



CEYLON ELECTRICITY BOARD

ANNUAL REPORT | 2020

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OUR VISION

Enrich Life
through Power

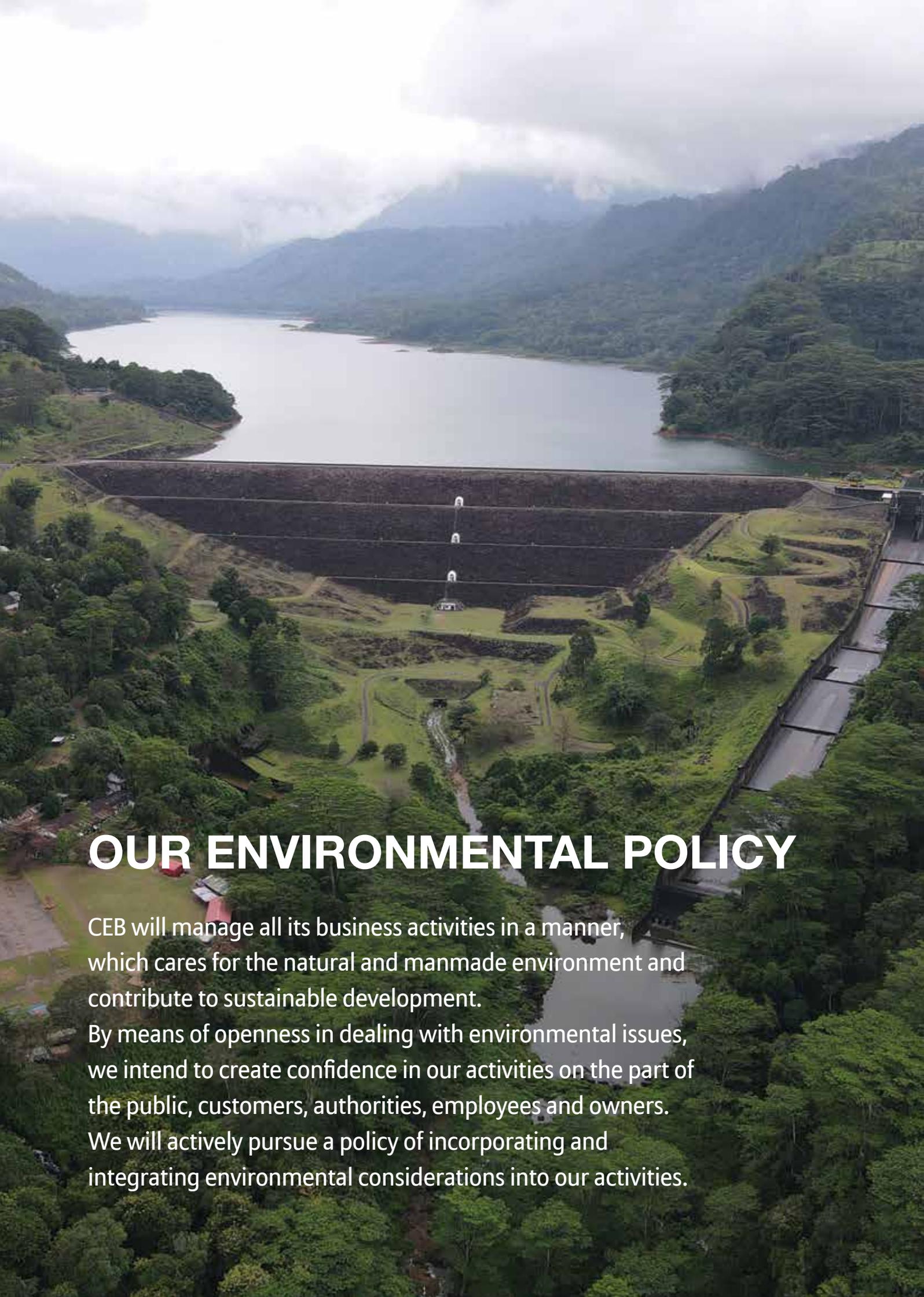
OUR MISSION

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



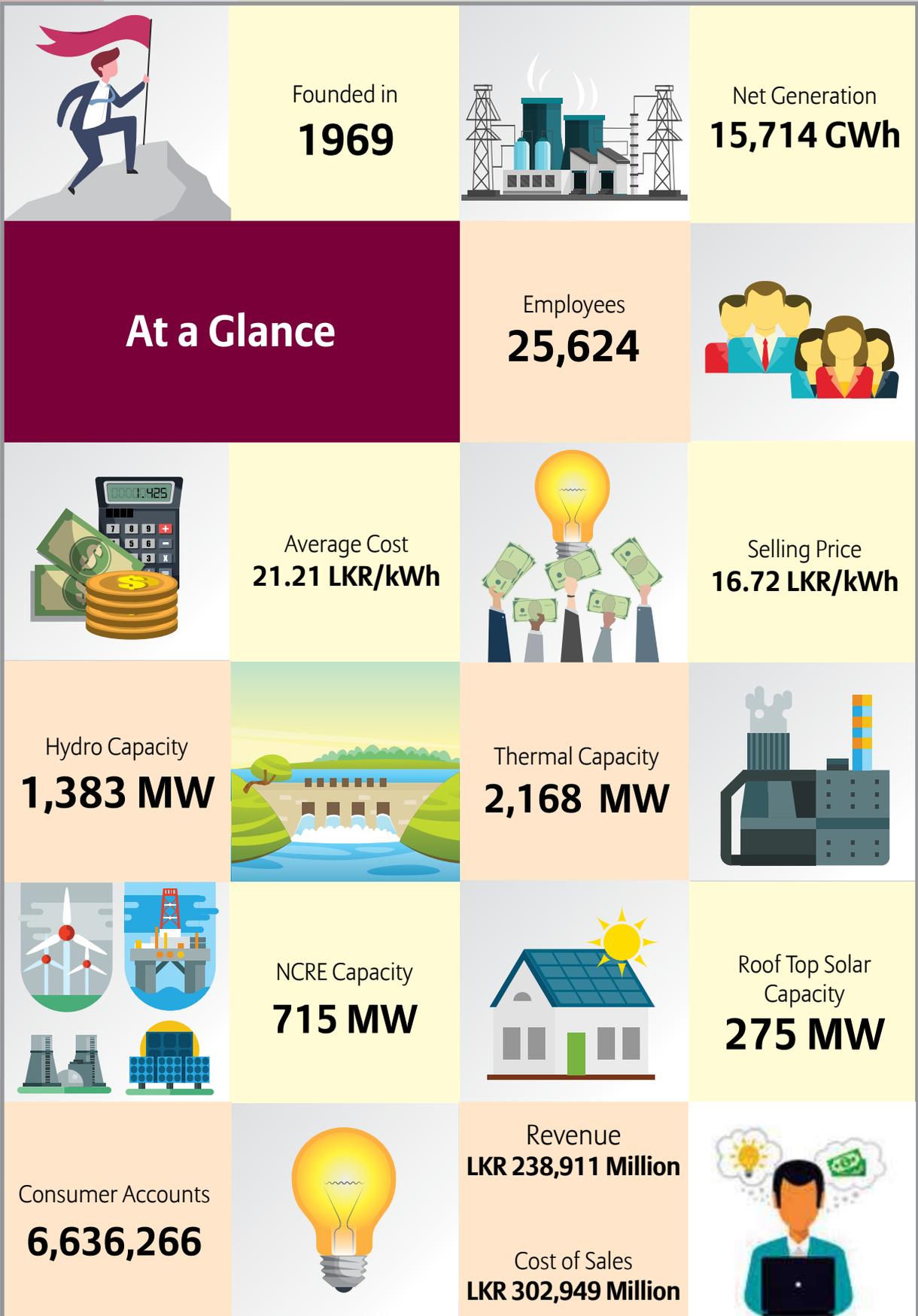
An aerial photograph of a large dam and reservoir. The dam is a long, dark structure with several spillways on the right side. The reservoir is a large body of water in the background, surrounded by lush green hills and mountains. The sky is overcast with grey clouds. The foreground shows a road and some buildings near the dam.

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

The Wind Power Project – “තම්බපව්න” Declared Open...

“තම්බපව්න”, the largest wind power project in the country, was energized on 8th December 2020, signifying a milestone in Sri Lanka’s renewable energy development. This affirmed CEB’s commitment to produce clean electricity and to displace fossil fuels. Hon. Mahinda Rajapakse, Prime Minister of the Democratic Socialist Republic of Sri Lanka declared open the first phase of Mannar wind park by connecting a 30MW block of this flagship project to the national grid.



CEB Assist Awarded for Solution Excellence...

The Best Digital-Enabled Product/Service under Government & NGOs and the Best Use of Mobile Award in SLT Zero One Awards for Digital Excellence 2018/19 was secured by the CEB Assist Application.

Ensured 24 hrs. Supply during this Pandemic...

CEB ensured a 24 hrs. supply even during the Covid-19 pandemic. The dedication and commitment by CEB employees should be acclaimed.



Past Performances

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Energy Generation (GWh)	11,528	11,801	11,962	12,423	13,154	14,249	14,773	15,985	16,556	16,392
NCRE Generation* (GWh)	725	736	1,179	1,217	1,467	1,160	1,464	1,832	1,761	1,866
Maximum Demand (MW)	2,163	2,146	2,164	2,152	2,283	2,453	2,523	2,616	2,669	2,717
Electricity Sales (GWh)	10,023	10,474	10,621	11,063	11,786	12,785	13,431	14,091	14,611	14,286
Consumer Accounts (Nos.)	4,717,448	4,979,862	5,210,761	5,417,532	5,648,132	5,964,194	6,193,131	6,354,281	6,500,641	6,636,266
System Energy Losses (%)	11.72	11.24	11.14	10.91	10.40	10.28	8.45	8.34	8.23	9.08
Revenue (LKR Million)	132,460	163,513	194,147	202,645	188,684	206,811	218,450	229,571	242,950	238,911
Average Selling Price (LKR/kWh) – (a)	13.21	15.56	17.93	18.50	16.00	16.18	16.26	16.29	16.63	16.72
Average Cost at selling point (LKR/kWh) – (a)	16.21	23.66	16.94	20.00	15.07	18.08	20.34	19.12	24.12	21.21
Household Electrified during the year (Nos.)	206,909	225,707	198,484	178,300	198,166	277,038	181,627	118,077	108,315	98,829

* - NCRE (Mini Hydro, Wind, Solar, Dendro, Boimass and Municipal Waste)

(a) - Provisional

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 amended by Act No.31 of 2013.

Members of the Board

Chairman

Eng. H. M. Vijitha Herath From 23.12.2019

Vice Chairman

Mr. Y. G. I. Saman Kumara From 30.01.2020 to 14.12.2020

Mr. N. S. Ilangakoon From 16.12.2020

Member/ Working Director

Mr. N. A. Ranjith From 16.01.2020 to 24.04.2020

Member Representing the General Treasury

Mr. S. D. Jude Nilukshan From 13.01.2020

Members

Mr. M. M. Nayeemudeen From 17.01.2020

Mr. B. K. Jagath Perera From 14.01.2020

Mr. A. H. K. Jagath Chandrasiri From 26.02.2020 to 30.09.2020

Mr. L. G. Premasiri From 07.10.2020

Mr. R. Wickramarachchi From 24.04.2020

Secretary to the Board

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

General Manager

Eng. S. D. W. Gunawardena Up to 24.01.2020

Eng. D.D.K. Karunaratne From 25.01.2020 to 06.12.2020

Eng. (Mrs.) N. W. K. Herath From 07.12.2020

Corporate Management

Additional General Manager (Generation)

Eng. P. L. G. Kariyawasam Up to 19.04.2020

Eng. H. M. A. Herath From 20.04.2020

Additional General Manager (Transmission)

Eng. (Dr.) M. N. S. Perera Up to 02.11.2020

Eng. M. M. S. M. K. Gunaratne From 03.11.2020

Additional General Manager (DD 1)

Eng. D. D. K. Karunaratne Up to 24.01.2020

Eng. (Mrs.) N. W. K. Herath From 25.01.2020 to 06.12.2020

Eng. J. Meegoda From 07.12.2020

Additional General Manager (DD 2)

Eng. M. A. D. N. Gratian Up to 07.10.2020

Eng. M. M. S. M. K. Gunaratne From 08.10.2020 to 02.11.2020

Eng. (Mrs.) T. A. K. Jayasekara From 03.11.2020

Additional General Manager (DD 3)

Eng. R. K. Piyadasa Up to 23.10.2020

Eng. J. Meegoda From 24.10.2020 to 06.12.2020

Eng. J. Nanthakumar From 07.12.2020

Additional General Manager (DD 4)

Eng. M. R. Ranatunga Up to 04.02.2020

Eng. G. A. D. R. P. Seneviratne From 05.02.2020

Additional General Manager (Asset Management)

Eng. H. M. A. Herath Up to 19.04.2020

Eng. K. K. S. Dasanayake From 20.04.2020

Additional General Manager (Corporate Strategy)

