



CEYLON ELECTRICITY BOARD

2018

ANNUAL REPORT

Board of Management of the CEB has approved the annual report of 2018 and it was forwarded to the Ministry of Power and Energy for their perusal and comments.



CONTENTS

OUR VISION, MISSION & CORE VALUES	2
OUR ENVIRONMENTAL POLICY	3
HIGHLIGHTS OF THE YEAR	4
CORPORATE INFORMATION	7
ORGANIZATION CHART	8
CHAIRMAN'S REVIEW	12
GENERAL MANAGER'S REVIEW	15
CEB TRANSMISSION NETWORK	18
OPERATIONAL REVIEW	19
GENERATION DIVISION	19
TRANSMISSION DIVISION	31
DISTRIBUTION DIVISIONS	52
PROJECTS DIVISION	69
ASSET MANAGEMENT DIVISION	79
CORPORATE STRATEGY DIVISION	86
FINANCE DIVISION	100
REPORT OF THE DIRECTORS	106
STATEMENT OF PROFIT OR LOSS	109
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	110
STATEMENT OF FINANCIAL POSITION	111
STATEMENT OF CHANGES IN EQUITY - GROUP	112
STATEMENT OF CHANGES IN EQUITY - THE BOARD	114
CONSOLIDATED STATEMENT OF CASH FLOWS	115
NOTES TO THE FINANCIAL STATEMENTS	116
AUDITOR GENERAL'S REPORT (GROUP FINANCIAL STATEMENTS)	171
REPLIES TO THE REPORT OF THE AUDITOR GENERAL	177
AUDITOR GENERAL REPORT (CEB FINANCIAL STATEMENTS)	186
REPLIES TO THE REPORT OF THE AUDITOR GENERAL	194
ABBREVIATIONS	207

OUR VISION

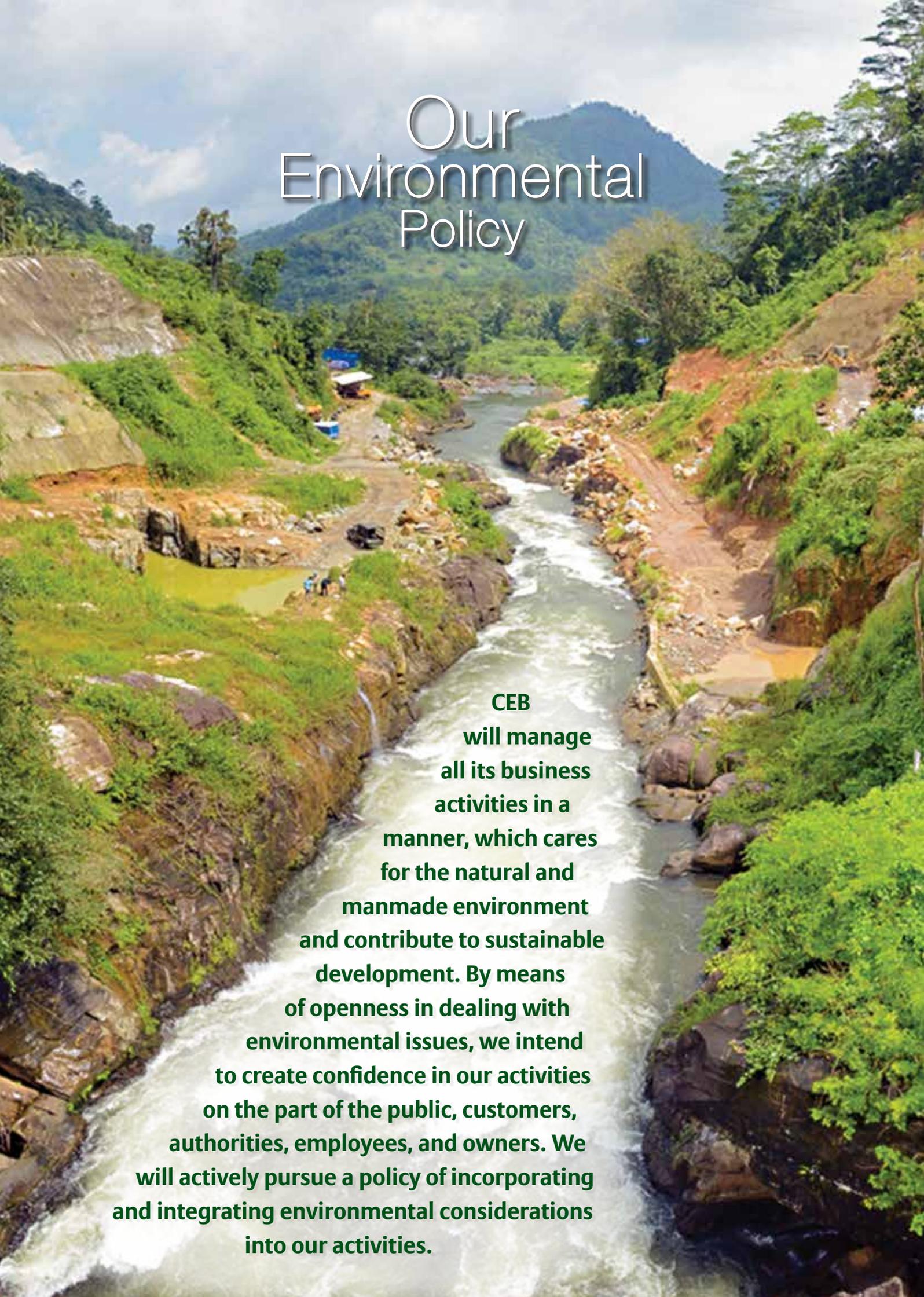
Enrich Life through Power

OUR MISSION

To develop and maintain an efficient, coordinated and economical system of electricity supply to the whole of Sri Lanka, while adhering to our core values:

OUR CORE VALUES

Quality
Service to the nation
Efficiency and effectiveness
Commitment
Safety
Professionalism
Sustainability



Our Environmental Policy

**CEB
will manage
all its business
activities in a
manner, which cares
for the natural and
manmade environment
and contribute to sustainable
development. By means
of openness in dealing with
environmental issues, we intend
to create confidence in our activities
on the part of the public, customers,
authorities, employees, and owners. We
will actively pursue a policy of incorporating
and integrating environmental considerations
into our activities.**

Highlights of the Year

Contribution to the National Economy:

The Sri Lankan economy continues its growth momentum driven by the improved physical infrastructure including electricity. In year 2018, usage of electricity was recorded a growth of 4.9% when compared to the previous financial year. The industrial Sector has recorded a growth of 6%. The General Purpose Category and the Hotel Sector have followed a growth of 5.7% and 5.8% respectively.

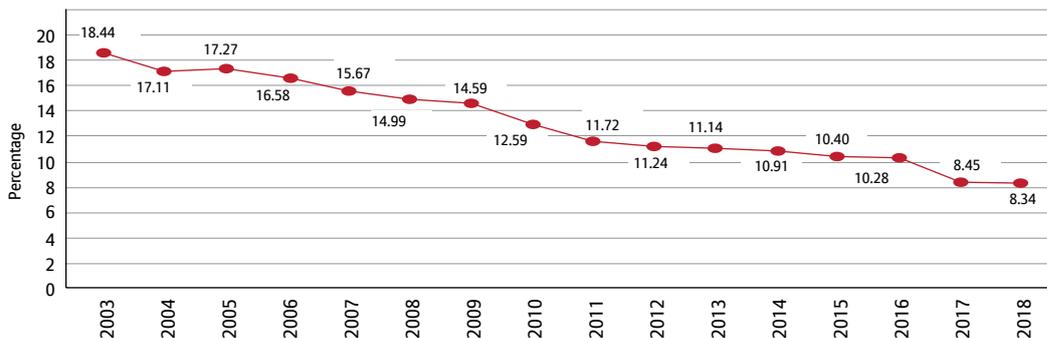
Electrification of Households

By the end of the year, 5,543,137 of the households in the country had been provided with electricity. The average per capita electricity consumption which was at 626 units (kWh/person) at the beginning of the year had reached 650 units by the end of the year recording an increase of 24 units.

System Energy Losses

The system energy losses which have been gradually decreasing during the past decade, stood at 8.34% (provisional) by the end of the year.

System Energy Losses



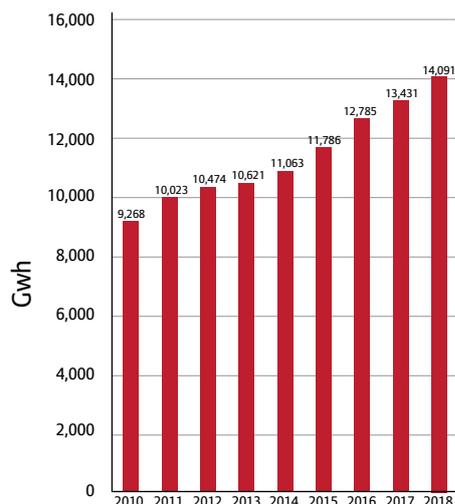
Consumer Growth

The total number of consumers stood at 6,354,279 by the end of the year indicating an annual growth rate of 2.6%. The numbers of consumers coming under different types of categories are given below:

Category	Number of Customers as at 31/12/2017	Number of Customers as at 31/12/2018
Domestic	5,425,060	5,543,137
Religious	37,999	39,422
General Purpose	667,062	704,173
Industrial	60,694	62,570
Hotel	507	447
Government	1,807	4,530
Total	6,193,129	6,354,279

The number of new electricity connections provided during the year was 161,150 indicating in an average addition of 13,429 new customers per month.

Electricity Sales

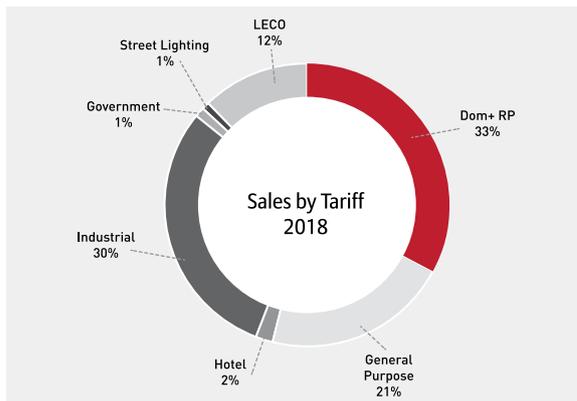


Electricity Sales

The total electricity sales (including Sales to LECO) during the year increased from 13,431 GWh in the preceding year to 14,091 GWh resulting in a rate of increase of 4.9%. The average daily consumption of electricity in the year was 38.6 GWh as against 36.8 GWh in the previous year.

Highlights of the Year (Contd.)

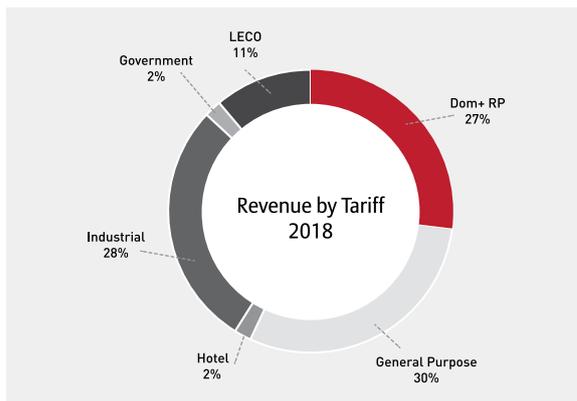
Sales by Tariff - 2018



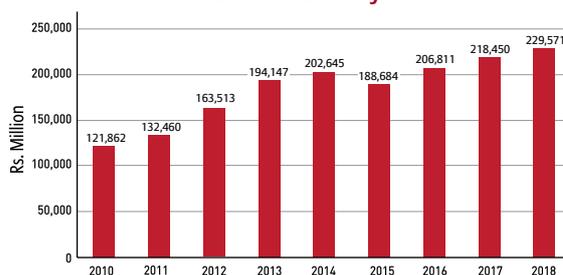
The highest energy consumption was by the consumers in the category 'Domestic and Religious Purpose' accounting for about 32.9% of the total consumption. This was followed by the industrial sector which accounted for 30.4% of the total consumption. The electricity consumption by consumers in the general purpose category was however only 20.9% of the total consumption indicating an annual growth of 6%.

Revenue

The total annual revenue from electricity sales which stood at Rs. 218,450 million in 2017 increased to Rs. 229,571 million during the year 2018 recording a growth of 5.1%.



Revenue from Electricity Sales



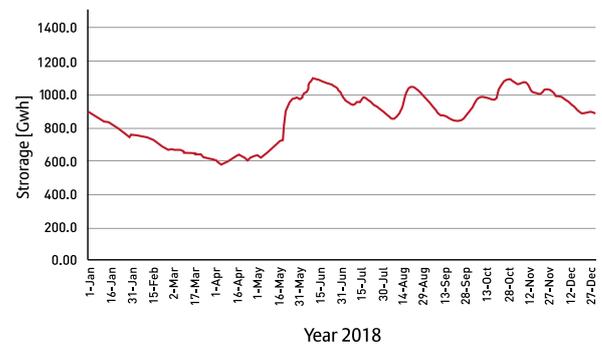
The highest revenue was from the General Purpose customers followed by Industrial Sector customers (27.5%). The contribution to the total revenue from the customers coming under the category 'Domestic with Religious' was 27.3%

Total Energy Storage

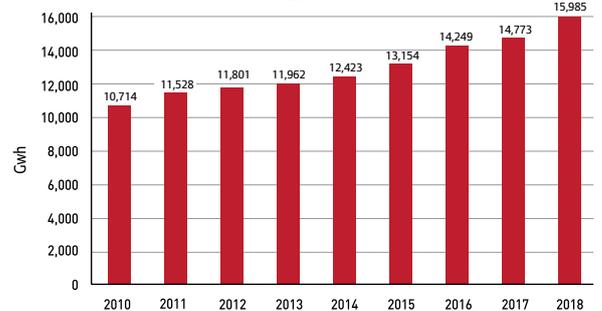
The year 2018 commenced with a total hydro storage of 893.40 GWh. This was 74.7% of the total full storage of 1,257.6 GWh, and 88.50% improvement compared to storage at the beginning of the preceding year. The total inflow received during the year was 5,168.8 GWh which is an above average condition. The lowest storage recorded was 585.50 GWh on 06-04-2018.

Hydro power generation of 2018 was improved by 2,093.50 GWh than that of 2017 due to reception of high inflow during South-west monsoon and second inter-monsoon periods. Month of August received highest inflow of 638.20 GWh and month of May received second highest inflow of 751.80 GWh. During the second inter-monsoon period, the recorded highest inflow since 1990 was received for the month of October with value of 810.2 GWh. The total storage at the end of the year was 890.40 GWh.

Variation of the Total Storage During the Year 2018



Gross Energy Generation

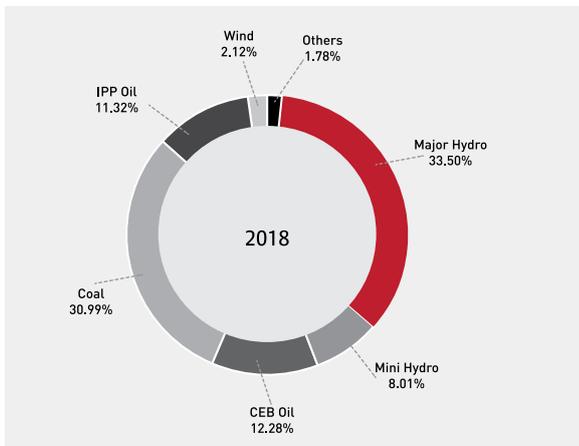
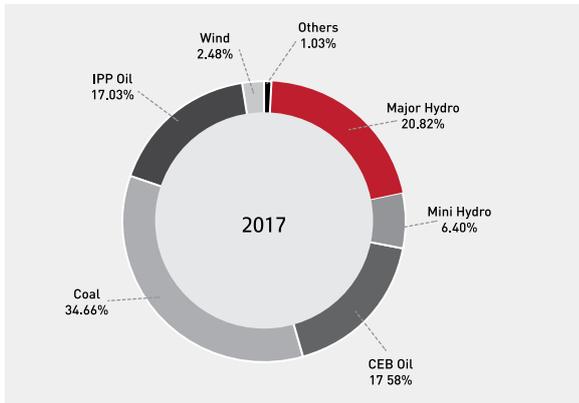


By the end of the year, the total electricity generation had increased by 8%, i.e. from 14,773 GWh in 2017 to 15,985 GWh in 2018.

Highlights of the Year (Contd.)

Electricity Generation Sources

Due to higher rainfall condition during the year, the hydro power plants including mini hydro plants could contribute 41.5% to the total power generation in the year.

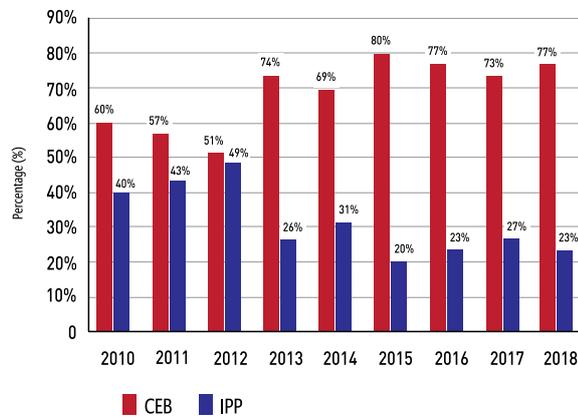


The thermal power stations contributed 55% to the total generated power in 2018 as against 69% in the preceding year.

Electricity Generation by Ownership

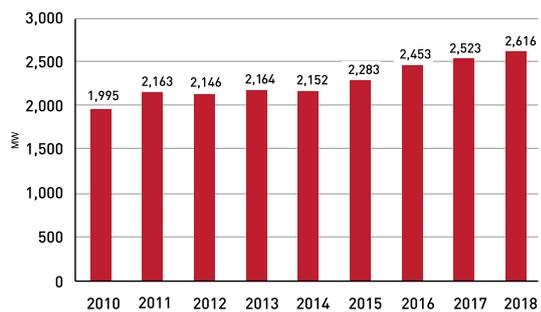
It is noted that the Independent Power Producers (Mini hydro and Thermal) has generated electricity 23% of the annual total generation in the year 2018 as against 27% in the preceding year (2017).

Electricity Generation by Ownership



Maximum Demand

The Maximum Demand reached 2,616.10 MW in the year 2018 which was a 92.9 MW or a 3.7% increase from 2,523.2 MW in the year 2017.



Corporate Information

Legal Form

The Ceylon Electricity Board (CEB) is a body corporate established in Sri Lanka by the Act of Parliament No. 17 of 1969 amended by Act Nos. 31 of 1969, 29 of 1979, 32 of 1988 and Sri Lanka Electricity Act No 20 of 2009.

Members of the Board

Chairman

Mr. W.B.Ganegala

Vice Chairman

Mr. W.A.G. Wanasekara (up to 29th October 2018)
Mr. W.R.G.S. Bandara (from 30th October 2018)

Member / Working Director

Mr. W.R.G.S. Bandara (up to 29th October 2018)
Mr.H M L C Herath (from 30th October 2018)

Member, representing the General Treasury

Mr. R. Semasinghe

Members

Mr. S. D. A. B. Boralessa
Mr. T.D.S.P. Perera (up to 27th September 2018)
Mr. K D N Ranjith Asoka (from 25th October 2018)
Ms. J. Kariyawasam (up to 29th October 2018)
Mr. O M S S Kumara (from 30th October 2018)

Secretary to the Board

Ms. H.R.P. Pathberiya (Acting)

General Manager

Eng. A.K. Samarasinghe

Auditors

The Auditor General
Auditor General's Department
No 306/72, Polduwa Road
Battaramulla.

Bankers

Peoples Bank
No. 75, Sir Chittampalam A Gardiner Mawatha, Colombo 2

Head Office

No. 50, Sir Chittampalam A Gardiner Mawatha, Colombo 2
Telephone (011) 232 4471 (8 lines)
Fax (011) 244 9572
web site: www.ceb.lk

Corporate Management

Additional General Manager (Generation)

Eng. (Mrs.) D. Thilakasena

Additional General Manager (Transmission)

Eng. P.L.G. Kariyawasam

Additional General Manager Distribution Division 1

Eng. P.C.C. Perera

Additional General Manager Distribution Division 2

Eng. M. A.D.N. Gratian

Additional General Manager Distribution Division 3

Eng. (Mrs.) A.D. Thilakaratne

Additional General Manager Distribution Division 4

Eng. D.D.K. Karunaratne

Additional General Manager (Asset Management)

Eng. G.A. Jayantha

Additional General Manager (Corporate Strategy)

Eng. (Mrs.) N.W.K. Herath

Additional General Manager (Projects)

Eng. S.D.W. Gunawardena

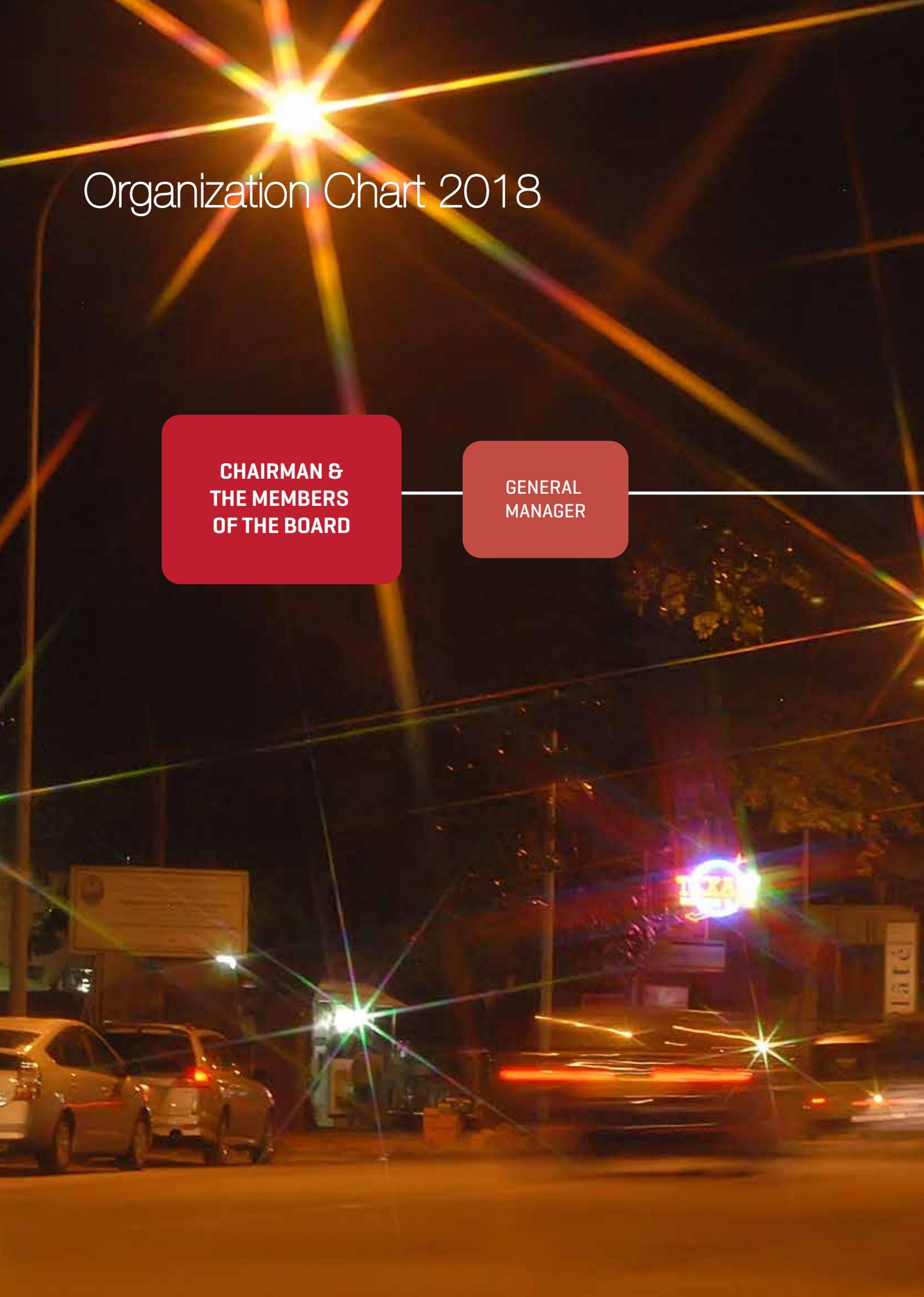
Finance Manager

Mr.T.K. Liyanage

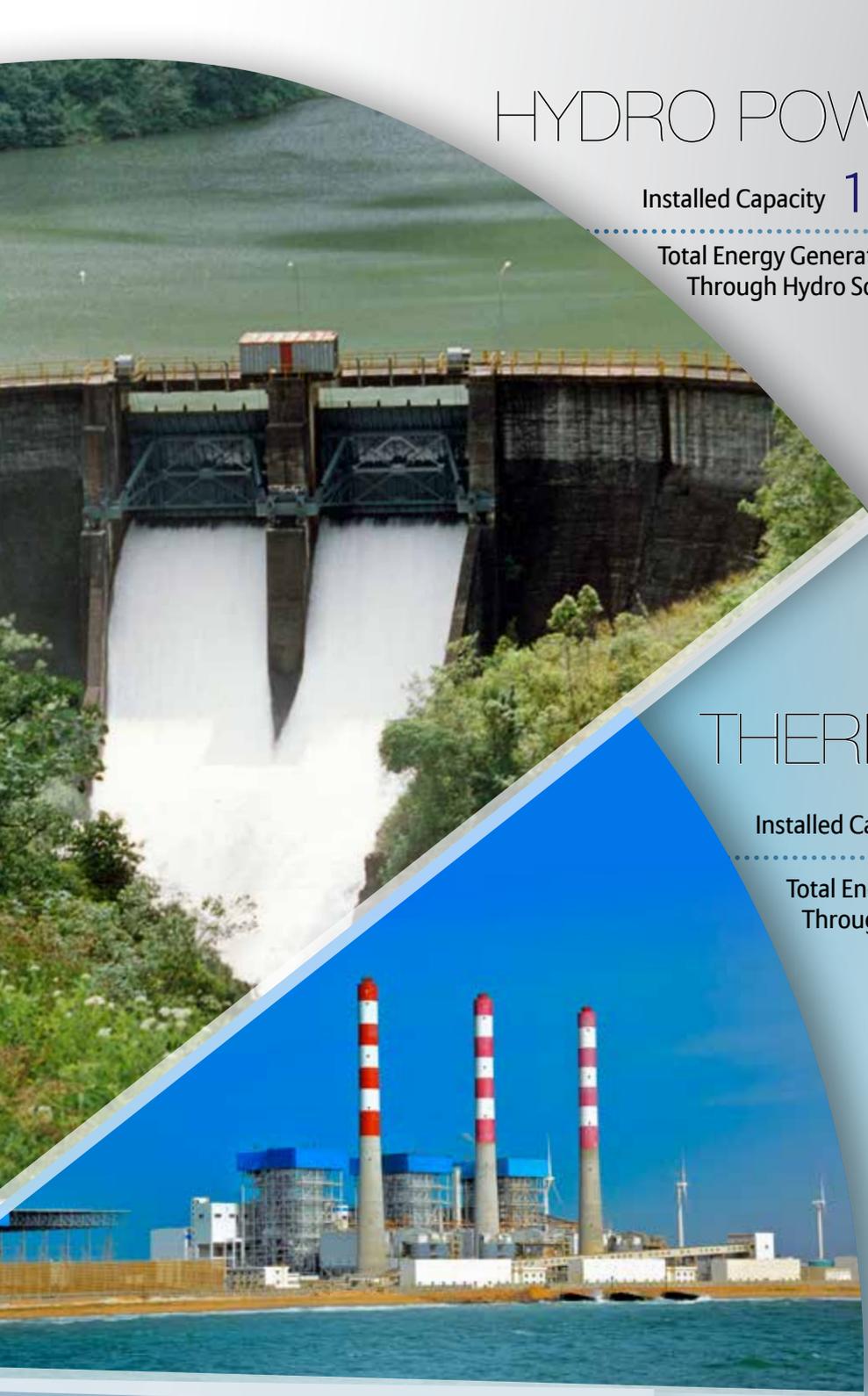
Organization Chart 2018

**CHAIRMAN &
THE MEMBERS
OF THE BOARD**

**GENERAL
MANAGER**







HYDRO POWER *

Installed Capacity **1,793MW**

Total Energy Generated
Through Hydro Sources **6,382GWh**



THERMAL POWER *

Installed Capacity **2,037 MW**

Total Energy Generated
Through Hydro Sources **8,392 GWh**



SOLAR, BIO MASS & WIND POWER *

Installed Capacity **216 MW**

Total Energy Generated
Through Solar, Bio Mass &
Wind Sources **600 GWh**

*Includes CEB and IPP

MANAGEMENT REVIEWS

Chairman's Review
General Manager's Review

12-14
15-17



Chairman's Review

The Total Electricity generation had increased by 8% from its value at the end of 2017. In total, about 45% of the electricity generated during the year was through renewable energy sources, such as hydro, solar, and wind.



The Ceylon Electricity Board (CEB) is a state owned enterprise established on November 1, 1969 after its incorporation by Act No. 17 of 1969 as amended by Act Nos. 31 of 1969, 29 of 1979, 32 of 1988 and 20 of 2009. For regulatory purposes, it comes under the purview of the Public Utilities Commission of Sri Lanka. The CEB can be considered as one of the largest state enterprises in Sri Lanka, given its market share, volume of work, the number of employees and the number of branches/offices.

It is also the largest electric utility in the country handling electricity generation, transmission and distribution as well as retailing. It has four subsidiaries: Lanka Electricity Company (Pvt) Limited, Lanka Coal Company (Pvt) Limited, LTL Holdings (Pvt) Limited and Sri Lanka Energies (Pvt) Ltd. Trincomalee Power Company Ltd., set up in 2011 and responsible for implementing and operating the proposed 2 X 250 MW coal power plant at Sampur, is a joint venture between the CEB and the National Thermal Power Corporation (NTPC) of India. Despite having limited authority over its commercial operations being state owned and with a history stretching back to almost 50 years, it can be proud of its achievements made so far.

The CEB is responsible for the transmission of electrical energy throughout the country and for the bulk of the electrical power

generated in the country. It also handles a major part of the electricity distribution in the country, which amounts to 88% of its total sales volume with the rest handled by the Lanka Electricity Company Ltd.

Although according to its act of incorporation enacted in 1969, the CEB was intended to be a commercial enterprise with monopoly for electrical generation, transmission and distribution in the country, with time it has evolved to be a purely service oriented enterprise with no direct control over its sales income. In other words, although the CEB has been authorised legally to determine the selling price of electricity, it has not been the case with the government wanting to provide consumers with subsidised electricity.

Given this background and considering the numerous challenges and constraints that the CEB had to face during the year, I consider the progress made by the CEB during 2018 as satisfactory.

The total installed capacity of CEB-owned power plants by end of 2018 was 2,903 MW. Because of the significantly high rainfall received during the year, especially during the latter part of the year, the amount of power generated by hydro power plants was higher than the amount they generated previous year, enabling

Chairman's Review (Contd.)

the CEB to be less dependent on thermal power during the year. Accordingly, there was a reduction in the thermal energy generation from 69% in 2017 to 55 % in 2018. Nevertheless, owing to the increase in oil prices, the CEB could not reap the full benefit of this reduction. It is in this backdrop that the Cabinet of Ministers appointed a committee in October 2018 to find ways of mitigating the impact of fuel price increases on the cost of electricity generated using thermal power. Unfortunately, the committee could not make much progress until the end of the year.

By the end of the year, the total electricity generation had increased by 8% from its value at the end of 2017. In total, about 45% of the electricity generated during the year was through renewable energy sources, such as hydro, solar, and wind. The rest was from thermal sources, such as petroleum and coal. The CEB has been somewhat slow in the past several years in augmenting its existing power plants and/ or in bringing new plants in to the system to meet the increasing demand for electricity. Thus for some time now, it has been depending on private power producers to bridge the gap. Because of the increased hydro power generation, in 2018, there was less dependency on private power producers compared to 2017. There was also a slight increase in the power generated by non-conventional renewable energy resources such as wind, solar and bio mass. Because of the increased contribution made by hydro power sources to the total energy generated during the year, the gross loss by the end of the year was also lower.

The average per capita electricity consumption which was at 626 units (kWh/person) at the beginning of the year reached 650 units by the end of the year, an increase of 24 units and a percentage increase of 3.8% . The highest energy consumption was by households and religious institutions coming under the consumer category 'Domestic and Religious Purpose', followed by those in the 'Industrial Sector'. The industrial sector recorded the highest growth of 6%. The commercial sector and the hotel sector had a growth of 5.7% and 5.8% respectively. There was a 2.6% increase in the total number of consumers by the end of the year. All sectors except the hotel sector recorded an increase in the number of their consumers. By the end of the year, 5,543,137 households in the country were provided with electricity. The number of new electricity connections provided during the year was 161,150 indicating an average addition of 13,429 new customers per month.

During the year under review, the CEB recorded a growth of around 5% in its revenue. This revenue came solely from energy sales, which is determined by the tariff rates and the number of units sold. As there was no tariff increase during the year, the revenue growth was purely due to the higher consumption of energy. The highest revenue was received from commercial consumers who come under the general purpose category.

It is encouraging to note that the demand for solar roof top energy generation is growing steadily with the introduction of Net Metering, Net Plus and Net Accounting schemes. Electricity consumers are also able to synchronize their generators with the CEB power supply and export energy to the CEB.

The Environmental Impact Assessment of the proposed Seethawaka Ganga Hydro Power Project was completed during the year. The 20 MW plant will be a mini-hydro plant and under the project a 42 meter dam is to be constructed across the Seethawaka River in the Dambakotuwa area in Hingurala Kanda. The power plant will be built 1,470 meters beneath the dam. Infrastructure facilities in the area will also be developed in parallel to the project. A 27-meter bridge connecting Dangampola and Hingurala Kanda villages is also to be built over the Seethawaka River. The roads in the area will also be developed.

The work on projects such as Mannar Wind Power Project, Broadlands Hydropower Project, Moragolla Hydropower Project, Uma Oya Hydropower Project, Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 2), National Transmission & Distribution Network Development and Efficiency Improvement Project and Greater Colombo Transmission & Distribution and Loss Reduction Project, all of which had commenced in the previous years, continued uninterrupted during the year.

The Hambantota Wind Farm that was commissioned in 1999 and which was the only wind power plant that the CEB owned, had to be disassembled and removed during the year propelled by economic and technical reasons.

A new system control centre equipped with an Alstom SCADA / EMS system was set up in Pelawatta during the year. The system can monitor remotely 63 grid substations and 15 power plants.

The system energy losses which have been gradually decreasing during the past decade, stood at around 8.34% by the end of the year.

Work on the studies on the electricity sector master plan which was initiated with the assistance of Japan International Cooperation Agency (JICA) with the aim of formulating generation, transmission and distribution development plans for the power sector was completed during the year. A study on 'Integration of Renewable Based Generation into Sri Lanka Grid 2020-2030' was also conducted during the year with the objective of investigating the main challenges faced in renewable energy based generation and determining the optimum level of renewable energy generation. International Atomic Energy Agency (IAEA) agreed to provide assistance to develop a national strategy for the introduction of nuclear power in Sri Lanka by establishing a roadmap for the nuclear power programme. A study was also initiated to develop a pre-paid metering solution to CEB.

Chairman's Review (Contd.)

I would also like to mention here the unfortunate breakdown of discipline that occurred at the CEB in the evening of January 17, 2018, when a group of employees belonging to several unions, without informing the management, launched a surprise demonstration blocking the entrance and exit of the headquarters building, forcing some of us to remain in the building for over eight hours. They were protesting against the suspension of the payment of an allowance granted to them. Riot police and Special Task Force personnel had to be called in to intervene and disperse the demonstrators. About 6 employees who were leader's/office bearers of the trade union were later interdicted on disciplinary grounds. Consequently, realizing the need to bring in more awareness of the disciplinary procedure of the CEB among the employees, a three-day workshop was organized for the senior management subsequent to the incident.

I take this opportunity to express my gratitude to our main funding agencies, Asian Development Bank (ADB) and Japan International Corporation Agency (JICA) for the continued financial assistance they extended to us during the year by funding several important projects.

The guidance and leadership provided by the Hon. Ranjith Siyambalapitiya as the Minister of Power & Renewable Energy and Hon. Ajith P Perera as the Deputy Minister of Power & Renewable Energy immensely contributed to the above achievements accomplished by the CEB during the year. The collective contribution, co-operation and guidance provided by the members of the Board of CEB and the dedication, commitment and enthusiasm displayed by staff of all ranks led by the General Manager were also encouraging. I am grateful to all of them for their contribution to the progress of the CEB during the year 2018 and I wish them all success.



W B Ganegala
Chairman
Ceylon Electricity Board

General Manager's Review

The sales income of Ceylon Electricity Board recorded as Rs.218.45 billion in previous year has increased by Rs.11.12 billion up to Rs.229.57 billion. This shows a 5.09% of growth



In my capacity as the General Manager and the Chief Executive Officer of the Ceylon Electricity Board (CEB) it is a pleasure for me to review the progress made by the CEB during the year 2018.

Operational Performance

The proper Power Generation Mix is a determinant factor of CEB's profitability and financial viability.

During last few decades, CEB was highly dependent on hydro power generation, consequently thermal oil power sources played a significant role in the generation mix when hydro power conditions are weakened. With the commissioning of second and the third units of the Lakvijaya coal power plant in the latter part of year 2014, the past generation mix changed, undoubtedly assisting the CEB in stabilizing its cost of generation.

When the generation mix for year 2018 is analyzed, the coal generation stood at 31% from the total generation, and the hydro contribution with mini hydro was at 41.5%. CEB had to increase its reliance on thermal oil generation which was 24%. The balance 4% was contributed by the wind and other Renewable Energy (ORE) sources.

Total power generation of 14,671 GWh (net) was recorded in previous year and the same has increased to 15,374 GWh (net)

under year review. This shows an 4.8% of growth. Out of this 15,374 GWh, generated in 2018, 23% of electricity was purchased from private power suppliers. Whereas 27% electricity generated is from PPP during 2017. The average generation cost of the previous year was Rs.14.53 per kWh was decreased to Rs.12.71 in 2018 based on gross generation. As well as, the total cost per unit of electricity at selling point was recorded in 2017 as Rs 20.40 (restated) and the same is Rs.19.12 in the year under review. This has reduced by Rs.1.28 and which shows a 6% decrease compared to last year.

Further, total electricity consumption of 13,431 GWh was recorded in previous year and same increased up to 14,091 GWh in 2018. This shows an 4.9% of growth. Average selling price per unit was recorded in previous year as Rs. 16.26 and the same has increased up to Rs. 16.29 in the year under review. Therefore, Ceylon Electricity Board has provided electricity to the nation at a less price than its generation cost.

Financial Status

As per the audited financial statement as at 31st December, 2018, the sales income of Ceylon Electricity Board recorded as Rs.218.45 billion in previous year has increased by Rs.11.12 billion up to Rs.229.57 billion. This shows a 5.09% of growth which was a result of increase in unit sales rather than changes in the price mix,

General Manager's Review (Contd.)

As no tariff change was taken place during last 5 years. However, the cost of sales recorded as Rs. 260.27 billion in previous year has reduced by Rs. 9.38 billion up to Rs. 250.89 billion. This shows at 3.6% of reduction in cost of sales. This is mainly due to increase in major and mini hydro power generation, which was 41.5% in the year under review, and 27% in the previous year.

As a result, comparatively improved hydro condition, Net loss was reduced by Rs.17.124 billion where in year 2018 it was recorded as Rs. 30.457 billion and in 2017 it was Rs. 47.581 billion.

The total long term borrowings as at end of the year were recorded as Rs. 281,262 Million.

During the year, property, plant and equipment amounting to Rs. 66,730 million was added to the capital assets compared to Rs. 28,737 million added last year. These additions mainly related to the assets of the Transmission and Distribution Divisions.

Total fixed assets with capital work in progress, as at the balance sheet date stood at Rs. 747,049 Million. This represents 86% of total assets of CEB and a considerable amount of annual depreciation amounting to Rs. 30,388 Million too was included in the accounting Loss.

Accordingly, the reported net loss at the end of year 2018 was at Rs. 30,457 Million. The operating loss for 2018 were mainly due to increased use of liquid fuel for thermal plants and low rainfall received in the catchment area.

Technical Performance:

Steered by the Government's policy to provide electricity to all, the CEB during the year vigorously continued with its efforts to reduce its losses and reach out to all its prospective customers and by the end of the year, it succeeded in achieving a 99.6% electrification level.

During the year number of consumers increased by 161,150 making the total number of consumers as at end of the year as 6,354,281. The CEB throughout the year made electricity available to its customers for all 24 hours of the day except for unavoidable short term breakdowns, an achievement that the CEB could truly be proud of and an achievement which no other utility of a developing country in the region could claim.

During the year, the total length of the low voltage lines was increased by 5,068km. A total of 1,054 new distribution substations were added to the system. The total route length of 220kV and 132 kV overhead transmission lines at the end of the year stood at 2,887 km. During the year, commissioning of New Grid Substation at Kegalle and augmentation of Kiribathkumbura

Grid substation were completed increasing the grid capacity from 8,209 MVA to 8,408 MVA The total number of grid substations in the country at the end of the year was 70.

I am grateful to our funding agencies, including the Asian Development Bank (ADB) and Japan International Corporation Agency (JICA) for continuing to provide us with financial assistance in implementing our much needed transmission projects.

During the year, work on transmission projects such as Green Power Development and energy efficiency improvement investment program, National Transmission & Distribution Network development and Energy Efficiency Project, Greater Colombo Transmission & Distribution and Loss Reduction Project, The Mannar Transmission Infrastructure Project, continued.

During the year, rehabilitation work was carried out at the Polpitiya (Samanala) Power Station, new Laxapana Power stations, Victoria Power Station to meet the increasing electricity demand in the country with a more reliable service. This rehabilitation works will improve the operating conditions and increase the efficiency, capacities, output and operational lifespan of these power stations.

The work on the generation capacity expansion projects such as, Broadlands Hydro Power project, Uma Oya Hydro Power Project and Moragolla Hydro Power project, the preliminary works on the 100 MW Mannar wind power project, continued uninterrupted during the year.

Human Resources

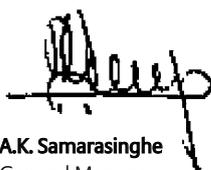
CEB continued to provide opportunities and support for the development of knowledge and skills of its staff, consistent with the needs of its operation. Training and development programs, covering all categories of employees were thus provided in-house, and complemented with external, local and overseas courses. This is in line with the policy of ensuring that the CEB has the requisite human resource capability at all times to meet current and future requirements.

There were total of 26,331 employees serving all the divisions of CEB as at end of the year. This include 20,593 permanent employees, 261 employed on contract basis and 2,526 employed on casual basis who were earlier providing service through man power agencies and 2,951 NVQ trainees . During the year 1,080 employees were recruited which includes 11 executives, 111 Middle Level Technical grade employees and 958 consisting of 326 Consumer Coordinators, 217 clerical & allied grades, 141 drivers, 116 Control Room Operators, and 158 other subordinate grade employees.

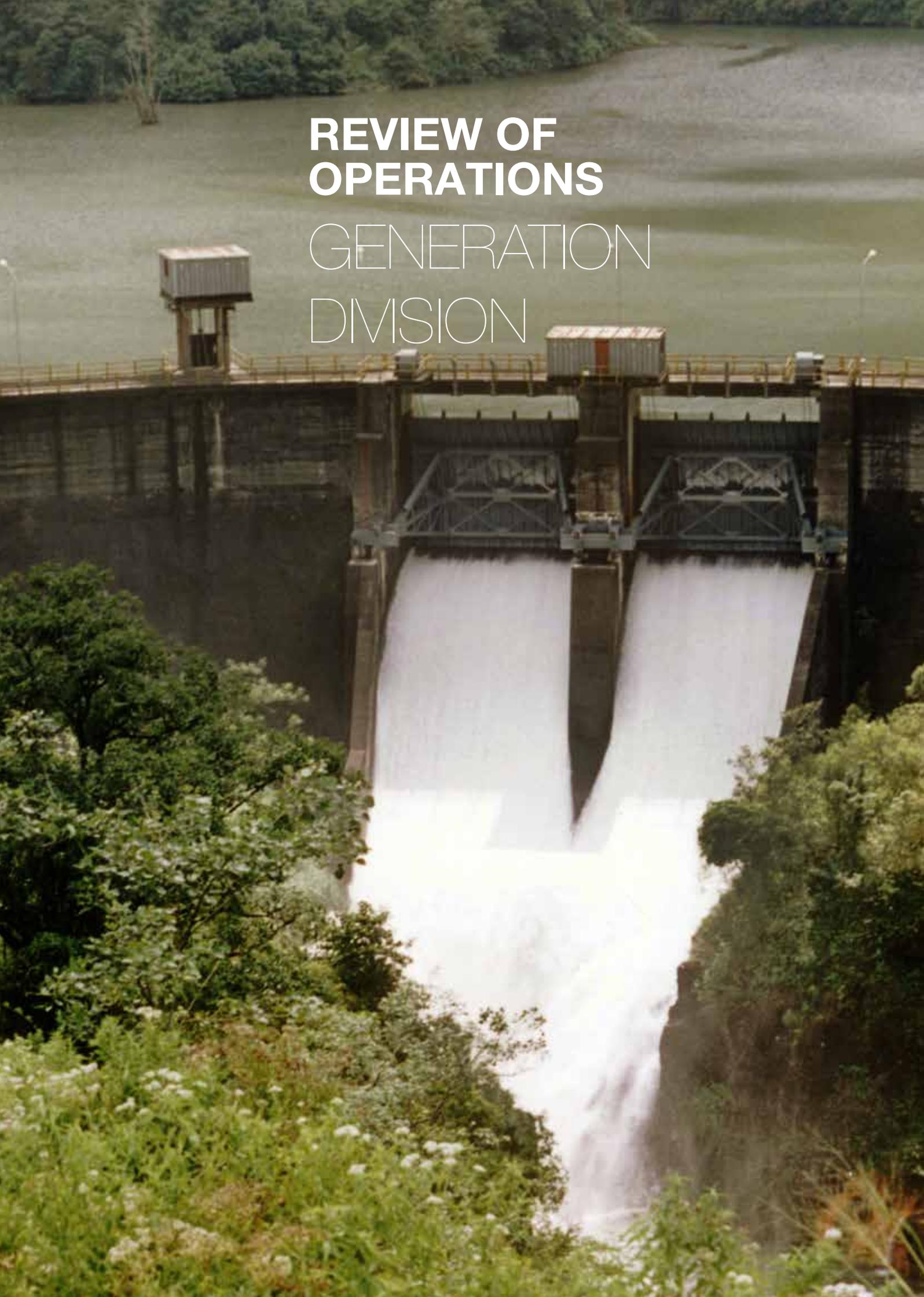
General Manager's Review (Contd.)

During the year, many IT solutions were developed and updated as per the user requirements. Some of the main IT solutions that are in operation today supports utility billing, accounting, payment collection, material management, service connections, human resource management, outage management, call centre operations and e-mail. Our payment collection applications are now electronically linked to banks and other payment collection agents, enabling customers to make electricity bill payments through these options. In addition, CEB's own Point of Sales counters, credit card payments through web, Electric Vehicle Charging solution and KIOSK machines are in operation for accepting customer payments. The CEB's corporate web is being upgraded to accommodate multiple payment gateways. A SMS notification system is in operation to inform customers of the power interruptions and to send reminders on bill payments and disconnection notices. A SMART phone application is being developed for customers to inform their electricity breakdowns promptly. It is expected that this application will solve the call centre congestions experienced currently during peak hours considerably.

This technical and financial performance of the CEB during the year under review achieved amidst several constraints would not have been possible if not for the commitment and dedication shown by my predecessors, Additional General Managers, the Finance Manager and all other employees of the CEB in their own individual capacities. I pay my tribute again to all of them.



A.K. Samarasinghe
General Manager

A photograph of a dam with two spillways. Water is cascading down the spillways into a river below. The dam structure is dark and industrial, with a walkway and control buildings on top. The surrounding area is lush with green trees and vegetation. The sky is overcast.

REVIEW OF OPERATIONS GENERATION DIVISION

Generation Division

The Generation Division operates, maintains and carryout rehabilitations of all power plants owned by Ceylon Electricity Board. The Division has 17 Hydro Power Plants with installed capacity of 1,399 MW, seven Oil-fired Thermal Power Plants having installed capacity of 604MW and one Coal-fired Power Plant having installed capacity of 900MW. CEB also operates few diesel plants in the surrounding islands of Jaffna Peninsula. Total installed Capacity of CEB-owned Power Plants by the end 2018 were 2,903MW.

Operational Structure

Under the Additional General Manager (Generation), there are fifteen Branches headed by Deputy General Managers and one Additional Finance Manager to carry out the different functions of the Generation Division. It has five Generation Complexes and ten other Branches namely

- Asset Management Hydro Electrical
- Asset Management Hydro Mechanical
- Asset Management Thermal Electrical
- Asset Management Thermal Mechanical
- Corporate Affairs
- Dam Safety Environment & Civil Structures Maintenance
- Energy Sales
- Generation Projects
- Generation Protection
- Laxapana Complex
- Mahaweli Complex
- Samanala Complex
- Thermal Complex
- Lakvijaya Power Plant (LVPP)
- Finance - Generation

Highlights

Establishment of Fluid Testing Laboratory

A fluid testing laboratory was established at Asset Management Thermal Mechanical Branch to monitor the condition of industrial fluids used in power stations such as lubricating oil, hydraulic oil, fuel oil and water. This enables to identify the potential failure of machineries prior to sudden breakdowns. Further, this facility can utilize to assure quality of the fluids which are introducing to systems of the plants, which help to maintain the healthiness of the machinery as well as the optimum performance.

Dormitory for Workers

Dormitory for workers were completed and handed over to Uthuru Janani Power Station at Chunnakam by the Dam Safety Environment & Civil Structures Maintenance Branch. This Dormitory consists of 20 Nos of air conditioned double rooms for workers of Uthuru Janani Power Station.

Hydro Meteorological Information System

Designs were finalized for new HMIS stations in Gangulthenna (Sri Pada) and Bogawanthalawa under Dam Safety and Water Resources Planning Project. Construction and installation work were completed in 2018.

Formation of Occupational Health and Safety Unit at LVPP

New Unit for Occupational Health and Safety was formed under the designation of Manager (Occupational Health & Safety) for ensuring Health and Safety of LVPP staff while fulfilling necessities of the Environment Protection License.

Laying foundation Stone for Wind Barrier extension at LVPP

The construction of wind barrier extension was commenced on 22nd June 2018. Minister for Power and Renewable Energy, General Manager (CEB) and Additional General Manager (Generation) participated in the laying of foundation stone. The extension is expected to be completed by August 2019.

Trial Wet Blanketing Project

Trial Wet-Blanketing project was conducted to mitigate the existing water leakage (1.9 - 2.6 m³/s) from the Samanlawewa Reservoir with available resources in CEB and hiring earth moving equipment that were required for soil excavation and transporting to the loading site. Initial plan of dumping 105 Barge loads were conducted successfully.

Soil excavation and loading for transport to the temporary stock Pile



Soil loading to the Barge

Hambantota Wind Power Station

As per the decision taken to decommission and dismantle Hambantota Wind Power Station in view of handing over the land where wind turbines were located to Hambantota International Port Group (Pvt) Ltd and to hand over the equipment and tower parts to Sustainable Energy Authority, dismantling and tower transportation works were successfully completed.

Generation Division (Contd.)

Operational Data

Gross generation (CEB) for the year 2018 was 12,415 GWh.

It was observed that year 2018 was one of the best years for Mahaweli complex in terms of Electricity Generation. Power stations in Mahaweli complex have generated **2,906.1 GWh**, which is about 56% of the total CEB hydro generation and it is about 19% of the total generation of the country in 2018. Victoria, Kotmale, Upper Kotmale Randenigala, Ukuwela and Bowatenna power stations surpassed their annual planned generation targets. Apart from the significant rainfall experienced at catchment

areas, especially during the latter parts of the year, dedication of the staff was a main factor contributing for this success.

Year 2018 was a successful year for the Kukule Ganga Power Station of Samanala Complex as the plant has recorded a generation of 321 GWh which is 4GWh more than the annual expected energy of 317GWh.

Year 2018 was also successful year for the Laxapana Complex as the Complex has recorded a generation of 1559 GWh which is 9GWh more than the annual expected energy.

Performances of Power Stations

Hydro Power Stations

Power Station	Installed capacity in MW	Generation in 2018 in GWh	Availability factor (%)	Plant factor (%)	Fault factor (%)
Victoria	210	863.78	99.51	46.95	0.76
Kotmale	201	578.31	99.88	32.84	0.25
Upper Kotmale	150	552.26	99.80	42.03	0.40
Randenigala	122	418.35	100.00	39.15	0.00
Rantembe	49	201.66	99.89	46.98	0.20
Ukuwela	40	195.82	96.64	55.88	4.95
Bowatenna	40	83.45	99.16	23.82	2.27
Nillambe	3.2	12.48	99.34	42.90	1.34
Total	815.2	2,906.10			
Samanalawevea	120	356.227	92.14	33.95	1.63
Kukuleganga	75	321.46	86.34	52.42	0.18
Udawalawa	6	17.646	89.16	50.46	11.52
Hambantota Wind	3	1.290	44.42	5.88	55.03
Inginiyagala	11.25	10.11	96.78	10.26	11.62
Total		706.733			
Old Laxapana Stage I	3x9.6	189.473	97.4	75.10	0.623
Old Laxapana Stage II	2x12.5	157.835	97.78	72.07	0.300
New Laxapana	2x58	546.325	95.35	53.76	3.76
Samanala	2x45.35	340.544	62.59	51.835	-
Wimalasurendra	2x25	154.581	95.665	35.18	0.1433
Canyon	2x30	170.670	99.965	38.965	-
Total	370.5	1559.428			

Hydro Total 5172.26 GWh

Generation Division (Contd.)

Thermal (Oil) Power Stations

Power Station	Installed Capacity, Mw	Max Available Total Capacity (MW)	Energy Generated (GWh)	Availability Factor (%)	Plant Factor (%)
Sapugaskanda -A	80	68	236.0	97.50	39.60
Sapugaskanda -B	80	72	409.5	94.93	64.90
Kelanitissa CCP- GT	110	110	428.4	95.92	46.58
Kelanitissa CCP- ST	55	55	206.3	88.60	39.25
Kelanitissa GT-07	115	115	208.9	53.98	28.30
Kelanitissa Frame V GTT	80	60	13.2	37.32	2.30
Uthuru Janani	24	24	73.6	82.00	35.00
Barge Mounted	60	62.4	367.0	93.98	67.15
Overall	604	566.4	1,942.9	80.53	40.39

Thermal (Coal) - Lakvijaya Power Plant

		Unit 01	Unit 02	Unit 03	Total
Gross Energy	GWh	1,563.2	1,647.3	2,088.9	5,299.4
Net Energy Sent Out	GWh	1,394.3	1,480.3	1,889.1	4,763.7
Auxiliary Consumption	GWh	168.9	167.0	199.8	535.7
Availability Factor	%	86*	87**	94	89
Capacity Factor	%	59	63	79	67
Coal Consumption	MT	620,895	613,314	774,854	2,009,063
Diesel Consumption	Ltr	1,514,372	1,612,743	799,623	3,926,738

*- Considering the safety precaution, Unit 1 is operated at 225MW

**- Level B Overhaul was carried out from June to August.

Generation Division (Contd.)

Special Maintenance Works

In addition to the routine maintenance of generating units and auxiliary systems of power plants, following special maintenance activities were carried out complex wise with the participation and contribution of Asset Management Hydro Electrical/ Mechanical, Asset Management Thermal Electrical/ Mechanical, Dam Safety Environment & Civil Structures Maintenance and Protection Generation Branches of Generation Division.

Laxapana Complex

Laxapana Power Station,

Upgrading of Old Laxapana Power Station SCADA system
Replacement of New Laxapana Power Station U2 thrust bearing Cooler
Retrofitting of 400V Auxiliary System
Commencement MMS system at LPS

Samanala Power Station

Painting of Samanala Power Station penstock
Tunnel Inspection

The tunnel inspection was carried out between 23rd January and 7th February 2018 by the specialist team and members from the CEB. The inspection and repairing works executed under the supervision of Dam Safety and Civil Maintenance Unit of Laxapana Complex.

This was the second tunnel inspection made in January 2018 after 47 years of operation.



Silt deposited in the steel liner at Adit No. 1



General Appearance of Dewatered Tunnel



Fungus grown on the tunnel rock surface

Mahaweli Complex

Kotmale Power Station

Retrofit of 400V Circuit Breakers in Auxiliary Power System



Retrofit of 400V Circuit Breakers at Kotmale Power Station

Solid Waste Management System at Kotmale Power Station and Mawathura building site Premises

The Solid waste management at Kotmale power station had become a major issue due to the unavailability of a proper mechanism to dispose the wastes generated at power station and the building site premises of Kotmale power station. Accordingly, the waste separation, bio-gas generation and incineration processes were implemented as a joint project with CEB and National Engineering Research and Development Center of Sri Lanka (NERDC) to manage wastes generated in the power station and Mawathura building site premises belongs to Kotmale Power Station.

Generation Division (Contd.)

Bowatenna Power Station

Repairing of the 11kV Synchronizing Circuit Breaker

This circuit breaker failed on 05/08/2018 and it was not repairable due to the unavailability of broken parts. The faulty circuit breaker was repaired successfully using locally fabricated parts by Power Station Electrical maintenance staff with the assistance of AMHE Branch.

Ukuwela Power Station

Replacement of Two (02) Nos. of Three Phase 12.5kV/132/kV, 27MVA, 50Hz Power Transformers

Two 20MW Hydro Generators at Ukuwela power station are connected to the national grid through two Three Phase 12.5kV/132 kV, 27MVA power transformers. The power transformers of Unit 01 and Unit 02 machines were in service for more than 25 and 40 years, respectively. As per the test results insulation of both transformers have been found to be heavily aged and deteriorated. Considering the criticality of the transformers for the availability of both generators to the national grid, action has been initiated to purchase two new generator transformers to replace these two old aged transformers. During 2018 these two transformers at Ukuwela power station replaced successfully at the total cost of about LKR 84.5 M.



Replacement of Two Generator Transformers at Ukuwela Power Station

Victoria Power Station

Stator Replacement of Unit 03 Machine

The stator replacement of Unit 03 machine at Victoria power station was successfully completed in the first quarter of 2018 by procuring material and supervisory services from VOITH Hydro GmbH, Germany. The entire work including dismantling of existing stator, erection of new stator at loading bay, installation work, commissioning and testing were carried out by CEB under

the supervision of VOITH Hydro GmbH by outsourcing few expertise services. The machine was released for commercial operation in March 2018.



Stator Replacement of Unit 03 Machine at Victoria Power Station
Replacement of AVR in Unit 01 and Unit 02 Machines

Replacement of AVR in Unit 01 and Unit 02 Machines

Static excitation systems in Unit 01 and Unit 02 machines at Victoria power station were replaced by UNITROL 6000 Medium of ABB Switzerland. The entire work including dismantling of existing system, installation of new system, commissioning and testing were carried out by CEB under the supervision of ABB.

Generation Division (Contd.)



Replacement of AVR in Unit 01 and Unit 02 Machines at Victoria Power Station

Establishing a Microwave Communication Link in Between Power Station and Intake

The entire communication between power station and the intake which include telemetering system, remote controlling facility of intake operation and voice communication was carried out by a multi core cable. Due to aging and other manmade disasters this link was out of order since 2000. Victoria Power Station and Communication Branch jointly establish a microwave link to communicate, voice data, tele-metering, remote controlling and CCTV data of intake to the power station.

Replacement of Intake 11kV Power Supply Underground Cable

Intake 400V auxiliary power supply was obtained through a nearly 1.0 km long 11kV underground cable drawn from the 11kV gantry established during the construction of Victoria Dam in 1980s. This cable was replaced due to aging.



Replacement of Intake 11kV Power Supply Underground Cable at Victoria Power Station

Replacement of Unit 03, 220kV Transformer Bushing

220kV transformer bushing in R phase of Unit 03 machine was replaced due to leaking of bushing oil.



Replacement of Unit 03, 220kV Transformer Bushing at Victoria Power Station

Rantambe Power Station Rehabilitation of Interbus Transformers' Control Panels at Switchyard

Inter-bus Transformer's control panels of Rantambe power station's switchyard were refurbished by power station staff after importing all necessary components from the OEM. These transformers were in service since the commissioning of the power plant in 1988.



Rehabilitation of Interbus Transformers' Control Panels at Rantembe Switchyard

Generation Division (Contd.)

Randenigala Power Station

Replacement of Rantambe 220kV Unit Breakers at Randenigala Switchyard

Unit 01 Generator Breaker at Randenigala power station failed due to the breakage of operating mechanism of one pole at the beginning of the year. This unit breaker was successfully replaced by the power station staff with a new spare breaker available at the power station. Later the other unit breaker was also replaced by the power station staff within a very short period.



Replacement of Rantambe 220kV Unit Breakers at Randenigala Switchyard

Replacement of Rantambe - Randenigala 220kV Line Breakers at Randenigala Switchyard

220kV Line Breakers at Randenigala Switchyard were in operation for nearly 30 years. Randenigala - Rantambe line breaker was replaced by the power station staff in year March 2018.



