and protect our famously unique biodiversity.

**For Sri Lanka and for our company,
we are wired for power...**



VALLIBEL POWER ERATHNA PLC

Annual Report 2011/12



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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 the available water resources with minimal environmental pollution by optimising operational efficiencies of our assets.

Objectives

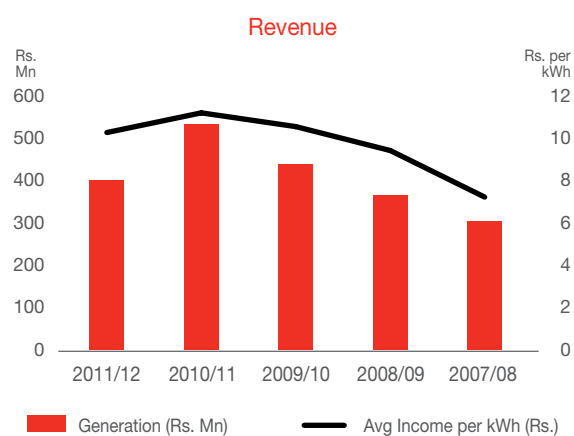
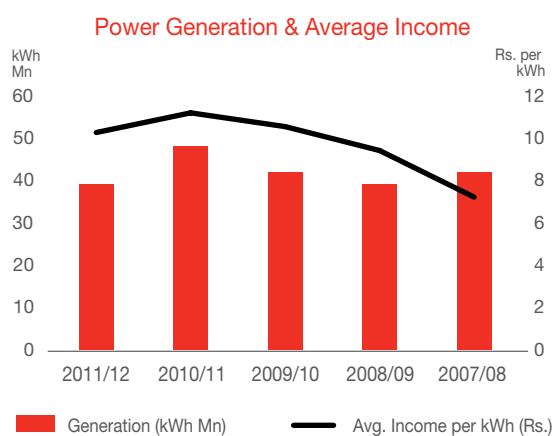
We are focused on a clear strategy to meet the aspirations of our stakeholders:

- 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.

Group Financial Highlights

Year ended 31 March		2012	2011	Change %
Earnings Highlights & Ratios				
Revenue - Erathna MHPP	Rs.'000	377,914	533,588	(29)
- Denawaka Ganga MHPP	Rs.'000	12,522	-	100
- Kiriwaneliya MHPP	Rs.'000	9,229	-	100
Total Revenue	Rs.'000	399,665	533,588	(25)
Profit After Tax	Rs.'000	249,631	422,178	(41)
Dividends Paid	Rs.'000	186,777	149,422	25
Earnings Per Share	Rs.	0.33	0.57	(42)
Dividend Per Share	Rs.	0.25	0.20	25
Balance Sheet Highlights & Ratios				
Non Current Assets	Rs.'000	3,014,011	2,100,976	43
Total Debt	Rs.'000	1,367,446	504,395	171
Total Shareholder Funds	Rs.'000	1,818,710	1,751,416	4
Net Assets Per Share	Rs.	2.43	2.34	4
No. of Shares in Issue		747,109,731	747,109,731	-
Market / Shareholder Information				
Market Price of Share (Closing)	Rs.	6.60	8.60	(23)
Market Capitalisation	Rs.'000	4,930,924	6,425,144	(23)
Dividend Per Share	Rs.	0.25	0.20	25
Dividend Pay Out Ratio	%	75.7%	35.1%	116
Other				
Power Generation (All 3 Projects)	kWh	38,957,111	47,678,030	(18)
Installed Capacity	MW	21.85	10.00	119



Chairman's Review



In the current world we live in, we are dealing with rising populations instigating increased needs; these increased needs are taking their toll on the planet's resources and the planet is struggling to cope with these extraordinary demands. Are we as people cognizant of this cycle? Are we preparing for a time, sooner rather than later, when our planet's resources will deplete and fade away? Are we, as custodians of the planet, leaving adequate resources and a healthy planet for future generations?

For Sri Lanka and for our company, we are wired for power...

At Vallibel Power Erathna, we have embarked on a journey to provide “clean” power to the nation, using sustainable energy solutions that will deliver renewable solutions that are not only affordable but also environmentally friendly to ensure that our nation remains ‘Wired for Power’. This is power that will fuel economic and social development, while ensuring that the strategies we employ do not harm the planet in any way; it is a quantitative and qualitative power that we have in our hands to make a difference to the present and the future; it is a power that spearheads a strategy that will re-deploy those resources we use, ensuring that the planet's resources are not depleted.

Power in this form of energy signals power in the hands of the nation. We are the conduits therefore for better development, better social upliftment and better environmental practices. We have already laid the foundation to be ‘Wired for Power’, allowing the country to reach ambitious goals and target its vision strategically. I am proud to present to you the Annual Report and Statement of Accounts of Vallibel Power Erathna PLC for the year ended March 31st 2012, as our Company has been able to commission two new mini hydro power projects within this year.

Global and Sri Lankan Economic Overview

The world continues to struggle with economic downturns hitting primarily the Eurozone countries and the US, while Asia, though somewhat stronger, has seen its growth forecasts placed lower than anticipated. It has been an year where some Eurozone countries were on the brink of bankruptcy, the US struggled with declining or stagnant economic indicators, The Arab Spring took root, 'Occupy Wall Street' spread across nations and the UK seeing riots which had the world encountering its fair share of battles. We cannot forget the debilitating impacts of climate change including the tsunami in Japan and the nuclear issues emanating in Fukushima, droughts and floods in Africa and parts of Asia, earthquakes in Turkey, New Zealand and Japan and tornadoes in the United States. All these saw world trade diving to new lows which affected the Asian region as well.

Global growth therefore at end 2011 descended to an all time low of 3.8% according to the IMF, compared to 2010's GDP of 5.2%, with projections for 2012 and 2013 YOY remaining at similar levels at 3.3% and 3.9%. Growth for the Asian region stood at 6.2%, even though there was a slight dip in growth rates compared to last year's 7.3%, with a further fall envisaged in 2012 to 5.4%.

Sri Lanka meanwhile travelled an accelerated path of development, showcasing 8.3% growth for 2011, the highest in Sri Lanka's post independence history and also the first time the country has showcased growth momentum above 8% for two consecutive years. Accelerated development, improved investor confidence, favourable macroeconomic conditions and renewed economic activity from geographic areas which for long remained unutilised due to the conflict, were among the factors that underpinned the positive results. Per capita income, which was posted at US \$2,400 last year, increased to a noteworthy US \$2,836 and is aimed at US \$4,000 by 2016. Unemployment too recorded its lowest levels of 4.2% due to expanded economic activity around the country.

The Energy Sector in Sri Lanka

With energy becoming one of the key components in the country's vision in becoming South Asia's economic hub coupled with the government's continued large scale infrastructure development programme drive, there was also a concerted emphasis on regionally balanced growth. This therefore drove economic infrastructure development projects to new heights including in the

energy sector. According to the latest Central Bank report the Norochcholai Coal Power Plant was completed while Phase II of the same project started the construction last year. The Upper Kotmale Hydro Power Project reached its final stage of completion. The Uma Oya Hydro Power Project, which is in the initial stages of construction will add its weight to the national grid by 2015, while the 500MW coal power plant in Trincomalee is also in its initial stages and it is envisaged that by 2016, all these projects will increase generation capacity by 44%.

There was also the launch of numerous small scale infrastructure development projects which now total 225 rural electrification projects aiming towards 100% electrification by 2013. This was also an year during which the country saw fuel price adjustments signaling electricity tariff revisions. The Government has stated that these are essential imperatives in correcting the adverse macro-economic implications caused by heavy losses incurred by the Ceylon Petroleum Corporation (CPC) and the Ceylon Electricity Board (CEB), coupled with rising prices of oil in the world market.

The expansion of economic activity saw an increase in electricity generation by 7.5% to 11,521 GWh by end 2011, with total hydro power generation decreasing 40% from 53% in 2010. This is attributed to the drier weather conditions prevailing in water catchment areas, realising an increase in thermal power generation which rose to 6,785GWh or 36%. While CEB electricity generation decreased 57%, it is interesting that the power produced by the private sector increased to 43%. Electricity sales in total increased a considerable 8.2% to 10,024 GWh, with the

Chairman's Review

What is also significant is that we have now completed our earmarked projects namely the commissioning of the Kiriwaneliya Mini-Hydro Power Project in December 2011 and the Denawaka Ganga Mini-Hydro Power Project in February 2012. The latter power project with its project cost of Rs. 925 Mn, now has an installed capacity of 7.2 MWs and envisages an annual generation of 25 GWh. The Rs. 815 Mn Kiriwaneliya Project is expected to generate 16 GWh and has installed capacity of 4.65 MWs. Both will add considerably to our revenue lines annually.

For Sri Lanka and for our company, we are wired for power...

now burgeoning tourism industry partaking of a bulk of the increase. The average purchase price of a unit of Thermal power from the private sector closed at Rs. 17.24 in 2011, while the average cost of electricity per unit sat at Rs. 16.21.

Climate Change and Clean Energy

Some of the challenges facing Sri Lanka at present with regard to climate change due to drastic changes in weather patterns include higher rates of evaporation from the hydro-power reservoirs, conflicting demand issues in dual-purpose reservoirs, rapid urbanisation, de-forestation, mismanagement of waste, increasing demand for air-conditioning which naturally results in more emissions and reduced efficiencies in thermal plants and outdated industrial installations and engines which also fuel more GHG emissions.

In response to the challenges facing the country, the Sri Lanka Sustainable Energy Authority (SLSEA) is mandated to increase renewable energy in power generation to 10% by 2015 and 20% by end 2020. An additional 34 MWs of wind power and 11.5 MW of biomass energy were added to the national grid in 2011, while the country also saw the commissioning of the first grid connected Solar Energy Project in Hambantota, generating 840 MWh of clean energy per year.

Performance Overview

From a Group perspective, by the end of the financial year under review, the Group generated 38,957,111 kWh, which was 18% below the last year's generation of 47,678,030 kWh which was solely resultant to lower rainfall, which naturally impacted revenue standing. With regard to the Company, this year's power generation was 36,970,797 kWh which was 22% below the last year's generation of 47,678,030 kWh, again lower rainfall being the determining factor. Our Group posted a revenue of Rs. 399.6 Mn while the Company's revenue stands at Rs. 377.9 Mn which is 29% below the last year.

The contribution of the two new projects to the Group power generation in the current period under review was not significant since those projects commenced its commercial operation in the latter part of the financial year.

Apart from the lower rain fall which resulted in lower power generation, the reduction in the tariff applicable to mini hydro power companies by the CEB also impacted on the reduction in revenue. The nine months wet period tariff was reduced to Rs.10.23 from last years Rs.11.09 while three months dry period tariff was reduced to Rs.11.19 from last year's Rs.11.94 made its impact on revenue.

Vallibel Power Erathna PLC is one of the largest privately owned hydro power companies in Sri Lanka and has over seven years been a vibrant driver in ensuring that the country is fully benefited from the advantages of clean eco-friendly sustainable energy solutions. While the challenges have been many, the Company has displayed immense determination in overcoming these challenges and has, for several consecutive years, posted sustainable financial results.

What is also significant is that we have now commissioned our earmarked projects namely the Kiriwaneliya Mini-Hydro Power Project in December 2011 and the Denawaka Ganga Mini-Hydro Power Project in February 2012. The latter power project with its project cost of Rs. 925 Mn, now has an installed capacity of 7.2 MWs and envisages an annual generation of 25 GWh. The Rs. 815 Mn Kiriwaneliya Project is expected to generate 16 GWh and has installed capacity of 4.65 MW. Both will add considerably to our revenue lines annually.

Given the progress in delivery and ensuring timelines, we have paid a dividend of Rs. 0.25 per share in November 2011, a total dividend payout of Rs. 186.7 Mn.

Looking Ahead

Climate change challenges continue to escalate and we remain very cognizant of the negativities that arise due to these challenges. We are however very emphatic that each of us plays a role in minimising these impacts and we believe that our Company has set for itself the appropriate strategic targets to ensure that we work on a pragmatic and workable solution that will benefit the planet. While we create a financially viable organisation, we have also constructed a strong foundation of social and environmental sustainability through the projects we have implemented. Sustainable income generation for local communities via employment opportunities and sourcing of supplies and services are hallmarks of our sustainability ethos.

With both projects now commissioned, we are firmly established in providing reliable energy solutions to the nation, while increasing both revenue and profitability. At the same time, the state's focus on renewable energy solutions opens up new vistas for our Company, one of which is the accent on regional development to spur equality, which while some may perceive a challenge, reminds us of opportunities in regional electricity generation. There is undoubtedly an unbridled demand growing for electricity around the country and with Sri Lanka somewhat dependent on the volatile world oil prices, our Company can, with strategic input, assuredly help minimise some of the massive costs that the nation incurs for electricity generation at present.

We also intend continuing to strengthen our stakeholder relationships, which we strongly believe form the fundamentals of our existence and business continuity. With an exemplary team driving our vision and focus, we continued to work on developing their competencies and ensuring that we create a knowledge culture that will enable them to live, learn and grow within an environment of team spirit, entrepreneurial spark while also meeting their personal career aspirations. Accountability, ethics, integrity and governance remain hallmarks within our workings and it is this that encourages us to make customer focus a priority.

Similarly, we remain acutely conscious of our role as an industry steward and therefore, the need to ensure compliance at all levels. We promote a culture beyond compliance in all our workings and in infusing environmentally friendly best practices. In fact, we are currently in the process of applying under the Clean

Development Mechanism (CDM) to obtain carbon credits for reducing emissions through environmentally friendly power generations for both our Kiriwaneliya and Denawaka Ganga Mini-Hydro Power projects.

Appreciations

We have now become firm partners in the country's energy vision, especially with the Government positioning the energy hub as a catalyst for future development. My heartfelt appreciation to the Government of Sri Lanka and the officials of the Ceylon Electricity Board who recognise the vital role we can play in this journey, continually extend support to us, whether in implementing conducive regulations, instigating compliance initiatives or in guiding us through the successful operation of this Company.

My warm thanks to the Board Directors who have continued being the strong trusses of guidance and direction to the pragmatic decisions we have taken, imbuing strategic direction for our Company to continue forging ahead. I would also like to extend a warm welcome to Mr. Shan Shanmuganathan who joined the Board of Directors in January 2012 as a Independent Non-Executive Director and look forward to gaining much from his expertise and experience in taking this Company forward.

We are poised to make further inroads into the energy sector. And this can only be done with a dynamic motivated management team for whose ambitious goals and targets only fuel more prowess. We have been blessed with such a team and while I thank them most sincerely for their drive and vision in ensuring that our strategic goals have been met on time and that our bottom line continues to be fueled by their fortitude, I'm confident that they will continue as energy stewards for this country in the years to come.

Looking back at this year, we are truly 'Wired for Power', whether it is for Sri Lanka or for our Company. We are now firmly on the path of delivering affordable and reliable sustainable energy solutions that will make a tangible difference to the sustenance of this planet.