Eng. (Mrs.) N. W. K. Herath Up to 24.01.2020

Eng. (Dr.) D. C. R. Abeysekara From 25.01.2020

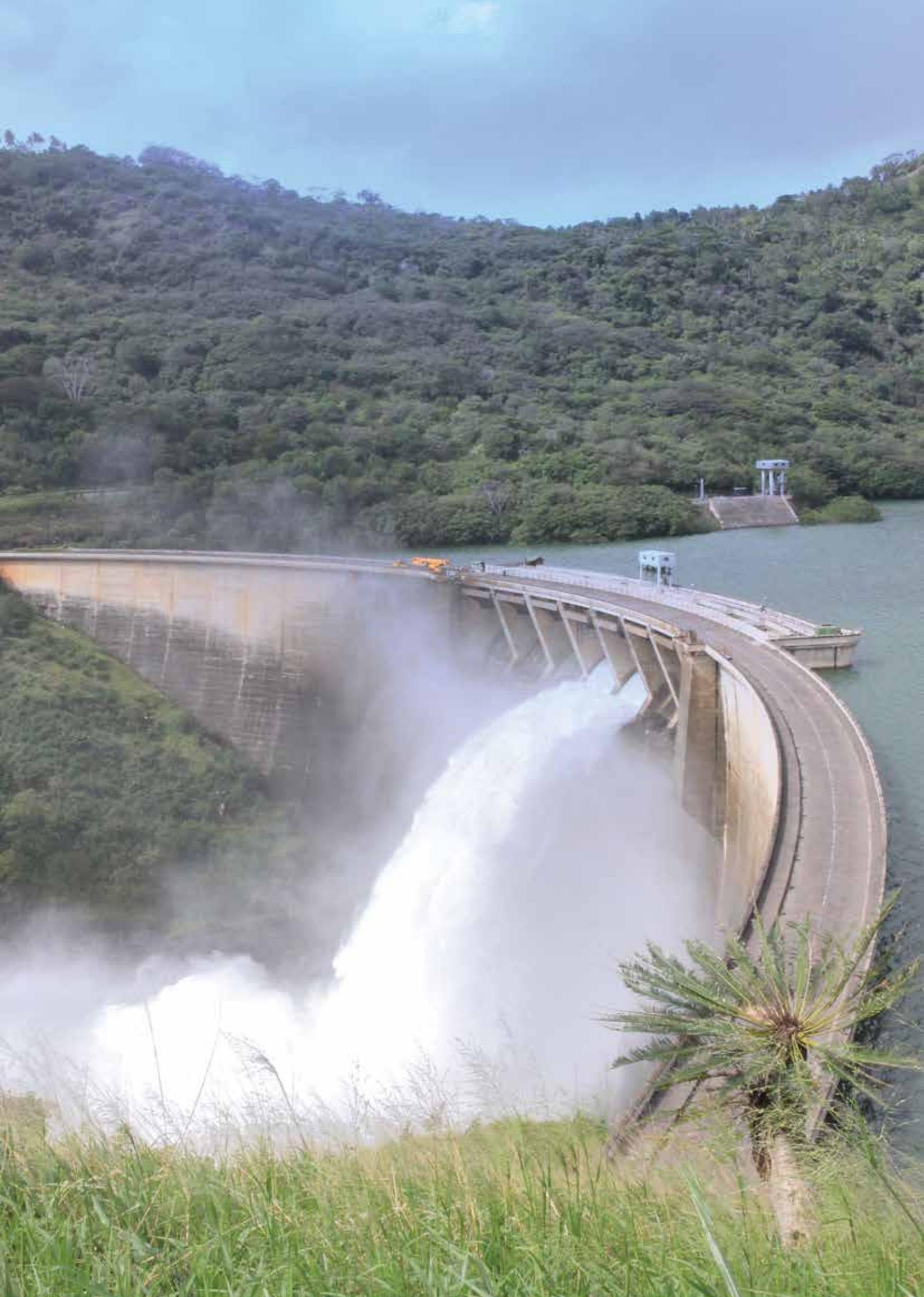
Additional General Manager (Projects)

Eng. (Mrs.) M. K. C. N. K. Amarasiri Up to 04.02.2020

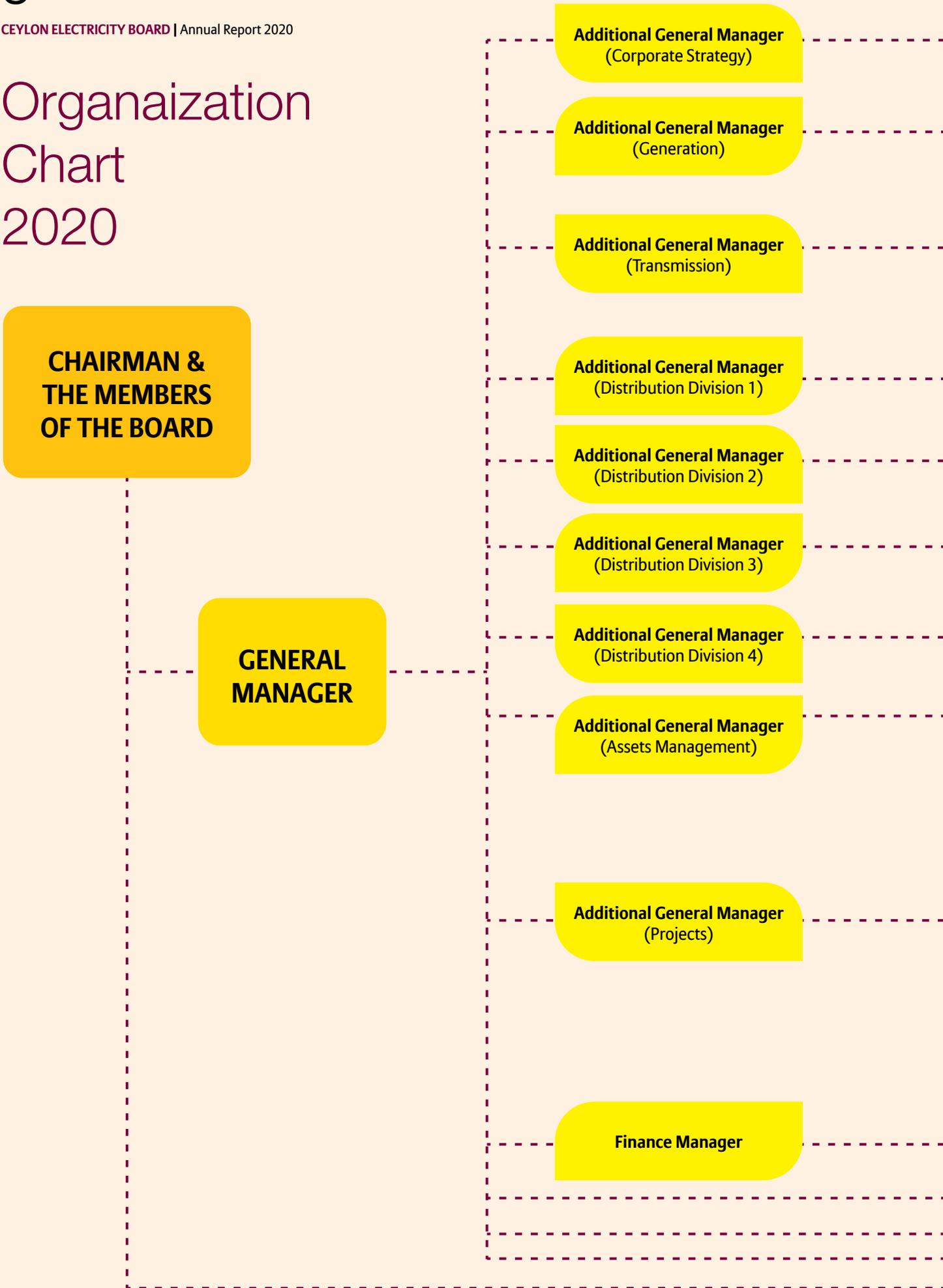
Eng. M. R. Ranatunga From 05.02.2020

Finance Manager

Mr. T. K. Liyanage



Organaization Chart 2020



DGM (Business & Operation Strategy)
DGM (Corporate Strategy & Regulatory Affairs)
DGM (Functional Strategy & Process Development)
DGM (Information Technology)
DGM (Research & Development)
DGM (Enterprise Resource Planning)

DGM (Energy Sales)
DGM (Corporate Affairs)
DGM (Thermal Complex)
DGM (Assets Management Thermal Electrical)
DGM (Mahaweli Complex)
DGM (Assets Management Hydro Electrical)
DGM (Laxapana Complex)
DGM (Assets Management Thermal Mechanical)
DGM (Assets Management Hydro Mechanical)
DGM (Generation Projects)
DGM (Samanala Complex)
DGM (Dam Safety, Environment & Civil Structure Maintenance)
DGM (Generation Protection)
PPM (Lakvijaya Power Plant)
AFM (Generation)

DGM (Energy Purchase)
DGM (Transmission & Generation Planning)
DGM (Corporate & Regulatory Relations)
DGM (Transmission Operation & Maintenance - South)
DGM (Transmission Operation & Maintenance - North)
DGM (Assets Management & Condition Monitoring)
DGM (System Control)
DGM (Communication)
DGM (Energy Marketing)
DGM (Transmission Control & Protection)
DGM (Privet Power Development)
DGM (Renewable Energy Development & Performance Monitoring)
AFM (Transmission)

DGM (Commercial & Corporate)
DGM (Projects & Heavy Maintenance)
DGM (Planning & Development)
DGM (Colombo City)
DGM (North Western Province)
DGM (North Central Province)
DGM (Northern Province)
DGM (Distribution Coordination)
PD (Colombo Port City Development Project)
PD (Supporting Electricity Supply Reliability Improvement Project)
AFM (Distribution Division 1)

DGM (Commercial & Corporate)
DGM (Project & Heavy Maintenance)
DGM (Planning & Development)
DGM (Central Province I)
DGM (Central Province II)
DGM (Western Province North)
DGM (Eastern Province)
AFM (Distribution Division 2)

DGM (Commercial & Corporate)
DGM (Projects & Heavy Maintenance)
DGM (Planning & Development)
DGM (Western Province South II)
DGM (Sabaragamuwa Province)
DGM (Uva Province)
AFM (Distribution Division 3)

DGM (Commercial & Corporate)
DGM (Project & Heavy Maintenance)
DGM (Planning & Development)
DGM (Western Province South I)
DGM (Southern Province I)
DGM (Southern Province II)
PD (Vidulakpaya)
AFM (Distribution Division 4)

DGM (Assets Management & Corporate)
DGM (Training)
DGM (Civil Works & Building)
DGM (Work Shop & Ancillary Services)
DGM (Occupational Health & Safety)
AFM (Assets Management)

DGM (Transmission Design & Environment)
DGM (Transmission Projects)
DGM (Transmission Construction Projects)
DGM (Engineering Advisory Services)
DGM (Corporate & Projects Coordination)
PD (Upper Kotmale Hydro Power Project)
PD (Coal Power Project)
PD (Puttalam Coal Power Project - Phase II)
PD (Puttalam Coal Power Project - Phase II TL & SS)
PD (Broadlands Hydro Power Project)
PD (Uma Oya Hydro Power Project)
PD (Greater Colombo Transmission & Distribution Loss Reduction Project)
PD (Moragolla Hydro Power Project)
PD (National Transmission & DND & EI Project)
PD (Green Power Development & EEI Project-Tranch II)
PD (Mannar Wind Power Project)
PD (LNG)
PD (Renewable Energy Absorption Transmission Development Project)
PD (Power System Reliability Strengthening Project)
AFM (Projects)

AFM (Head Quarters)
AFM (Corporate)
AFM (Treasury Management)

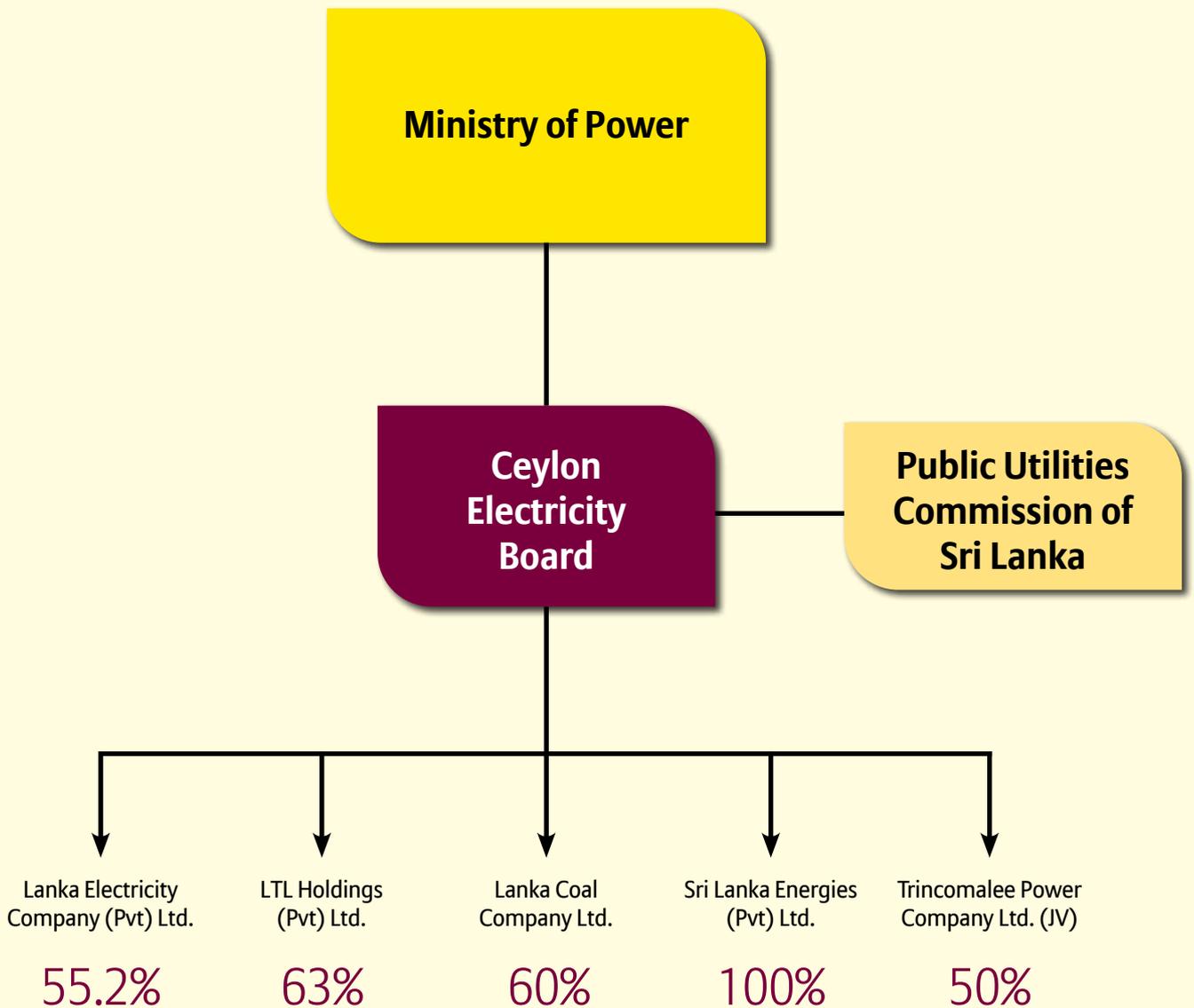
DGM (Coordination)
DGM (Personnel)
Chief Internal Auditor

Chief Legal Officer

Manager Investigations

Secretary to the Board

Organization Structure of CEB with Subsidiaries - 2020





MANAGEMENT REVIEWS

Chairman's Review

“ Even though the organizations financial status was adversely affected, CEB granted a LKR 5.9 Billion concession for the Domestic category consumers. CEB provided a grace period to settle the electricity bills and deferred disconnections of unpaid to support its consumers to cope with the pandemic, as per the Government policy decision.”