Replacement of Rantambe - Randenigala 220kV Line Breakers at Randenigala Switchyard

Samanala Complex

Samanalawewa Control / SCADA rehabilitation project at Samanalawewa Power Station (SWPS)

Replacement of Common Control Programmable Logic Controller was completed in 2018. Hydraulic mimic control panel wiring has been completed and Controller has to be commissioned.

Major Overhaul of Kukuleganga Power Station (KGPS)

Long awaited major overhaul of Unit-1 machine was executed from 4th January 2018 to 4th April 2018 with the supervision of Toshiba's Technical Advisors. As per Toshiba's schedule the completion date of the overhaul had fallen on 8th May 2018. However, dedication, hard work and planning of the Kukule staff was instrumental in completing the job more than one month before the target. Early completion of the overhaul saved at least 10GWh as the monsoons set in April as expected. Cost of the energy so saved is minimum Rs 200 million whereas the cost of the overhaul was Rs 142 million.



Soldering the replaced Stator Winding Bars in U-1 Generator

Udawalawe Power Station (UPS)

Generator Unit- 2 main intake gate link repair

It was observed that detachment of main intake gate link by the piston rod. Some parts were unseen due to high water level. The repair had to be planned to do under the water. It was noted that detaching of links by the coupling plate after observing the underwater video taken by divers. Thereafter, main gate lifting link was re-fixed under the water with the assistance of divers successfully after fabricating the coupling plate

Generation Division (Contd.)



Generator 3 tail race gate underwater inspection

The tailrace gate of Generator 3 was not available for long time. It had been removed due to failure in one segment of guide rails. Hence, the underwater inspection was carried out to examine the condition of existing segments of the guide rail before re-fixing of tailrace gate. The corroded detached guide rail segment was also found during the underwater inspection.

Right Bank turbine bearing repair at Udawalawe PS

An abnormal sound and the excessive vibration of the turbine shaft was observed in the turbine guide bearing of G03 machine. The turbine guide bearing shells was examined after dismantling the associated parts around the bearing and it was observed uneven internal measurement too. A unit spare bearing was not available in the stores. Hence, the available bearing shell's outer surface had to be cut off due to mismatching of outer diameter. Thereafter, refurbished bearing was installed successfully by the power station staff.



Inginiyagala Power Station (IPS)

Rehabilitation of cooling water pipe lines

Cooling water pipe lines and valves had been corroded and also water leaks were through valves. Pipe lines were fabricated and few valves were replaced to ensure the proper operation of cooling water pipe lines. Pressure gauges were installed to measure the pressure of header of cooling water system.

Thermal Complex

Kelanitissa Combined Cycle Power Station

Gas Turbine Hot gas path Inspection (HGPI) with inclusion of Advance Gas Path Component was completed during the September 11, 2018 to November 02, 2018. Combustion Inspection (CI) Extender components were installed which are capable to exclude frequent CIs from every 6000 running hours and enable the GT to run until next HGPI.

Steam Turbine protection relays scheme was upgraded with ABB relays.

Generation Division (Contd.)

Lakvijaya Power Plant Major Overhaul (Level B) of Unit 2

The Level B overhaul of Unit 2 commenced on 8th June and ended on 25th August. LVPP Unit 2 was commissioned in April 2014 and completed 4 years operation in 2018.



Figure 1 Level B Overhaul of Unit 2

Level B Overhaul Commencement of Unit 3

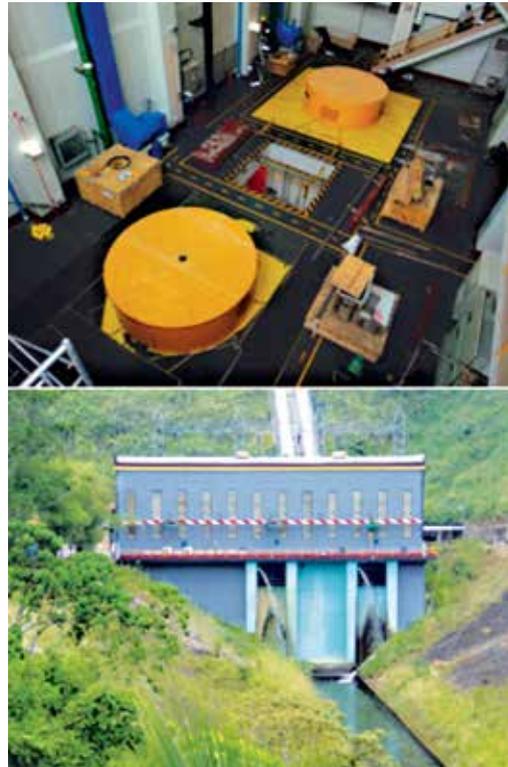
The Level B overhaul of Unit 3 commenced on 25th November 2018. Unit 3 commenced operation in October 2014 hence completed 4 years of operation in 2018.

Special Rehabilitation and Project Works

Rehabilitation of Polpitiya Power Station

Under the Project, the 49-year-old two generating units each of 37.5 MW capacity at Polpitiya (Samanala) hydro power station were replaced by two 43.6 MW units. During the rehabilitation, the Generators, Turbines, main inlet valves and auxiliaries were replaced at a cost of LKR 3667 million. The control system was upgraded & reprogrammed to match the new components installed by CEB engineers. Though the units were supplied by a German manufacturer, Design review, leading the unit commissioning and all interface works were carried out by CEB engineers.

The new generators have increased the generation capacity of the Polpitiya power station by approx. 15%. With increased efficiencies and reduced maintenance outages, the new units will deliver more power to the National Grid at a lower operation and maintenance cost.



Level B Overhaul of Unit 3

Rehabilitation of the 1st unit at Samanala Power Station commenced on Nov. 2016 and was completed by November 2017. Rehabilitation of the other unit commenced on July 2018 and was completed in Nov.2018.

Enhancing Handling Capacity of Coal Yard Lakvijaya Power Station

With the experience gained over the past few years on operating a coal power plant, it was identified that the reliability of the plant could be further improved if the availability of the coal stock could be increased. In order to avoid adverse consequences of poor weather conditions, delays in coal procurement and other related issues in the coal handling systems, it was decided to enhance the coal storage and handling capacity of the existing coal yard to be able to cater 1.21 MMT.

Generation Division (Contd.)



Construction of generator monument

Construction of a generator monument to display the first hydro power generator operated by Ceylon Electricity Board is currently ongoing at Kelanitissa power station premises. The components dismantled during rehabilitation of Old Laxapana Power Station will be exhibited in an architect designed structure to reflect the actual operational conditions of the unit. Construction works was partially complete.

Rehabilitation of Frame V gas turbines at Kelanitissa power station

Following a Special Board approval to refurbish the unit 1, 2, 4 and 5 frame V gas turbines at Kelanitissa power station, CEB Engineers commenced rehabilitation of these units at a total estimated cost of LKR 965 million.

First unit was connected to the grid after rehabilitation on 29.06.2019 and so far has managed to generate over 7 GWh. Rehabilitation of the second unit is nearing completion and commissioning and trial operation is expected to commence in first quarter of 2019. Rehabilitation of unit no 4 is also expected to start in the first quarter 2019.

Once rehabilitated, these units will be used to meet the requirements of active power supply, voltage regulation, power restoration in Colombo during blackout, frequency controlling during dry periods and stand by operation during outages of thermal power plants.



Cost of Generation

Technology (CEB generation)	Fuel Cost Rs. Million	Spares & Other Maintenance Material Cost Rs. Million	Other Operation & Maintenance Cost Rs. Million	Total Generation Cost Rs. Million	Units GWh	Average Cost of Generation Per Unit Rs/KWh
Thermal -Oil	41,160	2,807	11,989	55,949	1,946	28.76
Hydro	-	235	9,052	9,287	5,170	1.80
Thermal -Coal	39,216	1,288	12,123	52,627	5,299	9.93
Total	80,376	4,331	33,164	117,870	12,415	

Generation Division (Contd.)

Corporate Social Responsibility (CSR)



GCE Ordinary Level Seminar contribution

LVPP sponsored for the GCE Ordinary Level Seminar conducted by IESL-Puttalam District Center in three schools in the Kalpitiya Peninsula on 31st October 2018. Engineers from LVPP actively participated in this CSR activity where nearly 700 students of four schools participated. Seminar was conducted in Sinhala and Tamil.



Planting 5000 Nos trees in Buffer Zone

With the sponsorship of Orient Lions Club- Negombo 5000 trees were planted in the surrounding of Lakvijaya Power Plant to enhance the green belt effect.



OPERATIONAL REVIEW

TRANSMISSION DIVISION

Transmission Division

Transmission Division plans, develops, operates and maintains the transmission assets of the CEB, while providing services to other Divisions of CEB in certain areas of activities.

Mission of the Transmission Division

The mission of the Division is to provide reliable, quality electricity in bulk by means of effective and efficient planning, development and operation of the transmission network through a productive partnership with skilled and motivated employees using appropriate technology for the socio-economic development of Sri Lanka while meeting acceptable environmental standards and earning a satisfactory rate of return.

Objectives of the Transmission Division

The operational objectives of the Division are to:

- Develop and maintain an efficient, coordinated, reliable and economical transmission system.
- Procure and sell electricity in bulk to distribution licensees so as to ensure a secure, reliable and economical supply of electricity to consumers.
- Ensure that there is sufficient capacity from generation plants to meet reasonable forecast demand for electricity.
- Maintain transmission voltage variations within $\pm 10\%$ for 132 kV & 220 kV and frequency within $\pm 1\%$ of 50Hz of the system.

Operational activities

The division operates 220kV and 132kV grids, embracing all power stations and dispatches all electricity supplied to the grid through its System Control Centre. The System Control Centre plans and carries out the operation of generation and transmission system in order to achieve reliability, quality and operational economy. Archiving the generation and transmission data and the preparation of regular management information is also carried out by the Division.

Transmission System as at 31st December 2018

Item	Unit	Quantity
220kV overhead transmission lines	km	601
132kV overhead lines	km	2286
132kV underground cables	km	51.5
220/132/33kV Grid Substations	Nos.	5
220/132/33kV Transformers	Nos	28
	MVA	2580
220/132kV Grid Substations	Nos.	3
220/132kV Transformers	Nos	2
	MVA	300
132/33 kV Grid Substations	Nos.	50
132/33kV Transformers	Nos	139
	MVA	4357

TRANSMISSION & GENERATION PLANING BRANCH

Transmission and Generation Planning Branch collaborated for the 'Project on Electricity Sector Master Plan Study in Democratic Socialist Republic of Sri Lanka' which was initiated with the assistance of Japan International Cooperation Agency (JICA) with the aim to formulate generation, transmission and distribution development plans for the power sector. Target year for optimum power supply configuration was taken as 2040 and the draft final report is being reviewed.

GENERATION PLANNING UNIT

The Long Term Generation Expansion Plan is a rolling plan prepared every two years for a period of 20 years by Generation Planning Unit, in order to methodically plan power plant development activities to provide reliable, quality electricity to the entire nation at affordable prices. The Long Term Generation Expansion Plan (LTGEP) 2018-2037 was submitted to the PUCSL on May 2017 and approval was granted on June 2018. According to the LTGEP 2018-2037, it is envisaged that 8,363MW of generation capacity would be added to the system within next 20 years, out of which 2,700MW will be Coal and 1,500MW will be LNG Combined Cycle Power Plants as major thermal base power plants. Additionally 425MW will be from other thermal power plants. Major hydro development planned is around 240MW whereas Other Renewable Energy (ORE) including Wind, Solar, Mini Hydro and Biomass contribution is 2,897MW comprising 1,205MW Wind and 1,392MW Solar. Further 3x200MW Pumped Storage Power Plant is also planned to be implemented. In addition to the LTGEP 2018-2037 approval, PUCSL has given the direction to submit the LTGEP 2020-2039 by 30th April 2019 for the commission approval. Accordingly, Generation Planning Unit initiated the process of preparing new Long Term Generation Expansion Plan 2020-2039. Due considerations will be given to the government policy and guidelines including new policy on "Deciding the Energy mix for electricity Generation in Sri Lanka" submitted by Minister of Power, Energy and Business Development and approved by the cabinet on May 2018.

Transmission and Generation Planning Branch initiated the study on 'Integration of Renewable Based Generation into Sri Lankan Grid 2020-2030' with the objective of investigating main challenges and to determine the optimum level of renewable energy based generation to the grid. A detailed system operation analysis and a power system stability analysis were carried out in this study to determine the stability and operational constraints and to determine the required countermeasures for Variable Renewable Energy (VRE) absorption. The scope of the study covers the areas of renewable energy resource estimation, future renewable energy projection with optimized long term generation expansion planning, transmission infrastructure availability and development, system stability and operation, economics of integration.

Transmission Division (Contd.)

Ministry of Power, Energy and Business Development has requested assistance from International Atomic Energy Agency (IAEA) for "Establishing a Roadmap for the Nuclear Power Programme in Sri Lanka" with the objective of providing a basis for policy makers to take decision on Nuclear Power Development in Sri Lanka including considerations on technological, financial, environmental and social sectors. In 2018, Ministry, CEB, Sri Lanka Atomic Energy Board (SLAEB) and Sri Lanka Atomic Energy Regulatory Council (SLAERC) jointly initiated the Nuclear Power Program with the assistance from IAEA. Objective is to prepare a comprehensive report addressing the 19 milestones, according to Phase 1 of the IAEA milestones approach by the end of 2020. Further IAEA assistance is obtained at present on nine major areas to prepare the comprehensive report covering the 19 milestones for Nuclear Power Development. The nine major areas are Legal and regulatory, Communications and Human Resource, Policy, Electricity market and generation mix, Nuclear Power Technology, Siting of NPPs/Nuclear facilities, Economics and Finance, Localization Assessment, Safety and Security. The Steering Committee, Program Management Unit and Working Groups have been formed and several IAEA expert missions have been conducted with the participation of stakeholder organizations.

Generation Planning Unit represents CEB as a stakeholder in Mahaweli Water Security Investment Programme under Ministry of Mahaweli Development and Environment which is a large scale investment program for constructing water infrastructure to transfer water from Mahaweli River to North Central Province. CEB had several discussions and submitted the observations/suggestions on route selection for water diversion from Mahawelito KaluGanga reservoir by minimizing impact for power sector. In addition, requested for the study on possible upgradation and expansions including pumping option in Mahawelihydro power complex.

With the assistance of Japan International Cooperation Agency (JICA), a study on 'Project on Electricity Sector Master Plan Study in Democratic Socialist Republic of Sri Lanka' was carried out and the final study report was submitted in March 2018. It aimed to formulate generation, transmission and distribution development plans for the power system with optimum power supply configuration as the target year of 2040.

Generation Planning Unit acts as the main focal point for Carbon Partnership Facility (CPF) program between CEB and IBRD (International Bank for Reconstruction and Development) of the World Bank group for emission reduction considering the Renewable Energy development program identified in the LTGEP. Seller Participation Agreement (SPA) was signed between two parties and according to the agreement CEB has the responsibility to develop and implement the Emission Reduction Program. Any Private Power Producer who is willing to join the scheme

will have to transfer the carbon credits to Government through CEB. Carbon revenue received in this program is intended to be used to overcome technical and financial barriers for renewable development. Environmental and social management framework of the renewable program has been finalized and the program implementation arrangements are under discussion.

The Partnership for Market Readiness (PMR) is a grant-based, capacity building trust fund that provides funding and technical assistance for the collective innovation and piloting of carbon-pricing instruments (CPIs) that reduce greenhouse gas (GHG) emissions. Climate Change Secretariat under the purview of Ministry of Mahaweli Development and Environment is the implementing entity for PMR program and CEB as a major stakeholder have been involved in providing necessary input and feedback to the work carried out under PMR program.

Further, Generation Planning Unit participated in the programs organized by the Sri Lanka Sustainable Energy Authority and the Climate Change Secretariat under Ministry of Mahaweli Development and Environment with related to barrier analysis for climate change mitigation options in energy sector in order to prioritize the mitigation measures, developing energy sector project proposals for Nationally Appropriate Mitigation Action (NAMA) funding facility, developing inputs for Paris Agreement Work Program, developing a measurement, reporting and verification (MRV) system for GHG emissions in the country.

Generation Planning Unit represents CEB at the National Expert Committee on Climate Change Mitigation under the Ministry of Mahaweli Development and Environment. This committee evaluates proposals related to reduction of GHG emissions including NAMA proposals and carries out feasibility studies for pilot projects. Acquiring of international climate finance for such pilot projects is also coordinated through this committee. Generation Planning Unit involves in the work carried out by this committee and provides recommendations where necessary.

GENERATION DEVELOPMENT STUDIES UNIT

Long Term Generation Expansion Plan has identified coal power development in different phases. Two options has been proposed such as, an extension for Lakvijaya power plant and new plant at Foul Point. GDS unit has already identified a land at Foul Point, Trincomalee.

Ceylon Electricity Board submitted a National Project Concept "Establishing a Roadmap for the Nuclear Power Programme in Sri Lanka" on April, 2017 for IAEA Technical Cooperation 2018/2019 Cycle with the objective of developing a National Strategy for the Introduction of Nuclear Power in Sri Lanka. This will initiate the IAEA milestones approach by preparing a comprehensive report addressing the 19 infrastructure issues by the end of

Transmission Division (Contd.)

2020. GDS unit contributed to this programme by organising five workshops in 2018 to enhance the knowledge of the officers of the stakeholder organisations.

A land with an extent around 100 acres was identified in Kerawalapitiya area in Western Province for the development of proposed LNG Power plants. The land leasing and development process has been commenced with the Divisional Secretary, Wattala and Sri Lanka Land Reclamation and Development Corporation.

TRANSMISSION PLANNING UNIT

- Long Term Transmission Development Plan (LTTDP) of CEB is prepared by the Transmission Planning Unit and this is a rolling plan prepared every two years for a period of 10 years, based on approved Long Term Generation Expansion Plan (LTGEP).
- LTTDP 2018-2027 was prepared Based on the approved Long Term Generation Expansion Plan (LTGEP) 2018-2037 and has been submitted for the approval of the Board of CEB.
- Preparation for the Power System Reliability Strengthening Project was carried out. CEB may receive a loan of 200 MUSD for reliability improvement in CEB transmission system and innovative technology applications in reliability improvement from ADB's ordinary capital resources and potential co-financing from Asian Infrastructure Investment Bank. This loan will finance the following transmission network developments.
 - Construction of Kerawalapitiya 220kV Switching Station
 - Construction of Hambantota-Matara 85km, 132kV Transmission Line
 - Reconstruction of New Anuradhapura - Trincomalee 104km, 132kV Transmission Line
 - Construction of Kandy City 132/11kV Grid Substation
 - Construction Homagama 132/33kV Grid Substation
 - Construction of Tissamaharama 132/33kV Grid Substation
 - Construction of Kalawana 132/33kV Grid Substation
 - Reconstruction of New Habarana-New Anuradhapura 50km, 220kV transmission line
 - Construction of Wariyapola 132/33kV Grid Substation and Wariyapola-South 220/132kV Switching Station

- Construction of Negombo 132/33 kV grid substation
- Construction of Ja-Ela 132/11 kV grid substation
- Construction of Baddegama 132/33 kV grid substation
- Construction of Mirigama 220kV Switching Station & Kotadeniyawa 220/33kV grid substation

- It is proposed to allocate funds from the loan savings under the ADB Loan - Supporting Electricity Supply Reliability Improvement Project and Green Power Development and Energy Efficiency Improvement Investment Program (Tranche 2) to implement the following transmission developments.

- Augmentation of Nadukuda 220/33 kV Grid Substation
- Augmentation of Chunnakam 132/33kV Grid Substation
- Augmentation of Ambalangoda 132/33kV Grid Substation
- Augmentation of Aniyakanda 132/33kV Grid substation
- Augmentation of Pannala 132/33kV Grid substation
- Installation of BSC at Colombo City Grid Substations

- The study 'Integration of Renewable Based Generation into Sri Lankan Grid 2020-2029' with the objective of investigating main challenges and to determine the optimum level of renewable energy based generation to the grid was completed. It consists of three parts; long term generation expansion, Power system operational study and transmission network studies. According to the results of this study, the maximum penetration level of NCRE resources has been decided.

ENERGY PURCHASES BRANCH

Energy Purchases has been established for the purpose of purchase electricity from the Private Power Producers in accordance to the relevant Power Purchase Agreements (PPA). Adminstrating the PPAs, making the relevant payments accordingly, attending administrative and operational issues are some of responsibilities of the Branch.

There are two Unit in the Branch namely Thermal Energy purchases and Renewable Energy purchases. The PPAs for the Thermal based plants are unique for the particular project with a specific terms while the PPAs for the renewable based plants is a standardized one called Standardized Power Purchase Agreement (SPPA) for a Term of 20 years.

Transmission Division (Contd.)

A comparison summary on total private power purchases in the years 2017 and 2018 is tabulated below (Table 1).

Table 1: Comparison Summary on Total Private Power Purchases

Category	2017			2018		
	Number of Plants	Capacity (MW)	Annual Energy (GWh)	Number of Plants	Capacity (MW)	Annual Energy (GWh)
Independent Private Power Producers	06	660.15	2,489.47	06	660.15	1739.80
Non-Conventional Renewable Energy Power Projects	218	565	1463	232	609	1714

Thermal Energy Purchases

Thermal based Power Producers generate electricity using petroleum fuels and are governed under different types of Power Purchase Agreements. The term (period) of the agreement is decided as per the national energy requirement in the country, unit cost, future energy predictions, generation plan, etc.

Renewable Energy Purchases

Electrical energy generated using a Non-Conventional Renewable Energy (NCRE) resource is called Renewable Energy. Under this category, technologies such as Mini Hydro, Biomass, Solar, Wind, Tidal Wave, Geo Thermal, etc. power plants having an installed capacity of less than 10MW at a single site are governed under a SPPA. A Feed-In-Tariff is applicable for this type of agreements which have already been signed. As per the existing policy and as per the provisions of the Sri Lanka Electricity Act, new NCRE projects are implemented following a competitive bidding process.

Present Status of Commissioned NCRE Projects

NCRE purchasing scheme was started in the year 1996 and allowed private parties to develop renewable energy sector. At

the beginning, an Avoided Cost Based tariff was offered and the same was revised periodically by a committee as appropriate. In the year 2008, a Cost Based Technology Specific Three Tier tariff was introduced and the same was also periodically revised by a committee. The development of the NCRE sector can be

NCRE Project Development - Capacity Additions (up to 31.12.2018)

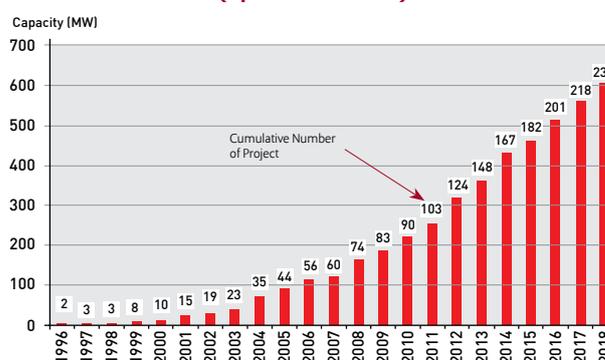


Figure 1: Development of NCRE Sector

graphically illustrated as follows (Figure 1).

A comparison between the year 2017 and 2018 of the NCRE sector development is given in the following table (Table 2).

Table 2: Comparison on the NCRE Sector Development

Category	Commissioned in 2017		Commissioned in 2018		Cumulative Commissioned as at the end of 2018	
	Number of Plants	Capacity (MW)	Number of Plants	Capacity (MW)	Number of Plants	Capacity (MW)
Mini Hydro	13	17	12	40	197	400
Biomass	01	02	02	04	12	30
Wind	0	0	0	0	15	128
Solar	03	30	0	0	08	51
Total	17	49	14	44	232	609

Transmission Division (Contd.)

Contribution to the National Energy Demand from the NCRE Sector

The NCRE projects (less than 10MW) contributes a considerable portion of the national energy demand in Sri Lanka. The government has set some milestones to be achieved by 2020 and 2025 for the NCRE contribution. The 2015 milestone was to cater 10% of the national energy demand from NCRE sector and the same has already been achieved. CEB is in the process of achieving the 2020 milestone also.

The annual energy contribution from NCRE sector is illustrated in the following figure (Figure 2).

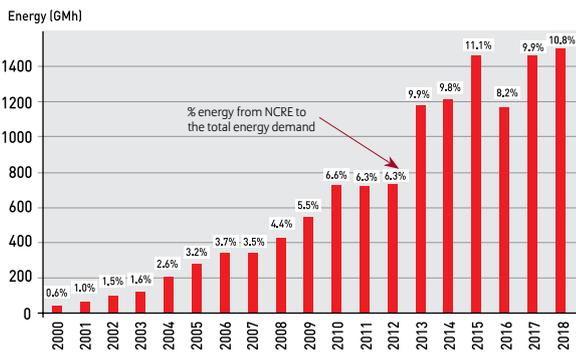
Annual Energy Contribution from NCRE Projects

Figure 2: National Energy Contribution from NCRE Sector

SPPA Signed NCRE Projects

There are several SPPA signed (still not commissioned) NCRE projects available as at the end of the year 2018 and most of them are in the process of implementation. Also tenders were called for Solar and Wind Power projects and a considerable number of those projects are also under the implementation. A summary of SPPA signed NCRE projects are shown in the table below (Table 3).

Table 3: Summary of SPPA Signed NCRE Projects (as at 2018.12.31)

Category	Number of Projects	Total Capacity (MW)
Mini Hydro	57	96
Wind	2	20
Biomass	14	71
Solar	6	6
Solar Thermal	2	20
Total	81	213

RENEWABLE ENERGY DEVELOPMENT & PERFORMANCE MONITORING

RED & PM Branch was established in May 2017 under Transmission Division of CEB in order to plan, study, implement and develop Renewable Energy based power generating plants, monitor their performances, effect on power system quality and reliability and suggest suitable measures to mitigate such effects efficiently and effectively as per the Grid Code and Distribution Code.

Further, this Branch coordinate with developers and other stakeholders such as Sustainable Energy Authority of Sri Lanka, Sri Lanka Energies (Pvt) Ltd, etc, and get input from Transmission & Generation Planning Branch, Energy Purchase Branch, System Control Branch in Transmission Division and Planning & Development Branches in Distribution Division as & when required.

During year 2018, RED & PM Branch commenced following activities,

1. Bids Called for 1MWp X 90Nos Solar PV Power Plants

- Plant capacity : 1MWp
- No of plants : as given below

Grid Substation	No of plants
Pallekele	5
Galle	3
Matara	3
Mathugama	3
Beliatta	3
Vavunathivu GSS	7
Vavuniya GSS	5
Mahiyanganaya GSS	7
Anuradapura GSS	4
Maho GSS	7
Pannala GSS	5
Trincomalee GSS	7
Habarana GSS	7
Valachchanei GSS	5
Embilipitiya GSS	7
Monaragala GSS	5
Ampara GSS	7
Total	90

- Total Capacity : 90MWp
- Bid advertised date : 25th January 2018
- Bid opening date : 6th April 2018
- No of Bids received : 508

Transmission Division (Contd.)

- LOI's issued : Issued LOI's for 17 plants in Pallekele, Galle, Mathugama, Matara and Beliatta grid substation
- Present status : Awaiting the Cabinet approval of balance 73nos plants.

2. 10MWp Vavunathivu Solar PV Power Plant

- Plant capacity : 10MWp
- Tender advertised date : 4th July 2017
- Tender opening date : 13th September 2017
- No of Bids received : 17
- LOI Issued : 21st May 2018
- Present status : Pending the signing of PPA

3. 10MWp Polonnaruwa Solar PV Power Plant

- Plant capacity : 10MWp
- Tender advertised date : 4th July 2017
- Tender opening date : 14th February 2018
- No of Bids received : 9
- LOI Issued : 18th September 2018
- Present Status : Pending the signing of PPA

4. Pooneryn Solar/Wind park

- Initiated the work with the participation of other stakeholders, SEA, IFC & NAPP.
- In the process of finalizing Bird/Bat study, Design layout, RFP and the EIA for the plant & Transmission line.

5. Siyambalanduwa 100MW Solar Park

- Initiated the work on identifying & surveying the required land, EIA, RFP with the participation of SEA.

ENERGY MARKETING BRANCH

Energy Marketing

The Energy Marketing Branch on behalf of the Transmission Licensee (TL) effectively involve in purchase of electricity from Generation Licensees (GLs) and sale of electricity to five Distribution Licensees (DLs) including LECO. It cooperates with the Public Utilities Commission of Sri Lanka (PUCSL) on Regulatory related work including preparation of Bulk Supply Tariff (BST).

With the introduction of the approved Tariff Methodology, the new BST by the PUCSL in year 2011, Energy Marketing Branch prepares and issues monthly invoices to DLs based on the energy delivered to each DL. In order to measure the energy transactions between TL and each DL, energy meters with accuracy of 0.2 have been installed across boundaries. All energy meters are programmed adequately based on relevant requirements. Energy readings are downloaded remotely.

Energy Marketing Branch is entrusted with the preparation of Bulk Supply Transaction Account (BSTA) to account for energy transactions of TL. Payment for TL's energy purchases from GL is recorded through a transfer voucher. CEB DLs also pays for their energy purchases via transfer vouchers while LECO pays in monetary terms.

In 2018 Energy Marketing Branch started implementing a project to connect all the energy meters via fibre network with collaboration of the Communication Branch, as planned in 2017. The project was decided to carry on under few stages. Stage 1 and 2 were completed within 2018, connecting energy meters installed in 22 grid sub stations. Energy Marketing Branch's meter lab situated in Aniyankada was improved and modified in order to use as the energy meter data downloading center in line with the aforesaid project.



Re-opening of Aniyakanda Meter Lab after Modification



Boundary Meter Testing

In order to maintain the accuracy of the Energy measurements, Annual meter testing is conducted. Since, the accuracy of the metering CT directly affects the meter reading, CT Tests are being conducted as appropriate in collaboration with PHM units of each Distribution Division.

SYSTEM CONTROL BRANCH

The main purpose of the National System Control Centre is to balance the electricity supply and demand in real time operation of Sri Lankan electricity network, while maintaining continuous

Transmission Division (Contd.)

and quality power supply with the best available economical generation plan. Other than achieving this main objective, at present the System Control Branch also facilitates for optimum generation planning, power network analysis for contingency planning, data collection, analyzing and reporting.

Year 2018 is an important milestone for National System Control Centre as it was relocated in a new building in Pelawatta along with the installation and commissioning of new SCADA / EMS system. Many novel facilities such as AGC (Automatic Generation Control) application, Real time network analysis, historical incident playback facility, network equipment supervisory controlling, Digital Video wall and Dispatcher training Simulator were introduced with the new SCADA / EMS system. Data recording and archiving are automated through the new system and data presenting is achieved by automatically generated reports.

The branch consists of Operations Planning Unit, System Operations Unit, Operations Audit Unit and System Modeling Unit functioning under DGM (System Control).



New National System Control centre at Pelawatta Battaramulla

Operations Planning Unit

Operations Planning Unit focuses on most economical plant dispatch strategies in order to maintain the stability of network and quality of supply, while meeting the outage requirements of power system equipment. The two main functions of Operations Planning Unit are generation planning and network analysis.

The long term generation planning involves preparing the optimum hydro-thermal generation mix to cater the forecasted energy growth for the next year. The planning tool used is the 'SDDP (Stochastic Dual Dynamic Programming) software version 15.0'. Short term generation planning involves fine-tuning the long term generation plan while managing water levels in reservoirs to cater irrigation, drinking water and power generation requirements. Water management decisions are taken weekly basis with collaboration of MASL (Mahaweli Authority of Sri Lanka) Irrigation Department and Water Board of Sri Lanka.

Fuel forecasting for the thermal power requirement and coordinating with CPC (Ceylon Petroleum Corporation) is another component in generation planning. Other functions of generation planning includes,

- Preparation of water management directive on hydro plant dispatch
- Preparation of variable operation cost of thermal power plants for merit order dispatch
- Preparation of next 12 months energy mix on monthly basis
- Scheduling planned outages for hydro / thermal power plants
- Carrying out sensitivity analysis related to operation planning studies
- Carrying out renewable energy source integration studies
- Conducting new major thermal, hydro, pump storage plant addition/ expansion studies

The Operation Planning Unit is also responsible for analyzing the performance of power system according to the future operational and maintenance constraints, in order to maintain the stability for both steady state and dynamic conditions of the power system. PSS/E (Power System Simulator for Engineers) software version 34.0 is currently in use for more accurate results when ensuring the reliability of the transmission network. Further, Operations Planning Unit carries out following tasks.

- Analyzing and reporting operational constraints during maintenance outages
- Preparation of safe operating guidelines and contingency plans to overcome system constraints
- Recommending improvements to operational procedures
- Analyzing and carrying out studies on system disturbances
- Maintaining database of system parameters
- Assist with network improvement studies carried out by CEB Transmission Planning Branch
- Fine-tuning UFLS (Under Frequency Load Shedding) Scheme
- Revise and update black-out restoration plan

System Operations Unit

The real time network operations are carried out by the System Operations Unit. System Operations Unit coordinates with Generation, Transmission and Distribution divisions to ensure reliable, quality and economical power supply to customers.

The system operation unit is responsible for maintaining the system frequency and transmission voltage within the acceptable level by balancing generation-demand of Active and Reactive power respectively. System operation unit schedules the daily

Transmission Division (Contd.)

generation in most economical manner to meet the demand based on the inputs given by the operations planning unit. However, during emergency situations, system operations unit has authority to alter any instructions given by planning unit in order to stabilize the power system. 'NCP version 5.2' tool is being used to prepare the day ahead economic dispatch schedule while optimizing the hydro reservoir storages.

Further, managing the transmission network safely and efficiently to ensure the steady state stability of the system is the responsibility of the system operations unit. Releasing transmission and generation equipment for maintenance planned by the operations planning unit is carried out while adhering to standard permit to work procedures.

System operations unit is equipped with sophisticated SCADA/EMS system. Energy Management System comprises of network management applications and automatic generation control (AGC system). It helps operators to ensure the reliability of system under both steady state and contingency conditions. Automatic Generation Control application keeps system frequency well within the 50Hz +/- 1% range.

Daily Generation Summary report is prepared by system operations unit which consists of daily energy and night peak contribution from each plant, reservoir storage variations, rainfall to reservoirs and major equipment outages of the system. Daily Incident Report is another important report prepared by the system operations unit.

Further coordination with other stake holders during rainy seasons or flood conditions is another major role of the system operation unit.



Operations Audit Unit

Operations Audit Unit is accountable for the overall management of statistical and system performance data and preparation of management reports. Data archiving is one of the main tasks of System Control Branch, which is accomplished by Operations

Audit Unit. Functions related to Operations Audit Unit includes,

- Collection of monthly generation reports, data retrieving and validation.
- Summarizing and analyzing system equipment outages
- Evaluation of system performance parameters
- Carrying out power flow analysis on specific dates (eg: maximum peak demand)
- Preparation of System Control Centre Annual Report
- Preparation of information regarding power generation, installed capacity details and fuel and water usage data
- Responding to information requests, related to power system data by external entities
- Assist the power system related studies by providing historical data records.

In August 2018, daily data collection methods in National System control Centre were changed from manual system to automated reporting system. With this modification, System Audit Unit had to adapt the routine tasks such as data collection methods and validation sources to harmonize with the new data archiving system.

System Modeling Unit

This is a novel Unit introduced in 2018 as an expansion to the System Control Branch with the commencement of new Alstom SCADA/EMS system.

System Modeling Unit is responsible for accurate and smooth operation of SCADA system. This Unit ensures healthy operation of application servers, data servers, communication servers, firewalls and video wall by carrying out routine inspections, upgrading and additions.

The main tasks of the System Modeling Unit are as follows.

- SCADA integration of newly commissioning GSSs and augmentations of existing GSSs.
- Providing SCADA related data and assisting in the project execution phase of CEB transmission network projects.
- Carrying out routine maintenance and corrective maintenance in NSCC SCADA application system.
- Carrying out routine maintenance and corrective maintenance NSCC SCADA hardware system.
- Coordinate with resource personals of GE T&D India Ltd and carry out the system upgrades.

Kegalle GSS was integrated in 101 RTU system and Colombo A, Colombo I, Kolonnawa and Kiribathkumbura GSSs were integrated in 104 RTU system by System Modeling Unit, after commissioning the new SCADA / EMS system by SCCMP on august 2018.

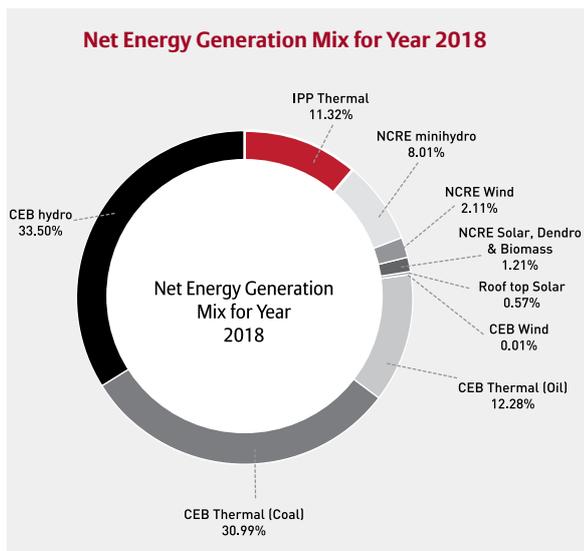
Transmission Division (Contd.)

Power System Performance

Total gross electricity energy generation for the year 2018 was 15,985 GWh which is a 8% increase of generation when compared with energy generation of 2017. Total net electricity generation for year 2018 was 15,374 GWh. The contribution of non-conventional renewable energy from IPP for year 2018 was 12% and household rooftop solar generation was 0.57% from the total generation. The total thermal generation for the year was 55%. CEB owned oil powered electricity generation was 12%, which includes the diesel powered stand-alone generators in islands in Northern Province. Contribution of coal powered electricity generation (LakVijaya Power Station) was 31% from total energy generation of the year and the net generation was 4,764 GWh.

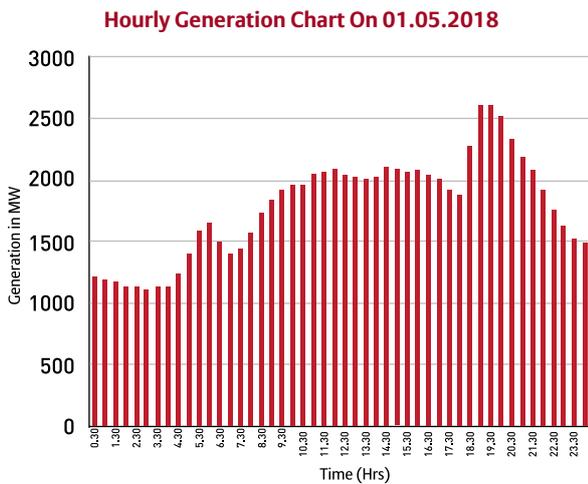
The year 2018 received higher rainfall than 2017 which contributed to the increase of generation from major hydro plants by 68% compared with major hydro generation in year 2017. In this year, the CEB hydro plant generation is 33.5% of the total generation which was 5149.5 GWh. When considered the percentage values depicted in the diagram of "Net Energy Generation Mix for Year 2018", it can be observed that sources for more than 2/3 of total electricity generation were hydro and coal (72.5%).

System un-served energy due to system disturbances or lack of generation for year 2018 was 6.08 GWh which is a 26.5% improvement compared with 2017 value of 8.27 GWh.

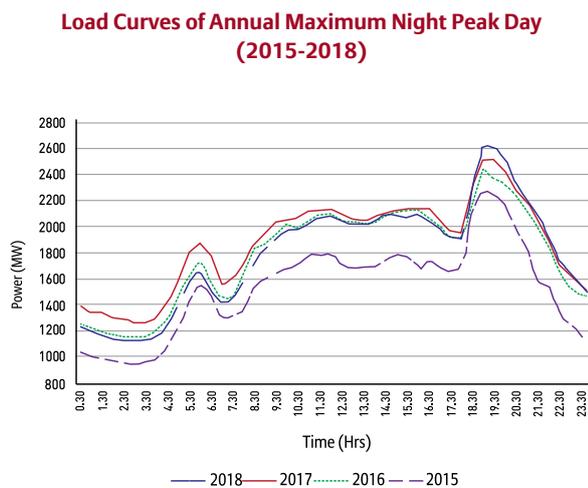


The maximum night peak of year 2018 occurred on 01-05-2018 at 19:30 hrs and the generation reached 2616.1MW during the recorded maximum night peak in 2018. The day time peak of the

same day was 2097.5 MW at 16:00 hrs. The maximum day peak of the year 2018 was 2260.7 MW and occurred on 23-03-2018 at 12:00 hrs. The lowest recorded system demand in year 2018 was 753 MW on 14-04-2018 at 03:30 hrs.



Maximum daily generation of 45.86 GWh was recorded on 23rd March 2018 and 24.96 GWh was the recorded annual minimum daily generation which occurred on 14th April 2018. The average daily generation is 43.6 GWh which is a 3.6 GWh increment than that of 2017.



Reservoir Performance

In year 2018, active levels of Samanlawewa and Randenigala reservoirs were revised with the consents of power stations, considering the existing operational constraints of reservoirs.

Transmission Division (Contd.)

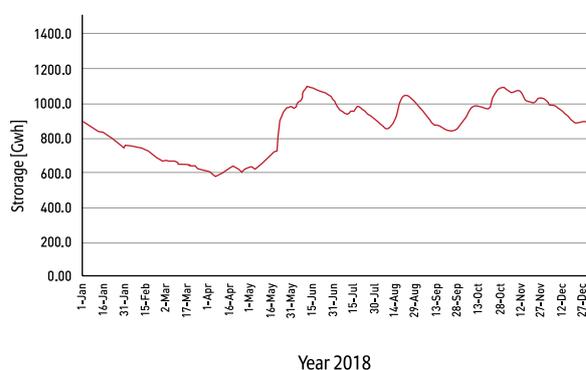
Accordingly, with effect from 1st February 2018, the spill level of Samanalawewa reservoir was revised from 460 masl to 455 masl and the minimum operating level of Randenigala reservoir was revised from 199 masl to 209 masl. Hence the active full storage of the system was revised from 1257.6 GWh to 1196.6 GWh.

The year 2018 was commenced with a total hydro storage of 893.4 GWh (1). This was 74.7% (1) of system full storage and 88.5% improvement compared to the starting storage of 2017. The total inflow received during the year 2018 was 5168.8 GWh, which is an above average condition. The lowest storage recorded was 580.5 GWh on 06-04-2018 and end of the year storage was 890.4 GWh, which is a 3% reduction compared to the end of year storage of 2017.

Hydro power generation of 2018 was improved by 2,091 GWh than that of 2017 due to reception of high inflow during South-West monsoon and second inter-monsoon periods. Month of August received highest inflow of 638.2 GWh and month of May received second highest inflow of 751.8 GWh since 1990. During the second inter-monsoon period, the recorded highest inflow since 1990 was received for the month of October with value of 810.2 GWh.

The maximum average daily inflow of 26.1 GWh was received during the month of October. Even though 60% of system annual hydro inflow was received during the second half of the year, no considerable inflow was received during first half of North - East monsoon (during month of December).

Variation of the Total Storage During the Year 2018



NOTE: (1) Storage values considered for 2018 were corrected according to the level changes made in 1st February 2018.

TRANSMISSION ASSET MANAGEMENT & CONDITION MONITORING BRANCH

The Asset Management & Condition Monitoring (AM&CM) branch of the Transmission Division is responsible for achieving the maximum commercial benefits of plants and equipment in the CEB's transmission network to ensure the operational effectiveness while maximizing the economic life of assets and enhancing the system reliability. Its main functions include ensuring necessary spare parts, monitoring of plant performance and setting of maintenance policies & procedures.

The Branch consists of three units namely, Material Management unit, Maintenance Engineering unit and Maintenance Planning unit.

Material Management Unit is responsible for the procurement of necessary spares for Transmission network. Through detailed planning, the assets that are to be replaced after their useful life are identified and necessary procurements are initiated. Accordingly, it prepares 'Annual budget', carryout the procurement until release of final payment and obtaining necessary expert service, training for the procured spares if necessary. Further it maintains a central store at Kotugoda in order to ensure availability of spare parts, tools & equipment for the maintenance activities.

Maintenance Engineering Unit of the Branch carries out condition monitoring of major assets in grid substations presently. For power transformers, status finger prints obtaining as well as routine screening are conducted. Further, additional tests are carried out to assess the condition and to diagnose faults. Such tests are done on many equipment/switchgear and trends of such results are continuously monitored in order to see any deviations. It also decides the frequency of tests to be carried out through the outcome of the results. These results are analyzed further to prompt special maintenance activities to be done, if any, or to initiate procurement of spares.

Maintenance Planning Unit is responsible for preparation and standardization of technical specifications of major equipment in the transmission network as well as for development and maintenance of practises and procedures to improve reliability and life time of assets in the transmission network.

The Branch conducts continuous updating of the Asset Database of in order to maintain information of major equipment in grid substations. This enables speedy identifications of spare parts availability and timely ordering of the same. Further, branch has recently introduced a computerized Maintenance Management System (CMMS) in order to handle Asset Management and Maintenance Management functions within the Transmission Division effectively and efficiently. The system is compiled with the key modules namely Asset Module, Inventory Management

Transmission Division (Contd.)

Module, Maintenance Management Module, Test Management Module and Purchasing Module.

Key accomplishments during the year;

- Directly catered 80% of the requests for spares from the available stocks. Further, branch catered for the urgent requirements for materials of several other divisions of CEB in order to restore failures.
- Performing annual condition screening of all the Power Transformers in the means of Dissolved Gas Analysis (DGA), and 65% completion of obtaining status fingerprint of the same in the means of Sweep Frequency Response Analysis (SFRA).
- Early identification of faulty condition of Aniyakanda TR01 to avoid catastrophe.
- Customization and design finalization of the Computerized Maintenance Management System (CMMS) in order to implement the same for operation. Presently, this has converted the conventional paper-based material requesting process to a computer based online system.
- Strengthening of the testing capabilities by introducing Partial Discharge (PD) testing for the transformer condition analysis and investigations.
- Developing a methodology for quantification of condition of transmission network assets was initiated. As a part of this, Health Index (HI) calculation method for Power Transformers was formulated and developing a Transformer HI database was initiated.

COMMUNICATIONS BRANCH

The responsibility of the Communications branch is to provide Voice and Data communication requirements within the CEB for Generation, Transmission, Distribution and other ancillary units of CEB and Supervisory Control & Data Acquisition (SCADA) requirement to System Control Center.

Three separate units as Systems unit, Services unit and Digital bearer unit have been established under communications branch to cover the communication requirement of CEB.

Systems Unit

Systems unit consists of six sub units located throughout the country and it is responsible for the reliable and effective operation of the Voice and Data communications system over HV transmission network which consists of mainly the Optical Fiber Network (including 95 nos. of Fiber Optic multiplexers) and Power Line Carrier network (including 70 nos. of PLC equipment).

PABX network (including 21 nos. of utility grade PABXs) has been established over this network to provide operational (Hotline) and administrative (admin) voice facilities to National System Control Center (NSCC), grid substations (GSS) and power stations (PS) of CEB. PLTS system operates as a backup for Hotline system. All the repairs related to fiber optic installations of CEB are also undertaken by this unit. In addition, the Systems unit identifies the communication scopes of new and rehabilitation projects, prepares technical specifications, witnesses commissioning of communication schemes in transmission and generation projects and carries out necessary arrangements of communication network to minimize the communication interruptions occurs during augmentation works of the transmission network.

Special works carried out during the year includes,



Telecommunication equipment at NSCC

Works related to providing telecommunication facilities (telephony, SCADA etc.) to NSCC

- Shifting of **FOX615** SDH Fiber Optic Multiplexer and **SOPHO iS3000 PABX** from old System Control Center to NSCC, re-installation and re-commissioning with minimum time to continue the system control operations without interruption.
- Completion of administrative telephone system for all the office rooms of NSCC building and preparation of the numbering plan.
- Establishing two new STM-1 fibre links from Pannipitiya GSS to NSCC and from Kolonnawa GSS to NSCC for increasing the reliability of operations of New System Control Center.

Transmission Division (Contd.)

Data transmission systems for transmitting Reservoir levels to NSCC

- Designing, Installation and commissioning of a new data transmission system using the available UHF wireless radio network at Samanalawewa PS for transmitting water level of S'wewa reservoir to NSCC
- Installation of GSM based data link between Boawatenna PS Intake and Power Station.

MITFIN connectivity

Providing MITFIN connectivity for following locations

- CE (O&M-Colombo North Region) office building at Kelaniya.
- DGM (O&M-North) office at Kiribathkumbura

Increasing of the capacity of data channels to all power stations via the CEB Fiber Optic Network for accessing MITFIN.

Data links for remote SAS operations

Establishing of point to point Ethernet links for following stations

- From Chunnakam GSS to Killinochchi GSS .
- from Mahiyanganaya GSS to Badulla GSS
- From Nuwaraeliya GSS to Wimalasurendra GSS
- From Kegalle GSS to Thulhiriya GSS

OPGW and Underground Fiber Optic cable Jointing work

- Splicing works of damaged UG fibre optic cable between Barge Power Station and Kelinitissa 220kV GS
- OPGW splicing works on New Chilaw - Pannala 132kV Tr. Line , constructed by Transmission Projects Branch
- OPGW splicing works for replaced OPGW section on New Anuradhapura-LVPS 220kV transmission line

Communication facilities for Energy meters at Grid Substations via CEB fiber optic network

Energy meters at following stations were connected to Meter lab at Aniyakanda GSS

- Pannala , Bolawatta, Aniyakanda, Horana, Ambalangoda, Beliatta, Embilipitiya, Balangoda, Hambanthota, Deniyaya, Nuwaraeliya, Mahiyanganaya, Vavunativ, Seethwaka, Kurunegala, Maho, Habarana

Connecting of SCADA and voice communication network of CEB to Distribution Control Centers

- Designing and planning of a new data link between Distribution Control Center -Easter Province and NSCC via CEB fiber optic network (Via Trincomalee GSS)

- Designing and planning of a new data link between Distribution Control Center -Central Province and NSCC via CEB fiber optic network (Via Kiribathkumbura GSS)

Upper Kotmale Power Station

- Designing, Installation and commissioning of a wireless radio link of approximately 2Mbps speed using 5.3GHz Point to Point Bridge radio between Upper Kotmale PS and Upper Kotmale building site for extending LAN facilities to building site.
- Successfully testing of a Point to Point wireless radio bridge connection between Talawakelle Dam and Talawakelle ESs office using 02 commercial grade 2.4GHz wifi routers and custom made passive reflector structures.

Works at other Power Stations

- Designing and planning of a telecommunication infrastructure for Canyon PS and Maussakele dam for improving the reliable remote operations of dam gates and other communication requirements.
- Implementation of a new digital communication link at Victoria PS for transferring important information between power station and Intake.

Other works

- Establishment of a data transmission system via CEB fiber optic network to facilitate Electric Vehicle charging point at Pannipitiya GS
- Providing Intercom facilities and access to CEB admin telephone network for Transmission - CRR branch via the exiting SOPHO PABX at CEB head Office.

Digital Bearer Unit

Digital Bearer Unit is responsible for the Microwave Communication System, Radio (VHF & UHF) communication facility and the WI Fi communication facility for operations and maintenance work in generation, transmission and distribution divisions.

Special work carried out during the year includes,

- Providing the the facility of VHF Fixed and Mobile radio communication to Laxapana and Samanala Power station premises for comforting tunnel maintenance and project work.
- Extension of the coverage of VHF Mid band mobile radio communication to Sethsiripaya premises by installing new repeater station.
- Establishment of the VHF Low band point to point link between control room and Dam site at Kukule Ganga Power Station to smooth the operation work at the power station.

Transmission Division (Contd.)

- Installation of New mid band VHF repeater station at Surge chamber in Samanalawewa PS and the Colombo division South - Breakdown depot in order to provide mobile radio communication within the area.
- Carrying out the field test of UHF radio sets and VHF Analog/Digital radio sets at Dunuwila repeater site, Norochcholai power station and Primrose Hill, Kandy respectively for the purpose of strengthening the communication coverage in those areas.
- Providing the VHF radio communication facility to "Enterprises Sri Lanka" exhibition at Badulla.
- Carrying out the test for VHF High Band mobile antennas at Kolonnawa, Fort and other service points as well as the tests for VHF Low Band mobile antennas at Kahawaththa and Eheliyagoda depots.
- Started a presentation and demonstration session on communication for newly recruited Electrical Superintendents at Piliyandala training Centre as an awareness program.
- Installation of the VHF repeater station at Palali to provide the VHF radio communication to Jaffna region.



Communication Tower at CCC building

Communications Services Unit

Communications Services Unit is responsible for the Master SCADA system and auxiliary supply system at National System Control Center and remote SCADA equipment (including 41 RTUs and 55 Gateways) installed at grid substations and power stations. The Services unit also responsible for the identification of SCADA system requirements for new and rehabilitation projects, preparation of technical specifications and witnessing of SCADA system commissioning in transmission and generation projects.

Special Work Carried out during the year includes,

- Successfully integration of Randenigala Power Station and Rantembe Power Station SCADA signals into the CEB SCADA system through Remote Terminal Units installed at these stations.
- Completion of Installation, SCADA signal wiring and configuration of Remote Terminal Unit at Kalanitissa 220 KV Grid Substation
- Completion of Infrastructure for Upgrading of existing RTU at Athurugiriya 132 kV Grid Substation.

CONTROL AND PROTECTION BRANCH

The main tasks completed by the Transmission Control & Protection branch during 2018 were as follows.

As per the new Enterprise Resource Planning (ERP) project all processes of Protection Development, Protection Systems and Substation Automation units were reviewed and action flow charts were finalized. A process management database system was established with remote access via internet. A new software for protection setting calculations and settings database was procured and the setting database software was implemented with remote access.

Revisions were issued for the Control & Protection Scope of the bid document in March 2018 and the Protection Setting Standard in May 2018.

The Substation Automation training setup at Piliyandala Training center was commissioned with line protection relays, bay control units, and the associated primary equipment.

Remote operation of Kegalle GSS from Thulhiriya GSS, Mahiyangana GSS from Badulla GSS, Wimalasurendra GSS from Nuwaraeliya GSS were implemented.

All control & protection equipment of Kegalle and Kiribathkumbura new Grid Substations(GSS) were commissioned and connected to the National Grid. Commissioning of control & protection equipment at the newly constructed 220/132/33kV Padukka and 220/132/33kV New Polpitiya GSSs were completed and are ready for energization.

Commissioning of Control & Protection equipment and Integration of Substation Automation system to new Bays at Kolonnawa and Kelanitissa GSS and the new 220kV/132kV Rantambe Transformer were completed.

Commissioning and integration work of Control, Protection and Substation Automation equipment of the new Capacitor banks at Pannala, Bolawatta, Sapugaskanda, Biyagama, Horana, Kegalle and Kolonnawa were completed.

Transmission Division (Contd.)

TRANSMISSION OPERATION AND MAINTENANCE - NORTH BRANCH

Transmission Operation & Maintenance - North Central Unit.

North Central (Previously referred as Anuradhapura region) of Tr. O & M branch successfully completed annual preventive maintenance of all equipment in Fifteen (15) grid substations and successfully completed wayleave maintenance cycle of 1232 km of 220 kV and 132 kV Transmission lines.



Apart from that, assistance was given to number of ongoing projects for preliminary works, design reviews, testing and commissioning and defects rectification works which are in progress at different stages at New Anuradhapura GS, Pannala GS, Bolawatta GS, Madampe GS, upcoming Old Anuradhapura GS, Kappalthurei GS, Trincomalee GS and upcoming Mannar GS.

Partial Discharge measurement was carried out on Transformer 02 at Habarana GS using two different methods with assistance of Transmission Asset Management branch.

A 31.5MVA Transformer at Bolawatta GS which was in bad condition was replaced by similar type of removed one from Kiribathkumbura GS after complete overhaul and assessment based on electro-chemical test results.



10MVA transformer at Old Anuradhapura GS was replaced with a 30MVA transformer transported from Old Galle GS after complete overhaul and assessment based on electro-chemical test results to improve the capacity of Old Anuradhapura GS.

Oil leak through the welding joint of 31.5MVA transformer in Chunnakam GS was successfully rectified at site by re-welding the joint.

05Nos. of Transformer On Load Tap Changer units were serviced successfully by O&M-NC staff at Chunnakam, Old Anuradhapura, Bolawatta and Trincomalee GSS.

Condition monitoring tests such as DGA, DERANA, Tan Delta, SFRA, Excitation and etc. were carried out on Transformers at Pannala, Bolawatta, Old Anuradhapura, Vavuniya, New Anuradhapura GSS. As a result of condition monitoring tests, defective bushing at Old Anuradhapura GS was identified and replaced before catastrophic failure.

A set of defective Pneumatic unit of 132kV Circuit breakers were repaired successfully and put on to the operation at Habarana, Puttalam GSS. Further, a set of defective Minimum Oil Circuit Breakers were repaired and put on to operation at Old Anuradhapura GS. In the case of GIS, a defective 33kV GIS feeder bay at Madampe GS was repaired and released for distribution to connect outgoing feeder.

Transmission Operation & Maintenance - Central Unit.

Tr. O & M - Central unit successfully completed annual preventive maintenance of all equipment in thirteen grid substations and successfully completed wayleave maintenance cycle of 795 km of 220 kV and 132 kV Transmission lines.

Transmission Division (Contd.)

Apart from that, assistance was given to number of ongoing projects for design reviews, testing and commissioning and defects rectification works which are in progress at different stages at Kiribathkumbura, Kegalle, Thulhiriya, New Polpitiya, Ragala, Nawalapitiya and Maliboda GSS.

Circuit breaker timing test was planned and successfully carried out and assistance was given to Anuradhapura region as well, on request. Budget allocation was requested for purchasing CB Analyzer in place of defective dynamic resistance unit.

Capacitor bank measurements were planned and successfully carried out and assistance was given to Anuradhapura region as well, on request.



Off-line oil filtering of Kiribathkumbura GS



Gasket replace at Kurunagala GS Transformer

Thermal images were taken at all substations and hot spots identified were repaired. Thermal images were taken at Transmission towers located beside main roads during peak hours as an assistance for transmission line maintenance unit.

Moisture content in oil readings of all the transformers was taken in entire region during 2018 by our staff.

Oil filtering was successfully carried out for 02 Nos. of 31.5 MVA, 132/3kV power transformers twice at Thulhiriya GSS, 02 Nos. of Transformers at Badulla GSS, where low oil breakdown strength was identified.

Operation & Maintenance of Ukuwela and WPS GSS were taken over from the Generation Division. Defective 02 nos of 132 kV Capacitive Voltage Transformer was replaced in Ukuwela GS.

Kurunagala GS Transformer 01 main packing & other packings were replaced due to oil leaks.

03 nos of 33 kV surge arresters were replaced at WPS, Mahiyangana & Ukuwela GSS due to low Insulation Resistance.

Kurunagala GS all damaged inductor units were replaced with the removed inductors from Kiribathkumbura GS.

33 kV voltage transformers at Kurunagala GS capacitor banks were replaced due to low insulation resistance.

Dismantling and repairing was done for a 33 kV Circuit Breaker at Nuwaraeliya GS & 132 kV Circuit Breaker at WPS GS.

132 kV circuit breaker at Ukuwela GS was replaced due to a gas leak.

On load tap changers (MR), 02 nos. at Mahiyangana GS, 03 nos. at Ukuwela GS, 01 no at Nuwaraeliya, Kiribathkumbura and Badulla GSS were fully serviced. After servicing winding resistance and



Circuit Breaker Testing at Ampara GS

Replacing of Inductors at Kurunagala GS

Transmission Division (Contd.)

tap check was done in collaboration with Centralized Services. Structural failure was identified in the diverter switch of Nuwaraeliya Transformer 02 which is beyond repairs and hence replace the diverter with a new unit purchased from OEM.

All the primary equipment removed from the GSS in Central were collected at identified land in Kurunagala GS for the easiness of disposal.

It is identified to construct/ modify retaining walls at 04 nos of transmission tower foundations. Construction of a retaining wall at Kiribathkumbura - Kurunagala 132 kV tower no 02 is commenced and other 03 tenders are ongoing.

Communication paths were established from every GSS to Central office except Thulhiriya GS. This LAN is using for sending and receiving official scanned documents such as circulars, roasters, time cards, electricity bills, water bills, and maintenance documents etc.

Established a File sharing Network Server for Tr. O&M Branch and now available at the IT branch. Access paths to the file server from DGM(South)/CCR/CSR/TLM offices at Kent road, DGM(North) office at Kiribathkumbura, CNR office at Kelaniya, Central unit office at Pallekelle, North Central unit office at Anuradhapura and Southern unit office at Galle were established by the Communication branch and verified. A folder structure was developed in consultation with all regions, mainly for the purpose of storing and sharing maintenance records. In future it may be enhanced to add other important information of O&M branch. DGMM, CEE and EEE of Tr. O&M branch were granted the "Read Only" access to all information by using the CEB mail server user name and password. Granting of server accessibility to AM branch is also provided. IT Branch agreed to provide the network administrative support with adequate backup and protection for the data.