K D Dhammika Perera
Chairman

25 May 2012

Vallibel Power Erathna PLC is one of the largest, privately owned, mini hydro power companies in Sri Lanka, with an installed capacity of 10 MW. We commenced commercial operation in July 2004. Today, we generate approximately 40 GWh of electricity per annum for the Ceylon Electricity Board, using the runoff of the Kuru River in the Central Province. In the context of protecting our environment, our operation is equivalent to reducing approximately 23,000 metric tons of CO2 emissions annually.

We are committed to exploring renewable energy projects that will protect the environment, benefit our communities and reward our investors. To this end, we have installed state-of-the-art turbines, generators and control equipment manufactured and supplied by Voith Siemens of Germany, a world renowned manufacturer.





Capacity - 10 MW

**The Erathna
Mini Hydro Power Project**

Project Highlights

- Installed Capacity - 10 MW
- Net Head - 420 Meters
- Penstock Length - 2,250 Meters
- Channel Length - 300 Meters
- EM Plant Supplier - Voith Siemens

Board of Directors



- 1 K D D Perera - Chairman
- 2 W D N H Perera
- 3 P K Sumanasekera
- 4 S H Amarasekera
- 5 D S Clark
- 6 S E De Silva
- 7 H Somashantha
- 8 L D Dickman
- 9 S Shanmuganathan



K D D Perera - Chairman

Mr. Dhammika Perera is the quintessential strategist and business specialist with 24 years of business experience.

His business interests include Hydro Power 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, Lewis Brown & Company (Pvt) Limited and Greener Water Ltd. 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, Nirmalapura Wind Power (Pvt) Ltd, Alutec Anodising & Machine Tools (Pvt) Ltd and Sri Lanka Insurance Corporation Ltd.

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

W D N H Perera - Director

Mr. Nimal Perera is a member of the Sri Lanka Institute of Marketing and has over 30 years experience in the fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management Services.

Mr. Perera is the Chairman of Pan Asia Banking Corporation PLC and Executive Deputy Chairman of Vallibel One PLC. He also serves as the Chairman of Don Wilbert Capital Ltd, N Sports (Pvt) Ltd and N Capital (Pvt) Ltd.

He is the Managing Director of Royal Ceramics Lanka PLC, and serves as a Director of Amaya Leisure PLC, LB Finance PLC, The Fortress Resorts PLC, Vallibel Finance PLC, Hayleys PLC, Sathosa Motors PLC, Haycarb PLC, Hotel Services (Ceylon) PLC, Thalawakele Tea Estates PLC, Lewis Brown & Company Ltd and Orit Apparels Lanka (Pvt) Ltd.

P K Sumanasekera - Director

Mr. Prabodha Sumanasekera holds B.Sc. in Physics from the University of Colombo and has over 17 years experience in the mini hydro power sector.

He has been involved in formulating and developing 15 small/mini hydropower projects, including the ground breaking Dick-Oya mini hydro power project which is the first grid connected mini hydropower project in Sri Lanka. He is also a shareholder director in several companies owning, developing and operating hydro power projects in Sri Lanka and overseas.

S H Amarasekera - Director

Mr Harsha Amarasekera is an Attorney-at-law by profession and has a wide practice in the Original Courts as well as in the Appellate Courts. He has specialized 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 Private Limited and an Alternate Director of Amana Bank.

D S Clark - Director

Mr. Darayl 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 Canadian Phoenix Resources Corp, a publicly-traded oil and gas exploration and production company 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

Board of Directors

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.

S E De Silva - Director

Mr. Sunil 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 & Uganda. He is a Director of DFCC Consulting Limited and Lanka Ventures PLC. He joined the DFCC Bank in 1987 and functioned in different positions up to retirement in 2004 as a Vice President. He was the Executive Director of DFCC Consulting from 2004 to 2008. Prior to joining the DFCC Bank Mr. Silva has 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 his career with Ernst & Young, the 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.

L D Dickman - Director

Mr. Dickman holds a BA in Public Administration from the Vidyodaya University and MSc in Town & Country Planning from the University of Moratuwa. He was appointed to the Board in April 2010 and in April 2011 he was appointed as the General Manager.

Mr. Dickman was the Deputy Director General (Infrastructure) of Board of Investment of Sri Lanka where he worked from its inception in 1979 until his retirement in December 2009. He held various managerial posts during his long service in the Board of Investment. He has served as a Deputy General Manager of Lanka Mirigama Special Economic Zone (Pvt) Limited. Mr. Dickman is the immediate Past President of the Institute of Town Planners of Sri Lanka and has also been a visiting lecturer in Town and Country Planning at the University of Sri Jayawardenapura and the University of Moratuwa. He has also attended a number of Executive Development Programmes and Investment Promotion Programmes in various countries at international level.

S Shanmuganathan - Director

Mr. Shan Shanmuganathan is an Accountant by profession, Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Fellow Member of the 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 and presently with National Savings Bank as a Director.

He is a Director of Associated Newspapers of Ceylon Ltd and Shareholder/Director in Private Enterprises engaged in IT Services. Mr. Shanmuganathan is a council member of the Institute of Chartered Accountants of Sri Lanka.

Corporate Management Team



Seated left to right

L. D. Dickman - Executive Director/GM
Aruna Dheerasinghe - Jt. CEO

Standing left to right

Russell De Silva - Jt. CEO
Yogesh Suriyapperuma - Head of Finance
Pathmanatha Poddiwala - Engineering Manager



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Being the country's one of the largest privately owned hydro power company in Sri Lanka, Vallibel Power Erathna PLC, since its inception in 2004 has ensured that it has gradually created an environment that is 'wired for power' not only for the company as a leader in the private sector hydro power industry but also for the nation. Our ethos is about sustainable eco-friendly power solutions that are cost-effective and ensure that the country's resources are managed effectively. Our proven expertise and experience in the industry have also given us the knowledge base to ensure that our innovations are astute and far thinking, constructed on the trusses of being aligned to the country's vision for energy, which also encompasses the goal of becoming an energy hub for South Asia by 2016.

For Sri Lanka and for our company, we are wired for power...

Vallibel Power by the end of this year, completed the two projects on time, delivering on expectation. We have also distributed dividends to a total of Rs1,460.5 Mn to shareholders from 2004, showcasing full well that we have delivered on our responsibility of creating wealth for shareholders, while rendering on its promises to various stakeholder groups. For customers, the Company has produced the energy components required for sustainable energy solutions within the expected schedule; for team, we have continued to imbue a knowledge culture in a knowledge-intense industry; our valued business partners have been impacted positively as we have met our obligations on time and responsibly; the community around us has seen employment generation which in turn has reflected a positive permeation of wealth into those local economies.

Operating Environment

The year was certainly not conducive to growing the energy sector given that with the Arab Spring, the Eurozone crisis and snail-paced global economic recovery, global oil prices began an upward trajectory that has been difficult to contain. Combine erratic weather patterns which saw inadequate rainfall and Sri Lanka's energy sector faced the dual challenges of a need to increase the use of thermal power due to lower hydro power generation and rising oil prices making thermal power expensive. This naturally had adverse effects on the financial performance of the Ceylon Electricity Board which purchased oil in

excess of US \$109 per barrel on average, compared to an average of US \$80 in the prior year. The total oil import bill saw a gain of 57.7% to US \$4.8 Bn in 2011.

This constant volatility obviously calls for pragmatic measures that will help the country assuage any further shocks, given that in this accelerated development phase, Sri Lanka does require more energy to feed its development agenda. While the power sector remains the bedrock for socio-economic development, successive governments have, in their time, prioritised the need for secure and reliable power supplies and seen enhanced levels of electrification in the country. The national goal is to gain 100% electrification by end 2013. Conventionally, Sri Lanka has relied on hydro power as the primary source of electricity generation, but in recent times, with demand exceeding supply, the country has resorted to thermal power generation, which as mentioned above, saw significant rise in its energy bill due to volatility of world oil prices. The state therefore is encouraging initiatives to conserve energy and develop renewable energy sources, which will have the desired positive impact in the medium to long term.

While the total electricity generation for the country increased by 7.5% to 11,521 GWh, it was a year where hydro power, when compared with the total power generation, decreased 40% due to the dry weather conditions seen in the second half of the year. In tandem, thermal power generation increased 36% to 6,785 GWh.

CEB mean while decreased electricity generation from 60% to 57% which saw the private sector increase its share to 43%.

As mentioned in last year's report, the establishment of the Sri Lanka Sustainable Energy Authority is to chart pathways that will increase renewable energy in power generation, with a target set to increasing it by 10% by 2015 and 20% by 2020. In 2011, 34 MW of wind power and another 11.5 MW of biomass energy were added to the national grid, while the first grid connected Solar Energy Project was commissioned in Hambantota in August 2011. This project generates 840 MWh of clean energy annually. Another dictum, the mandatory energy labelling programme to promote energy conservation which was introduced in 2009 was implemented in 2011. However, we strongly feel that while the established and earmarked projects are imperative at this point of time, it is very necessary for a national integrated energy conservation policy to be formulated, which will lead the energy conservation drive in a macro context.

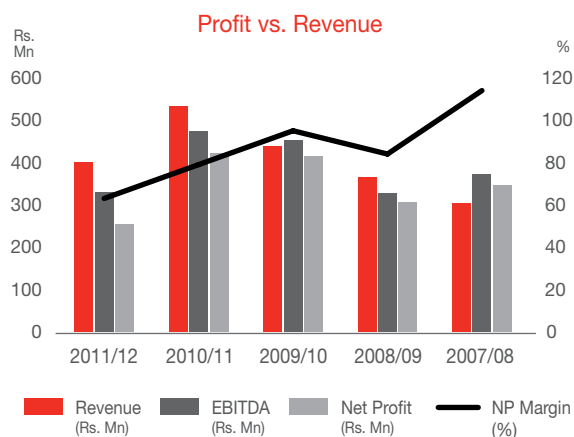
Sri Lanka classifies projects below the capacity of 10MW as Mini Hydro Power projects, which are primarily based on the run-of-the-river principle. These projects are eco-friendly sustainable energy solutions which not only preserve the environment but also ensure continuity of hydro power, for which Vallibel Power Erathna is proud to contribute. The contribution made by the private sector hydro power companies has steadily increased and averages approximately 10% of the total hydro power capacity available in the country. The steady growth of Mini Hydro Power projects since 1996, which currently stands at 89 has seen a total addition of 185MW in capacity at a compounded annual growth rate of 14%. The ensuing positives from Mini Hydro Power projects collated on the economic, social and environmental platforms far outweigh the negativities, given that the country can reduce dependency on fuel imports - thus saving foreign exchange, increasing employment generation and presenting the country with an option of earning carbon credits due to the reduction of greenhouse gases. There has been a concerted effort to grow this sector and resultant to this, 600 small scale hydro power projects have been identified with the ultimate aim of adding 300 MW to the national grid.

There was also intensification of rural electrification projects which is aimed at meeting the national target of 100% electrification by end 2013. Currently, the country has 224 rural electrification projects which come under the

Rural Electrification Scheme with 219 projects completed and an estimation that 34,300 householders will benefit from these. There are 24 RESs completed in the Conflict Affected Area Rehabilitation Project, while Uva Udanaya, Neganahira Navodaya, Kandurata Udanaya and Batahira Ran Aruna are also in progress.

Performance Overview

Vallibel Power Erathna very proudly commissioned both its Mini-Hydropower projects within a year of each other; the Kiriwaneliya Mini-Hydro Power project in December 2011 and the Denawaka Ganga Mini-Hydro Power Project in February 2012. The two projects collectively add 11.85 MWs to the national grid. This will enable the Company to post significant Net Profit and revenue in years to come. Given that the CEB imposes two tariffs for the year on Mini Hydro Power developers, one for the wet season and one for the dry, the Company worked on a tariff of Rs. 11.19 per unit for the dry season and Rs. 10.23 per unit for the wet season this year. However, it must be noted that this year the disparity between the tariffs has seen an increase



Management Discussion & Analysis

over last year, which stood within a marginal difference of each other at Rs. 11.94 and Rs. 11.09 per unit for the dry and wet seasons respectively. The percentage reduction in tariff applied by the CEB for 2011 for one kilowatt fell 6.3% and 7.7% for Wet and Dry seasons respectively. Given that hydro power remains dependent on rainfall the dry spells experienced during the year, negatively impacted the revenue.

Project Landscape

Denawaka Ganga Mini-Hydro Power Project

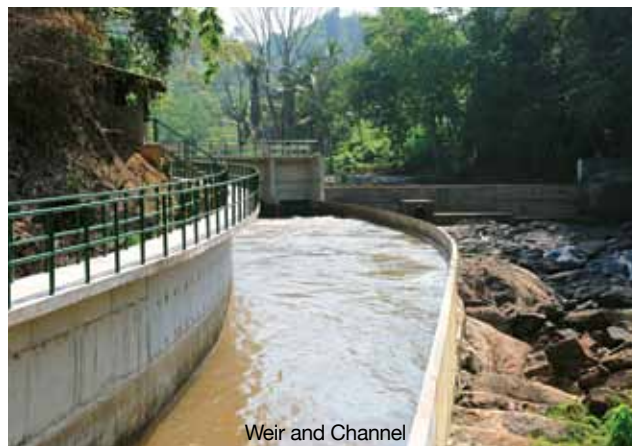
The Denawaka Ganga Mini-Hydro Power project which infused Rs 925 Mn in investment and began commercial operations in February this year, has an installed capacity of 7.2MW and is expected to generate 25 GWh emission free electricity annually as a result of its run-of-river feature. Developed through Vallibel Power Erathna's

Wired for Power

Vallibel Power Erathna very proudly commissioned both its Mini-Hydropower projects within a year of each other; the Kiriwaneliya Mini-Hydro Power project in December 2011 and the Denawaka Ganga Mini-Hydro Power Project in February 2012....

From a Group perspective, by end of the financial year under review, the Group generated 38.9 million kWh, earning a revenue of Rs. 399.6 Mn and an average income of Rs. 10.26 per kWh. This is some what below last year's generation of 47.6 million kWh and is resultant to lower rainfall, which naturally impacted revenue standing, which last year was posted at Rs. 533.5 Mn. The Company meanwhile also echoed similar patterns resultant to these weather patterns with generation dropping to 36.9 million kWh from 47.6 million kWh, with a drop in income from Rs. 533.5 Mn to Rs. 377.9 Mn and income per kWh posted at Rs. 10.23 per unit this year, from Rs. 11.19 per units last year.

Group Net profit for the year is shown at Rs. 249.6Mn, while EBITDA is Rs. 326.8 Mn and NP Margin is 62.5%. Our Group Shareholders' Fund increased this year to Rs. 1,818.7 Mn while the Company Shareholders' Fund also saw a gain to Rs. 1,849.6 Mn, while Group gearing is at 40% and the Company at 8%.