Year 2020 is the first year of Ceylon Electricity Board with Minister Hon. Dullas Alahapperuma as its guide. The actions during the year with the goal of “Transformation towards Renewable Energy” in line with “ඊට නදන සෞභාග්‍යයයේ දැක්ම” National Policy Framework were implemented vigorously resulting in the CEB becoming more efficient and effective.

In spite of the adverse effects of the Covid-19 pandemic, CEB continued its task of providing 24 hour uninterrupted electricity supply, across the country. The net- generation recorded was 15,714 GWh. A 1.3 % decrease from last year, reflecting the impact of the pandemic. Of this generation, 0.05 % was from the Mannar Wind Power Plant (කම්බපවනි). කම්බපවනි was grid connected on 8th December 2020 by The Prime Minister of the Democratic Socialist Republic of Sri Lanka Hon. Mahinda Rajapakse.

Grid interconnection of කම්බපවනි was not an easy task. The project authorities managed to steer clear of many calamities ranging from the Easter Attack and the Covid-19 pandemic . Realising the operation of the first phase in late 2020, amidst conditions where normal life, travel, social interaction were restricted, would not have been possible without the commitment of project authorities. The organization had to withstand the halt of economic activities and the disrupted administrative and financial functions both within and outside Sri Lanka. Still the organization managed to grid connect the largest wind power plant in the country. A wind plant owned and operated by CEB. I applaud the dedication and commitment of the Project Management Unit and the Contractors. Their dedication and commitment made this success.

The effects of global warming are gradually taking place. Sri Lanka is no exception. The weather patterns have changed. We are witnessing today severe droughts or unexpected influxes of rain. The second lowest inflow for the past 20 years was recorded in the beginning of the year. The South West monsoon was very active during the months of August and September 2020. That resulted in the second highest inflows for the past 20 years. Accordingly, net generation from CEB owned hydro power plants showed a 127.94 GWh (3.38 %) increase from last year. Further, net generation from the coal power plant recorded a 393.38 GWh increase compared to last year and hence the contribution of IPP thermal generation decreased 5.49 %. Making a positive impact on the financial status.

Confronted by numerous external challenges, the organization achieved a Revenue of LKR 239 Billion in year 2020 reflecting a Revenue decline of 2% from year 2019. The drop in revenue was predominantly affected by the outbreak of the Covid-19 pandemic. The outbreak made a significant decrease in demand in the Industrial, General Purpose and Hotel categories, despite the demand growth in the Domestic category. Given the challenging socio-economic conditions, the demand for electricity units declined by 2% as well.

As a Government policy, CEB offers electricity at a price lower than the cost at the selling point to consumers at low consumption level in Domestic and other categories other than for General Purpose. Therefore, the high end consumers in the Domestic category and General Purpose category had to bear a part of this excess cost. The total surplus charged for the year 2020 was LKR 14,883 Million compared to LKR 5,827 Million of the previous year. This increase is due to the increased energy consumption of Domestic consumers during

Chairman's Review (Contd.)

the Covid-19 pandemic. As a result of the Government subsidy policy and the delay in implementation of the proposed least-cost power generation projects, the organization recorded a LKR 62.5 Billion net loss as at the end of the year 2020. However, CEB was able to condense the bottom line reducing the Net Loss by 36% compared to the year 2019. This reduction of loss against the previous financial year was mainly due to extraction of demand, reduction of fuel prices and increase in hydro and coal power generation.

Even though the organizations financial status was adversely affected, CEB granted a LKR 5.9 Billion concession for the Domestic category consumers. CEB provided a grace period to settle the electricity bills and deferred disconnections of unpaid to support its consumers to cope with the pandemic, as per the Government policy decision.

Notwithstanding the adverse effects of the pandemic, CEB continued with its ambitious goals for renewable energy in line with the National Energy Frame Work. It was able to float tenders to procure 210MW of wind and solar PV plants. In addition, 23 new NCRE plants having a total capacity of 48MW were commissioned during the year. The first ever large scale waste to energy (Municipal Solid Waste) project too was connected. These initiatives will make a significant positive contribution to the sustainability of the organization by fuel diversification.

Further, CEB handled approximately LKR 37.2 Billion worth projects during the year. Of that, Broadlands 35MW and Uma Oya 120MW hydro power projects and the LNG project moved towards commercial operation by year 2021. These projects will make a positive contribution to reduce the cost of generation.

The Green Power Development and Energy Efficiency Improvement Investment Program, National Transmission and Distribution Network Development and Efficiency Improvement Project and the Power System Reliability Strengthening Project progressed towards completion during

the year notwithstanding the disturbance due to the Covid-19 pandemic. Mannar GS, Maliboda GS, Wewelwatta GS and Maliboda – Polpitiya transmission line were successfully commissioned under Clean Energy and Network Efficiency Improvement Project and Renewable Energy Absorption Transmission Development Project during the year. These projects facilitate renewable developments.

The leadership provided by the vigorous Minister of Power Hon. Dullas Alahapperuma and State Minister of Solar, Wind and Hydro Power Generation Projects Development Hon. Duminda Dissanayake together with Ministry staff, assisted CEB to steer through catastrophes and deliver an essential service to valued consumers.

The performance of CEB during the year 2020 could not have been achieved without an active participation and contribution by a qualified and multi-disciplinary Board of Directors, an outstanding General Manager and committed and dedicated staff.

I will be failing in my duty if I do not recognize and applaud the support and contribution made by our subsidiaries, bankers and Independent Power Producers. I also take this opportunity to express my gratitude to our funding agencies, the Asian Development Bank, the Japan International Corporation Agency and the Industrial & Commercial Bank of China for their continued financial support.

Finally, I am grateful to each and every one, big or small, who contributed to make the organizations journey through the year 2020 successful.



Eng. H.M. Vijitha Herath

Chairman

Ceylon Electricity Board

General Manager's Review

“
The major achievement of the year was the commissioning and opening of the first large scale wind power plant in Mannar by the Prime Minister of Democratic Socialist Republic of Sri Lanka on 8th December 2020. This was the first large scale Power Plant to be completed during the last 6 years.”



As the General Manager and Chief Executive Officer of the Ceylon Electricity Board (CEB) I wish to appraise the progress/situation of CEB during the year 2020. Having passed many milestones in the previous years which resulted in bringing enhanced gains to the CEB and the Country, the year was started with lot of expectations and targets to excel in its technical performance and focused on improving its relations with its valued customers. However, the pandemic situation seriously affected the progress of many activities. In spite of the challenges posed by this unprecedented situation CEB was able to maintain continues supply to our customers, who depends on its services. Adhering to strictest health guidelines, CEB was able to operate all its offices and installations. In spite of the difficulties faced during the year, CEB provided a special concession of LKR 5.9 Billion to the domestic customers, by relieving them from the additional electricity consumed during the lockdown in the months of March, April and May.

Steered by the Government's policy to provide quality and reliable electricity to all, the CEB vigorously continued with its efforts to maintain quality and reliable supply to customers and to reach out to all prospective customers. Accordingly, 135,625 nos. of consumers were provided with new connections during the year. The Pandemic situation resulted in a drastic reduction in the energy consumption in the Island. The total energy demand served during the year was 14,286 GWh, this is a 2% decrease compared to last year's demand.

The total contribution by renewable energy power plants amounts to 36.8% of total generation. Major hydro power plants contributed 24.9 %, while the Non-Conventional Renewable Energy (NCRE) power plants contributed 11.9% of the total generation. The Lakvijaya Power Plant (LVPP), the largest power plant in Sri Lanka, generated 5,754 GWh,

contributing 36.6 % of total generation. This is the highest yearly contribution made so far by LVPP. The balance 26.6% was generated utilizing the CEB and IPP oil fired power plants. The total generation during the year was only 15,714 GWh. This is a 11% reduction from the planned generation for the year.

The major achievement of the year was the commissioning and opening of the first large scale wind power plant in Mannar by the Prime Minister of Democratic Socialist Republic of Sri Lanka on 8th December 2020. This was the first large scale Power Plant to be completed during the last 6 years. It is expected to generate 400 GWh annually, displacing large amount of fossil fuel-based electricity generation, thereby avoiding over 300 thousand metric tons of CO2 emissions annually. However, this project was delayed by more than 10 months due to, various travel restrictions. Other major generation project, Broadlands Hydro Electric Project that was to be completed at the end of the year could not be commissioned because of various travel restrictions.

The renewable energy absorption capability of the transmission network was improved by the commissioning of Mannar, Maliboda and Wewelwatta grid substations and Maliboda – Polpitiya, Mannar – Nadukkuda transmission lines during the year, this would facilitate to optimize the integration of green energy. Renewable Energy Desk was set up at the System Control Centre to monitor and forecast NCRE generation. Other transmission projects too were able archive sluggish but a reasonable progress despite the challenges placed by the serious restrictions.

CEBAssit developed by in house engineers is one of the applications that improved customer care, customer engagement, workplace efficiency, internal processes and

General Manager's Review (Contd.)

service quality. It won the Award for Best Digital-Enabled Product/Service under Government and NGOs and Best Use of Mobile Award in SLT Zero One Awards for Digital Excellence 2018/19. This application was further improved and modified during the year, to support the special challenges encountered in 2020.

The financial year 2020 was another tough year for CEB recording a Net Loss of LKR 62.5 Billion, due to non-cost reflective tariff and the delay in implementation of the proposed least-cost power generation projects. However, the recorded Net Loss decreased in the year compared to the previous year's loss of LKR 97.4 Billion. Reduction in demand and increase in hydro and less costly Coal generation resulted in lower dispatch of expensive oil-fired power plants. This together with the lowering of furnace oil price from LKR 96.00 to LKR 70.00, greatly reduced the financial burden on direct generation. Emphasis on cost optimization, and comparatively low fuel and coal prices, in the international markets helped to lighten the operating costs during the year. Decline in economic and other activities in the country and emphasize on improving operational efficiencies and strict discipline in cost management lead to Operation & Maintenance cost reduction of 19% compared to 2019.

CEB held a total asset base worth of LKR 953 Billion as at the end of year 2020 reflecting an increase of 4% compared to year 2019. CEB very much appreciate the Equity Investment of LKR 48 Billion received from Fuel Price Stabilization Fund. This full amount was paid to Ceylon Petroleum Corporation (CPC). Thereby the credit due to CPC almost halved and annual interest cost greatly reduced. This cash injection critically

helped the cashflow position too, since CEB found it difficult to recover debt from retail customers due to hardships faced by them.

I believe that the performance of the organization in the year under many constrains explained above were credible and positive and that would not have been achieved without the hard work and loyalty of the Staff of the CEB comprising 21,262 permanent employees, 1,603 casual/contract employees and 2,759 trainees.

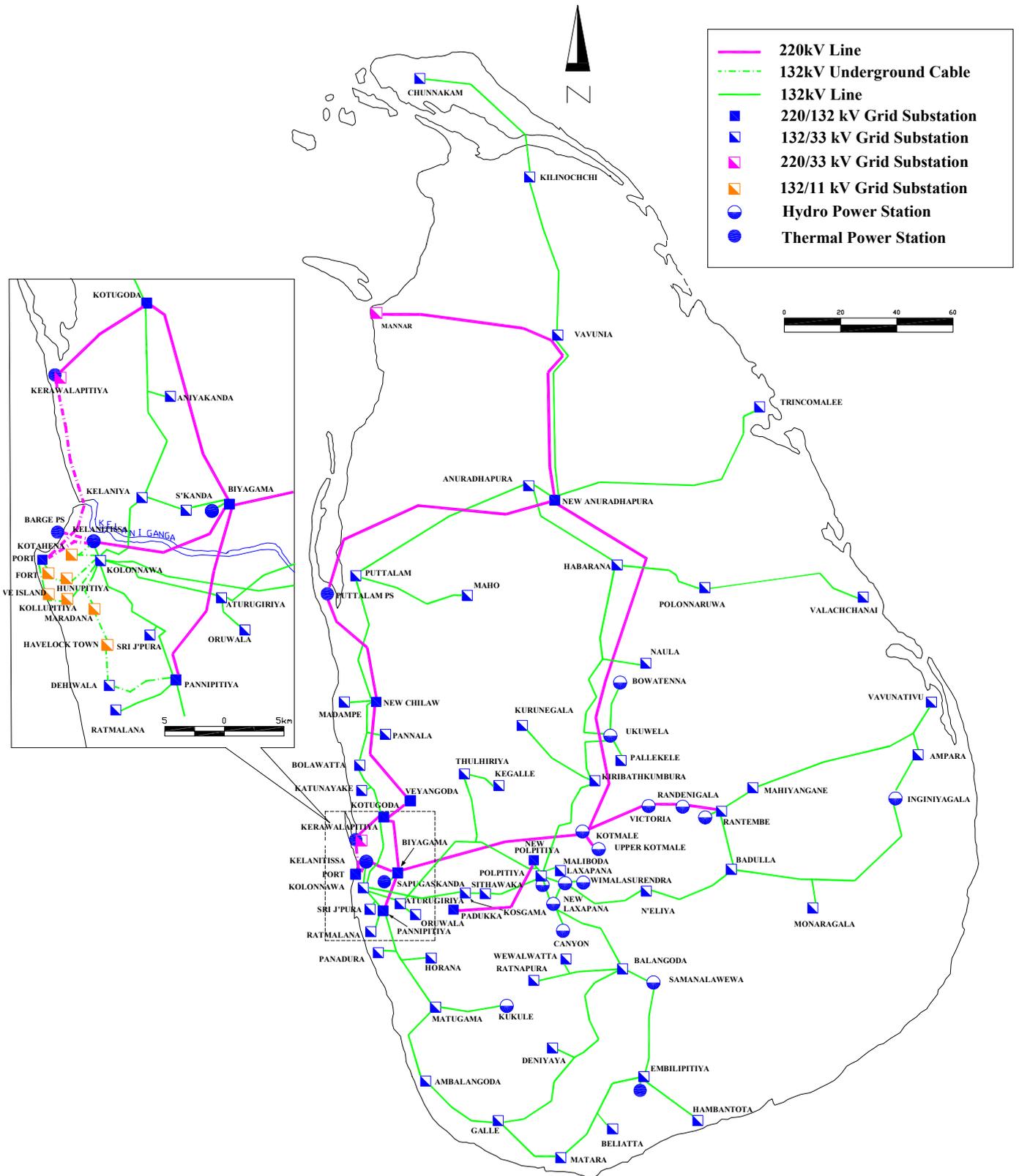
I very much appreciate the support and direction given by the Hon. Minister of Power Dullas Alahapperuma, and Hon. State Minister Duminda Dissanayake together with Ministry officialdom.