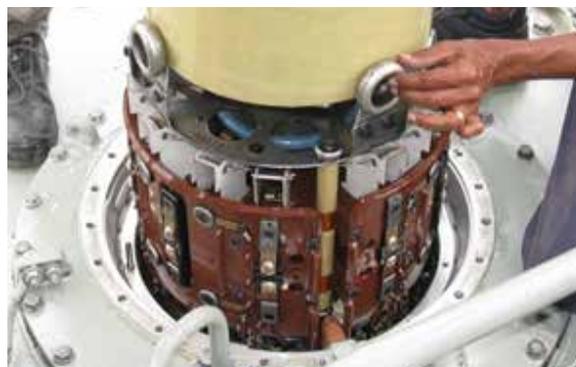
Reliability & Health Monitoring Tests for Power Transformers and Current Transformers were carried out along with the routine maintenance. Considering the testing frequency only 1/4th of total power transformer population is considered within a year and priority was given for not tested/ partially tested power transformers. Further testing after failure restoration, special maintenance and current transformers with identified issues were prioritized outside the testing plan.

Tests including Transformer C & DF measurement, Bushing C & DF measurement, Excitation current measurement, Transformer turns ratio, Short Circuit Impedance and Frequency Response of Stray Losses, Dirana Test DC Winding Resistance test and Dynamic OLTC Scan were carried out on Power Transformers covering the total transmission network including ; Testing after Veyangoda Transformer 03 special maintenance, testing after Chunnakam

Transformer 02 special maintenance, New Anuradhapura GSS IBTs, Biyagama GSS IBTs, Bolawatta GSS TR01 after replacement, Badulla GSS, Thulhiriya GSS, Monaragala GSS, Mahiyanganaya GSS, Kilinochchi GSS, Vavniya GSS



Construction of retaining wall at K'kumbura - Kurunagala 132 kV Tower no. 02



Servicing of the diverter switch at Kurunagala GS

TRANSMISSION OPERATION AND MAINTENANCE - SOUTH BRANCH

Transmission Operation & Maintenance - Western North Unit.

During the year 2018 Transmission O&M Branch - Colombo North Region had successfully completed Annual Routine Maintenance of 08 Grid Substations. Further completed way leave maintenance of 200 km Transmission Lines. Further to above following special maintenance work was carried out for the 31.5MVA Power Transformer.

Rectification of 31.5 MVA Power Transformer at Veyangoda Grid Substation:

It was reported that dissolve gas content of the Power Transformer was extremely high. Internal inspection was to be carried out to find out the fault. The dissolve gas analysis indicated a thermal fault inside the transformer and there could be a possible arc inside the transformer.

Transmission Division (Contd.)

The power transformer was opened at the site. The preliminary activities were heavy as the transformer was opened at site. The day of opening shall be a warm day with no moisture in surrounding. A temporary housing was built at the site closer to the transformer so that using a lifting crane the transformer could be placed inside the house from its location. Further, standalone air-conditioning units were also fixed for ensuring moisture free environment.

Once opening up the transformer it was observed the copper link connecting power transformer core and the earth was burnt. This was due to touching of copper link with the core. This was repaired with the assistance of the representatives of transformer manufacturer; PTCGL Indonesia.



Repair the Core Earthing

CEB Transmission O&M Branch - Colombo North Region was able to complete this job successfully after so many sleepless nights of hard working in preliminary works and repair works. This job was appreciated highly by the representatives of the manufacturer of the transformer saying **"It was more than expected and better than the in-house factory repairing"**.



Rectification work of 31.5MVA Power Transformer at Aniyakanda GS:

The windings of the 31.5 MVA Power Transformer at Aniyakanda GS was taken out for inspection due to observation of generation of high gas in oil. There was no significant fault identified and therefore Power Transformer was completely serviced. A hot sunny day was chosen for opening up and taking out the transformer. The work was completed within a day.



Rectification work at 220kV GIS Bus Bar in Kerawalapitiya GS:

220kV Bus Bar No. 02 of the GIS at Kerawalapitiya GS was damaged due to a fault occurred at Voltage Transformer at Bus Coupler. This fault created the repair works of entire 220 kV GIS Bus Bar No. 02 and therefore, all the connecting clamps in the Bus Bar No. 02 were replaced including Voltage Transformer at Bus Coupler.

Transmission Division (Contd.)



Transmission Operation & Maintenance - Western South Unit.

During the year Transmission O&M Branch - Colombo South Region had successfully completed Annual Routine Maintenance of 13 Grid Substations. Further completed way leave clearing of 186 km Transmission Lines.

In addition to routine maintenance work, special maintenance activities list below, were also carried out.

- Construction of a new foundation, installation, testing and commissioning of a 132/33kV 31.5MVA Power Transformer at Pannipitiya Grid Substation which was shifted from the Deniyaya Grid Substation
- Installation, testing and commissioning of a new 132kV Circuit Breaker for the newly installed 132/33kV power transformer bay at Pannipitiya Grid Substation as a replacement for the defective old pneumatic circuit breaker.
- Installation testing and commissioning of CCTV systems for Sri Jayawardenapura, Pannipitiya and Kolonnawa Grid Substations.
- Witnessing of testing & commissioning, and coordination works of transmission projects at Padukka, Kelanitissa, Pannipitiya, Kolonnawa, and Horana Grid Substations.
- Uplifting of infrastructure facilities and appearance of Grid Substations by general civil refurbishment works according to the recent regulations of CEB
- Replaced the Circuit Breaker mechanisms at Kelanitissa Grid Substation.
- Replaced the Feeder Circuit Breakers and Current Transformers at Seethawaka Grid Substation.



Figure 4: Installation of a new 31.5MVA Transformer at Pannipitiya GS which was shifted from Deniyaya GS.

Transmission Division (Contd.)

Transmission Operation & Maintenance - South Unit.

In year 2018, Transmission (O&M) - Galle Region had successfully completed Annual Routine Maintenance of 10 Grid Substations. (Rathnapura, Balangoda, Embilipitiya, Hambantota, Matara, Beliatte, New Galle, Deniyaya, Ambalangoda & Matugma). Further completed way leave maintenance of 471 x 2 km Transmission Lines including the parts of Sinharaja Forest & Udawalawe National Park.

Apart from that we have carried out special maintenance activities in several Grid substations during the year. Transformer On Load Tap Changer Servicing were carried out in Galle (Old) Grid Substation. Further following Special Maintenance Activities were also carried out

- Circuit Breaker replacement of Matugama GSS 33 kV Feeder 07, Transformer No.02 due to excessive SF6 gas leakage.
- Corroded Cu links in 110V Battery Banks at Mathugama GS were replaced by new ones after rectifying the gas leaks in Battery Banks.
- All the existing oil leaks of Transformer 1 & 2 bushings of Balangoda GSS had been rectified.
- Oil leaks of all the transformers in Embilipitiya GSS, Matara GSS also had been rectified by replacing packings and the over-rings.
- Replaced the 33kV CTs of Matara GSS Transformer 02 with the CTs of 800:1 CT ratio.
- 2 Capacitive Voltage Transformers of Matara Line 1 were replaced.
- Inverter of Deniyaya GS was rectified.
- Charger No.2 faults of New Galle Grid Substation was rectified.
- DC faults of 33kV feeders in New Galle Grid Substation was rectified.

Apart from the above we have carried out Transformer Condition Monitoring tests such as DGA for the Transformers at Rathnapura, Balangoda, Deniyaya, Matara, Ambalangoda, Beliatththa, Embilipitiya, Hambantota & Matugama Grid Substations and Circuit breaker timing analysis were done for Circuit breakers at Mathugama, Embilipitiya Grid Substations.

Further Occupational Safety Program was conducted for the all the employees in Southern province under the Transmission Division with the assistance of Training branch of CEB at Piliyandala.

1. Grid Substation works



2. Occupational Safety Program



Transmission Division (Contd.)

CORPORATE & REGULATORY RELATIONS BRANCH

The responsibility of Corporate and Regulatory Relations Branch is to ensure proper functioning of Transmission Division by optimum use of human resource in the Division. The preparation of annual Personnel Plan and Corporate Plan for the Transmission Division is done by the Corporate & Regulatory Relations Branch. Annual report of the Transmission Division is also prepared by this Branch. The Transmission Division has a total of 1221 employees, consisting of 133 executives and 1088 non-executives. 21 new recruits were assigned to this Division and 24 personnel were retired, 86 persons were promoted to higher grades or placed on their respective higher salary scales in conformity with CEB recruitment and promotion procedure.

External training opportunities were provided for the staff both locally and abroad, depending on the skills development requirements.

CEB Board principally approved construction of an 8 storied building to House Headquarters for the Transmission Division at Kent Road, Colombo 9 and initiated the process of obtaining Consultancy Services for the Architectural Design and Construction Supervision for the building.

Social Events

Donation of books, school bags and other necessary stationery requirements, Multimedia projector, Water Filter and steel cupboards for the school children at Homagama Junior School, Ginigathena in Nuwaraeliya District.





**OPERATIONAL
REVIEW**
DISTRIBUTION
DIVISIONS



Distribution Divisions

A major part of the electricity distribution in the country is handled by CEB amounting to 88% of the total sales volume while the rest is taken care by the Lanka Electricity Company Ltd. (LECO), a subsidiary of the CEB.

The entire CEB distribution system is geographically separated for ease of administration and operations to four Divisions namely; Distribution Division 1 (DD1), Distribution Division 2 (DD2), Distribution Division 3 (DD3) and Distribution Division 4 (DD4). Another main objective of forming the four Divisions is to achieve benchmark competition that can improve the efficiency and the quality of supply to the customers.

The distribution network consists of 33 kV and 11 kV medium voltage (MV) lines and 400 V low voltage (LV) lines transferring power from 220 kV and 132 kV transmission systems through grid substations spread island wide.

Operational Structure

Each Division is headed by an Additional General Manager who directly reports to the General Manager, CEB. The Distribution Divisions are divided into Provinces and each Province is headed by a Deputy General Manager. The Provinces that comes under each Division are given below:

Name of the Division	Province
Division 1 (DD1)	Colombo City, North Western, North Central and Northern Provinces
Division 2 (DD2)	Western Province North, Central and Eastern Provinces
Division 3 (DD3)	Western Province South II, Uva and Sabaragamuwa Provinces
Division 4 (DD4)	Western Province South I and Southern Provinces

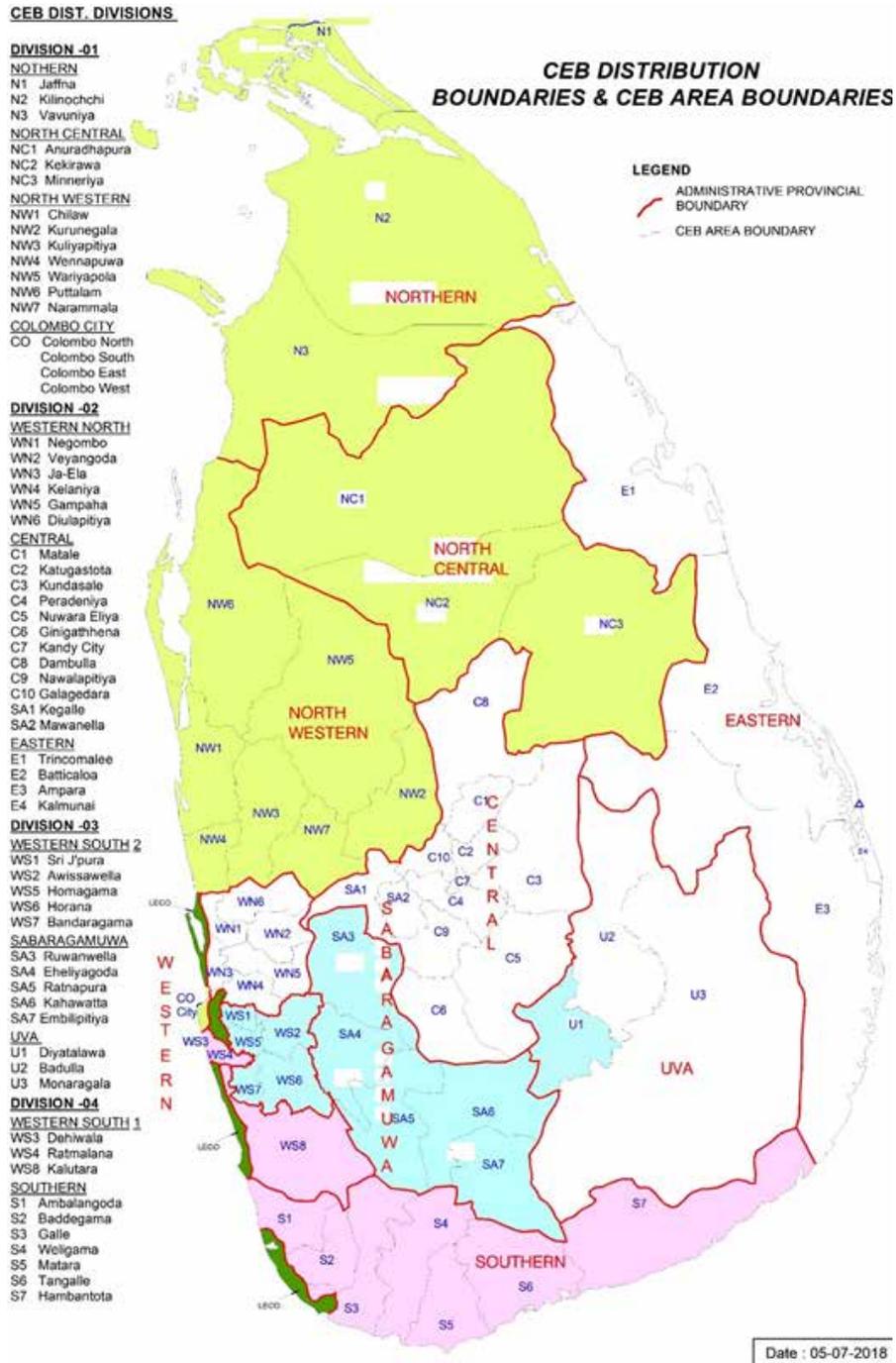
A Province is sub-divided into several areas managed by Area Chief Engineers or Area Electrical Engineers depending on the number of consumers served by the Area. An area is further sub divided into several Consumer Service Centers (CSC) each headed by an Electrical Superintendent.

Area of Operation

Distribution Division 1 consists of three Administrative Provinces; namely North Western, North Central, Northern and Colombo Municipality Area. Both North Central Province and Northern Province are divided into three Areas each. The North Western Province is divided into seven Areas while Colombo City is divided into four areas.

Division	Province	Area
Distribution Division 1	North Western	Chilaw, Kurunegala, Kuliypitiya, Wariyapola, Wennappuwa, Puttlam and Narammala.
	North Central	Anuradapura, Kekirawa and Minneriya.
	North	Jaffna, Kilinochchi and Vavuniya
	Colombo City	Colombo North, Colombo South, Colombo West and Colombo East

Distribution Divisions (Contd.)



Area of operation of Distribution Division 2 covers the whole of the Eastern and Central Provinces and parts of the Western and Sabaragamuwa Provinces through 22 Area Offices. Of the three Provinces Eastern Province is subdivided into four Areas, Central Province is subdivided into twelve Areas and the Western Province North is subdivided into six Areas.

Distribution Divisions (Contd.)

Division	Province	Area
Distribution Division 2	Eastern	Ampara, Batticaloa, Trincomalee and Kalmunai
	Central Province	Kegalle, Mawanella, Kandy City, Peradeniya, Kundasale, Katugastota, Galagedara, Matale, Dambulla, Nuwaraeliya, Ginigathena, Nawalapitiya
	Western Province North	Gampaha, Kelaniya, Negombo, Ja-ela, Divulapitiya and Veyangoda.

The Distribution Division 3 is covering a part of Western Province named as Western Province South II, Sabaragamuwa Province and Uva Province. The Western Province South II is subdivided in to five areas. Similarly, Sabaragamuwa Province is sub divided in to five areas covering the entire Ratnapura District and a part of the Kegalle District. Uva Province comprises of three areas covers Badulla and Monaragala administrative districts.

Division	Province	Area
Distribution Division 3	Western Province South II	Bandaragama, Homagama, Avissawella Sri Jayawardenapura, and Horana
	Sabaragamuwa	Ratnapura, Kahawatte, Ruwanwella, Eheliyagoda and Embilipitiya
	Uva	Badulla, Diyatalawa, Monaragala

The Distribution Division 4 covers a part of the Western Province (Western Province South I), the entire Southern Province and few parts of the Sabaragamuwa and Uva Provinces. Western Province South I covers three Areas and Southern Province covers seven Areas.

Division	Province	Area
Distribution Division 4	Southern Province	Ambalangoda, Galle, Hambantota, Matara, Tangalle, Akuressa (formally Weligama) and Baddegama
	Western Province South I	Ratmalana, Kalutara and Dehiwala

Apart from the Provinces; three separate branches have been established in all Distribution Divisions to carry out the supporting services required to sustain the operations of each Division. They are Projects & Heavy Maintenance Branch, Planning & Development Branch and Commercial & Corporate Branch. Distribution Division 1 consists of Distribution Coordination Branch as well.

Key Objectives of the Divisions

- Provision of a reliable electricity supply to all consumers within the Division at statutory levels;
- Sale of electricity and achieving planned revenues to meet the expenditure while meeting current demand and anticipated future needs;
- Provision of electricity to all ensuring maximum consumer satisfaction with high-quality, effective and safe technologies that meets the most rigorous standards of the modern industry.
- Ensuring the development of the electricity distribution system to improve reliability, quality and efficiency of electric power supply to be in par with international standards while minimizing system losses.
- Consolidate and improve maintenance services and operational efficiency.
- Consolidate and improve research and development activities; design, protection, implement and develop new technologies for distribution of electricity.
- Produce competent workforce and maximize their opportunities for success by maintaining a safe, secure and healthy work environment.
- Dedicated in protecting and preserving the environment where operates.

Distribution Divisions (Contd.)

Outreach of Distribution Divisions

Description	DD1	DD2	DD3	DD4
Service Area (Sq. km)*	26,929	17,855	12,178	6,870
Areas (Nos.)	17	22	13	10
Consumer Service Centers (Nos.)	57	80	47	37
CEB operated Collection Centers (POS) (Nos.)	14	19	12	17
Control Centers (Nos.)	4	3	2	0
Call Centers (Nos.)	4	3	2	
Bulk consumers (Nos.)	4,022	3,415	1,977	1,718
Retail consumers (Nos.)	1,828,807	2,174,667	1,289,723	1,049,950
SAIDI (Minutes/Year)	4,532	4,468	4,885	5,911
SAIFI (Interruptions/Customer/Year)	15.1	43.8	56.8	36.2

*Excludes forests and islands which have no electricity network

Distribution Infrastructure

Description	Units	DD1	DD2	DD3	DD4	Total
Distribution Lines						
33 kV	km	10,716	9,398	7,155	4,390	31,659
11 kV	km	626	441	40	287	1,394
LV	km	45,809	41,234	32,068	27,984	147,095
Underground Cables						
33 kV	km	22	6	8	8	44
11 kV	km	701	127	5	23	856
LV	km	1,097	69	6	6	1,178
Sub Stations						
132/11 kV	No.	5	-	-	5	
33/11 kV Primary Substations	No.	33	37	12	49	131
LV Distribution Substations	No.	11,067	9,661	6,047	5,041	31,816
Others						
Gantries	No.	33	91	3	36	190
A/R	No.	111	372	30	41	527

Key Figures 2018 at a Glance

Description	Unit	DD1	DD2	DD3	DD4	Total
Units purchased from Transmission	GWh	4,112	4,647	2,505	2,003	13,267
Units sold within the Division	GWh	3,847	4,361	2,380	1,862	12,450
Revenue earned from Units sold	MLKR	69,273	67,332	37,060	30,428	204,093
Average selling price	LKR	18.01	15.4	15.57	16.3	16.39
Distribution Loss	%	6.4	11.5	5.0	7.0	6.2
No. of new connections provided	No	50,724	55,342	31,610	23,474	161,150

Distribution Divisions (Contd.)

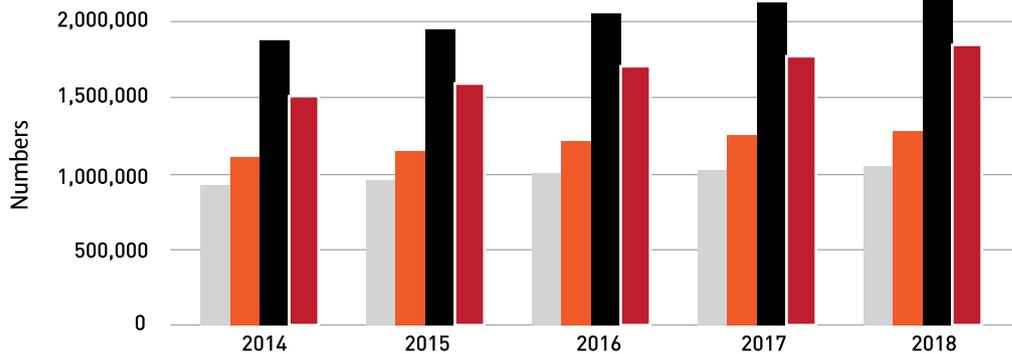
Operational Data

Number of Accounts by Tariff Category in 2018

(Nos.)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,565,896	1,905,164	1,141,856	930,221	5,543,137
Religious	13,446	13,388	7,041	5,547	39,422
Industrial	32,896	14,763	8,519	6,392	62,570
Hotel	115	132	49	151	447
Government	139	2,838	53	1,500	4,530
General Purpose	220,337	241,797	134,182	107,857	704,173
Total	1,832,829	2,178,082	1,291,700	1,051,668	6,354,279

Five-year Progress of Total Number of Consumer Accounts



Sales by Tariff Category in 2018

(GWh)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,347	1,548	877	786	4,558
Religious	33	27	11	12	83
Industrial	880	1,891	979	540	4,290
Hotel	122	75	7	84	288
Government	75	60	19	30	184
General Purpose	1,350	724	475	391	2,940
Total	3,807	4,325	2,368	1,843	12,343

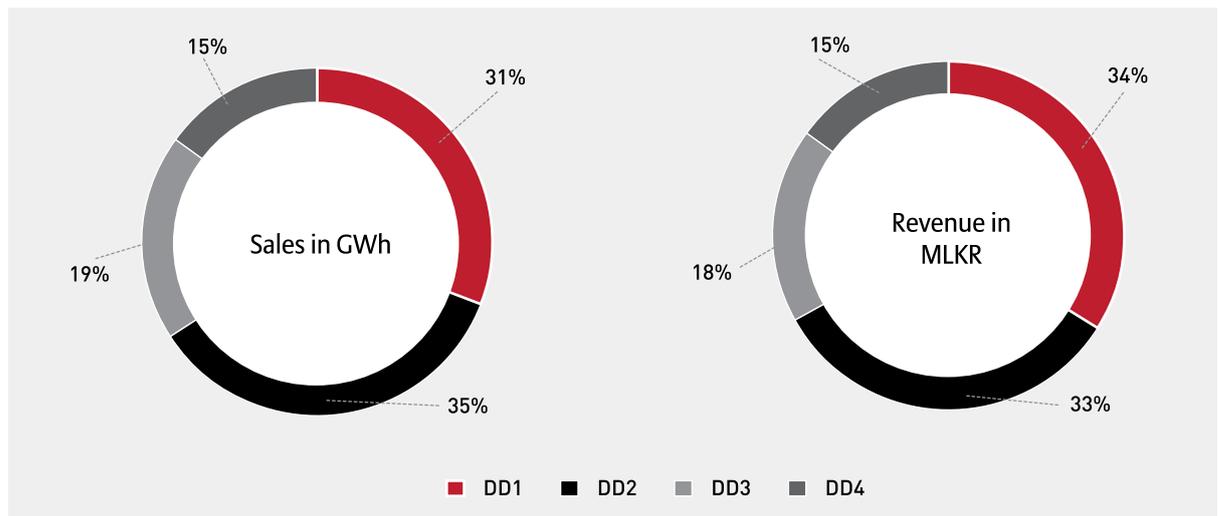
*Excluding Street lighting

Revenue by Tariff Category in 2018

(MLKR)

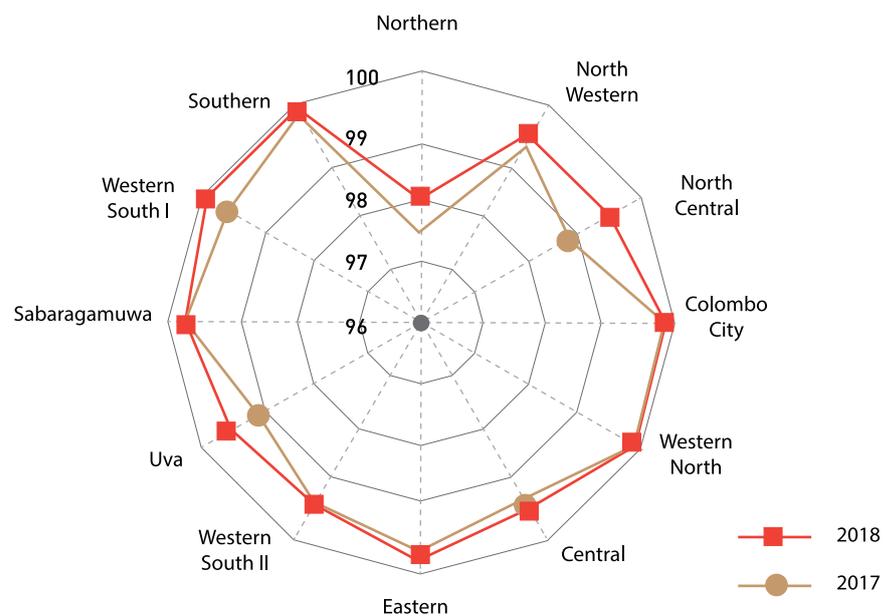
Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	19,821	19,997	11,261	10,897	61,976
Religious	251	189	76	86	602
Industrial	13,214	27,590	14,276	8,096	63,176
Hotel	2,060	1,385	147	1,482	5,074
Government	1,365	1,093	353	552	3,363
General Purpose	32,562	17,078	10,947	9,315	69,902
Total	69,273	67,332	37,060	30,428	204,093

Distribution Divisions (Contd.)



Access to Electricity

The percentages of people in a given Province that have relatively simple, stable access to electricity vary depending on the development level of the Province. Of the twelve Provinces three provinces namely Colombo City, Western Province North, Western South I has achieved 100 % access to electricity. Considering the benefits of electrification, Rural Electrification Projects were introduced to achieve 100% access to electricity through financial commitments made by the Donor Agencies, Government of Sri Lanka (GOSL) and CEB.



Distribution Divisions (Contd.)

Access to Electricity as at the end of the year
Electrification Schemes and extensions as at the end of the year

Division	Province	Schemes		Extensions	
		No of jobs completed	Cost in MLKR	No of jobs completed	Cost in MLKR
DD1	Northern	4	22.4	72	106.4
	North Western	3	21.7	602	222.8
	North Central	3	26.6	76	64.2
	Colombo City	-	-	-	-
DD2	Western North	-	-	225	26.4
	Central	69	482.0	1082	565.0
	Eastern	4	37.5	74	88.8
DD3	Western South II	-	-	5	2.3
	Uva	6	101.1	32	56.7
	Sabaragamuwa	2	14.5	143	129.6
DD4	Western South I	-	-	-	-
	Southern	17	76.5	25	26.0

Construction Job Performance

Division	Province	Schemes			Extensions	
		HV (km)	LV (km)	Distribution Substation	LV line conversion (km)	Cost (MLKR)
DDD1	Northern	65.6	28.7	101	117.2	504.7
	North Western	97.0	202.0	276	135.0	1382.0
	North Central	71.4	289.1	85	6.5	852.0
	Colombo City	33.2	7.8	27	-	987.6
DD2	Western North	26.3	48.9	201	158.8	650.0
	Central	55.7	113.7	47	21.3	-
	Eastern	53.5	143.4	87	198.1	1042.4
DD3	Western South II	8.6	51.1	108	2.6	393.5
	Uva	45.7	235.3	54	0.3	587.3
	Sabaragamuwa	28.4	143.4	84	11.8	403.1
DD4	Western South I	18.2	40.7	79	59.9	437.5
	Southern	53.0	158.0	126	20.0	830.0

Embedded Generators in Distribution Divisions

By the end of the year, total capacity of 589.34 MW embedded generators such as small Mini Hydro plants, Wind plants, Bio-mass plants and Dendro plants are connected to the distribution network.

Roof Top Solar Photovoltaic (PV) in Distribution Divisions

Electricity consumers are able to generate electricity at their roof top within their premises and able to synchronize their generators with CEB system consuming/exporting energy to CEB; under three schemes named as Net Metering, Net Accounting and Net Plus.

Distribution Divisions (Contd.)

Tariff Category	DD1	DD2	DD3	DD4	Total
Consumers (Nos)					
Net Metering	2,731	1,650	1,852	1,627	7,860
Net Accounting	1,061	811	687	861	3,420
Net Plus	87	74	89	86	336
Total	3,879	2,535	2,628	2,574	11,616
Capacity (kW)					
Net Metering	15,126	11,387	9,595	11,339	47,447
Net Accounting	6,433	4,597	4,572	6,049	21,651
Net Plus	1,097	10,920	15,091	9,786	36,894
Total	22,657	26,904	29,258	27,174	105,992

Network Improvements

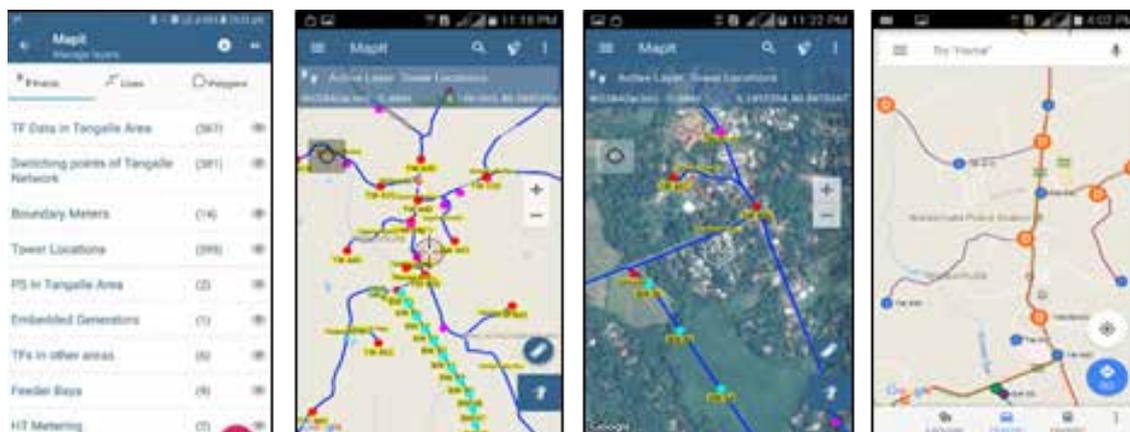
In 2018 the following works were done by the Projects and Heavy Maintenance Branches of Distribution Divisions to enhance and improve the Distribution Network.

Description	Units	DD1	DD2	DD3	DD4
Construction of 33 kV Tower Lines	km	6	51.3	16.02	6.9
Installation of Auto-reclosers & LBSs	No.	55	-	32	7
Construction of 33 kV Gantries	No.	6	7	3	0
Construction of Primary Substation	No.	-	-	-	2
Laying of 33 kV Underground Cables	km	-	-	0.67	0.9
Installation of Metering Transformers	No.	3	-	20	4

Achievements during the year

Use of Smart Phone application, "Map It" for GPS/GIS mapping of MV network

Medium Voltage Network of Tangalle Area, including all the substations, switchgears, MV lines, and other equipment has been fully mapped on a Smart Phone Application called "Map It". Application is compatible with latest other software and is user friendly with many advanced features. The output is vital since data is available at finger tips and can be extracted within a short time in any format.



Distribution Divisions (Contd.)

CEB Headquarter Call Centre

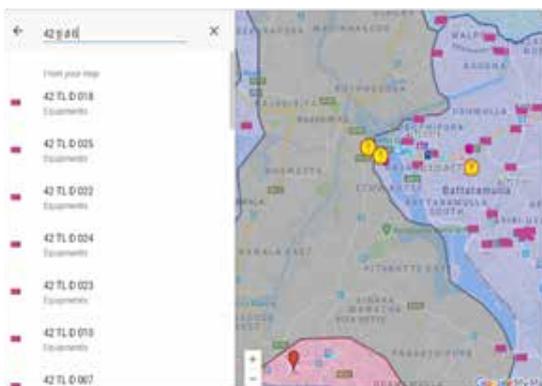
All administrative and functional activities of the Headquarter call center (Hot Line No. 1987) are handled by the office of DGM(C&C), DD2. Upgrading the Call Center with state of art Art Communication Infrastructure and Private Automatic Branch Exchange (PABX) with Interactive Voice Response System has been completed. It has increased the efficiency and effectiveness of the customer care service. The SMS and web based complain handling concept is also under initiation.

Cloud View - GIS Map Implementation Project by the Province WPS II

Cloudview is a project launched by the Planning & Development Unit of WPS II Province to utilize already available MV GIS data as easily accessible map files. Since inception, the P&D Unit of WPS II has maintained a rich collection of data of its MV assets. However, owing to data structural problems; the practical usage of these data was very limited. In Cloudview project, MV Geospatial data was filtered and restructured in order to develop web friendly maps.

Users can now access selected maps online and ease their activities. Cloudview facilitates searching of MV Assets based on attributes such as ID, Name, Device Type, Ratings, etc. It also can be used in combined with standard Google Maps services such as navigation, Satellite and terrain views, Street view images, etc. Furthermore, with the help of the Cloudview project, P&D unit can create improved visually appealing printed maps complying with standard cartographic rules.

P&D unit expects to expand this project by introducing more features and with LV GIS integration in immediate future.



Asset finding facilities of Cloudview maps using Google MyMaps features



StreetView & public images to identify Electrical Assets while browsing MV map on PC and any Mobile platforms (smart phones and tablets).

Implementing SCADA System in WPS II

The equipment which supports distribution automation (DA) communicates in different protocols and these devices are scattered in a large geographical area. Investing on a fully fledged SCADA is not so economical for a small scale Distribution Province. Scalable SCADA solution will enable a small scale distribution province to enter in to distribution automation with lesser capital investment by connecting existing DA compatible equipment to SCADA. Further it will support expansion of the DA solution by absorbing DA compatible equipment which may add in future.



Scalable SCADA system developed with a cost effective communication media has been implemented in Western Province South II with following components.

- Devices Status Monitoring and Controlling.
- Development of displays.
- Change the line colour according to the connected grid feeder.
- Creating and Managing a Process Database.
- Alarm Generation.
- Development of Historian Server Application.

Distribution Divisions (Contd.)

► New working environments

The traditional workspaces in WPS I, DD4 were set to disappear in 2018 with several new and renewed constructions. Office geography is a key managerial lever to increase productivity of the employees and communication between CEB and Consumers.



The construction of 2nd floor of Consumer Service Centre at Kalubowila



Renovation of Ratmalana Area Office



Renovation of Ratmalana Primary



Renovation of Katubedda Primary



Renovation of Kaluwamodara Primary

► Colombo City

- Planning, Design, Procurement of equipment & construction of Primary Substations 3 x 16MVA, 33/11kV by Colombo City Staff (Borella)
- Rehabilitation of Radial/ Ring/ Satellite Substation by Colombo City Engineers & Staff (Without Contractors)
- Construction of office building for Colombo North office
- Design of office buildings for Colombo South and East and Workshop.
- Special training program & awareness on Health & Safety of staff
- Electricity supplies to large bulk supply consumers Shangrila, Marino Mall, City Center, Altair etc, Project was not completed on time & had to plan alternate supplies.
- Construction of Primary substation by Colombo city staff.

Distribution Divisions (Contd.)

► P&HM- DD1

► Construction of 2SSBB Gantry at Ganewalpola

A Two Section Single Busbar Steel Tower Gantry was constructed in Ganewalpola area in Anuradhapura district, to improve the reliability and the quality of power supply as per the Medium Voltage Distribution Plan of 2013/2021, DD1. Total estimated cost of the project was LKR 23,126,830.00.

► Construction of 2SSBB Gantry at Manampitiya

A Two Section Single Busbar Steel Tower Gantry was constructed in Manampitiya area in Polonnaruwa district to improve the reliability and the quality of power supply as per the Medium Voltage Distribution Plan of 2013/2022 DD1. Total estimated cost of the project was LKR 26,299,860.00.

► Construction of 2SSBB Gantry at Anamaduwa

A Two Section Single Busbar Steel Tower Gantry was constructed in Anamaduwa area in Kurunegala district to improve the reliability and the quality of power supply as per the Medium Voltage Distribution Plan of 2013/2022 DD1. Total estimated cost of the project was LKR 23,126,830.00.



Completed 2SSBB Gantry at Anamaduwa

► Construction of 2SSBB Gantry at Kuliyaipitiya

A Two Section Single Busbar Pole Gantry was constructed in Kuliyaipitiya town area in Kurunegala district to improve the reliability and the quality of power supply as per the Medium Voltage Distribution Plan of 2014/2023 DD1. Total estimated cost of the project was LKR 24,209,318.00.



► P&HM- DD1 Construction of 2SSBB Gantries

Location	Relevant MV Distribution Plan	Total Estimated Cost
Ganewalpola	2013/2021	LKR 23,126,830.00.
Manampitiya	2013/2022	LKR 26,299,860.00.
Anamaduwa	2013/2022	LKR 23,126,830.00.
Kuliyaipitiya	2014/2023	LKR 24,209,318.00

► Central Expressway Tower Line Shifting in North Western Province

- Two TDM+3 towers were constructed in Thulhiriya-Maharagama Distributor at Boyawalana (CH: 47+578) in order to maintain required clearance for Central Expressway project. Total estimated cost of this cost recovery job was LKR 13,115,137.00.
- Two TDM+6 towers were constructed in Thulhiriya-Maharagama Back born at Boyawalana (CH: 47+129) in order to maintain required clearance for Central Expressway project. Total estimated cost of this cost recovery job was LKR 14,023,062.00.
- Five Towers were constructed in Thulhiriya- Dampelessa Back born at Nakalagamuwa (CH: 55+550) in order to maintain required clearance for Central Expressway project. Total estimated cost of this cost recovery job was LKR 21,391,331.00.



Ongoing Central Expressway Tower Line Shifting Works

Distribution Divisions (Contd.)

Central Expressway Tower Line Shifting in North Western Province

No of Towers	Transmission Line	Location	Total Estimated Cost
2	Thulhiriya- Maharagama	Boyawalana (CH: 47+578)	LKR 13,115,137.00.
2	Thulhiriya- Maharagama	Boyawalana (CH: 47+129)	LKR 14,023,062.00
5	Thulhiriya- Dampelessa	Nakalagamuwa (CH: 55+550)	LKR 21,391,331.00.

Construction of New Stores in Habarana

Two buildings and outdoor concrete racks were constructed at the new Habarana store premises. Material storing arrangement was planned in accordance to the modern storing techniques and material placement process was started.



Ongoing Material Storing Arrangement Works at P&HM DD1 Stores - Habarana

Distribution Divisions (Contd.)

Significant Events in 2018

► Safety Training

Workplace safety is a highly prioritized issue in CEB. Health & Safety training enables the management to ensure a safe and healthy work environment. It also helps the employees to recognize safety hazards and correct them. It enables them to understand best safety practices and expectations.

A Safety Committee has been appointed by the DGM (NWP) and the committee has been conducting continuous training on Safety. Demonstrations of Electrical lines and Equipment are installed in Maho CSC and most of the safety trainings are conducted with practical examples.



During a seminar on Safety

Further, several Occupational Health & Safety (OH&S) Training Programs have been held on several occasions in Baddegama Area.



► A brainstorming session on Distribution Protection of DD3

Distribution Protection is considered as important in terms of improving the reliability of the power distribution system. However, in recent past there had been no organized open forums to discuss the Protection Issues in DD3. As a brainstorming session an event was organized by Planning and Development Branch of DD3 for all Area Engineers and Planning Engineers on 02nd of November 2018 at Samanala Complex Auditorium.

It was discussed the prevailing issues related to power outages, present standing on SAIDI and SAIFI indices comparing the same with global situation and the mitigation techniques. Moreover, all the Engineers who took part the event agreed and emphasized the importance of having a separate unit under each distribution division to take care of the protection related matters in respective divisions. The Event marked a successful begin for fruitful discussions among the Provincial DGMs, Area Engineers, and the Planning Engineers.



► Blood Donation Campaigns

Several Offices in CEB has organized voluntary blood donation campaigns giving a chance to CEB employees be an integral part of uplifting country's health standards by gifting their life saving blood. Several Campaigns were organized in many locations of CEB. WPS I has organized a one on 06/12/2018. Blood Donation organized by the Buddhist Society of North Western Province held in Accountant Revenue Unit on 2018/11/01. Another blood donation camp was arranged by the NP Staff Welfare & Sports Society on CEB's birthday, 06.11.2018. Many CEB employees contributed the event with full of happiness.

Distribution Divisions (Contd.)



Yovun Puraya 2018

Yovun Puraya was held in Nikaweratiya NLDB Farm from March 28th to April 01st. CEB-NWP supported the event by constructing 7 substations and electrical lines to the land. CEB crew operated in 24-hour basis ensuring continuous uninterrupted power supply to the exhibition



CEB employees working on Youwunpura

Mobile Service

A Mobile Service programme was organized by the Baddegama Area in two occasions at Thalgaswala C.S.C.on 2018.09.29 and Wanduramba C.S.C. on 2018.11.24. Under this program all services in Consumer Service Center were provided to the public in rural areas. Many people of the area took part in this occasion.



Tree Planting

The act of planting and caring for a tree has sends powerful message that CEB is caring about the environment. Tree Planting of Kumbuk Trees in Wackwella Gin River dam has been organized by the Baddegama Area on 2018.11.01. Major aims were stabilizing soil and prevent erosion, improve water quality as well as protecting watersheds. Trees create an ecosystem to provide habitat and food for birds and animals and also reduce noise and the dust level in the air.



Distribution Divisions (Contd.)

Religious Activities

It is important to promote religious activities to build harmony among employees believing several faiths. This includes many aspects like meaningful work, sense of community, and workplace value. Workplace Religious Activities will develop trust among employees in a way that would lead the organization into a better and productive environment.



Poson Bana at WPS1



Christmas Carols at WPS1



Pirith and Alms Giving Ceremony organized by the Buddhist Society on 2018/01/15.

Social Responsibility

Employees unite on Donation of bags of consumer goods to the senior citizens of low income in the area in commemoration of Wimalasurendra Day 2018. It will help senior citizens who cannot fend for themselves to live with a dignity.



Sports

Employee engagement activities play pivotal role in CEB and helps to build up motivation and cross relations among staff. Having understand that a Cricket Tournament was organized on 2018.09.15 by Baddegama Area. Further, CEB NP Staff Welfare & Sports Society has organized Cricket matches and Football matches for the entire CEB staffs during April- May. In addition, Inter unit cricket tournament was held at the public grounds, Horana. There were eight teams played in the tournament. Winners were the team from Ingiriya Consumer Service Center and Runners - up from Commercial Unit Horana.



OPERATIONAL REVIEW

PROJECTS DIVISION



Projects Division

The year 2018 had been another challenging year for the Projects Division, as it handled and carried out projects work worth of LKR 26 Billion during the year.

It was broadly discussed in many forum on the options available for the future power generation projects and predominantly said to be greener than ever due to global warming and connected other issues. Accordingly, CEB is looking forward much greener projects than ever. Description of the Project activities that had been carried out is as follows:

Mannar Wind Power Project (MWPP)

MWPP is the first large scale nonconventional renewable energy (NCRE) project to be implemented by CEB. The wind farm consisting of 30Nos. 3.45 MW wind turbines with all the associated facilities will be constructed in the southern coastal belt of the Mannar island of Sri Lanka. It is expected to deliver approximately 400GWh (if not curtailed) of green energy annually, to the national grid while eliminating discharge of 250,000 metric tons of greenhouse gasses of CO₂ annually in to the environment.

Project works has already been commenced as an EPC contract which was awarded to Vestas Asia Pacific of Denmark, one of the most renowned wind turbine manufacturers in the world. The project cost is approximately 22,000 million Rs. with an expected generation cost of 8 Rs per unit. The contractor is expected to provide assistance in operation and maintaining of the wind plant with a separate three year warranty, operations and maintenance services contract enabling a smooth transfer of technical knowhow to CEB. This also assures operational availability of the wind farm within the prescribed availability limits. COWI AS of Denmark is providing the required consultancy services to CEB as the owner's engineer. Project is to be completed by last quarter of 2020. Asian Development Bank is providing the financial assistance for the project and the associated facilities.



Site inspection visit



Soil testing works at site.

Mannar wind power project will be implemented as a bench mark project to serve the purpose of harnessing environment friendly and low-cost energy resources towards sustainable development in the country and to serve the government's energy policy to accommodate 20% of the energy demand by renewable energy sources by year 2020.

The project also expects to obtain certified emission reduction rates under Clean Development Mechanism (CDM).

Broadlands Hydropower Project (BHPP)

The Broadlands Hydropower Project is a run-of-river type project planned to build in the Kelani River. The key objective of the project is to harness the hydro potential downstream of the existing Polpitiya Power Station. The project will have an installed capacity of 35 MW. The main sites of the project are located about 90km North - East of Colombo, near the town Kithulgala. The main components included in the project are Main dam, Diversion dam, Main Tunnel, Diversion Tunnel, Power Station with two 17.5MW Turbine Generator units, Switch Yard and Transmission Line. The Broadlands Power Plant is planned to generate 126 GWh of electrical energy annually. However, Ceylon Electricity Board has decided to maintain a firm water release to safeguard White Water Rafting sport in Kithulgala area and as a result there will be a reduction in the annual energy generation. The water release is done through a Mini Hydropower Plant to minimize the loss in generation.



Main Dam



Power Station

Projects Division (Contd.)

The Cabinet approval for project implementation on Design Build Basis was granted in 2006 by securing funds arranged by the successful contractor. After the successful evaluation of the bids China National Electric Equipment Corporation (CNEEC) was selected as the main Contractor of the project and contract agreement was signed in end of 2010. The total project cost is USD 82 million. The 85% of funding is provided by Industrial & Commercial Bank of China (ICBC) and the balance was obtained from Hatton National Bank. The loan agreements with two banks were signed in 2013. The Contractor mobilized to the site and commenced construction works in August 2013.

The construction work is in Progress in parallel at Main Dam Site, Main Tunnel, Diversion Tunnel and Power House Site and the project is scheduled to complete in year 2019. The Physical Progress to date is 60% .

The Broadlands Hydropower Project is the first large scale hydropower plant which has obtained CDM registration in Sri Lanka.

Moragolla Hydropower Project (MHPP)

The MHPP is one of several hydropower projects identified by the Government of Sri Lanka (GoSL) to reduce the role of fossil-fueled power generation, which has outstripped hydropower over the past 30 years as readily exploitable locations have been utilized. The Executing Agency of the project is the Ministry of Power, Energy and Business Development (MoPE&BD) and the Implementing Agency is the CEB. Financial assistance is given by the Asian Development Bank (ADB). Project is expected to generate 100 GWh of energy with an installed capacity of 30.2 MW.



Construction of resettlement housing scheme of MHPP



Construction of causeway bridge across Mahaweli river

Supplementary EIA report was approved by the Project Approving Authority, Mahaweli Authority Sri Lanka. The Consultants to the project was appointed and design and supervision work are in progress.

The contract of Lot A1 - Preparatory Works was awarded to M/S. V V Karunaratne and Company on March 2018. Progress of the construction work of the office building and access road to power house is 47% and 73% respectively and the overall progress is around 20%.

Bids for Lot A2 - Main Civil Works and Lot B- Mechanical & Electrical Facilities were floated. Bid for Lot A2 was closed and evaluation is in progress, and the bid for Lot B will be closed on May 2019.

First phase of the construction of the resettlement housing scheme for the Project Affected Persons (PAPs) was completed.

Overall construction period of the project would be 5 years and it is expected to complete the project by December 2022.

Uma Oya Hydropower Project (UOHPP)

The UOHPP is a Multipurpose Development Project implemented by the Ministry of Mahaweli Development and Environment in coordination with the Ministry of Power, Energy and Business Development and CEB.



Power House of UOHPP



Turbine Installation at UOHPP

The estimated capacity of the project is 120MW and the expected annual energy production is 231 GWh. The project consists of two small reservoirs near Puhulpola and Dyraaba and a link tunnel to connect the two reservoirs. A trans basin tunnel that will divert the water from Uma Oya to Kirindi Oya via the underground Power Station located at Randeniya. The power plant will be connected via a 25km 132kV Transmission line to Badulla Grid Substation. It is expected to complete the project by December 2020.

Projects Division (Contd.)

Seethawaka Ganga Hydro Power Project (SGHPP)

Power generation possibility using the waters of Seethawaka Ganga was originally studied by the Department of Irrigation with the assistance of "Technopromexport Moscow" in 1961 and then project was called "Yogama". In February 1988, Seethawaka Ganga project has been identified in the "Master Plan for the Electricity Supply of Sri Lanka" prepared on behalf of "Deutsche Gesellschaft fuer Technische Zusammenarbeit" (GTZ) report called Candidate Hydro Project SITA-14.

In 2009, Pre-Feasibility study has been carried out by Sri Lanka Energies (Pvt.) Limited. (SLE), a subsidiary of CEB. Year 2013, CEB undertake the project development to optimize the potential of the hydro resource available within the area and added the Project in Long Term Generation Expansion Plan 2015-2034 targeting to commission the plant in the Year 2022.

After establishing Project Management Unit for Seethawaka Ganga Project in September, 2016, action been taken to carry out detailed Feasibility study, Detailed Design, DRAFT Bidding documents with Central Engineering Consultancy Bureau (CECB) and Engineering Advisory Branch of CEB. Further Environmental Impact Assessment was initiated in parallel with GreenTech Consultants Pvt Ltd. By December 2018 detailed feasibility study completed and planned to initiate contract bidding process by August 2019.

According to the Final Feasibility Study Report capacity of the plant is 24MW and estimated annual energy generation is 54 GWh.

The proposed project is to be implemented within the premises of Maldeniya, Dangmpala, Reucastel, Higurakanda, Dankombuwa, Digala & Yogama villages, along the Seethawaka Ganga in Batangala, Algoda, Hinguralakanda East and Dikella Grama Niladhari Divisions of Dehiowita Divisional Secretary Division in Kegalle District of Sabaragamuwa Province.



Prospective Site Plan for Seethawaka Ganga Hydropower Project

Kelanitissa New Gas Turbine Project

The objective of this Kelanitissa New Gas Turbine Project Unit is to replace the existing Frame V gas turbines in Kelanitissa Power Station with new gas turbine to restore electricity supply to the Colombo City during emergencies and supply peaking power. The gas turbines will be connected to 132kV network. Preparation of bidding documents are in progress.

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 2)

Green Power Development and Energy Efficiency Improvement Investment Programme - Tranche 2 consists of three components, namely, Transmission infrastructure enhancement, Efficiency improvement of medium voltage network and Demand-side management improvement for energy efficiency including development of an innovative smart grid and metering pilot subproject.



Land Development Works are Carrying Out at Hambantota GSS Site



Conducting Survey at Polpitiya - Hambantota 220kV Transmission Line Route



Construction of Tower Foundation Works are in Progress at the site of Mannar - Nadukuda 220 kV Transmission Line

Projects Division (Contd.)

The project scope involves 220 KV transmission development in Mannar to evacuate energy generated from proposed Wind Power Project and network development for voltage improvement & control in Western and Southern Provinces. It also comprises of distribution and Demand Side Management (DSM) components including energy efficiency including development of an innovative smart grid and metering pilot subproject.

All the provinces in Sri Lanka excluding Uva Province will be directly benefitted by the implementation of transmission, distribution and demand side management components of this program.

The total investment cost of the Tranche 2 is USD 260 million. ADB will provide USD 150 million while AFD will provide USD 30 million as a loan directly to CEB under a treasury guarantee. The loan agreement between ADB & CEB was signed on 27th December 2016. Advance procurement has been approved for the project.

Transmission Infrastructure Enhancement component is funded by ADB & AFD with USD 154.6 million. There are 8 lots under three packages in this component.

By end of 2018, four contract lots out of five of the Package 01 & 02 of the project component has been awarded and construction is in progress while the remaining lot is in the final stage of the procurement process and to be awarded in 2019. All three contract lots of Package 03 was awarded during 2018. Site Survey and Soil investigation work are completed in two lots of package 3 and contract agreement for the remaining lot will be signed in 2019.



Construction Works are in Progress at the site of Nadukuda 220/33 kV GSS



Soil Investigation at Kotugoda GSS

National Transmission & Distribution Network Development and Efficiency Improvement Project (NTDND & EIP)

The NTDND&EIP is funded by Japan International Cooperation Agency (JICA) under the Loan No.: SLP 113.

Project includes 4 packages. Package 1 is for the Construction of 132kV/220kV/400kV Transmission Lines and the bidding process is in progress. Package 2 is for the Construction of 220/132 kV Krindiwela Switching Station, 132/33kV Kirindiwela Grid Substation, 132/33 kV Battaramulla Indoor Substation and augmentation works at several existing Grid Substations. Contract Agreement has been already signed for this package. Package 3 is for the Construction of 132kV / 220kV Transmission Lines, 220kV from Kotmale GSS - New Polpitiya GSS & 132kV from Polpitiya GSS - new Habarana GSS and awaiting for the cabinet approval to award the contract. Package 4 is for the Construction of Primary Substations, 11kV Cables with SCADA/ DAS in Dehiwala Mt. Lavaina & Battaramulla and the bidding process is in progress.

Greater Colombo Transmission & Distribution and Loss Reduction Project (GCT&DLRP)

The GCT&DLRP is planned to strengthen the transmission and distribution network in Greater Colombo area in order to improve the reliability, reduce system losses and cater growing electricity demand due to mega development activities planned in the Colombo City. Under the project scope, capacity of the Greater Colombo power network will be doubled through new 220kV underground transmission cable network. Further, project would improve the existing power network by construction of three new Grid Substations, augmentation of five existing Grid Substations, extension of two Grid Substation, laying of 34 km cable route



Construction of Grid Substation "L"



Cable Support Structure in Beira Outfall at Galle Face

Projects Division (Contd.)

length of underground transmission cables, laying of 31 km cable route length of underground distribution cables and installation of 88 Nos. of new 11kV distribution panels. In addition to that, project will supply specialized vehicles required for maintenance work of distribution networks.

Major portion of procurement activities, detailed design works and approval for cable routes from relevant authorities are almost completed. Civil construction work of all three new grid substations is substantially completed and installations of electrical equipment are already commenced. Augmentation works of five existing grid substations are in progress. Laying of Transmission and distribution cables are in progress. Specialized vehicles procured under this project are already delivered to the relevant branches of CEB. At the end of the year 2018, overall project completion is 93.3%. It is expected to energize all new substations, transmission lines and distribution lines & distribution substation during the year 2019.

Renewable Energy Absorption Transmission Development Project (REATDP)

Most of mini hydro power projects to be developed are located in and around Maliboda, Deraniyagala, Balangoda, Rathnapura, Padiyapalalla, Ragala, Nuwara Eliya and Kothmale areas. However, the absorption capacity of mini hydro projects to the existing Grid Substations located in the above areas has already exceeded. Hence, to facilitate the absorption of new renewable energy to the National Grid, and to cater the increasing electricity demand in Central and Sabaragamuwa provinces, it has decided to construct new Grid Substations at Maliboda, Wewalwatta, Nawalapitiya and Ragala and related transmission lines under Renewable Energy Absorption Transmission Development Project.

The Project is directly executed by CEB, procuring goods and works from fifteen contracts deviating from the "Turnkey" concept. All fifteen contracts have been signed by end of year 2018. Designs for the Grid Substations and Transmission Lines has been completed and civil works of the same was stated in 1st quarter of year 2018. Project is scheduled to be completed in 4th quarter of year 2020.



Progress of the civil works of the Maliboda Grid Substation

Transmission Projects Branch

Transmission Projects Branch had an active year during 2018. Brief description of each project during the year is given below:

Augmentation of Kiribathkumbura 132/33kV Grid Substation was commenced with the savings of ADB Loan No. 2733-SRI. The project cost was LKR 1176.0 Million. ADB financed LKR 978.5 Million and the balance was met through CEB funds.

Kiribathkumbura grid substation has been setup in 1981 to strengthen the transmission system and to improve the electricity supply to central part of the country. 33kV indoor gas insulated (SF6) switchgear technology has been introduced to CEB power system with the inception of this substation.

Lack of spares for the old switchgears and the requirement of improving the capacity of the grid substation with the ever-increasing demand and the reliability of the electricity supply paved the way for augmentation of the substation.

The grid capacity was increased from 94.5 MVA to 125 MVA under this project. Old 132 kV switchgears were replaced and 33kV double busbar indoor gas insulated switchgear system was installed to improve the power supply reliability. Modern state of the art substation control and protection system was supplied and installed in the newly constructed control building with necessary auxiliary supply systems.

All high voltage and medium voltage switchgears were commissioned and energization completed in 2018. Minor civil and electrical works remaining would be completed within the first quarter of the next year.

Further, Asian Development Bank has provided funding for all three packages of Clean Energy & Network Efficiency Improvement Project. The details are as follows:

The scope of the Mannar Transmission Infrastructure Project has been changed to construct 220kV/33kV Mannar Grid Substation and connecting the same to the national grid by constructing Mannar-Vavuniya-New Anuradhapura 220kV constructed (220kV operated) 70km + 60km transmission lines. The 220kV construction would enable the development of full potential of wind power in Mannar area. All Construction activities were in progress and expected to be completed in 2019.

The scope of the 132 kV Transmission Infrastructure Project consists of construction of 132/33kV Grid Substations at Kegalle and connecting the same through a 22km 132kV transmission line. Furthermore, it would also include the construction of Polpitiya- New Polpitiya, Athurugiriys-Padukka 132kV transmission lines, Re-construction of Athurugiriya to Kolonnawa - 15 km, transmission lines and installation of 160MVAR of Capacitor Banks at 7 existing Grid Substations. Polpitiya-New Polpitiya line was

Projects Division (Contd.)

energized in November 2017 and Re-construction of Athurugiriya-Kolonnawa line is on hold since line was not released for the work. All other Construction activities were in progress and expected to be completed in 2019.

The scope of the 220kV Infrastructure Project consists of construction of 220/132/33kV new Grid Substations at Polpitiya and Padukka and 70km Polpitiya-New Polpitiya-Padukka-Pannipitiya 220kV Transmission line. The transmission system would enable the smooth transfer of power between western load centres and Laxapana Complex. All Construction activities were in progress and expected to be completed in 2019.

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 1) Part 2 - Transmission Project is funded by ADB (23.9 M USD) and co-finance by AFD (30.0 M USD). Under this project New 132/33kV Grid Substations would be constructed at Anuradhapura, Kalutara, Kesbewa and 220kV/33kV Grid Substation at Kappalthurai. Augmentation would be carried out at existing 123/33kV Grid Substations at Trincomalee, Katunayaka, New Anuradhapura and 220/33kV Grid Substations at Kerawalapitiya. Furthermore, transmission lines would be constructed to connect the new Grid Substations to the transmission network. During the year, major portion of procurement activities and detail designs were completed. Construction activities are in progress at all sites and expected to be complete in 2019.

Transmission Construction Projects Branch

Following projects have been completed during the year under Grid Substation Construction Projects unit.

a. Augmentation of Hambantota Grid Substation

Under the Grid Substation Construction Projects Unit, Augmentation of Hambantota GSS was launched to improve the reliability of power supply to the future industries at Hambantota area such as Hambantota Port, Mattala International Airport, Mirijjawila Industrial Park, salt base industries, oil refinery. This project was completed during the year.



Hambantota Grid Substation Augmentation Work

b. Implementation of second 220/132 kV inter-bus transformer at Rantembe Power Station

Under the Grid Substation Construction Projects (GSCP) Unit, second 220/132 kV inter-bus transformer bank was installed and commissioned at Rantembe Switchyard in August 2018, which cater the demand and to improve the reliability of Rantembe switching station which act as a hub to connect Mahaweli Generation and 132 kV transmission lines connecting Uva and Eastern Provinces. This project made additional 105 MVA electricity power flow from Mahaweli Generation to Uva and Eastern province.

Implementation of second 220/132 kV inter-bus transformer at Rantembe was consisted of installation of 03 Nos of 35 MVA 220/132/33 kV single phase inter-bus transformers (3 phase, 105 MVA 220/132 kV), Construction of 1x220 kV transformer bay, Construction of 1x132 kV double busbar transformer bay, shifting of 2x132 kV double busbar transmission line bays including all control and protection work.



Rantembe Grid Substation Work

c. Construction two number of 220kV Linne Bays at New Anuradhapura Grid Substation

Construction 220kV transmission line from Mannar Grid Substation via Vavuniya 220kV Grid Substation terminating at New Anuradhapura Grid Substation was entrusted with GSCP unit to improve reliability and flexibility of the operation.

d. Implementation of Reactors at New Anuradhapura Grid Substation and Mannar Grid Substation

To manage reactive power at New Anuradhapura Grid Substation and as backup for reactive power management of new Wind Power Plants at Mannar, GSCP unit has commenced the preliminary work related to Installation 60MVar reactors at Mannar GS and 2x50MVar Reactor banks at New Anuradhapura Grid Substation.

Projects Division (Contd.)

e. Augmentation of 33kV Feeders at Puttalam Grid Substation

As per request of Distribution Division 01, rehabilitation of two (02) 33kV line feeders at Puttalam Grid Substation for future growth requirement is also executing by GSCP unit.

f. Construction of 33kV Feeders at Sapugaskanda Grid Substation

In line with the installation of Capacitor Banks by Clean Energy and Network Improvement Project - Package 02 (CENEIP - P2) at Sapugaskanda Grid Substation, it has been identified the requirement of construction of Two (02) 33kV Feeder Bays at the Substation. This was also assigned to GSCP unit.