Weir and Channel



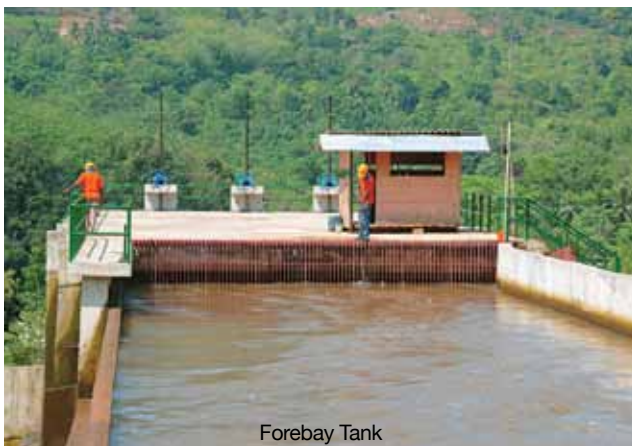
Channel

subsidiary, Country Energy (Pvt) Limited, the project is estimated to post an annual revenue over Rs 250 Mn at this current tariff. Located in Malwala in the Ratnapura District, it uses the water flow of the Denawaka Ganga, a primary tributary of the country's widest river, the Kalu Ganga. With the commissioning of this project which stands on the foundation of being a renewable, sustainable, environmentally friendly energy option to fossil fuel based power plants, we believe that we will reduce approximately 13,500 tons of CO₂ annually, which augurs very positively for the country's bid in reducing its carbon footprint and earning carbon credits. The project employs 38, for the most part generating employment to the adjacent locality which also permeates to individual and community economic and infrastructure development.

Capacity - 7.2 MW

Project Highlights

- **Installed Capacity** - 7.2 MW
- **Net Head** - 33 Meters
- **Penstock Length** - 97 Meters
- **Channel Length** - 1,800 Meters
- **EM Plant Supplier** - Dongfeng Electric
- **Expected Annual Power Generation** - 25 GWh



Forebay Tank



Power House



Turbines and Generators



Control Panels

Management Discussion & Analysis

Kiriwaneliya Mini-Hydro Power Project

Having begun commercial operations in December 2011, the Kiriwaneliya Mini-Hydro Power Project utilises the water source of the Maskeli Oya to generate 16 GWh of power annually. With an installed capacity of 4.65 MW, this run-of-river Rs. 815 Mn investment project which also comes under the Group subsidiary, Country Energy (Pvt) Limited is expected to gain a revenue over Rs. 160 Mn at the annual envisaged capacity. With its sustainable

projects that require additional impetus, building long term relationships.

Given our performance this year, it remains unequivocally clear that Vallibel Power Erathna is 'Wired for Power', whether in capacity, industry stewardship or in national contribution. We are cognizant of the challenges that continue to ensue in energy requirements for a nation journeying an accelerated development phase and hence,

Wired for Power

Given our performance this year, it remains unequivocally clear that Vallibel Power Erathna is 'Wired for Power', whether in capacity, industry stewardship or in national contribution...

renewable energy facet, it is believed that the project will reduce 10,126 tons of CO₂ and similar to the Denawaka Ganga project, have a positive impact on reducing the country's carbon footprint and increase the earning capacity of carbon credits. Located in the Kiriwaneliya village which is situated downstream of Sri Lanka's eighth largest waterfall the Laxapana Falls in the Nuwara Eliya district, the project uses 17 square kilometers of the Maskeliya Oya catchment area and several feeder streams, which ensures a continuous flow of water, even during dry periods.

Power projects in any form require high end knowledge and state of the art infrastructure which incur significant investment. Both these projects require the input of an extremely knowledgeable team, whose expertise is above the norm and contains high levels of dynamism, application, innovation and noesis. The Kiriwaneliya project specifically required knowledge of the terrain and apt technology to be infused into ensuring the project remained true to our green sustainable fundamentals, and this was truly adhered to with the construction of the environmentally friendly power house and local manufacture of two 4jet vertical pelton turbines. The sustainable social input too remains quantifiable as our presence in the community spurs employment while also generating interaction with the community via community



Ariel view of Weir and Channel



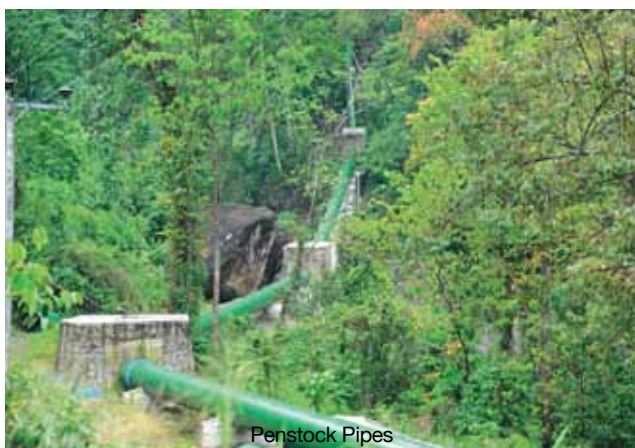
Forebay Tank

recognising opportunity, are in the process of pursuing other alternative clean and sustainable energy options including wind and solar. 'Wired for Power' to us means that we must take the lead in creating the apt conduits that will fuel the national development agenda and our plans do make it possible for us to do so.

Capacity - 4.65 MW

Project Highlights

- **Installed Capacity** - 4.65 MW
- **Net Head** - 200 Meters
- **Penstock Length** - 1,690 Meters
- **Channel Length** - 300 Meters
- **EM Plant Supplier** - VS Energy
- **Expected Annual Power Generation** - 16 GWh



Penstock Pipes



Power House



Turbines and Generators



Control Panels

Sustainability Report

Ours is a company that has been founded on the vision of being a significant producer of clean energy for the sustainable economic development of Sri Lanka. From our inception, we have not lost sight of this vision. Today, we have completed and managed the projects we earmarked and set out to implement, presenting the nation with the eco-friendly sustainable cost effective energy solutions we promised, which in turn saw our promises delivered through contribution to the national grid and the generation of employment in the locales of our projects.

We continue to pursue our mission of generating the maximum amount of electricity from available water resources with minimal environmental pollution by optimising operation efficiencies of our assets. We are also pursuing other alternative forms of renewable energy that are aligned to our business ethos and will eventually be productively added to our portfolio of energy options.

Our concept of being 'Wired for Power' therefore remains true to the fundamentals we espouse as you will read in this Sustainability Report, evidencing that the Company is committed unequivocally to being a force for clean energy to drive the future.

About this Report

Vallibel Power Erathna's Sustainability Report presents the Company's attempts to report on our performance on the triple bottom line concept. We began this practice last year based on the current norms of corporate governance and sustainability demands, giving us the platform to highlight our achievements and the gaps that exist, while showcasing areas that require improvement in our quest to deliver energy to meet the country's growing energy demands.

Reporting Standards

We have attempted to produce this report aligned to prevalent standards in the corporate sphere including those expected of us by the regulatory and standard bodies as well as the GRI Guidelines, which indicators have been used to ensure a more transparent process. As a Company we adhere strictly to the Government diktats mandated by the Central Environmental Authority and Ministry of Power and Energy.

The report covers the Company's performance and operations for the year upto March 31st 2012 and indicate, wherever possible, qualitative descriptions and quantitative

metrics which will further augment our claims. Financial information is reported in SL Rupees.

Feedback

We are most focused on stakeholder engagement and would be most appreciative of feedback on this report, given that we are extremely keen on this aspect of our communication. To us, external feedback on this report and our other communication initiatives are key components to our continuous improvement strategy. We intend to use these comments and suggestions constructively, ensuring that these will be incorporated wherever applicable and possible, into this report next year. Feedback helps us to identify information gaps, work on a SWOT analysis of our business and engage with our stakeholders constructively.

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

A Letter from the Executive Director

The need for energy, the use for energy and the source for energy have sparked many a debate worldwide and in Sri Lanka, it is no different. The country is on a platform of accelerated development and rightfully so, given that it was hampered from optimising its potential due to a terrorist conflict that not only took life and limb, but also succeeded in destroying the social fabric of the country.

Today, we see infrastructure around the country being constructed apace with roads, highways, ports and airports being constructed and social initiatives being expressly implemented. While urbanisation remains a natural phenomenon in any developing country, there is a concerted drive by the State for rural empowerment via the development of micro and SME sectors and entrepreneurship development. All this prompts the need for increased energy requirements and while conventional energy sources have helped in supporting some of those needs, the time is more than apt for renewable clean energy sources to be pursued.

This is where your company comes in. With three Mini Hydro-Power projects under the umbrella of Vallibel Power Erathna, this year, we began delivering on our promise – on time. We are now contributing the promised amounts of MW to the national grid and in that line, using run-of-river technology to work on environmentally clean renewable energy sources that will surely reduce not only our carbon footprint, but also enable the country to gain carbon credits.

We have asked ourselves fundamental questions about what it means to be a good corporate citizen in the energy industry and it is this that prompted us to begin the process of sustainability reporting. As you will note, the reporting process enables us to look inward and flags us when we are going off track or not quite aligned to our vision, mission and objectives. It makes us remember the primary reason we have set ourselves up in the energy business and that is to ensure that we always remain true to the concept of cost effective, sustainable eco-friendly energy solutions that will have a positive impact on the people of this country. We are reminded of managing risk, motivating us towards operational excellence, environmental protection, ethical standards and financial discipline.

While this year's report is in a very fledgling state, it is our attempt to present to our stakeholders, the workings of our business in a transparent accountable manner. You will also see how we supply solutions to the country's energy needs, while delivering returns to our shareholders. The sustainability of our business is based on how we apply consistent processes and systems in our daily operations ensuring that what you have is a sustainable ongoing business that benefits all our stakeholders positively with our presence.



L.D. Dickman
Executive Director

Sustainability Report

Materiality Analysis

Now that we have begun this process of sustainability reporting, we have also begun identifying economic, social and environmental issues that will impact our stakeholders and the company. Material issues which have a significant current or future impact are analysed on the current available data and other information on the trends we see in external environs, monitoring stakeholder expectations and concerns through direct dialogue, feedback and other available communication channels.

In reviewing the issues that come to light, we are able to see repeat trends or recurring issues that need additional attention, which will be prioritised accordingly to eliminate or minimise future recurrences. We strongly believe that in imbuing this culture of materiality, we are able to promote an internal understanding within our company of sustainability issues and the responsibilities that ensue with corporate citizenship, which in turn helps to shape our strategies and business objectives.

Sustainability Strategy

With the world facing a major challenge in meeting energy demands, companies in the energy business are continually faced with challenges. Energy has a direct relationship on the quality of life, it improves living standards, thereby reducing poverty. So can we improve the quality of life of the people and contribute clean cost effective eco-friendly energy options that will be of benefit to them?

Our answer to this is, “Yes, we can!” And this declaration is what positions our Sustainability Strategy on a firm platform:



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, by 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

We operate in a milieu of challenging issues that require transparency and responsiveness, a systemic facet of the business we are engaged in. Our increasingly diverse group of stakeholders includes the Government, communities, shareholders, customers, suppliers, employees, all evolving in an environment of external engagement, which is fundamental to the way we conduct our business.

We have a policy of ongoing dialogue and engagement with our stakeholders, which provides us an opportunity to listen to their concerns, identify material issues and benchmark performance against expectations. Our stakeholder engagement works on myriad communication channels including internal and external one-on-one and group meetings and briefings, annual general meetings, teleconferences or email using Intranet whenever necessary, community meetings, speaking at focus groups and via publications. Sometimes, it can be difficult to address all stakeholder issues in a pragmatic manner, as it may not be aligned to our business practices or philosophy. However, we are very cognizant of the stakeholder voice and try our level best to be responsive to their needs, provided it does not oppose or steer us away from our business objectives or strategy.

Financial Reporting

Vallibel Power is committed to adopting the best practices in financial reporting; signifying this, Company for 2010 was presented a Bronze award for excellence in annual reporting in the Service sector category at the Annual Report Awards 2011 ceremony organized by the Institute of Chartered Accountants of Sri Lanka.

Projects in operation

The core of Vallibel Power is hydro power – 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 Hydro power plant is a run-of-the-river hydro plant 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 and 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 the most recently commissioned project under our umbrella, 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. Expected to generate emission free electricity of 25 GWh annually, it 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. The annual emission reduction is averaged at approximately 10,000 tones of CO2. Located in the Kiriwaneliya village just downstream of the Laxapana Falls in the Nuwara Eliya district of the central province, this project utilizes 17 square kilometers of the catchment area in Maskeliya 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 Forbay 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, we manufactured two 4jet vertical pelton turbines which have now been installed.

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

Economic Highlights

SLR 249.6 Mn
in earnings

SLR 952.6 Mn
in capital expenditure

SLR 186.7 Mn
paid as dividends

2 Mini Hydro Power projects completed in 2011/12
38,957 total kWh contributed to national grid
60 new direct and indirect employment opportunities

With all three plants now in operation, the Group will generate over a total of 80 million kWh annually. We have doubled our installed capacity as promised from 10 MWs to 21.85 MWs, which was posted in our report of last year, delivering on our promise. We have also ensured that in meeting this promise, we have reduced our dependency on imported energy and thus saved foreign exchange for the country, especially during a year that saw prices of oil spiral upwards due to various problems cropping up in oil supplying nations.

In addition, there are two other facts that we are very focused on; local employment and local sourcing, which

Sustainability Report

both have a positive impact on the economic sustainability of communities. The three projects employ a total of 98, most of whom are from the communities adjacent to the locale of the project. With a need for a professional and academically qualified personnel especially those with skilled qualifications and professional and academic degrees, we have enabled those young people who have the apt knowledge and qualifications to gain productive and rewarding employment without having to resort to moving to urban areas. This has not only enabled them to remain close to their communities and thus contribute in their development but also, contributed towards the nation's drive of employment generation, rural empowerment and minimising urbanisation, which is prompting over-crowding of cities and drain on resources.

This year, we generated a revenue of Rs. 399.6 Mn, though seeing a decline of 25% over last year's Rs. 533.5 Mn. EBITDA meanwhile stands at Rs. 327 Mn and Net Profit at Rs. 249.6 Mn. The practice has been that the benefits of our performance is cascaded to both shareholders and employees which we did this year as well. The good financial performance therefore gave us the opportunity of paying Rs. 0.25 as dividend per share, to a total of Rs. 186.7 Mn in November 2011. Shareholders' Funds too increased to Rs. 1,818.7 Mn this year. We contributed Rs. 5 Mn as taxation to the national treasury.

The decrease in revenue and profitability are primarily attributable to two factors, one was the lack of adequate rain to meet hydropower generation needs, and the second, the lowering of the CEB tariffs applicable to mini hydro power developers such as us.

Our shareholder engagement is very focused as we are firm in the belief that a primary goal in our sustainability strategy is to create wealth for our shareholders. This has been an unwavering practice as can be seen in our YOY performance. Additionally, we ensure that all shareholders have access to information on the Company's operations, strategies and policies.

Quarterly Financial Statements are published on time to ensure that stakeholders are updated with the necessary information without delay. The Company website remains a good source of updated information, wherein both quantitative and qualitative information is available for dissemination. Mass media channels are also used to publicise new initiatives, new ventures and new developments. We also encourage maximum participation from our shareholders at the Annual General Meetings, for

which a comprehensive annual report and Statement of Account is published as a key tool of company progress and performance.