It was my pleasure and privilege to have worked together with the Chairman, Eng. Vijitha Herath and the Board of Directors, to navigated the organization through these challenging times. Furthermore, I am grateful to my colleagues of the corporate management team and senior officers who assisted and strengthened me to realize this achievement.

I also record my gratitude to the Ministry of Finance, bankers, funding agencies and all authorities who extend their support to made the organizations journey successful and windup my message with a humble appreciation.

Eng. D.D.K. Karunaratne
General Manager

CEB Transmission Network





Review of Operations
GENERATION
DIVISION

Generation Division

The Generation Division is responsible to operate, maintain and rehabilitate all power plants owned by the Ceylon Electricity Board. Generation Division has seventeen Hydro Power Stations with installed capacity of 1383 MW, seven Oil-fired Thermal Power Stations with installed capacity of 654 MW and a Coal-fired Power Plant in the capacity of 900 MW. It also operates a few diesel plants in the surrounding islands of Jaffna Peninsula. Total installed Capacity of CEB owned Power Plants by end 2020 was 2,968 MW.

Performance of Power Stations

The year 2020 was a remarkable year for Mahaweli complex. Power stations in Mahaweli complex have generated 1,890 GWh. That is about 48% of the total hydro generation of CEB. This has been achieved by surpassing annual generation targets of Ukuwela and Bowatenna power stations and

generating more than 80% of planned energy targets from Kotmale and Upper Kotmale power stations.

Laxapana Complex has generated 1,443 GWh which is 93% of the annual expected energy of 1,550 GWh.

Udawalawa and Inginiyagala Power Stations of the Samanala Complex generated more than the annual expected energy under regulated conditions to release irrigation water.

During the year, thermal (oil) power stations managed to generate 1,465 GWh while the Lakvijaya Power Plant (LVPP), the one and only coal power plant in Sri Lanka, contributed 5,754 GWh to the National Grid. This is the highest yearly contribution made so far by LVPP, after it was commissioned for all stages in the year 2014.

Electricity generated by power stations and other related factors in the year 2020 are listed below.

Table 01 : Contribution of Hydro Power Stations

Power Station	Installed capacity (MW)	Generation in (GWh)	Availability factor (%)	Plant factor (%)
Victoria	210	506	99.8	27.2
Kotmale	201	398	99.8	22.6
Upper Kotmale	150	351	99.3	26.7
Randenigala	122.6	266	99.4	23.9
Rantembe	50	127	99.7	29.2
Ukuwela	40	180	99.1	50.9
Bowatenna	40	55	99.8	15.7
Nillambe	3.2	8	99.5	28.3
MC Total	816.8	1,891		

Power Station	Installed capacity (MW)	Generation in (GWh)	Availability factor (%)	Plant factor (%)
Samanalaweveva	120	243	80.5	23.3
Kukuleganga	75	296	93.2	48.6
Udawalawa	6	8	63.5	24.7
Inginiyagala	11.25	30	97.7	30.8
SC Total	212.25	577		
Old Laxapana Stage I	3x9.6	276	99.5	58.4
Old Laxapana Stage II	2x12.5			
New Laxapana	2x50	503	99.0	53.1
Samanala	2x45	418	98.8	52.5
Wimalasurendra	2x25	102	93.8	23.3
Canyon	2x30	145	94.4	27.6
LC Total	353.8	1,444		
Hydro Total	1,383.25	3,911		

Generation Division (Contd.)

Table 02 : Contribution of Thermal (Oil) Power Stations

Power Station	Installed Capacity (MW)	Max. Available Total Capacity (MW)	Energy Generated (GWh)	Availability Factor (%)	Plant Factor (%)
Sapugaskanda - A	80	70	331	93.8	55.7
Sapugaskanda - B	80	72	415	96.0	68.3
Kelanitissa CCPP – GT	110	110	-	-	-
Kelanitissa CCPP – ST	55	55	-1	-	-
Kelanitissa GT - 07	115	115	97	57.0	12.0
Kelanitissa Frame V GT	80	54	35	46.8	6.1
Emergency Power	50	40	78	90.1	23.6
Uthuru Janani	24	22	108	89.0	55.0
Barge Mounted	60	62.4	399	95.6	75.6
Thermal (Oil) Total	654	602.4	1,462		

Table 03 : Contribution of Lakvijaya Power Plant

		Unit 01	Unit 02	Unit 03	Total
Installed Capacity	MW	300	300	300	900
Gross Energy Generated	GWh	2,152	2,258	1,955	6,365
Net Energy Sent Out	GWh	1,948	2,036	1,770	5,754
Auxiliary Consumption	GWh	205	221	185	611
Availability Factor	%	97	95	90	94
Capacity Factor	%	82	86	74	81

Highlights

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 Assets Management (Hydro-Electrical), Assets Management (Hydro-Mechanical), Assets Management (Thermal-Electrical), Assets Management (Thermal- Mechanical), Dam Safety Environment & Civil Structures Maintenance and Generation Protection Branches.

Installation of IP Surveillance System in Laxapana, Canyon & Samanala Power Stations

A CCTV System comprising of 76 IP surveillance cameras at Laxapana Power Station, 46 IP surveillance cameras at Canyon Power Station and 45 IP surveillance cameras at Samanala Power Station were installed.

The project cost was approximately LKR 21 Million.



Repairing of the Intake Gate at Maussakele Reservoir

The intake gate was corroded heavily, rubber seals were deteriorated and the main hoist of the gate was not operational as this was installed long years back. All equipment were repaired and re-commissioned to ensure the safe and reliable operation of the intake gate.

Generation Division (Contd.)



Repairing Maussakele intake gate

Repairing of Howell Bunger Valve at Maussakele Reservoir

The valve outer surface was heavily damaged by deep corrosions and fixing bolts had deteriorated.

The valve outer body was repaired by TIG welding and cold-welding work. The gear box, main couplings and shaft were also manufactured & replaced. The commissioning work has been planned to be carried out during the Canyon tunnel outage.



Repairing Howell Bunger Valve Maussakele

Overhaul of 220 kV Minimum Oil Circuit Breakers at Kotmale Power Station

220 kV minimum oil circuit breakers in Kotmale switchyard were installed in 1984. Therefore, overhaul works were planned and completed for CB 110 and CB 330. During the overhauls, worn-out parts were replaced, PRVs were repaired

and CBs were filled with specified oil. Then timing and other parameters were adjusted according to OEM specifications.



Circuit breaker overhaul at Kotmale PS

Commissioning of DAQ system at Kotmale Power Station.

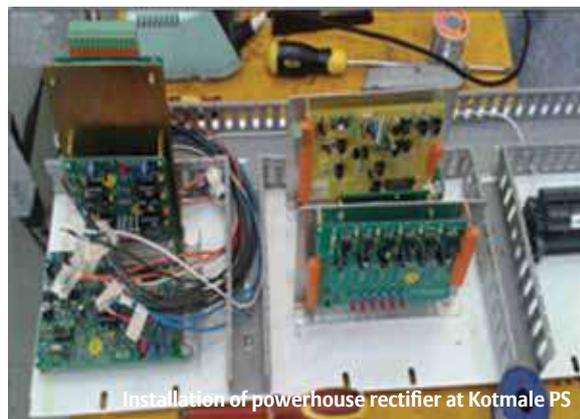
Data Acquisition System (DAQ) was commissioned for Unit 02 & Unit 03 in 2020. The Annunciation System and the Starting Sequences of all units were incorporated. Further modifications and improvements will be done in 2021.

Digital Pressure Sensors Installation at Kotmale Power Station

The existing pressure sensors were analog instruments. The system was improved by installation of digital pressure sensors. The new digital pressure sensors were connected to the DAQ system as well.

Installation & Commissioning of Powerhouse Rectifier 01 & 02 at Kotmale Power Station

The existing rectifier system of the power station has been installed in 1984. It was decided to retrofit the existing rectifier system. Necessary procurements were done and the rectifier system was retrofitted.



Installation of powerhouse rectifier at Kotmale PS

Generation Division (Contd.)

Sand Blasting and Painting of Surge Chamber Gate and Structures at Kotmale Power Station

This Surge Chamber Gate had corroded due to aging. The gate (total area approximately 720 sq. meters) was sand blasted and painted as per the standards Sa2.5 and ISO12944-1.

Repair of Ventilation Louvers at Ventilation Plant at Kotmale Power Station

Ventilation plant's air intake has been installed at the commissioning of the power station. Deep corrosion and damage were observed. Accordingly, a set of Ventilation Air Intake was replaced.

Upper Kotmale Power Station - Spillway gate concrete surface treatment against abnormal weathering in Talawakelle dam

The concrete surface of the Talawakelle dam had abnormally weathered. It was decided to treat the concrete surfaces of spillway gates openings (as the first phase) with water proofing materials to prevent further weathering. A tender was initiated by DSE&CSM Branch and awarded to Finex Engineering (Pvt) Ltd. Concrete surfaces of all five spillway gates were waterproofed.



Upper Kotmale Power Station - Unit 1 Penstock drain valve replacement

A crack in the downstream welding joint of MIV drain valve of Unit 01 was observed in February 2020 and was replaced with a spare valve. In September 2020, a fresh crack at the same location of the replaced valve was observed. It was replaced with the repaired previously cracked valve.



Samanalawewa Power Station - Control / SCADA rehabilitation project

The control and data transfer between dam and power station control room was not possible due to unavailability of a communication channel. CEB engineers developed a solution and a VPN link was established and with a PLC system installation at Dam Site, the data and control function are now available at power station control room.

LP oil cooler refurbished at Samanalawewa Power Station

Five numbers of low-pressure oil coolers were locally refurbished and reinstalled under the supervision of power station engineers.

Generator lower guide bearing oil cooler was manufactured in Sri Lanka and reinstalled

Samanalawewa Power Station - Sand blasting and painting of spillway gates and related steel structures of dam

Samanalawewa Dam has three hydraulically operated spillway gates, four stoplogs, anchoring system, gantry crane and related steel structures. Protective paint coatings of these steel structures had been done during the power station construction in 1990s.

Immediate sand blasting and painting of the steel structures were recommended by a third-party paint inspector and an expert team of CEB personnel.

Generation Division (Contd.)

On the above recommendation, tender was initiated and awarded to Dockyard General Engineering Services (Pvt) Ltd after following a competitive bidding process.

The total area of painting is 8,210 square meters and the total cost is LKR 85 Million.

The painting work is under way and more than 50 % of the work has been completed.



Sand blasting and painting works

Samanalawewa Power Station - Unit No. 02 Stator Repair and Emergency Overhaul

This repair was initiated to rectify the winding failure of 01st November 2019. During the overhaul generator side



Stator repair works at Samanalawewa PS

supervising was done by Quartzelec, UK while turbine side engineering and supervising was completely done by CEB Engineers.

Overhaul works were almost completed, and commissioning is now in progress.

Kukuleganga Power Station - Sandblasting and Painting of Spillway Gates

These gates were painted for the first time after installation. The Contract was awarded to Dockyard General Engineering service and supervised by the power station staff. Sandblasting and painting with zinc rich primer coat and epoxy was done.

Kukuleganga Power Station - Upgrading Power Plant Control and SCADA system

The plant control and SCADA system was outdated and the Original Equipment Manufacturer had terminated product service. Therefore Engineers of Kukuleganga PS and AMHE had taken steps to implement the control system upgrading project. By this approach, upgrading could be done with a minimum plant outage and at minimum cost.

Estimated savings by implementing this upgrade would be around LKR 400 Million. This project commenced in 2020 and is scheduled to be completed in year 2021

Udawalawa PS - Rehabilitation of Turbine Generator Unit 01

The generator located on left bank which was out of order for few years was taken for repairs. This entire repair and decommissioning process were carried out by engineers and technical staff at Udawalawe PS. Wicket gates, servo motor seals, brake jacks, governor control panel and hydraulic pumps were inspected, tested and repaired.

Udawalawe Power Station - Installation of Automatic Synchronizer

Udawalawe power station had no auto synchronizer and the synchronizing of generators was done manually. In 2020 the power station engineers and AMHE engineers installed an auto synchronizer system at Udawalawe PS.

Udawalawe Power Station - Modifications

- Bus voltage meter was installed and commissioned.
- A digital multi-function meter was replaced and commissioned.
- The speed sensing mechanism was established by a proximity sensor with the coordination of AMHE Branch.
- The left bank monorail crane was repaired, reassembled and reinstalled.
- The NGR of Transformer 02 (T 02) was commissioned and the foundation for the NGR of T01 was prepared.

Generation Division (Contd.)

- Switchyard maintenance was very difficult due to the growth of weeds. Also, metal was mixed with soil. A metal cleaning machine was invented locally and the cleaning started.



Metal cleaning machine

Inginiyagala PS - Unit 01 Major Overhaul

A stator winding insulation failure had occurred in Unit 01 and repaired in 2015. Following this, Unit 01 generator loading was restricted. In addition a fault occurred in the turbine this year due to aging and erosion. It was decided to repair the Unit 01 by replacing the turbine with a spare turbine.