Following projects have been done under Transmission Line Construction Projects unit

a. Shifting of 132kV line from Embilipitiya GSS to Hambanthota GSS at Sooriyawewa to facilitate the Extension of Southern Highway Project - Section 3 - From Wetiya to Andarawewa was completed in January 2018.



Stringing works at Embilipitiya - Hambanthota
132kV line at Sooriyawewa

b. Reconstruction of New Chillaw - Pannala 132kV Transmission Line

The 132kV double circuit transmission line from Bolawatte Grid Substation to New Chillaw Grid Substation is of Lynx conductor had been built in 1963. To improve current carrying capacity and reliability of the line, it was proposed to enhance the capacity of the New Chillaw - Bolawatte 22km, 132kV transmission line section with double circuit, Zebra transmission line. The above project was implemented in two stages. First stage, 132kV line from New Chillaw GSS to Pannala GSS was completed and energized in March 2018. Second stage, 132kV transmission line from Bolawatte GSS to Pannala GSS has been completed March 18, 2019.



Stringing works at Bolawatta -
Pannala 132kV Transmission line

Projects Division (Contd.)

c. Reconstruction of Badulla - Madagama 132kV Transmission line - construction works

The 132kV single circuit transmission line from Badulla Grid Substation to Inginiyagala power station of Oriole conductor was built in 1963. To improve the current carrying capacity and reliability of the line, it was proposed to reconstruct the Badulla - Madagama 32.5km, 132kV transmission line section with double circuit, Zebra transmission line. The above project is in progress and is planned to be completed in May 2020.



Reconstruction of Badulla - Madagama 132kV Transmission line - construction works

Liquefied Natural Gas Power Projects (LNGPP)

Request for Proposals (RFP) for the Development of a 300 MW Multi Fuel Combined Cycle Power Plant at Kerawalapitiya on BOOT basis were called from interested bidders. The proposals have been received to operate the plant initially on diesel fuel and later to operate on Re-gasified Liquefied Natural Gas (RLNG) when available at the site boundary. The power plant will be built, own and operate by the successful bidder for a tenure of 20 years and transferred to CEB at the end of 20-year period. The plant will be constructed on the CEB land located at Kerawalapitiya. The Power Plant is expected to achieve the commercial operation of the Open Cycle in 2020 and the Combined Cycle in 2021.

Trincomalee Coal Power Project (TCPP)

A 500 MW power station constructed on Built Own and Operate (BOO) basis at a cost of approximately US\$ 500 million was to be located in Sampoor. The Environmental Authority granted its approval for the project. However, the project was suspended.

The procurement activities of the main peripheral developments of the project namely, the 400kV transmission line from power station at Sampoor to Habarana, 220kV Transmission line from Sampoor to Kappalthurai and the coal unloading jetty were suspended during the year until a power plant is finalized.

Habarana Veyangoda Transmission Line Project (HVTLP) which is required for power system improvements is implemented with the assistance of JICA. The contract for the construction of 148km long 220kV Transmission line from Veyangoda to New Habarana grid substation and the associated line diversions is awarded and work is proceeding with a progress of around 50%.

Further a new 220kV/132kV/33kV Grid substation is being constructed at Habarana in a 14acre land and augmentation work is being done at Veyangoda with the addition of two 220kV bays.



Areal view of construction site at Habarana for Proposed 220kV/132kV/33kV Grid Substation

Projects Division (Contd.)

Transmission Design & Environment Branch

Activities carried out during the year 2018 are as follows.

The Transmission Design Unit had prepared tender documents for implementation of National Transmission and Distribution Network Development and Efficiency Improvement Project Package I, Package II, Package III, (NT&DND &EIP), Green Power Development and Energy Efficiency Improvement Investment Program Project (GPD&EEIIPP) Tranche 2 and Renewable Energy Absorption Transmission Development Project (REATDP). Further, transmission design unit completed preparation of Tender documents including technical specification for SVC to be installed at Biyagama Grid Substation and installation of Reactors at New Anuradhapura and Mannar Grid Substations. Reviewed Technical specification prepared by Consultants of Colombo Port City Development for the compliance of CEB requirements.

Review of designs included for the following projects, CE&NEIP-P1, P2 & P3, NKBP, GPD&EEIIPP- Tranche 1, UOHPP - Transmission Line, GCT&DLRP, REATDP, HVTP, re-construction of Bolawatta New Chilaw 132kV Transmission Line during the year.

The Environment Unit is the focal point for most of the environmental activities of CEB. The main responsibilities of the Environment Unit include conducting the Environmental Approval Process for development projects of CEB, preparation of Environmental Safeguard documents as per National Environmental Act (NEA) as well as the guidelines of the funding agencies (if applicable), obtaining the relevant environmental approvals, and conducting environmental awareness programs for CEB and its stakeholders.

Engineering Advisory Services (EAS) Branch

During the year, Engineering Advisory Services Branch provided expert services in the fields of electro-mechanical, hydro-mechanical, electrical, mechanical and utility for following generation projects, replacing national and international consultants:

- Project Management and Supervisory Support for the Construction of Moragolla Hydropower Project.
- Consultancy Services for Conducting Feasibility Study, Detailed Design and Preparation of Tender Documents for Seethawaka Ganga Hydropower Project.
- Consultancy Services for Preparation of Tender Document for 3x35MW at Kelanitissa New Gas Turbine Project.

Additionally, EAS Branch together with the consultants, appointed by the Asian Development Bank, prepared the Pre-feasibility study and Way Forward for Deployment of Liquefied Natural Gas to Sri Lanka Power Sector.

Corporate and Projects Coordination (C&PC) Branch

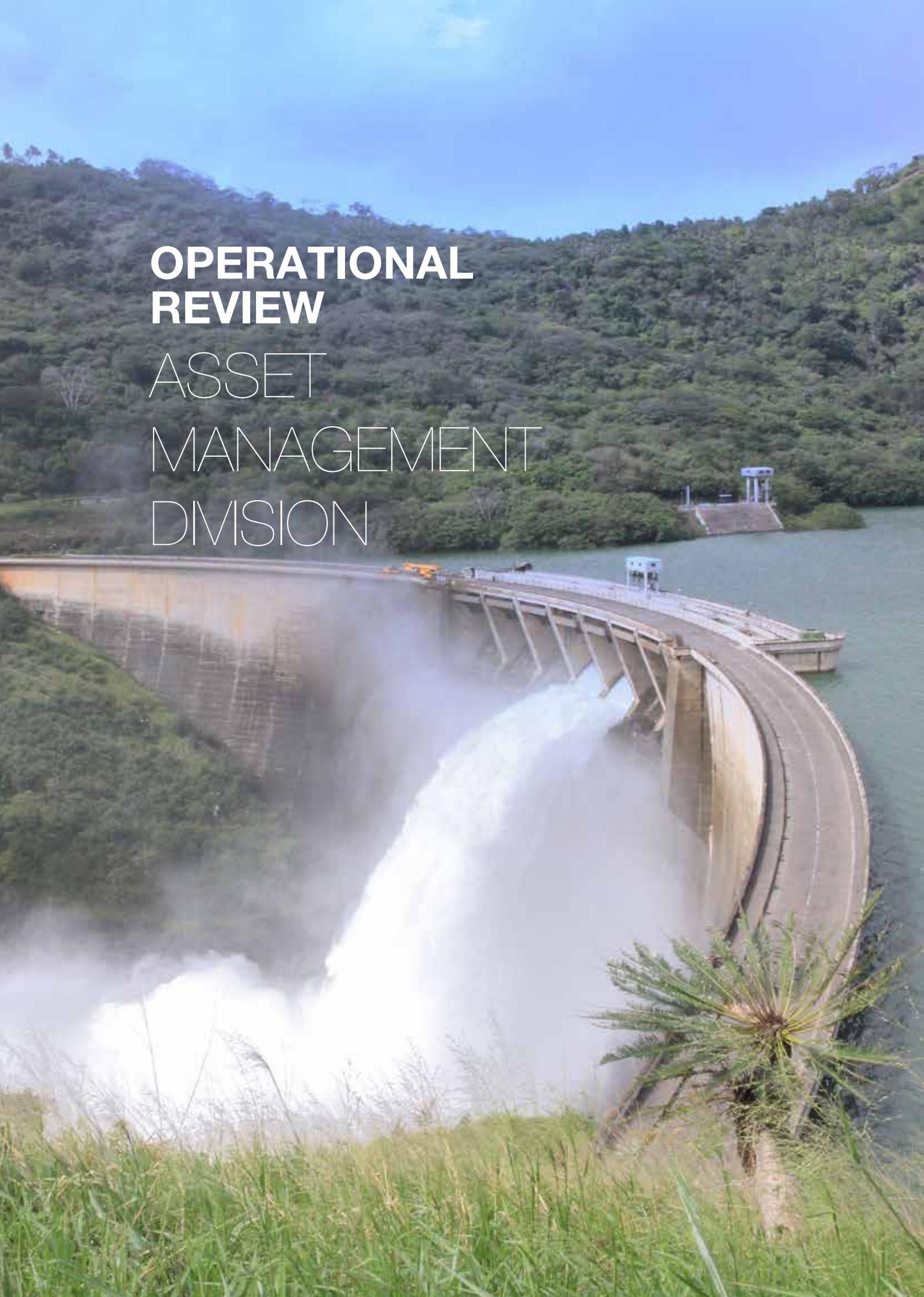
This Branch handles coordination of projects activities within the Division, while performing the Corporate functions for the same.

Under the corporate functions, it has the duty to supply the Projects Division with, and maintain at all times a fully trained, competent and responsible managerial staff and work force operating at a high level of performance and at optimum levels of remuneration along with safe and conducive working environment. It catered for 250 Senior Executives and 475 employees of various grades made up the total of 725 employees in the Division including contracted employees.

Under the Projects Coordination, it involves in proper coordination of all Projects under implementation in order to conclude the final completion on time and also to ensure inter-coordination of outage plans of all projects with System Control so that Inter-connection are executed on time. Further, the Seethawaka Ganga Hydro Power Project (SGHPP) and the Kelanitissa New Gas Turbine Project (KNGTP) was brought under the purview of C&PC branch in order to administer the both projects and for the close monitoring the same.

OPERATIONAL REVIEW

ASSET
MANAGEMENT
DIVISION



Asset Management Division

Asset Management is a part of transformation of infrastructure development. The division plays a vital role in CEB for its economic growth, social advancement and environmental development.

Operational Structure

There are eight Branches under the Additional General Manager (Asset Management) to carry out the different functions of the Division namely:

- DGM (Asset Management & Corporate)
- DGM (Training)
- DGM (Occupational Health & Safety)
- DGM (Workshop & Ancillary Service)
- DGM (Civil Works & Building)
- PD (Vidulakpaya)
- AFM (Asset Management)
- Manager (Security)

Asset Management & Corporate Branch

The responsibility of the Branch is to ensure proper functioning of the Asset Management Division by optimum use of human resource. Other than the corporate functions of employees, the Branch handling Asset Management related functions of CEB. The core activities are to better management of CEB Lands, Buildings and generating an additional income by utilizing CEB's available resources and assets for purposes other than the core activities of the CEB; however, without affecting those core statutory functions. Main functions of the Branch are

- Preparation of Asset Register of Lands and Buildings belonging to CEB and Updating & maintenance of the Master Plan data base of CEB Land & Buildings.
- Obtaining ownership documents for lands acquired, vested and outright purchased for CEB.
- Valuation of Lands and Buildings.
- Identification & preparation of Survey Plans for lands used by CEB, without any Title Deeds or Survey Plans. Redemarcation of boundaries of CEB Lands where disputes of boundaries due to encroachments.
- Development & Maintenance of the Vehicle Database to manage the Vehicles of CEB.
- Leasing of Castlereigh and Upper Kothmale Hydro Reservoirs for tourism and recreational activities such as operation of float planes and operation of boat services.
- Technical Supports on Bidding, Bid evaluations and Web Publishing of Asset Management Division Bids.

Training Branch

Training Branch has taken steps to build up a competent work force by means of appropriate Education, Training & Skills Development to effectively carry out work involved in modern integrated industry having a vision "To become the best Training Institute in the utility sector in Sri Lanka."

Training Branch consists of following Technical Training Centres.

1. Training Centre, Piliyandala
2. Training Centre, Castlereigh
3. Training Centre, Kinchigune (New peripheral centre)
4. Training Centre, Kalawana (New peripheral centre)

CEB Training Centre- Piliyandala

Training center provide training for Engineers, Accountants, Middle Level Technical Service Officers, Clerical & Allied Service Employees and Field Service Employees. Details of programs conducted during the year are given below.

	Course Name	No. of Programs	Participants
01	Workshop on "Power quality and standard of connection solar power plant to the Grid " for Engineers	03	209
02	Workshop on "Financial Management" for Engineers	01	70
03	Workshop on "Contract Management" for Engineers	02	224
04	Workshop on "Labour Law" for Executives	02	148
05	Workshop on "Earthing" for ES s	02	152
06	Workshop on "Public Private Partnership" for Engineers	01	13
07	Workshop on "Power System Protection " for Engineers	01	125
08	Workshop on "Procurement Management" for Executives	01	96
09	Workshop on "Bidding Document Preparation" for Engineers and Accountants in CEB	01	119

Total of 3,379 field service employees in different fields were given training in 74 programs conducted in 2018.

Asset Management Division (Contd.)

Local Training provided for CEB Employees at External Institutes

Total of 272 employees including Engineers, MLTS, Clerical & Allied Services & Field Service were given the opportunity to undergo training related to their duties conducted by External Training Institutes.

In-plant Training

Details of In-plant Training provided to Undergraduates Students from all universities, Diploma Students and Technical & Non-Technical Colleges are giving below:

Category	Discipline	No. of Students
Undergraduates	Electrical	194
	Mechanical	02
	Chemical	04
	Total	200
Diploma Students	Electrical	99
	Marine	12
	Civil	02
	Total	113

Training Centre - Castlereigh

The Castlereigh Training Centre conducts training programs for CEB employees to meet their promotional requirements. Further, it conducts career progress development courses to CEB employees and for external individuals.

Details of the training programs conducted for field service and clerical allied service employees in 2018 are given below.

	Programs	Participants	Number of Programs Conducted	No of Participants
1.	Induction Training Program	Newly Recruited TJTM/ JTM	6	166
2.	LV/MV lines and Distribution substation construction	Field service employees	25	703
3.	CEB system procedures and Attitude & leadership Development	Clerical & Allied service employees	25	826
4.	Power Generation, Transmission & Distribution	External Employees	3	147
5.	Generation Division	JTO/TJTO	15	431
TOTAL NO OF PARTICIPANTS				2,273

Castlereigh Training Center offered eight number of career progress development (CPD) courses during the year, as detailed below.

1. Maintenance of Hydraulic Systems
2. Hydraulic Symbols & Circuits
3. LV ABC Line Construction & Maintenance
4. LV and MV Line Construction Theory & Practice
5. CEB Systems & Procedures
6. Attitude Development
7. Fire Fighting & Emergency Evacuation
8. Distribution Substation Construction

External Training Unit

Among the ongoing development activities to improve service quality and productivity of the centre, the followings can be highlighted, modifying current training syllabus to go in hand with changing work force requirements of CEB, improving centre facilities including laboratories, workshops, residential hostels and staff quarters.

Workshop & Ancillary Services Branch

The Branch consists of 04 operational units which provide various kinds of services.

(A). Power Plant Unit

Main functions of the unit are

- Providing power supply for VVIPs functions by mobile diesel generators.
- Providing standby and continuous power supply for Govt. and external institutes by mobile diesel generators.
- Repairing and maintaining standby generators belongs to CEB, VIP installations, Govt. hospitals and other government institutions.
- Major overhauling and rehabilitating of diesel generators belongs to external institutions.
- Supply and install diesel generators for external organizations.

Commenced installation of 50 Nos. x 1MW Containerized packaged diesel generator units installed in Thulhiriya, Kolonnawa and Mathugama to provide Emergency Power to National Grid.

Asset Management Division (Contd.)

Summary of the jobs carried out during the year is append below ;

S/N	Job Category	No. of Jobs	Amount (LKR)
1	Standby Diesel Generator Annual Maintenance	85	48.5
2	Repair/ Rehabilitation of Diesel Generators	35	38.8
3	Diesel Generator Hiring for CEB requirements	43	146.4
4	Diesel Generator Hiring - Private, President's Security Division, Prime Minister's Security Division requirements	314	122.8
5	Diesel Generator Installations	07	36.2
6	Other Jobs	18	2.4



Installation of Containerized 1MW diesel Generator



10 Nos.x1MW Diesel Generators installed at Kolonnawa Site



10nos. x1MW Diesel Generators installed at Thulhiriya



10 Nos.x1MW Diesel Generators at Kolonnawa Site 1

(B) Air Conditioning & Refrigeration Unit

Air conditioning and Refrigeration (AC & R) unit provides air conditioning and refrigeration services for the Government Hospitals, Government institutes and CEB operational units located island wide. Details of the jobs done by this unit during the year is tabulated below.

S/N	Job Category	Government Jobs		CEB Jobs	
		Nos. of Jobs	Amount (LKR)	Nos. of Jobs	Amount (LKR)
1	Annual Maintenance	37	197	219	34
2	New Installation	1	17	50	30
3	Repair	22	2.6	25	16.2
	Total	60	216.6	294	80.2

Asset Management Division (Contd.)

(C) Lift Unit

The main office at Kolonnawa comprises with 01 depot, small workshop, stores and a Depot located at the National Hospital serves 24 hrs. The total human strength of Lifts unit was 20.

Works performed by Lifts Unit during the year

- Service & Maintenance

Rs. 74 million worth of 145 service and maintenance works were maintained by CEB employees and by sub-contractors/ local agents under CEB supervision during the year.

Major Maintenance/ Repair works

Nearly 22 rehabilitations, modernizations and repairs jobs worth of Rs. 9.6 million were completed. Some of works are given below.

No.	Work Done	Amount (LKRM)
Rehabilitation and Modernization works		
1	Old Kelanitissa Power Station Service lift	0.4
2	National Hospital of Sri Lanka (N.H.S.L)	1.7
3	Bed Lift at General Hospital-Matara	0.3
4	Old Classic lift at Foreign Ministry	0.4
5	Passenger Lift of Zonal Education Department-Colombo	1.0
6	Face uplifting of Paternoster-2nd phase - CEB Head Office	1.4
Repair Works		
7	16 repair in different scales	3.4

- Consultancy Service

Consultancy works were continued for Ministry of Finance and Gladari Hotel.

- Social and welfare activities
 - ▶ Field trip was organized for visiting Samanalawewa Hydro Project.
 - ▶ The lifts Unit was able to win the inter unit Cricket Tournament of W&AS Branch.
 - ▶ The lifts unit staff took active part at CSR project organized by W&AS Welfare Society at Apkesha Hospital, Maharagama.

(D) Central Workshops & Garage Unit

Jobs completed during the year

S/N	Job Description	Amount (MLKR)
1	Mechanical	7.4
2	Electrical	3.2
3	Production	9.6
4	Vehicle Repairs	7.9
5	Vehicle Service	1.3
6	Fuel Tests	0.5
7	Other	0.4
Total Cost of Jobs Completed		30.3

Civil Works and Building Branch

	Description	Amount (MLKR)
1.	New Constructions	81.0
	i) CSC Premises at Deraniyagala	
	ii) DGM(NCP) Office at Anuradhapura	
	iii) Two Storied Building for Area Office at Kalmunai	
	iv) Area Engineer's Office at Puttalam	
2	Extension and Renovation of Circuit Bungalow at Minneriya	27.2
3	Head Office Renovation Works	77.0
	i) Refurbishment of Canteen Building at CEB Head Office	
	ii) Renovation of Common Lobbies and Stair Cases of CEB Head Office	

Facility Management Unit

Facility Management Unit carries out maintenance work in CEB Head Office and upgrading of Circuit Bungalows.

Project Management Unit (Vidulakpaya)

Project Management Unit was established for the purpose of liaison and project management activities of the construction of proposed new CEB Office Building at Narahenpita. Initial cost estimate of Rs.1936 Million has been revised to Rs.2541 Million in year 2015 and again revised to Rs. 3149 Million in December 2018 by the Project Consultancy Unit (PCU) of University of Moratuwa. The project is funded by CEB.

Construction work of the proposed building is delayed more than 04 years since the completion of pile foundations and CEB received the final bidding documents prepared by the Consultant-PCU in December 2018.

Asset Management Division (Contd.)

Approval of the Cabinet of Ministers was requested through the Ministry of Power, Energy and Business Development (MOPE&BD) to terminate Contract with PCU and to select a new Consultant for the project.

Occupational Health and Safety Branch (OH&S)

Main objective of the Branch is to improve safety culture within the organization by ensuring safe working environment and health & safety awareness among employees to reduce the number of accidents and injuries.

The Branch has been playing the role of an internal safety regulator to monitor and facilitate safety and adopt a high standard/practice of safety across all Divisions such that to achieve the above mentioned objective.

Also it provides support services with respect to Occupational Health & Safety to all Divisions through the Coordinating Officers appointed in each Division to liaise with the same.

Training Programs

The details of training programs conducted during the year targeting Engineers, Middle Level Technical Grade Employees, Clerical & Allied Grade Employees and Field Service Employees are given below.

No.	Programs	Participant Category	No. of Programs	No. of Participants
01	Occupation Health & Safety	Field Staff and Clerical & Allied Grade Employees	95	5652
02	Occupation Health & Safety	Power Station Staff	23	1193
03	Road Safety	Field Staff and Clerical & Allied Grade Employees	02	142
Total			120	6987

Safety Inspection of Primary Substations/ Gantries

The Branch has taken measures to inspect primary substations and gantries scattered around the country identify lapses that could lead to accidents to both field employees and the general public.

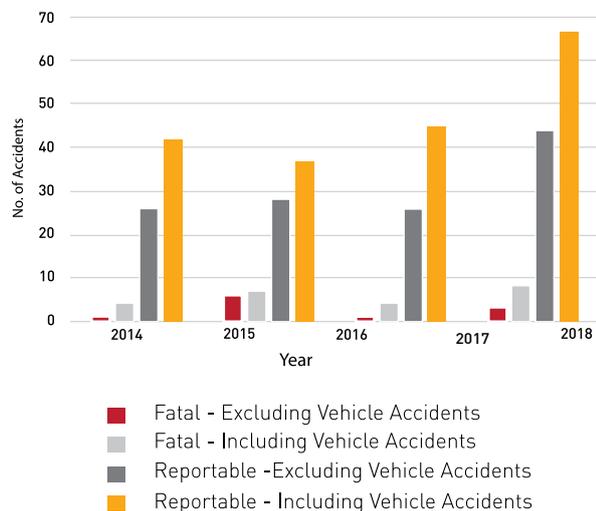
Summary of the safety inspections conducted in year 2018 is given below,

No.	Division	No. of Primary SS	No. of Gantries
01	Distribution Division 1	47	25
02	Distribution Division 2	79	77
03	Distribution Division 3	16	44
04	Distribution Division 4	51	35
Total		193	181

The Branch is planning to further expand safety inspections to power stations, grid substations and field work especially carried out by field employees in Distribution Divisions.

Also the Branch is geared to perform a continuous key role in CEB to create an accident free safe working environment and a healthy work force in the coming years.

Fatal and Reportable Accidents in CEB since 2015 (Including employees of contractors)



Asset Management Division (Contd.)

Fatal Accidents in CEB for the year 2018 include an electrocution due to accidental energization of 33kV, falling with a concrete pole during reinstallation of conductors and a heart attack while way leave clearing.

Medical Check Up

Medical check-ups conducted for 411 employees of Kelanitissa Power Station, Kelanitissa Combined Cycle Power Station and Hambantota Area to identify employees with occupation related health issues with the intention of ensuring a healthy work force during the year. Individual test results were interpreted by Medical Officers and handed over to the respective individual for necessary further medical attention if required. Relevant officers were also informed to adopt administrative control methods as required.

Security Section

The Security Section comprises 936 security personnel including Act. Deputy Manager Security, four Senior Security Officers and 26 Security Officers under the Manager Security. Total 127 sub security unites are functioning in Island wide.

Security Section of CEB is responsible for security of lives & property of all the vulnerable locations of Generation, Transmission, Distribution and Asset Management Divisions of CEB.

The operational duties of Private Security Services deployed island wide at some premises of CEB are also supervised and observed by the CEB Security Section.

The Security Section provides security service to VIP security during special functions, ceremonies and other events as well.

Training programmes, workshops and seminars have been conducted for CEB security personnel to enhance and upgrade their knowledge, skills which also assist to develop their efficiency, discipline, motivation in performing their duties with high productivity in a professional manner.

Special Training was provided to Security Personnel during the year on Weapons Handling, Firing, Fire Protection, Cash Escort and VIP Escort Duties, First-aid, Disaster Evacuation Drill, Leadership and Management. Summary of training programs conducted during the year as shown below;

No.	Programme	Training Center	No. of Participant
1	Handling live rounds firing training	Fire range at Kalutara Police Training School	920
2	Cash protecting workshop		80
3	Security duties at stores	CEB training center	96
4	Compulsory Training for promotions	Piliyandala	28

CEB Security Guards represented specially in the events of Athletic, Volley ball and Cricket in National Trade Service Sports Meets and Nation



**OPERATIONAL
REVIEW**

CORPORATE
STRATEGY
DIVISION



Corporate Strategy Division

Corporate Strategy Division of CEB, which is headed by Additional General Manager (Corporate Strategy), consists of five Branches, which are Business & Operational Strategy Branch, Corporate Strategy & Regulatory Affairs Branch, Functional Strategy & Process Development Branch, Information Technology (IT) Branch and Research & Development Branch. The performances, during the year of each Branch, which is headed by Deputy General Manager, are stated herein. The project; Enterprise Resource Planning (ERP) is headed by a Project Director, is also functioning under the purview of Additional General Manager (Corporate Strategy).

Business & Operational Strategy Branch

Formulating strategies for CEB's key business and operational activities, monitoring the organizational performance on strategy execution and improvement of corporate image and corporate culture of CEB are the key activities falling under the purview of the Business & Operational Strategy Branch of the Corporate Strategy Division.

Operational review of Corporate Balanced Score Card (BSC) is done quarterly and due to benchmarking, Distribution level Scorecards are expected to bring in better response and results than the corporate level scorecards. CEB management is now able to monitor organizational performance online from anywhere in the country. Preparation of Generation and Transmission Balance Score Cards are being progressed. However, it is decided to review whether should continue with BSC or adopt new way monitoring strategy execution activities.

With the objectives of improvement of CEB services offered to customers, improvement of employee's attitude and welfare, improvement of exiting CSC premises, introduction of organizational competition (from bottom to top approach), star rating scheme for customer service centers has been initiated. Few workshops were carried out in this regard. All customer service centers of Southern Province were able to obtain first star.

Inter School Quiz Programme (2018/2019) was ceremonially commenced in Ruwanwella area in October 2018 with the support of Sri Lanka Broadcast Corporation and Department of education. Schools children are educated on electricity safety and energy management during this programme.

Innovation Competition was held in August 2018 successfully. Decision has been taken to popularize the use of innovations in CEB.

Workshops were held during the year for executives on Right to information Act and the role of the Information officer. CEB stall was presented to four national level exhibitions held in Sri Lanka during 2018. Two Strategy discussion forums on low cost generation and occupational health & safety were also held during the year. CEB participated in TECHNO exhibition conducted by Institution of Engineers Sri Lanka in the year 2018 and CEB was awarded as GOLD winners for its stall in the exhibition.



Inter School Quiz Programme commenced in Ruwanwella



CEB awarded the GOLD winner for Stall at TECHNO exhibition

Corporate Strategy Division (Contd.)

B&OS Branch organized a Strategy Management and Implementation program at AIT, Thailand & Vietnam for executives who directly involved in strategy formulation and Commercial & Corporate functions. Under the theme of improvement of corporate image and performance, personal grooming and social & business etiquette training programs (30 programs) for CEB non-executives were organized. Leadership, self-motivation and management workshops for middle level technicians and clerical & allied services were organized in most of the Provinces.

Corporate Strategy & Regulatory Affairs Branch

The Corporate Strategy and Regulatory Affairs (CS&RA) Branch co-ordinates the matters arising from and related to Generation, Transmission and Distribution Licenses issued to the Ceylon Electricity Board among the respective Licensees as well as with the Public Utility Commission of Sri Lanka (PUCSL) with respect to licensing requirements. In addition to handling regulatory affairs, this Branch is responsible for coordinating the Corporate Strategy formulation for CEB.

During the year, Regulatory Affairs Unit worked very closely with Licensees as well as with PUCSL to make CEB officials aware of new regulations and Rules and then endlessly worked with relevant licensees towards implementing the regulations such as Electricity (Distribution) Performance Standards, Electricity (Transmission) Performance Standards, Electricity (Safety, Quality and Continuity) Regulation and Electricity (Utility-Driven Demand Side Management) Regulation. Similarly, Regulatory Affairs Unit worked with PUCSL and licensees to improve few guidelines which are parts of current Supply Services Codes of CEB distribution licensees and obtained the approval of the commission for few improved version and similar exercise continued during the year for remaining guidelines as well.

As there were delays and problems observed both in lowering the cost of generation by acquiring low cost generation and also in passing down the actual cost to end use customers by way of tariffs, the only remaining option left for CEB was to shift the consumption from times where cost of electricity is high to times where cost of electricity is low. Already, all bulk consumers were mandatorily placed on Time of Use (ToU) tariffs. But there is no such compulsion for retail consumers including domestic customers that consist of over 85% of total customer base. In 2017, ToU tariff was extended to all domestic consumers too as an optional tariff. However, as the response from domestic consumers to migrate to ToU was poor, a media campaign to educate the ToU option to domestic customers was initiated and the approval to award the same to SEACINE Television Institute was received in December 2018. It is expected to launch the campaign in early 2019.

As previous years, no end user tariff adjustment was made during 2018 too, thus further aggravating CEB financial position. On 16th

October 2018, the Cabinet of Ministers has decided to appoint a committee to find ways of mitigating the impact of increasing fuel prices to the cost of electricity. The committee was formally appointed and met during the same month but little progress was made thereafter during 2018. In the meantime, CEB had developed a model to calculate end user tariffs, which could be extended to serve as a pricing formula for electricity.

During 2018, CEB initiated a study under ADB funding to develop a pre-paid metering solution to CEB. Once concluded CEB would have a ready to launch pre-paid metering solution.

In line with corporate strategy function, the Branch undertook the task of compiling and publishing of the corporate documents of CEB including Action Plan 2018, Annual Report - 2017, Statistical Digest - 2017, Sales and Generation Data Book - 2017, Performance 2018 and Programs for 2019 etc.

Functional Strategy & Process Development Branch

The year 2018 brought wider popularity for the documents published by FS & PD Branch, such as Operational, Functional and Personal Manuals; due to the wide spread accessibility to such documents, thanks to the efforts made by the Branch to provide not only the printed but also the online versions to be made available through Circulars Manuals and Documents System (CMDS). The CMDS itself was replaced with the latest version which is user friendly and offers much more functionality. It is noteworthy that a widespread awareness of the importance of these documents for the efficient functioning of the organization has been created among the various categories of employees of CEB. It is evident from the increasing number of calls received by the FS & PD Branch seeking for clarifications on the contents of such Manuals, comments and suggestions received for further improvements, request for translation of some of the Personal Manuals, discussions being held at various forums on the need to update the present practices and so on. FS & PD Branch is more and more open to receive such positive feedbacks and is hoping to continue to improve the present systems, practices and the related documentations.

Consequently, FS & PD Branch initiated the production of Sinhala and Tamil translations of the Rules of Disciplinary Procedures. Further, Sinhala and Tamil Translations of the Leave Regulations were printed and distributed. In addition, the work on Personnel Manuals such as Salaries and Wages Manual, Holiday, Holiday Pay/Lieu Leave and Overtime Manual and Travel on Duty within the Island Manual, as well as Operating Manuals such as DGM (Commercial and Corporate) was also continued. Work on DGM (Planning & Development) and DFM (Distribution) were completed. Due to the increasing demand for the printed documents, many of the previously published Manuals were re-printed to be distributed for the benefit of the relevant Officers.

Corporate Strategy Division (Contd.)

FS & PD Branch also continued to receive requests for producing the Job Descriptions for various posts created within the structure of CEB. In addition, number of documents such as Performance Appraisal Forms etc., were revised and translated in to bi-lingual forms for the benefit of the employees. Awareness Programs on already produced Manuals such as Rules of Disciplinary Procedures were also conducted with the facilitation of Training Branch.

The Branch continued to assist the management to compile responses for the parliamentary queries raised by Select Committees, Committee on Public Enterprises (COPE), Minister etc., by coordinating the relevant Divisions for which the queries are targeted and the CEB management, to ensure consistent consolidated responses are forwarded to the line Ministry for appropriate action.

Information Technology (IT) Branch

Information Technology Branch is responsible for understanding the CEB's business processes and aligning them to appropriate technology in order to bring efficiency and customer satisfaction.

Over the years, many IT solutions have been developed by the IT branch and are regularly updated as per the user requirements. The purpose of IT branch is to provide digital services to the organization to improve efficiency and effectiveness of its resources and processes in delivering the services to the customers. As the mechanisms to reach the customer with latest and robust information, IT branch facilitates the Service Provisioning and maintenance services for Consumer Management Centers, 1987 and Call Centers, corporate website, SMS gateway services and moreover is working on more user-friendly mobile application to be released for Ceylon Electricity Board's 50th Anniversary.

IT branch uses four strategies in catering the digitization needs for the organization as In-house development; Off the shelf products customized for organizational needs; adopting developments, innovation from outside IT branch; and outsourcing. The "Breakdown Assist" Solution is one major project IT branch had adopted outside the branch to phase-out existed breakdown management solution during the last year. This solution comprised of a mobile application for CEB customers, a tab application for electricity breakdown crews and a web based system for supervisors & front line agents. Breakdown Assist solution covers the scope of consumer electricity complaint handling, complaints management, electricity breakdown handling, breakdown crew management in electricity distribution divisions.

IT branch had revamped the corporate website during the last year and new website is built with more user-friendly information arrangement, customer portal and payment services with multiple payment gateways. The IT branch had been working on revamping existing IT services to become more user-friendly and integration

ready which are not limiting to utility billing, accounting, payment collection, material management, service connections, human resource management.

CEB's own Point of Sales counters credit card payments through web, Electric Vehicle Charging solution and KIOSK machines are in operation for accepting customer payments. A SMS notification system is in operation to inform customers of the power interruptions and to send reminders on bill payments and disconnection notices. A SMART phone application is being developed for customers to inform their electricity breakdowns promptly. It is expected that this application will solve the call center congestions experienced currently during peak hours considerably.

A big step for IT branch will be setting the CEB private cloud setup with next generation security solution, where IT core infrastructure is ready to provide industry standard IT services. This industry stand solution with Disaster recovery setup and automated Business continuity process will consolidate all the IT systems in CEB and facilitate the rapid infrastructure provisioning for the future IT systems. The ground work and procurement had been laid for this target during the last year.

The WAN of CEB now has about 500 nodes connected by leased data lines and our own fiber. Significant cost reductions have been achieved in procuring leased data lines due to stiff competition among telecommunication service providers. IT branch has started to upgrade the Local Area Networks to the industry standard with facilities to cater mobile users. Security controls of the CEB IT network is to be strengthened by bringing advance control devices to make the CEB IT network robust that can withstand the ever changing security landscape.

IT branch has envisioned to provide superior working environment supported by industry proven technologies to its employees so that operational efficiency of the organization will improve. With that vision, IT branch of CEB has designed a project to improve the current Email services, implement a collaboration and unified communication Infrastructure, collaborative document management portal and client device management.

IT branch had been working in collaboration with R&D Branch to implement the smart metering and smart grid pilot projects to embark CEB's journey to the next level of digitization.

We have identified the requirement of training the users of many applications regularly. Many training programs are conducted through the training branch for this purpose. In addition, it is also identified the importance of training our IT staff with appropriate technology as per the needs of the systems supported. We need to have a confident and motivated IT staff to bring in new technology to achieve the corporate goals of CEB.

Corporate Strategy Division (Contd.)

Research & Development Branch

Research & Development Branch comprises of Demand Side Management Unit, Research & Development Unit, and Regional Centre for Lighting.

Demand Side Management Unit

The electricity system load profile of Sri Lanka has a high evening peak, and recently, steps have been taken to mitigate this. The new tariff structure for domestic category is one of such step. The annual load factor, which is defined as the ratio between peak demand and average demand, continues to show a clear increasing trend. Therefore, studying the system load profile and finding further options to flatten the system load profile is a timely requirement. Demand side Management (DSM) Unit has been established in order to address this issue.

A Load Research Program (LRP) in Eastern Province was conducted and necessary measures taken to conduct LRP programs in other Provinces. DSM unit further, conducted walk through energy audits on the request of customers. "Energy consumption comparison between the inverter type refrigerator and non-inverter type refrigerator" was got done by the unit. A market survey was carried out with the objective of identifying the energy efficient products and their technologies presently available in the local market.

A CEB research team actively has been involving in a research Project of "Development of a Poly Phase Smart Electronic Energy Meter with total facilitation from R&D Branch. Primary design was completed and prototypes were constructed. Hundreds of single phase Smart Electronic Energy Meters were manufactured and are being under field testing. The study on "Radio Frequency Mesh Communication" is being carried out by a team of CEB Engineers in order to find a suitable communication method for meter-server communication within CEB network.

ADB funded smart metering pilot DSM project is being conducted during the year 2018 and 1,000 Nos. smart meters were installed and monitored on pilot basis. This project will be expanded to 10,000 smart meters in Katunayake geographical area.

Research and Development Unit

With the expectation of nourishing the research and developmental activities conducted in CEB, R&D unit coordinates researches in variety of identified research topics. Outcome of one such research titled "Economic evaluation and optimization of reactive power flow of existing CEB transmission system" was presented to CMT after successful conclusion of the research.

Monthly seminars for presenting postgraduate research work/ thesis by CEB employees were conducted at the Research & Development Branch. Thirty five research presentations from the sectors of distribution, transmission, generation and finance were delivered in those seminars. "Design of a canopy for diesel generator sound proofing" is a pilot project commenced as a result

of above seminar where further optimization of output has been carried out with the involvement of Department of Electronics and Telecommunication, University of Moratuwa. The manufacturing and testing of the soundproof canopy is in progress by WS&AS Branch. However, it would be more effective, if topics of those research works can be selected as per CEB requirements and its benefits prior to their commencements.

R&D unit conducted a technical forum on "Condition Monitoring of Power Plant Equipment by adopting latest technology and predictive learning approaches" The forum consisted of technical presentations of commendable studies on vital asset management practices delivered by the engineering officials of Asset Management Hydro Electrical Branch of CEB.

R&D Branch is in the process of creating a documentary video of distribution substation maintenance. This documentary will be used for dissemination of the knowledge of best practice in maintenance of distribution substations.

A team of CEB Engineers under the leadership of Research and Development Branch has been engaging on "Study and Propose Measures to Mitigate the Impact of Rooftop Solar PV System on CEB LV Network".

CEB has decided to embark on electric vehicle charging stations (EVCSs) in order to regulate the business and as a valley filling DSM



EVCS at Pannipitiya



EVCS at Kandy

EVCS at Anuradhapura

Corporate Strategy Division (Contd.)

measure. Construction work of number of such charging stations island-wide, is in progress at the moment. EVCS of CEB are in operation at Kelanitissa Power Station, office of the Deputy General Manager (Central Province) at Kandy, office of the Area Engineer (Anuradhapura) and Pannipitiya Grid Substation.

Regional Centre for Lighting (RCL)

The objectives of RCL are to increase the awareness and affordability of energy efficient, reliable and clean lighting technologies and their applications to reduce electricity demand by lighting, to catalyze regional manufacturing of energy efficient lighting products to improve the economy of the region and to make lighting affordable to many under privileged citizens and to train and educate necessary workforce in the region to create sustainable lighting in South Asia.

Product Testing

RCL has a fully equipped accredited photometry laboratory. It has two integrating spheres with diameters 1m and 2m and a goniometer as major equipment. This is the first ever goniometer in Sri Lanka and which is capable of capturing intensity distribution of luminaires. Moreover, bigger integrating sphere will enable us to measure the photometric parameters of lengthy linear light sources in addition to normal light sources.

RCL performs testing of photometric and electrical parameters of conventional lighting products and solid state lighting (SSL) products. At present, a labelling programme is enforced on all imported CFL lamps by Sri Lanka Standards Institution. All CFLs have to meet the requirements of SLS 1231 and SLS 1225. RCL performs the role of testing of the imported CFL samples for their compliance with above mentioned SLS standards. Moreover, RCL conducts testing of LED products as per the standard IEC 62612 and testing of LED samples for their compliance with SLS 1530:2016, Sri Lanka Standard Minimum Energy Performance Standard (MEPS) for Self Ballasted LED lamps for General Lighting Services.

Training Programms

RCL has conducted a two day training program on "Indoor Lighting Design with DIALUX". Professionals of lighting industry participated in the event.

Consultancy Services

R&D Branch provides consultancy services on DSM related assignments including energy auditing, lighting related assignments including lighting designing.

Enterprise Resource Planning

The Enterprise Resource Planning (ERP) Project of the CEB which commenced in June 2017, progressed well during the year 2018. ERP system will automate business processes in view of integrating information across the entire organization. Information that was previously fragmented in different systems can seamlessly flow throughout the organization so that it can be shared by different business processes in customer relationship management, financing, procurement, human resource management, asset management, maintenance management etc. Discrete business processes from Generation, Transmission, Distribution and Centralized Service would be integrated so that information will flow across the organization at all levels.

The Design Phase of the ERP Project was completed during the year 2018 by fulfilling the following tasks as per the scope of the consultancy service.

- Completion of AS-IS studies of all Branches (71 Nos) of CEB in consultation with relevant CEB officials.
- Documentation of AS-IS processes of CEB. (12500 pages)
- Business Process Reengineering and development and documentation of TO-BE processes of CEB in consultation with CEB officials.
- Development and documentation of Functional Requirement Specifications (About 4200 lines) for the ERP system.
- Development and documentation of Non Functional Requirement Specifications for the ERP system
- Development of the IT Roadmap.
- Development of Request for Proposal document

80 workshops were conducted during the above period with the participation of about 1800 CEB officials to finalize the above mentioned tasks. 07 Nos. Steering Committee Meetings, 65 Nos. other meetings were also held during the above period.

It is expected to complete the ERP Project would be completed in two phases over a period of three years.

An aerial photograph of the Yugadanavi Power Plant. The central feature is a tall, green, cylindrical chimney stack that rises into the sky, emitting a thick plume of white steam. To the left, another smaller stack also emits steam. The plant's main buildings are white with grey roofs. In the foreground, several large, circular cooling towers are visible. The background shows a lush green landscape with some residential buildings and a road. The text 'Yugadanavi Power Plant' is visible on the side of one of the buildings.

OPERATIONAL REVIEW

PERSONNEL BRANCH

LEGAL UNIT

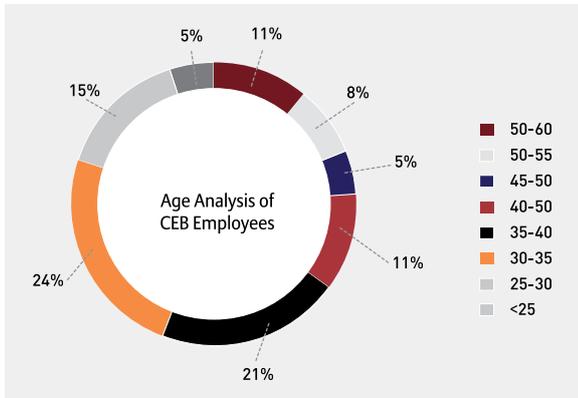
SPECIAL INVESTIGATION UNIT

INTERNAL AUDIT BRANCH

Personnel Branch

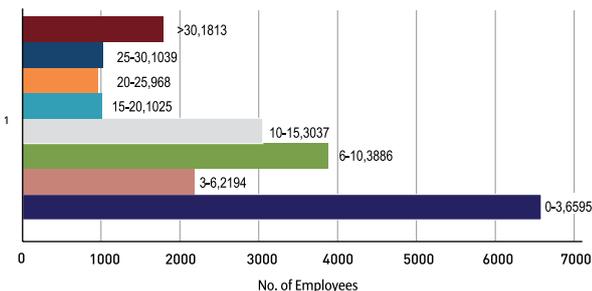
The Personnel Branch of CEB is committed to recruit, train and retain the human resource at an optimal level to assist the various core functions of the organization. To achieve this target, Personnel Branch is carrying out various HR functions such as HR planning, recruitment, placement, promotions and transfers, devising various staff policies, reward management and handling disciplinary matters.

In year 2018, the total number of new recruitments were 1,080 and under 4-year Apprenticeship Training scheme 1,052 trainees were absorbed into the organization. Moreover 481 number of employees have retired during this period and 77 employees have left the organization due to various reasons such as resignations, deaths and terminations. The total number of permanent employees at the end of the year was 20,593, casual employees 2,526, contract employees 261 and 2,951 trainees under 4-year apprenticeship training scheme. These employees are falling into various age groups from 18 years to 60 years. Following graph shows the age analysis of the employees at the end of year 2018.



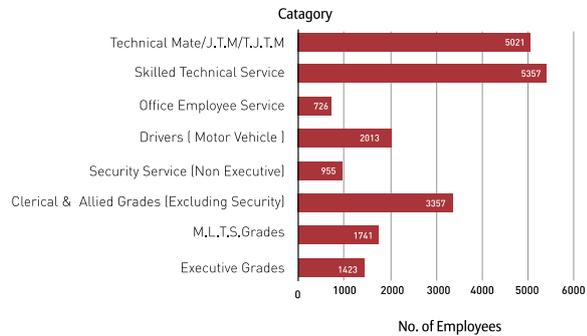
Due to the diverse workforce, CEB has employees who are counting a service less than 3 years to more than 30 years. The forthcoming chart indicates the service experiences of entire CEB staff against their number of years served in the organization.

Service Analysis of CEB Employees



The entire workforce of CEB can be classified into various grades namely executives, middle level technical service, skilled technical service, junior and unskilled technical service, clerical and allied services and other non-technical staff service grades. The analysis of the employees as per their service categories is stated below.

Distribution of Employees



Welfare Unit

The welfare unit was established to facilitate the well-being of the CEB employees. In order to fulfill this objective, this unit performs various tasks such as maintenance & administration of Circuit Bungalows, a canteen for head office building, organizing and conducting Samanala Arana Saman dewalaya, Vesak, Poson and Christmas celebrations etc...

There are 32 number of CEB Circuit Bungalows owned and maintained by CEB throughout the country. Those Circuit Bungalows are located at important places of the country like Anuradhapura, Minneriya, Katharagama, Jaffna and also at the most scenic places of the country like Nuwara Eliya, Bandarawela, Castlereagh and Kandy.

This facility is one of the major welfare facilities available to employees when they are looking for a perfect vacation. Continuous improvements have been done to make these facilities in par with the standards of the hospitality industry to give an unforgettable experience for employees who are visiting these places.



Interior of newly renovated Minneriya circuit bungalow

Personnel Branch (Contd.)



Exterior of newly renovated Minneriya circuit bungalow

To encourage the religious activities among the employees, CEB is doing annual programs for Vesak, Poson and Christmas celebrations that are organized by the employees through various societies namely CEB Buddhist Society and the Christian Association. CEB also organizes annual activities at Kandy Sri Dalada Maligawa in the month of August, at the Saman Dewalaya Maussakele in the month of December, at the Mihinhale Viharaya in the month of June and at the Katharagama Kirivehera in the month of August.

The Welfare unit organized the Wimalasurendra Day on September 17, 2018 to commemorate the 144th Birthday anniversary of Eng. D. J. Wimalasurendra. Ceremonies were also held to commemorate the CEB day on November 1st, 2018.

To extend the welfare facilities to employees, CEB maintains Montessori schools by utilizing its own funds at all Power Stations which are located in remote areas.



Legal Unit

All legal work and litigation matters of the CEB are being handled by the Legal Section. It is headed by Chief Legal Officer who is assisted by five Legal Officers and other staff. This section mainly handles litigation work arising from court cases filed by the CEB as well as other parties filed against CEB.

The first category covers:

- a) Recovery of arrears subsequent to disconnections/revision of electricity bills connected to meter defects/tampering etc.
- b) Issues arising out of breach of Agreements/contracts.
- c) Recovery of damages caused to CEB properties/vehicles.
- d) Recovery of possession of CEB quarters/land matters.

The second category covers:

- a) Actions instituted against disconnections and revision of bills.
- b) Injunctions/Stay orders against drawing of electricity lines over third party properties/claiming damages caused to the said properties, lands, trees/vegetation etc.
- c) Tender/contract matters against breach, violation of procedure, claiming of damages.
- d) Fundamental rights Applications, Labour Tribunal/Industrial Court/Labour Dept. matters relevant to termination of employment, employer vs employee issues etc.

In the year 2018, following court works have been attended by the section.

Name of Court	Number of Cases
Supreme Court	31
Court of Appeal	41
Civil Appeal High Court & High Court	17
District Court	161
Labour Tribunal & Industrial Court	32
Magistrate Court	10

Disputes between the Board and the employees, employee matters relating to termination of employment, vacation of post notices and grievances were attended to at the following Tribunals according to prevailing laws.

- Labour Tribunal
- Labour Department
- Human Right Commission
- Industrial Court

The legal section is also responsible for scrutinizing the charge sheets, letter of appointments on fixed terms contracts etc. and documentation related to Labour matters before they are officially issued to the intended recipients.

The section also required to peruse all agreements/contracts that CEB enters into with outside parties including all Finance Agreements, Commercial Agreements and Power Purchase Agreements to ensure their legality.

► Notarial work

- Perusal of Lease Agreements
- Deeds of Transfer in instances when CEB purchases properties from outside parties.
- Legal Opinion - Providing legal opinions in respect of all matters relevant to the CEB.

► Arbitrations

- Arbitrations - Disputes between the CEB and outside parties that are referred to Arbitration in terms of Arbitration Act No. 11 of 1995. Three Arbitration matters have been attended to by the Legal Section in the year 2018.

► Land matters

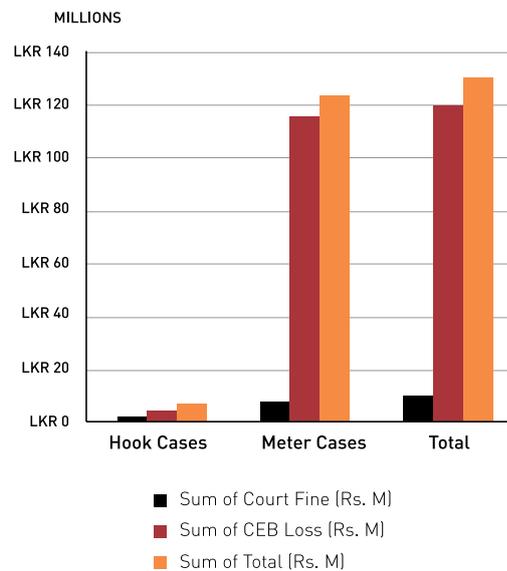
- Land matters - Asset Management Branch is being advised/assisted in making regular the properties of CEB in various ways.

Special Investigation Unit

Special Investigation Unit headed by the Manager Investigations was established in 1995 to expedite the investigations on illegal tapping of electricity and meter tampering. Eighteen flying squads team have been deployed in the provinces to carry out investigations.

The progress by the SIU, during the year 2018.

Cases	Successful Cases	Court Fine (Rs. M)	CEB Loss (Rs. M)	Total (Rs. M)
Meter Cases	2269	8.07	115.31	123.38
Hook Cases	253	2.08	4.82	6.91
Total	2522	10.15	120.13	130.29



Quit apart from those activities, several investigations have been conducted into the irregularities, referred through various sources to the SIU and disciplinary actions have been taken against the officers, employees culpable.

Internal Audit Branch

Internal Audit Performance - 2018

Internal Audit Branch is headed by the Chief Internal Auditor with the supporting staff of eighty-five assist the Board and the Management in discharge of their corporate governance responsibilities as well as improving and promoting effective and efficient business and operational processes within the entity.

Scope of the Internal audit is to evaluate the adequacy and effectiveness of an entity's existing risk management, controls and governance processes in order to assess independently as to whether these processes are functioning as intended and will enable the entity's objectives and goals to be met.

Audits are carried out on all units and branches, the frequency of which is determined by the level of the risk assessed and the availability of staff. During the year 2018, following audits had been carried out by the Internal Audit branch.

Description	No. of Audits
Audit services	78
Routine Audits	09
Revenue Audits	10
Systems Audits	31
Special Investigations	28
Assurance Services	35
Total	113

Audit Committee

The Audit Committee as a sub-committee of the governing body has an overall responsibility for reviewing the organization's governance and risk management systems, monitoring internal control process and overview of functions of internal audit and external audit.

The Audit committee reviewed and discussed the reports submitted by the Internal Audit and External audit carried out in the areas of operational and financial reviews. Audit committee review these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented where necessary to strengthen the existing internal control systems, thus minimizing the possibility of occurrence and impact of fraud and errors, operational and financial risks faced by the entity. The committee formally met three times during the year.



**OPERATIONAL
REVIEW**

FINANCIAL
INFORMATION

Finance Division

Finance Division carries out financial management functions such as cash management, financial planning, treasury management, financial and management reporting, statutory relations, budgeting, taxation and corporate & project finance to facilitate growth of business activities. Its primary responsibility is to ensure all financial decisions are based on sound criteria and contribute to cost efficiencies across the Board.

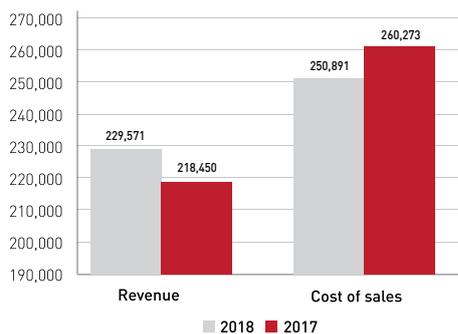
Financial Performance

The growth in energy sales is exclusively attributable to the Revenue increase. The last tariff revision was in year 2014 and it has not been increased for the last five years. Accordingly, Revenue growth is only 5% for the year under review.

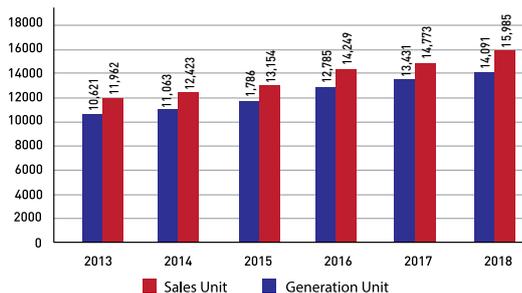
Direct generation cost has decreased by 12% from 2017, with comparatively low energy generation from thermal oil sources. Nevertheless, commodity prices kept on soaring with fuel price formula and changes in coal price in international markets. Demand for Connection of solar roof top energy generation was growing steadily with Net Plus/ Net Accounting schemes.

	2018 Rs. Mn	2017 Restated Rs.Mn	Change %
Revenue	229,571	218,450	5.09
Cost of sales	250,891	260,273	-3.6

Revenue, Cost of Sales (Rs. Mn)



Generation(Gross) & Sales in GWh

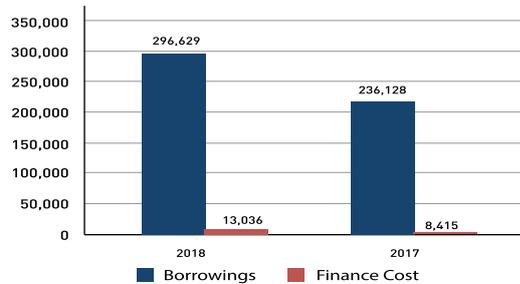


Borrowing Vs Finance Cost

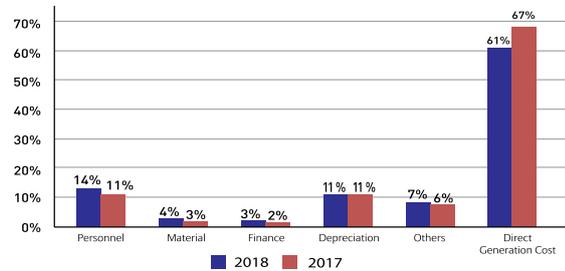
Finance cost is on increasing due to increasing working capital borrowing and delay payment to suppliers, Ceylon Petroleum Corporation (CPC) and IPP

	2018 Rs. Mn	2017 Restated Rs.Mn	Change %
Borrowing	296,629	236,128	25.62
Finance Cost	13,036	8,415	54.91

Borrowing Vs Finance Cost (Rs. Mn)



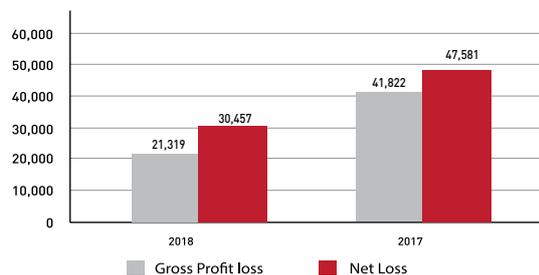
Analysis of Cost



CEB recorded a net loss of Rs. 30,457 Million in the year 2018, which was a 36% decrease from the year 2017 loss of Rs.47, 581 Million. Volatility of the generation mix has affected the bottom line to reduce the Loss.

	2018 Rs. Mn	2017 Restated Rs.Mn	Change %
Gross loss	21,319	41,822	- 49.02
Net Loss	30,457	47,581	- 35.99

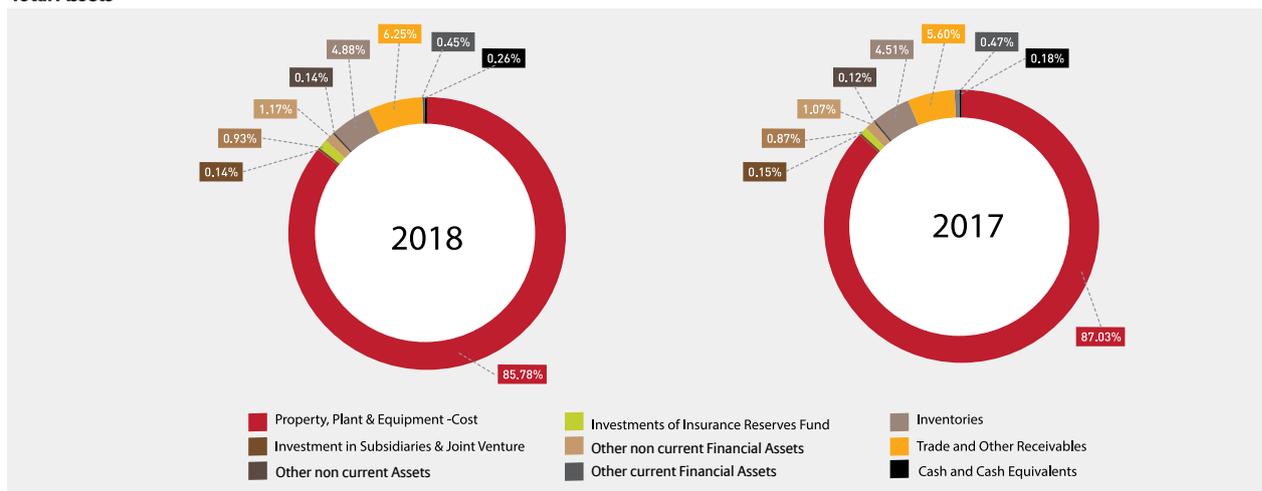
Gross Profit /(Loss) Vs Net Loss (Rs.Mn)



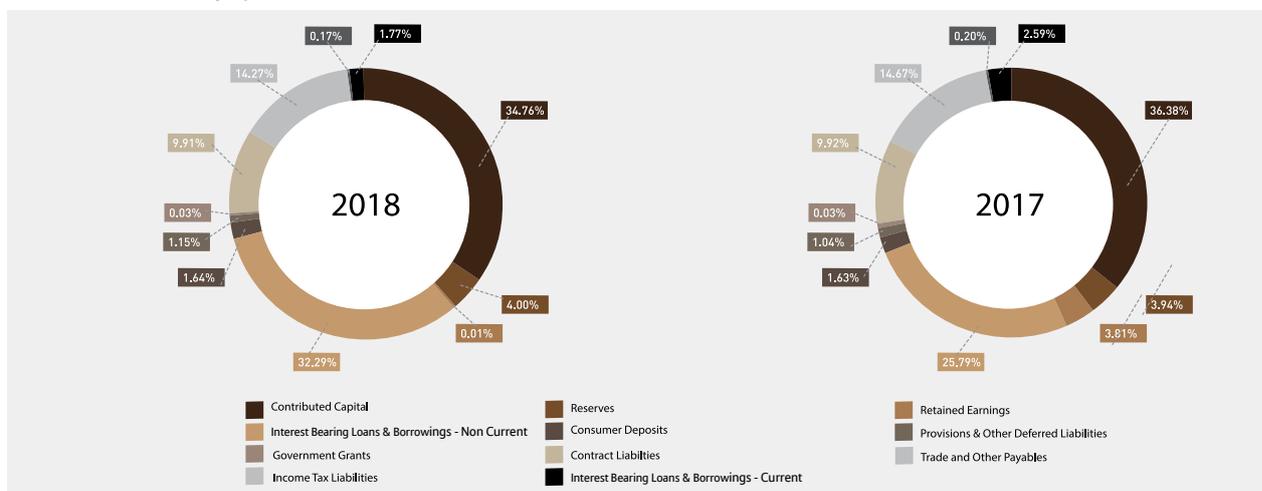
Finance Division (Contd.)