Environmental Highlights

52,275 MT
reduction in CO2 emissions

21.85MWs
of emission free power

Zero Fuel Emissions into river waters

45 trees planted to increase forest cover and reduce CO2

In addressing the increasingly complex challenge of global warming, we remain very cognizant of the need to reduce CO2 emissions and this has led us to take the lead in this sphere by balancing power generation with conserving the environment. Renewable energy sources, while being available, are becoming increasingly expensive, especially for developing countries like ours which have to manage social advancement as well as economic development. High oil prices due to oil supplying nations' political instability and the economic crises primarily in the US and Eurozone, have seen energy prices on a seemingly unfettered upward curve.

Due to these reasons, renewable energy, while being an imperative, has become a pawn among the larger nations, heavily commercialised and thus expensive. There are many initiatives around the world and among some of the larger energy companies to pursue solar and wind energy, although it remains in a nascent state. However, the International Energy Agency projects that solar power generators may produce most of the world's electricity within fifty years, dramatically reducing the emissions of greenhouse gases that harm the environment.

Renewable energy is sourced from natural resources, namely sunlight, wind, rain, tides and geothermal heat and

currently, about 16% of the world's energy consumption is from renewable energy, 10% from bio mass and 3.4% from hydro-electricity. Mini Hydro Power projects like ours, modern bio mass, wind, solar, geothermal and bio-fuels which are known as 'New Renewables' account for another 2.8% and is believed to be a growing trend. The premise is that renewable energy can uplift the poorest of nations to new levels of prosperity.

Hence, this Company remains extremely committed to ensuring that we do not veer from our renewable strategy. As a country, we have abundant water resources, most of which are underutilised. Having conducted a feasibility analysis, we have discovered that our river resources, which to a great extent remain primarily a source for fishing only, can be used to produce the much needed power to the country and hence run-off the river hydro electricity generation makes ample sense.

Environmental Compliance

Our all three projects are constructed very strongly on environmentally friendly platforms. We have not at any stage unwittingly or knowingly, harmed the environment in any way. Given that each step of our project has been very consciously constructed on being green, we have also ensured that there is no contamination of the rivers due to having no contact with oil or grease. Our machinery is sourced to green standards and has no input of fuel in any form and therefore has no emissions. The surrounds continue to retain its fauna and flora and the communities are made conscious of keeping a clean environment.

Our infrastructure is green as is seen in the power houses constructed according to environmentally friendly specifications and the building of underground tanks beneath the transformers to collect and prevent any oil leakage from the transformers which may come into contact with river water. Our suppliers are committed to being green as we source from suppliers who have a committed environmental strategy as in the case of our machinery which needs to be sourced from abroad and in local suppliers, if they are not already eco-friendly in their ethos or lacking, we cascade our best practices to them.

We are also mandated to maintain a maximum level of 60db levels within the Power House vicinity in order to ensure minimum noise pollution. This is strictly monitored regularly and we have had no diversions from this at any time.

Given that we are committed to balancing power generation with environmental protection, the Company has begun planting trees around the river and upstream to increase the country's forest cover and in addition, as a measure for reducing CO2 emissions.

Green Power is what we espouse because it reduces carbon emissions and allows the country to cash in with carbon credits. There is no pollution when green energy is used and the increased use of green energy, will naturally cascade to less use of fossil fuels, less expenditure on foreign exchange and most of all, less negative impact on the environment due to the use of fossil fuels.

All our construction projects, which are now completed, complied stringently to diktats of the Central Environmental Authority and guidelines of the Ministry of Power and Energy. There is also a continuous process of education for our team and suppliers in ensuring that they remain aware and compliant of the mandatory diktats, while also developing a conscience that will minimise the impact on the environment through their actions.

We continue to comply with the stringent standards set out by both these organisations and in fact, are in the process of reviewing our processes and systems that will generate a culture that goes beyond compliance.

This therefore prompted us to introduce the Clean Development Mechanism for Renewable Energy Projects. Both the Kiriwaneliya Mini Hydro Power Project and Denawaka Ganga Mini Hydro Power Project are in the process of applying for the Clean Development Mechanism (CDM), in order to obtain Carbon Credits for the emission reduction expected through its environmentally friendly power generation.

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 saleable 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

Sustainability Report

country hosting the project, ensuring that it contributes to sustainable development. Using methodologies approved by the CDM Executive Board (EB), the industrialized country must establish additionality and a baseline estimating future emissions in absence of the registered project. The case is then validated by a third party agency, called a Designated Operational Entity (DOE), to ensure the project results in real, measurable and long-term emission reductions. If a project is registered and implemented, the EB issues credits, called Certified Emission Reductions (CERs, commonly known as carbon credits, where each unit is equivalent to the reduction of one metric ton of CO₂, e.g. CO₂ or its equivalent), to project participants based on the monitored difference between the baseline and the actual emissions, verified by the DOE.

Social Sustainability

Highlights

Zero Lost Workday Case Accidents

3 technical scholarships

33 employees from local communities

Our People, both our team and our community, remain the reason we are 'Wired for Power'. They have become a critical facet and an enabler in sharing the challenge of providing energy required for our economic growth and thus, social upliftment. Most often natural resources are located in remote and sometimes sensitive regions and in developing these resources, we must respect the local environments and their communities, employing the highest industrial safety, environmental and social standards.

Environmental Health & Safety Policy

To be fully effective and to drive sustained safety performance improvements, we proactively develop a safety culture grounded in leadership at every level of the organization. Given the commitment we continually espouse, we infuse the best international practices in the myriad facets of our operations and are committed 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

Our Team

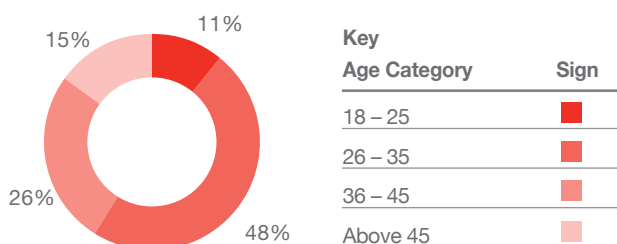
Dynamic, motivated and innovative; this is our team. It is a team that has driven this organisation since inception and will undoubtedly be the engine that takes it to new heights. This is the team that has made this company one of the largest private sector Mini Hydro Power Groups in the country and has initiated numerous initiatives to ensure that we remain within the portals of our Company vision, mission and objectives.

The energy industry requires highly skilled and knowledgeable people. It is an industry that is constantly transforming in its quest for better clean and cost effective energy sources. It requires people who will manage

resources better and conserve the resources that have already depleted to unimaginable levels. It is also an industry that needs innovative minds that will think out of the box and who will use state of the art technology to pursue new paths and frontiers in this quest for energy.

Below is a detailed analysis of our team by age group which re-iterates our non-discriminatory platform based on age. 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. The majority of the younger age group also displays our emphasis on employing young people from the surrounding communities who have gained basic skill levels and could gain employment opportunities, while fueling rural empowerment and paving the way for further knowledge gain through training and development and thus, performance and promotional rewards.

Employee Age Analysis - Group



Recruitment

We retain a strict policy of meritocracy and equality in our recruitment and management of human resources. We do not condone child labour or underage labour in any way and this extends not only to our recruitment initiatives, but

also to our valued business partners and even communities, where we try our best to ensure that these practices are not exercised. In the event we become aware of any non-adherence or diversions, we engage with the stakeholders concerned, creating awareness on these practices which should be eschewed and in the event it continues, disengage ourselves from any association with them.

We also work on a non-discriminatory platform where class, gender, ethnicity, caste, age, religion or culture plays no role in our recruitment or rewards processes. All performances are reviewed and appropriate rewards extended only on meritocracy.

To the best of our ability, we recruit internally for positions that arise and only source externally if there is a void that cannot be filled. This also instills a sense of loyalty and ownership among the team, while creating a sustainable path of succession that augurs well for our future business strategy.

Our Team however remains predominantly male due to the nature of the operations we perform but we are striving to employ more female members into our team, seeing potential in areas especially in front office and some back office operations. It is also a challenge to employ females in our project locations as the work times and circumstances do not warrant an appropriate environment for female employment, predominantly fueled by socio-cultural beliefs.

Training and Development

There is a culture of continuous training and development that is prevalent within the Group. Given the changing trends we continually foresee in the macro environment, we



Training on Office Management was held at The Foundation Institute

Sustainability Report

also know that one of the principles employed in retaining our employees, is to ensure that their knowledge base is widened and thus opportunities for career advancement is given added fillip. Training and Development is also an avenue that will fuel job satisfaction and increase efficiency and productivity.

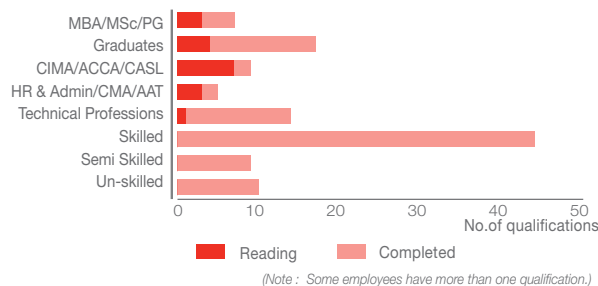
Most of our T&D initiatives are focused on on-the-job programmes due to the vast technical features of the industry. However, this is complimented with workshops and seminars that would add specialised features into the various competencies. While new recruits undergo a comprehensive orientation conducted in house to suit operational requirements, those who are recruited to the sites from the communities, must undergo mandatory technical training courses, conducted by the Technical Training School. This ensures that when our recruits do enter productive employment, they are equipped with the appropriate levels of knowledge and incidences of mistakes or diversions too, are minimal. Employees of the head office as well are given opportunities to enhance their management skills, accounting and leadership quality etc through workshops and training programs.

Creating Knowledge Bases

The knowledge enhancing culture continues throughout our team members' careers. They are urged to pursue higher studies or specialised competencies, for which the company reimburses part of educational expenses. Whenever necessary, senior team members are also sent overseas for specified T&D programmes, while university and professional qualifications are considered an imperative for further career advancement.

Rewards and Remuneration

Group Knowledge Base



We believe strongly in a happy team, a team that will, as a result, post higher productivity, better efficiency and instill a positive atmosphere into their work surroundings. Therefore, remuneration to us is important as are rewards. Remuneration is based on industry norms with incentives added for good performance or initiatives that have a positive impact on the business.

Remuneration is on an annual assessment, qualified by the two performance appraisals conducted during the year.

We provide our team with all statutory benefits. However, we have value additions that would add to a better work environment. Staff loans are extended to site staff and snacks and tea for those working shifts. The shifts are demarcated into 12 hour of which four hours are accounted for overtime. Operating staff work an average of twenty days. Accommodation is provided for site employees who work away from home. We have also established laundry facilities. Financial assistance is extended for personal needs such as weddings, funerals in addition to medical scheme introduced recently for all employees.



Rehabilitated Durekkanda Community Hall



Rehabilitated Koththallena Community Hall



Rehabilitation of Meegastenna Road

Believing strongly in good work life balance, we initiate programmes that inculcate unity, team spirit and camaraderie. The company celebrates major religious festivals and also organises annual company outings.

The Community Nexus

The community, as we mentioned earlier, remains the bedrock to our existence. They are also form a truss of our responsibility in ensuring that the energy we produce, impacts them positively, meeting their energy needs in the larger sense, while creating a conducive environment for them to exist in, in the immediate.

We work on two platforms of community empowerment: Creating Knowledge Bases and Developing Infrastructure. These are primarily driven in the three locations in which our projects are based as we strongly believe, that our presence in that community, must be a proactive one, where the community views our presence positively and as a partner to their progress.

The very ethos of our employee strategy is that of creating knowledge and thus, creating avenues for self development among the young people of this country. Given that 48% of the people we employ within our team are sourced from the community, the fact that they all undergo training once recruited to gain or enhance their skill and knowledge levels, is very strong within our community development policy.

In addition to improving the knowledge levels of the young people within these communities, we also provided equipment for children at the Nethmini Pre-school in the Durekkanda Village and the Kiriwaneliya Pre-school in a bid to making their study environment



Newley developed Atikehelpola Cause way

better. The Sri Somanada Daham School also benefited with a donation towards their activities, while the Sri Gnanabiwansharamaya Daham School Galaboda was restored.

Infrastructure Development

The fact that we provide power to the country through renewable clean energy will undoubtedly contribute towards the national infrastructure development agenda, which benefits, eventually cascades to the wider communities around the country. However, in an identified sense, we have embarked on some infrastructure development initiatives at community level which included the restoration of the Erathna-Adawikanda Road, Meegastenna Road in Malwala and the concreting of the Sri Sambuddathwa Jayanthi Road in Kiriwaneliya.

Two community halls for the use of the village communities were also restored with a better constructed building and equipment at Durekkanda in Denawaka Ganga and Koththallena in Hatton. One of our larger initiatives and one which gained much noteworthy appreciation from the community was the construction of the Atikehalpola causeway bridge across the Denawaka River, enabling the villagers to safely cross the river.

Two temples also received assistance from us: the restoration work conducted for the Sri Sumangarama Temple and the Vimalaramaya Temple in Kiriwaneliya.

With both Kiriwaneliya and Laxapana having the potential to promote nature tourism within its localities, we heeded to a request by the community, erecting 'Nature Signage' for the villages promoting the tourist attractions available within.