The main constraint for the unit 01 repair was, water leak through MIV. The tunnel was dewatered and MIV sealed before commencing the replacement and repair.



Inginiyalaga PS overhaul works

Inginiyagala PS - Under Water Inspection of Intake tower

There was a doubt regarding a partial blockage at intake tower, by considering the water flow pattern. Therefore, underwater inspection was done by a team of divers. No blockages or major cracks were found. This helped to decide the major overhaul work of unit 01.

Inginiyagala PS - Load Testing of Overhead Crane

As a pre arrangement for overhaul of unit 01, overhead bridge crane of the IPS was inspected, repaired and load tested for full capacity.

Sapugaskanda PS - Camshaft Replacement of Engine No. 04

The temporarily repaired camshaft of engine No.04 was replaced with a new one to ensure the reliability of the engine. The replacement cost LKR 35 Million.

Sapugaskanda PS - Replacement of 132kV Current Transformers

Replacement of CTs at 132kV side of step up transformers was carried out.

Sapugaskanda PS - Replacement of exhaust boiler tube set of Engine No. 02

The hot water tubes and fins of the existing exhaust gas boilers were eroded resulting in water leaks and poor heat transfer. Consequently, time taken for fuel changeover had increased causing engines to run on diesel for extended time incurring higher operating costs. To rectify this the exhaust boiler tube set of Engine No. 02 was replaced at a cost of LKR 25 Million.

Lakvijaya Power Plant - Cleaning of Sea Water Intake Culvert of Unit 03

This was carried out during the planned outage of Unit 03. The total length of the intake culvert is approximately 438 m.

Typically, this kind of special tasks are carried out by a third-party diving team. Then CEB has no access to monitor or visually inspect inside the culvert, intake head, bottom of the pump house etc. Therefore, CEB has to rely on information provided by an outside contractor.



LVPP diving team

However, LVPP diving team eliminated this pitfall by attending to the inspection. The commitment and contribution of LVPP diving team made towards this cleaning of sea water intake culvert of unit 03, was a success.

Generation Division (Contd.)



Cleaning of sea water intake at LVPP

Special Rehabilitation and Project Works

Lakvijaya Power Plant - Enhancing the Handling Capacity of Coal Yard

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 improved if the availability of the coal stock could be increased. In order to avoid adverse consequences of poor weather, delays in coal procurement and issues in the coal handling systems, it was decided to enhance the coal storage and handling capacity of the existing coal yard to 1.21 MMT.



Coal yard extension works at LVPP

Cabinet approval was obtained and the contract was awarded to China Machinery Engineering Corporation in October 2019.



Coal yard extension works at LVPP

The project officially commenced on 10th September 2020 and is currently in full swing. As at the end of the year, the project physical completion is approximately 8%. The project is scheduled to be completed by September 2022.

Kelanitissa Power Station - Rehabilitation of Frame V Gas Turbines

Frame-V Gas Turbines in Kelanitissa Power Station were playing a major role due to their specific attributes. It was decided to extend the retirement age of these gas turbines by a period of at least six years. In order to extend the retirement age of four Frame-V GTs namely, GT-01, GT-02, GT-04 and GT-05, it is required to carry out major maintenance/rehabilitation of the units after procuring adequate spare parts.

The project work was undertaken by the Project Management Unit established under the Generation Projects Branch. The project mainly comprises of Electrical, Instrumentation & Control and Mechanical sub units which work in parallel.

After rehabilitation, GT-01, GT-02 & GT-04 are currently operating in base load mode and synchronous-condenser mode to regulate the system voltage in Colombo City area. The remaining rehabilitation work of GT-05 is being carried out and 60% of the project is completed as of now.

The project is expected to be completed by end of November 2021.

Generation Division (Contd.)

Table 04 : Cost of Generation

Complex	Plant	Cum. Actual Generation (GWh)	Cum. Actual Expenditure (LKR Million)	Average Unit Cost (LKR/KWh)
Thermal	KPS - Gas Turbines	133.87	8,773.39	65.54
	KPS - Combined Cycle	-	-	-
	Sapugaskanda	775.31	18,786.09	24.23
	Island Small Generators	2.61	180.16	69.00
	Uthuru Janani	111.49	2,857.03	25.63
	Barge Mounted PS	413.54	8,856.68	21.42
	Emergency Power - 1MW x 50	78.24	2,621.55	33.68
	Overall Thermal - Fuel	1,515.06	45,356.65	29.94
Coal	Coal	6,364.95	62,455.46	9.81
Total Thermal	Overall Thermal	7,880.01	107,812.10	13.68
Mahaweli	Victoria	507.13	963.10	1.90
	Kotmale	399.94	1,003.40	2.51
	Ukuwela	180.12	277.38	1.54
	Bowatenna	55.24	187.98	3.40
	Randenigala/Rantambe	395.72	1,126.84	2.85
	Nilambe	8.24	101.49	12.31
	Upper Kotmale	352.19	1,342.77	3.81
	Overall Mahaweli	1,898.58	5,002.96	2.64
Laxapana	Old & New Laxapana	781.48	889.92	1.14
	Samanala	418.61	629.96	1.50
	Wimalasurendra	102.24	417.53	4.08
	Canyon	145.12	354.50	2.44
	Overall Laxapana	1,447.45	2,291.90	1.58
Samanala	Samanalawewa	245.78	1,096.50	4.46
	Kukule	298.52	481.57	1.61
	Inginiyagala	30.43	110.24	3.62
	Udawalawe	8.66	137.91	15.92
	Overall Samanala	583.39	1,826.21	3.13
Total Hydro	Overall Hydro	3,929.42	9,121.07	2.32
Total CEB	Overall CEB* (At Generation Point)	11,809.07	116,933.18	9.90
* - Without Manner wind power plant generation				



Review of Operations
TRANSMISSION
DIVISION

Transmission Division

CEB has a statutory responsibility to develop, operate, and maintain an economical transmission system for the country. In addition, it is the statutory duty of CEB to have adequate generation to meet the forecast electricity demand of the country. The Public Utility Commission of Sri Lanka (PUCSL) has issued a Transmission License to CEB in accordance with the Sri Lanka Electricity Act, incorporating these statutory duties as well as other responsibilities.

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 the system transmission voltage variations within $\pm 10\%$ for ± 132 kV & 220 kV and frequency within $\pm 1\%$ of 50 Hz.

Transmission Division is responsible to carry out the above duties with these objectives on behalf of CEB while providing services to other Divisions of CEB.

Thirteen Branches have been established under the Transmission Division.

By considering the requirement of implementing IPP power plants in due time, a new Branch, the Private Power Development Branch was established in 2020.

The Transmission Division, after carrying out detailed studies, publishes the Long Term Generation Expansion Plan (LTGEP). The LTGEP details the required future generation additions to the country's power system for a 20 year period. Further, the Long Term Transmission Development Plan (LTTDP), based on the LTGEP, stipulates the required transmission line and other infrastructure additions to the system for the next 10 years. The LTTDP is also published as a rolling plan.

The Transmission Division through its System Control Centre dispatches the electricity supplied to the National Grid by all generation stations by utilizing the 220 kV and 132 kV transmission network. The Division is responsible for implementation of IPP power plants, development and implementation of Non-Conventional Renewable Energy (NCRE) or Other Renewable Energy (ORE) plants with the private sector, through entering contracts on Power Purchase Agreements (PPA). In addition, the Division engages in "purchasing" electricity from Generation Licensees (GLs) and

selling to five Distribution Licensees (DLs) including LECO. It also submits the Bulk Supply Tariff (BST) every 6 months to PUCSL according to the approved tariff methodology of 2015.

The operation and maintenance of the transmission network is the primary responsibility of the Division. The assets management and maintenance management is carried out based on a Computerized Maintenance Management System (CMMS). The operation and maintenance activities have been decentralized.

Further, identifying required protection philosophies and application of such for the protection of the existing power network and future development or rehabilitation of the power network is also carried out. Transmission Division also provides voice and data communication requirements within the CEB. This includes operation and maintenance of voice and data, protection signaling and administration of voice and data.

In addition, the delegated HR and finance functions too are handled by the Division.

Performance of Transmission Division

Details of the transmission system as at the end of the year are given below.

Table T 1 : Transmission System as at 31st December 2020

Voltage Level	Item	Unit	Quantity
220kV	Overhead Lines	km	777
	Under Ground Cables	km	22
132kV	Overhead Lines	km	2,306
	Under Ground Cables	km	55
220/132/33kV	Grid Substations	Nos.	4
	Transformers	Nos.	8
		MVA	1,600/380
220/132kV	Grid Substations	Nos.	6
	Transformers	Nos.	12
		MVA	2,510
132/33 kV	Grid Substations	Nos.	58
	Transformers	Nos.	146
		MVA	4,631.5
132/11 kV	Grid Substations	Nos.	8
	Transformers	Nos.	22
		MVA	792
220/33 kV	Grid Substations	Nos.	3
	Transformers	Nos.	4
		MVA	246

Transmission Division (Contd.)

Power System Performance

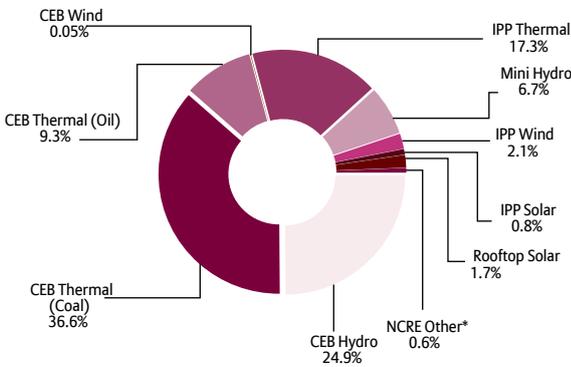
Net electricity generation for year 2020 was 15,714 GWh. The net generation dropped by 1.3% compared to 2019 with the impact of the Covid-19 pandemic.

Net generation from CEB owned hydro power plants in 2020 was 3,911 GWh and recorded a 3.4% increase from 2019 and contributed 24.9% of net generation in year 2020.

The Mannar Wind Power Plant (MWPP) commenced operation for testing purposes on 2020-11-07. The total generation received from MWPP was 8 GWh and recorded 0.05% share from total generation and 0.5% share from total generation from NCRE plants except rooftop solar.

The contribution from Non-Conventional Renewable Energy (NCRE) from IPPs (Independent Power Producers) excluding rooftop solar generation for the year 2020 was 1,589 GWh and it was 10.1% of the net generation and recorded 10 GWh increase from year 2019.

Figure T 1: Net Energy Generation Mix of year 2020



(*)- Biomass, Dendro & Municipal Solid Waste

Total rooftop solar generation exported to CEB, LV and MV network in 2020 was 269 GWh and, it was 1.7% of the net generation and recorded 87 GWh increase from year 2019.

The total thermal generation for the year 2020 was 9,936 GWh. The contribution of coal-fired power plant of Lakvijaya was 58% (5,754 GWh), and this was an increase of 393 GWh from year 2019. Total thermal generation of the year 2020 recorded a 4% decrease, which is 441 GWh less than the total thermal generation of the year 2019. The IPP thermal generation of year 2020 was 2,717 GWh and recorded a 158 GWh (5.5%) decrease from year 2019.

Comparison of average monthly net generation of year 2018, 2019 and 2020 is given in Figure T2. Even though a generation growth was observed during the first two months of the year,

the generation decreased by reflecting the electricity demand drop due to full and partial lockdown measures taken against the Covid-19 pandemic.

A comparison of average growth/drop of monthly energy generation of year 2020 against year 2019 is given in Figure T3 below and this clearly shows the impact of the Covid-19 pandemic.

Figure T 2 : Average Monthly Net Generation Profile of Years 2018/2019/2020

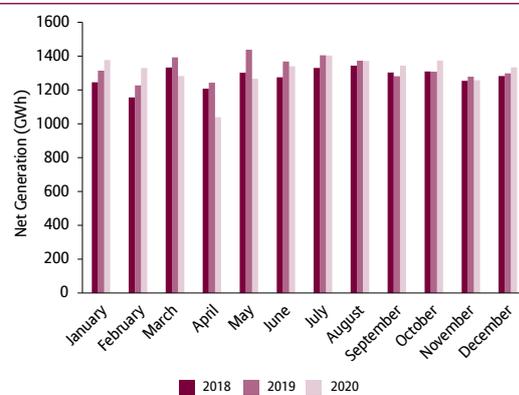
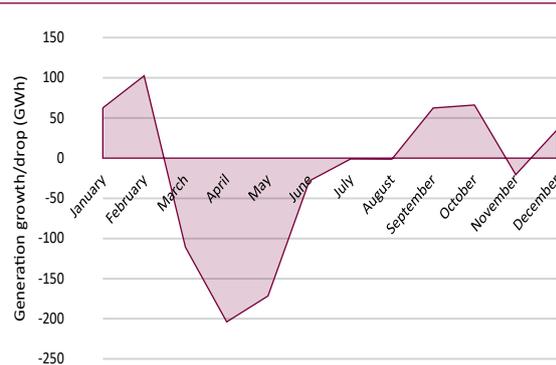


Figure T 3: Comparison of Average Monthly Energy Generation Growth/Drop of Year 2020 and 2019



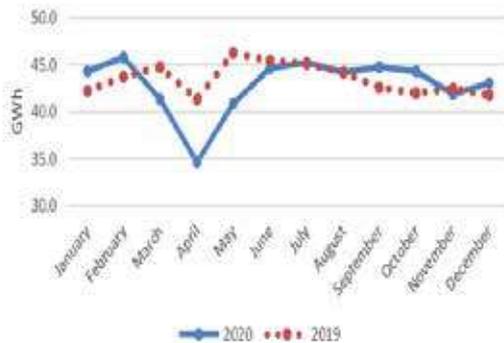
The annual average energy generation per day was 42.9 GWh for the year under review. This shows a 1.6% decrease from year 2019. Comparison of average daily electricity consumption of year 2019 and 2020 is given in Figure T4.

An island wide blackout occurred on 2020-08-17 at 12:30hrs and another 5 major failures and 11 partial failures occurred during the year 2020.

The total system un-served energy due to system disturbances or lack of generation for the year 2020 was 18.7 GWh.

Transmission Division (Contd.)