Financial Position (Highlights)

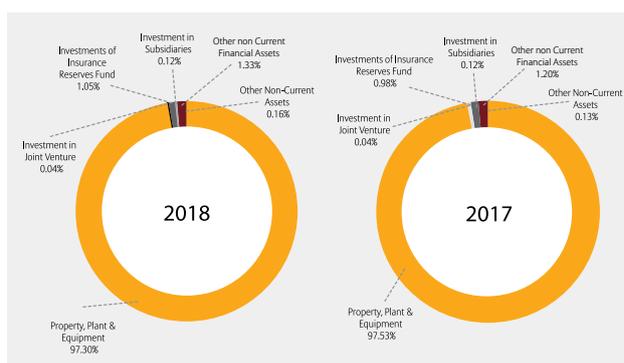
Total Assets



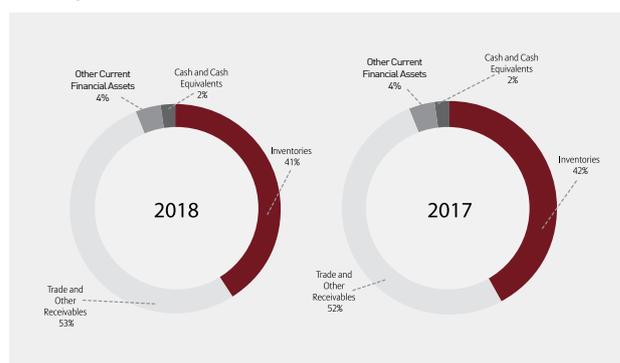
Total Liabilities & Equity



Total Non-Current Assets

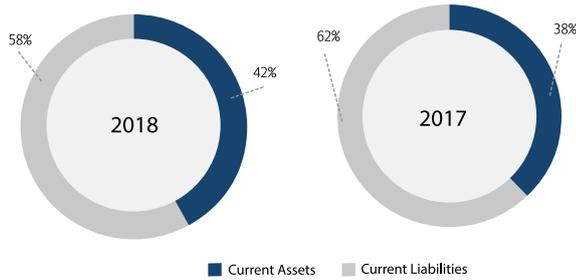


Composition of Current Assets



Finance Division (Contd.)

Current Assets vs Current Liabilities



Financial Ratios

Ratio	2018	2017
Return on Assets	-3%	-5%
Return on Equity	-8%	-12%
Debt to Equity	88%	64%
Debt to Assets	34%	28%
Current Ratio	73%	62%
DSCR	0.28%	-0.8%

An overview of supply of electricity at a price lower than its Cost

Electricity Tariff is offered at a lower price than the actual cost as a Government policy, to consumers at low consumption level. The total subsidy for low end consumer was Rs. 60 Billion in the year 2018 (Rs. 70 Billion in the Year 2017).

Hence, the high end consumer in the domestic category/ general purpose category have to bear the part of this cost in excess. Total surplus charged for the year 2018 was Rs. 20,601 Million when compared with previous year amount of Rs. 15,226 Million.

Accordingly, the net impact to the CEB financial statement due to the government policy is as follow

	2018 Rs. Million	2017 Rs. Million
Loss/Deficit (Subsidy required) due to Government Policy	(60,431)	(70,022)
Surplus charged	20,601	15,279
Net Loss	(39,830)	(54,743)
Other Income	10,914	8,500
Profit as per the Financial Statements	(28,916)	(46,243)

Continuous Professional Development of Accounting Professionals

CEB focus on the continuous professional development of accounting professionals. CEB provide the opportunity to develop their talents and capabilities to the maximum so that they can fulfil their career aspirations. CEB also give great importance to instill in them the knowledge and attributes to provide the best possible service.

In house training programmes, conducted through other institutions both local and overseas for accounting professionals during the year. On the discipline of Financial Regulation in Public Sector, Financial Modeling, Taxation, Sri Lanka Financial Reporting Standards, Leadership & Finance function, Treasury Management and Information System.

Treasury Management Branch

Induction of Treasury Management in Finance Division through establishment of Treasury Management Branch (TMB) to achieve the objectives of.

- Identify CAPEX requirement based on 20 years Long Term Generation Plan (LTGEP) of CEB and facilitate to arrange funds at least cost from the Money Market/ Lenders/ Donor Agencies.



Finance Division (Contd.)

- Improvement of non-conventional cash collection methods (Encourage electronic cash collection mechanism)
- Re-assess the CEB budget process & planning cycle. By doing so CEB will enable to use the budget as a proper guide to maintain the financial discipline within the organization.

In the TMB establishment process, M/s PricewaterhouseCoopers (PWC) had been selected as the Consultant of the Project. The project has been completed around 70% on following aspects as at the end of year 2018.

1. Establishment of Treasury branch within the CEB
2. Formulating Treasury Policy
3. Formulating Risk Management Policy
4. Formulating Transaction settlement procedure

After completing the project, it is expected to introduce a separate Treasury Module under second stage which will support to the ongoing ERP project.

CEB obtained AAA ratings from Fitch ratings (Pvt) Ltd in the year 2017 and this rating status has been maintained in the year 2018 as well. Rating status will further assist CEB to access for the non-conventional financial methods and modules to reduce cost of finance in the future in parallel to this project.

Tax Unit

The year 2018 was challenging with implementation of Inland Revenue Act No. 24 of 2017 (the Act.) with effect from 01st April 2018. Many changes have been introduced to Sri Lankan tax administration system through this Act. Tax Unit work hand in hand with the Inland Revenue Department to identify and apply changes to the CEB and enhance the knowledge of the Staff who involve with related functions.

Tax Unit has arranged several full day awareness programs on New Inland Revenue Act covering all the professions (Engineers, Accountants and Accounting assistants, Human Resource officers) of CEB with the resource personnel from the Department of Inland Revenue. Participants were made aware about the salient features of the Act, Sources of income, and Withholding tax requirement on remuneration (PAYE) and other payment.

Cash Unit

A new payment Inquiry System has been introduced instead of previous hardcopy "Collection payment details pack" which cost around Rs. 80,000 on monthly basis. New system intends to facilitate the accurate identification of any duplicate request and adjustments in Electricity Bill payments made via 25 collection agents. This system has been developed as an initial step of future "Centralized Journal Entry System" for the error correction in Electricity bill payments made Via Collection Agents.

Sampath Bank, National Development Bank (NDB) and National Savings Bank (NSB) who are the Collection agents of CEB, have initiated online real time (OLRT) update of customer electricity bill payments during the year.

CEB Provident Fund

Ceylon Electricity Board Provident Fund operates as a private Provident Fund under the provisions of Employees Provident Fund Act No.15 of 1958. It is administered by a Committee of Management consisting of seven members. The Chairman of the Committee is the ex-officio of Chairman of CEB and the ex-officio Deputy Chairman is the General Manager of CEB. The Finance Manager and Deputy General Manager (Personnel) are ex-officio members. Other three members are nominated by Board. The Secretary & Accountant of the fund is appointed by Board to be responsible for the day to day administration. The Secretary & Accountant shall also be the Treasurer of the Fund.



Finance Division (Contd.)

The total contribution to the fund during the year 2018 amounted to Rs. 4,800 million, out of which, Rs.1,900 million has been contributed by the employees of the Board.

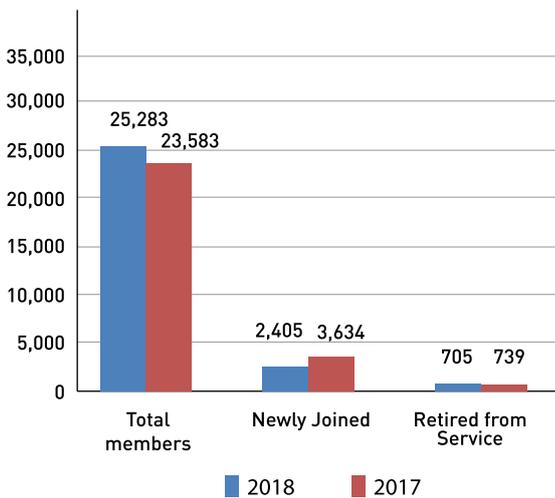
At the end of the year 2018 the total members of this fund were 25,283 out of this 2,405 were newly appointed members, while 705 members have retired from the service.

The total funds accumulated as at 31st December 2018 amounted Rs. 55,955 Million, which is an increase of 11.03% over the previous year.

The main income of the fund is investing money in Treasury bills & bonds, Fixed deposits in state bank and loans to members. The fund has earned an income of Rs. 6,116 million during the year by its investments and a dividend of 10.10% has been declared for 2018. Total loans granted to its members during the year 2018 was Rs. 2,825 Million. During the year, a sum of Rs. 3,887 Million has been refunded from the fund to members who have retired from the service.

A sum of Rs. 198 Million has been paid as income tax on the earnings of the fund for the year 2017/2018.

Change of members during the year



CEB Pension Fund

The Ceylon Electricity Board Pension Fund (CEB Pension Fund) was established under the provisions of section 12 (j) of the Ceylon Electricity Board Act No. 17 of 1969. The Pension Fund is governed by the Regulations of the Ceylon Electricity Board Pension Fund published by the Extra Ordinary Gazette Notification No. 1321/18 dated 31st December 2003, cited as Ceylon Electricity Board (Pension Fund) Regulations, 2003.

Ceylon Electricity Board (CEB) is the custodian Trustee of the Pension Fund and the Pension Fund is managed by a committee of Management appointed by Board. Main Objective of the fund is providing a monthly pension to the employees of Ceylon Electricity Board on retirement from services as per the regulations given in the above Extra Ordinary Gazette Notification.

CEB is contributing an amount equivalent to 8% of the total consolidated salary bill on a monthly basis. A commuted pension is also paid on retirement to employee as per the details of Pension Award of Employee Retirement. The determination of the value of the benefits and required contributions is based on periodic actuarial valuations of the pension fund liabilities

The committee is empowered to advise the trustee to invest funds of the pension fund as per rule of Pension Fund. The net increase in funds after tax is periodically capitalized with the net assets available for benefits.

At the end of the year total active members of this fund were 6,643 as given below.

	2018	2017
No of Active Pensioners at the beginning of the year	6,223	6,005
Add		
No of New Pensioners registered during the year	554	533
Less		
No of Discontinuation pensioners during the year		
Removal of Death pensioners	(115)	(105)
Temporarily suspended pensioners	(19)	(210)
No of Active pensioners at the end of year	6,643	6,223

Finance Division (Contd.)

Five Year Summary

For the year ended 31 December	2018 Rs. Million	2017 (Restated) Rs. Million	2016 (Restated) Rs. Million	2015 (Restated) Rs. Million	2014 (Restated) Rs. Million
Result of operation					
Revenue	229,571	218,450	206,811	188,684	202,645
Cost of sales	(250,891)	(260,273)	(222,097)	(168,781)	(213,646)
Gross Profit / (Loss)	(21,320)	(41,823)	(15,286)	19,903	(11,001)
Other Income & Gain	9,450	8,143	10,323	8,292	5,871
Administrative Expenses	(5,425)	(5,110)	(4,965)	(4,087)	(3,146)
Finance Income	1,466	1,194	1,048	434	304
Finance Cost	(13,036)	(8,415)	(4,311)	(5,134)	(7,030)
Profit before Income Tax	(28,865)	(46,011)	(13,191)	19,408	(15,003)
Comprehensive Income	(30,457)	(47,581)	(14,457)	20,300	(17,285)

As at 31 December	2018 Rs. Million	2017 (Restated) Rs. Million	2016 (Restated) Rs. Million	2015 (Restated) Rs. Million	2014 (Restated) Rs. Million
Assets					
Property Plant & Equipment	747,049	724,065	704,695	694,415	681,471
Investment in Subsidiaries	912	912	912	912	785
Investment in Joint Venture	329	329	329	329	150
Investment of Insurance reserve fund	8,070	7,246	6,496	6,036	5,653
Other non-current financial Assets	10,204	8,912	8,983	3,848	2,291
Other non-current Assets	1,242	961	949	896	-
Non-current Assets held for sale	.076	.655	1,022	1,025	1,023
Current Assets	103,114	89,565	80,968	69,391	72,662
Total Assets	870,920	831,990	804,354	776,852	764,035
Liabilities					
Interest bearing loan and Borrowings	281,262	214,564	201,752	198,344	202,821
Consumer Deposits	14,311	13,557	12,753	11,484	10,458
Provision & Other Differed Liabilities	10,038	8,622	7,262	6,116	6,572
Government Grants	228	243	211	-	-
Contract liabilities	86,335	82,564	77,628	71,696	66,292
Current liabilities	141,102	145,248	91,385	59,585	83,061
Total Liabilities	533,276	464,798	390,991	347,225	369,204
Equity					
Contributed Capital	302,695	302,695	302,695	302,228	289,038
Reserves	34,830	32,783	30,283	28,463	27,434
Retained Earnings	119	31,714	80,385	98,936	78,359
Total Equity	337,644	367,192	413,363	429,627	394,831
Total Equity & Liabilities	870,920	831,990	804,354	776,852	764,035

Report of the Directors

In terms of the Section 49 of the Ceylon Electricity Board Act No. 17 of 1969, the Board of Directors of the Ceylon Electricity Board (the Board) has pleasure in presenting audited Consolidated Financial Statements for the year ended 31st December 2018.

Principal activities

The principle activities of the Board were generation, procurement, transmission, effective distribution and sale of electricity. The Company has not engaged in any activity which contravene with laws and regulations of the Country.

Subsidiaries and Joint Ventures

The principal activities of Subsidiaries and Joint Venture are given under Notes to the Financial Statements on page 116. There were no significant changes in the nature of the principal activities of the Board and the Group during the year under review.

Changes to the Group Structure

The changes to the Group structure during the year are given in Notes 10 and 11 to the Financial Statements on pages 141 to 143 of this Annual Report.

Review of the Year's Performance

The Chairman's Message on pages 12 to 14 deal with the year's performance of the Board/Group. The General Manager's Review on pages 15 to 17 provides a detailed description of the operations of the Board during the year under review. The section titled "Finance Division" on pages 100 to 105 provides a detailed analysis of Financial performance and Position of the Board. These reports that provide a fair review of the Board's affairs form an integral part of the Annual Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Ceylon Electricity Board Act No. 17 of 1969. In the case of Subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No. 07 of 2007.

Auditor's Report

The Auditor General is the Auditor of Ceylon Electricity Board in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 51 of the Ceylon Electricity Board Act No. 17 of 1969 Report of the Auditor General on the Financial Statements of the Board and the Consolidated Financial Statements of the Board and its Subsidiaries as at 31 December 2018 is given on page 171 of this Annual Report.

Accounting Policies

The Group and the Board prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs). The accounting policies adopted in the preparation of Financial Statements are given on pages 116 to 129 There have been no material changes in the accounting policies adopted by the Board during the year under review

Members of the Board

The names of the persons who held the office as members of the Board as at 31 December 2018 are given below:

Name	Position	Date of appointment
Mr. W B Ganegala	Chairman	2017-05-02
Mr. W. A. G. Wanasekara	Vice Chairman	2015-10-30
Mr. W.R.G. Sanath Bandara	Vice Chairman	2018-10-30
Mr. W.R.G. Sanath Bandara	Board member/ working Director	2015-11-12
Mr. H.M.L.C.Herath	Board member/ working Director	2018-10-30
Mr. R. Semasinghe	Board member	2015-01-23
Mr. S.D.A.B. Boralessa	Board member	2015-11-16
Mr. T.D.S.P. Perera	Board member	2017-01-27
Mr.K.D.N.Ranjith Asoka	Board member	2018-10-25
Ms.Jeewani Kariyawasam	Board member	2015-01-23
Mr. O.M. Sasika Susantha Kumara	Board member	2018-10-30

Board members' Interest in Contract with the Board

Mr. W.B. Ganegala was the chairman during the year 2018. He served as a Director of the Lanka Electricity Company (Pvt) Ltd, LTL Holdings (Pvt) Ltd and Sri Lanka Energies (Pvt) Ltd which are the Subsidiaries of CEB. Trincomalee Power Co. Ltd (TPCL) which is a Joint Venture between CEB and NTPC-India functioned under the Chairmanship of Mr.W.B Ganegala until 12th September 2018.

Mr. W. A. G. Wanasekara was appointed as the Vice Chairman of CEB on the 30th October 2015 and he served CEB until 29th October 2018. Mr. Wanasekara was also appointed as a Director of Sri Lanka Energies (Pvt) Ltd on 28th December 2015 and to the Trincomalee Power Co. Ltd (TPCL) on 08th February 2016. He served as a Chairman of TPCL from 12th September 2018 to the date until he resigned from the Board of CEB.

Mr. W.R.G. Sanath Bandara was appointed as a Board member and the Working Director of CEB on the 12th November 2015 and

Report of the Directors (Contd.)

he served CEB in this capacity until 29th October 2018. On the 30th October 2018, he was appointed as the Vice Chairman of CEB.

Mr. H.M.L.C. Herath was appointed as a Board Member /Working Director of CEB on 30th October 2018.

Mr. R. Semasinghe, Additional Secretary, Ministry of Finance & Planning was appointed as a member of Board on the 23rd January 2015 and he served CEB during the year 2018

Mr. S.D.A.B. Boralessa, Additional Secretary, Ministry of Provincial Councils and Local Government and Sports was appointed on 16th November 2015 and he served as a member of the Board during the year 2018.

Mr. T.D.S.P. Perera, Additional Secretary, Ministry of Industry and Commerce was appointed as a Board member on 27th January 2017 and he resigned from the post on 27th September 2018. Mr. K.D.N. Ranjith Asoka, Secretary, Ministry of Industry and Commerce was appointed in place of Mr. T.D.S.P. Perera on the 25th October 2018.

Ms. Jeewani Kariyawasam was appointed as a member of the Board on 23rd January 2015 and she served CEB until 29th October 2018. Mr. O.M. Sasika Susantha Kumara was appointed as a member of the Board on 30th October 2018.

The Directors have no direct or indirect interest in any contract or proposed contract with the Board for the year ended 31st December 2018 other than those disclosed in Note 37 to the financial Statements.

Attendance of Directors at Board and Subcommittee Meetings for the year 2018

Name of Director	Board	AMC	EGC	DAB
Mr. W.B. Ganegala	25	NA	NA	NA
Mr. W.A.G. Wanasekara	20	NA	2	4
Mr. W.R.G. Sanath Bandara (Vice Chairman)	3	NA	NA	NA
Mr. W.R.G. Sanath Bandara (Working Director)	21	NA	1	4
Mr. H.M.L.C. Herath	3	NA	0	1
Mr. R. Semasinghe	24	3	NA	NA
Mr. S.D.A.B. Boralessa	25	3	NA	1
Mr. T.D.S. P Perera	19	2	NA	NA
Mr. K.D.N. Ranjith Asoka	4	1	NA	NA
Ms. Jeewani Kariyawasam	9	NA	NA	2
Mr. O.M. Sasika Susantha Kumara	2	NA	NA	NA

Board Sub - Committees

The following sub committees have been appointed by the Board to focus in details on a particular issue and ensure that sufficient attention is being paid to specific issues.

- Audit and Management Committee
- Employees Grievances Committee
- Disciplinary Appeal Board

Audit and Management Committee

The Audit Committee as a sub-committee of the governing body has an overall responsibility for reviewing the organization's governance and risk management systems, monitoring internal control process and overview of functions of internal audit and external audit.

Composition

The audit committee comprises four independent directors having sound skills and extensive experience in finance, audit and related area and the Head of Internal Audit serves as a convener to the committee. General Manager as CEO, Finance Manager and representative from Auditor General's Department and Ministry of Power & Renewable Energy attended the meeting by invitation.

Following Board members has served in the Audit committee during the year 2018.

Mr. R. Semasinghe	-	Chairman
Mr. T.D.S.P. Perera	-	Member
Mr. S.D.A.B. Boralessa	-	Member
Ms. Jeewani Kariyawasam	-	Member
Mr. K.D.N. Ranjith Asoka	-	Member

The Audit committee reviewed and discussed the reports submitted by the Internal Audit and External audit carried out in the areas of operational and financial reviews. Audit committee review these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented where necessary to strengthen the existing internal control systems, thus minimizing the possibility of occurrence and impact of fraud and errors, operational and financial risks faced by the entity. The committee formally met three times during the year 2018.

Employees Grievances Committee

Employees Grievances Committee (EGC) is a sub-committee of the Board which is appointed to handle individual grievances of employees/ex-employees of the CEB.

The Grievances Committee comprises of 02 Board Members and assisted by several executives of CEB as other committee members. The Committee formally met 02 times during year 2018 and

Report of the Directors (Contd.)

reviewed and considered 06 nos of individual grievances of employees/ex-employees of the CEB.

The Committee minutes will be tabled at a subsequent Board Meeting for approval and the General Manager/CEB will take early action to implement the said decisions accordingly.

The Board Member Composition of the Committee for the year 2018 is as given below.

Mr. W.R.G.S. Bandara, Vice Chairman, CEB as the Chairman (from 09th November 2018)

Mr. W.R.G.S. Bandara, Working Director, CEB as a Member (up to 29th October 2018)

Mr. W.A.G. Wanasekara, Vice Chairman, CEB as the Chairman (up to 29th October 2018)

Mr. H.M.L.C. Herath, Member/Working Director as a Member (from 12th November 2018)

The Secretary to the Board is the Convener of this Sub Committee.

Disciplinary Appeals Board

The Disciplinary Appeals Board is a sub-committee of the Board. This committee is formed to handle disciplinary matters of employees of CEB. The committee had formally met 05 times during the financial year 2018.

The Committee minutes will be tabled at a subsequent Board Meeting for approval and the General Manager will take early action to implement the said decisions accordingly.

The composition of the Committee until 29th October 2018 was as follows.

- i. Mr. W.R.G.S. Bandara, Working Director, CEB as the Chairman
- ii. Mr. Gamini Wanasekara, Vice Chairman, CEB as a member
- iii. Miss. Jeewani Kariyawasam, Board Member, CEB as a member
- iv. Mr. Ranjith Korale, Management Consultant as a member

The composition of the Committee from 12th November 2018 was as follows.

- i. Mr. S.D.A.B. Boralessa, Board member, CEB as the Chairman
- ii. Mr. H.M.L.C. Herath, Working Director, CEB as a member
- iii. Mr. J.G.L.S. Jayawardena, Director, Ministry of P& RE as a member
- iv. Mr. P.S. Pathirathna, a retired Additional Commissioner General of Labor as a member

The Secretary to the Board is the Convener of this Sub Committee.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations.

Outstanding Litigation

In the opinion of the Directors/Board members and as confirmed by the Board's lawyers the litigation currently pending against the Board will not have a material impact on the reported financial results or future operations of the Board.

Statutory Payments

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

Post Balance Sheet Events

The Directors are of the view that no material events have arisen in the interval between the end of the financial year and the date of this Report that would require adjustments or disclosures.

Going Concern

The Directors are confident that the resources of the Board are adequate to continue its operations.

Therefore, it has applied the going concern basis in preparing the Financial Statements.

Statement of Profit or Loss

Year Ended 31st December 2018

(All amounts in Sri Lanka Rupees Thousands)

	Note	Group		Board	
		2018	2017 Restated	2018	2017 Restated
Continuing Operation					
Revenue	3	254,351,728	240,322,290	229,571,083	218,450,400
Cost of Sales		(267,268,911)	(273,406,185)	(250,891,044)	(260,273,387)
Gross Profit / (Loss)		(12,917,183)	(33,083,895)	(21,319,961)	(41,822,987)
Other Operating Income and Gain	4	12,334,628	7,914,155	9,450,386	8,143,043
Distribution Cost		(186,449)	(353,583)	-	-
Other Expenses		(170,958)	(247,406)	-	-
Administrative Expenses		(8,939,566)	(9,012,370)	(5,425,686)	(5,110,070)
Operating Profit/(Loss)		(9,879,528)	(34,783,099)	(17,295,261)	(38,790,014)
Finance Income	5.1	3,354,599	3,101,121	1,465,945	1,194,166
Finance Cost	5.2	(14,364,697)	(9,567,650)	(13,036,115)	(8,415,442)
Finance Cost-Net		(11,010,098)	(6,466,529)	(11,570,170)	(7,221,276)
Share of loss of Joint Venture	11	(4,097)	(182,484)	-	-
Profit/(loss) before Income Tax	6	(20,893,723)	(41,432,112)	(28,865,431)	(46,011,290)
Income Tax Expense	7.1	(1,902,119)	(1,796,405)	(50,641)	(231,614)
Deferred Tax (Charge)/Reversal	7.2	441,478	263,884	-	-
Profit/(Loss) for the year from continuing operation		(22,354,364)	(42,964,633)	(28,916,072)	(46,242,904)
Non Controlling Interest		(4,407,754)	(2,851,866)	-	-
Profit/(Loss) for the Year		(26,762,118)	(45,816,499)	(28,916,072)	(46,242,904)

The Notes on Pages 116 through 170 form an integral part of the Financial Statements

Consolidated Statement of Comprehensive Income

Year Ended 31st December 2018

(All amounts in Sri Lanka Rupees Thousands)

	2018	Group 2017 Restated	2018	Board 2017 Restated
Profit/ (Loss) for the year from Continuing Operation	(22,354,364)	(42,964,633)	(28,916,072)	(46,242,904)
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	(1,567,727)	(1,459,894)	(1,541,726)	(1,338,108)
Deferred Tax Impact on Actuarial gain / loss	7,280	34,100	-	-
Exchange differences on translation of foreign subsidiary operations	1,255,184	(95,221)	-	-
Fair value gain on available for sale financial assets	(518,358)	2,468,571	-	-
Total Comprehensive Income for the year, net of tax	(23,177,985)	(42,017,077)	(30,457,798)	(47,581,012)
Attributable to:				
Equity Holders of the Parent	(28,107,920)	(45,879,294)		
Non Controlling Interest	4,929,935	3,862,217		
	(23,177,985)	(42,017,077)		

The Notes on Pages 116 through 170 form an integral part of the Financial Statements

Statement of Financial Position

As at 31st December 2018

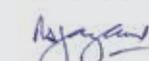
(All amounts in Sri Lanka Rupees Thousands)

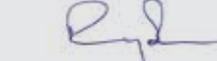
Note	2018	Group 2017 Restated	2016 Restated	2018	Board 2017 Restated	2016 Restated
ASSETS						
Non-Current Assets						
Property, Plant & Equipment	8	763,217,944	739,114,208	719,206,675	747,049,451	724,064,654
Property, Plant & Equipment- Heladhanavi Ltd	8.6	11,126	10,884	10,884	-	-
Premium Paid on Leasehold Land		229,041	210,250	12,493	-	-
Intangible assets	9	405,508	382,719	385,051	-	-
Investments in Subsidiaries	10	-	-	-	911,813	911,813
Investment in Joint Venture	11	43,750	47,846	230,330	328,606	328,606
Finance Lease Receivables	12	9,775,319	8,362,533	9,066,186	-	-
Other Non Current Financial Assets	13	35,087,770	25,494,853	18,409,220	10,204,445	8,911,612
Other Non-Current Assets	14	2,303,439	1,989,365	1,902,561	1,241,868	961,113
Investments of Insurance Reserve	15	8,070,253	7,246,251	6,495,822	8,070,253	7,246,251
Total Non-Current Assets		819,144,150	782,858,909	755,719,222	767,806,436	742,424,049
Non Current Assets held for sale	16	76	655	1,022,423	76	655
Current Assets						
Inventories	17	48,137,466	42,488,366	37,765,608	42,540,158	37,504,856
Trade and Other Receivables	18	58,703,315	49,119,063	52,010,262	49,311,429	41,622,073
Amounts Due from Related Parties	19	-	-	-	5,139,714	4,986,694
Finance Lease Receivables	12	569,718	418,140	425,205	-	-
Other Current Financial Assets	13	20,939,295	23,216,050	21,780,534	3,872,290	3,935,551
Cash and Bank Balances	30	5,503,938	5,575,442	6,429,395	2,250,514	1,516,230
Total Current Assets		133,853,732	120,817,061	118,411,004	103,114,105	89,565,404
Total Assets		952,997,958	903,676,625	875,152,649	870,920,617	831,990,108
EQUITY AND LIABILITIES						
Capital and Equity						
Contributed Capital	20	302,694,797	302,694,797	302,694,797	302,694,797	302,694,797
Reserves	21	44,460,302	41,687,158	37,359,727	34,830,179	32,783,237
Retained Earnings / (Loss)		15,389,340	45,360,277	94,157,367	119,269	31,713,882
Equity Attributable to the Equity Holders of the Parent		362,544,439	389,742,232	434,211,891	337,644,245	367,191,916
Non Controlling Interest		25,763,884	23,572,412	21,726,890	-	-
Total Equity		388,308,323	413,314,644	455,938,781	337,644,245	367,191,916
Non-Current Liabilities and Deferred Income						
Interest Bearing Loans & Borrowings	22	289,111,167	222,562,928	210,889,289	281,262,195	214,564,098
Consumer Deposits	23	14,311,008	13,556,567	12,753,072	14,311,008	13,556,567
Provisions and Other Deferred Liabilities	24	11,257,054	9,682,493	8,087,929	10,038,368	8,622,012
Government Grant	25	318,228	338,759	323,613	228,022	242,740
Contract Liabilities	26	90,809,989	86,774,090	81,592,631	86,335,217	82,564,453
Deferred Taxation	27	276,157	687,441	918,931	-	-
Total Non-Current Liabilities and Deferred Income		406,083,603	333,602,278	314,565,465	392,174,810	319,549,870
Current Liabilities						
Trade and Other Payables	28	131,775,743	124,818,437	75,046,052	119,956,416	118,461,236
Dividend Payables		2,258,669	2,650,768	3,211,456	-	-
Amounts Due to Related Parties	29	-	-	-	4,506,637	3,557,973
Interest Bearing Loans & Borrowings	22	22,235,521	26,352,748	23,635,989	15,367,744	21,564,431
Income Tax Payable		2,336,099	2,937,750	2,754,906	1,270,765	1,664,682
Total Current Liabilities		158,606,032	156,759,703	104,648,403	141,101,562	145,248,322
Total Equity and Liabilities		952,997,958	903,676,625	875,152,649	870,920,617	831,990,108

The Notes on Pages 116 through 170 form an integral part of the Financial Statements

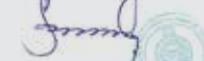
The Board of Directors and management are responsible for the preparation and presentation of these financial statements.

Signed and on behalf of the Board by:


Chairman


Vice Chairman


General Manager


Finance Manager

Statement of Changes in Equity - The Group

Year Ended 31st December 2018

(All amounts in Sri Lanka Rupees Thousands)

The Group	Contributed Capital	Capital Reserve	Depreciation Reserve	Asset Replacement Reserve
Balance as at 01st January 2017 (Restated)	302,694,797	18,345,931	23,000	255,008
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on available for sale Financial Assets	-	-	-	-
Exchange Equalization Reserve	-	(20,401)	-	-
Total Comprehensive income	302,694,797	18,325,530	23,000	255,008
Interest income from Insurance Reserve Fund	-	-	-	-
Transfer from other Divisions	-	-	-	-
Transfer to self insurance reserve	-	-	-	-
Fund received from ADB for the RHCP project.	-	313,714	-	-
Investment Reserve	-	-	-	-
Fixed Assets Replacement Reserve	-	-	-	18,349
Final Dividends - LTL	-	-	-	-
Dividend payment -LECO	-	-	-	-
Balance as at 31 December 2017 (Restated)	302,694,797	18,639,244	23,000	273,357
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on available for sale Financial Assets	-	-	-	-
Exchange Equalization Reserve	-	463,042	-	-
Total Comprehensive income	302,694,797	19,102,286	23,000	273,357
Interest income from Insurance Reserve Fund	-	-	-	-
Transfer to self insurance reserve	-	-	-	-
Fund received from ADB for the RHCP project.	-	77,188	-	-
Investment Reserve	-	-	-	-
Fixed Assets Replacement Reserve	-	-	-	21,573
Development Reserve	-	-	-	-
Final Dividends - LTL	-	-	-	-
Dividend payment -LECO	-	-	-	-
Balance as at 31 December 2018	302,694,797	19,179,474	23,000	294,930

The Notes on Pages 116 through 170 form an integral part of the Financial Statements

Statement of Changes in Equity - The Group

Year Ended 31st December 2018

Investment Reserve	Self Insurance Reserve	Fair Value Reserve	Development Reserve	Retained Earnings	Non Controlling Interest	Total
1,851,091	12,164,121	4,720,576	-	94,157,367	21,726,890	455,938,781
-	-	-	-	(45,816,499)	2,851,866	(42,964,633)
-	-	-	-	(1,388,709)	(37,085)	(1,425,794)
-	-	1,346,316	-	-	1,122,255	2,468,571
-	-	-	-	-	(74,820)	(95,221)
1,851,091	12,164,121	6,066,892	-	46,952,159	25,589,106	413,921,704
-	884,016	-	-	-	-	884,016
-	211,904	-	-	-	-	211,904
-	1,090,232	-	-	(1,090,232)	-	-
-	-	-	-	-	-	313,714
483,301	-	-	-	(483,301)	-	-
-	-	-	-	(18,349)	-	-
-	-	-	-	-	(1,788,834)	(1,788,834)
-	-	-	-	-	(227,860)	(227,860)
2,334,392	14,350,273	6,066,892	-	45,360,277	23,572,412	413,314,644
-	-	-	-	(26,762,118)	4,407,754	(22,354,364)
-	-	-	-	(1,552,652)	(7,795)	(1,560,447)
-	-	(256,192)	-	-	(262,165)	(518,357)
-	-	-	-	-	792,142	1,255,184
2,334,392	14,350,273	5,810,700	-	17,045,507	28,502,348	390,136,660
-	832,939	-	-	-	-	832,939
-	1,136,815	-	-	(1,136,815)	-	-
-	-	-	-	-	-	77,188
486,754	-	-	-	(486,754)	-	-
-	-	-	-	(21,573)	-	-
-	-	-	11,025	(11,025)	-	-
-	-	-	-	-	(2,420,897)	(2,420,897)
-	-	-	-	-	(317,567)	(317,567)
2,821,146	16,320,027	5,810,700	11,025	15,389,340	25,763,884	388,308,323

Statement of Changes in Equity - The Board

Year Ended 31st December 2018

(All amounts in Sri Lanka Rupees Thousands)

The Board	Contributed Capital	Capital reserves	Capital Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
Balance as at 31 December 2016 (Restated)	302,694,797	17,946,754	165,446	23,000	12,148,171	80,385,126	413,363,294
Profit/(Loss) for the period	-	-	-	-	-	(47,581,012)	(47,581,012)
Interest income from Insurance Reserve Fund	-	-	-	-	884,016	-	884,016
Transfer from other Divisions	-	-	-	-	211,904	-	211,904
Transfer to self insurance reserve	-	-	-	-	1,090,232	(1,090,232)	-
Movement in ADB for the RHCP project.	-	313,714	-	-	-	-	313,714
Balance as at 31 December 2017	302,694,797	18,260,468	165,446	23,000	14,334,323	31,713,882	367,191,916
Profit/(Loss) for the period	-	-	-	-	-	(30,457,798)	(30,457,798)
Interest income from Insurance Reserve Fund	-	-	-	-	832,939	-	832,939
Transfer to self insurance reserve	-	-	-	-	1,136,815	(1,136,815)	-
Movement in ADB for the RHCP project.	-	77,188	-	-	-	-	77,188
Balance as at 31 December 2018	302,694,797	18,337,656	165,446	23,000	16,304,077	119,269	337,644,245

The Notes on Pages 116 through 170 form an integral part of the Financial Statements

Statement of Cash Flows

Year Ended 31st December 2018

	(All amounts in Sri Lanka Rupees Thousands)			
	Group		Board	
	2018	2017	2018	2017
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	(20,893,723)	(41,432,112)	(28,865,431)	(46,011,290)
Adjustments for				
Depreciation -Charged for the year	31,720,823	31,502,063	30,388,490	30,061,266
Amortization of Consumer Contribution	(3,761,916)	(3,561,648)	(3,399,660)	(3,213,287)
Amortization of Government Grant	(20,531)	(31,657)	(14,718)	(14,718)
Income from Investments	-	(221,656)	-	-
(Profit)/Loss on sales of Property, Plant & Equipment	205,730	972,011	194,928	1,053,626
Finance Costs	9,094,576	6,564,380	7,804,131	4,660,765
Provision for Obsolete & Unserviceable Cost	316,296	351,106	266,398	354,367
Provision for price Variance	(1,306,224)	(1,513,804)	(1,306,224)	(1,513,804)
Provision for Impairment of Debtors	506,140	243,623	484,293	427,816
Bad Debt Write off	34,637	2,288	34,637	2,288
Share of (Profit)/ loss of Joint Venture	4,097	182,484	-	-
Amortization of Intangible Assets	22,141	14,755	-	-
Finance Income	(3,354,599)	(3,107,429)	(1,465,945)	(1,194,166)
Dividend Income	(2,590,424)	(942,919)	(2,273,532)	(2,163,843)
Foregin Currency Gain or Loss	(1,674,033)	-	-	-
Income adjustment on Finance Lease Receivable	1,143,933	710,718	-	-
Defined Benefit Plans	1,216,239	1,072,991	1,038,358	920,541
Personnel Cost on Pension Fund	(339,757)	(273,122)	(339,757)	(273,123)
Operating Profit/(Loss) before Working Capital Changes	10,323,405	(9,467,928)	2,545,968	(16,903,562)
(Increase)/ Decrease in Inventories	(4,347,583)	(4,417,381)	(3,679,994)	(4,138,415)
(Increase)/ Decrease in Trade and Other Receivables	(9,673,626)	5,875,963	(8,124,722)	(336,782)
Increase/ (Decrease) in Trade and Other Payables	5,318,131	42,638,246	601,033	50,354,631
Cash Generated from Operations	1,620,327	34,628,900	(8,657,715)	28,975,872
Finance Cost paid	(9,082,145)	(5,788,766)	(7,791,701)	(4,635,951)
Retirement Benefit Obligation	(869,620)	(665,576)	(823,970)	(625,896)
Income Tax Paid	(2,059,527)	(1,699,181)	-	(36,609)
Net Cash From/(Used in) Operating Activities	(10,390,965)	26,475,377	(17,273,386)	23,677,416
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(57,333,643)	(52,413,009)	(54,937,343)	(50,283,561)
Acquisition of Intangible Assets	(44,390)	(12,082)	-	-
Re- Investment in Insurance Reserves Fund	(824,002)	(750,429)	(824,002)	(750,429)
Interest Received from Insurance Reserves Fund	832,939	884,016	832,939	884,017
Investment in Financial Assets	(6,591,168)	242,050	-	-
Income on Foreign Investment	-	221,656	-	-
Dividend Received	2,590,423	942,919	1,978,872	274,221
Interest Received	2,666,167	2,559,929	777,041	631,902
Sale Proceeds of Fixed Assets Disposals	46,419	91,673	37,404	63,246
Dividend Paid	(3,184,309)	(3,873,739)	-	-
Net Cash Flows from/(Used in) Investing Activities	(61,841,564)	(52,107,016)	(52,135,089)	(49,180,604)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	-	-	-	-
Consumer Contribution	9,449,112	9,329,667	8,821,721	8,736,304
Electric Vehicle E-card Prepayments	429	-	429	-
Funds received for RHCP Project	77,188	313,714	77,188	313,714
Grant -Received	-	46,804	-	46,804
Consumer deposit - refund	(238,049)	(366,373)	(238,049)	(366,373)
Consumer deposit Received	992,490	1,169,868	992,490	1,169,868
Net Movement in Lease Creditors/(Lease Payment)	(61,904)	(144,645)	(61,904)	(109,029)
Proceeds From Interest Bearing Loans & Borrowings	87,375,002	26,241,333	83,767,342	22,442,924
Repayment of Interest Bearing Loans & Borrowings	(23,188,489)	(17,627,828)	(19,970,497)	(12,129,764)
Proceeds from Issue of preference shares	2,991,520	511,900	-	-
Redemption of preference shares	(3,195,407)	-	-	-
Net Cash Flows from/(Used in) Financing Activities	74,201,892	19,474,440	73,388,720	20,104,448
Net Increase/(Decrease) in Cash and Cash Equivalents	1,969,363	(6,157,199)	3,980,245	(5,398,740)
Cash and Cash Equivalents at the beginning of the year	(5,930,531)	226,668	(9,406,857)	(4,008,116)
Cash and Cash Equivalents at the end of the year	(3,961,168)	(5,930,531)	(5,426,612)	(9,406,856)

The Notes on Pages 116 through 170 form an integral part of the Financial Statements

Notes to the Financial Statements

As at 31st December 2018

1.0 CORPORATE INFORMATION

1.1 General

Ceylon Electricity Board was incorporated under Ceylon Electricity Board Act No.17 of 1969 and domiciled in Sri Lanka. The Head Office of the Board is situated at No.50, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

1.2 Principal Activities and Nature of Operations

1.2.1 Board

During the year, the principal activities of the Board were generation, procurement, transmission, effective distribution and sale of electricity.

The principal activities of the Board's Subsidiaries and the Joint Venture were as follows.

1.2.2 Subsidiaries

a) Lanka Electricity Company (Pvt) Ltd

During the year, the principal activities of the company were purchasing electricity from Ceylon Electricity Board and retailing to domestic and industrial customers through the company's branches located at Galle, Kalutara, Moratuwa, Kelaniya, Nugegoda, Kotte and Negombo.

b) LTL Holdings (Pvt) Ltd

During the year, the principal activities of the company were manufacturing and export of transformers and strategic investment in group companies in the pursuit of accomplishing business goals.

c) Lanka Coal Company (Pvt) Ltd

Supplying of high quality, low sulphur coal for the power generation at Norochcholai Coal power plant in Puttalam District

d) Sri Lanka Energies (Pvt) Ltd

The principal activities of the Company are to engage in the business of constructing transmission lines and grid substations, construction, maintaining and operating renewable energy projects and the works necessary for generation electrical energy and engaging in the activities as are necessary for development of renewable energy.

1.2.3 Joint Venture

Trincomalee Power Company Limited

The company was incorporated with the intention of the generation and sale of electricity to the national grid of Ceylon Electricity Board. The company has now abandoned the project started to construct a coal power plant.

1.3 Parent Entity and the ultimate parent of the Board

The Board is under the purview of the Ministry of Power & Renewable Energy. In the opinion of the Directors, the Board's ultimate parent undertaking and controlling party is the Government of Sri Lanka.

1.4 Date of Authorization for Issue

The financial statements of Ceylon Electricity Board, for the year ended 31st December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 26th August 2019.

2.0 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the group have been prepared on an accrual basis under the historical cost convention except for financial instruments – fair value through profit or loss and financial instruments – available for sale that are measured at fair value.

The preparation of financial statements in conformity with the SLFRS /LKAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Areas involving higher degree of judgement or complexity, or areas where assumption and estimation are significant to the financial statements are disclosed.

2.1.1 Statement of Compliance

The consolidated financial statements of the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash flows together with the Accounting policies and Notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), as issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Comparative Information

The accounting policies have been consistently applied by the group with those of the previous financial year in accordance with LKAS 01- Presentation of Financial Statements. The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.3 Basis of Consolidation

The consolidated financial statements of the group comprise of the financial statements of Ceylon Electricity Board (CEB) and its subsidiaries

Notes to the Financial Statements (Contd.)

("The group") for the year ended 31st December 2018. The details of the subsidiaries are given below.

Name of the Subsidiary	Country of Incorporation	Percentage of Holding
LTL Holdings (Pvt) Ltd (LTL)	Sri Lanka	63%
Lanka Electricity Co.(Pvt) Ltd (LECO)	Sri Lanka	55.2%
Lanka Coal Company (Pvt) Ltd (LCC)	Sri Lanka	60%
Sri Lanka Energies (Pvt) Ltd (SLE)	Sri Lanka	100%
Name of the Joint Venture	Country of Incorporation	Percentage of Holding
Trincomalee Power Company Ltd (TPCL)	Sri Lanka	50%

The following sub-subsidiaries of LTL Holdings (Pvt) Ltd have been incorporated outside Sri Lanka.

Name of the Subsidiary	Country of Incorporation
Bright International Power (Pvt) Ltd	Singapore
Raj Lanka Power Co. Limited	Bangladesh
Lakdhanavi Bangla Power Company Ltd	Bangladesh
Makarigad Hydropower (Pvt) Ltd	Nepal
Asiatic Electrical & Switchgear (Pvt) Ltd	India

Ceylon Electricity Board, Lanka Electricity Co. (Pvt) Ltd, Lanka Coal Co. (Pvt) Ltd, Sri Lanka Energies (Pvt) Ltd have a common financial year ending 31st December whereas the financial year of LTL Holdings (Pvt) Ltd and Trincomalee Power Co Limited is 31st March. However, the Financial Statements of the said companies have been prepared and certified by the Auditors solely to enable the Group to prepare consolidated financial statements.

The total profits and losses of the subsidiary companies are included in the consolidated statement of profit or loss, and proportions of the profit or loss after taxation applicable to outside shareholders, adjusted under the heading of Non-controlling Interest in arriving at the profit or loss attributable to the equity share holders of Ceylon Electricity Board.

All the assets and liabilities of the Board and its subsidiaries are included in the Consolidated Statement of Financial Position. The interest of the outside shareholders in the net assets of the subsidiaries is shown separately in Consolidated Statement of Financial Position under the heading of Non-Controlling Interest. Inter Group balances and transactions and any unrealized gains/losses resulting from inter Group transactions and dividends, are eliminated in preparing the consolidated financial statements.

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

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

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31st December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls and investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable return to its involvement with the investee
- The ability to its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a

Notes to the Financial Statements (Contd.)

majority of a voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statement of assets and liabilities, equity, income, expenses and cash flows relating to the transaction between the members if the Group are eliminated in full on consolidation. A change in the ownership interest of the subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any result in gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.1.3 Going Concern

The directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease trading except for the following

Going Concern – Heladhanavi Limited

The Power Purchase Agreement (PPA) dated 09th May 2009 signed between Heladhanavi Ltd and Ceylon Electricity Board expired on 08th December 2014. From the entity point of view there is a material

uncertainty about the entity's ability to continue as a going concern upon expiry of the agreement.

The directors have made an assessment of the entity's ability to continue as a going concern as at the reporting date and they decided that there is a significant doubt on the entity's ability to continue as a going concern. Therefore, the going concern assumption is not appropriate in the preparation of financial statements of Heladhanavi Limited.

However, the Property, Plant & Equipment of Heladhanavi Limited has been classified under non current assets because; the group intends to recover those assets in connection with the business at group level.

Going Concern – Lanka Industrial Products Engineering (Pvt) Limited

The directors have decided to cease its operations with effect from 01st November 2015 and to transfer its operations to LTL Transformers (Pvt) Ltd. Hence, the going concern assumption has not been adopted in preparing financial statements of Lanka Industrial Products Engineering (Pvt) Ltd.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Jointly Control Entity

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Trincomalee Power Company Limited is a jointly controlled entity between Ceylon Electricity Board and NTPC Limited. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Board's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Board's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually. The statement of profit or loss reflects the Board's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Board's OCI.

In addition, when there has been a change recognized

Notes to the Financial Statements (Contd.)

directly in the equity of the joint venture, the Board recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Board and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Board's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the joint venture.

2.2.2 Foreign Currency Translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in "Sri Lanka Rupees", which is considered the entity's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are initially recorded at the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of Comprehensive Income.

In terms of sub section 06 of the 42 of the Ceylon Electricity Board Act No: 17 of 1969, CEB does not take account of any gains or losses arising from exchange fluctuations, in respect of the capital and interest on foreign currency loans obtained through the Treasury as the exchange rate risk is borne by the Government of Sri Lanka. The outstanding loans repayable are valued at the agreed exchange rate at the time of receipt of the loan by CEB.

c) Foreign operations

The statement of financial position and the statement of comprehensive income of overseas subsidiary, which are foreign operation, are to be translated to Group's presentation currency as follows.

- Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date.
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.
- Income and expenses are translated at the average

exchange rate for the period, unless this average rate is not a reasonable approximation of the rate prevailing at the transaction date, in which case income and expenses are translated at the exchange rate ruling at the transaction date.

- The exchange differences arising on transaction for consolidation are recognised in other comprehensive income.

2.2.3 Taxation

a) Current Taxes

The tax expense for the period comprises current and deferred tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rate and the tax laws used to compute the amounts are those that are enacted or substantively enacted on the reporting date in the country where the Board and the group companies operate and generate taxable income.

Tax is recognised in statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

The provision for income tax is based on the elements of Income and expenditure as reported in the Financial Statements and computed in accordance with the provision of the Inland Revenue Act No: 24 of 2017.

b) Deferred Taxation

Deferred tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

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

Notes to the Financial Statements (Contd.)

tax losses can be utilized except, where the deferred tax assets relating to the deductible temporary differences arisen from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

In respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.4 Borrowing Costs

Borrowing costs consist of interest and other costs that the Board incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All

other borrowing costs are expensed in the period in which they are incurred.

2.2.5 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and condition is accounted as follows.

Lanka Electricity Co. Limited

The Operational & Maintenance goods - at actual cost on weighted average basis.

Goods in transits and other cost - at actual cost

LTL Holdings (Pvt) Ltd

Raw Materials are valued - at actual cost on first-in- first-out basis

Finished goods & Work- In-Progress - at the cost of direct materials, direct labour and appropriate proportion of fixed production overhead

Consumables & Spares - at actual cost on first-in-first-out basis

Goods in Transit - at actual cost

Ceylon Electricity Board

Inventory which are mostly used and listed in the Annual Price List are valued at Standard Price in the Distribution Divisions and others (Generation and Transmission Divisions) such as consumables and spares at First in First out valuation method.

However, the Board made provision for unrealized profit of the inventory which is valued at Standard Price to enable to bring down the value to cost.

2.2.6 Cash and Cash Equivalents

Cash and Cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of Group statement of cash flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

Notes to the Financial Statements (Contd.)

2.2.7 Property, Plant and Equipment

a) Cost & Valuation

Property, Plant & Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Such cost include the cost of replacing components, parts of the Property Plant & Equipment and borrowing costs for the long term construction projects if the recognition criteria are met. When significant parts of Property Plant & Equipment are required to be replaced at intervals, the Group derecognises the net book value of the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement, if the recognition criteria are satisfied.

When items of Property, Plant & Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offset and existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

b) Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly include in the construction work of long term capital projects. Expenses that are in the capital nature are accounted for as capital work-in-progress until the projects are completed and the related assets are available for use.

c) De-recognition

The carrying amount of an item of Property Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or losses arising from de-recognition of an item of Property Plant & Equipment is included in the statement of profit or loss when the item is derecognized.

When replacement costs are recognized in the carrying amount of an item of Property Plant & Equipment, the remaining carrying amount of the replaced parts are derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

d) Non-current Assets Held for Sale

The Group classifies non-current assets as held for sale if the carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable on the approval granted by the management (Board of Directors). The management must be committed to the sale expected within six months of the date of classification.

The Depreciation is ceased upon the classification of the Property, Plant and Equipment as held for sale.

Asset and liabilities classified as held for sale are presented separately as current items in the Statement of Financial Position.

Once such asset is identified as "non-current assets held for sale" it should be disposed within 06 months from a Board decision. If not disposed, it should be reclassified under Property Plant & Equipment (PPE) again along with the depreciation adjustment for the period ceased for depreciation.

e) Restoration Cost

Expenditure incurred on repair or maintenance of Property, Plant & Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

f) Depreciation

Depreciation is calculated by using straight line basis over the useful life of the asset when the asset is available for use other than freehold land. Building on Leasehold land is depreciated over the shorter of the estimated useful life of the asset and lease term.

The useful lives of the assets are estimated as follows;

Notes to the Financial Statements (Contd.)

Ceylon Electricity Board

Freehold Buildings & Lease hold Land & Buildings	40 Years
Civil Works:	
Spillways & Dams	100 Years
Steel water pipes & pens stock	40 Years
Substation & Switch Yard	35 Years
Generation Plants:	
Power Stations including Plant (Hydro)	35 Years
Power Stations including Plant (Thermal)	25 Years
Power Stations including Plant (Diesel)	15 Years
Power Stations including Plant (Gas Turbine)	12 Years
Power Stations including Plant (Coal)	30 Years
Power Stations including Plant (Wind)	15 Years
Transmission Lines at 220Kv, 132Kv, and 66Kv	35 Years
Distribution Lines:	
HT Underground-33	50 Years
HT Underground-132	50 Years
HT Underground-11	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	35 Years
Service Main - Overhead	35 Years
Service Main - Underground	40 Years
SCADA (Central Facilities) & Communication Equipment	15 Years
Vehicles	07 Years
Motor Boats	07 Years
Machinery & Tools	05 Years
Office Equipment	05 Years
Furniture & Fittings	05 Years

LTL Holdings (Pvt) Ltd

Buildings	over 25 - 50 Years
Plant & Machinery	over 8 - 15 Years
Power Plant	over 10 - 20 Years
Factory Equipment	over 10 Years
Intercom Equipment	over 10 Years
Fire Fighting Equipment	over 10 Years
Office Equipment	over 03-10 Years
Furniture and Fittings	over 03- 10 Years
Motor Vehicle	over 04 Years
Heat Recovery Unit	over 06 Years
Operation and maintenance spares	Actual Usage
Solar PV Plant	over 15 Years

Lanka Electricity Co. (Pvt) Ltd.

Buildings	40 Years
Leasehold Land	over lease period
Supply of Infrastructure	
Substations, Overhead lines & Service Lines taken Over from Local Authorities & CEB	10 Years
Substations, Overhead lines & Service Lines Constructed by LECO	20 - 25 Years
Motor Vehicles	05-07 Years
Computers	03- 05 Years
Office Equipments	03- 07 Years
Plant & Machinery	03- 04 Years

Lanka Coal Co. (Pvt) Ltd.

Furniture & Fittings	5 Years
Equipments	4 Years
Motor Vehicles	4 Years
Computers	4 Years
Leasehold Improvements	2 Years

Trincomalee Power Company Limited

Furniture and fittings	5 Years
Equipment	5 Years
Laptop and Computers	3 Years

Assets which cost up to Rs.15, 000 are fully depreciated

2.2.8 Leases**a) Finance Leases**

Finance Leases, which transfer the substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 lease charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged and reflected in the Statement of profit or loss. Capitalized 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 entity will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets which are owned as described in 2.2.7 (f)

The Group is of the view that the substance of the arrangement between the Raj Lanka Power Company Limited and Bangladesh Power Development Board falls within the purview of "IFRIC 4 -Determining Where an Arrangement Contains a Lease" and to be accounted as a lease under "LKAS 17-Leases" due to the satisfaction of following criterion;

Notes to the Financial Statements (Contd.)

- The fulfilment of the arrangement under the Power Purchase Agreement is depended on the exclusive use of the specific power plant of the Group situated in Rajshahi, Bangladesh
- Bangladesh Power Development Board has the right to operate the power plant or direct others to operate the power plant in a manner it determines while controlling entire output of the power plant
- It is impossible for any other party than Bangladesh Power Development Board to take any output of power generated by the power plant of the company and the capacity charge per unit paid by Bangladesh Power Development Board is not based on the output

The provision of IFRIC 4 is applied with retrospective effect as if the company has applied from its commercial operation date.

b) Operating Leases

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

c) Group as a Lessor – LTL

Hydro power, wind power and thermal power plants in which the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating lease. Lease income from all power plants is recognised in the statement of profit or loss based on energy output for the period which is more representative of the time pattern in which use benefits derived from leased assets are diminished. Cost including depreciation incurred in earning the lease income is recognised as an expense. The depreciation policy for depreciable leased assets is consistent with Group's depreciation policy for similar assets.

2.2.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the

intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embedded in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

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

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss when the asset is derecognised.

Computer Software

Computer software is amortised over the 4 years from the date of acquisition or development.

2.2.10 Financial Instruments-

Initial Recognition and Subsequent Measurement

2.2.10.1 Financial Assets

a) Initial Recognition and Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

Notes to the Financial Statements (Contd.)

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets classified and measured at amortized cost are limited to its trade debtors, loans to staff and consumers, related party receivables, short term investments and cash & cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Group's investment in equity investments are classified as Fair Value through OCI.

Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy

focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's / Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company / Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company / Group considers:

Notes to the Financial Statements (Contd.)

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's / Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

b) Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

c) Derecognition

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

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

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

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

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

2.2.10.1 Impairment of Financial Assets

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

Notes to the Financial Statements (Contd.)

2.2.10.2 Financial Liabilities**a) Initial Recognition and Measurement**

Financial Liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit and loss, Loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs. The Group's financial liabilities include trade & other payables, bank overdrafts, loans and borrowings, other financial liabilities.

b) Subsequent Measurement

The measurement of financial liabilities depends on the classification as follows.

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains are recognised in the statement of profit or loss when the liabilities are recognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of profit or loss.

c) De-recognition

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

2.2.10.3 Offsetting of Financial Instruments

Financial assets and financial Liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2.10.4 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active market at each reporting date is determined by reference to quoted market prices or dealer price quotations. (Bid price for long position and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions: reference to the current fair value of another instrument that is substantially the same: a discounted cash flow analysis or other valuation models.

2.2.10.5 Impairment of Non – Financial Assets

The Group 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 Group estimates 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 assessment of the time value of money and the risks specific to the asset.

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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. The reversal is limited so that the carrying amount of the asset does

Notes to the Financial Statements (Contd.)

not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the assets are carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.11 Provisions

Provisions are recognised when the Group has a present obligations (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. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss 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 recognised as finance cost.

2.2.12 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Defined benefit plan- gratuity defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and remuneration. The defined benefit plan comprises the gratuity provided under the Act, No.12 of 1983.

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using actuarial valuation technique which is based on the Projected Unit Credit method (PUC). Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit or loss. The gratuity liability is not externally funded. This item is grouped under other Defined Benefit Liabilities in the Balance Sheet.

b) Defined Benefit Plan – Pension Obligation

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and remuneration. The liability recognised in the statement of financial position in respect of defined benefit

pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past –service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using interest rates of government bonds in the absence of high quality deep corporate bond market in Sri Lanka. The government bonds are denominated in the currency in which the benefits will be paid, and that have to maturity approximating to the terms of the related pension obligation.

Actuarial gain and losses arising from experience adjustment and changes in actuarial assumption are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service cost are recognised immediately in the statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost are amortised on a straight line basis over the vesting period.

c) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective Statutes and Regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively except of the Ceylon Electricity Board where it contributes 15% of gross emoluments of employees to Ceylon Electricity Board Provident Fund.

2.2.13 Self Insurance Reserve

CEB transfers to a self Insurance Reserve each year, at the rate of 0.1% of the gross re-valued fixed assets at the end of the year. Losses and damages to Property, Plant and Equipment of CEB are charged to this Insurance reserve. The funds for this purpose are met from the monies invested in a separate account at a Bank.

2.2.14 Government Grants

Government grants are recognised initially at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are

Notes to the Financial Statements (Contd.)

recognised in the Statement of Profit or loss and Other Comprehensive Income as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss on a systematic basis over the useful life of the asset.

2.2.15 Revenue from contracts with customers

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to the customer at the amount of consideration to which the Group expects to be entitled in exchange for transferring such goods or services to a customer. Accordingly, the Group recognizes Revenue as follows.

a) Sale of Electricity/Services and Goods

The Group recognizes the Revenue from Sale of Electricity when the customers use the electricity through the service connections provided. The price at which the revenue is recognized will be decided based on the tariff category and the rates gazetted by the Public Utility Commission of Sri Lanka.

b) Consumer Contribution

The consideration received from the customers at the inception to create the asset facilitating the provision of electricity over the period is recognized as revenue over time, since the customers simultaneously receive and consume the benefit of the asset provided by the Group in consuming electricity over the period. Hence, the consideration received is recognized as revenue over the useful life of the asset.

c) Electric Vehicle Charging Revenue

The electricity consumed by the customers who charge their electric vehicles in the Electric Vehicle Charging Stations established by the Board through the use of prepaid e-cards provided for the same are recognized as revenue once the electric vehicles are charged.

d) Contract Liabilities

A contract liability is an obligation to transfer services to a customer to whom the Group has already received consideration. Hence, the remaining prepaid balance in the e-card for electric vehicle charging and the un-amortized balance in the consumer contribution for service connections are considered as contract liabilities of the Group.

e) Other Income and Gains**Interest**

Interest income is recognised as the interest accrues unless collectability is in doubt.

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Dividends

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

Others

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments have been accounted for in the Statement of profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.3 SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGEMENTS AND ESTIMATES

In the process of applying the Group accounting policies, management is required to make judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial statements. Further management is required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of a using a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements. The key items as such are discussed below.

Leases

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

Notes to the Financial Statements (Contd.)

substantially all the risk and benefits of ownership of the assets are classified as operating lease. The Group exercised significant judgment in determining criteria that individually or combination would lead to lease being classified as a finance lease or operating lease.

Fair Value of Financial Instruments

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

Reviews of Impairment Losses on non financial assets

The Group determines whether assets have been impaired by performing an impairment review. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Impairment Losses on Trade and Other Receivables

Trade and other receivables that have been assessed individually and found not to be impaired and all individually insignificant receivables are then assessed collectively, in Groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the receivable portfolio (such as levels of arrears, credit utilisation, etc.), and judgments on the effect of concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual Groups).

Taxes

The Group is subject to income taxes and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the

time of the preparation of this Financial Statements. The Group recognised assets and liabilities for current, deferred and other taxes on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

Useful lives of Property, Plant & Equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rate, and methods.

Defined Benefit Plans-Gratuity

The cost of defined benefit plans- gratuity is determined using actuarial valuation technique. The actuarial valuation technique involves making assumptions about discount rates, expected rates of return on assets, future salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

2.4 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31st December 2018.