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 Review	6
1.2	Description of key impacts, risks and opportunities	Risk Management	39
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	Inner Back Cover 15
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 Review	6
2.8	Scale of the reporting organisation	Project Details	11, 19 & 21
2.9	Significant changes during the reporting period regarding size, structure or ownership	Chairman's Review	6
2.10	Awards received in the reporting period	Sustainability Report	24
3.0	Report Parameters		
3.1	Reporting period for information provided	Sustainability Report	22
3.2	Date of most recent previous Report	31 March 2011	NA
3.3	Reporting cycle	Once a year	NA
3.4	Contact point for questions regarding the report or its contents	Sustainability Report	22
3.5	Process for defining report content	Contents	Inner Front Cover
3.6	Boundary of the Report	Sustainability Report	22
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	Accounting Policies	56
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)	49 to 74
3.10	Explanation of the effect of any restatements of information provided in earlier Reports	None	NA
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report	None	NA
3.12	Table identifying the location of the standard disclosures in the Report	GRI Index	32 to 38
3.13	Policy and current practice with regard to seeking external assurance for the Report	None at present	NA

GRI Index	GRI Definition	Reference in the Report/ Description	Page/s of Reference
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	40 to 42
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance	40 to 42
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	40 to 42
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance	40 to 42
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	40 to 42
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	4 & 24
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 Review	6 to 9
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	39
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Sustainability Report	22 to 31
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	24
4.15	Basis for identification and selection of stakeholders with whom to engage.	Sustainability Report	24
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Sustainability Report	24
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	24

Sustainability Report

Global Reporting Initiatives (GRI)

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	Sustainability Report	25
	EC 2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Management Discussion & Analysis	17 & 18
	EC 3	Coverage of the organisation's defined benefit plan obligations	Sustainability Report	30
	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	24
	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	31
	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	Sustainability Report	16 to 21
	EN 9	Water sources significantly affected by withdrawal of water	Sustainability Report	16 to 21
	EN 10	Percentage and total volume of water recycled and reused	None	NA

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
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	44
	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	Sustainability Report	26
	EN 14	Strategies, current actions and future plans for managing impacts on biodiversity	Sustainability Report	26
	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
Emissions, Effluents and Waste	EN 16	Total direct and indirect greenhouse gas emissions by weight	Sustainability Report	26 to 28
	EN 17	Other relevant indirect greenhouse gas emissions by weight	Sustainability Report	26 to 28
	EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Sustainability Report	26 to 28
	EN 19	Emissions of ozone-depleting substances by weight	Sustainability Report	26 to 28
	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	26 to 28
	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	26 to 28
	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

Sustainability Report

Global Reporting Initiatives (GRI)

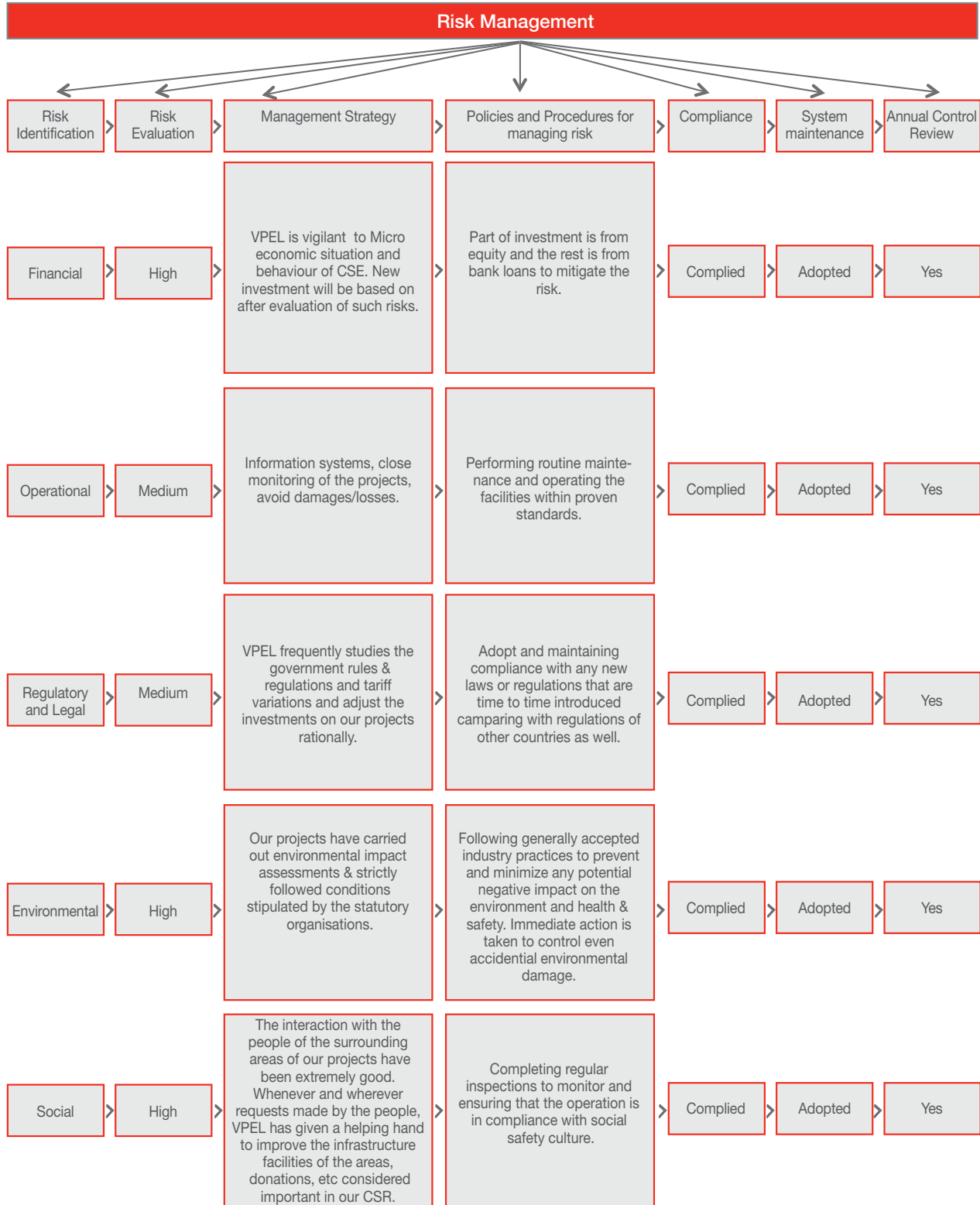
Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
Transport	EN 29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce	None	NA
Overall	EN 30	Total environmental protection expenditures and investments by type	Sustainability Report	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	Not reported	NA
	LA 3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Sustainability Report	30 & 31
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	28
	LA 7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Sustainability Report	28
	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	28 to 30
	LA 9	Health and safety topics covered in formal agreements with trade unions	Sustainability Report	28
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	29 & 30
	LA 12	Percentage of employees receiving regular performance and career development reviews	Sustainability Report	30
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	29
	LA 14	Ratio of basic salary of men to women by employee category	Not reported	NA

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
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	Not reported	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	29
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	31
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	Sustainability Report	31
Public Policy	SO 5	Public policy positions and participation in public policy development and lobbying	Sustainability Report	31
	SO 6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None	NA

Sustainability Report

Global Reporting Initiatives (GRI)

Category	GRI Reference	GRI Definition	Reference in the Report/ Description	Page/s of Reference
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	Sustainability Report	24
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



Corporate Governance

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 31st March 2012.

The Board

The Board comprises of an Executive Director and eight Non-Executive Directors. Their details appear on page 13 & 14 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 four meetings and the attendance is given below.

	Attendance	
Mr. K D D Perera (Chairman)	NED	2/4
Mr. W D N H Perera	NED	3/4
Mr. P K Sumanasekera	I	3/4
Mr. S H Amarasekera	I	3/4
Mr. D S Clark	NED	3/4
Mr. S E De Silva	NED	2/4
Mr. H Somashantha	NED	4/4
Mr. L D Dickman	ED	4/4
Mr. S Shanmuganathan (appointed on 25.1.2012)	I	1/1

Key

NED – Non-Executive Director

ED – Executive Director

I – Independent Non-Executive Director

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

Independence of Non-Executive Directors

The CSE Listing Rules 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 is disclosed in Note 18 to the Financial Statement on Page 72.

Company Secretaries

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretaries being appointed to the said position on 1st November 2011 prior to which Secretaries and Registrars (Pvt) Ltd functioned as the Company Secretaries. Both P W Corporate Secretarial (Pvt) Ltd and Secretaries and Registrars (Pvt) Ltd are qualified Company Secretaries. The Company Secretaries 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. W D N H Perera
Mr. P K Sumanasekera
Mr. H Somashantha
Mr. S Shanmuganathan

The Audit Committee meets once a quarter with the Executive Director and the Internal 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.

Responsibilities

It is the responsibility of the Board of Directors to ensure good Corporate Governance. Good Corporate Governance requires that the Board must govern the Company with integrity. This includes the following:-

- Exercise leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity in a manner based on transparency, accountability and responsibility.
- Ensure a managed and effective process of board appointments
- Determine the Company's purpose and values, strategy and ensure that procedures and practices are in place
- Monitor and evaluate the implementation of strategies and policies for better management performance
- Ensure compliance with the relevant law, regulations and codes of best practice

Corporate Governance

- Communicate with shareholders effectively and serve the legitimate interest of the shareholders
- Report to shareholders of the progress and performance of the Company periodically and timely
- Review processes and procedures regularly and ensure that internal control is effective
- Identify key risk areas and ensuring that these risks are addressed and managed effectively
- Appoint and evaluate the performance of the 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 except the 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 Mr. S H Amarasekera, Mr. P K Sumanasekera and Mr. S Shanmuganathan.
7.10.5 Remuneration Committee	Comprises of three Non-Executive Directors including two Independent Directors.
7.10.6 Audit Committee	Comprises of five Non-Executive Directors including three Independent Directors.

Annual Report to 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 31st March 2012.

Legal Status

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

Principal Activity

The principal activity of the Company is generation of electricity using hydro resources and transmitting such electricity to the national grid of the 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 Review on page 6 of the Annual Report. This report forms an integral part of the Annual Report of the Directors.

Summarized Financial Position

The summarized financial position of the Company is as follows:

	2011/12 Rs. '000	2010/11 Rs. '000
Profit after taxation	281,428	446,394
Profit brought forward	555,264	248,114
Dividends	186,777	149,422
Transfer of realized surplus on usage	10,178	10,178
Balance carried forward	660,093	555,264

The Financial Statements of the Company and the Group are given in pages 52 to 74

Financial Statements

The Financial Statements of the Group and the Company which are duly certified by the Head of Finance and duly signed by two Directors on behalf of the Board are included in this Annual Report and form part and parcel hereof.

Auditors' Report

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

Stated Capital

The Stated Capital as at 31st March 2012 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 49 to 74 and are consistent with those of the previous period.

Reserves

The reserves of the Company stand at Rs. 675,267,939/- comprising capital reserves of Rs. 15,174,424/- and revenue reserves of Rs. 660,093,515/-.

Taxation

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

Statutory Payments

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

Dividends

The Company made an interim dividend payment of Twenty Five Cents (Rs.0/25 cents) per share (tax-free) for the financial year 2011/2012 paid on 24th November 2011.

Capital Expenditure

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 984,909/-, details of which are given in Note 3 on page 61.

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

Property, Plant & Equipment

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

Shareholdings

As at 31st March 2012 there were 3,903 registered shareholders. The distribution of shareholders is indicated on pages 75 and 76.

Share Information

Information on share trading is given on page 76 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 14

Mr. K D D Perera (Chairman)
Mr. W D N H Perera
Mr. P K Sumanasekera
Mr. S H Amarasekera
Mr. D S Clark
Mr. S E De Silva
Mr. H Somashantha
Mr. L D Dickman
Mr. S Shanmuganathan

Mr. P K Sumanasekera and Mr. S Shanmuganathan retire by rotation in terms of Article 25(10) 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 A Perera
Mr. K D H 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.

Directors' Holding

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

	As at 31st March 2012	As at 31st March 2011
Mr. K D D Perera	144,812,225	144,812,225
Mr. W D N H Perera	Nil	3,000
Mr. P K Sumanasekera	150,000	150,000
Mr. S H Amarasekera	30	30
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 (Appointed on 25.1.2012)	Nil	Nil

Land Holdings

The Company's land holdings referred to in Note 3 of the accounts comprise a land in extent of 5.5 acres (freehold) and another land in extent of 4.0 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. 2,796,105/-. Further it holds another land in the Nuwara Eliya District in extent of 4.1 acres (freehold) of value of Rs. 22,939,752/-.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2012 are given in Notes 4 to the Financial Statements on page 65.

Donations

The Company made donations amounting to Rs.990,330/- 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 39.

Corporate Governance

The report on Corporate Governance is given on pages 40 to 42.

Going Concern

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

Post Balance Sheet Events

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

Auditors

The Financial Statements for the year ended 31st March 2012 have been audited by Messrs Ernst & Young, Chartered Accountants who offer themselves for re-appointment.

In accordance with the Companies Act No. 07 of 2007, a resolution relating to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting. The audit fee and reimbursable expenses of Messrs Ernst & Young for the current year was Rs. 566,280/-. (2010/11 – Rs. 514,800/-). In addition they were paid Rs. 140,000/- by the Company for solvency provisions and other opinions. 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 11th Annual General Meeting of the Company will be held at the Hotel Taj Samudra, Galle Road, Colombo 3 on Tuesday, 26th day of June 2012 at 9.30 a.m. The Notice of the Annual General Meeting is on page 80 of this Report.

For and on behalf of the Board



S H Amarasekera
Director



L D Dickman
Director



P W Corporate Secretarial (Pvt) Limited
Secretaries

Colombo
25 May 2012

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 51.

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 52 to 74 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the Financial Statements since adequate resources are available to continue operations in the foreseeable future.

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

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

The Directors are required to prepare Financial Statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, in arriving at the financial results for the year under review.

For and on behalf of the Board

VALLIBEL POWER ERATHNA PLC
P W CORPORATE SECRETARIAL (PVT) LTD



SECRETARIES

Colombo
25 May 2012

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Vallibel Power Erathna PLC comprises of five Non-Executive Directors. Mr. Harsha Amarasekera (Independent Non-Executive Director), functions as the Chairman of the Audit Committee. Mr. Prabodha Sumanasekera and Mr. S Shanmuganathan who are Independent Non Executive Directors and Mr. Nimal Perera and Mr. Haresh Somashantha serve as members of the Committee.

Meetings

Four meetings of the committee were held during the year. The Executive Director, two Joint Chief Executive Officers and Head of Finance attend most parts of these meetings by invitation. Other officials of the Company attend meetings by invitation on a needs basis. The external auditors and internal auditors are present at 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 oversight responsibilities for;

1. The integrity of Financial Statements in accordance with Sri Lanka Accounting Standards.
2. The Company's compliance with legal and regulatory requirements.
3. The external auditor's independence.
4. The performance of the Company's internal audit functions to ensure that 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 recommended to the Board of Directors that M/s Ernst & Young, Chartered Accountants, be re-appointed as the auditors of the Company for the financial year ending 31st March 2013, 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.

The Audit Committee wishes to acknowledge with thanks the services rendered by the Group auditors, Ernst & Young and their efforts to meet Vallibel Power requirements and expectations.

The contribution made by Mr. Nimal Perera, Mr. Prabodha Sumanasekera, Mr. Haresh Somashantha and Mr. S Shanmuganathan, as members of the Committee is acknowledged with grateful appreciation. Their professional expertise was invaluable in making the Audit Committee function effective and useful.



S H Amarasekera
Chairman
Audit Committee

25 May 2012

Members
W D N H Perera, P K Sumanasekera, H Somashantha,
S Shanmuganathan

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. S H Amarasekera who is an Independent Non- Executive Director and the other members are Mr. K D D Perera and 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 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 highly 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
25 May 2012

Members
K D D Perera, P K Sumanasekera

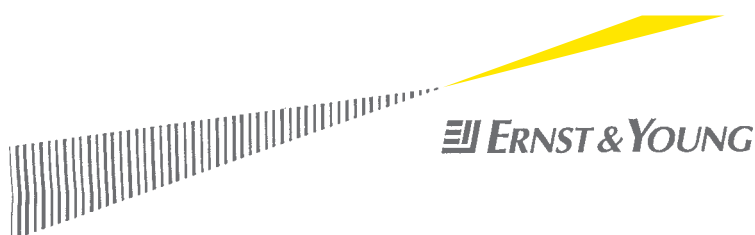


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Financial Calendar

Rs.0.25 per share (tax free) interim dividend for the financial year 2011/12	-	24 November 2011
Interim Report – 1st Quarter 2011/12	-	05 August 2011
Interim Report – 2nd Quarter 2011/12	-	02 November 2011
Interim Report – 3rd Quarter 2011/12	-	27 January 2012
Interim Report – 4th Quarter 2011/12	-	25 May 2012
Annual Report 2011/12	-	25 May 2012
11th Annual General Meeting	-	26 June 2012

Independent Auditors' Report



Chartered Accountants

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

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

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 Balance Sheet as at March 31, 2012 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made

by management, as well as evaluating the overall Financial Statement presentation.