Figure T 4 : Average Daily Energy Consumption in Month wise [GWh]

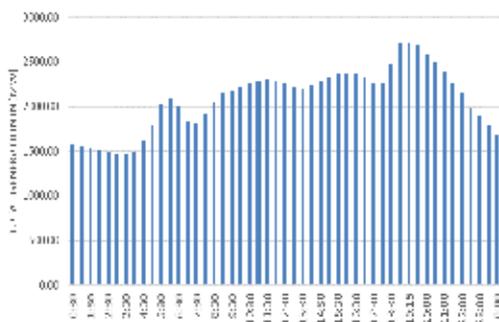


The maximum night peak demand of the year 2020 was recorded on 2020-03-11 at 19:15hrs and the electricity demand reached 2,717 MW. The day peak demand of the same day was 2,377 MW at 16:00 hrs load profile on 2020-03-11 is given in the Figure T5 and the load curves of the days on which maximum night peak demands were recorded during the past three years are given in the Figure T6.

The maximum day peak demand of the year 2020 was recorded on 2020-03-12 at 16:00hrs and the electricity demand reached 2,394 MW.

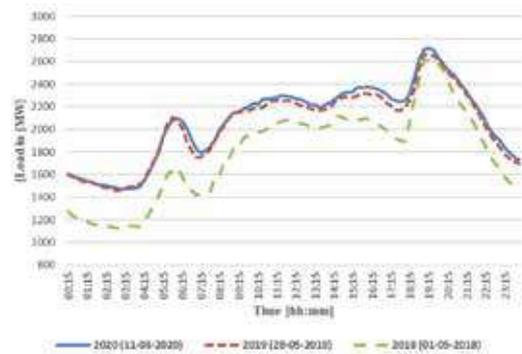
The lowest demand of the year 2020 was recorded on 2020-09-07 at 03:15hrs and the recorded demand was 892 MW.

Figure T 5 : Half-Hourly Generation Load Profile on the Day of the Maximum Peak of the Year



Maximum daily generation of 49.4 GWh was recorded on 2020-03-12 and minimum daily generation of 27.8 GWh was recorded on 2020-08-17 i.e. the day of the total failure, however the second lowest daily generation of 28.4 GWh was recorded on the 2020-04-14, i.e. the day of Sinhala and Hindu New Year.

Figure T 6 : Load Curves of Annual Maximum Night Peak Day (2018 -2020)



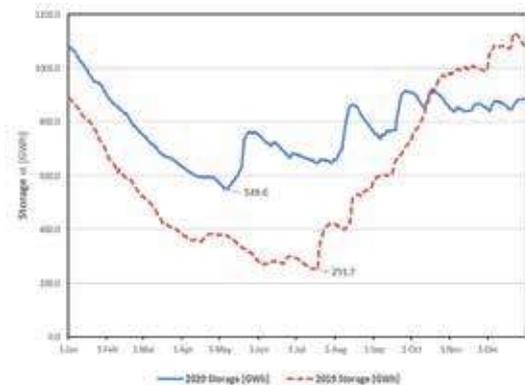
Reservoir Performance

Year 2020 was commenced with a total hydro storage of 1,071 GWh. This was 89.7% of system full storage which is 1,194 GWh.

The total inflow received during the year 2020 was 3,732 GWh, considered as below average. In the months of March and April, the second lowest inflows for the past 20 was recorded due to extreme dry weather and below average rainfall that prevailed during the second inter-monsoon and North East monsoons. Relatively low inflows were experienced from October till end of December 2020. The maximum average daily inflow of 19.9 GWh was received during September 2020.

The lowest storage was recorded on 2020-05-05 and the storage was 550 GWh. The end of the year storage was 888 GWh and this was a 17.6% decrease from 2019.

Figure T 7 : Variation of Total Reservoir Storage in 2019 and 2020



Transmission Division (Contd.)

Performance of NCRE Projects

Table T 2 : Commissioned NCRE Projects

Category	Commissioned in 2020		Cumulative Commissioned Projects as at the end of 2020	
	No of Plants	Capacity (MW)	No of Plants	Capacity (MW)
Mini Hydro	2	-	208	410
Biomass	-	-	13	40
Wind	2	20	17	148
Solar	18	18	32	75
Municipal Solid Waste	1	10	1	10
Total	23	48	271	683

PPA Signed Non-Commissioned Projects under Standard Tariff

Some projects which have signed the PPAs, have not been yet commissioned due to land, environmental and social issues. Summary of them is given below:

Table T 3 : Non- Commissioned NCRE Projects under Standard Tariff

	No of Plants	Capacity (MW)
Mini Hydro	48	79
Biomass	11	58
Wind	1	11
Municipal Solid Waste	2	10.13
Total	64	158.13

Summary of Projects under the Process of Tendering

With the amendment of Electricity Act in 2013, NCRE Development too has to be through competitive bidding. In 2015 the first tender for two of 10MW Wind Power Plants were invited. After that several tenders have been invited. A summary is given below.

Table T 4 : Details of NCRE Projects under Tendering Process

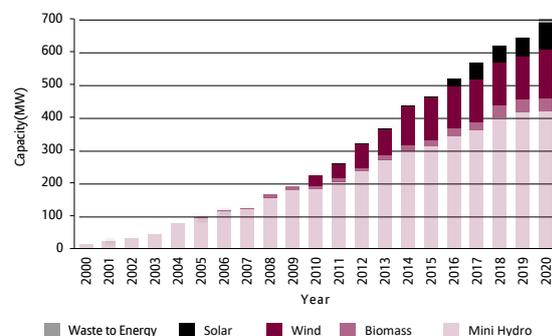
Tender	No of Plants	Total Capacity (MW)	Remarks
Chunnakkam Wind	2	20	Commissioned
60x 1 MW Solar	60	60	35 Projects Awarded & PPA signed 20 Projects Commissioned
90x 1 MW Solar	90	90	70 Projects Awarded 29 Projects PPA signed 04 Projects Commissioned
2x 10 MW Solar	2	20	Tender Awarded Pending Signing PPA
Solar PV with Farming	1	10	Tender Awarded Pending LOI
(1~10)MW Wind Plants	To Be Decided	60	Tender Closed Pending Awarding
(1~10)MW Solar Plants	To Be Decided	150	Tender Closed Pending Awarding
Total		410	

Table T 5 : Details of Projects under the PPA & LOI stage

	SPPA signed		LOI Issued	
	No of Plants	Capacity (MW)	No of Plants	Capacity (MW)
Solar	40	40	43	61

NCRE Development and Past Performance

Figure T 8 : Cumulative Total of Commissioned NCRE Projects (Excluding Rooftop Solar)



Transmission Division (Contd.)

Figure T 9 : Energy Generation through NCRE Projects (Excluding Rooftop Solar)

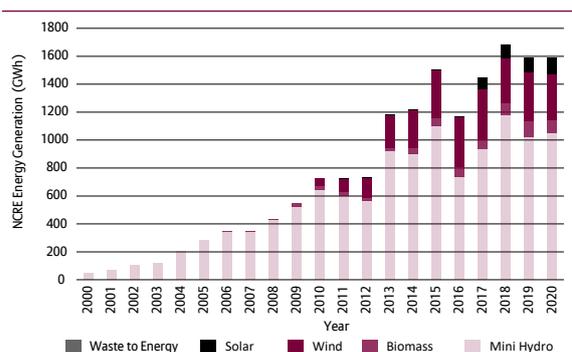


Figure T 10 : NCRE Contribution to the National Energy Generation (Excluding Rooftop Solar)

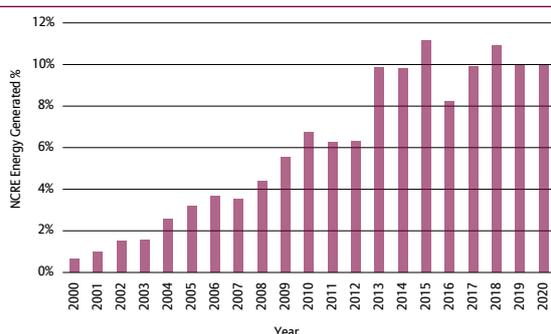


Figure T 11 : Technology wise Contribution of NCRE Year 2020 (Excluding Rooftop Solar)

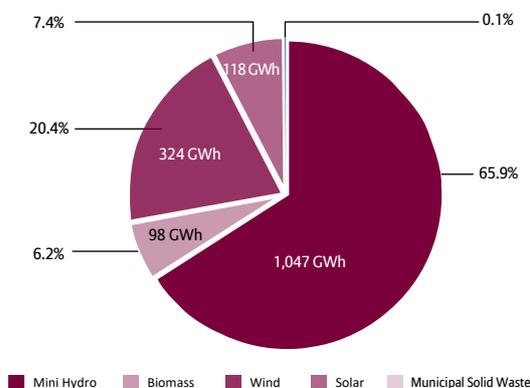
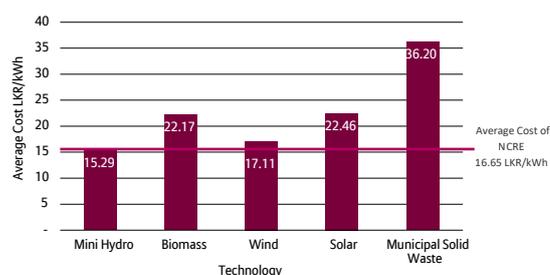


Figure T 12 : Average Cost of NCRE Year 2020 (Excluding Rooftop Solar)



Future of NCRE Developments

In additions to the developments mentioned above following projects are in the development pipeline:

- Pooneryn 233MW Wind Park
- Siyambalanduwa 100MW Solar Park
- Mannar Island Phase II -100MW Wind Project
- 90MW Mini Hydro Developments
- 190MW Solar & Wind Tender (150MW Solar & 40MW Wind)

Highlights

In 2020, the major issue confronting the Division and its workforce was the Covid-19 pandemic. The challenge was more intense, especially in maintenance and related activities, with strict health guide lines, which is very difficult in practice.

New Plans for the Future

Draft LTGEP for the planning horizon of 2020-2039 was submitted to the PUCSL on 24th May 2019 and a revised submission on 12th March 2020 as requested by PUCSL. It is to add 10,782 MW of generation capacity to the system during the next 20 years with a mix of hydro, thermal and other renewable energy sources (wind, solar, mini hydro & biomass).

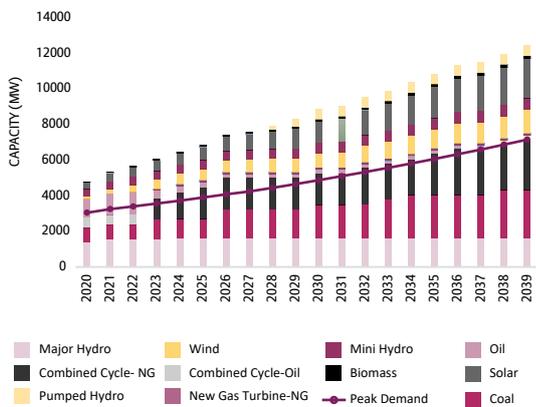
Enhancing the share of renewable energy is one of the pillars in the National Energy Policy and Strategies of Sri Lanka (Aug 2019). Further, "Vision of Prosperity and Splendour"; a policy framework stipulates preparing plans to maximize generation from Renewable Energy by 2030. Accordingly, compared to the past, CEB has planned to add a considerable renewable energy (RE) capacity in the next twenty years. RE resources do not have a "firm" power capacity. They are "intermittent" in

Transmission Division (Contd.)

nature. Other grid level firm capacity generation is required to balance out generation from variable RE sources to follow demand for electricity in real time. CEB had identified Pumped Storage Hydro Power Plant (PSHPP) as the most suitable, long lasting solution to add such firm capacity.

These projects include construction of new switching and grid substations as well as development of existing substations and construction of new transmission lines. The total estimated cost of these projects is around LKR 56 Billion. The final agreements for these funding are expected to be completed shortly.

Figure T 13 : Average Cost of NCRE Year 2020 (Excluding Rooftop Solar)



During 2020, work was initiated to select the most suitable site to locate the first pumped storage hydro power project in Sri Lanka and to carry out feasibility studies. There are two promising sites at Aranayaka in the Maha Oya basin and another recently discovered site at a location called Wewathenna upstream of the existing Victoria reservoir.

The Project for Capacity Development on the Power Sector Master Plan Implementation Program was initiated with the assistance of the Japan International Cooperation Agency (JICA).

Three funding sources, Asian Development Bank (ADB), Agence Française de Développement (AFD) and Asian Infrastructure Investment Bank (AIIB) were arranged to fund three major transmission projects during the year 2020.

New Grid Substations

Following grid substations were handed over to the Division during 2020.

Grid Substation	Voltage Level	Capacity
Maliboda	132/33 kV	63 MVA
Wewalwatta	132/33 kV	63 MVA
Colombo A	132/33 kV	63 MVA
Colombo F	132/33 kV	63 MVA

Renewable Energy at Affordable Prices

CEB continued with its ambitious goals for renewable energy. It was able to float two tenders for Wind and Solar PV plants on Built Operate Own (BOO) basis. One tender was for a total of 150MW of Solar PV (10MW plant capacity in each) and the other tender was for a total of 60MW of Wind Power (10MW plant capacity in each). The tariffs that were bid for the tenders confirmed that competitive bidding results in reasonable tariffs.

23 new NCRE plants having a total capacity of 48 MW were commissioned during the year. A major highlight of the year was the commissioning of the first ever Wind power projects to be implemented under competitive bidding. The two 10MW Wind Projects in Chavakachcheri, implemented by M/s Vayushakti Vitpaner (Pvt.) Ltd. and Yaal Vayupahawan (Pvt.) Ltd. on BOO basis following the tender in 2017, were connected to the national grid on 2020-05-27.

In addition, the first ever large scale waste to energy (W2E) (Municipal Solid Waste) project too was connected to the National Grid in late 2020. The W2E is a 10 MW plant, implemented by Western Power (Pvt) Ltd, and it is located in Kerawalapitiya.



Figure T 14: Waste to Energy Power Plant at Kerawalapitiya

Transmission Division (Contd.)