2.4.1 SLFRS 16- Leases

The Institute of Chartered Accountant of Sri Lanka issued the new standard for accounting for leases - SLFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognize most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognized leases, but will have the option not to recognize 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized separately in the statement of profit or loss.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted provided the new revenue standard, SLFRS 15, is applied on the same date. Lessees must adopt SLFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting SLFRS 16 and pending the completion of the detail impact analysis.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2018	2017	2018	2017
3. REVENUE				
Sales	254,351,728	240,322,290	229,571,083	218,450,400
	254,351,728	240,322,290	229,571,083	218,450,400
	Group		Board	
	2018	2017	2018	2017
3.1 Segmental Revenue				
Sale of Electricity	235,036,611	223,841,974	229,571,083	218,450,400
Sale of Goods	6,280,872	4,667,773	-	-
Galvanizing Operations	895,380	1,206,114	-	-
Construction Services	774,217	486,768	-	-
Income on Hiring of Power Plants	6,228,186	2,698	-	-
Finance Lease & Power Generation	1,714,288	6,776,046	-	-
Operational & Maintenance Services for Power Plants	3,072,522	3,275,587	-	-
Other Operations	349,652	65,330	-	-
	254,351,728	240,322,290	229,571,083	218,450,400
	Group		Board	
	2018	2017	2018	2017
4. OTHER OPERATING INCOME AND GAIN				
Income on Foreign Investment	1,765,926	221,655	-	-
Dividend Income	2,590,424	942,919	2,273,532	2,163,845
Penalty on Electricity Consumption	8,021	5,574	8,021	5,574
Recoveries from Consumers	360,025	295,032	-	-
Profit on Disposal of Property Plant and Equipment	210,168	237,998	220,978	156,383
Amortization of Consumer Contribution	3,761,916	3,561,648	3,399,660	3,213,287
Amortization of Government Grant	20,280	31,657	14,718	14,718
Miscellaneous Income	1,224,469	1,107,596	1,140,078	1,079,162
Government Grant related Income	861	-	861	-
Government Department Income	388,883	412,115	388,883	412,115
Liquidated Damages	193,440	136,072	193,440	136,072
Sale of Ash	658,718	284,633	658,718	284,633
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	79,954	51,407	79,954	51,407
Income on Cost Recovery jobs	589,323	244,544	589,323	244,544
Service Main Application Fee	6,479	8,151	6,479	8,151
Surcharge on Electricity Bills	475,727	373,097	475,727	373,096
Electric Vehicle Energy Card Sale	14	57	14	56
	12,334,628	7,914,155	9,450,386	8,143,043

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2018	2017	2018	2017
7.1 Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	1,927,718	1,793,250	53,747	228,020
Under/(Over) Provision of Current Taxes in respect of Prior Years	(25,599)	3,155	(3,106)	3,594
	1,902,119	1,796,405	50,641	231,614
7.2 Deferred Tax				
Deferred Taxation Charge/(Reversal) (Note 27)	(441,478)	(263,884)	-	-
Income Tax Expense reported in the Income Statement	1,460,641	1,532,521	50,641	231,614
	Group		Board	
	2018	2017	2018	2017
7.3 Reconciliation between current tax expenses and Accounting Profit				
Profit before tax	(20,893,723)	(41,432,112)	(28,865,431)	(46,011,290)
Disallowable Expenses / (Income) for Taxation	32,317,864	30,795,854	30,844,384	29,232,251
Net impact of Pension Fund	(339,756)	(273,122)	(339,756)	(273,122)
Allowable Expenses / (Income) for Taxation	(30,543,489)	(51,277,555)	(29,499,294)	(50,688,943)
Non business income/Exempted income	(8,420,011)	(7,096,329)	(2,685,649)	(2,511,978)
Consolidation adjustments	-	5,427	-	-
Business loss for the year	(30,545,746)	(70,253,082)	(30,545,746)	(70,253,082)
Taxable Business Profit for the year	4,944,258	3,321,571	-	-
Other sources of Income	2,878,317	2,772,021	1,187,468	1,051,708
Total Statutory Income	7,822,575	6,093,592	1,187,468	1,051,708
Tax loss utilized during the year	(1,230,633)	(368,745)	(1,187,468)	(368,098)
Taxable Income	6,591,942	5,724,847	-	683,610
Income tax expense at				
Corporate Tax rate at 28%	1,342,583	1,428,446	-	191,411
Concessionary Tax rates	21,044	122,913	-	36,609
Dividend Tax at 10%	564,091	241,891	53,747	-
Current Tax charge	1,927,718	1,793,250	53,747	228,020

Group tax expense is based on the taxable profit of individual companies within the Group

7.3.2 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 28% except for the following businesses of the subsidiaries which enjoy full or partial exemptions and concessions.

Subsidiary/subsubsidiary	Business operation	Tax rate
LTL Holdings (Pvt) Ltd/LTL Transformers (Pvt) Ltd	Export of Transformers	12%
Nividu (Pvt) Ltd	Electricity Generation	12%
Nividu Assupiniella (Pvt) Ltd	Electricity Generation	12%
Sri Lanka Energies HR (Pvt) Ltd	Supply of Labour	10%

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8 PROPERTY, PLANT & EQUIPMENT**8.1 Group****8.1.1 Freehold Assets****Gross Carrying Amounts**

At Cost	Balance As At 01.01.2018 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Freehold Land	10,024,614	730,271	-	-	23,899	10,778,784
Leasehold Land	1,514	-	-	-	-	1,514
Building	17,483,975	1,678,687	-	(350,394)	13,273	18,825,541
Civil Works	233,866,960	62,582	-	(107,619)	(49)	233,821,874
Plant & Machinery	1,595,583	161,313	-	(68,214)	50,455	1,739,137
Generation Power Plant	274,242,742	5,179,538	-	(454,683)	(33,483)	278,934,114
Transmission & Distribution Lines	543,615,277	36,609,040	-	(826,581)	238,299	579,636,035
Motor Vehicles	10,667,554	898,998	(1,848)	(138,120)	98,801	11,525,385
Other Supply Infrastructure	21,397,783	1,436,625	-	(54,929)	-	22,779,479
Office & Other Equipment	3,395,048	197,624	-	(49,528)	968	3,544,112
Furniture and Fittings	402,160	618,140	-	(6,758)	3,252	1,016,794
Machinery and Tools	6,881,966	-	-	(6,201)	(2,118)	6,873,647
Container Accommodation	6,744	-	-	-	-	6,744
Solar PV Plant	66,524	48,257	-	-	-	114,781
	1,123,648,444	47,621,075	(1,848)	(2,063,027)	393,297	1,169,597,941

8.1.2 Project Assets**Gross Carrying Amount****At Cost or Valuation**

At Cost or Valuation	Balance As At 01.01.2018 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Freehold Land	138,117	2,528	-	(26,483)	(2,528)	111,634
Building	2,121	1,469	-	-	2,274	5,864
Transmission and Distribution lines	-	20,900,270	-	(20,900,270)	-	-
Motor Vehicles	1,206,110	628,711	-	(380,594)	(85,672)	1,368,555
Office & Other Equipment	85,478	7,135	-	(2,781)	229	90,061
Furniture and Fittings	20,619	10,784	-	(5,457)	1,507	27,453
Machinery and Tools	36,472	13,535	-	(633)	(602)	48,772
	1,488,917	21,564,432	-	(21,316,218)	(84,792)	1,652,339

8.1.3 Lease Hold Assets

8.1.3 Lease Hold Assets	Balance As At 01.01.2018 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Motor Vehicles	359,268	-	-	(50,354)	(79,900)	229,014
	359,268	-	-	(50,354)	(79,900)	229,014
Total Value of Depreciable Assets	1,125,496,629	69,185,507	(1,848)	(23,429,599)	228,605	1,171,479,294

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8.1.4 In the Course of Construction

	Balance As At 01.01.2018 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance As At 31.12.2018
Capital Work in Progress	101,821,015	52,215,724	(40,883,593)	(2,474,686)	110,678,460
Total Gross Carrying Amount	101,821,015	52,215,724	(40,883,593)	(2,474,686)	110,678,460

8.1.5 Depreciation

Freehold Assets	Balance As At 01.01.2018 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Freehold Land	-	-	-	-	-	-
Leasehold Land	1,514	-	-	-	-	1,514
Building	6,268,202	494,274	-	-	651	6,763,127
Civil Works	72,298,186	3,583,423	-	(18,124)	-	75,863,485
Plant & Machinery	1,084,856	96,374	-	(63,646)	16,878	1,134,462
Generation Power Plant	148,839,913	10,691,095	-	(396,371)	(2,567)	159,132,070
Transmission & Distribution Lines	230,019,684	14,349,180	-	(547,055)	(353)	243,821,456
Motor Vehicles	7,212,105	1,088,875	(1,848)	(93,594)	67,581	8,273,119
Other Supply Infrastructure	14,099,387	646,881	-	(35,967)	-	14,710,301
Office & Other Equipment	2,554,219	327,885	-	(36,507)	1,793	2,847,390
Furniture and Fittings	301,463	35,666	-	(6,400)	1,625	332,354
Machinery and Tools	4,280,482	495,191	-	(244)	(261)	4,775,168
Container Accommodation	6,744	-	-	-	-	6,744
Solar PV Plant	3,306	6,345	-	-	-	9,651
	486,970,061	31,815,189	(1,848)	(1,197,908)	85,347	517,670,841

8.1.6 Depreciation

Project Assets	Balance As At 01.01.2018 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Freehold Land	-	-	-	-	-	-
Building	57	388	-	-	-	445
Motor Vehicles	941,896	117,363	-	(19,060)	(30,384)	1,009,815
Office & Other Equipment	63,704	8,860	-	(100)	(210)	72,254
Furniture and Fittings	19,802	1,087	-	-	1,166	22,055
Machinery and Tools	13,232	9,697	-	-	1,449	24,378
	1,038,691	137,395	-	(19,160)	(27,979)	1,128,947

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8.1.7 Depreciation

Lease Hold Assets	Balance As At 01.01.2018	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Motor Vehicles	194,686	31,800	-	(29,392)	(57,072)	140,022
	194,686	31,800	-	(29,392)	(57,072)	140,022
Total Value of Depreciable Assets	488,203,438	31,984,384	(1,848)	(1,246,460)	296	518,939,810

Board
2018 **2017**

8.1.8 Net Book Value

At Cost or Valuation	652,539,484	637,293,193
Capital Work in Progress	110,678,460	101,821,015
Total Carrying Amount of Property, Plant & Equipment	763,217,944	739,114,208

PROPERTY, PLANT & EQUIPMENT**8.2 Board****8.2.1 Gross Carrying Amounts****Freehold Assets****At Cost or Valuation**

	Balance As At 01.01.2018 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Freehold Land	9,337,795	123,986	-	-	-	9,461,781
Building	16,675,707	1,445,092	-	(305,401)	314	17,815,712
Civil Works	233,866,960	62,582	-	(107,619)	(49)	233,821,874
Plant & Machinery	719,071	21,271	-	-	-	740,342
Generation Power Plant	270,761,653	5,179,538	-	(454,683)	(33,483)	275,453,025
Transmission & Distribution Lines	543,615,279	36,609,040	-	(826,581)	238,299	579,636,037
Motor Vehicles	8,920,867	741,151	(1,848)	(93,924)	79,900	9,646,146
Office & Other Equipment	2,599,058	325,314	-	(16,283)	(4,584)	2,903,505
Furniture and Fittings	376,559	52,000	-	(9)	150	428,700
Machinery and Tools	4,425,761	606,346	-	(6,201)	(2,118)	5,023,788
	1,091,298,710	45,166,320	(1,848)	(1,810,701)	278,429	1,134,930,910

8.2.2 Project Assets**Gross Carrying Amounts****At Cost or Valuation**

	Balance As At 01.01.2018 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2018
Freehold Land	138,117	2,528	-	(26,483)	(2,528)	111,634
Building	2,121	1,469	-	-	2,274	5,864
Transmission and Distribution Lines	-	20,900,269	-	(20,900,269)	-	-
Motor Vehicles	1,206,110	628,711	-	(380,594)	(85,672)	1,368,555
Office & Other Equipment	85,478	7,135	-	(2,781)	229	90,061
Furniture and Fittings	20,619	10,784	-	(5,457)	1,507	27,453
Machinery and Tools	36,472	13,535	-	(633)	(602)	48,772
	1,488,917	21,564,431	-	(21,316,217)	(84,792)	1,652,339

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8. PROPERTY, PLANT AND EQUIPMENT (Contd....)**8.2.3 Leasehold Assets**

	Balance As At 01.01.2018	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Adjustments Transfers	Balance As at 31.12.2018
Motor Vehicles	359,268	-	-	(50,354) (79,900)	229,014
	359,268	-	-	(50,354) (79,900)	229,014
Total Value of Depreciable Assets	1,093,146,895	66,730,751	(1,848)	(23,177,272) 113,737	1,136,812,263

8.2.4 In the Course of Construction

	Balance As At 01.01.2018 Restated	Incurred During the Year	Transfer to PPE	Reclassified / Transferred	Balance As at 31.12.2018
Capital Work in Progress	100,764,158	50,921,177	(39,629,667)	(2,452,229)	109,603,439
Total Gross Carrying Amount	100,764,158	50,921,177	(39,629,667)	(2,452,229)	109,603,439

8.2.5 Depreciation

At Cost or Valuation	Balance As At 01.01.2018 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance As at 31.12.2018
Freehold Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Building	6,087,079	458,812	-	-	-	6,545,891
Civil Works	72,298,186	3,583,423	-	(18,124)	-	75,863,485
Plant & Machinery	544,620	24,297	-	-	-	568,917
Generation Power Plant	147,882,967	10,508,818	-	(396,371)	(2,567)	157,992,847
Transmission & Distribution Lines	230,019,684	14,349,180	-	(547,055)	(353)	243,821,456
Motor Vehicles	6,277,726	890,778	(1,848)	(85,986)	57,071	7,137,741
Office & Other Equipment	1,878,258	239,935	-	(3,496)	(2,569)	2,112,128
Furniture and Fittings	285,041	31,938	-	(8)	113	317,084
Machinery and Tools	3,339,461	398,777	-	(244)	(261)	3,737,733
	468,613,022	30,485,958	(1,848)	(1,051,284)	51,434	498,097,282

8.2.6 Depreciation**Project Assets**

At Cost or Valuation	Balance As At 01.01.2018 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance As at 31.12.2018
Freehold Land	-	-	-	-	-	-
Building	57	388	-	-	-	445
Motor Vehicles	941,896	117,363	-	(19,060)	(30,384)	1,009,815
Office & Other Equipment	63,704	8,860	-	(100)	(210)	72,254
Furniture and Fittings	19,802	1,087	-	-	1,166	22,055
Machinery and Tools	13,232	9,697	-	-	1,449	24,378
	1,038,691	137,395	-	(19,160)	(27,979)	1,128,947

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8.2.7 Depreciation

Leasehold Assets	Balance As At 01.01.2018 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance As at 31.12.2018
Motor Vehicles	194,686	31,800	-	(29,392)	(57,072)	140,022
	194,686	31,800	-	(29,392)	(57,072)	140,022
Total Depreciation	469,846,399	30,655,153	(1,848)	(1,099,836)	(33,617)	499,366,251

8.2.8 Net Book Values

At Cost or Valuation	2018	2017 Restated
Freehold Land	9,573,415	9,475,912
Building	11,275,240	10,590,692
Civil Works	157,958,389	161,568,774
Plant & Machinery	171,425	174,451
Generation Power Plant	117,460,178	122,878,686
Transmission & Distribution Lines	335,814,581	313,595,595
Motor Vehicles	2,956,137	3,071,937
Office & Other Equipment	809,184	742,574
Furniture and Fittings	117,014	92,335
Machinery and Tools	1,310,449	1,109,540
	637,446,012	623,300,496
Capital Work-In-Progress (8.2.9)	109,603,439	100,764,158
Total Carrying Amount of Property, Plant & Equipment	747,049,451	724,064,654

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8.2.9 Capital Work in Progress represent the following projects

	2018	2017 Restated
Generation Projects	6,951,277	6,100,511
Transmission projects	2,111,801	1,945,473
Distribution Projects	32,759,898	28,629,565
Colombo City Electricity Distribution Development Project	28,959	-
Upper Kothmale Hydro power project	993,611	920,649
Renewable Energy Absorption Transmission Development Project	1,462,559	279,662
Broadland Hydro power project	8,872,530	7,375,917
Puttalam Coal power Project	595,791	582,306
Green Power Dev. & Energy Efficiency Improvement Project	1,586,138	218,995
AGM Project	303	20
Trincomalee coal power project	4,610,477	1,314,325
Vauniya kilinochchi transmission line project	732,819	731,727
Transmission System Strengthening grid substation project	-	5,138,066
Transmission System Strengthening line project	-	2,669,945
Transmission System Strengthening in Eastern Province project	-	2,873,049
New Galle grid substation project	-	2,928,664
North East power transmission development project	-	5,861,665
New kelani bridge project	82,036	40,081
Uma oya multi purpose development project	370,129	282,941
Clean Energy & Network Efficiency Project - Mannar	3,591,955	3,023,569
Clean Energy & Network Efficiency Project - 132kv transmission	3,894,046	2,972,635
Clean Energy & Network Efficiency Project - 220kv transmission	7,762,600	7,164,404
Project manager (kelaniya vauniya)	573,458	578,671
Green power development project	4,794,652	2,169,036
Augmentation of b2/33kv gss at kiribathkumbura phase 2	1,245,358	1,153,734
Seethawaka hydro power project	146,161	48,484
National Transmission Development, Network Development & Efficiency Improvement Project	718,823	488,778
Mannar wind power project	482,649	265,269
Liquid Natural Gas (LNG) Project	16,324	3,386
3x35mw gas turbine Project	27,101	7,468
Environmental officer	3,860	6,912
Transmission Construction Projects	1,998,448	2,396,979
Moragolla Hydro Power Project	1,590,519	985,779
Vidulakpaya Project	459,888	441,047
Others (W&AS)	1,831,982	79,225
Greater Colombo transmission and distribution loss reduction project	19,307,287	11,085,221
Total Value of Capital Work-In-Progress	109,603,439	100,764,158

8.2.10 All the motor vehicles are fair valued as at 01.01.2011 by the independent technical team of the board.

8.2.11 Property Plant & Equipments were not pledged for any liabilities of the Board.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8 PROPERTY, PLANT AND EQUIPMENT (Contd....)**8.3 Capital Work in Progress represents the following.**

Projects	Group		Board	
	2018	2017 Restated	2018	2017 Restated
Generation Projects	6,951,277	6,100,511	6,951,277	6,100,511
Transmission projects	2,111,801	1,945,473	2,111,801	1,945,473
Distribution Projects	32,759,898	28,629,565	32,759,898	28,629,565
Upper Kothmale Hydro power project	28,959	-	28,959	-
Renewable Energy Absorption Transmission Development Project	993,611	920,649	993,611	920,649
Broadland Hydro power project	1,462,559	279,662	1,462,559	279,662
Puttalam Coal power Project	8,872,530	7,375,917	8,872,530	7,375,917
Green Power Dev. & Energy Efficiency Improvement Project	595,791	582,306	595,791	582,306
AGM Project	1,586,138	218,995	1,586,138	218,995
Trincomalee coal power project	303	20	303	20
Vauniya kilinochchi transmission line project	4,610,477	1,314,325	4,610,477	1,314,325
Transmission System Strengthening grid substation project	732,819	731,727	732,819	731,727
Transmission System Strengthening line project	-	5,138,066	-	5,138,066
Transmission System Strengthening in Eastern Province project	-	2,669,945	-	2,669,945
New Galle grid substation project	-	2,873,049	-	2,873,049
North East power transmission development project	-	2,928,664	-	2,928,664
New kelani bridge project	-	5,861,665	-	5,861,665
Uma oya multi purpose development project	82,036	40,081	82,036	40,081
Clean Energy & Network Efficiency Project - Mannar	370,129	282,941	370,129	282,941
Clean Energy & Network Efficiency Project - 132kv transmission	3,591,955	3,023,569	3,591,955	3,023,569
Clean Energy & Network Efficiency Project - 220kv transmission	3,894,046	2,972,635	3,894,046	2,972,635
Project manager (kelaniya vauniya	7,762,600	7,164,404	7,762,600	7,164,404
Green power development project	573,458	578,671	573,458	578,671
Augmentation of b2/33kv gss at kiribathkumbura phase 2	4,794,652	2,169,036	4,794,652	2,169,036
Seethawaka hydro power project	1,245,358	1,153,734	1,245,358	1,153,734
National Transmission Development,				
Network Development & Efficiency Improvement Project	146,161	48,484	146,161	48,484
Mannar wind power project	718,823	488,778	718,823	488,778
Liquid Natural Gas (LNG) Project	482,649	265,269	482,649	265,269
3x35mw gas turbine Project	16,324	3,386	16,324	3,386
Environmental officer	27,101	7,468	27,101	7,468
Transmission Construction Projects	3,860	6,912	3,860	6,912
Moragolla Hydro Power Project	1,998,448	2,396,979	1,998,448	2,396,979
Vidulakpaya Project	1,590,519	985,779	1,590,519	985,779
Jaffna power plant	459,888	441,047	459,888	441,047
Others (W&AS)	1,831,982	79,225	1,831,982	79,225
Greater Colombo transmission and distribution loss reduction project	19,307,287	11,085,221	19,307,287	11,085,221
Work in progress-LECO	884,543	816,343	-	-
Work in progress-LTL	180,181	114,109	-	-
Work in progress-SLE	10,295	126,405	-	-
Total Value of Capital Work-In-Progress	110,678,458	101,821,015	109,603,439	100,764,158

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

8.4 Ceylon Electricity Board

All the motor vehicles are fair valued as at 01.01.2011 by the independent technical team of the board. Property, Plant & Equipments were not pledged for any liabilities of the board.

During the financial year, the board acquired Property, Plant and Equipment to the aggregate value of Rs 4,158 Mn (2017- Rs.4,250 Mn) in cash.

8.5 LTL Holdings (Private) Limited

During the period, the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 948,458,769/- (2017- Rs 571,338,134/-) of which cash payments amounting to Rs 948,458,769/- (2017- Rs 571,338,134/-) were made during the period for purchase of Property, Plant & Equipment.

8.6 Group - Current Assets**Property plant and equipment - Heladhanavi Limited**

	Freehold Land	Building	Office Equipment	Furniture and Fittings	Fire Fighting equipments	Motor vehicles	Total 2018	Total 2017
Cost								
At 01 January	10,884	9,436	2,047	366	2,282	995	26,011	26,011
Additions	-	-	242	-	-	-	242	-
As at 31 December	10,884	9,436	2,289	366	2,282	995	26,253	26,011
Accumulated Depreciation								
At 01 January	-	9,436	2,047	366	2,282	995	15,127	15,127
Depreciation	-	-	-	-	-	-	-	-
As at 31 December	-	9,436	2,047	366	2,282	995	15,127	15,127
Net book Value	10,884	-	242	-	-	-	11,126	10,884

The above property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 15,126,534 /-

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

9 INTANGIBLE ASSETS

At cost	Group		Board	
	2018	2017 Restated	2018	2017
As at 1 January	108,820	96,313	-	-
Acquired / incurred during the period	44,390	12,507	-	-
Exchange translation difference	1,231			
As at 31 December	154,441	108,820	-	-
Amortisation				
As at 1 January	51,726	36,971	-	-
Amortized during the period	22,141	14,755	-	-
Exchange translation difference	691			
As at 31 December	74,558	51,726	-	-
Goodwill				
As at 1 January	325,625	325,625		
Acquired / incurred during the period	-	-		
Impairment	-	-		
As at 31 December	325,625	325,625		
Net Book Value	405,508	382,719	-	-

LTL Holdings (Pvt) Ltd

Intangible assets of the group consists of the software purchased by LTL Transformers (Pvt) Ltd, Raj Lanka Power Company (Pvt) Ltd, Makarigad Hydropower (Pvt) Ltd and Asiatic Electrical and Switchgear (Pvt) Ltd.

Lanka Electricity Company (Pvt) Ltd

Intangible assets of the group consists of the software purchased and the technical know-how which is amortised over 15 years.

Goodwill on acquisition of Asiatic Electrical & Switchgear (Pvt) Ltd

Goodwill acquired through business combination is allocated to Asiatic Electricals & Switchgear (Pvt) Ltd Cash Generating Unit (CGU), which is operating segment, for impairment testing.

The recoverable amount of the Asiatic Electrical & Switchgear (Pvt) Ltd CGU is determined based on a value in use calculation using cash flow projection from financial budgets. As a result of the analysis the management did not identify an impairment for this CGU.

10. INVESTMENTS IN SUBSIDIARIES

Non-Quoted- At Cost	Holding Percentage	Group		Board	
		2018	2017 Restated	2018	2017
Lanka Electricity Company (Pvt) Ltd	55.2	-	-	628,003	628,003
LTL Holdings (Pvt) Ltd	63	-	-	96,900	96,900
Lanka Coal Company(Pvt)Ltd	60	-	-	12,000	12,000
Sri Lanka Energies (Pvt) Ltd	100	-	-	174,910	174,910
		-	-	911,813	911,813

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

10.1 Details of those companies in which Ceylon Electricity Board ,held a controlling interest, directly or indirectly are set out below.

Name of Company	Percentage of Share holding		Description of business
	Group	Board	
Subsidiaries			
LTL Holdings (Pvt) Ltd	63	63	Manufacture and sale of transformers to export markets
Lanka Electricity Company (Pvt) Ltd	55.2	55.2	Sale of energy.
Lanka Coal Company(Pvt)Ltd	60	60	Supply of required quantity of high quality coal at the right price to Lakvijaya Coal Power Plant at Norochcholai
Sri Lanka Energies (Pvt) Ltd	100	100	Constructing transmission lines and grid stations, construction, maintaining renewable energy projects.
Lakdhanavi Limited.	52		Undertaking Engineering, Procurement and construction (EPC) contracts, Heavy Engineering Services for the Power Plants and other operation & maintenance of Power Plants
LTL Energy (Pvt) Ltd	63		Providing Energy efficiency Improvement Services.
Lanka Industrial Products Engineering(Pvt)Ltd	63		Production of Industrial Products
LTL Transformers (Pvt) Ltd	63		Manufacturing & Repair of transformers, manufacturing of Feeder Pillars
LTL Galvanizers (Pvt) Ltd	63		Steel fabrication & Galvanizing Operations
Bright International Power (Pvt) Ltd	52		Power plant Operation and supply of Power generation ancillaries
Infra & Engineering (Pvt) Ltd	52		Heavy engineering service for the power plants and other operation and maintenance of power plants
Pawan Danavi (Pvt) Ltd	32		Produced independent wind power and transmit to feed the National grid
Nividu (Pvt) Ltd	41		Produced independent hydro power and transmit to feed the National grid.
Nividu Assupinella (Pvt) Ltd	41		Produced independent hydro power and transmit to feed the National grid.
Raj Lanka Power Company Ltd	39		Produced independent power and transmit to feed the national grid of Peoples Republic of Bangladesh
Lakdhanavi Bangla Power Company Ltd	26		Produce independent thermal power and transit to feed the national grid of People's republic of Bangladesh
Asiatic Electrical & Switchgear (Pvt) Ltd	62		Manufacture and sale of electrical switchgears and control gears items
Makarigad Hydro Power (Pvt) Ltd	34		Produced independent power and transmit to feed the national grid of Nepal and the commercial operations are yet to be started.
Feni Lanka Power Limited	51		Power Generation Using Thermal energy and feed the same to the National Grid of People's Republic of Bangladesh (Commercial Operations are yet to be commenced)
LECO Projects (Pvt) Ltd	55.2		Providing Infrastructure Facilities for electricity distribution.
Ante LECO Metering Company (Pvt) Ltd	38.5		To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market
Sri Lanka Energies HR (Pvt) Ltd	100		Recruitment and supply of man power service for CEB
Kumbalgamuwa Mini Hydro (Pvt) Ltd	100		Produce electricity energy using hydro resources.
Daduruoya Mini Hydro (Pvt) Ltd	100		Produce electricity energy using hydro resources. The power plant is still under construction

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2018	2017	2018	2017
11. INVESTMENT IN JOINT VENTURE (Trincomalee Power Company Ltd)				
Balance at the beginning of the year	47,846	230,330	328,606	328,606
Share of pre-operating loss	(4,096)	(182,484)	-	-
Balance at the end of the year	43,750	47,846	328,606	328,606

The Joint Venture company was operated with the sole purpose of developing a 500MW coal power plant in Sampoor area near Trincomalee. Along with a decision taken by the Government of Sri Lanka to not to pursue the project, the company ceased its development activities of the Sampoor coal power plant during the year 2016.

Along with the cessation of the development activities of the Sampoor coal power plant project, the company do not have a mean of realising the previous expenses capitalized under work-in-progress and hence, an amount of Rs 355,807,636/- has been impaired and written off which is included in the share of loss of the joint venture.

Cabinet approval has been received to set up a 50MW solar power plant by TPCL on the land provided to construct the coal power project in Sampoor. Further, cabinet approval has also been granted to develop a 500MW LNG power plant at Kerawalapitiya by TPCL.

12. FINANCE LEASE RECEIVABLE

The Raj Lanka Power Company Ltd, subsidiary of the LTL group has the legal ownership of the Power Plant at Rajshahi, Natore, Bangladesh. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board and the company, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as finance lease which is accounted for in accordance with LKAS 17 "Leases".

The Lakdanavi Bangalar Power Company Limited, subsidiary of the group has the legal ownership of the Power Plant at Jangalia, Comilla. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and the company, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as finance lease which is accounted for in accordance with LKAS 17 "Leases".

As per the guideline provided in LKAS 17 "Leases", the company has been identified as the lessor and Bangladesh Power Development Board has been identified as the lessee. Under the Power Purchase Agreement (PPA), in substance, the company (as lessor to the lease arrangement) will recover the total capital invested via the capital recovery component of the capacity charge.

Accordingly, the capital recovery component included in the capacity charge has been treated as future minimum lease rentals.

Total lease receivable (capital recovery component of the capacity charge) is as follows.

	Group		Board	
	2018	2017	2018	2017
Gross Investment in finance leases receivables				
Current				
Less than one year	569,718	418,140	-	-
Non Current				
Between one and five years	2,037,965	2,080,953	-	-
More than five years	7,737,354	6,281,580	-	-
	9,775,319	8,362,533	-	-
Net investment in finance leases	10,345,037	8,780,673	-	-

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

13. OTHER FINANCIAL ASSETS

Summary	Group		Board	
	2018	2017	2018	2017
13.1 Financial Assets at amortized cost				
Refundable Deposits	44,029	42,662	-	-
Investment in Fixed Deposits	14,817,373	11,025,037	-	-
Investment in Repurchase Agreements	422,376	347,096	-	-
Administrative Borrowings by Department of Treasury Operations	-	-	-	-
Investment in Other Deposit	11,550,893	8,693,104	-	-
Loans to Company Officers	10,068,073	7,440,544	8,770,106	6,495,969
Loans to Consumers	5,389,639	6,453,561	5,306,629	6,351,194
Investments in Debentures	203,479	677,208	-	-
	42,495,862	34,679,212	14,076,735	12,847,163
13.2 Financial Assets at Fair value through Profit or Loss				
Investment in Equity Securities	233,740	247,489	-	-
	233,740	247,489	-	-
13.3 Financial Assets at other Comprehensive Income				
Investments in Unquoted Equity Shares				
Lanka Broad Band Network (Pvt) Ltd				
Ordinary Shares	5,000	5,000	-	-
Preference Shares	15,000	15,000	-	-
West Coast Power (Pvt) Ltd				
Ordinary Shares	13,297,463	13,784,202	-	-
Less: Impairment of Investments	(20,000)	(20,000)	-	-
	13,297,463	13,784,202	-	-
Total Other Financial Assets				
Other Financial Assets - Non Current	35,087,770	25,494,853	10,204,445	8,911,612
Other Financial Assets - Current	20,939,295	23,216,050	3,872,290	3,935,551
	56,027,065	48,710,903	14,076,735	12,847,163

Financial Assets at amortized cost

Loans and receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties and changes in variable interest rates for some instruments.

Financial Assets at other Comprehensive Income**LTL Holdings (Pvt) Ltd**

The Financial Assets at other Comprehensive Income consist of a 4.77% Investment in equity shares of Non - listed company, West Coast (Pvt) Ltd, which is valued based on Discounted Cash Flow method

Lanka Electricity Company (Pvt) Ltd

The Financial Assets at other Comprehensive Income consists of 18.18% investments in equity shares of a non listed company, West Coast Power (Pvt) Ltd which is valued based on discounted cash flow method.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

14. OTHER NON-CURRENT ASSETS

	Group		Board	
	2018	2017	2018	2017
Other receivables*	775,978	775,978	-	-
Prepaid Staff Cost (14.1)	1,520,097	1,206,023	1,241,868	961,113
Investment in Ash Bricks Project**	7,364	7,364	-	-
	2,303,439	1,989,365	1,241,868	961,113

Other receivables*

Other Receivables balance consists of a receivable from Taurian Iron and Steel Company (Pvt) Ltd for the coal supplied through Ceylon Shipping Corporation by Lanka Coal Company Limited.

Investment in Ash Bricks Project**

On 27th July 2012 Sri Lanka Energies (Pvt) Ltd, one of the subsidiaries has entered in to a joint venture agreement with Amtrad Holdings (Pvt) Ltd for the purpose of building a brick factory in Norochcholai. However, the joint venture of the group has not commenced its operations and is stated at the cost. The management has terminated the Joint venture agreement on 27 March 2014.

14.1 Prepaid Staff Cost

	Group		Board	
	2018	2017	2018	2017
Balance as at the beginning of the year	1,205,403	949,260	961,113	949,260
Fair value adjustment on loans granted/terminated	1,009,797	826,405	970,908	581,495
Amortization of staff cost	(695,103)	(569,642)	(690,153)	(569,642)
Balance as at the end of the year	1,520,097	1,206,023	1,241,868	961,113

15. INVESTMENT OF INSURANCE RESERVE

	Group		Board	
	2018	2017	2018	2017
At the beginning of the year	7,246,251	6,495,822	7,246,251	6,495,822
Investments made during the year	824,002	750,429	824,002	750,429
Withdrawals During the year	-	-	-	-
At the end of the year	8,070,253	7,246,251	8,070,253	7,246,251

16. NON CURRENTS ASSET HELD FOR SALE

	Group		Board	
	2018	2017	2018	2017
Balance at the beginning of the period	655	1,022,423	655	1,022,423
Transfer from PPE	-	632	-	632
Disposal during the period	(579)	(1,022,400)	(579)	(1,022,400)
Re-Classified (Note 8.8.2)	-	-	-	-
Balance at the end of the period	76	655	76	655

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

17. INVENTORIES

	Group		Board	
	2018	2017 Restated	2018	2017 Restated
Raw Materials	1,418,993	1,708,468	-	-
Finished Goods	512,852	224,773	-	-
Consumables & Spares	28,710,369	24,324,642	25,258,273	21,539,916
Work in Progress	166,984	254,656	-	-
Fuel	17,686,698	16,385,995	17,686,698	16,385,995
Goods in Transit	2,852,633	3,587,792	2,433,867	3,254,420
Less: Provision for Obsolete & Unserviceable Stock	(2,114,109)	(1,797,848)	(1,741,726)	(1,475,363)
Provision for price Variance	(1,096,954)	(2,200,112)	(1,096,954)	(2,200,112)
	48,137,466	42,488,366	42,540,158	37,504,856

18. TRADE AND OTHER RECEIVABLES

	Group		Board	
	2018	2017 Restated	2018	2017 Restated
Trade Debtors	25,604,290	24,220,238	19,335,624	18,157,116
Less: Provision for impairment	(5,032,196)	(4,585,460)	(4,417,939)	(3,912,667)
	20,572,094	19,634,778	14,917,685	14,244,449
Other Debtors	35,586,518	27,431,237	33,452,472	26,477,413
Advances and Prepayments	2,766,527	2,295,902	1,163,096	1,143,065
Less: Provision for impairment	(221,824)	(242,854)	(221,824)	(242,854)
Transit Account	-	-	-	-
	58,703,315	49,119,063	49,311,429	41,622,073

19. AMOUNTS DUE FROM RELATED PARTIES

Relationship	Group		Board	
	2018	2017	2018	2017
Lanka Electricity Company (Pvt) Ltd	-	-	4,036,479	3,718,313
Lanka Coal Company (Pvt) Ltd	-	-	994,591	1,198,181
Ante LECO Metering Company (Pvt) Ltd	-	-	108,644	70,200
	-	-	5,139,714	4,986,694

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

20 CONTRIBUTED CAPITAL

The Capital contributed represents the value of net assets taken over by CEB from the Department of Government Electrical Undertakings (DGEU) on the formation of CEB in 1969 as per CEB Act No: 17 of 1969 and contributions made by GOSL to finance the specific capital development projects.

	2018	2017
Balance at the Beginning of the Period	302,694,797	302,694,797
Contributions received for capital Projects	-	-
Balance as at the end of the Period	302,694,797	302,694,797

21 RESERVES

Summary	Group		Board	
	2018	2017 Restated	2018	2017
Capital Reserves (21.1)	19,179,474	18,639,244	18,503,102	18,425,914
Fair Value Reserve (21.2)	5,810,700	6,066,892	-	-
Depreciation Reserve (21.3)	23,000	23,000	23,000	23,000
Self Insurance Reserve (21.4)	16,320,027	14,350,273	16,304,077	14,334,323
Asset Replacement Reserve (21.5)	294,930	273,357	-	-
Investment Reserve (21.6)	2,821,146	2,334,392	-	-
Development Reserve (21.7)	11,025	-	-	-
	44,460,302	41,687,158	34,830,179	32,783,237

21.1 Capital Reserve

	Group		Board	
	2018	2017	2018	2017
Balance as at the Beginning of the Year	18,639,244	18,345,931	18,425,914	18,112,200
Movement during the period				
Exchange Equalization Reserve **	463,042	(20,401)	-	-
RHCP Loan Reserve	77,188	313,714	77,188	313,714
Development Reserve	-	-	-	-
Balance as at the end of the Year	19,179,474	18,639,244	18,503,102	18,425,914

Ceylon Electricity Board**Capital Reserves****Loan Redemption Reserve**

Loan Redemption Reserve has been established under the provisions of Section 47 (1) (b) of the CEB Act No.17 of 1969 which states that CEB may maintain a sinking fund. The nature and the purpose of the sinking fund is the repayment of loans taken by the Board. No additional appropriations were made since year 2000 due to the operational losses incurred by CEB throughout the period. The balance carried forward since year 2000 is Rs. 17,447Mn.

Other Capital Reserve

A General Reserve has been established under the provisions of Section 47 (2) (b) of the CEB Act No.17 of 1969 which require CEB to maintain a reserve, for the purpose of financing the capital works from revenue moneys, ensuring the financial stability of the Board. No additional appropriations were made since year 2000 due to the operational losses incurred by CEB throughout the period. The balance carried forward since year 2000 is Rs. 165Mn.

RHCP Loan Reserve

This reserve represents the funds retained for the continuation of the RHCP (Rural Household Connections Project) loan scheme.

LTL Holdings (Pvt) Ltd**Exchange Equalization Reserve****

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

21.2 Fair Value Reserve

	Group		Board	
	2018	2017	2018	2017
Balance as at the beginning of the year	6,066,892	4,720,576	-	-
Net Gain / (Loss) on available for sale assets	(256,192)	1,346,316	-	-
Balance as at the end of the year	5,810,700	6,066,892	-	-

Available for sale reserve includes the fair value changes in the Available for sale finance assets of LTL Holding (Pvt) Ltd and Lanka Electricity Company (Pvt) Ltd

21.3 Depreciation Reserve

	Group		Board	
	2018	2017	2018	2017
At the beginning of the year	23,000	23,000	23,000	23,000
At the end of the year	23,000	23,000	23,000	23,000

Depreciation Reserve has been established under the provisions of Section 47 (2) (a) of the CEB Act No.17 of 1969 . The nature and the purpose of the fund is to cover the depreciation of movable and immovable property of the Board. No additional appropriations were made since year 2000 due to the operational losses incurred by CEB throughout the period. The balance carried forward since year 2000 is Rs. 23Mn.

21.4 Self Insurance Reserve

	Group		Board	
	2018	2017	2018	2017
Balance at the beginning of the period	14,350,273	12,164,121	14,334,323	12,148,171
Transfers from the retained earnings	1,136,815	1,090,232	1,136,815	1,090,232
Transfers from other divisions	-	211,904	-	211,904
Income received from investment	832,939	884,016	832,939	884,016
Balance at end of the period	16,320,027	14,350,273	16,304,077	14,334,323

Insurance Reserve has been established under the provisions of Section 47 (1) (a) of the CEB Act No.17 of 1969 . The nature and the purpose of the fund is to cover the insurance of movable and immovable property of the Board to meet third party risks and liabilities arising under the Workmen's Compensation Ordinance. Up to year 2000, Investment in Insurance Reserve balance was equal to the Reserve Balance. No additional investment made other than reinvestment of interest due to adverse financial conditions of CEB throughout the period.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

21.5 Asset Replacement Reserve

	Group		Board	
	2018	2017	2018	2017
Balance at the beginning of the period	273,357	255,008	-	-
Transfers from the retained earnings	21,573	18,349	-	-
Balance at end of the period	294,930	273,357	-	-

This represents the amount transferred from the retained earnings to replace property, plant and equipment of Lanka Electricity Company (Pvt) Ltd and to replace high value equipments in LTL Transformers (Pvt) Ltd

21.6 Investment Reserve

	Group		Board	
	2018	2017	2018	2017
Balance at the beginning of the period	2,334,392	1,851,091	-	-
Transfers from the retained earnings	486,754	483,301	-	-
Balance at end of the period	2,821,146	2,334,392	-	-

Dividend received from the West Coast Power (Pvt) Ltd has been identified as dividend income and created a reserve to the same amount since the company is liable to pay such dividend to the Government of the Democratic Socialist Republic of Sri Lanka if any technical error in the construction of Kerawalapitiya power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.

21.7 Development Reserve

	Group		Board	
	2018	2017	2018	2017
Transfers from the retained earnings	11,025	-	-	-
Balance at end of the period	11,025	-	-	-

LTL Transformers Ltd, subsidiary of LTL Holdings Ltd is intended issuing warranties for locally sold transformers since year 2020 which will be covered through a special insurance cover. Hence, a reserve is to be built to address the issues for the warranty claims. Further, a reserve is created for R&D purposes, training and skill development and acquisition of advanced machinery

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

22. INTEREST BEARING LOANS & BORROWINGS

Group	2018 Repayable Within 1 year	2018 Repayable After 1 year	2018 Total	2017 Repayable Within 1 year	2017 Repayable After 1 year	2017 Total
Bank Loans (22.1)	11,744,903	66,058,966	77,803,869	13,914,809	19,891,323	33,806,132
Project Loans (22.2)	-	221,180,099	221,180,099	-	200,192,143	200,192,143
Loans from Samurdhi Authority (22.3)	183,680	117,932	301,612	183,680	393,557	577,237
Lease Creditors (22.4.1)	49,041	55,875	104,916	65,641	73,578	139,219
Redeemable Preference Shares	792,791	1,698,295	2,491,086	682,645	2,012,327	2,694,972
Bank Overdrafts	9,465,106	-	9,465,106	11,505,973	-	11,505,973
	22,235,521	289,111,167	311,346,688	26,352,748	222,562,928	248,915,676
The Board	2018 Repayable Within 1 year	2018 Repayable After 1 year	2018 Total	2017 Repayable Within 1 year	2017 Repayable After 1 year	2017 Total
Bank Loans (22.1.1)	7,478,776	59,947,397	67,426,173	10,408,643	13,933,017	24,341,660
Project Loans (22.2)	-	221,180,099	221,180,099	-	200,192,143	200,192,143
Loans from Related Party (22.3)	-	-	-	-	-	-
Loans from Samurdhi Authority (22.4)	183,680	117,932	301,612	183,680	393,557	577,237
Lease Creditors (22.4.2)	28,162	16,767	44,929	49,021	45,381	94,402
Bank Overdrafts	7,677,126	-	7,677,126	10,923,087	-	10,923,087
	15,367,744	281,262,195	296,629,939	21,564,431	214,564,098	236,128,529

22.1 Bank Loans**22.1.1 The Board**

Term Loans	Interest rate	As At 01.01.2018	Loans Obtained	Repayment	As At 31.12.2018	Repayable Within 1 Year	Repayable After 1 Year	
People's Bank (Rs. 4110 Mn)	2013.04.02	13.74%	1,370,000	-	587,142	782,858	293,572	489,286
People's Bank (Rs. 17650 Mn)	2013.01.30	13.74%	5,470,000	-	2,520,000	2,950,000	1,260,000	1,690,000
People's Bank (Rs. 18000 Mn)	2013.01.08	13.74%	2,100,000	-	2,100,000	-	-	-
People's Bank (Rs. 10000 Mn)	2014.04.21	13.74%	1,451,500	-	1,451,500	-	-	-
NSB (Rs 10 000 Mn)	2014.09.30	13.74%	6,250,000	-	1,250,000	5,000,000	625,000	4,375,000
People's Bank (Euro 2087 Mn)	2015.04.30	13.74%	2,609,559	391,233	-	3,000,792	300,000	2,700,792
People's Bank Treasury (Rs.5000 Mn)	2016.12.30	13.24%	3,750,000	-	2,500,000	1,250,000	-	1,250,000
People's Bank (Rs. 10000 Mn - Coal purchases)	2017.12.12	13.74%	1,340,601	8,650,380	5,472,777	4,518,204	3,638,204	880,000
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.01.24	13.74%	-	10,000,000	2,420,000	7,580,000	840,000	6,740,000
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.04.12	13.74%	-	10,000,000	-	10,000,000	-	10,000,000
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.07.03	13.74%	-	10,000,000	-	10,000,000	-	10,000,000
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.05.27	13.74%	-	15,000,000	-	15,000,000	-	15,000,000
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.12.19	13.74%	-	1,927,319	-	1,927,319	-	1,927,319
People's Bank - OD Settlement	2018.03.03	13.74%	-	6,200,000	783,000	5,417,000	522,000	4,895,000
			24,341,660	62,168,932	19,084,419	67,426,173	7,478,776	59,947,397

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

22.1.2 The Group

Company	Lending Institution	Interest Rate	2018 Repayable Within 1 year	2018 Repayable After 1 year	2018 Total	2017 Repayable Within 1 year	2017 Repayable After 1 year	2017 Total
LTL Holdings (Pvt) Ltd	Standard Chartered Bank	LIBOR+2.75%	318,694	615,408	934,102	250,322	762,353	1,012,675
LTL Holdings (Pvt) Ltd	HNB	AWPLR+0.5%	-	-	-	201,027	-	201,027
Pawan Danavi (Pvt) Ltd	DFCC	AWDR +2%	-	-	-	60,923	40,615	101,538
Pawan Danavi (Pvt) Ltd	HNB	3 months AWDR+2% & AWPLR	100,635	17,295	117,930	115,526	120,014	235,540
Pawan Danavi (Pvt) Ltd	NDB	4 months AWDR+2% & AWPLR	48,293	-	48,293	72,430	47,925	120,355
Pawan Danavi (Pvt) Ltd	Sampath Bank	AWPLR +1.25%	146,745	444,610	591,355	-	-	-
Lakdhanavi Ltd	People's Bank	AWPLR + 0.5%	1,414,206	-	1,414,206	-	-	-
Lakdhanavi Bangala Power Ltd	Secured Bank Loan	3Month LIBOR+4.5%	789,808	3,213,907	4,003,715	659,131	3,325,931	3,985,062
Lakdhanavi Bangala Power Ltd	Working Capital Loan	12% p.a	137,699	-	137,699	67	-	67
Raj Lanka	Secured Bank Loan	3Month LIBOR+4.5%	451,384	1,009,743	1,461,127	712,867	887,780	1,600,647
Asiatic Electrical & Switchgear Pvt Ltd	HDFC Bank	10.50%	490	-	490	-	-	-
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	MCPLR+Applicable Margin	2,406	-	2,406	-	-	-
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	USD 4.22%	85,111	224,611	309,722	58,757	258,756	317,513
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	10% - 10.5%	13,066	-	13,066	68,881	-	68,881
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	3.05%	-	-	-	55,860	-	55,860
Asiatic Electrical & Switchgear Pvt Ltd	Yes Bank Ltd	MCPLR+Applicable Margin	5,859	-	5,859	-	-	-
Asiatic Electrical & Switchgear Pvt Ltd	Yes Bank Ltd	0.0659	-	-	-	40,000	-	40,000
LTL Energies (Pvt) Ltd	Standard Chartered Bank	3Month LIBOR+ 2%	27,710	55,421	83,131	-	-	-
LTL Transformers (Pvt) Ltd	Sampath Bank	AWPLR+1.1%	5,004	36,239	41,243	5,004	41,243	46,247
LTL Transformers (Pvt) Ltd	HNB	3M LIBOR +3.25%	-	-	-	306,450	-	306,450
LTL Transformers (Pvt) Ltd	HNB	3M LIBOR +3.25%	-	-	-	125,306	-	125,306
LTL Transformers (Pvt) Ltd	HNB	AWPLR+0.5%	13,859	-	13,859	-	-	-
LTL Galvernizers (Pvt) Ltd	NDB	6.25% p.a	1,125	25,875	27,000	-	-	-
LTL Galvernizers (Pvt) Ltd	HNB	AWPLR+0.5%	26,483	-	26,483	-	-	-
Raj Lanka	Discounted LOC	-	-	-	-	746,015	-	746,015
Infra Engineering (Pvt) Ltd	Discounted LOC	-	619,922	-	619,922	-	-	-
Sri Lanka Energies (Pvt) Ltd	Sampath Bank	-	57,628	468,460	526,088	27,600	473,689	501,289
Total Bank Loans of the Group			4,266,127	6,111,569	10,377,696	3,506,166	5,958,306	9,464,472
			11,744,903	66,058,966	77,803,869	13,914,809	19,891,323	33,806,132

22.2 Project Loans

22.2.1 Loans From Treasury

The Board/Group	Provider of funds	Interest Per annum (%)	2018	2017
Puttalam Coal Power project	EXIM BANK	6%	51,653,381	51,653,381
Puttalam Coal Power project -phase 11	EXIM BANK	6%	107,530,806	107,530,806
New Laxapana & Wimalasurendra Rehabilitation project	FRENCH	10%	39,395	39,395
Clean Energy Access Impro. Project (SLA I)	ADB	10%	3,970,201	3,970,201
Clean Energy Access Impro. Project (SLA II)	ADB	10%	615,223	615,223
Sustainable Power Support Project	ADB	10%	3,712,370	3,712,370
Habarana Veyangoda Transmission Line project	JICA	Not Notified	3,274,919	1,329,619
Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Notified	16,606,188	10,114,267
Clean Energy Net Work Efficiency Improvement Project	ADB	10%	13,962,633	12,043,466
National Transmission & Distribution Network Development		Not Notified	937,280	84,810
Green Power Development & Energy Efficiency Improvement Project	ADB	Not Finalized	3,542,216	1,743,534
Green Power Dev. & Energy Efficiency Improvement Project	AFD	6% EURIBOR + 1.31%	2,612,200	1,147,496
Renewable Energy Absorption Transmission Development Project	AFD	6% EURIBOR + 1.31%	907,472	-
			209,364,284	193,984,568

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

22.2.2 Loans From Bank

		Interest Rate	As At 01.01.2018	Loans Obtained	Repayment	As At 31.12.2018	Repayable Within 1 Year	Repayable After 1 Year
Broadland Hydro Power Project (HNB)	2015.07.19	Floating LIBOR rate 6 Months + 6.3%	1,541,928	-	192,741	1,349,187	-	1,349,187
Broadland Hydro Power Project (ICB)	2013.06.06		4,177,089	-	417,711	3,759,378	-	3,759,378
Broadland Hydro Power Project (CNEEC)	2015.10.02			1,206,001		1,206,001		1,206,001
Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2017.07.10		143,932	977,461	-	1,121,393	-	1,121,393
Supporting Elec.supply reliability improvement project (ADB)	2016.12.19		344,626	1,662,271	-	2,006,897	-	2,006,897
Mannar Wind Power Generation Project (ADB)	2017.11.27		-	2,372,959	-	2,372,959	-	2,372,959
			6,207,575	6,218,692	610,452	11,815,815	-	11,815,815

Total Project Loan

	2018	2017
Amount Payable within one year	-	-
Amount Payable after one year	221,180,099	200,192,143

22.3 Loans From Samurdhi Authority

The Board/Group	As At 01.01.2018	Loans Obtained	Repayment	As At 31.12.2018	Repayable Within 1 Year	Repayable After 1 Year
Term Loan for "Viduli Athwela" Programme	577,237	-	275,625	301,612	183,680	117,932
	577,237	-	275,625	301,612	183,680	117,932

22.4 Lease Creditor**22.4.1 The Group**

	2018 Repayable Within 1 year	2018 Repayable After 1 year	2018 Total	2017 Repayable Within 1 year	2017 Repayable After 1 year	2017 Total
Lease Creditor	59,795	63,481	123,276	82,648	80,230	162,878
Interest in Suspense	(10,754)	(7,606)	(18,360)	(17,007)	(6,652)	(23,659)
	49,041	55,875	104,916	65,641	73,578	139,219

22.4.2 The Board

	2018 Repayable Within 1 year	2018 Repayable After 1 year	2018 Total	2017 Repayable Within 1 year	2017 Repayable After 1 year	2017 Total
Lease Creditor	32,918	17,352	50,270	61,057	50,722	111,779
Interest in Suspense	(4,756)	(585)	(5,341)	(12,036)	(5,341)	(17,377)
	28,162	16,767	44,929	49,021	45,381	94,402

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

23 CONSUMER DEPOSITS

	Group		Board	
	2018	2017	2018	2017
Balance as at Beginning of the year	13,556,567	12,753,072	13,556,567	12,753,072
Deposit Received during the year	992,490	1,169,868	992,490	1,169,868
Refunds Made during the year	(238,049)	(366,373)	(238,049)	(366,373)
Balance as at the end of the year	14,311,008	13,556,567	14,311,008	13,556,567

24. PROVISIONS AND OTHER DEFERRED LIABILITIES

	Group		Board	
	2018	2017	2018	2017
Retirement Benefits Obligation- Gratuity (24.1)	7,685,150	6,806,185	6,466,464	5,745,703
Pension Benefits (24.2)	3,541,904	2,846,308	3,541,904	2,846,309
Commuted Pension Fund Liability-Non Funded	30,000	30,000	30,000	30,000
	11,257,054	9,682,493	10,038,368	8,622,012

24.1 Retirement Benefits Obligation- Gratuity

	Group		Board	
	2018	2017	2018	2017
Balance at the beginning of the year	6,806,185	6,007,805	5,745,704	5,182,258
Transferred during the year	-	-	-	-
Charge for the year (24.1.1)	1,748,585	1,463,956	1,544,731	1,189,341
Payments made during the year	(869,620)	(665,576)	(823,971)	(625,896)
Balance at the end of the year	7,685,150	6,806,185	6,466,464	5,745,703

24.1.1 Charge for the year

	Group		Board	
	2018	2017	2018	2017
Interest Cost	752,146	407,119	632,027	350,493
Current service Cost	464,093	666,250	406,331	570,048
Actuarial (gain)/ loss	532,346	390,587	506,373	268,800
	1,748,585	1,463,956	1,544,731	1,189,341

24.1.2 Retirement Benefits Obligation- Gratuity**The Board**

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Board.

The principal assumptions used are as follow

	2018	2017
Discount rate assumed (%) (per Annum)	11%	11%
Further salary increase (%) -once in three years	25%	25%
Retirement age	60	60

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

24.1.2 Retirement Benefits Obligation- Gratuity**Lanka Electricity Company (Pvt) Ltd**

The provision for retirement benefit obligations is based on the actuarial valuation carried out by professionally qualified Actuaries, Messer, Actuarial & Management Consultants. The liability is not externally funded. Key Assumptions used for the calculation are as following

	2018	2017
Discount rate assumed (%) (per Annum)	12%	10%
Salary Increase Rate (%) (per Annum)	9.2%	8.5%
Normal Retirement Age - Appointments up to 31 December 2006	65 years	65 years
- Appointments after 01 January 2007	57 years	57 years
Staff Turnover - Upto age 50	0.40%	0.64%
- Age above 50	0%	0%

LTL Holdings (Private) Limited

Messes Piyal S. Gunathilake and Associates actuaries carried out and actuarial valuation of the defined benefit plan gratuity as at December 2017 and December 2016 for the respective plan years.

Principal Assumptions

	2018	2017
Discount rate assumed (%) (per Annum)	10.3%	12.5%
Salary Increase Rate (%) (per Annum)	10%	5%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	55 Years	55 Years

24.2 Pension Benefit

Group/Board- The Board operates defined benefit pension plan on employee pensionable remuneration and length of service. The amount recognize in the Statement of Financial Position are determined as follows.

	2018	2017
Present Value of Obligations (24.2.1)	25,242,243	22,803,707
Fair Value of plan assets (24.2.2)	21,700,339	19,957,399
Liability / Assets in the Statement of Financial Position	3,541,904	2,846,308

24.2.1 recognize in the Statement of Financial Position are determined as follows.