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

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012, and the Financial Statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting standards of the company and its subsidiary dealt with thereby, so far as concerns the shareholders of the company.

Report on Other Legal and Regulatory Requirements

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


25 May 2012
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 ACA 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 Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

Balance Sheet

As at 31 March	Note	Company		Group	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	3	1,068,209,507	1,097,310,147	2,771,166,813	1,854,757,185
Investments	4	740,888,870	740,888,870	73,568,870	73,568,870
Intangible Assets	5	11,200,000	12,800,000	164,775,418	168,150,000
Deposit on Leasehold Land	6	-	-	4,500,000	4,500,000
		1,820,298,377	1,850,999,017	3,014,011,101	2,100,976,055
Current Assets					
Trade & Other Receivables	7	23,990,279	49,525,017	50,410,716	153,193,026
Amount Due from Related Parties	8	151,367,698	45,795,831	6,999,323	3,304,283
Short Term Investment	4	20,740,000	42,893,187	187,485,258	52,893,187
Cash and Bank Balances		994,771	2,316,005	19,594,658	7,827,650
Tax Receivables		-	685,452	-	685,452
		197,092,748	141,215,492	264,489,954	217,903,598
Total Assets		2,017,391,125	1,992,214,509	3,278,501,055	2,318,879,653
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
Reserves	10	15,174,424	25,352,392	15,174,424	25,352,392
Accumulated Profit		660,093,515	555,264,842	629,170,203	551,698,793
		1,849,633,217	1,754,982,512	1,818,709,905	1,751,416,463
Minority Interest		-	-	92,344,661	63,067,358
Total Equity		1,849,633,217	1,754,982,512	1,911,054,566	1,814,483,821
Non Current Liabilities					
Interest Bearing Loans and Borrowings	11	80,754,051	153,271,890	1,135,216,832	403,114,683
Retirement Benefit Obligations	12	5,886,213	5,610,653	7,116,346	7,087,569
		86,640,264	158,882,543	1,142,333,178	410,202,252
Current Liabilities					
Trade and Other Payables	13	8,288,503	6,536,065	64,346,489	21,133,844
Interest Bearing Loans and Borrowings	11	72,517,839	71,813,389	157,245,771	72,886,334
Amounts Due to Related Parties	14	-	-	1,655,532	73,074
Tax Payables		311,300	-	1,865,518	100,327
		81,117,643	78,349,454	225,113,311	94,193,580
Total Equity and Liabilities		2,017,391,125	1,992,214,509	3,278,501,055	2,318,879,653

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.


K D Dhammika Perera
 Chairman


L D Dickman
 Director

The Accounting Policies and Notes on Pages 56 through 74 form an integral part of the Financial Statements.

25 May 2012
 Colombo

Income Statement

For the year ended 31 March	Note	Company		Group	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	15	377,913,617	533,588,024	399,664,981	533,588,024
Cost of Sales		(38,228,287)	(36,467,607)	(48,317,631)	(36,467,607)
Gross Profit		339,685,330	497,120,417	351,347,350	497,120,417
Other Income	16	2,992,303	3,344,612	10,356,429	10,876,137
Administration Expenses		(42,109,771)	(36,315,262)	(73,083,421)	(64,606,617)
Other Operating Expenses		(2,884,742)	(500,000)	(3,605,100)	(3,831,896)
Finance Income		7,719,831	6,134,502	16,318,185	6,811,535
Finance Cost	17	(21,309,260)	(20,291,175)	(46,627,138)	(20,989,362)
Profit Before Taxation	18	284,093,691	449,493,094	254,706,305	425,380,214
Income Tax Expense	19	(2,665,553)	(3,098,627)	(5,075,243)	(3,201,705)
Net Profit for the Year		281,428,138	446,394,467	249,631,062	422,178,509
Attributable To:					
Equity Holders of the Parent		-	-	254,070,875	422,826,500
Minority Interest		-	-	(4,439,813)	(647,991)
		-	-	249,631,062	422,178,509
Basic Earnings Per Share	20	0.38	0.60	0.33	0.57
Dividend Per Share		0.25	0.20	0.25	0.20

The Accounting Policies and Notes on Pages 56 through 74 form an integral part of the Financial Statements.

Statement of Changes in Equity

Company

For the year ended 31 March	Stated Capital Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 1 April 2010	1,174,365,278	35,530,360	248,114,353	1,458,009,991
Net Profit for the year	-	-	446,394,467	446,394,467
Dividends	-	-	(149,421,946)	(149,421,946)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-
Balance as at 31 March 2011	1,174,365,278	25,352,392	555,264,842	1,754,982,512
Net Profit for the year	-	-	281,428,138	281,428,138
Dividends	-	-	(186,777,433)	(186,777,433)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-
Balance as at 31 March 2012	1,174,365,278	15,174,424	660,093,515	1,849,633,217

Group

For the year ended 31 March	Stated Capital Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Minority Interest Rs.	Total Rs.
Balance as at 1 April 2010	1,174,365,278	35,530,360	268,116,271	-	1,478,011,909
Issue of Shares	-	-	-	74,200,020	74,200,020
Net Profit/(Loss) for the year	-	-	422,826,500	(647,991)	422,178,509
Impact on change in share structure of the subsidiary	-	-	-	(10,484,671)	(10,484,671)
Dividends	-	-	(149,421,946)	-	(149,421,946)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-	-
Balance as at 31 March 2011	1,174,365,278	25,352,392	551,698,793	63,067,358	1,814,483,821
Issue of Shares	-	-	-	40,000,000	40,000,000
Net Profit/(Loss) for the year	-	-	254,070,875	(4,439,813)	249,631,062
Impact on change in share structure of the subsidiary	-	-	-	(6,282,884)	(6,282,884)
Dividends	-	-	(186,777,433)	-	(186,777,433)
Transfer of realised surplus on usage	-	(10,177,968)	10,177,968	-	-
Balance as at 31 March 2012	1,174,365,278	15,174,424	629,170,203	92,344,661	1,911,054,566

The Accounting Policies and Notes on Pages 56 through 74 form an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 March	Note	Company		Group	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Cash Flows From/(Used in) Operating Activities					
Net Profit before Income Tax Expense		284,093,691	449,493,094	254,706,305	425,380,214
Adjustments for					
Amortization of Intangible assets	5	1,600,000	1,600,000	3,374,582	1,600,000
Depreciation	18	30,085,549	30,147,288	38,403,333	32,136,132
Retirement Benefits Provision & Adjustments	12	(1,164,303)	1,677,224	(637,039)	2,272,425
(Profit)/Loss on Disposal of Property, Plant & Equipment		(28,000)	(60,500)	(1,409,242)	134,672
Deemed Disposal Gain		-	-	(6,282,884)	(10,484,651)
Adjustment for Property, Plant & Equipment		-	-	-	413,609
Interest Income		(7,719,831)	(6,134,502)	(16,318,185)	(6,811,535)
Finance Costs	17	21,309,260	20,291,175	46,627,138	20,989,362
Operating Profit/(Loss) before Working Capital Changes		328,176,366	497,013,780	318,464,008	465,630,229
(Increase)/Decrease in Trade and Other Receivables					
		25,605,343	(33,673,770)	102,852,916	(121,844,671)
(Increase)/Decrease in Amounts Due from Related Parties					
		(105,091,149)	(368,993,883)	(3,911,456)	24,351,586
Increase /(Decrease) in Trade and Other Payables					
		1,871,214	632,550	40,224,499	5,106,479
Increase/(Decrease) in Amounts Due to Related Parties					
		959,146	(2,036,454)	2,464,690	(3,874,274)
Cash Generated from/(used in) Operating Activities		251,520,920	92,942,223	460,094,657	369,369,350
Finance Costs Paid					
		(21,309,260)	(20,291,175)	(43,520,214)	(20,989,362)
Interest Received					
		7,469,575	9,842,161	16,067,929	10,519,194
Gratuity Paid					
		-	(157,693)	-	(157,693)
Taxes Paid					
		(1,489,151)	(4,561,703)	(2,444,950)	(4,564,574)
Net Cash from/(used in) Operating Activities		236,192,084	77,773,813	430,197,422	354,176,915
Cash Flows from/(Used in) Investing Activities					
Acquisition of Property, Plant & Equipment					
		(984,909)	(21,971,165)	(952,636,364)	(605,100,204)
Net Investment in Fixed Deposits					
		15,414,187	(14,662,705)	(150,179,891)	(14,662,705)
Proceeds from Disposal of Property, Plant & Equipment					
		28,000	80,500	2,328,000	219,977
Net Cash Flows from/(Used in) Investing Activities		14,457,279	(36,553,370)	(1,100,488,255)	(619,542,932)
Cash Flows from/(Used in) Financing Activities					
Bank Loan Received					
		-	115,000,000	882,322,080	360,865,673
Bank Loan Paid					
		(69,937,045)	(33,794,190)	(69,937,045)	(33,794,190)
Dividend Paid					
		(186,896,210)	(148,813,573)	(186,896,210)	(148,813,573)
Issue of Shares to Minority					
		-	-	40,000,000	74,200,000
Lease Rental Paid					
		(1,876,344)	(1,171,899)	(3,097,251)	(1,429,942)
Net Cash Flows from/(Used in) Financing Activities		(258,709,599)	(68,779,662)	662,391,574	251,027,968
Net Increase/(Decrease) in Cash and Cash Equivalents		(8,060,234)	(27,559,218)	(7,899,260)	(14,338,049)
Cash and Cash Equivalents at the Beginning of the Period (Note A)		14,795,005	42,354,223	30,306,650	44,644,699
Cash and Cash Equivalents at the end of the Period (Note B)		6,734,771	14,795,005	22,407,390	30,306,650
Note A					
Cash and Cash Equivalents at the beginning of the period					
Cash in Hand & at Bank		2,316,005	5,354,223	7,827,650	6,044,699
Call Deposits & Repo		12,479,000	37,000,000	22,479,000	38,600,000
		14,795,005	42,354,223	30,306,650	44,644,699
Note B					
Cash and Cash Equivalents at the end 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

The Accounting Policies and Notes on Pages 56 through 74 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 public 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 District.

The Consolidated financial statements of the company as at and for the year ended 31 st March 2012 comprise the Company and its Subsidiary namely Country Energy (Pvt) Ltd (together referred as the "Group").

The Company has 84.53% holding of Country Energy (Pvt) Ltd which is engaged in hydro power generation too. It comprises two power generating plants situated at Durekkanda in Rathnapura District & Norton Bridge in Nuwara Eliya District.

All the companies in the group have a common financial year, which ends on 31 st 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 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 25 May 2012.

2.1 Basis of Preparation

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

2.1.1 Statement of Compliance

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

2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern

and they do not intend either to liquidate or to cease trading.

2.1.3 Comparative Information

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

2.1.4 Business Combinations and Goodwill

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

2.1.5 Consolidation Policy

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

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

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

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

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

2.2 Summary of Significant Accounting Policies

2.2.1 Taxation

a) Current Taxes

Company

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

shall apply to the company. However, other income is taxed at the applicable tax rate.

Subsidiary

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

b) Deferred Taxation

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

2.2.2 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent where borrowing cost that are directly attributable to the acquisition, construction or production of an asset that takes a sustained period of time to get ready for its intended user or sale, are capitalized as part of that asset.

2.2.3 Intangible Assets

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

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the

expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research and Development Costs

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

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

2.2.4 Trade and Other Receivables

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

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

Notes to the Financial Statements

2.2.5 Cash and Cash Equivalents

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

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

2.2.6 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

2.2.7 Leases (Finance)-Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged reflected in the income statement.

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

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

2.2.8 Investments

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

- b) *Measurement*
Current Investments:
Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio.

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

Long Term Investments

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

Disposal of Investment

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

2.2.9 Provisions

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

2.2.10 Retirement Benefit Obligations

- a) *Defined Benefit Plan – Gratuity*
Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the Balance Sheet, in a manner computed using the prescribed formula in Appendix E of SLAS 16 (Revised). The resulting difference between brought forward provision at the beginning of a year, net of any payments made and the carried forward provision at the end of a year is dealt with in the income statement. The principle assumptions used were as follows:

Discount Rate	10.8%
Expected Salary Increment Rate	10%
Staff Turnover Rate	10%

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

- b) *Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund*
Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.2.11 Impairment of Non Financial Assets

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

Notes to the Financial Statements

calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

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

Intangible Assets

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

2.2.12 Revenue Recognition

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

- a) *Rendering of Services*
Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

- b) *Interest*
Revenue is recognised on a time proportion basis that takes into accounts the effective interest rate on asset.
- c) *Dividends*
Dividend Income is recognised when the shareholders' right to receive the payment is established.
- d) *Rental income*
Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms.
- e) *Others*
Other income is recognised on an accrual basis

2.2.13 Expenditure Recognition

- a) Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the Profit / (Loss) for the year.
- b) For the purpose of presentation of Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

2.2.14 Sri Lanka Accounting Standards Effective from 01 January 2012

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 April 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition and is in the process of quantifying the impact on the financial statements.