Renewable Desk at SCC

A milestone in the history of NCRE development integration was achieved in 2020 with the establishment of a “Renewable Desk” at the System Control Centre (SCC). CEB has always facilitated NCRE generation penetration while maintaining the supply-demand balance. One of the concerns was the inability to monitor the real time generation of NCRE plants. NCRE generation is reflected as negative demand. System Control Branch together with R&D Branch launched a pilot project to monitor the real time generation of 50 NCRE plants. The engineers of the two branches successfully establish the NCRE desk at control room enabling the real time monitoring. It greatly assists to enhance the accuracy of the day a head dispatch plan as well as economy of the dispatch.



Figure T 15 : Renewable Desk at SCC

Introduction of 15+ for NCRE Developments

During years 1996 to 2008, NCRE SPPAs were for a duration of 15 years with Avoided Cost Based tariff. Those SPPAs were extended only for another 05 years. Due to the absence of a tariff and a proper payment structure, extending the SPPAs was on hold. In 2020 a solution was proposed and an opportunity was given to all the eligible Mini Hydro Plants to extend their duration of operation.

Maintaining the Network in Pandemic Times

In spite of the Covid-19 pandemic, most of the preventive maintenance and urgent repair work were attended.

Despite the adverse situation due to Covid-19 pandemic, 81% of Dissolved Gas Analysis (DGA) out of 218 power transformers was completed. 64% of status fingerprint of the same by means of Sweep Frequency Response Analysis (SFRA) was also completed.



Figure T 16: Transformer Gasket Replacement work at Madampe GS

Utilization of the Computerized Maintenance Management System (CMMS) was significant during 2020 for Assets Management and Maintenance Management. The activities such as raising of incident reports, creating work orders for maintenance as well as for testing work, recording of maintenance activities, interruption requesting for maintenance as well as for testing works and material Requesting was done through the CMMS. Extensive utilization of the CMMS was reported during the last quarter of the year.

Step towards Improved Reliability

220kV Transmission line from Norochcholai Power Plant to New Chilaw Grid Substation is a critical line of the Sri Lankan transmission network. This line transverses through a heavy salty environment with fairly high wind conditions. Therefore, corrosion of steel parts at towers and insulator strings and corona discharge through insulator strings are observed frequently. This situation badly affects the reliability of the transmission network.

The Transmission Line Maintenance unit installed cap and pin type glass insulators with sink sleeve over the pin and with silicon coating over the insulator surface as a remedial measure to reduce the corrosion and salt contamination.

Transmission Division (Contd.)



Figure T 17 : Insulator Replacing in Progress under Hot Condition

Developing the CEB Communication Network

Following noteworthy developments were carried out in 2020 for the communication network

- A new communication network (Gigabit Ethernet Network) was established over the CEB fiber optic network and was expanded to provide;
 - Accessibility to CMMS software and MITFIN from grid substations
 - Remote accessibility to Substation Automation System (SAS) servers of grid substations for Control and Protection Branch.
 - Accessibility to CEB Intranet facilities from CEB office complex in Kent Road.
- GPS clock system was established at NSCC and the internal times of all the fiber optic multiplexer nodes on

the Synchronous Digital Hierarchy (SDH) network were synchronized.

- SCADA equipment (RTU & Gateway), which monitors facilities remotely from CEB office complex in Kent Road, Colombo 09 were installed.

Adopting to New Normal

In order to carry out work remotely amidst COVID 19 restrictions, three fully fledged Video Conferencing systems were donated to CEB by the Japan International Corporation Agency (JICA). They are currently installed at the office of GM, Generation & Transmission Planning Branch and the System Control Centre.

New Headquarters for Transmission

The draft design and tender documents for the new transmission building were completed during 2020 by the consultants; State Engineering Corporation. Further progress is stalled due to the financial difficulties of CEB.

Last of the Species are Gone

The electromechanical relays i.e. LZ32 manufactured by Brown, Boveri & Compagnie (BBC) which were installed in Samanalawawa – Embilipitiya 132 kV Line 1 and 2 were replaced with new SEL411L numerical differential relays during the year. The two removed relays were the last electromechanical relays that were in operation in the 220 kV/ 132 kV transmission network as main protection relays. Their replacement marked a milestone in transition from electromechanical era to static and numerical era.



Figure T 18 : Old Relay and New Relay



Ja Ela QMS



Review of Operations
DISTRIBUTION
DIVISIONS

Distribution Divisions

A major part of the electricity distribution in the country is handled by CEB amounting to 90% of the total sales volume while the rest is taken care of by the Lanka Electricity Company Ltd. (LECO), a subsidiary.

The entire CEB distribution system is geographically separated into four Divisions namely; Distribution Division 1 (DD1), Distribution Division 2 (DD2), Distribution Division 3 (DD3) and Distribution Division 4 (DD4). This separation is mainly due to the ease of administration and operations and to achieve benchmark competition to improve the efficiency and the quality of supply.

The distribution network consists of 33 kV and 11 kV medium voltage (MV) lines, 400 V low voltage (LV) lines and distribution transformers. The 220 kV and 132 kV transmission systems transfer power through grid substations island wide to the distribution network.

Operational Structure

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

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

Area of Operation

Distribution Division 1 consists of four Administrative Provinces; namely North Western, North Central, Northern and Colombo Municipality. North Central Province is divided into three Areas while Northern Province is divided into four Areas. The North Western Province is divided into eight Areas with the newly added Maho Area in 2020, while Colombo City is divided into four Areas.

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

Distribution Division 2 covers the whole of the Eastern and Central Provinces and parts of the Western and Sabaragamuwa Provinces through 24 Area Offices. Out of the three Provinces, Eastern Province is subdivided into five Areas, Central Province is subdivided into twelve Areas and the Western Province North is subdivided into seven Areas with newly added Kirindiwela Area in 2020.

Division	Province	Area
Distribution Division 2	Eastern	Ampara, Batticaloa, Trincomalee, Valachchenai 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, Veyangoda and Kirindiwela

Distribution Division 3 covers a part of Western Province named as Western Province South II, Sabaragamuwa Province and Uva Province. The Western Province South II is subdivided into five areas. Sabaragamuwa Province is subdivided into five areas to cover the entire Ratnapura District and a part of the Kegalle District. Uva Province is subdivided into four areas to cover Badulla and Monaragala 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 and Mahiyanganaya

Distribution Divisions (Contd.)

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 four Areas and Southern Province covers seven Areas.

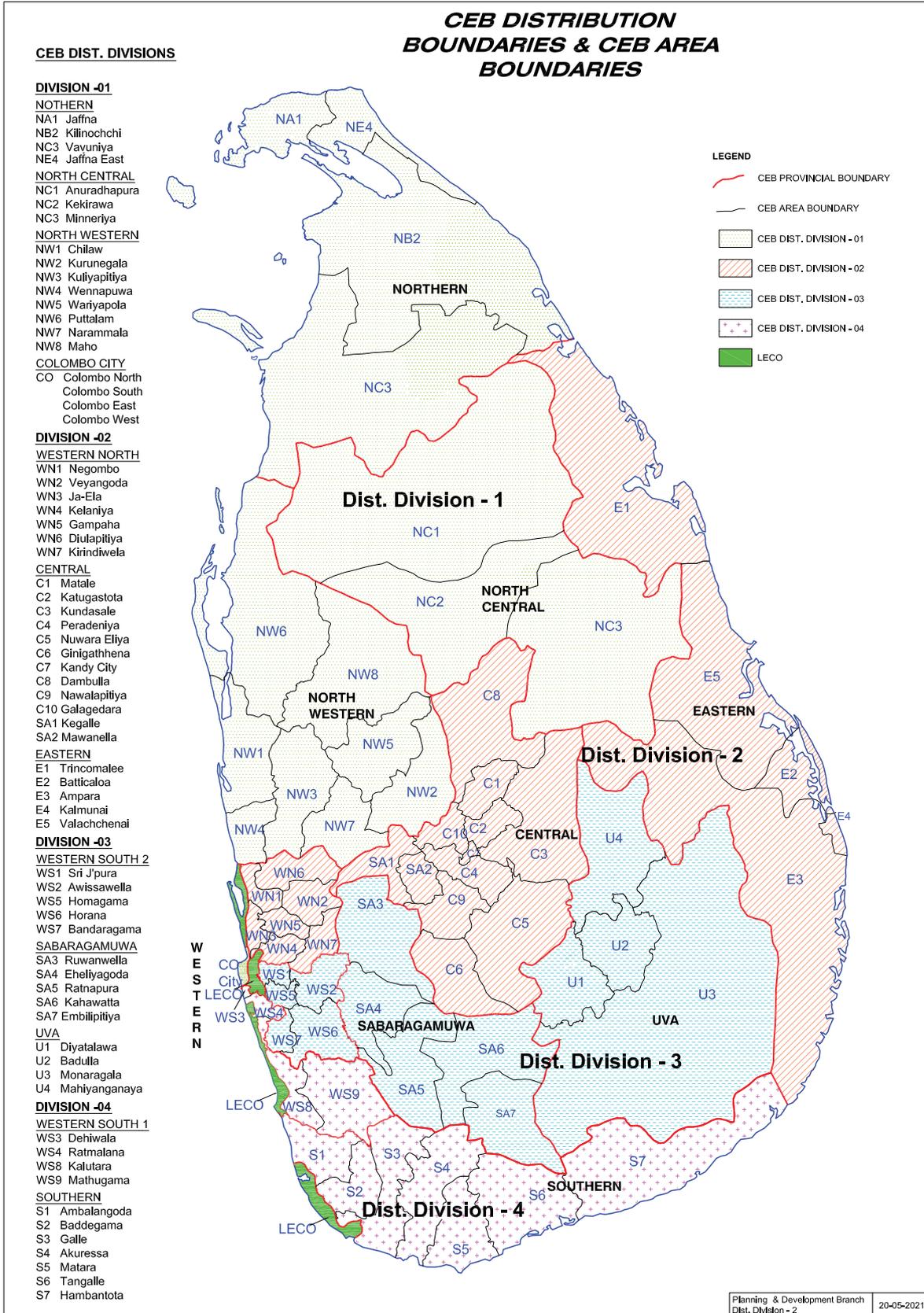
Division	Province	Area
Distribution Division 4	Southern Province	Ambalangoda, Galle, Akuressa, Baddegama, Tangalle, Hambantota and Matara
	Western Province South I	Ratmalana, Kalutara, Dehiwala and Mathugama

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 and Heavy Maintenance Branch, Planning and Development Branch and Commercial and Corporate Branch. Distribution Division 1 consists of the Distribution Coordination Branch as well.

Key Objectives of the Distribution 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.
- Ensure the development of the electricity distribution system to improve reliability, quality and efficiency 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 to develop new technologies for distribution of electricity.
- Produce a 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 it operates.

Distribution Divisions (Contd.)



Distribution Divisions (Contd.)

Outreach of Distribution Divisions

Description	DD1	DD2	DD3	DD4
Service Area (Sq. km)*	26,929	17,935	12,178	6,870
Areas (Nos.)	19	24	14	11
Consumer Service Centers (Nos.)	58	89	49	41
CEB operated Collection Centers (POS) (Nos.)	15	21	13	28
Control Centers (Nos.)	4	3	2	0
Call Centers (Nos.)	4	4	3	2
Bulk consumers (Nos.)	4,388	3,605	2,124	1,937
Retail consumers (Nos.)	1,912,516	2,273,110	1,345,825	1,092,759
SAIDI (Minutes/Year)	4705	4722	4711	4981
SAIFI (Interruptions/Customer/Year)	25.9	35.9	44.5	35.8

*Excludes forests and islands which have no electricity network

Distribution Infrastructure

Description	Units	DD1	DD2	DD3	DD4	Total
Distribution Lines						
33 kV	km	11,114	9,990	7,371	4,735	33,209
11 kV	km	694	428	40	220	1,382
LV	km	46,559	41,589	32,516	29,509	150,173
Underground Cables						
33 kV	km	21.88	9.4	7.87	8.6	47.78
11 kV	km	835.46	141.76	5.04	26.2	1,008.46
LV	km	731.35	73.72	1.11	7.4	813.54
Sub Stations						
33/11 kV Primary Substations	No.	43	29	12	41	125
LV Distribution Substations	No.	12,174	10,688	6,456	5,337	34,655
Others						
Gantries	No.	67	96	42	47	252
A/R	No.	422	498	193	155	1,268

Key Figures 2020 at a Glance

Description	Units	DD1	DD2	DD3	DD4	Total
Units purchased by the Division	GWh	4,149	4,785	2,689	2,073	13,696
Units sold within the Division	GWh	3,936	4,390	2,465	1,890	12,681
Revenue earned from Units sold	LKR Million	71,383	70,058	40,006	31,747	213,194
Average selling price	LKR	18.14	15.96	16.23	16.80	16.81
Distribution Loss	%	5.13	8.25	8.33	8.83	7.41
No. of new connections provided	No	41,052	46,941	27,123	20,509	135,625

Distribution Divisions (Contd.)

Operational Data

Number of Accounts by Tariff – 2020

(Nos.)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,624,745	1,978,566	1,185,492	961,478	5,750,281
Religious	14,107	14,178	7,613	5,907	41,805
Industrial	36,163	15,281	8,808	6,579	66,831
Hotel	116	152	39	150	457
Government	163	2,886	58	1,509	4,616
General Purpose	241,610	265,652	145,939	119,073	772,274
Total	1,916,904	2,276,715	1,347,949	1,094,696	6,636,264

Sales by Tariff – 2020

(GWh.)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,474	1,746	985	885	5,090
Religious	32	26	12	12	82
Industrial	968	1,753	946	496	4,163
Hotel	83	48	6	55	192
Government	79	64	23	42	208
General Purpose	1,259	716	482	381	2,838
Street Light	41	37	11	19	108
Total	3,936	4,390	2,465	1,890	12,681

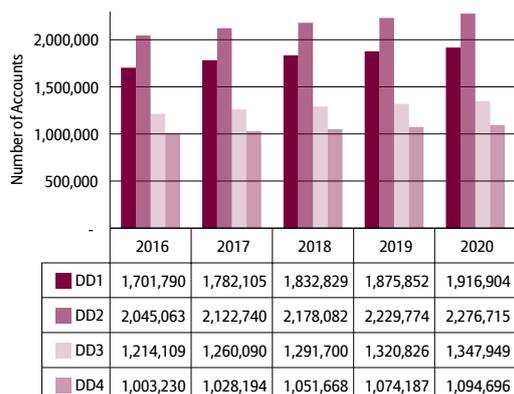
Revenue by Tariff - 2020

(LKR Million)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	23,363	24,930	13,905	13,468	75,666
Religious	240	181	82	86	589
Industrial	14,492	25,926	13,975	7,396	61,789
Hotel	1,449	926	123	998	3,496
Government	1,433	1,155	426	738	3,752
General Purpose	30,406	16,937	11,495	9,061	67,899
Street Lighting	-	3	-	-	3
Total	71,383	70,058	40,006	31,747	213,194

Distribution Divisions (Contd.)