	2018	2017
At beginning of the year	22,803,708	20,473,946
Current Service Cost	801,664	725,805
Interest Cost	2,280,371	2,047,395
Actuarial Gain/ (Losses)	1,078,487	949,842
Benefit Paid	(1,721,987)	(1,393,281)
At end of the year	25,242,243	22,803,707

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

24.2.2 The movement in the fair value of plan assets of the year is as follows

	2018	2017
At beginning of the year	19,957,399	18,423,824
Expected Return on Plan Assets	2,001,576	2,017,155
Actuarial Losses	43,135	(119,466)
Contribution Paid (Employee + Employer)	1,420,216	1,029,167
Benefit Paid	(1,721,987)	(1,393,281)
At end of the year	21,700,339	19,957,399
The amounts recognized in the income statement are as follows		
Current service cost	801,664	725,805
Interest Cost	2,280,371	2,047,395
Expected return on plan assets	(2,001,576)	(2,017,155)
Recognized in income statement	1,080,459	756,045
The principal actuarial assumptions were as follows		
Discount Rates	10%	10%
Expected return on plan assets	10.03%	10.95%
Future Salary Increases	25%	25%
Future Pension Increases	0%	0%
Retirement Age	60	60
Plan assets are comprised as follows		
Fixed Deposits	20,036,586	17,561,543
Treasury Bonds	1,250,681	1,858,634
Other	566,662	537,222
Total	21,853,929	19,957,399

25. GOVERNMENT GRANT

	2018	2017	2018	2017
Balance at the beginning of the year	338,759	323,612	242,740	210,654
Received During the year	-	46,804	-	46,804
Amount Amortised during the year	(20,531)	(31,657)	(14,718)	(14,718)
Balance at the end of the year	318,228	338,759	228,022	242,740

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

26. CONTRACT LAIBILITIES

	Group		Board	
	2018	2017	2018	2017
Consumer Contribution (26.1)	90,809,748	86,773,950	86,334,976	82,564,313
Prepaid Electric Vehicle charging Revenue (26.2)	241	140	241	140
	90,809,989	86,774,090	86,335,217	82,564,453

26.1 Consumer Contribution

Balance at the beginning of the year	86,773,950	81,592,626	82,564,313	77,627,994
Consumer Contribution received During the year	7,797,714	8,742,972	7,170,323	8,149,606
Amount Amortised During the year	(3,761,916)	(3,561,648)	(3,399,660)	(3,213,287)
Balance at the end of the year	90,809,748	86,773,950	86,334,976	82,564,313

26.2 Prepaid Electric Vehicle Charging Revenue

Balance at the beginning of the Period	140	-	140	-
Cash received for prepaid e-Cards	429	498	429	498
Utilization for the year	(327)	(358)	(327)	(358)
Refunds made during the period	(1)	-	(1)	-
Balance at the end of the Period	241	140	241	140

27. DEFERRED TAXATION

	Group		Board	
	2018	2017	2018	2017
Balance at the beginning of the year	687,441	918,931	-	-
Deferred Tax Charged to Income Statement	(441,478)	(263,884)	-	-
Deferred Tax Adjusted to Other Comprehensive Income	30,194	32,394	-	-
Balance at the end of the year	276,157	687,441	-	-

	Group		Board	
	2018	2017	2018	2017
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes	1,073,262	1,264,273	-	-
Revaluation Reserve	-	-	-	-
Net change in fair value of available for sale investments	98,112	66,494	-	-
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(280,331)	(119,920)	-	-
Employment Retirement Benefits	(356,036)	(291,506)	-	-
Other provisions	(248,238)	(231,900)	-	-
Unutilized tax losses	(10,612)	-	-	-
	276,157	687,441	-	-

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

28. TRADE AND OTHER PAYABLES

	Group		Board	
	2018	2017	2018	2017
Trade Payables	86,993,233	83,551,249	79,382,252	78,839,313
Other Payables	13,309,214	7,710,102	9,361,298	6,721,563
Sundry Creditors Including Accrued Expenses	11,869,987	14,202,847	11,609,557	13,546,121
Deposits (28.1)	23,116,125	21,081,756	23,116,125	21,081,756
Loan Balance pending confirmation from ERD	4,256	4,256	4,256	4,256
Stock Adjustment	(3,517,072)	(1,731,773)	(3,517,072)	(1,731,773)
	131,775,743	124,818,437	119,956,416	118,461,236
28.1 Deposits				
Service mains deposits	18,638,878	16,987,480	18,638,878	16,987,480
Tender Deposits	382,026	359,545	382,026	359,545
Security Deposits	195	219	195	219
Other Deposits	4,095,026	3,734,512	4,095,026	3,734,512
	23,116,125	21,081,756	23,116,125	21,081,756

29. AMOUNTS DUE TO RELATED PARTIES

Relationship	Group		Board	
	2018	2017	2018	2017
LTL Holdings (Pvt) Ltd	-	-	549,118	512,157
Ante Leco Metering Co.(Pvt) Ltd	-	-	300,219	41,156
Lanka Coal Company (Pvt) Ltd	-	-	3,657,300	3,004,660
	-	-	4,506,637	3,557,973

30. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	Group		Board	
	2018	2017	2018	2017
30.1 Favourable Cash & Cash Equivalents balance				
Cash & Bank Balances	5,349,057	3,023,919	2,250,350	1,516,066
Cash in Transit	154,717	317,336	-	-
Call Deposits	164	164	164	164
Current portion of other investments	-	2,234,023	-	-
	5,503,938	5,575,442	2,250,514	1,516,230
30.2 Unfavourable Cash & Cash Equivalent Balances				
Bank Overdraft (Note 22)	(9,465,106)	(11,505,973)	(7,677,126)	(10,923,087)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(3,961,168)	(5,930,531)	(5,426,612)	(9,406,857)

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

31 MATERIALLY PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interest is provided below.

31.1 Proportion of equity interest held by non-controlling interest

Name of the Subsidiary	Country of incorporation and operation	2018	2017
LTL Holding (Pvt) Ltd	Sri Lanka	37%	37%
Lanka Electricity Company (Pvt) Ltd	Sri Lanka	45%	45%
Lanka Coal Company (Pvt) Ltd	Sri Lanka	40%	40%

31.2 Profit allocated to material non-controlling interests

LTL Holding (Pvt) Ltd	3,081,356	2,018,629
Lanka Electricity Company (Pvt) Ltd	1,326,398	833,237
Lanka Coal Company (Pvt) Ltd	-	-

31.3 The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for 2018	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Revenue	31,827,090	19,290,153	41,470,171
Cost of sales	(29,432,277)	(13,410,412)	(41,410,859)
Gross Profit	2,394,813	5,879,741	59,312
Other Income & Gains	1,882,505	3,267,442	7,772
Administrative Expenses	(2,363,027)	(1,036,588)	(71,769)
Other Operating Expenses	-	(330,167)	-
Finance Income	1,332,555	547,223	4,685
Finance Cost	(60,625)	(1,200,135)	-
Profit before Tax	3,186,221	7,127,516	-
Income tax	(236,129)	(1,172,996)	-
Profit for the year from continuing operations	2,950,092	5,954,520	-
Total Comprehensive Income			
Attributable to non-controlling interest	1,326,398	3,081,356	-
Dividends paid to non-controlling interests	317,567	2,420,897	-

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

31.4 Summarised statement of profit or loss for 2017

	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Revenue	30,573,686	17,375,870	31,953,254
Cost of sales	(27,838,890)	(11,475,125)	(31,909,924)
Gross Profit	2,734,796	5,900,745	43,330
Other Income & Gains	732,112	1,197,972	4,872
Administrative Expenses	(2,468,280)	(1,345,393)	(50,117)
Other Operating Expenses	-	(596,519)	-
Finance Income	1,309,082	590,184	1,915
Finance Cost	(19,235)	(1,072,602)	-
Profit before Tax	2,288,475	4,674,387	-
Income tax	(446,311)	(854,596)	-
Profit for the year from continuing operations	1,842,164	3,819,791	-
Total Comprehensive Income			
Attributable to non-controlling interest	833,237	2,018,629	-
Dividends paid to non-controlling interests	227,860	1,788,834	-

31.5 Summarised statements of financial position as at 31st December 2018

Inventories and Cash and bank balances (current)	2,417,340	6,076,271	85,265
Property, Plant and equipment and other non-current	13,498,456	15,511,800	780,877
Financial assets (non-current)	10,585,463	14,297,862	-
Trade & other Payables (current)	1,503,079	5,260,313	4,920,692
Interest-bearing loans and borrowings and deferred tax	598,938	14,649,618	-
Liabilities (non-current)	5,577,462	202,026	2,690
Total Equity			
Attributable to :			
Equity holders of parent	17,666,432	9,897,836	59,456
Non- controlling interest	14,337,973	5,813,015	39,638

31.6 Summarised statements of financial position as at 31st December 2017

Inventories and Cash and bank balances (current)	4,234,911	6,076,271	2,648
Property, Plant and equipment and other non-current	12,680,394	13,432,130	780,187
Financial assets (non-current)	12,269,276	4,233,965	80,000
Trade & other Payables (current)	1,346,281	1,562,952	3,406,450
Interest-bearing loans and borrowings and deferred tax	830,341	12,772,553	-
Liabilities (non-current)	5,196,901	166,639	1,576
Total Equity			
Attributable to :			
Equity holders of parent	16,221,681	8,851,637	42,316
Non- controlling interest	13,165,423	5,198,580	28,211

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
31.7 Summarised cash flow information for the year ending 31 December 2018			
Operating	68,698	6,995,397	353
Investing	(2,584,575)	(5,226,764)	82,267
Financing	627,393	163,593	82,620
Net increase/(decrease) in cash and cash equivalents	(1,888,484)	1,932,226	165,240
31.8 Summarised cash flow information for the year ending 31 December 2017			
Operating	1,354,376	738,574	58,968
Investing	(1,934,371)	(720,617)	(65,305)
Financing	593,364	(551,926)	(6,337)
Net increase/(decrease) in cash and cash equivalents	13,369	(533,969)	(12,674)

32 PRIOR YEAR ADJUSTMENTS

The group prior year adjustments had been made due to the following reasons.

32.1 Ceylon Electricity Board

Incorrect application of service main cost through which the depreciation charge for the previous periods were rectified. Reclassification of Loans to Consumers was made from Trade and Other Receivables to Other financial assets for a better presentation of financial information

32.2 Lanka Coal Company Limited

An error correction for tax liability was made for the previous year

32.3 Sri Lanka Energies (Pvt) Ltd

Error correction on recording for Value added Taxation was made for the previous year

32.4 Consolidation adjustment

Revaluation of Land and building made by Lanka Electricity Company (Pvt) Ltd was eliminated to apply uniform accounting policy for the group

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

32.5 Impact to the prior year adjustment for the group as at 31 December 2017

Statement of Financial Position	2017 Before Restatement	2017 CEB Adjustments	2017 LCC Adjustments	2017 SLE Adjustments	2017 Consolidated Adjustments	2017 After Restatement
ASSETS						
Non-Current Assets						
Property, Plant & Equipment	740,484,672	1,187,449	-	(11,925)	(2,545,988)	739,114,208
Property, Plant & Equipment - Heladhanavi	10,884	-	-	-	-	10,884
Premium Paid on Leasehold Land	210,250	-	-	-	-	210,250
Intangible assets	382,294	-	-	425	-	382,719
Investment in Joint Venture	47,846	-	-	-	-	47,846
Finance Lease Receivables	8,362,533	-	-	-	-	8,362,533
Other Non Current Financial Assets	20,826,069	4,668,784	-	-	-	25,494,853
Other Non Current Assets	2,001,270	(11,905)	-	-	-	1,989,365
Investments of Insurance Reserve	7,246,251	-	-	-	-	7,246,251
Total Non-Current Assets	779,572,069	5,844,328	-	(11,500)	(2,545,988)	782,858,909
Non Current Assets held for sale	655	-	-	-	-	655
Current Assets						
Inventories	44,060,531	(1,572,165)	-	-	-	42,488,366
Trade and Other Receivables	55,484,259	(6,345,508)	(30,849)	11,161	-	49,119,063
Finance Lease Receivables	418,140	-	-	-	-	418,140
Other Current Financial Assets	21,521,737	1,694,313	-	-	-	23,216,050
Tax Refund Due	-	-	-	-	-	-
Cash and Bank Balances	5,562,741	-	-	12,701	-	5,575,442
Total Current Assets	127,047,408	(6,223,360)	(30,849)	23,862	-	120,817,061
Total Assets	906,620,132	(379,032)	(30,849)	12,362	(2,545,988)	903,676,625
EQUITY AND LIABILITIES						
Capital and Equity						
Contributed Capital	302,694,797	-	-	-	-	302,694,797
Reserves	42,621,967	-	-	-	(934,809)	41,687,158
Retained Earnings / (Loss)	45,735,386	(313,609)	17,140	(1,533)	(77,107)	45,360,277
Equity Attributable to the Equity Holders of the Parent	391,052,150	(313,609)	17,140	(1,533)	(1,011,916)	389,742,232
Non Controlling Interest	24,445,959	-	11,427	-	(884,974)	23,572,412
Total Equity	415,498,109	(313,609)	28,567	(1,533)	(1,896,890)	413,314,644
Non-Current Liabilities						
Interest Bearing Loans & Borrowings	222,562,928	-	-	-	-	222,562,928
Consumer Deposits	13,556,567	-	-	-	-	13,556,567
Provisions and Other Deferred Liabilities	9,682,115	-	-	378	-	9,682,493
Government Grants	338,759	-	-	-	-	338,759
Contract Liabilities	86,774,090	-	-	-	-	86,774,090
Deferred Taxation	1,336,539	-	-	-	(649,098)	687,441
Total Non-Current Liabilities and Deferred Income	334,250,998	-	-	378	(649,098)	333,602,278
Current Liabilities						
Trade and Other Payables	124,882,980	(65,423)	-	880	-	124,818,437
Dividend Payables	2,650,768	-	-	-	-	2,650,768
Interest Bearing Loans & Borrowings	26,340,111	-	-	12,637	-	26,352,748
Income Tax Payable	2,997,166	-	(59,416)	-	-	2,937,750
Total Current Liabilities	156,871,025	(65,423)	(59,416)	13,517	-	156,759,703
Total Equity and Liabilities	906,620,132	(379,032)	(30,849)	12,362	(2,545,988)	903,676,625

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

32.5.1 Impact of the prior year adjustment for the group as at 31 December 2017
Statement of Comprehensive Income

	2017 Before Restatement	2017 CEB Adjustments	2017 SLE Adjustments	2017 Consolidated Adjustments	2017 After Restatement
Continuing Operation					
Revenue	265,479,221	-	-	-	265,479,221
Cost of Sales	(298,292,342)	(281,833)	(762)	11,821	(298,563,116)
Gross Profit / (Loss)	(32,813,121)	(281,833)	(762)	11,821	(33,083,895)
Other Income and Gain	7,919,191	-	-	(5,036)	7,914,155
Distribution Cost	(353,583)	-	-	-	(353,583)
Others	(247,406)	-	-	-	(247,406)
Administrative Expenses	(9,018,448)	7,378	(1,300)	-	(9,012,370)
Operating Profit/(Loss)	(34,513,367)	(274,455)	(2,062)	6,785	(34,783,099)
Finance Income	3,108,499	(7,378)	-	-	3,101,121
Finance Cost	(9,568,182)	-	532	-	(9,567,650)
Finance Cost-Net	(6,459,683)	(7,378)	532	-	(6,466,529)
Share of loss of Joint Venture	(182,484)	-	-	-	(182,484)
Profit/(loss) before Income Tax	(41,155,534)	(281,833)	(1,530)	6,785	(41,432,112)
Income Tax Expense	(1,796,405)	-	-	-	(1,796,405)
Deferred Tax Charge/(Reversal)	263,884	-	-	-	263,884
Profit/Loss for the year from continuing operation	(42,688,055)	(281,833)	(1,530)	6,785	(42,964,633)
Non Controlling Interest	(2,848,826)	-	-	(3,040)	(2,851,866)
Profit/(Loss) for the Year	(45,536,882)	(281,833)	(1,530)	3,745	(45,816,499)

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

32.5.2 Impact of the prior year adjustment for the group as at 31 December 2016
Statement of Financial Position

	2016 Before Restatement	2016 CEB Adjustments	2016 LCC Adjustments	2016 Consolidated Adjustments	2016 After Restatement
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	719,533,273	1,279,172	-	(1,605,770)	719,206,675
Property, Plant & Equipment-Heladhanavi Ltd	10,884	-	-	-	10,884
Premium Paid on Leasehold Land	12,493	-	-	-	12,493
Intangible assets	385,051	-	-	-	385,051
Investment in Joint Venture	230,330	-	-	-	230,330
Finance Lease Receivables	9,066,186	-	-	-	9,066,186
Other Non Current Financial Assets	18,409,220	-	-	-	18,409,220
Other Non-Current Assets	1,902,561	-	-	-	1,902,561
Investments of Insurance Reserve	6,495,822	-	-	-	6,495,822
Total Non-Current Assets	756,045,820	1,279,172	-	(1,605,770)	755,719,222
Non Current Assets held for sale	1,022,423	-	-	-	1,022,423
Current Assets					
Inventories	37,765,608	-	-	-	37,765,608
Trade and Other Receivables	53,417,481	(1,376,370)	(30,849)	-	52,010,262
Finance Lease Receivables	425,205	-	-	-	425,205
Other Current Financial Assets	21,780,534	-	-	-	21,780,534
Cash and Bank Balances	6,429,395	-	-	-	6,429,395
Total Current Assets	119,818,223	(1,376,370)	(30,849)	-	118,411,004
Total Assets	876,886,466	(97,198)	(30,849)	(1,605,770)	875,152,649
EQUITY AND LIABILITIES					
Capital and Equity					
Contributed Capital	302,694,797	-	-	-	302,694,797
Reserves	38,101,416	-	-	(741,689)	37,359,727
Retained Earnings / (Loss)	94,252,853	(31,775)	17,140	(80,851)	94,157,367
Equity Attributable to the Equity Holders of the Parent	435,049,066	(31,775)	17,140	(822,540)	434,211,891
Non Controlling Interest	22,446,741	-	11,427	(731,278)	21,726,890
Total Equity	457,495,807	(31,775)	28,567	(1,553,818)	455,938,781
Non-Current Liabilities and Deferred Income					
Interest Bearing Loans & Borrowings	210,889,289	-	-	-	210,889,289
Consumer Deposits	12,753,072	-	-	-	12,753,072
Provisions and Other Deferred Liabilities	8,087,929	-	-	-	8,087,929
Government Grant	323,613	-	-	-	323,613
Contract Liabilities	81,592,631	-	-	-	81,592,631
Deferred Taxation	970,883	-	-	(51,952)	918,931
Total Non-Current Liabilities and Deferred Income	314,617,417	-	-	(51,952)	314,565,465
Current Liabilities					
Trade and Other Payables	75,111,475	(65,423)	-	-	75,046,052
Dividend Payables	3,211,456	-	-	-	3,211,456
Interest Bearing Loans & Borrowings	23,635,989	-	-	-	23,635,989
Income Tax Payable	2,814,322	-	(59,416)	-	2,754,906
Total Current Liabilities	104,773,242	(65,423)	(59,416)	-	104,648,403
Total Equity and Liabilities	876,886,466	(97,198)	(30,849)	(1,605,770)	875,152,649

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

33 ASSETS PLEDGED**The Board**

There is no assets pledged as at the date of the Statement of Financial Position .

33.1 Lanka Electricity Company (Pvt) Limited

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2018	2017	
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	45,500	} Current and Non Current Other Investments
Fixed Deposits	SMI Loan Schemes of People's Bank	161,378	144,360	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	950,646	820,444	

33.2 LTL Holdings (Pvt) Ltd

Following assets have been pledged as security for interest bearing borrowing and Letter of Credit Facilities of respective companies of the Group.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2018	2017	
Lakdhanavi Ltd Investment in Fixed Deposits	Mortgage against the Bank Guarantees	1,172,252	1,172,252	} Other Financial Assets
	Other Current Liabilities	2,262,408	-	
	Letter of Credit Facility	3,654,168	-	
Pawan Danavi (Private) Limited Wind power plant, Free Hold land and Lease Hold Land.	Primary Concurrent Mortgage Bond	1,944,211	2,081,443	Property Plant & Equipment
	Ordinary shares 51% Held by LTL Holdings Pvt Ltd.	Primary Concurrent Mortgage Bond	540,600	540,600

33.3 Sri Lanka Energies (Pvt) Ltd

Following assets have been pledged as security for interest bearing borrowings obtained by Kumbalgamuwa Mini Hydro (Pvt) Ltd

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2018	2017	
Projects assets together with all the permits, licenses issued by the regulatory bodies in respect of Kumbalgamuwa Mini Hydro Power Project	Mortgage	450,000	450,000	Property, Plant & Equipment
100% shares of Kumbalgamuwa Mini Hydro (Pvt) Ltd	Mortgage	10,000	10,000	Stated Capital

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

34 EVENTS OCCURRING AFTER THE STATEMENT OF THE FINANCIAL POSITION

There have been no material events occurring after the statement of financial position that require adjustments to or disclosure in the financial statements of the Group.

35 CONTINGENCIES

35.1 The Board

The contingent liability arising with regard to the litigation matters pending in the labour tribunal and other Courts including Court of appeal and Supreme Courts as at 31.12.2018, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.4,389.3 Mn.

35.2 LTL Holdings (Private) Limited

Legal Claim Contingencies

Heladhanavi Limited

HC (Civil) ARB /185/2014- Heladhanavi Limited Vs. Ceylon Electricity Board

The entity has filed this Application seeking to enforce an arbitral award delivered in favour of the Company on 29 October 2013 by the Honorable Arbitral Tribunal in the matter of Heladhanavi Limited Vs Ceylon Electricity Board.

Judgement for the above case was pending on 19 July 2017, however, it was not ready on that due date and the cases were postponed to 10 November 2017. On 10 November 2017, the High Court granted the enforcement application in favour of the subsidiary company

HC (Civil) ARB /268/2013- Heladhanavi Limited Vs. Ceylon Electricity Board

Ceylon Electricity Board filed this Application against the entity seeking inter alia for an order to set aside the arbitral award mentioned above in the matter of Heladhanavi Limited Vs Ceylon Electricity Board dated 29 October 2013.

Judgement for the above case was pending on 19 July 2017, however, it was not ready on that due date and the cases were postponed to 10 November 2017. On 10 November 2017, the the High Court granted the enforcement application in favour of the subsidiary company

Supreme Court Appeal No SC/HC/LA Application 142/2017 - Final Appeal by CEB against enforcement of award in favour of Heladanavi Ltd

CEB is not entitle to directly appeal against the judgment granted in favour of Heladanavi; However, it is permitted to appeal to Supreme Court by way of Special Leave to appeal with the permission of SC having been obtained first. Supreme Court has fixed this appeal for hearing .

35.3 Lanka Coal Company (Pvt) Ltd

The company has filed a case against Liberty Commodities for the amount over claimed by Liberty Commodities . The case is awaiting arbitration decision. The carrying value of the claim as at the balance sheet date is Rs. 236Mn.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

36 CAPITAL COMMITMENTS**36.1 The Board**

The Board does not have material purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary course of business as at 31st December 2018.(2016 - Nil).

36.2 Lanka Electricity Company (Pvt) Limited

The Company does not have material purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary course of business as at 31st December 2018.(2016 - Nil).

36.3 LTL Holdings (Pvt) Ltd**Leases**

Finance Lease commitments the Group as lessee is disclosed in Note 22.5

Finance Lease receivable the Group as lessor is disclosed in Note 12

Letter of Credits

Bank	2018	2017
Hatton National Bank PLC	17,465	35,943
Standard Chartered Bank	254,244	44,755
	271,709	80,698

Guarantee

Bank	2018	2017
Hatton National Bank PLC	264,600	765,935
Canara Bank - India	1,689	5,622
Standard Chartered Bank	172,450	154,221
Commercaill bank of Ceylon PLC	-	61,828
	438,739	987,606

Import Bills

Bank	2018	2017
Hatton National Bank PLC	3,652	133,295
Standard Chartered Bank	30,553	55,860
	34,205	189,155

LTL Holding (Private) Limited has provided corporate guarantees totalling to Rs 2,567,168,704/- for a bank loan obtained by subsidiaries (2017:RsRs 2,130,928,704/-)

Lakdhanavi Limited, a subsidiary of LTL Holdings Ltd has committed performance guarantees totalling to Rs 6.6Bn and USD 25,000 for various banks. Further, the Company has committed towards NDB Bank PLC for USD 4,104,000 as performance guarantee to the Bangladesh Power Development Board on construction of the power plant by Feni Lanka Power Ltd, the new subsidiary added to the group in Bangladesh.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

36.4 Operating Lease Commitments - Group as a lessee**LTL Holdings (Private) Limited****Nature**

The company has entered into an operating lease agreement with Lanka Industrial Estate Limited for a period of 30 years commencing from 1st June 1998 to 31 May 2028

	2018	2017
Within One Year	12,230	12,230
After One year but not more than 5 years	3,057	6,115
	15,287	18,345

Infra Engineering (Pvt) Ltd**Nature**

The company has entered into an operating lease agreement with Ms.Hikkaduwa Liyanage Chithralatha for a period of 22 years commencing from 26th September 2014 to 25th September 2036.

	2018	2017
Within One Year	321	321
After One year but not more than 5 years	1,606	1,606
More than five years	3,801	4,118
	5,728	6,045

Pawan Danavi (Pvt) Ltd**Nature**

The company obtained leasehold right to land for 25 years, 21 years and 20 years by the agreements dated 2011-08-11 and 2011-09-25 respectively. Amount paid to obtain leasehold right is amortized over lease period.

	2018	2017
Within One Year	270	270
After One year but not more than 5 years	1,083	1,083
More than five years	2,720	2,991
	4,073	4,344

36.5 Other Commitments**Lakdhanavi Limited**

The Company is liable to the government of the Democratic Socialist Republic of Sri Lanka, equivalent to the amount that dividends received from West Coast Power (Private) Limited, if any technical error in the construction of Kerawalapitiya Power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.

Lakdhanavi Bangala Power Limited

As per PPA, the Company shall furnish BPDB an irrecoverable and unconditional bank guarantee by a schedule bank in Bangladesh, for the sum specified, two months capacity payments equaling Tk 117,844,860 as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly the Company has provided the above guarantee from The City Bank Limited for the equivalent of Tk 117,844,860. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the company shall be required to pay to BPDB.

Raj Lanka Power Co. Limited

As per Power Purchase Agreement (PPA), the Company shall furnish Bangladesh Power Development Board (BPDB) an irrecoverable and unconditional bank guarantee by a schedule bank in Bangladesh, for the sum specified, two months capacity payments as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly, the Company has provided the above guarantee from Standard bank Ltd- Bangladesh for the equivalent of TK 110,163,300. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the Company shall be required to pay to BPDB.

Infra & Engineering (Pvt) Ltd

The proposed power plant to be set up in Bangladesh with a capacity of 114 MW under Feni Lanka Power Ltd, newly acquired sub-subsidiary of LTL Holdings Ltd will be undertaken by another sub-subsidiary of LTL Holdings Ltd, Infra & Engineering (Pvt) Ltd with a total capital cost of USD 72.6Mn

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

37 Related Party Disclosures**37.1. Transactions with the Government of Sri Lanka and its related entities.**

Since the Government of Sri Lanka directly controls the CEB, the Group has considered the Government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as related parties according to LKAS 24, "Related Party Disclosures".

The Group and the Board entered into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transactions have been reported in follows.

Nature of Transaction	Group		Board	
	2018	2017	2018	2017
Ceylon Petroleum Corporation Purchase of Fuel	46,276,991	59,758,230	46,276,991	59,758,230
Department of Public Enterprises Obtain Project Loans	15,379,717	17,737,183	15,379,717	17,737,183
Peoples Bank Obtain Bank Loans	63,568,932	2,582,250	62,168,932	2,582,250
Peoples Bank Investments	13,423,183	11,185,929	-	1,516,230
Bank of Ceylon Investments	260,264	1,426,937	-	-
State Mortgage & Investment Bank Investments	950,646	820,444	-	-
Ceylon Shipping Corporation Freight Charges	-	4,769	-	-

Further, transaction as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

Maintaining bank accounts and entering in to Banking transactions with Bank of Ceylon and Peoples Bank

Payments of statutory rates, taxes.

Payment for employment retirement benefit-EPF and ETF

Payment for utilities mainly comprising of telephone, electricity and water

Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation

Payment for insurance premiums to Sri Lanka Insurance Corporation.

Investments, Current Accounts and Borrowings with Banks that have ownership interest to the Government

(HNB, NDB, Commercial Bank and DFCC Bank)

37.2 PROVISIONS AND OTHER DEFERRED LIABILITIES

Related party transactions carried out by the Board with its related entities during the course of the business is listed below.

	Relationship	Nature of the Transaction	2018	2017
Lanka Electricity Company	Subsidiary	Sale of Electricity	25,478,362	25,182,113
		Cash receipts for electricity sales	25,117,887	(24,974,520)
		Dividend Income	383,909	274,221
		Dividend receipt	(383,909)	(274,221)
		Loan Settlement	2,196	2,222
LTL Holdings (Pvt) Ltd	Subsidiary	Dividend Income	1,889,622	1,889,622
		Dividend receipt	(1,594,965)	(1,259,748)
Lanka Coal Company (Pvt) Ltd	Subsidiary	Purchase of Coal	41,410,859	31,909,924
		Reimbursement of net expenditure	59,312	43,330
LTL Transformers Ltd	Sub-subsidiary	Purchase of Goods	2,284,068	1,025,029
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary	Receipt of Services	219,736	175,766
Nividu (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	56,037	41,557
Nividu Assupinella (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	190,808	183,271
Pawan Danavi Limited	Sub-subsidiary	Purchase of Electricity	597,840	660,013
ANTE LECO Metering Co (Pvt) Ltd	Sub-subsidiary	Purchase of Goods	806	806
Sri Lanka Energies HR (Pvt) Ltd	Sub-subsidiary	Receipt of Services	7,602	10,590
Kumbalgamuwa Mini hydro (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	95,130	92,372

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

37.3 Related Party Transactions among the group companies

Nature of the transaction	LTL Holding and subsidiaries	Lanka Electricity Company and subsidiaries	2018	2017
Sale of Goods & Services	221,215	273,749	494,964	764,088
Dividend	1,333,784	3,445	1,337,229	1,431,963
Other Services	-	5,457	5,457	13,188
Operational & Engineering Services	316,534	-	316,534	329,524

37.4 Transaction with Key Management Personnel of the Group

The Key Management Personnel's (KMPs) of the Board are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Board. Such key management personal of the Board are the members of its Board of Directors, and Chief Executive Officer.

Key Management of the group was considered as the Board of Directors of the subsidiaries, Joint venture and Ceylon Electricity Board as the parent.

Independent transactions with Key Management Personal and transactions with the close family members (CFMs) of the KMPs, if any, also have been taken into consideration in the following disclosure.

a) Key Management personnel Compensation

	Group		Board	
	2018	2017	2018	2017
Short- term employee benefits	88,961	75,002	5,326	5,272
Post - Employment benefits	9,668	8,208	-	-
	98,629	83,210	5,326	5,272

In addition to above compensation, the company also provides non cash benefits to Key Management Personnel in terms of employment contracts with them.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**38.1 Overview**

The Group has exposure to the following risks from its use of financial instruments.

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, procedures and processes for measuring and managing risk and the Group's management of capital.

38.2 Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and effective oversight of the Group's risk management framework. The Group's risk management procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Board of Directors oversee how management monitors in compliance with the Group's risk management procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Directors are assisted in their oversight role by the senior management.

Notes to the Financial Statements (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

38.3 Credit risk

Credit risk is the risk that one party to a financial instrument will causes a financial loss for the other party by failing to discharge an obligation.

The credit policy of Ceylon Electricity Board and Lanka Electricity Company (Pvt) Ltd is as follows:

For bulk consumers 15 days credit period is allowed to settle the bills and thereafter, a disconnection notice will be issued and further 10 days granted from the day of notice, if not acceded to this supply will be disconnected.

Ordinary consumers will be given 30 days credit period to settle the bill. Subsequent to this a red notice will be issued and further 10 days given after 40 days if not acceded to this a disconnection order will be issued for the disconnection of supply.

Individual characteristics of each customer is considered by analysing the credit worthiness before granting the credit facility and the group has implemented an effective credit control process, whereby age wise analysis of outstanding debtors are carried -out for effective control and timely recovery.

38.4 Liquidity risk

The liquidity risk of the group arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the group's operations while impairing investor, customer, and supplier confidence thereby weakening its competitive position

The group has implemented a strategic working capital management plan across all sectors where by the receivables are closely monitored and debtors' period is minimized. Careful vendor evaluations and procurement strategies ensure that correct prices are paid for inputs and maximum credit periods are negotiated to optimize the working capital cycle.

The group ensures its liquidity is maintained by investing in short, medium term financial instruments to support operational and other funding requirements. The short term liquidity problems are mitigated through negotiation with the bank to increase the overdraft limits at concessionary interest rates.

38.5 Market risk

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises Currency risk and Interest rate risk. The financial instruments affected by the market risk includes loans & borrowings, deposits an available for sale investments.

38.5.1 Foreign currency risk

The Group is exposed to currency risk on sales / purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated in U.S. Dollars or Euro currencies. The currency risk is minimized by the Group by internally hedging against any exchange rate transactions, over time. Amount equivalent to future payments are placed in short term income generating instruments for appropriate currencies such that the same is utilized for payments as and when they fall due.

38.5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages interest rate risk on its borrowings by maintaining a mix of fixed rate and floating rate facilities as well as maintaining deposits, which would cover against market fluctuations. Ceylon Electricity Board, being a government organization negotiates with the bank for favourable interest rates to minimise the exposure in interest rates.

Auditor General's Report



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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திகதி }
Date }

31 November 2019

The Chairman

Ceylon Electricity Board

Report of the Auditor General on the Consolidated Financial Statements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Consolidated Financial Statements

1.1 Qualified Opinion

The audit of the consolidated financial statements of the "Ceylon Electricity Board" (the CEB) and its Subsidiaries ("the Group") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be published with the annual report of the Board in terms of Section 12 of the National Audit Act, appear in this report. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. The financial statements of the Subsidiaries other than the Lanka Coal Company (Pvt.) Ltd and Sri Lanka Energies (Private) Ltd. were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries, while the financial statements of the Lanka Coal Company (Pvt.) Ltd. and Sri Lanka Energies (Private) Ltd were audited by me.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying consolidated financial statements give a true and fair view of the financial position of Group as at 31 December 2018, and of their financial performance and the cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Comments on Consolidated Financial Statements

1.2.1.1 The auditor of the Trincomalee Power Company Limited (TPCL) has emphasized the following matter on its financial statements.

The company, which operated with the sole purpose of developing a 500 MW Coal Power Plant in Sampur has ceased the development activities of that Power Plant and the expenses previously capitalized has been written off during the year under review. Instead, Cabinet approval has been received to setup a 50 MW Solar Power Plant by TPCL on the same land provided to construct the Coal Power Plant in Sampur. Further, Cabinet approval has also been granted to develop a 500 MW LNG Power Plant at Kerawalapitiya. However, any improvement in respect of the development activities of the above power plants had not been carried-out even as at the end of year under review. Accordingly, this indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

1.2.1.2 The Qualified Opinions on the financial statements of the following companies for the year ended 31 December 2018 had been expressed by me based on the following observations.



Auditor General's Report (Contd.)

**(a) Lanka Coal Company (Pvt.) Ltd**

- i. The Company had been imposed a forfeiture of Rs. 205,000,000 by Sri Lanka Customs on non-declaration of correct transaction value of the coal imports during the period from 19 September 2016 to 09 April 2018 and the forfeiture was decided on 12 December 2018 prior to signing the accounts by the directors. However, provision had not been made for the contingent liability in the financial statement for the year under review.
- ii. Difference of Rs. 100,327,636 had been observed between the liability of Economic Service Charge shown in the return and the financial statements of the Company as at 31 December 2018.
- iii. When importation of coal, a mark-up of 10 per cent added to the value at the point of Customs as a notional adjustment in ascertainment of the value for custom purpose which is not actually incurred. However, the Company had been added such 10 per cent mark-up amounting to Rs.3,723,718,278 to the revenue and later the Company had given such amount as discount to the debtor and charged to the cost of sale. As a result, the cost of sales and revenue had been overstated by similar amount.
- iv. The Company had failed to recover the receivable balance amounting to Rs. 539,192,079 from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL) with regard to short delivery of coal from agreed settlement method even though six years had been passed and provision also had not been made for the impairment.
- v. Brought forwarded Economic Service Charges (ESC) receivable and Withholding Tax (WHT) receivable aggregating to Rs. 971,868, Income Tax payable amounting to Rs. 65,474,540 and Nation Building Tax (NBT) receivable amounting to Rs. 3,371,326 and Value Added Tax (VAT) receivable amounting to Rs.12,758,801 which could not be verified in previous year audit been charged against retained earnings as prior year adjustment. However, the nature of the prior period error had not been disclosed in the financial statements.
- vi. Brought forwarded receivable balance of "Tax to be borne by Ceylon Electricity Board (CEB)" amounting to Rs. 12,241,774 shown in the financial statements had been charged against the retained earnings even without the board approval. However, it could not be verified the accuracy of the accounting treatment since details are not made available for audit.
- vii. VAT payable on reimbursement expenses amounting to Rs. 8,896,850 had not been accounted in the VAT control account. Hence, VAT liability had been understated by the similar amount.
- viii. A sum of Rs. 15,870,104 payable to Ceylon Shipping Corporation Ltd (CSCL) in respect of lightering charges which was paid by Ceylon Electricity Board (CEB) had been neither paid to CSCL nor presented as an advance received from CEB. Further, the Company had not accounted the aforesaid lightering charges as payable to CSCL though they have obtained the fund from CEB to settle the charge.
- ix. The balance confirmations and evidences relevant to verification of Rs.33,959,892 of Old Insurance Receivable from CSCL up to 154 shipment, Rs.66,307,336 of Ceylon Shipping Corporation Limited - Old payable, Rs. 18,075,801 of Misc Debtors, Rs. 4,677,508 of Receivable from CEB, Rs.1,760,500 of Other Receivable from CEB, Rs. 85,887,776 of Trade Creditors - Nobel Resources International Pte Ltd were not made available to the audit.

(b) The Qualified Opinion on the financial statements of the Sri Lanka Energies (Pvt) Ltd had been issued by me mainly based on the non-compliances with Sri Lanka accounting standards including following matters.

- i. The company had invested a sum of Rs. 7,364,447 as at 31 December 2014 to build a factory for manufacture and sale of cement based products using fly ash and bottom slag with joint venture, Amtrad Holdings (Private) Limited and the joint venture agreement has been terminated and the asset has been idling due to non-availability of a business partner. Although the Board of Directors of the Company had decided to handover the asset to Ceylon Electricity Board and communicated said matter to the General Manager on 10 November 2016, the asset was not taken over by Ceylon Electricity Board by 15 July 2019. However, I was unable to obtain sufficient appropriate evidence on the recoverability of the costs incurred in this regard. And the Group had not done any impairment in relation to the Investment made on the above project.

Auditor General's Report (Contd.)



- ii. As per bank statement, term loan interest and penalty charges for the year under review were Rs.14,410,173. However, only a sum of Rs. 12,960,397 had been charged as interest and penalty charges. As a result, profit of the year under review had been overstated by Rs. 1,449,776.
- iii. The staff of the Company had been engaged in administrative activities of the subsidiaries and a sum of Rs. 21,556,883 incurred there on had been considered as staff administration expenses of the Company without being reimbursed, during the year under review.
- iv. Notes had not been provided in the financial statement for deferred tax assets, fixed deposits, income tax provision and retirement benefit liability.
- v. The Company had not provided sufficient appropriate evidence for other receivables, advance and prepayments, accrued expenses, retirement benefit obligation and lease creditors amounting to Rs.704,076, Rs.797,264, Rs.1,193,739, Rs.466,223 and Rs.4,312,917 respectively. Therefore, it was unable to verify the accuracy of such balances in audit.

1.2.2 Comments on Financial Statement of the CEB

1.2.2.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

The following observations are made.

(a) LKAS 2- Inventories and LKAS 16 - Property, Plant and Equipment

The CEB is applying the standard cost method for valuing of labour, material and overhead costs of its capital and maintenance jobs, instead of applying the actual costs as per the provisions in the above Standards. As a result, the favourable material price variance and labour and overhead rate variances aggregating to Rs.5,532,199,136 and unfavourable stores price variance of Rs.1,356,322,492 arisen thereon had been brought to the financial statements.

As a result of that, the operating results, assets, liabilities and equity of the CEB have been significantly affected due to high financial involvement in relation to the capital jobs. However, the impact to the financial statements thereon could not be ascertained in audit due to non-availability of required information relating to those capital jobs.

(b) LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

(i) The spare parts worth Rs.302,590,349 and Rs.2,375,852,430 had been accounted under operational expenses and capital expenses respectively as per the instruction given by the Additional General Manager (Generation) without taking a firm policy decision by the Board of Directors of the CEB. Hence, the reasonability of the basis applied for such classification could not be accepted in audit. Further, the basis applied for the classification had not been disclosed in the financial statements.

(ii) The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed as mentioned in the accounting policies. For instance, fully depreciated four power stations and 1,116 numbers motor vehicles costing Rs.32,241,176,427 and Rs. 1,848,341,889 respectively are being still used without estimating the real life time.

(c) LKAS 16 - Property, Plant and Equipment

The fixed assets amounting to Rs.170,908,049,775 in the Transmission Division had not been physically verified during the year under review.

(d) LKAS 27- Provisions, Contingency Liabilities and Contingency Assets

Recoverability of Rs.2,312,756,993 invested in financial instruments by Employee Provident Fund (EPF) of the Board is doubtful due to non-existence of those financial instruments. The CEB is the custodian trustee of the Employee Provident Fund and therefore, ultimate responsibility for contingencies (if any) is remained with the Board. However, no provision or disclosure had been made in the financial statements of the Board regarding this contingent liability.

Auditor General's Report (Contd.)

**(e) LKAS 38 - Intangible Assets**

The amount of Rs.56,281,125 spend to purchase and develop software had not been identified as intangible assets as per the requirement of the standard and disclosure had not been made in the accounting policies.

1.2.2.2 Accounting Deficiencies

- (a) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs.403,717,966 and interest thereon amounting to Rs.16,045,328 were in doubt due to non-existence of those financial instruments. However, neither adjustment nor provision had been made in the financial statements in this regard.
- (b) A debit balance of Rs.1,410,889,819 (stock shortage) and a credit balance of Rs.39,522,766 (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.
- (c) As per the decision No. 10/2434/423/034 of the Cabinet of Ministers, the CEB should repay the loan and interest thereon for the loan amount of Rs.159,184,187,965 obtained for the construction of Lakvijaya Power Plant to the General Treasury. However, the CEB had not paid or made provision for the above payments although the External Resources Department had paid an amount of Rs.3,281,749,986 during the year under review and Rs.21,966,051,905 up to 31 December 2017 as interest for the said loan to the lending bank. Therefore, loss for the year under review and retained earnings as at 31 December 2018 had been understated by Rs.3,281,749,986 and Rs. 25,247,801,891 respectively.
- (d) The expenses incurred by the CEB on behalf of Employee Provident Fund maintains by the CEB amounting to Rs. 41,421,524 had been treated as expenses of the CEB without being treated as receivable and as such, the loss for the year under review had been overstated by similar amount.
- (e) The jobs carried out by the CEB for supply, maintenance and repair of power generators, lifts and air conditioners of the government institutions prior to the year 2013 had been valued at cost, and accounted them accordingly, instead of accounting based on their invoice values. As a result, the receivables and retained earnings shown in the financial statements had been understated by Rs.66,987,761.
- (f) The amount of Rs.5 billion paid to the General Treasury as levy in the year 2016 is shown as other debtors instead of being charged to the equity statement.
- (g) The difference of Rs.253,187,075 was observed between receivable balance of the Lanka Coal Company and the payable balance of the financial statements of the Board due to record of coal purchases on Performa invoice. As a result, the cost of sales had been understated and loss for the year had been overstated by same amount.
- (h) The CEB had not paid or made the provisions for the interest due to the General Treasury amounting to Rs.2,557,474,111 as per the conditions in Sub-loan Agreements and an additional interest ranging from 1 per cent to 2 per cent per annum have to be paid on delaying the above interest payment.
- (i) The CEB had not made provisions for the amount of Rs.432,223,807 for the power purchased from the Moragahakanda Mini Hydro Project for the year 2018. Hence loss for the year had been understated by same amount.
- (j) The disbursement amount of Rs.358,235,012 made during the year under review in relation to two projects had not been taken into accounts in preparation of the financial statements as per the record of Department of External Resources. As a result, work in progress and liabilities had been understated by same amount.

1.2.2.3 Un-reconciled Differences

- (a) A difference of Rs.783,963,130 was observed between the balance of Rs. 46,029,135,981 shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2018 and the corresponding balance of Rs. 46,813,099,111 shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.

Auditor General's Report (Contd.)



The Chairman of the CEB states in this regard as follows.

“As per the decision taken at the meeting chaired by the Secretary to the Treasury on 30 September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20 April 2013. However, the delayed interest payment of Rs.753, 610,829 was relevant to fuel purchase before 20 April 2013 by the CEB. Therefore, it is not required to carry out reconciliation for this difference since the CEB does not liable.”

However, this dispute had not been cleared even as at 31 December 2018 though it has been reiterated in audit reports since 2013 continuously.

- (b) Un-reconciled differences aggregating Rs.36,888,821 was observed between the balances of finalized bulk trade debtors as at 31 December 2018 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements of the year under review due to omission of some balances in billing system and as well as in the financial statements.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic consolidated financial statements to be prepared of the Group.

1.4 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor General's Report (Contd.)



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- 2.1.1** Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Group as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2** The consolidated financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3** The consolidated financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for audit observations in paragraphs 1.2.2.1 (a) (b) (d), 1.2.2.2 (a) (b) (c) (d) (e) (f) (h), 1.2.2.3 (a),(b) in this report.

W.P.C. Wickramaratne
Auditor General

Replies to the Report of the Auditor General

Replies to the Report of the Auditor General on the Financial Statements of the Ceylon Electricity Board and the Consolidated Financial Statements of the CEB and its Subsidiaries for the year ended 31st December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Consolidated Financial Statements

1.1 Qualified Opinion

Informative

1.2 Basis for Qualified Opinion

Informative

1.2.1 Comments on Consolidated Financial Statements

1.2.1.1 The auditor of the Trincomalee Power Company Limited (TPCL) has emphasized the following matter on its financial statements.

The existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

Cabinet approval has been granted to develop 50 MW solar power project as proposed coal power project site in Sampur and development of a 500 MW LNG power project in west coast of Sri Lanka. On consultation of BOI, a Directive from the Secretary Ministry of Power, Energy and business Development has been given to undertake 500 MW LNG power project. Joint Venture Share Holder Agreement (JVSHA) for the LNG power project was signed on 25th October 2019.

CEB, NTPC Ltd and Board of TPCL have previously decided to effect necessary changes to above JVSHA in preparing JVSHA for solar power project. It is expected that joint venture partners (Ceylon Electricity Board and NTPC Limited India) will take necessary steps to sign JVSHA of solar power project before 31st December 2019.

It has been decided at the Board meeting held on 28th June 2019 that infusion of funds should be done on signing of JVSHA for solar power project for the initial development of project activities.

1.2.1.2 The Qualified Opinions on the financial statements of the following companies for the year ended 31st December 2018 had been expressed by me based on there under.

(a) Lanka Coal Company (Pvt.) Ltd

- i. The Company had been imposed a forfeiture of Rs. 205,000,000 by Sri Lanka Customs on non-declaration of correct transaction value of the coal imports during the period from 19th September 2016 to 09th April 2018 and the forfeiture was decided on 12th December 2018 prior to signing the accounts by the directors. However, provision had not been made for the contingent liability in the financial statement for the year under review.**

This is identified as a contingent liability and make required disclosure under Note 25 in financial statement of LCC by giving the reasons for not making provision.

- ii. Difference of Rs. 100,327,636 had been observed between the liability of Economic Service Charge shown in return and the financial statements of the Company as at 31st December 2018.**

This is an inadvertent under provision caused due to a delay in issuance of the VAT invoices by LCC. The delay was caused due to irregular receipt of bills/reimbursement receipts from service providers. LCC will pass entries for the under provision in 2019 since the invoices issued for 2018 as a whole by now.

Replies to the Report of the Auditor General (Contd.)

iii. When importation of coal, a mark-up of 10 per cent added to the value at the point of Customs as a notional adjustment in ascertainment of the value for custom purpose which is not actually incurred.

LCC was given a directive to add the customs margin to cost in the issuance of VAT invoices to CEB. This pricing mechanism was adopted following a meeting held in the ministry on 28th June, 2018 with the attendance of an official from Inland Revenue Department (IRD). IRD official is on record and minuted having told that LCC's base value for VAT on invoices to CEB cannot be less than the value for customs purposes. The 10% is therefore, added solely on the directive of IR official. Since then CEB has challenged the directive and written to IR by their letter dated 07th September 2018. Waiting for IRD's response to CEB's letter. Until such time we add 10% customs margin to invoice but do not remit any excess output VAT to IRD in the interim pending issuance of a ruling by IRD. Hence the reason for the apparent overstatement of revenue.

iv. The Company had failed to recover the receivable balance amounting to Rs.539,192,079 from Taurian Iron and Steel Company Ltd (TISCL)

Taurian Iron and Steel settlement was handled by a high level committee. The committee has not opined that the debt is bad and even the buyer has consented to settle the dues by supplying coal. According to information in our possession the settlement proposal has been submitted for determination by the cabinet.

According to CSCL the decision of the cabinet of the Ministers is still awaited. Neither CSCL nor the committee report had opined that the balance was irrecoverable but rather there was no consensus as to the modality of settlement. Therefore, there is no evidence of impairment for a certainty.

v. Brought forwarded Economic Service Charges (ESC) receivable and Withholding Tax (WHT) receivable aggregating to Rs. 971,868, Income Tax payable amounting to Rs. 65,474,540 and Nation Building Tax (NBT) receivable amounting to Rs. 3,371,326 and Value Added Tax (VAT) receivable amounting to Rs.12,758,801

LCC has given descriptive notes (Nos. 21, 23) in the Financial Statements of LCC for the year 2018 about each individual amount mentioned above as follows.

VAT

Input VAT which has been accounted for as a receivable of Rs.12,758,801 at the end of 2017 was adjusted to reflect the correct position. LCC has written to the Inland Revenue Department (IRD) inquiring to the possibility of receiving a refund of input VAT. IRD by their letter dated 14th June 2018 explained that in terms of section 22(5) of VAT Act No 14 of 2002 the input VAT paid by the company shall not be refunded. Accordingly, having obtained the Board permission at the meeting held on 26th July 2018 the above receivable amount was adjusted.

NBT

NBT paid by the company in the past had been accounted for as a receivable and stood at Rs.3,371,326 at the end of 2017. LCC being an importer and trader of coal is not entitled to claim refund of NBT paid. Therefore, Board permission was obtained at the meeting held on 26th July 2018 to adjust the above balance from the balance sheet.

Income Tax

The Inland Revenue department confirmed in writing that the outstanding income taxes were only Rs. 2,049,484 and Rs. 3,590,678 for the years 2014/2015 and 2013/2014 respectively. Therefore, tax payable of Rs.11,703,151 which was no longer necessary was adjusted with the approval of the Board of Directors at the meeting held on 26th July 2018.

There was a further extra provision of Rs. 65,474,540 for income tax. This too was no longer necessary according to written confirmation of Income tax liability from IRD referred to above. Therefore, the excess provision was reversed with the permission of the Board leaving out the payable as per written confirmation from IRD.

ESC/WHT

Irrecoverable ESC and WHT totaling Rs. 971,868 also formed part of the approval received from the Board to write off long outstanding unsubstantiated tax balances.

Replies to the Report of the Auditor General (Contd.)

- vi. Brought forwarded receivable balance of "Tax to be born by Ceylon Electricity Board (CEB)" amounting to Rs.12,241,774 shown in the financial statements had been charged against the retained earnings even without the board approval.**

There is no long outstanding tax liability apart from income tax liability for the years 2014/2015 and 2013/2014 of respectively Rs. 2,049,484 and Rs. 3,590,678 as confirmed by IRD in writing. Therefore, the above receivable from CEB which does not correspond to payables for tax was written off.

- vii. VAT payable on reimbursement expenses amounting to Rs. 8,896,850 had not been accounted in the VAT control account. Hence, VAT liability had been understated by the similar amount.**

As per the audit query itself these are re-imbursements for which LCC possess bills. There is no margin added for LCC services. The tax consultant's advice was that re-imbursement of expenses is not liable for VAT.

- viii. A sum of Rs. 15,870,104 payable to Ceylon Shipping Corporation Ltd (CSCL) in respect of lightering charges which was paid by Ceylon Electricity Board (CEB) had been neither paid to CSCL nor presented as an advance received from CEB.**

The above amount does correspond to VAT on lightering charges and not form part of charges for lightering service. LCC did not pay the amount to CSC because Inland Revenue issued a ruling making lightering liable for VAT at 0%. In the meantime, customs department issued final VAT assessment up to shipment no 154 levying an additional assessment of Rs 67.7 Million to the company. In order to avoid any recovery action by customs the above receipt was utilized to make a partial settlement of final VAT assessment. If LCC had not made this settlement there were indications of a possible clamp down on clearance of coal shipments.

- ix. The balance confirmations and evidences relevant to verification of Rs.33,959,892 of Old Insurance Receivable from CSCL up to 154 shipment, Rs.66,307,336 of Ceylon Shipping Corporation Limited -Old payable, Rs. 18,075,801 of Misc Debtors, Rs. 4,677,508 of Receivable from CEB, Rs.1,760,500 of Other Receivable from CEB, Rs. 85,887,776 of Trade Creditors - Nobel Resources International Pte Ltd and Rs.1,964,060 of legal, audit and professional fees payable were not made available to the audit.**

Rs. 66,307,336 old payable to CSC

This amount is held back from payable to CSC to compensate for old insurance receivable and excess VAT payment to Customs of respectively Rs. 33,959,892 and Rs. 26,506,919. Both these amounts are effectively responsibility of CSC.

Legal, Audit & Professional fees payable Rs 1,964,060

The above provision was left to meet the outstanding legal expenses of 2018. LCC has so far made the following payments in 2019 against the payable balance.

11/6/2019	Bratschi Ltd., Geneva	Rs. 1,144,478
04/7/2019	Thisath Wijegunawardena	Rs. 75,000

Old insurance CSC Rs. 33,959,892

Minuted for CSC to absorb this insurance cost and CSC director has consented for set-off. These are respect of shipment nos. 79 to 154. The subject minutes can be made available for perusal.

Misc debtors Rs. 18,075,801

Initial investigations revealed that the amount consists of overpayment to customs. Being further analysed.

Receivable from CEB Rs. 4,677,508

Amount left after settlement of the account with CEB in 2017. Being investigated to ascertain source/ origin.

Other receivable CEB Rs. 1,760,500

Amount left after settlement of the account with CEB in 2017. Being investigated to ascertain source/ origin

Trade creditors Noble Rs. 85,887,776

Part of the amount under drawn by Noble Resources Intl. Pvt Ltd due to expiry of LC validity.

Replies to the Report of the Auditor General (Contd.)

(b) The Qualified Opinion on the financial statements of the Sri Lanka Energies (Pvt) Ltd (SLE) had been issued by me mainly based on the non-compliances with Sri Lanka accounting standards including following matters.

i. The company had invested a sum of Rs. 7,364,447 as at 31st December 2014 to build a factory for manufacture and sale of cement based products using fly ash and bottom slag

This investment in Ash Brick Project worth of Rs. 7.3 Mn was a long outstanding qualification which was addressed by the audit and management committee of SLE to write a letter to CEB stating to acquire these land and buildings after a proper valuation and based on this said advise SLE could obtained valuation through the valuation department of Sri Lanka for a value of Rs. 2.6 Mn which was confirmed through a letter by the valuation department dated on 31st May 2019. Will adjust the impairment loss in this year.

ii. As per bank statement, term loan interest and penalty charges for the year under review was Rs. 14,410,173.

Total financial expenses indicates as Rs.15,744,485 out of that Rs.12,836,150 was for interest on loans where the rest indicated the bank charges, leasing interest and exchange Loss.

iii. The staff of the Company had been engaged in administrative activities of the subsidiaries without charging a fee from subsidiaries.

As the subsidiaries have not been generating adequate surplus during the year the principle of charging management fees have not been effected. SLE will adhere this concept from 2019.

iv. Notes had not been provided in the financial statement for deferred tax assets, fixed deposits, income tax provision and retirement benefit liability.

Based on the decision had taken by the previous Board of Directors income tax & deferred tax calculations of SLE were handed over to an independent audit firm. Financial statements for year 2018 were finalized prior to receiving the said independent calculation due to the limited time frame and provision of Rs.875,214 was entered only as a provision of finalizing the financials. By now the said independent calculation received and SLE is in the process of finalizing the same.

v. The Company had not provided sufficient appropriate evidence for other receivables, advance and prepayments, accrued expenses, retirement benefit obligation and lease creditors

The said balances were submitted to the audit with the reply made for the draft opinion. This interest receivable is a long outstanding which need to be written off and SLE seek Board approval for same.

1.2.2 Comments on Financial Statement of the CEB

1.2.2.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

The following observations are made.

(a) LKAS 2- Inventories and LKAS 16 - Property, Plant and Equipment

The CEB is applying the standard cost method for valuing of labour, material and overhead costs of its capital and maintenance jobs, instead of applying the actual costs as per the provisions in the above Standards.

Other than the Distribution Division assets which are transferred from WIP all other Property, Plant and Equipment (Land, Building, Motor Vehicle, Machinery, and Office Equipment) are valued at actual cost which complies with the recommendations of LKASs.

LKAS 02 - "Techniques for the measurement of the cost of inventories, such as the **standard cost method or the retail method, may be used for convenience if the result approximates the cost**". The reason for using the standard cost method for valuation of inventory by CEB is that, there should be a standard cost base to each customer in any area irrespective of the price

Replies to the Report of the Auditor General (Contd.)

changes of the materials. Further, large number of inventory items being used for line construction and other business activities where it is practically difficult to find actual cost. Labour rate is calculated based on actual average direct labour cost and it is absorbed to capital and maintenance jobs. Overhead rate is calculated using directly attributable overhead related to respective capital or maintenance jobs.

The PUCSL guidelines for "Methodology for Charges" also defined that "Each licensee shall calculate Standard Prices for all items of material used for the provision of electricity supply services in the operational area. The standard prices so calculated shall be valid for a period of one year starting from 01st January to 31st December of any year"

The present system does not support to split the price variances related to the capital jobs and the maintenance jobs due to the high volume of such jobs in the Distribution Divisions. This issue has been highlighted and discussed at the process study for the proposed ERP system. Action will be taken to find a solution for this issue with the implementation of ERP system in the future.

A committee appointed to study the most appropriate method for valuation of inventory has recommended to apply "Weighted Average Pricing method". Meanwhile CEB is in the process of implementing ERP system with the Weighted Average Inventory Valuation method. When ERP system introduce in CEB these issues will be eliminated.

Further until implementation of ERP system the committee has proposed to review the standard price bi-annually in order to further minimize the gap between actual price and standard price.

Action had been taken to eliminate the labour rate variance from financial statements of Distribution Division 04 with effective from 2019. Instructions were issued to other three Distribution Division for the implementation of the same.

(b) LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

(i) The basis applied for the classification had not been disclosed in the financial statements.

The Circular No:-GHQ/AGM (G)/Circular /2018/01 dated 17th September 2010 was issued on "Spare Parts of Generation Division - Demarcation of Capital Expenditure and Operating Expenditure" with effect from 01st January 2019. Action has been taken to record the transaction adhering to this circular with effect from 01st January 2019.

(ii) The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed as mentioned in the accounting policies.

Non-current assets of Generation Division, such as power plants are unique and complex in nature and there is no specific institution / guideline to carry out the reassessment of the life of the assets & Valuation. This issue will be further study.

Fully depreciated Motor Vehicle using without revaluating

The action will be taken to appoint a Committee to study the policy and to streamline the process.

(c) LKAS 16 - Property, Plant and Equipment

The fixed assets amounting to Rs.170,908,049,775 in the Transmission Division had not been physically verified during the year under review.

Action has been taken to physically verify the fixed assets of the Transmission Division

(d) LKAS 27- Provisions, Contingency Liabilities and Contingency Assets

Recoverability of Rs.2,312,756,993 invested in financial instruments by Employee Provident Fund (EPF) of the Board is doubtful due to non-existence of those financial instruments.

As per the Paragraph 3.10 of the Conceptual Framework for Reporting Entity, A reporting entity is an entity that is required, or chooses, to prepare financial statements. Accordingly, the CEB Provident Fund is a separate entity managed through Rules of Provident Fund (Gazette no.1321/18 - 2003 -12-31). Provident Fund Rules required the Fund to prepare separate Financial Statement.

Replies to the Report of the Auditor General (Contd.)

Further, as per the clause 21(ii) of the Provident Fund rules “as at end of each financial year of the Board the Committee shall make up the accounts of the Fund and furnish the same to the Board. In so making up the accounts of the Fund, the Committee with the advice of the Auditors of the Fund may create such reserves and make such provisions as may think advisable”.

Therefore ultimate responsibility for contingencies (if any) is remained with the Fund. Accordingly, required disclosures had been made in the financial statements of the Fund regarding this contingency.

(e) LKAS 38 - Intangible Assets

The amount of Rs.56, 281,125 spend to purchase and develop software had not identified as intangible assets as per the requirement of the standard and disclosure had not been made in the accounting policies.

Action has been taken to record the software as intangible assets as per the requirements of the Standard and disclosures will be made of the Financial Statement.

1.2.2.2 Accounting Deficiencies

(a) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs.403, 717,966 and interest thereon amounting to Rs.16, 045,328 were in doubt due to non-existence of those financial instruments.

Civil Case has been filed by CEB against Entrust Securities PLC in the District Court of Colombo under the Case Number DMR/1029/2018 to recover the Face Value and the Defaulted Coupon Interest Payments therein. The case has been fixed for summons returnable and the next hearing date is 01st October 2019.

Further a settlement plan is being negotiated with Central Bank of Sri Lanka in which CBSL proposed to repay 50% of the invested amount with the Defaulted Coupon Payments and settle the remaining balance in Four (04) equal instalments. In response to the said proposal, Chairman-CEB, Mr. W.B. Ganegala, by his letter dated 04th October 2017, expressed CEB's consent to the said proposal without prejudice to the right of the CEB to institute any legal action against Entrust Securities PLC to recover any unpaid value of the total investment. Subsequent to the said letter, several reminders have been sent inquiring the current status of the aforesaid settlement Plan in response to said letters, CBSL has mentioned that the proposed settlement plan has been referred to Monetary Board of CBSL for approval.

(b) A debit balance of Rs.1,410,889,819 (stock shortage) and a credit balance of Rs.39,522,766 (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.

Action has been taken by the respective division to clear the stock adjustment account frauds, shortages which are on legal action.

(c) CEB had not paid or made provisions in its accounts for the loan and interest thereon for the loan amount obtained for the construction of Lakvijaya Power Plant to the General Treasury.

By considering the outcome of key performance indicators of Financial Statements of Ceylon Electricity Board, the decision was taken by the General Treasury at the meeting held on 11th July 2018 as of total debt of Lakvijaya Power Plant to be converted to equity of GOSL. Therefore, it was unable to regularize by the General Treasury due to non-availability of budget allocations provided to Department of State Accounts during the year 2018. However, action has been taken to covert repayments & interest amounting to Rs. 20,499,241,722.25 to equity which General Treasury has paid EXIM Bank of China during the year 2019.

The CEB will take action to adjust the books of CEB once the written direction is received from Department of Treasury Operations.

Replies to the Report of the Auditor General (Contd.)

(d) The expenses incurred by the CEB on behalf of Employee Provident Fund maintains by the CEB amounting to Rs.41,421,524 had been treated as expenses of the CEB without being treated as receivable and as such, the loss for the year under review had been overstated by similar amount.

According to the clause 20 (i) of the Provident Fund Rules published under the Ordinary Gazette Notification No. 1321/18 dated 31st December 2003, Expenses of managing and administering of the Provident Fund including expenses directly attributable to the buying and selling of Investments shall be a charge on the funds of the BOARD, unless otherwise decided by the BOARD from time to time.

Therefore inclusion of expenses pertaining to CEB Provident Fund, amounting to Rs. 41,421,524.00 into CEB's Financial Statements is in accordance with the aforesaid CEB Provident Fund Rules. Hence, it is not required CEB to record Provident Fund expenses as receivables in the Financial Statements of CEB.

(e) The jobs carried out by the CEB for supply, maintain and repair of power generators, lifts and air conditioners of the government institutions prior to the year 2013 had been valued at cost and accounted them accordingly instead of account based on their invoice values.

It had been the practice of units coming under the purview of DGM (W&AS) serving the engineering estimates to government institutions in relation to the annual maintenance jobs carried out by CE (Power Plants), CE (AC & Ref.) and CE (Lifts), and recording the actual cost incurred by CEB until the estimated value is being recovered from the relevant government institutions, as the government institutions are very much reluctant to make the payments due to CEB on annual maintenance jobs. As a result, the CEB started issuing an invoice on quarterly basis to its clients for the work done from 2015.

However, persistent efforts have been taken to recover at least the cost incurred by CEB from the government institutions that were outstanding from year 2005 and it was unsuccessful.

Finally, due to the inability of taking legal action against the government institutions to recover the dues, as cited by the Attorney General, a full bad debt provision had been made in the Statement of Comprehensive Income of 2017 in this regard.