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 - Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

3.1.1 Property, Plant & Equipment

	Balance As at 01.04.2011 Rs.	Company Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
Gross Carrying Amounts				
At Cost				
Civil Constructions - Since Revaluation	11,781,255	-	-	11,781,255
Plant & Machinery - Since Revaluation	20,988,400	-	-	20,988,400
Project Equipment	886,411	-	-	886,411
Tools & Accessories	2,600,114	120,000	-	2,720,114
Motor Bicycle	358,987	138,720	(62,349)	435,358
Furniture & Fittings	10,121,049	290,939	-	10,411,988
Computer	2,732,406	245,743	-	2,978,149
Container	75,000	-	(75,000)	-
Office Equipment	1,377,170	189,507	-	1,566,677
Fire Extinguisher	524,600	-	-	524,600
Generator	1,246,000	-	-	1,246,000
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Web Development	634,811	-	-	634,811
	57,474,557	984,909	(137,349)	58,322,117
Assets on Finance Lease				
Motor Vehicle	8,758,500	-	-	8,758,500
	Balance as at 01.04.2011 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2012 Rs.
At Valuation				
Freehold Land	150,000,000	-	-	150,000,000
Civil Constructions	519,157,179	-	-	519,157,179
Plant & Machinery	556,703,996	-	-	556,703,996
	1,225,861,175	-	-	1,225,861,175

Notes to the Financial Statements

3.1.2 Property, Plant & Equipment (Cont.)

	Balance As at 01.04.2011 Rs.	Company Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
Depreciation				
At Cost				
Civil Constructions	684,539	196,354	-	880,893
Plant & Machinery	921,391	629,652	-	1,551,043
Project Equipment	417,911	56,923	-	474,834
Tools & Accessories	2,472,091	48,221	-	2,520,312
Motor Bicycle	308,485	78,036	(62,349)	324,172
Furniture & Fittings	3,476,835	980,101	-	4,456,936
Computer	1,961,694	140,233	-	2,101,927
Container	75,000	-	(75,000)	-
Office Equipment	359,027	153,491	-	512,518
Fire Extinguisher	281,764	52,456	-	334,220
Site Fixtures & Fittings	2,950,924	461,597	-	3,412,521
Generator	580,834	56,083	-	636,917
Web Development	402,047	126,962	-	529,009
	14,892,542	2,980,109	(137,349)	17,735,302
Assets on Finance Lease				
Motor Vehicle	3,941,324	1,751,700	-	5,693,024
	Balance as at 01.04.2011 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2012 Rs.
At Valuation				
Civil Constructions	59,667,556	8,652,620	-	68,320,176
Plant & Machinery	116,282,663	16,701,120	-	132,983,783
	175,950,219	25,353,740	-	201,303,959
Written Down Value	1,097,310,147			1,068,209,507

3.2.1 Property, Plant & Equipment (Cont.)

	Balance As at 01.04.2011 Rs.	Group Additions for the Year Rs.	Disposals/ Transfers/ Increase in Valuation Rs.	Balance As at 31.03.2012 Rs.
Gross Carrying Amounts				
At Cost				
Land	2,796,105	2,012,768	-	4,808,873
Civil Constructions - Since Revaluation	11,781,255	1,164,112,189	-	1,175,893,444
Plant & Machinery - Since Revaluation	20,988,400	497,872,540	-	518,860,940
Project Equipment	886,411	-	-	886,411
Tools & Accessories	4,054,564	514,204	-	4,568,768
Motor Vehicles	4,860,415	8,915,000	(1,750,000)	12,025,415
Motor Bicycle	1,419,467	138,720	(62,349)	1,495,838
Furniture & Fittings	10,746,070	358,446	-	11,104,516
Computer	3,222,316	588,933	-	3,811,249
Container	75,000	-	(75,000)	-
Office Equipment	1,590,336	533,406	-	2,123,742
Fire Extinguisher	597,794	242,831	-	840,625
Generator	1,389,000	-	-	1,389,000
Site Fixtures & Fittings	4,148,354	-	-	4,148,354
Web Development	634,811	-	-	634,811
	69,190,298	1,675,289,037	(1,887,349)	1,742,591,986
Assets on Finance Lease				
Motor Vehicle	14,066,608	5,634,355	-	19,700,963
	Balance as at 01.04.2011 Rs.	Additions for the Year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2012 Rs.
At Valuation				
Freehold Land	170,926,984	-	-	170,926,984
Civil Constructions	519,157,179	-	-	519,157,179
Plant & Machinery	556,703,996	-	-	556,703,996
	1,246,788,159	-	-	1,246,788,159

Notes to the Financial Statements

3.2.2 Property, Plant & Equipment (Cont.)

	Balance As at 01.04.2011 Rs.	Charge for the period/ Transfers Rs.	Group Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.
Depreciation				
At Cost				
Civil Constructions - Since Revaluation	684,539	3,883,914	-	4,568,453
Plant & Machinery - Since Revaluation	921,391	3,787,452	-	4,708,843
Project Equipment	417,911	56,923	-	474,834
Tools & Accessories	2,789,494	444,988	-	3,234,482
Motor Vehicles	1,117,913	2,439,000	(831,242)	2,725,671
Motor Bicycle	622,570	431,500	(62,349)	991,721
Furniture & Fittings	3,573,750	1,044,081	-	4,617,831
Computer	2,099,622	289,263	-	2,388,885
Container	75,000	-	(75,000)	-
Office Equipment	380,211	185,091	-	565,302
Fire Extinguisher	282,412	64,148	-	346,560
Site Fixtures & Fittings	2,950,924	461,597	-	3,412,521
Generator	585,602	70,386	-	655,988
Web Development	402,047	126,962	-	529,009
	16,903,386	13,285,305	(968,591)	29,220,100
Assets on Finance Lease				
Motor Vehicle	4,295,197	3,095,039	-	7,390,236
	Balance as at 01.04.2011 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2012 Rs.
At Valuation				
Civil Constructions	59,667,556	8,652,620	-	68,320,176
Plant & Machinery	116,282,663	16,701,120	-	132,983,783
	175,950,219	25,353,740	-	201,303,959
Written Down Value	1,132,896,263			2,771,166,813
	Balance as at 01.04.2011 Rs.	Additions for the Year Rs.	Capitalised during the Year Rs.	Balance as at 31.03.2012 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)	-
	1,854,757,185			2,771,166,813

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

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

As at 31 March	Cost Rs.	Cumulative Depreciation if Assets were Carried at Cost Rs.	Net Carrying Amount 2012 Rs.	Net Carrying Amount 2011 Rs.
Class of Asset				
Freehold Land	7,733,307	-	7,733,307	7,733,307
Civil Constructions	273,106,006	35,922,066	237,183,940	241,735,707
Plant & Machinery	354,133,484	84,592,224	269,541,260	280,165,265
	634,972,797	120,514,290	514,458,507	529,634,279

4. Investments

As at 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Summary				
Non Current				
Investment in Equity Securities (Quoted)				
The Fortress Resorts PLC				
(Market Value Rs. 102,054,480/-)	73,568,870	73,568,870	73,568,870	73,568,870
	73,568,870	73,568,870	73,568,870	73,568,870
Investment in Subsidiary (Holding 84.53%)	667,320,000	667,320,000	-	-
	740,888,870	740,888,870	73,568,870	73,568,870
Current				
Investment in Fixed Deposits	15,000,000	30,414,187	180,594,079	30,414,187
Call Deposit	-	2,000,000	-	12,000,000
Repo	5,740,000	10,479,000	6,891,179	10,479,000
	20,740,000	42,893,187	187,485,258	52,893,187

Notes to the Financial Statements

5. Intangible Asset - Right to Generate Hydro Power

As at 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Cost				
Gross carrying amount B/F	24,000,000	24,000,000	179,350,000	179,350,000
Increase due to Acquisition	-	-	-	-
Gross carrying amount C/F	24,000,000	24,000,000	179,350,000	179,350,000
Amortisation				
Accumulated amortisation B/F	11,200,000	9,600,000	11,200,000	9,600,000
Amortization for the year	1,600,000	1,600,000	3,374,582	1,600,000
Accumulated amortisation C/F	12,800,000	11,200,000	14,574,582	11,200,000
Net carrying amount at the end of the year	11,200,000	12,800,000	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 31 March	Group	
	2012 Rs.	2011 Rs.
At the beginning of the year	4,500,000	4,500,000
Paid during the year	-	-
At the end of the year	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 lapse of every 05 years.

7. Trade and Other Receivables

As at 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Advances & Pre Payments	7,874,238	6,192,902	16,807,234	109,112,614
Trade Receivables	13,406,874	41,422,427	30,091,310	41,422,427
Staff Debtors	2,262,249	1,533,376	2,909,217	2,243,592
Other Receivables	446,918	376,312	602,955	414,393
	23,990,279	49,525,017	50,410,716	153,193,026

8. Amount due from Related Parties

As at 31 March	Relationship	Company		Group	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Country Energy (Pvt) Ltd.					
- Kiriwaneliya Project	Subsidiary Company	68,630,713	2,236,054	-	-
- Denewaka Ganga Project	Subsidiary Company	77,352,113	43,469,652	-	-
Alternate Power Systems (Pvt) Ltd.					
- Current Account Balance	Related Company	5,384,872	90,125	5,384,872	90,125
Vallibel Plantation (Pvt) Ltd.	Related Company	-	-	1,541,084	3,214,158
Vallibel Power Kiriwaneliya (Pvt) Ltd.	Related Company	-	-	73,367	-
		151,367,698	45,795,831	6,999,323	3,304,283

9. Stated Capital

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

10. Reserves

As at 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Summary				
Capital Reserves				
Revaluation Reserve (10.1)	15,174,424	25,352,392	15,174,424	25,352,392
	15,174,424	25,352,392	15,174,424	25,352,392
10.1 Revaluation Reserve				
Balance as at the beginning of the year	25,352,392	35,530,360	25,352,392	35,530,360
Realised Surplus on usage transferred to Accumulated Profit	(10,177,968)	(10,177,968)	(10,177,968)	(10,177,968)
Balance as at the end of the year	15,174,424	25,352,392	15,174,424	25,352,392

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

11. Interest Bearing Loans and Borrowings

	Long Term Loan (Note 11.1.1) Rs.	Finance Leases (Note 11.1.2) Rs.	Bank Overdraft Rs.	Total Rs.
Company				
Repayable within one year from year-end	69,937,045	1,876,344	-	71,813,389
Repayable between 2 and 5 years from year-end	148,556,900	4,714,990	-	153,271,890
Balance as at 31 March 2011	218,493,945	6,591,334	-	225,085,279
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 31 March 2012	148,556,900	4,714,990	-	153,271,890
	Long Term Loan (Note 11.2.1) Rs.	Finance Leases (Note 11.2.2) Rs.	Bank Overdraft Rs.	Total Rs.
Group				
Repayable within one year from year-end	69,937,045	2,949,289	-	72,886,334
Repayable between 2 and 5 years from year-end	394,422,573	8,692,110	-	403,114,683
Repayable later 5 years from year-end	-	-	-	-
Balance as at 31 March 2011	464,359,618	11,641,399	-	476,001,017
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 31 March 2012	1,276,744,653	11,639,504	4,078,446	1,292,462,603

Notes to the Financial Statements

11.1.1 Long-Term Loans - Company

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

11.1.2 Finance Lease

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

11.2.1 Long-Term Loans - Group

As at 31 March	DFCC Rs.	Commercial Bank HNB of Ceylon PLC Rs.	Total 2012 Rs.	Total 2011 Rs.
At the beginning of the year	316,426,782	97,932,836	50,000,000	464,359,618
Repayments during the year	(69,937,045)	-	-	(69,937,045)
Obtained during the year	339,661,040	339,661,040	203,000,000	882,322,080
At the end of the year	586,150,777	437,593,876	253,000,000	1,276,744,653
Analysis of Long-Term Interest Bearing Borrowings by Year of Payment				
Repayable within one year from year-end	98,669,653	26,387,608	23,605,000	148,662,261
Repayable between 2 and 5 years from year-end	352,307,439	272,152,584	150,625,000	775,085,023
Repayable later 5 years from year-end	135,173,685	139,053,684	78,770,000	352,997,369
	586,150,777	437,593,876	253,000,000	1,276,744,653

11.2.2 Finance Lease

As at 31 March	LB Finance PLC Rs.	HNB Rs.	Total 2012 Rs.	Total 2011 Rs.
At the beginning of the year	11,641,399	-	11,641,399	7,763,229
Repayments during the year	(2,949,293)	(147,867)	(3,097,160)	(1,429,942)
Obtained during the year	-	3,095,355	3,095,355	5,308,112
At the end of the year	8,692,106	2,947,488	11,639,594	11,641,399
Gross Liability	10,449,236	3,646,575	14,095,811	15,592,934
Finance Charges allocated to future period	(1,757,220)	(699,087)	(2,456,307)	(3,951,535)
Net Liability	8,692,016	2,947,488	11,639,504	11,641,399
Analysis of Long-Term Interest Bearing Borrowings by Year of Payment				
Repayable within one year from year-end	3,852,803	652,258	4,505,062	2,949,289
Repayable between 2 and 5 years from year-end	4,839,212	2,295,230	7,134,442	8,692,110
	8,692,016	2,947,488	11,639,504	11,641,399

11.3 Details of Long Term Loans (Group)

Lender	Approved Facility	Purpose	Repayment Terms	Security
Company				
DFCC Bank Loan 1	Rs. 150,000,000/-	To Invest in Subsidiary	59 equal monthly installments 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 favour of DFCC Bank
DFCC Bank Loan 2	Rs. 115,000,000/-	To Invest in Subsidiary	35 equal monthly installments 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 favour of DFCC Bank
Subsidiary				
DFCC Bank	Rs. 200,000,000/-	To part finance Kiriwaneliya Mini Hydro Project	72 equal monthly installments 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. Lodgement of Project documents
DFCC Bank	Rs. 253,000,000/-	To part finance Denawakaganga Mini Hydro Project	78 varied monthly installments after a grace period of 18 months	1. Rs. 210.6 Mn 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. 42.4 Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company. 3. Lodgement of Project documents
Hatton National Bank PLC	Rs. 200,000,000/-	To part finance Kiriwaneliya Mini Hydro Project	72 equal monthly installments 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. Irrevocable Power of Attorney in favour of the bank with the right to transfer the shares of the Company

Notes to the Financial Statements

Lender	Approved Facility	Purpose	Repayment Terms	Security
Hatton National Bank PLC	Rs. 253,000,000/-	To part finance Denawaka Ganga MHPP	78 varied monthly installments after a grace period of 18 months	<ol style="list-style-type: none"> Rs. 210.6 Mn <ol style="list-style-type: none"> by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and Equipment primary concurrent mortgage over freehold land as additional security Rs. 42.4 Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company. Irrevocable Power of Attorney in favour 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 MHPP	78 varied monthly installments after a grace period of 18 months	<ol style="list-style-type: none"> Rs. 210.6 Mn <ol style="list-style-type: none"> by a primary concurrent mortgage over freehold land, building civil structures, plant, machinery and Equipment primary concurrent mortgage over freehold land as additional security Rs. 42.4 Mn by a primary concurrent mortgage over 69,820,000 ordinary shares of the Company. Lodgement of Project documents

12. Retirement Benefit Obligation

As at 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
At the beginning of the year	5,610,653	3,950,951	7,087,569	4,704,464
Provision/(Reversal) for the year	(1,164,303)	1,677,224	(637,038)	2,272,425
Payment made During the year	-	(157,694)	-	(157,694)
Transfers	1,439,863	140,172	665,815	268,374
At the end of the year	5,886,213	5,610,653	7,116,346	7,087,569

The employee benefit liability of all companies in the group are based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits. The principal assumptions used in determining the cost of employee benefits were;

Discount rate	10.8%
Expected salary increment rate	10%
Staff turnover rate	10%

13. Trade and other Payables

As at 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Accrued Expenditure	2,749,104	1,968,480	10,728,026	4,373,172
Retention Money	118,362	40,700	19,453,485	11,051,187
Other Payable	5,421,037	4,526,885	34,164,978	5,709,485
	8,288,503	6,536,065	64,346,489	21,133,844

14. Amounts due to Related Parties

As at 31 March Company	Relationship	Company		Group	
		2012 Rs.	2011 Rs.	2012 Rs.	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 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Sales from Electricity Generation:				
Erathna MHPP	377,913,617	533,588,024	377,913,617	533,588,024
Denawaka Ganga MHPP	-	-	12,522,080	-
Kiriwaneliya MHPP	-	-	9,229,284	-
	377,913,617	533,588,024	399,664,981	533,588,024

Company and the subsidiary has entered into an agreement (Standardized Power Purchase Agreement) with the Ceylon Electricity Board to sell energy output generated from the power project. This agreement shall continue for a period of 15 years beginning on the commercial operations date. The commercial operations of the 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.

16. Other Income

For the year ended 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Profit on Disposal of Property, Plant & Equipments	28,000	-	1,409,242	-
Over Provision for Retirement Benefits	1,164,303	-	1,164,303	-
Net Income From Durekkanda Estate	-	-	-	70,874
Deemed Disposal Gains	-	-	6,282,884	10,484,651
Sundry Income	1,800,000	3,344,612	1,500,000	320,612
	2,992,303	3,344,612	10,356,429	10,876,137

17. Finance Cost

For the year ended 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Debit Tax	52,669	695,214	121,852	1,127,169
Bank Charges	243,127	159,627	367,103	235,090
Lease Interest	1,555,656	2,260,105	2,289,553	2,450,874
Loan Interest	19,457,808	17,176,229	108,847,707	29,082,637
	21,309,260	20,291,175	111,626,215	32,895,770
Interest Capitalised	-	-	(64,999,077)	(11,906,408)
	21,309,260	20,291,175	46,627,138	20,989,362

Notes to the Financial Statements

18. PROFIT/(LOSS) BEFORE TAXATION

For the year ended 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Stated after Charging/(Crediting):				
Directors' Fees	2,566,667	1,188,889	2,566,667	1,188,889
Auditors' Remuneration	459,800	418,000	651,068	608,000
Depreciation	30,085,549	30,147,286	38,403,333	32,136,132
Personnel Costs includes				
- Defined Benefit Plan Cost/(Reversal)	(1,164,303)	1,677,224	(637,038)	2,272,425
- Defined Contribution Plan Costs - EPF & ETF	1,940,855	1,798,722	3,520,624	3,019,996
- Staff Salaries	12,939,036	11,991,481	23,470,828	20,133,306
- Other Staff Costs	5,286,149	2,489,113	9,714,652	4,601,544

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.

For the year ended 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Income Tax	2,665,553	3,052,834	5,073,093	3,154,389
Social Responsibility Levy	-	45,793	-	47,316
Tax Adjustment	-	-	2,150	-
Total Tax Expense on Liable Income	2,665,553	3,098,627	5,075,243	3,201,705

19.1 Reconciliation between tax expense and the product of accounting profit

For the year ended 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Net profit before tax	284,093,691	449,493,094	249,956,339	417,215,563
Add: Disallowable Expenses	34,590,747	37,718,521	45,326,014	40,286,596
Less: Allowable Expenses	(10,466,956)	(8,852,934)	(15,035,353)	(7,187,069)
Total Statutory Income	308,217,482	478,358,681	280,247,000	450,315,090
Tax exempt (profit)/loss from business	(298,697,650)	(469,200,179)	(262,128,815)	(440,479,555)
Taxable Income	9,519,832	9,158,502	18,118,185	9,835,535
Statutory income tax rate %	28%	33 1/3 %	28%	33 1/3% & 15%
Income Tax	2,665,553	3,052,834	5,073,093	3,154,389
Social Responsibility Levy (1.5%)	-	45,793	-	47,316
Income Tax Expense on Liable Income	2,665,553	3,098,627	5,073,093	3,201,705

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.

For the year ended 31 March	Company		Group	
	2012	2011	2012	2011
Amounts used as the Numerators:				
Profit Attributable to Ordinary Shareholders for basic Earnings Per Share (Rs.)	281,428,138	446,394,467	249,631,062	422,178,509
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 (Rs.)	0.38	0.60	0.33	0.57

21. Dividends Paid during the Year

For the year ended 31 March	Company		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
2011/2012 - Rs. 0.25 per share (Final 2010/ 2011 - Rs. 0.20 per share)	186,777,433	149,421,946	186,777,433	149,421,946
	186,777,433	149,421,946	186,777,433	149,421,946

22. Post Balance Sheet Events

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

23. Commitments and Contingencies

Capital Expenditure Commitments

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

Contingencies

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

Notes to the Financial Statements

24. Related Party Disclosures

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

24.1 Transactions with the Parent and Related entities.

For the year ended 31 March Company	Relationship	Nature of Transaction	2012 Rs.	2011 Rs.
Country Energy (Pvt) Ltd. (CEPL)	Subsidiary Company	Transactions with Vallibel Power Erathna PLC		
		Operating Expenses incurred on behalf of CEPL	(13,408,480)	(27,928,097)
		Construction Expenses incurred on behalf of CEPL	(19,096,404)	(221,611,528)
		Other Transactions		
		Funds Transferred to CEPL	(68,400,000)	(145,500,000)
		Shares issued against the amount due from CEPL	-	464,000,000
		Funds Received from CEPL	850,000	800,000
		Other Payments	(222,235)	-
LB Finance PLC (LB)	Related Company	Transactions with Vallibel Power Erathna PLC		
		Investment in Fixed Deposits	(386,574,785)	(146,404,041)
		Withdrawals of Fixed Deposits	401,988,972	115,989,854
		Interest Received	4,881,655	2,666,362
		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	(109,123)	-
		Reimbursement by VPL	109,123	773,932

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. 4,509,750/= (2011-Rs. 5,700,000/=) paid during the year.

24.3 Other Related Party Transaction

- On 01 March 2012, with issue of new shares in the subsidiary Company to VS Hydro (Pvt) Ltd, which is a related Company, for their services, the holding percentage of the parent has reduced to 84.53% from 89.37%. The resulted Deemed Disposal Gain Rs. 6,282,884/= is included in "The Other Operating Income" of 2012 Group Income Statement.
- Subsidiary, Country Energy (Pvt) Ltd purchased machinery worth of Rs. 61,200,218/= from VS Energy (Pvt) Ltd which is also a related Company.

24.4 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 4, 8, 11.1.2, 11.2.2, 14 & 24 to the Financial Statements.

Shareholder Information

1 General

Stated Capital

Rs. 1,174,365,278

The number of shares representing the stated capital is

747,109,731

2 Stock Exchange Listing

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

3 Shares held by the public was 19.1 % as at 31st March 2012

4 Distribution of Shareholding as at 31st March 2012

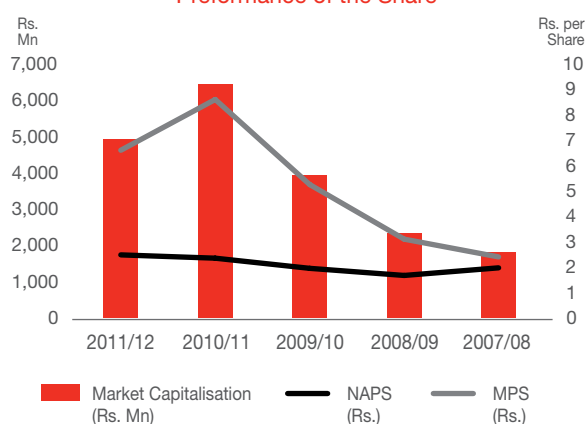
There were 3,903 Registered shareholders as at 31st March 2012.

No. of Shares held	No. of Shareholders	% of Shareholders	No of shares	% of Total Holding
1 - 1,000	1,478	37.87	734,554	0.10
1,001 - 10,000	1,735	44.45	7,450,476	1.00
10,001 - 100,000	556	14.25	17,230,531	2.30
100,001 - 1,000,000	119	3.05	32,630,656	4.37
Over 1,000,000	15	0.38	689,063,514	92.23
Total	3,903	100.00	747,109,731	100.00

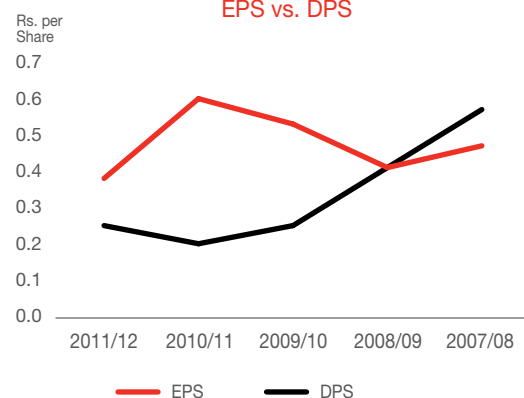
5 Analysis Report of Shareholders as at 31st March 2012

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individual	3,701	94.82	236,416,490	31.64
Institutional	202	5.18	510,693,241	68.36
Total	3,903	100.00	747,109,731	100.00
Resident	3,863	98.98	581,875,096	77.88
Non-resident	40	1.02	165,234,635	22.12
Total	3,903	100.00	747,109,731	100.00

Preformance of the Share



EPS vs. DPS



Shareholder Information

6 Twenty Major Shareholders as at 31st March 2012

Shareholder	No. of Shares as at 31/03/2012	%	No. of Shares as at 31/03/2011	%
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 Ms. K D C Samanthi	9,375,000	1.25	9,375,000	1.25
7 Seylan bank PLC / Dr. T Senthiverl	8,085,900	1.08	20,967,800	2.81
8 DFCC Bank A/C1	7,500,000	1.00	7,500,000	1.00
9 Aviva NDB Wealth Management Ltd. S/A Hatton National Bank PLC	6,129,100	0.82	-	-
10 Employees Trust Fund Board	4,041,500	0.54	4,841,500	0.65
11 Aviva NDB Insurance PLC A/C No. 07	4,013,159	0.54	-	-
12 Mr. B C Tay	3,000,000	0.40	3,000,000	0.40
13 Seylan Bank PLC- A/C No. 3	2,760,000	0.37	1,000,000	0.13
14 Mr. F G N Mendis	1,355,300	0.18	110,000	0.02
15 Waldock Mackenzie Ltd/ Mr. C D Kohombawickramage	1,065,500	0.14	445,000	0.06
16 Mr. D D Gunaratne	1,000,000	0.13	850,000	0.11
17 Pan Asia Banking Corporation PLC/ Mr. A F Munas & Mrs. N M Munas	1,000,000	0.13	-	-
18 Mr. M A Omar	925,000	0.12	-	-
19 Bank of Ceylon A/C No. 01	850,000	0.11	-	-
20 Pan Asia Banking Corporation PLC/ Delmege Forsyth & Company (Shipping) Ltd.	814,900	0.11	814,900	0.11

7 Share Trading Information

For the year ended 31st March	2011/12	2010/11
Highest (Rs.)	11.70	14.50
Lowest (Rs.)	5.50	5.25
Closing (Rs.)	6.60	8.60
Value of Shares Trades (Rs.)	830,214,888	1,672,532,930
No. of shares Traded	82,225,560	180,378,000
No. of Trades	11,213	20,050

8 Equity Information - Company

For the year ended 31st March	2011/12	2010/11
Earnings per share (Rs.)	0.38	0.60
Dividend per share (Rs.)	0.25	0.20
Net Asset Value per share (Rs.)	2.48	2.35
Dividend pay out ratio	65.8%	33.3%

Company Five Year Summary

	2011/12 Rs'000	2010/11 Rs'000	2009/10 Rs'000	2008/09 Rs'000	2007/08 Rs'000
Operating Results					
Revenue	377,914	533,588	437,692	365,826	303,837
Gross Profit	339,685	497,120	396,821	330,441	266,900
Other Income	10,712	9,479	13,595	29,743	142,401
Administration Expenses	42,110	36,315	37,484	35,966	28,299
Finance Cost	21,309	20,291	14,393	2,008	1,042
PBT	284,094	449,493	398,663	310,793	348,796
Net Profit	281,428	446,394	394,080	305,848	346,382
Assets & Liabilities					
Non Current Assets	1,820,298	1,850,999	1,394,475	1,182,753	1,215,645
Current Assets	197,093	141,215	220,787	85,637	268,956
Total Assets	2,017,391	1,992,214	1,615,262	1,268,390	1,484,600
Current Liabilities	81,118	78,349	39,930	8,000	6,377
Non Current Liabilities	86,640	158,882	117,322	9,682	2,915
Retirement Benefit Obligations	5,886	5,610	3,951	1,942	1,235
Share Capital & Reserves					
Stated Capital	1,174,365	1,174,365	1,174,365	1,174,365	1,174,365
Revaluation Reserve	15,174	25,352	35,530	45,708	55,886
Accumulated Profit	660,094	555,264	248,114	30,634	245,056
Key Indicators					
Earnings Per Share (Rs.)	0.38	0.60	0.53	0.41	0.47
Dividend Per Share (Rs.)	0.25	0.20	0.25	0.41	0.57
Market Price of Share (Closing) (Rs.)	6.60	8.60	5.25	3.10	2.40
Net Assets Per Share (Rs.)	2.48	2.35	1.95	1.67	1.97
Power Generation (kWh)	36,970,797	47,678,030	40,945,693	39,934,417	42,129,891

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.

Revaluation reserves

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

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 crystallised 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 Pay out Ratio

The percentage of earnings paid to shareholders in dividends.

EBITDA

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

Equity

Shareholders' fund.

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.

Gearing

Proportion of total interest-bearing borrowings to capital employed.

IAS

International Accounting Standards.

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.

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.

SLAS

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

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.

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.

Revenue reserves

Reserves considered as being available for distribution and investments.

Subsidiary

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

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.

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.

SHPASL

Small Hydro Power Association of Sri Lanka.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of Vallibel Power Erathna PLC will be held at the **Taj Samudra Hotel, Galle Road, Colombo 3**, on Tuesday, 26th June 2012 at 9.30 a.m. for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors, Statements of Accounts and the Balance Sheet of the Company, for the year ended 31st March 2012 together with the Report of the Auditors thereon.
- 2) To re-elect Mr. P K Sumanasekera who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company.
- 3) To re-elect Mr. S Shanmuganathan who retires by rotation in terms of Article 25 (10) of the Articles of Association, as a Director of the Company
- 4) To re-appoint Messrs Ernst & Young, as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- 5) To authorize the Directors to determine and make donations for the year ending 31st March 2013 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
25 May 2012

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 him/her.

A form of Proxy is enclosed in this Report.

The completed form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, by 9.30 a.m on 24th June 2012.

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

Form of Proxy

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

Mr. K D D Perera

of Colombo or failing him

Mr. W D N H Perera

of Colombo or failing him

Mr. P K Sumanasekera

of Colombo or failing him

Mr. S H Amarasekera

of Colombo or failing him

Mr. D S Clark

of USA or failing him

Mr. S E De Silva

of Colombo or failing him

Mr. H Somashantha

of Colombo or failing him

Mr. L D Dickman

of Colombo or failing him

Mr. S Shanmuganathan

of Colombo

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the 11th ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Taj Samudra Hotel, Galle Road, Colombo 3, on Tuesday, the 26th day of June 2012 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, Statements of Accounts and the Balance sheet of the Company for the year ended 31st March 2012 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. P K Sumanasekera who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. S Shanmuganathan who retires by rotation in terms of Article 25(10) of the Articles of Association of the Company, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-appoint Messrs Ernst & Young, as Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5) Special Business To authorize the Directors to determine and make Donations for the financial year 2012/2013 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
 *Signature/s

Note:

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

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. In the case of a Corporate Member, the Form of Proxy must be completed under its Common Seal, which should be affixed in the manner prescribed by the Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 27-2, East Tower, World Trade Centre, Echelon Square, Colombo 01, by 9.30 a.m. on 24th June 2012.

Please provide the following details :

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

Corporate Information

Name of 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
W D N H Perera
P K Sumanasekera
S H Amarasekera
D S Clark
S E De Silva
H Somashantha
L D Dickman
S Shanmuganathan

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

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