Recording the previous transactions (prior to 2013) in the Financial Statements of 2018 at its invoiced value instead of the cost, as mentioned in the Audit Report, the net result on the Financial Statements would be insignificant even after converting the transactions that made prior to 2013, because of increasing the provision for overdue receivables by the same amount, in order to make the full provision to be on par with the receivables as of 2018.

As such, it is not agreeable with the statement that the receivables and retained earnings shown in the Financial Statements had been understated by Rs. 66,987,761.

(f) The amount of Rs.5 Billion paid to the General treasury for the levy in the year 2016 is shown as other debtors instead of being charged to the equity statement.

In this regard General Manager - CEB requested clarifications from the Director General (Treasury Operations) with a copy to the Director General Public Enterprises, by his letter no. CEB/FM/GN/584 and dated on 03rd September 2019. Director General, Department of Public Enterprises has given instruction by her letter no. PED/I/CEB/2/11/iii and dated on 16th October 2019 to treat Rs. 5 Bn as Management fee paid to the Treasury and accordingly such cost will be accounted in the books and amortize over 10 years periods.

(g) The difference of Rs.253, 187,075 was observed between receivable balance of the Lanka Coal Company and the payable balance of the financial statements of the Board due to record of coal purchases on Performa invoice.

This issue was addressed by the audit query 2016 (POE/C/CEB/FA/2016) and both parties (CEB/LCC) agreed to use value of Performa Invoice until final Tax Invoices are issued by LCC. Therefore, the outstanding balance as at 31st December 2017 was zero. But, LCC has changed this criteria to actual invoice basis in 2018. The reason to the difference is this change.

Replies to the Report of the Auditor General (Contd.)

(h) The CEB had not paid or made the provisions for the interest due to the General Treasury amounting to Rs.2,557,474,111 as per the conditions in Sub-loan Agreements and an additional interest ranging from 1 percent to 2 percent per annum have to be paid on delaying the above interest payment.

The provision for the interest payable to Treasury on project sub loans as per the terms & conditions of Sub Loan Agreement signed between Ceylon Electricity Board & General Treasury for the year 2018, has not been accounted by CEB as per decision taken at the meeting held on 11th January 2018 at the Department of Public Enterprises. It was agreed to convert into equity, the sub loans made to the CEB through the General Treasury after 31st December 2014 which were not converted as per the Cabinet decision taken on 18th March 2015.

Subsequently, this matter has been discussed with meeting held on 3rd October 2019 at the Chairmanship of Director General, Department of Public Enterprises, and debt outstanding in the CEB's books and resolving the issues connected to accounting for debt to equity conversation. Due to non-availability of budget allocation in the state department it was decided that on receiving concurrence of Auditor General, the debts outstanding will be converted to equity. Further it was also agreed that other than any of the above sub loans, all the loans and credits arrangements except the Puttalam Coal Power Loans are to be considered as Grant to CEB.

Accordingly, the General Treasury has converted loan repayments (Installments & Interest) of Rs. 20, 499,241,722.25 of Puttalam Coal Power Plant for the year 2019 as equity of GOSL and CEB has informed by Department of Public Enterprises to make necessary accounting adjustments for the loan outstanding of CEB Books.

(i) The CEB had not made provisions for the amount of Rs.432, 223,807 for the power purchased from the Moragahakanda Mini Hydro Project for the year 2018. Hence loss for the year had been understated by same amount.

There are three Mini Hydro Power Projects related to Moragahakanda Reservoir for which Standardised Power Purchase Agreements (SPPA) have been signed in 2012 by CEB with the Ministry of Irrigation & Water Resources. The three projects are Moragahakanda Reservoir MHP (Phase I), Moragahakanda Reservoir MHP (Phase II) and Moragahakanda Reservoir MHP (Phase III). In 2018, close to the commissioning of these plants, CEB was informed that the Mahaweli Authority of Sri Lanka (MASL) has become the owner of the three projects and the requirement to amend the SPPA accordingly. At this stage, the project milestone for grid connection specified in the SPPA had lapsed and hence the agreements too had gone into default. In view of the high water level of the Moragahakanda reservoir and the national requirement, on the request of MASL, the projects were allowed to generate electricity and commissioning too was allowed.

During commissioning it was also observed that the generation capacities of phase II and Phase III projects had changed with respect to the SPPA.

Phase I project and Phase II project were commissioned on 24th May 2018 whereas Phase III was commissioned on 08th August 2018. But commercial operation was not granted at that time and it was subjected to amending the SPPA with all due required changes. Approval of the Board to sign addenda to the three SPPAs with inclusion of the required changes was obtained in October 2018. The addenda to the SPPAs were signed only in March 2019 after submission of necessary regulatory documents.

Due to the complexities involved i.e. change of ownership, changes to technical parameters, requirement of Board approval, signing of addenda to SPPAs after receipt of all regulatory approvals etc., provision for the above referred three Moragahakanda Mini Hydro Projects could not be made for the year 2018, specially there being no valid agreement at that time.

Replies to the Report of the Auditor General (Contd.)

- (j) **The disbursement amount of Rs.358, 235,012 made during the year under review in relation to two projects had not been taken into accounts in preparation of the financial statements as per the record of Department of External Resources. As a result of that, work in progress and liabilities had been understated by same amount.**

Renewable Energy Absorption Transmission Development Project (REATDP) - Rs.345,454,319

Disbursements during the year 2018 had been accounted based on the ERD statements. However, this amount has been omitted to account in year 2018 due to non appearance in the ERD statement obtained for accounting purpose. This was later discovered and accounted in August 2019 as a disbursement.

Clean Energy and Network Efficiency Improvement project. - Rs.12,800,693

This project is handled by Project Division and Distribution Division 02. Based on Project Division records, it is assured that all the disbursements have been accounted for the year 2018.

1.2.2.3 Un-reconciled Differences

- (a) **A difference of Rs.783,963,130 was observed between the balance of Rs.46,029,135,981 shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31st December 2018 and the corresponding balance of Rs. 46,813,099,111 shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.**

The issue has been taken up to the Audit Committee of the Ministry of Power and Renewable Energy for a settlement.

- (b) **Un-reconciled differences aggregating Rs.36,888,821 was observed between the balances of bulk trade debtors as at 31st December 2018 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements of the year under review due to omission of some balances in billing system and as well as in the financial statements.**

The process of recording billing transaction in the CEB billing system and the financial transactions record in the General Ledger will not be agreed at any given date. Distribution Divisions carry out a reconciliation to determine the reasons to such differences.

Heavy supply debtor's ledger balance includes active debtors, finalized debtors. However billing report extract from IT branch, includes only active debtors balance. Therefore difference between billing report extract from IT branch balance and the ledger balance is mainly due to finalized debtors.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Informative

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

Informative

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act No. 19 of 2018 includes specific provisions for following requirements

Informative



General Manager
Ceylon Electricity Board

Auditor General Report



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Date }

25 June 2019

The Chairman

Ceylon Electricity Board

Report of the Auditor General on the Financial Statements of the Ceylon Electricity Board for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the "Ceylon Electricity Board" (the CEB) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be published with the annual report of the Board in terms of Section 12 of the National Audit Act, appear in this report. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Comments on Financial Statements of the CEB

1.2.2 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) LKAS 2 - Inventories and LKAS 16 - Property, Plant and Equipment

The CEB is applying the standard cost method for valuing of labour, material and overhead costs of its capital and maintenance jobs, instead of applying the actual costs as per the provisions in the above Standards. As a result, the favourable material price variance and labour and overhead rate variances aggregating to Rs.5,532,199,136 and unfavourable stores price variance of Rs.1,356,322,497 arisen thereon had been brought to the financial statements.

As a result of that, the operating results, assets, liabilities and equity of the CEB have been significantly affected due to high financial involvement in relation to the capital jobs. However, the impact to the financial statements thereon could not be ascertained in audit due to non-availability of required information relating to those capital jobs.

(b) LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

- (i) The spare parts worth Rs.302,590,349 and Rs.2,375,852,430 had been accounted under operational expenses and capital expenses respectively as per the instruction given by the Additional General Manager (Generation) without



Auditor General Report (Contd.)



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NATIONAL AUDIT OFFICE

taking a firm policy decision by the Board of Directors of the CEB. Hence, the reasonability of the basis applied for such classification could not be accepted in audit. Further, the basis applied for the classification had not been disclosed in the financial statements.

- (ii) The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed as mentioned in the accounting policies. For instance, fully depreciated four power stations and 1,116 numbers motor vehicles costing Rs.32,241,176,427 and Rs. 1,848,341,889 respectively are being still using without estimating the real life time.

(c) LKAS 16 - Property, Plant and Equipment

The fixed assets amounting to Rs.170,908,049,775 in the Transmission Division had not been physically verified during the year under review.

(d) LKAS 27- Provisions, Contingency Liabilities and Contingency Assets

Recoverability of Rs.2,312,756,993 invested in financial instruments by Employee Provident Fund (EPF) of the Board is doubtful due to non-existence of those financial instruments. The CEB is the custodian trustee of the Employee Provident Fund and therefore, ultimate responsibility for contingencies (if any) is remained with the Board. However, no any provision or disclosure had been made in the financial statements of the Board regarding this contingent liability.

(e) LKAS 38 - Intangible Assets

The amount of Rs.56,281,125 spend to purchase and develop software had not identified as intangible assets as per the requirement of the standard and disclosure had not been made in the accounting policies.

1.2.3 Accounting Deficiencies

- (a) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs.403,717,966 and interest thereon amounting to Rs.16,045,328 were in doubt due to non-existence of those financial instruments. However, neither adjustment nor provision had been made in the financial statements in this regard.
- (b) A debit balance of Rs.1,410,889,819 (stock shortage) and a credit balance of Rs.39,522,766 (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.
- (c) As per the decision No. 10/2434/423/034 of the Cabinet of Ministers, the CEB should repay the loan and interest thereon for the loan amount of Rs.159,184,187,965 obtained for the construction of Lakwijaya Power Plant to the General Treasury. However, the CEB had not paid or made provisions in its accounts for the above payments although the Department of External Resources of the General Treasury had paid an amount of Rs.3,281,749,986 during the year under review and Rs.21,966,051,905 up to 31 December 2017 as interest for the said loan to the lending bank. Therefore, loss for the year under review and retained earnings as at 31 December 2018 had been understated by Rs.3,281,749,986 and Rs. 25,247,801,891 respectively.
- (d) The expenses incurred by the CEB on behalf of Employee Provident Fund maintains by the CEB amounting to Rs.41,421,524 had been treated as expenses of the CEB without being treated as receivable and as such, the loss for the year under review had been overstated by similar amount.

Auditor General Report (Contd.)



- (e) The jobs carried out by the CEB for supply, maintain and repair of power generators, lifts and air conditioners of the government institutions prior to the year 2013 had been valued at cost and accounted them accordingly instead of account based on their invoice values. As a result, the receivables and retained earnings shown in the financial statements had been understated by Rs.66,987,761.
- (f) The amount of Rs.5 billion paid to the General treasury for the levy in the year 2016 is shown as other debtors instead of being charged to the equity statement.
- (g) The difference of Rs.253,187,075 was observed between receivable balance of the Lanka Coal Company and the payable balance of the financial statements of the Board due to record of coal purchases on Performa invoice. As a result of that the cost of sales had been understated and loss for the year had been overstated by same amount.
- (h) The CEB had not paid or made the provisions for the interest due to the General Treasury amounting to Rs.2,557,474,111 as per the conditions in Sub-loan Agreements and an additional interest ranging from 1 per cent to 2 per cent per annum have to be paid on delaying the above interest payment.

1.2.4 Un-reconciled Differences

- (a) A difference of Rs.783,963,130 was observed between the balance of Rs. 46,029,135,981 shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2018 and the corresponding balance of Rs. 46,813,099,111 shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.

The Chairman of the CEB states in this regard as follows.

"As per the decision taken at the meeting chaired by the Secretary to the Treasury on 30 September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20 April 2013. However, the delayed interest payment of Rs.753, 610,829 was relevant to fuel purchase before 20 April 2013 by the CEB. Therefore, it is not required to carry out reconciliation for this difference since the CEB does not liable."

However, this dispute had not been cleared even as at 31 December 2018 though it has been reiterated in audit reports since 2013 continuously.

- (b) Un-reconciled differences aggregating Rs.36,888,821 was observed between the balances of bulk trade debtors as at 31 December 2018 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements of the year under review due to omission of some balances in billing system and as well as in the financial statements.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor General Report (Contd.)



In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

Auditor General Report (Contd.)



- 2.1.1** Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2** The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3** The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for audit observations in paragraphs 1.2.2 (a) (b) (d), 1.2.3 (a) (b) (c) (d) (e) (f) (h), 1.2.4 (b), 2.2.2 (c) (d) (e), 2.2.3 (a) (b), 2.2.4 (b), 3 (b) (c) (e) (f) (g) (h) (i) (j) in this report.
- 2.2.** Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- 2.2.1** To state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2** to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for
- (a) CEB had made emergency power purchases (1,398 GWh worth of Rs.34,326 million) for the period of April 2016 to December 2018 without applying Tender procedure as per the requirement of Subsection 4 C (ii) of Section 43 of Sri Lanka Electricity (amendment) Act, no. 31 of 2013 .
- (b) According to the court decision given under case no.CA/WRIT/193/2015, circular no.2014/GM/46/Pers dated 27 November 2014 is illegal, null and void. Therefore the payment of salaries based on this circular and other circulars issued on this is illegal. According to the sample audit, there was an overpayment of Rs.833,453,051 for the period from 2015 to 2018 approximately, without taking into account the effect of allowances, Overtime payment and days pay, bonus, PAYE Tax, Tax on Tax, EPF, ETF and Pension payment, leave encashment, interest on loans paid based on the incremental salary and action had not been taken to recover the overpayment from employees up to the date of this report.
- (c) Various staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board in contrary to the decision taken by the Cabinet of Ministers on 14 November 2007 and the provisions in the Management Services Circular No. 39 of 26 May 2009. At the audit test checks, it was revealed that such allowances totaling to Rs.1,873 million and Rs.1,930 million had been paid in the year 2018 and 2017 respectively.
- (d) The Cabinet of Ministers has taken decisions on 13 December 2007 at the time of salary revision and on 20 May 2015 at the time of consideration of Collective Agreement, to shift the Pay As You Earn (PAYE) tax liability to employees. However, the CEB had paid the PAYE tax of Rs.4,210,046,371 from its owned fund without deducting it from the salaries of the respective employees during the period from 2010 to 2018 in contravening to the above decisions taken by the Cabinet of Ministers. The amount so paid during the year under review was Rs.915,698,241 and indicating an increase of 35 per cent as compared with the previous year.

Further, the value of non-cash benefits specified by the Commissioner General of Inland Revenue in the Gazette Notification No.1706/18 dated 20 May 2001 should be considered when calculating the PAYE tax of each employee. However, the CEB had not taken into account the non-cash benefits such as provision of quarters, apartments and motor vehicles for private use etc. for this purpose.

Auditor General Report (Contd.)



- (e) Instead of granting vehicle loans at the rate of interest ranging 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 of 08 March 1998, the CEB had granted these loans at an interest rate of 4.2 per cent. Further, it was observed that the staff loans have been paid without any control even though the CEB faces severe liquidity problems.

- 2.2.3.** to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for

Reference to law/ direction	Description
(a) Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009	The CEB had not paid interest for consumer deposits as specified in the act and according to the computation made by audit based on the rate reported by the Public Utility Commission of Sri Lanka for the year 2018, the interest to be paid thereon was Rs.1,562 million and un paid accumulated interest as at 31 December 2018 was Rs.3,526 million.
(b) Ceylon Electricity Board Act, No. 17 of 1969 i. Section 47(2)(a)	The CEB may establish and maintain a Depreciation Reserve with the General Treasury in order to cover the depreciation of the movable and immovable property of the CEB. However, in contrary to that requirement, the CEB had established a Depreciation Reserve in its financial statements by transferring Rs.1 million per annum up to 31 December 2000 and thereafter no movement had been taken place. A sum of Rs.23 million being accumulated on that date had been carried forwarded in the financial statements continuously without any review.
ii. Section 46 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971	The CEB had invested only Rs.8,070 million as at 31 December 2018 in the Insurance Escrow Fund although it was stated that a contribution of 0.1 per cent of the total value of the gross fixed assets as at the end of each year since 1989 should be transferred to that Fund.
(c) Asset Management Circular No.01/2017 dated 28 June 2017 issued by Comptroller General of the Ministry of Finance and Mass Media	Non-financial asset information had not been sent to the Comptroller General as per the requirements of the circular.

- 2.2.4** to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for

- (a) Significant delay (April 2016 to May 2019) was observed in procurement of 50 nos. 1 MW transportable Generators (estimated procurement value is Rs.3 billion) and usage of the Generators were out the main objective mentioned in the Cabinet memorandum. Operations of the generators at a lower level due to some specification approved by Technical Evaluation Committee had not been considered by the procurement committee.
- (b) Three thousand insulators (Pin 33KV) procured at a cost of Rs.7,221,707 on 11 September 2014 had not been utilized due to inferior quality and it was remained idle without replacing at the stores up to 30 June 2019. It was further observed that the validity period of the performance bond obtained in this connection had been lapsed on 26 February 2016. Even though the said stock reordered as a third time, had not been satisfied the acceptance criteria.

Auditor General Report (Contd.)



3. Other audit observations

- (a) An amount of Rs. 1,931,142,380 is shown as deficit of the coal stock during the year under review. However the physical stock taking had not been carried out even the Board of survey team has been appointed. Hence it was unable to verify the accuracy of the coal stock balance available as at 31 December 2018.
- (b) Even though the CEB had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there were no sales and purchase agreements entered with those two parties in order to ensure the smooth operations between these two Institutions.
- (c) A sum of Rs.125,736,811 had been deducted by the lending agency in 2018 as commitment charges from the loans given for implementing the foreign funded projects of the CEB due to un-utilization of the funds in timely manner. However, the accuracy of the commitment charges cannot be verified due to non-availability of calculations.
- (d) The CEB had to purchase 362 GWh of electricity in the year 2018 since the continues delay in construction of power plants and proper implementation of Least Cost long term Generation Plan. Further a court case had been filed against CEB on the construction of 300 MW LNG power plant in Kerawalapitiya by the Lakdhanavi (Pvt) Ltd for not following the procurement guidelines.
- (e) A special investigation had been carried out by the Internal Audit Branch in respect of stock shortage of Rs.52,550,929 identified in 2014 under project of Uthuruwasanthaya in April 2017. However, no disciplinary action had been taken against the officer who is responsible for the shortage amount of Rs.6,220,855 out of Rs. 52,550,929 even up to the date of this report. Further, a court case (Case no B/1164/15) had been filed against other officer in Magistrate Court, Trincomalee by the Criminal Investigation Department in 2015 in this regard. Further, information relating to present position of the court case was not made available for audit.
- (f) The prompt actions had not been taken by the Board up to 16 August 2018 against the person who was liable for stock shortages of Rs.3,674,861 which had been occurred during the period of 20 November 2006 to 20 February 2012, in Asset Management Division (Power Plant) even the formal investigation was completed. Further, the same employee had committed a fraud in another office of the CEB and his duty has been terminated after recovering Rs.99, 155 as the value of the fraud prior to the aforesaid fraud.
- (g) An officer who liable for the stock shortage of Rs.3,789,893 had been allowed to retire on 15 October 2011 without being recovered the loss as recommended by the committee appointed for investigation. Further, the above material amount had remained in the books of account without being taken any remedial action.
- (h) Out of trade debtor balance of Rs.19,038,547,212 as at 31 December 2018, a balance of Rs.3,754,841,442 relating to both ordinary and bulk supplies had remained outstanding for over one year and out of them Rs.1,827,399,804 had remained unrecovered for more than five years. Further, an amount of Rs.423,764,624 is remained as unidentified since 2012.
- (i) A sum of Rs.32,765,469 due from the Lanka Electricity Company (Private) Limited (LECO) had remained outstanding for more than five years without taking any recovery action.
- (j) The following other receivable balances aggregating Rs. 2,505,752,812 had remained unrecovered for more than five years as at 31 December 2018.

Auditor General Report (Contd.)



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 தேசிய கணக்காய்வு அலுவலகம்
 NATIONAL AUDIT OFFICE

Name of Debtor	Amount Rs.	Description
General Treasury	225,000,000	Recovering cost of street lightening & maintenance.
Wood Group Gas Turbine Ltd.	8,264,352	Payments made for constructing an access road to the West Coast Power Plant.
Ministry of Power and Energy	6,142,277	Payments made for the opening ceremony of Kerawalapitiya Combined Power Plant.
Sri Lanka Sustainable Energy Authority	897,025,999	Tariff adjustment paid by the CEB to the Mini Hydro Developers.
AES Kelanithissa (Private) Ltd.	1,368,961,445	Amount to be recovered on payment of price differences.
Northern Power (Private) Ltd.	358,739	Amount to be recovered from augmentation job completed in 2011
Total	2,505,752,812	

- (k) A sum of Rs.714,965,435 due from Lanka Coal Company had remained outstanding for more than five years without taking any recovery action.
- (l) A sum of Rs. 4,834,319,648 Payable to china machinery Engineering Corporation was remained more than one year without being settled.
- (m) A sum of Rs.153,734,062 shown under other receivables of Asset management division is remained without being recovered for more than five years. Out of that amount Rs. 146,090,787 is to be recovered from the government institutions and CEB had not taken necessary action to recover at the initial stage of the transactions.
- (n) The amount of Rs.2,713,788,005 is shown as Trade creditors without being settling more than one year.

W.P.C.Wickramaratne
Auditor General

Replies to the Report of the Auditor General

Replies to the Report of the Auditor General on the Financial Statements of the Ceylon Electricity Board for the year ended 31st December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

Informative

1.2 Basis for Opinion

1.2.1 Comments on Financial Statements of the CEB

1.2.2 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) LKAS 2- Inventories and LKAS 16 - Property, Plant and Equipment

The CEB is applying the standard cost method for valuing of labour, material and overhead costs of its capital and maintenance jobs, instead of applying the actual costs as per the provisions in the above Standards.

Other than the Distribution Division assets which are transferred from WIP all other Property, Plant and Equipments (Land, Building, Motor Vehicle, Machinery, and Office Equipment) are valued at actual cost which complies with the recommendations of LKASs.

LKAS 02 - "Techniques for the measurement of the cost of inventories, such as the *standard cost method or the retail method*, may be used for convenience if the result approximates the cost". The reason for using the standard cost method for valuation of inventory by CEB is that, there should be a standard cost base to each customer in any area irrespective of the price changes of the materials. Further, large number of inventory items being used for line construction and other business activities where it is practically difficult to find actual cost. Labour rate is calculated based on actual average direct labour cost and it is absorbed to capital and maintenance jobs. Overhead rate is calculated using directly attributable overhead related to respective capital or maintenance jobs.

The PUCSL guidelines for "Methodology for Charges" also defined that "Each licensee shall calculate Standard Prices for all items of material used for the provision of electricity supply services in the operational area. The standard prices so calculated shall be valid for a period of one year starting from 01st January to 31st December of any year"

The present system does not support to split the price variances related to the capital jobs and the maintenance jobs due to the high volume of such jobs in the Distribution Divisions. This issue has been highlighted and discussed at the process study for the proposed ERP system. Action will be taken to find a solution for this issue with the implementation of ERP system in the future.

A committee appointed to study the most appropriate method for valuation of inventory has recommended to apply "Weighted Average Pricing Method". Meanwhile CEB is in the process of implementing ERP system with the Weighted Average Inventory valuation method. When ERP system introduce in CEB these issues will be eliminated.

Further until implementation of ERP system the committee has proposed to review the standard price bi-annually in order to further minimize the gap between actual price and standard price.

Action had been taken to eliminate the labour rate variance from financial statements of Distribution Division 04 with effective from 2019. Instructions were issued to other three Distribution Division for the implementation of the same.

Replies to the Report of the Auditor General (Contd.)

(b) LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

- (i) **The basis applied for the classification of spare part could not be accepted in audit and the basis applied for classification had not been disclosed in the financial statements.**

The Circular No :-GHQ/AGM(G)/Circular /2018/01 dated 17th September 2018 was issued on "Spare Parts of Generation Division - Demarcation of Capital Expenditure and Operating Expenditure" with effect from 01st January 2019. Action has been taken to record the transaction adhering to this circular with effect from 01st January 2019.

- (ii) **The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed as mentioned in the accounting policies.**

Non-current assets of Generation Division, such as power plants are unique and complex in nature and there is no specific institution / guideline to carry out the reassessment of the life of the assets & Valuation. This issue will be further study.

Fully depreciated Motor Vehicle using without revaluing

The action will be taken to appoint a Committee to study the policy and to streamline the process

(c) LKAS 16 - Property, Plant and Equipment

- The amount of Rs.170, 908,049,775 in the Transmission Division had not been physically verified during the year under review.**

Action has been taken to physically verify the fixed assets of the Transmission Division.

(d) LKAS 27- Provisions, Contingency Liabilities and Contingency Assets

- Recoverability of Rs. 2,312,756,993 invested in financial instruments by Employee Provident Fund (EPF) of the Board is doubtful due to non-existence of those financial instruments.**

As per the Paragraph 3.10 of the Conceptual Framework for Reporting Entity, A reporting entity is an entity that is required, or chooses, to prepare financial statements. Accordingly, the CEB Provident Fund is a separate entity managed through Rules of Provident Fund (Gazette no.1321/18 - 2003 -12-31). Provident Fund Rules required the Fund to prepare separate Financial Statement.

Further, as per the clause 21(ii) of the Provident Fund rules "as at end of each financial year of the Board the Committee shall make up the accounts of the Fund and furnish the same to the Board. In so making up the accounts of the Fund, the Committee with the advice of the Auditors of the Fund may create such reserves and make such provisions as may think advisable".

Therefore ultimate responsibility for contingencies (if any) is remained with the Fund. Accordingly, required disclosures had been made in the financial statements of the Fund regarding this contingency.

(e) LKAS 38 - Intangible Assets

- The amount of Rs.56, 281, 125 spend to purchased and developed the software had not identified as intangible assets as per the requirement of the standard and disclosure had not been provided in the accounting policies.**

Action has been taken to record the software as intangible assets as per the requirements of the Standard and disclosures will be made of the Financial Statement.

Replies to the Report of the Auditor General (Contd.)

1.2.3 Accounting Deficiencies

- (a) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs.403, 717,966 and interest thereon amounting to Rs.16,045,328 were in doubt due to non-existence of those financial instruments.**

Civil Case has been filed by CEB against Entrust Securities PLC in the District Court of Colombo under the Case Numbers DMR/1029/2018 to recover the Face Value and the Defaulted Coupon Interest Payments therein. The case has been fixed for summons returnable and the next hearing date is 01st October 2019.

Further a settlement plan is being negotiated with Central Bank of Sri Lanka in which CBSL proposed to repay 50% of the invested amount with the Defaulted Coupon Payments and settle the remaining balance in Four (04) equal instalments. In response to the said proposal, Chairman-CEB, Mr. W.B. Ganegala, by his letter dated 04th October 2017, expressed CEB's consent to the said proposal without prejudice to the right of the CEB to institute any legal action against Entrust Securities PLC to recover any unpaid value of the total investment. Subsequent to the said letter, several reminders have been sent inquiring the current status of the aforesaid settlement Plan in response to said letters, CBSL has mentioned that the proposed settlement plan has been referred to Monetary Board of CBSL for approval.

- (b) A debit balance of Rs.1,410,889,819 (stock shortage) and a credit balance of Rs.39,522,766 (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.**

Action has been taken by the respective division to clear the stock adjustment account frauds, shortages which are on legal action.

- (c) CEB had not paid or made provisions in its accounts for the loan and interest thereon for the loan amount obtained for the construction of Lakvijaya Power Plant to the General Treasury.**

There were outstanding amounts in the books of Ceylon Electricity Board (CEB) as separate two term loans that were received from EXIM Bank of China for the construction of Lakvijaya Power Plant, had been accounted as payable to Treasury in terms of said Cabinet Decision. However, the repayment of above two loans has been semi-annually made by General Treasury with the interest. It is noted that CEB had no stronger financial position to take over the repayment obligation due to non-availability of appropriate income based on the tariff approved by PUCSL.

According to Sri Lanka Accounting Standards, the provision would be made for outstanding dues of above two loans payable to General Treasury. But, the provision for interest & repayments had not been made in the books of CEB due respect of decision taken by Deputy Secretary to Treasury to allocate budget provision to convert the above two loans into equity subject to cabinet approval. Once the formal direction given by General Treasury, the action will be taken to record such transaction in the books of CEB subject to approval of the Board of CEB.

- (d) The expenses incurred by the CEB on behalf of Employee Provident Fund maintains by the CEB amounting to Rs.41,421,524 had been treated as expenses of the CEB without being treated as receivable and as such, the loss for the year under review had been overstated by similar amount.**

According to the clause 20 (i) of the Provident Fund Rules published under the Ordinary Gazette Notification No. 1321/18 dated 31st December 2003, Expenses of managing and administering of the Provident Fund including expenses directly attributable to the buying and selling of Investments shall be a charge on the funds of the Board, unless otherwise decided by the Board from time to time.

Therefore inclusion of expenses pertaining to CEB Provident Fund, amounting to Rs. 41,421,524.00, into CEB's Financial Statements is in accordance with the aforesaid CEB Provident Fund Rules. Hence, it is not required CEB to record Provident Fund expenses as receivables in the Financial Statements of CEB.

Replies to the Report of the Auditor General (Contd.)

- (e) The receivable value of the jobs carried out for the supply and maintenance of Power Generators, Lifts and air conditioners to government institutions had been accounted to the cost value instead of its invoice value for the period prior to year 2013.**

It had been the practice of units coming under the purview of DGM (W&AS) serving the engineering estimates to government institutions in relation to the annual maintenance jobs carried out by CE (Power Plants), CE (AC & Ref.) and CE (Lifts), and recording the actual cost incurred by CEB until the estimated value is being recovered from the relevant government institutions, as the government institutions are very much reluctant to make the payments due to CEB on annual maintenance jobs. As a result, the CEB started issuing an invoice on quarterly basis to its clients for the work done from 2015.

However, persistent efforts have been taken to recover at least the cost incurred by CEB from the government institutions that were outstanding from year 2005 and it was unsuccessful.

Finally, due to the inability of taking legal action against the government institutions to recover the dues, as cited by the Attorney General, a full bad debt provision had been made in the Statement of Comprehensive Income of 2017 in this regard.

Recording the previous transactions (prior to 2013) in the Financial Statements of 2018 at its invoiced value instead of the cost, as mentioned in the Audit Report, the net result on the Financial Statements would be insignificant even after converting the transactions that made prior to 2013, because of increasing the provision for overdue receivables by the same amount, in order to make the full provision to be on par with the receivables as of 2018.

As such, it is not agreeable with the statement that the receivables and retained earnings shown in the Financial Statements had been understated by Rs. 66,987,761.

- (f) The amount of Rs.5 Billion paid to the General treasury for the levy in the year 2016 is shown as other debtors instead of being charged to the equity statement.**

As per the instructions of Treasury and the Secretary of MOPRE, CEB paid Rs. 5 Billion to the Treasury through a term loan obtained from Peoples' Bank to meet the urgent fund requirement of the government subject to the condition that the Treasury will issue a Bond for the value of Rs. 5 Billion. Further it was decided to pay the interest rate difference to the CEB with regard to term loan and the Treasury bond. However, up to now Treasury has not issued the Bond of Rs. 5 Billion and CEB pays interest and capital to the Peoples' Bank of term loan. Hence, it is prudent to record Rs. 5 Billion as receivable in CEB Financial Statements under Current Assets, till proper instruction is received either to charge to the equity or expense of CEB.

- (g) The difference of Rs.253,187,075 was observed between receivable balance of the Lanka Coal Company and the payable balance of the financial statement due to record of coal purchases on Performa invoice. As a result of that cost of sales had been understated and loss for the year had been overstated by same amount.**

This issue was addressed by the audit query 2016 (POE/C/CEB/FA/2016) and both parties (CEB/LCC) agreed to use value of Performa Invoice until final Tax Invoices are issued by LCC. Therefore, the outstanding balance as at 31st December 2017 was zero. But, LCC has changed this criteria to actual invoice basis in 2018. The reason to the difference is this change.

- (h) The CEB had not paid or made the provisions an interest of Rs.2,557,474,111 to the General Treasury as per the conditions in Sub-loan Agreements and an additional interest ranging from 1 percent to 2 percent per annum have to be paid on delaying the above interest payment.**

CEB is unable to make any provision for interest on the outstanding balances of each loan from year 2015 in line with Sub Loan Agreements. CEB needs to get concurrence from the Department of Public Enterprises to make sure repayment of interest or any provision in par with allocation to be made by General Treasury. Though several discussions have been made in this regard with the Treasury officials. A decision has to be made in this regard.

Replies to the Report of the Auditor General (Contd.)

1.2.4 Un-reconciled Differences

- (a) **A difference of Rs.783,963,130 was observed between the balance of Rs. 46,029,135,981 shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31st December 2018 and the corresponding balance of Rs. 46,813,099,111 shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.**

This is a repeated audit query since year 2013 CEB stands for the previous answer which is reproduced below.

As per the decision taken at the meeting chaired by secretary to Treasury on 30th September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20th April 2013. However the delayed interest payment of Rs. 753,610,829 is relevant to fuel purchases before 20th April 2013 by CEB. Though it is appeared in the books of accounts of CPC, CEB does not bear any liability in this regard. Therefore it is not required to carry out reconciliation for this difference since CEB does not liable.

Further this issue has been taken up to the Audit Committee of the Ministry of Power, Energy and Business Development.

- (b) **Un-reconciled differences aggregating Rs.36, 888,821 was observed between the balances of bulk trade debtors as at 31 December 2018 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements of the year under review due to omission of some balances in billing system and as well as in the financial statements.**

The process of recording billing transaction in the CEB billing system and the financial transactions record in the General ledger will not be agreed at any given date. Distribution Divisions carry out a reconciliation to determine the reasons to such differences.

Heavy supply debtor's ledger balance includes active debtors, finalized debtors. However billing report extract from IT branch, includes only active debtors balance. Therefore difference between billing report extract from IT branch balance and the ledger balance is mainly due to finalized debtors.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Informative

1.4 Auditor's Responsibility for the Audit of the Financial Statements

Informative

2. Report on the Legal and Regulatory Requirements

Informative

2.1 National Audit Act No.19 of 2018 include specific provision for following requirements.

Informative

2.2 Based on the procedure performed and evidence obtained were limited to matters that are material, nothing has come to my attention

2.2.1 To state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business of per the requirement of section 12(d) of the National Audit Act. No. 19 of 2018.

Informative

2.2.2 To state that that the Board has not performed accordance to its power, functions and duties as per the requirement of Section 12(g) of the National Audit Act No. 19 of 2018 except for

- (a) **CEB had made emergency power purchases (1,398 GWh worth of Rs.34, 326 Million) for the period of April 2016 to December 2018 without applying tender procedure as per the requirement of Subsection 4 C (ii) of Section 43 of Sri Lanka Electricity (amendment) Act No.31 of 2013.**

Cabinet approval has been obtained for this procurement.

Replies to the Report of the Auditor General (Contd.)

- (b) According to the court decision given under case no.CA/WRIT/193/2015, circular no.2014/GM/46/Pers dated 27th November 2014 is illegal, null and avoid. Therefore the payment of salaries based on this circular and other circulars issued on this is illegal. According to the sample audit, there was an overpayment of Rs.833,453,051 for the period 2015- 2018 approximately, without taking into account the effect of allowances, Overtime payment and days pay, bonus, PAYE Tax, Tax on Tax, EPF, ETF and Pension payment, leave encashment, interest on loans paid based on the incremental salary.**

By the query itself mentioned that the said amount was paid in between year 2015 - 2018 and the court has given the verdicts on 02nd April 2019. After receiving the verdict, CEB has stopped the salaries of respective employees with effect from April 2019 and an allowance was paid on recoverable basis instead of said salary until getting a Cabinet approval on payment of salaries.

Further, CEB sought the legal opinion on the said judgement from the Hon. Attorney General and CEB is taking necessary steps to comply with the judgement liaising with the Ministry of Power, Energy & Business Development.

- (c) Various staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board in contrary to the decision taken by the Cabinet of Ministers on 14th November 2007 and the provisions in the Management Services Circular No. 39 of 26th May 2009.**

Cabinet approval has been received on 09th April 2008 for the payment of Allowances to the CEB employees as per the recommendations of the salaries and cadre Commission. However, it is not clear which allowances are referred under this item, and therefore a comprehensive answer is not possible. Moreover a reply has been sent to the Auditor General regarding the same query. Management Services Circulars are generally not used in CEB unless they are adopted by the Board. However, Board approval has been obtained for payment of each and every allowance.

- (d) The Cabinet of Ministers has taken decisions on 13th December 2007 at the time of salary revision and on 20th May 2015 at the time of consideration of Collective Agreement, to shift the Pay As You Earn (PAYE) tax liability to employees.**

The PAYE Tax liability of CEB employees has been borne by the CEB since its employees were made liable for PAYE Tax. This was informed to the Ministry of Power, Energy & Business Development and Salaries and Cadre Commission on several times and discussions were also held with Trade Unions. However, no consensus was reached regarding reverting it back to employees. The Collective Agreement signed on 04th January 2018 has been published by the Extra Ordinary Gazette No. 2068/5 dated 23rd April 2018. It appears now a violation of the collective agreement to change the agreed remuneration and would create further legal repercussions.

CEB had not taken into account the non-cash benefits such as provision of quarters, apartments and motor vehicles for private use etc. for this purpose.

The instructions was issued through 2018/GM/39/FM, Accounts Circular No. 526 to take the non-cash benefits such as quarters, apartments and motor vehicle for private use etc. for the PAYE calculation. Since the instructions was issued with the implementation of the new Inland Revenue Act in 2018, it will take reasonable period to comply with this by all the divisions of the CEB.

- (e) Instead of granting vehicle loans at the rate of interest ranging 10 percent to 14 percent as per the Public Enterprises Circular No 130 of 08th March 1998, the CEB had granted these loans at an interest rate of 4.2 percent.**

Vehicle loans for CEB employees were granted as per terms and conditions stipulated by the Board Decisions at concessionary rate of interest. Further CEB has not adopted the Public Enterprise Circular issued under this topic. Moreover, the staff loans have been paid as a benefit for the employees of CEB. Without such reward management scheme, CEB cannot maintain the employees' morale towards their works.

Replies to the Report of the Auditor General (Contd.)

2.2.3 (a) The CEB had not paid interest for consumer deposits as specified in Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009

As per the clause No. 3 (d) and No. 30 of Sri Lanka Electricity Act No. 20 of 2009 the electricity tariff shall be sent by PUCSL. However the prevailing electricity tariff is not generating sufficient cash to run the business of CEB. The relevant clause in the Act as follows;

3(1) the function of the Commission shall be to act as the economic, technical and safety regulatory for the electricity industry in Sri Lanka, and -

- (d) To regulate tariffs and other charges levied by licensees and other electricity undertakings, in order to ensure that the most economical and efficient service possible is provided to consumers;

30 (1) this section shall apply to -

- a) Tariffs or charges levied by the transmission licensee for the transmission and bulk sale of electricity (hereinafter referred to as "transmission and bulk sale tariffs"); and
- b) Tariffs or charges levied by the distribution licensee for the distribution and supply of electricity (herein after referred to as "distribution and supply tariffs")

(2) Transmission and bulk sale tariffs and distribution and supply tariffs, as the case may be, shall, in accordance with conditions specified in the relevant license -

- a) Be set by the relevant licensee in accordance with a cost reflective methodology approved by the commission;
- b) Permit the relevant licensee to recover all reasonable costs incurred in the carrying out of the activities authorized by its license on an efficient basis,
- c) Be approved by the Commission in accordance with the policy guideline approved by the Cabinet of Ministers under section 5; and
- d) Be published in such manner as may be required by the Commission, in order to ensure public knowledge.

As per Clause No 28 (3) of Sri Lanka Electricity Act No.20 of 2009 each Distribution License (DL) has to pay the interest for securities deposits to its customers. The relevant clause in the Act. is as follows;

Clause 28 (3) "Where any sum of money is provided to a distribution licensee by a way of security in pursuance of this section. The licensee shall pay interest on such sum of money at such rate as may from time to time be fixed by the licensee with the approval of the commission, for the period in which it remains in the hands of the licensee."

Presently, CEB is not receiving sufficient cash collection to run its business and as a result CEB is using the security deposits of its customers as a part of its working capital and balance working capital is obtained from bank overdrafts, short term loans etc.

The benefits obtains by utilization of security deposits of its customers as its working capital by CEB i.e. saving in interest on bank overdraft is distributed among all its customers by way of reduced tariff. In other word CEB has distributed more than Rs.1,562 Million among all its customers for the year 2018 which is the estimated value given in draft audit report based on if the security deposits is deposited in a bank the interest that would have been earned.

If as per this clause if DL's going to pay the interest on security deposits it will be an added financial burden for DL's and additional cost to the industry.

Hence, we have recommended the complete deletion of clause No 28 (3) from Sri Lanka Electricity Act No 20 of 2009 to Ministry and requested Ministry to take further action on this regard.

Replies to the Report of the Auditor General (Contd.)

(b) Ceylon Electricity Board Act, No. 17 of 1969

(i) Section 47(2)(a) - The CEB may establish and maintain a Depreciation Reserve with the General Treasury in order to cover the depreciation of the movable and immovable property of the CEB.

Under section 47 (2) (a) the Board established a depreciation reserve in Financial Statements in order to cover depreciation of movable and immovable property of the CEB. Since CEB is incurring Continuous losses this account has not been updated in many years. However, by taking in to your comments once the CEB makes profit, then Rs. 1 Mn. per annum will be transferred to depreciation reserve account to update the depreciation Reserve Account.

(ii) Section 46 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971 - The CEB had invested only Rs. 8,070 Million as at 31st December 2018 in the Insurance Escrow Fund

It is accepted that theoretically insurance fund reserve account balance and investment in Escrow Account balance are reconciled at a given date. As per the books as at 31st December 2018 insurance reserve balance stood at Rs. 16,304 Mn where as insurance investment Account stood at Rs. 8,070 Mn. This difference has arisen mainly due to non-investment in Insurance Investment Escrow Account due to CEB is experiencing adverse cash flow situation from many years. Even in the year concern (2018) CEB incurred loss of Rs. 30,458 Mn. As a result of this CEB runs at an average 6 Bn - 7 Bn overdraft and having Bank Loan of nearly Rs. 80 Bn. Therefore, it is not worthwhile to obtain overdraft / Loan facility and invest in Escrow Account. However, action will be taken to investment equal of 0.1% of the gross fixed assets in insurance reserve investment account once the CEB Liquidity position and cash flows are improved.

(c) Non-financial asset information had not been sent to the Comptroller General as per the Asset Management Circular No.01/2017 of 28th June 2017 issued by the Ministry of Finance and Mass Media.

The aforesaid circular requires CEB to submit information on non-financial assets which are coming under 07 categories in 07 annexures. Additional Finance Manager (Corporate) has already submitted the information in annexures I and II on 27th October 2017 and 24th January 2018. The copy of the already submitted information has been forwarded to the Superintendent of Audit on their request.

All other information is incomplete due to the extensive nature of the information required and information should be sent after consolidating all the 10 divisions. The information is being collected and continuous reminders has been forwarded formally to all the liaison officers of each division.

2.2.4 (a) Significant delay (April 2016 to May 2019) was observed in procurement of 50 nos.1MW transportable Generators (estimated procurement value is Rs.3 Billion) and usage of the Generators were out the main objective mentioned in the Cabinet memorandum. Operations of the generators at a lower level due to some specification approved by Technical Evaluation Committee had been ignored by the procurement committee.

50 Nos of 1MW containerized transportable generators with 25 Nos, Containerized transformers and 25 Nos. Containerized fuel tanks procured as per the instruction of SCAPC and Cabinet memorandum number 17/2363/727/050/TBR dated 16th October 2017.

Accordingly, Diesel Generator (DG) sets were received as per the specifications specified in the tender document with certain improvements agreed by either party.

The generators were installed and commissioned for commercial operations at Thulhiriya (10x1 MW) on 25th January 2019, and Kolonnawa Site 01, (10X1MW) & Kolonnawa Site 02 (10X1MW) on 22nd & 26th March respectively, Mathugama (12X1MW) on 7th April and Mathugama (8X1MW) on 2nd May 2019.

The installed DG sets were in operation. The contractor, as per the contract, is attending operational and maintenance issues encountered during operation.

Replies to the Report of the Auditor General (Contd.)

The contractor has not been provided the technical analysis of the failures encountered, in order to ascertain the root cause of failure.

- (b) Three thousand insulators (Pin 33KV) procured at a cost of Rs.7,221,707 on 11th September 2014 had not been utilized due to inferior quality issue**

After rejection of 3rd batch of spindles, the supplier has proposed to accept insulators only except spindles and deduction of 10% out of total cost to compensate cost of spindles. Therefore, action has been taken to include into stock only insulators and to use existing spindles in the current stock with these insulators for future usage. The additional cost and delay charges will be recovered from the supplier.

3. Other audit observations.

- (a) The amount of Rs. 1,931,142,380 is shown as deficit of the coal stock during the year under review. However the physical stock taking had not been carried out even the Board of survey team has been appointed. Hence we were unable to verify the accuracy of the coal stock balance available as at 31st December 2018.**

The Coal stock verified as at 13th December 2018 by the verification team appointed by PPM (LVPP) and actual GRN/Issues quantities were adjusted to that balance up to 31st December 2018 since 14th December 2018. The ledger has been adjusted according to physical stock.

- (b) Even though the CEB had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there were no sales and purchase agreements entered with those two parties in order to ensure the smooth operations between these two Institutions.**

Even though the Board had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there are no sales and purchase agreements entered with those two parties.

A committee with the participation of high ranking officers of both CEB and LECO has prepared a draft agreement and has sought Attorney General's (AG) opinion on the same. This committee has made required amendments as per AG's opinion and has submitted "Final Power Sales Agreement" to AGM (Transmission). General Manager, CEB has written to General Manager, LECO on the report furnished by the committee. On the same letter, General Manager, CEB suggested to take this matter at a Board meeting of LECO.

However CEB has not been able to get any feedback from LECO as of now, regarding the process within LECO that has taken place regarding this matter even though a reminder has been sent on 29th August 2017. LECO has written to PUCSL in this regard by their letter dated 24th July 2018 stating that the Regulation on Electricity Trading Arrangement is required to formulate the power purchase agreement between LECO & CEB.

- (c) A sum of Rs.125,736,811 had been deducted by the lending agency in 2018 as commitment charges from the loans given for implementing the foreign funded projects of the CEB due to un-utilization of the funds in timely manner. However, the accuracy of the commitment charges cannot be verified due to non-availability of calculations.**

The projects which are outlined in the auditor's schedule are different from each other in terms of Lending Agency, Borrower and Loan covenants in the loan agreements. However, commitment charge is common to all projects and it cannot be avoided even the project is on schedule due to stringent loan covenants in the loan agreements.

Commitment and interest charge are not a part of loan for the first three projects of the schedule and Treasury is incurring the commitment charges on behalf of the Government. As CEB, we are not in a position to record such commitment

Replies to the Report of the Auditor General (Contd.)

charges until it is notified by Treasury. Thus, the figures cannot be verified without receiving the informations from Treasury. For the rest of the projects, commitment charges have been recorded in the books of accounts after extracting from ERD statements. Commitment charge is part of the loan for these projects and disbursement made by lending agencies are shown in the ERD statements. However, it was noticed that the figures shown in the Project division accounts are not tallied with the Auditors figures for some projects. This might be due to some projects have multiple tranches and parts and different tranches / parts are handled by different divisions of CEB. Therefore, figures shown by auditor might be a total accumulated figure combining different parts of the projects.

- (d) There was 362 GWh deficit of power generation in the year 2018 due to continues delay in construction of power plants and no proper implementation of Least Cost long term Generation Plan. Further court case had been filed against CEB for the construction of 300 MW LNG power plant in Kerawalapitiya by the Lakdhanavi (Pvt) Ltd due to not following the procument guidelines.**

As stated in item (e) of the audit report there was 362 GWh of energy deficit in the year 2018. But according to actual records the Gross generation was 15,917 GWh and the Net generation was 15,305 GWh in the year 2018. The total Energy deficit due to lack of generation was around 0.8 GWh during the year 2018.

- (e) A special investigation had been carried out by the Internal Audit Branch in respect of stock shortage of Rs.52,550,929 identified in 2014 under project of Uthuruwasanthaya in April 2017.**

Description	Amount (Rs.)	Responsible persons	Actions taken up to date
Stock Shortage-2014	46,330,071.90	Mr. U.P.Udara Gunarathne (P.F.No 37475)	Store Keeper had been interdicted and waiting for court decision (Case No.B/1164/15). Disciplinary inquiry has been started and going on.
Stock Shortage - 2015/2016	6,220,855.50	Mr. Asanka Jayakodi (P. F. No. 37432)	Rs. 4,212,810.00 has been already cleared. Balance Rs. 2,008,045.50 remaining until the decision of the committee appointed by the DGM(NP) through a letter No. NP/DGM/HRO/ Inquiry Dated 04 th May 2017 and DGM (NP) instructed the committee to finalise the report as soon as possible.
Total	52,550,927.40		

Further, detailed information is available at the office of DGM (NP) Branch in this regard.

- (f) The prompt actions had not been taken by the Board up to 16th August 2018 against the person who liable for stock shortages of Rs.3,674,861 which had been occurred during the period of 20th November 2006 to 20th February 2012, in Asset Management Division (Power Plant).**

A formal disciplinary inquiry was carried out in this regard and, due to his retirement, the shortage value could not be recovered from his final retirement payments. As a result, this matter was referred to Chief Legal Officer (CLO) of CEB requesting her to institute legal action against the store keeper, by DGM (AM) in order to recover the shortage.

Eventually, the legal opinion was received on 18th October 2018 from CLO together with the Attorney General's observations stating that due to the absence of some of the important documents relating to the disciplinary inquiry, a case cannot be filed.

As a last resort, action will be taken to submit a Board Paper requesting a write off of the stock shortage value of Rs. 3,674,861.50 from books of accounts.

Replies to the Report of the Auditor General (Contd.)

- (g) An officer who liable for the stock shortage of Rs.3,789,893 had been allowed to be retired on 15th October 2011 without being recovered the loss as recommended by the committee appointed for investigate.**

Before submission of the committee report, the Store Keeper had retired on 15th October 2011 by reaching the age limit of 60 years. A formal disciplinary inquiry had not been carried out with regard to his shortage value of Rs. 3, 789,893.03 and on the basis of Attorney General's observations, action will be taken to submit a Board Paper requesting a write off of the shortage value from books of accounts.

- (h) Out of trade debtor balance of Rs.19,038,547,212 as at 31st December 2018, a balance of Rs.3,754,841,442 relating to both ordinary and bulk supplies had remained outstanding for over one year and of them Rs.1,827,399,804 had remained unrecovered for more than five years. Further, an amount of Rs.423,764,624 is remained as unidentified since 2012.**

Trade receivable is a function coming under Distribution Divisions except bulk sale to LECO which is coming under the preview of Transmission Division. Monitoring of collection and recoveries of trade debtors is a Key Performance Indicator of Distribution Divisions. The recovery position of debtors is falls within 95%-100%.

Finalised balances; when the consumers are default, even after issuing red notices to them the meter is removed and supply is disconnected. Though the service is physically disconnected and recognises as finalise accounts the receivable amount will not write off from the books of account immediately and further action taken including legal action to recover these finalized balances until such time those balances are in the trade debtors account.

Further most of the outstanding balances represent interest charge on the outstanding balances on the public sector organization such as hospitals, security camps, police stations, etc. By considering the important national service provide by the government organization and due to the payment proceeding followed by those institutions recovering of long outstanding balances and recovering the outstanding interest is certain extent beyond the control of CEB management.

- (i) A sum of Rs.32,765,469 due from the Lanka Electricity Company (Private) Limited (LECO) had remained outstanding for more than five years without taking any recovery action.**

Audit Committee recommended to write off Rs. Rs. 32,765,468.88 after recovering Rs.13, 782,779.12 from Lanka Electricity Company Ltd. (LECO) and approval is pending from the Board of Directors of CEB.

Replies to the Report of the Auditor General (Contd.)

- (j) **The following other receivable balances aggregating Rs. 2,505,752,812 had remained unrecovered for more than five years as at 31st December 2018 even it was continuously reiterated in my previous audit reports.**

Name of Debtor	Amount Rs.	Description
General Treasury	225,000,000	Recovering cost of street lightening & maintenance. The receivable amount of 225 Mn could not be cleared from the books of CEB from year 2015 as the compliance with direction given by the department of Treasury operations in the Ministry of Finance and it should be set off through the repayment of sub loans payable to General Treasury.
Wood Group Gas Turbine Ltd.	8,264,352	Payments made for constructing an access road to the West Coast Power Plant. As no such company is exist in the country at present and with the reply of legal officer referred above, a decision was taken to write-off the balance and will proceed in the future. This payment is made to the Fagioli of Italy for the use of their trailer to transport Wood Group Gas Turbine from Colombo Port to Pannipitiya Site. This payment is not relating to the West Coast Power Plant. Correspondence is available with DGM (EP) Transmission.
Ministry of Power and Energy	6,142,277	Payments made for the opening ceremony of Kerawalapitiya Combined Power Plant. Chairman to the CEB has requested from West Coast Power (Pvt) Ltd by his letter CEB/CH/BS/Aud. Gen/17 dated 18 th July 2018 to settle this amount. But no response was received this regard.
Sri Lanka Sustainable Energy Authority	897,025,999	Tariff adjustment paid by the CEB to the Mini Hydro Developers. Draft Board Paper has considered the Audit committee and recommended to write-off the receivable balance amounting to Rs. 897,025,999.00 from Sri Lanka Energy subject to the approval of treasury as per the Public Finance Circular No. 02/2016 dated 12 th February 2016. Accordingly, Secretary to Ministry of Power, Energy and Business Development has sent a letter to Director General of Public Enterprises by his letter No. PE/DEV/02/08/2007 II dated 31 st January 2019 requesting approval to write-off the outstanding receivable amount in CEB books of accounts for receivable for reimbursement of NCRE purchasing tariff with the letter sent by General Manager CEB with regard to same matter. However, approval has not received so far.
AES Kelanithissa (Private) Ltd.	1,368,961,445	Amount to be recovered on payment of price differences. With reference to the letter dated 19 th March 2012, addressed to the chairman of Ceylon Electricity Board, the secretary of the Ministry of Power & Energy has informed that with effect from July 2011 retail prices applicable to auto diesel will be applied for auto diesel already supplied and to be supplied in future for power generation to CEB/IPP. And CPC will re-adjust the invoices accordingly. As CEB has an agreement with AES Kelanithissa (Pvt) Ltd. and fuel price is a pass through cost of the power producers' it could be recovered after CPC credit that benefit to the Power Producers only. However, Ceylon Petroleum Corporation invoiced the fuel prices as Rs. 76.00 per liter from October 2011 onwards but not revised the previous invoices. Therefore, it was recorded as amount receivable from CPC. But, it was corrected in the month of February 2015 and recorded as receivable from AES Kelanithissa (Pvt) Ltd. But CEB can recover it from AES Kelanithissa (Pvt) Ltd, once CPC adjust the fuel price difference and offer that credit to the above company only.
Northern Power (Private) Ltd.	358,739	This is a receivable balance, related to an augmentation job completed by CEB for Northern power in the year 2011. Balance has been remained in books as the PPA has prevented these costs to be deducted from the monthly bills. This is to be invoiced to Northern Power.
Total	2,505,752,812	

Replies to the Report of the Auditor General (Contd.)

- (k) A sum of Rs.714,965,435 due from the Lanka Coal Company had remained outstanding for more than five years without taking any recovery action.**

This balance will be cleared after the legal actions taken by Lanka Coal Company against M/s Liberty Commodities Ltd and M/s Taurian Iron and Steel Company. Still the decision is pending.

- (l) A sum of Rs. 4,834,319,648 Payable to China Machinery Engineering Corporation was remained more than one year without being settled.**

Outstanding payments for the year 2014 and 2015 were settled. Payments for the year 2016, 2017, and 2018 are pending. CEB releases only USD 2 Million per month considering the present financial situation.

- (m) A sum of Rs.153,734,062 shown under other receivables of Asset Management division is remained without being recovered more than five years. Out of that amount Rs. 146,090,787 is to be recovered from the government institutions and had not being taken necessary action to recover at the initial stage of the transactions.**

This amount represents the dues from Government Institutions for annual maintenance works of generators, air conditioners and lifts owned by the government institutions that had been carried out by CE (Power Plants), CE (Air Conditioning & Refrigeration) and CE (Lifts) of Asset Management Division.

In the case of Annual Maintenance, the transaction value will be recovered after the maintenance work is completed and not at the initial stage as mentioned in the Audit Report.

DGM (W&AS) has taken tremendous efforts such as sending reminders, terminating the existing maintenance contracts with the Government institutions etc., to recover the overdue balances and as a result, the government receivables could be reduced to Rs. 146 Mn by end of 2018, and this could be further reduced to Rs. 139 Mn by April 2019.

AGM (AM) has requested the Chief Internal Auditor to carry out a system audit on the overdue receivables and awaiting the audit report. Further actions will be taken on this matter once the audit report is received.

- (n) The amount of Rs.2,713,788,005 is shown as Trade creditors without being settling more than one year.**

Action has been taken to ensure the possibility of settling those outstanding balances.



Chairman
Ceylon Electricity Board

Abbreviations

ABB	ASEA Brown Boveri	MCPC	Ministry Consultancy Procurement Committee
ADB	Asian Development Bank	MLKR	Million Sri Lankan Rupees
AFD	Agence Francaise De Developement	MOPRE	Ministry of Power & Renewable Energy
AGM	Additional General Manager	MRV	Measurement, Reporting and Verification
BIQ	Basic Information Questionnaire	MV	Medium Voltage
BSC	Breaker Switched Capacitor	NCP	National Project Concept
BSF	Board Special Fund	NCRE	Non-Conventional Renewable Energy
CB	Circuit Breaker	NEDO	New Energy and Industrial Technology Development Organization
C&P	Control and Protection	NN	Negenahira Nawodaya
CCEM	Cabinet Committee on Economic Management	NSCC	National System Control Centre
CCTV	Closed Circuit TV	NWP	North Western Province
CE	Chief Engineer	OEM	Original Equipment Manufacture
CEB	Ceylon Electricity Board	OLTC	On Load Tap Changer
CP	Central Province	O&M	Operation & Maintenance
CMMS	Computerized Maintenance Management System	OPGW	Optical Fiber Ground Wire
CPF	Carbon Partnership Facility	ORE	Other Renewable Energy
CPCM	Ministry Consultancy Procurement Committee	PABX	Private Automatic Branch Exchange
CSC	Consumer Service Center	PBX	Private Branch Exchange
CT	Current Transformer	PCB	Provincial Council Budget
CVT	Current Voltage Transformer	PD	Partial Discharge
DC	Direct Current	PHM	Projects & Heavy Maintenance
DC	Double Circuit	PLC	Power Line Carrier
DCB	Decentralized Budget	PLTS	Party Line Telephone System
DCN	Digital Communication Network	POS	Point of Sales
DD1	Distribution Division 1	PRV	Pressure Relief Valve
DD2	Distribution Division 2	PS	Power Station
DD3	Distribution Division 3	PSS	Primary Substations
DD4	Distribution Division 4	PT	Potential Transformer
DGA	Dissolved Gas Analysis	PTI	Power Technologies International
DGM	Deputy General Manager	PUCSL	Public Utilities Commission of Sri Lanka
DSCR	Debt Service Coverage Ratio	RE	Rural Electrification
EIA	Environmental Impact Assessment	RTU	Remote Terminal Unit
EP	Eastern Province	SAIDI	System Average Interruption Duration Index
ERD	External Resource Department	SAIFI	System Average Interruption Frequency Index
ERP	Enterprise Resource Planning	SAS	Substation Automation Systems
ESMP	Electricity Sector Master Plan	SC	Single Circuit
FOX	Fiber Optic eXchange	SCADA	Supervisory Control & Data Acquisition
GCB	Generator Circuit Breakers	SCCMP	System Control Centre Modernization Project
GHG	Green House Gas	SCAPC	Standing Cabinet Approved Procurement Committee
GIS	Gas Insulated Switchgear	SFRA	Sweep Frequency Response Analysis
GSS	Grid Substation	SIP	Signal Interface Panel
GT	Gas Turbine	SP	Southern Province
HMI	Human Machine Interface	SPP	Small Power Producers
HVDC	High Voltage Direct Current	SPPA	Standardized Power Purchase Agreements
IAEA	International Atomic Energy Agency	SVC	Static Var Compensator
IEC	International Electrotechnical Commission	SVS	Static Var System
IED	Intelligent Electronic Device	TEPCO	Tokyo Electric Power Company
IPP	Independent Power Producers	UG	Under Ground
JICA	Japan International Cooperation Agency	UU	Uva Udanaya
LAN	Local Area Network	UHF	Ultra High Frequency
LBS	Load break Switch	USD	United States Dollar
LKR	Lankan Rupees	VHF	Very High Frequency
LNG	Liquefied Natural Gas	VoIP	Voice over Internet Protocol.
LOI	Letter of Intent	VRE	Variable Renewable Energy
LSE	Lighting Sri Lanka East	VT	Voltage Transformer
LTGEP	Long Term Generation Expansion Plan	WPN	Western Province North
LTTDP	Long Term Transmission Development Plan	WPSI	Western Province South I
LV	Low Voltage		

Notes