Five Year Progress of Consumer Accounts



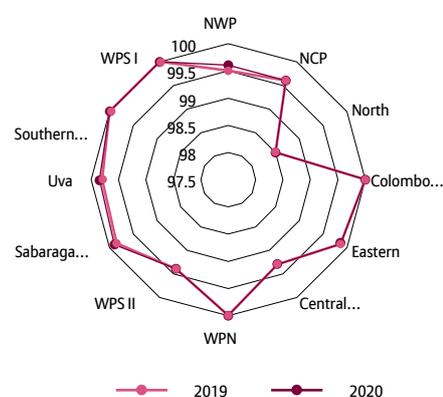
Measurements of Progress- Year 2020

Access to Electricity

The percentages of people in a given Province that have relatively simple, easy access to electricity vary depending on the development level of the Province. Out of the twelve

Provinces, four Provinces namely Colombo City, Western Province North, Western South I and Southern Province have 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.

Figure D 1 : Electrification Level Year 2019/2020



Electrification Schemes and Extensions

Division	Province	Schemes		Extensions	
		No of jobs completed	Cost (LKR Million)	No of jobs completed	Cost (LKR Million)
DD1	Northern	1	8.9	78	74.3
	North Western	-	-	159	73
	North Central	1	3.68	46	39
	Colombo City	-	-	-	-
DD2	Western North	-	-	300	31.41
	Central	3	3.04	3	1.82
	Eastern	1	12.34	46	55.38
DD3	Western South II	1	5.7	2	1.53
	Uva	2	11.34	7	11.31
	Sabaragamuwa	-	-	22	49.03
DD4	Western South I	-	-	19	8.31
	Southern	13	39.40	3	3.49

Distribution Divisions (Contd.)

Construction Job Performance

Division	Province	HV (km)	LV (km)	Distribution Substation	LV line conversion (km)	Cost (LKR Million)
DD1	Northern	31.51	14.07	54	-	109.58
	North Western	100.00	80.00	237	59	1,085.00
	North Central	34.59	104.23	168	42.11	626.40
	Colombo City	10.42	7.63	31	-	680.92
DD2	Western North	77.47	48.77	220	380.16	1,416.85
	Central	161.09	217.07	164	414.18	1,173.99
	Eastern	71.57	83.53	109	395.54	1,276.72
DD3	Western South II	4.03	35.15	59	74.13	345.14
	Uva	92.69	204.94	35	137.16	330.14
	Sabaragamuwa	20.20	1.80	9	264.67	556.26
DD4	Western South I	6.83	27.22	37	32.67	275.19
	Southern	49.46	119.60	122	31.84	829.09

Roof Top Solar Photovoltaic (PV)

Electricity consumers are allowed to generate electricity at roof tops within their premises and to synchronize their generators with the CEB system, while consuming and exporting energy, under three schemes namely Net Metering, Net Accounting and Net Plus.

Tariff Category	DD1	DD2	DD3	DD4	Total
Consumers (Nos.)					
Net Metering	3,235	2,151	2,183	1,891	9,460
Net Accounting	2,939	2,612	1,924	2,261	9,736
Net Plus	466	220	216	243	1,145
Total	6,640	4,983	4,323	4,395	20,341
Capacity (kW)					
Net Metering	23,893	13,615	12,922	13,864	64,294
Net Accounting	30,059	20,608	14,379	18,137	83,183
Net Plus	29,676	40,568	31,916	25,379	127,539
Total	83,628	74,791	59,217	57,380	275,016

Network Improvements

Following works were done by the Distribution Divisions to enhance and improve the reliability of Distribution Network during the year.

Description	Units	DD1	DD2	DD3	DD4
Construction of 33 kV Tower Lines	km	65	232	138	140
Construction of Primary Substations	Nos.	03	-	-	01
Construction of Distribution Substations	Nos.	440	448	117	174

Highlights

Colombo Port City Development Project (CPCDP)

Colombo Port City Development Project is a Design Build Transfer (DBT) project. CHEC Port City Colombo (Pvt.) Ltd is the contractor for the CPCDP. The Project has two stages. Stage I consists of construction of 220/33kV, 4x120MW GSS and 33kV distribution cable network consisting of 14 cable loops.

Most of the design works and material selections were completed during the year. Civil structures are under construction and major equipment manufacturing was started.

Distribution Divisions (Contd.)

The project cost breakdown is as follows.

Year	2021	2022	2023	2024	2025
Cost (USD)	42,329,322	3,417,240	3,417,240	3,417,240	3,417,240

Primary Substation D Augmentation Project

Electricity for the consumers of Colombo 07, 08 and 09 including Hospitals, Government Institutes, is supplied by the Primary Substation D. This substation was commissioned around 60 years ago by the Department of Government Electrical Undertaking.

In order to enhance the reliability of the electricity network of the area, Colombo City staff has successfully completed the augmentation of the Primary Substation D by installing 3 nos. of 16MVA transformers with 11kV, 33kV switchgear and accessories at the cost of LKR 650 Million. All financing, planning, design, procurement, installation and commissioning activities were handled by the Colombo City staff in addition to their normal duties.

The renovated substation was interconnected to the National Electricity Distribution System on 2020-09-29.

Online Maintenance Management System

Line construction and Maintenance unit move towards the online platform for 33kV tower line maintenance through Medium Voltage Maintenance Management System (MVMMS). Both hotline and cold line maintenance management were initiated through this platform according to the Annual Maintenance Plan. Proper planning, keeping comprehensive maintenance history, ease of way leaves reporting and progress monitoring are key aspects of this system.

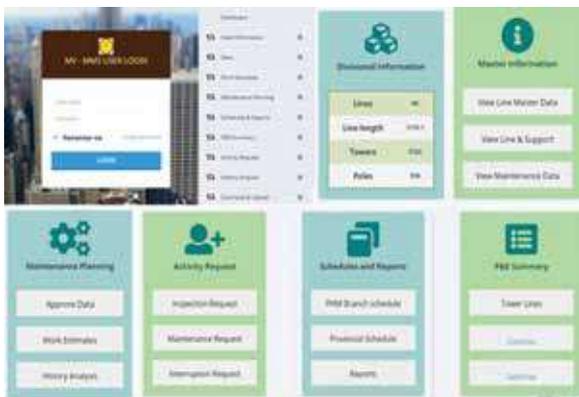


Figure D 2: MVMMS User Interface

Construction of 33kV Lynx D/C Tower Line from Laksha Uyana to Kaduruwela

Construction of 33kV, Lynx, Double Circuit, Tower Line (7.8 km) from Laksha Uyana to Kaduruwela was completed as per the Medium Voltage Distribution Plan – 2016/2025 of Distribution Division 1. The total cost of the project was LKR 144 Million.



Figure D 3 : Line Construction in Progress in Laksha Uyana-Kaduruwela Line

Construction of 33kV, Lynx, D/C Tower Line From New Anuradhapura GSS to Nochchiyagama

This Project has 3 stages: Stage 1; Nochchiyagama to Thalawa – 15km, Stage 2; Thalawa to Anuradhapura – 11 km and Stage 3; Anuradhapura to New Anuradhapura GSS – 2.5km.

Stage 1 of the Project was completed. Conductor stringing is in progress (20% of Stringing completed) under Stage II. Stage III Tower line designing was completed.

Total Estimated cost of the Project is LKR 386.5 Million.

Augmentation of Yanthampalawa PSS

Yanthampalawa Primary Substation was augmented from 2MVA to 5MVA. Total cost of the project was LKR 17 Million.



Figure D 4: Augmentation works in progress in Yanthampalawa PSS

Distribution Divisions (Contd.)

Construction of 2SSBB Gantry at Manampitiya

A two section single busbar tower gantry was constructed and commissioned in Manampitiya area in Polonnaruwa district. Total cost of the project was LKR 28.9 Million.

Rehabilitation of Distribution Substations/Feeder Pillars/Mini Feeder Pillars in Colombo City

Distribution substations/feeder pillars/mini feeder pillars were rehabilitated to improve the reliability of the Colombo City distribution network as well as visuals.

Introduction of Queue Management System (QMS)

QMS was launched in Kurunegala, Kuliyaipitiya, Chilaw and Puttalam area offices in year 2020.

Launching of Online Billing System

CEB Online Billing System was ceremonially launched in Negombo Area on 2020-01-17. It provides real time update of billing details upon meter reading. Billing Data gets updated in the Central Billing System within a few seconds once the Meter reader delivers the Bill where it took nearly one month to be updated before. The customers can see the updated Billing Details through any online medium. There is no need to wait until the printed bill is received to settle any unpaid bill. Online Billing System was incorporated in the entire province in 2020 even midst of Covid-19 pandemic and now is successfully in operation. Since, the online payees will see the correct outstanding amount online, it's better for CEB recoveries.



Figure D 5: Launching of Online Billing System

Shifting of 33kV Towers in Badulla-Passara 33kV Tower Line

Two numbers of towers were shifted within a period of two months to facilitate necessary line clearance for the construction of the 132kV transmission line from Badulla GSS to Randeniya (Uma Oya Project). Total cost of the project was LKR 25 Million.



Figure D 6: Tower shifting works in progress

Augmentation of Durekkanda Gantry to 2SSBB Arrangement

A two section single busbar steel gantry was constructed in Durekkanda area in Rathnapura District to improve the reliability and the quality of power as per the Medium Voltage Distribution System Development Plan 2019-2028 of DD3. Further, this gantry facilitates the transfer of the power generated by mini-hydro power plants to the newly constructed Wewelwatta GSS. The total cost of the project was LKR 32 Million.

Construction of 4SSBB Gantry and 4x5MVA Primary in Hambantota Port

A 4SSBB Gantry and 4x5MVA 33/11kV Primary Substation at Hambantota Port Premises was constructed to provide electricity supply to Hambantota Port and related Industries. Total cost of this project was LKR 250 Million.



Figure D 7: Hambantota Port Primary Substation

Distribution Divisions (Contd.)

Construction of Underground Cable from Ratmalana to Angulana PSS

2km of 33kV underground cable from Ratmalana GSS to Angulana PSS was laid to improve the reliability of Angulana PSS. Laying cable across Galle road was successfully completed by using Horizontal Directional Drilling (HDD). This cable is capable of providing the total capacity of Angulana PSS (20MW). A 24-Core Optical Fiber Cable has been laid in parallel with UG cable by interconnecting Ratmalana GSS Feeder and Angulana PSS. Total cost of this project was LKR 70 Million.



Figure D 8: Cable laying in progress

Thambapvani Wind Power Plant

Review of Operations
PROJECTS
DIVISION

Projects Division

Projects Division of Ceylon Electricity Board was established in the year 2010 for the purpose of implementation of all major Generation and Transmission Projects, (Foreign funded / GOSL/CEB funded). The implementation of these Projects in turn plays a major role of capacity enhancing and improving the reliability of entire Power System. The Division is headed by an Additional General Manager. Under him there are six Deputy General Managers, eleven Project Directors (Class I officers) and one Additional Finance Manager to achieve the goals of the Projects Division.

The year 2020 had been another challenging year for the Projects Division as it handled and carried out project works above LKR 37 Billion, under a pandemic situation.

Description of the project activities carried out in 2020 is as follows:

Mannar Wind Power Project

Mannar Wind Power Project (MWWP) is the first CEB owned large scale state of art wind power plant in Sri Lanka. It is located in the Southern coast of Mannar Island. CEB pioneered a novel concept of 'semi-dispatchable' wind power, with a view to overcoming the difficulties encountered in integrating large-scale wind power generation.

Vestas Asia Pacific AS, a world-renowned Danish wind turbine manufacturer, was the EPC contractor. The project comprises 30 wind turbines installed at 90 m hub height, each rated at 3.45 MW. The total installed capacity of the wind farm is 103.5 MW. COWI AS of Denmark provided the technical support for the project.

First phase of the Mannar Wind Power Project was energized on 2020-12-08, signifying a milestone in Sri Lanka's renewable energy development. This reaffirmed CEB's long term commitment to produce clean electricity and displace fossil fuel based electricity generation.

The project was steered amidst many calamities ranging from the Easter attack in mid of 2019 and the Covid-19 pandemic



Figure P 1: Scenic view of Mannar wind power project

which engulfed the world from early 2020. It was a major achievement as well as a tough time for the first project phase to be realized within 2020 with the prevailed conditions where normal life, travel, social interaction was not possible. The project had to withstand the complete halt of economic activities and disrupted administrative and financial functions both within and outside Sri Lanka in several instances.

Dedication and commitment of project management, project staff, the main contractor and its BOP subcontractors made the way to this success.

The physical conditions and environment at the site became formidable adversaries where the project staff had to brave the harsh climate, continuous work day and night, blazing sun, torrential rain and fierce gusts in a remote location with basic infrastructure facilities.

Broadlands Hydro Power Project

Located about 90 km North-East of Colombo, the Broadlands Hydro Power Project (BHPP) is a run-of-river Project built in the Kelani river, near the town Kithulgala. 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 2X17.5 MW. Power Plant is planned to generate 126 GWh of electrical energy annually. However, it has been decided to maintain a firm water release to safe guard 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.

China National Electric Equipment Corporation Ltd, (CNEEC) was selected as the main Contractor of the Project. Total Project cost is USD 82 Million. Funding is obtained from the Industrial and Commercial Bank of China (ICBC), the Hatton National Bank and the People's Bank of Sri Lanka.



Figure P 2: Power House

Projects Division (Contd.)

The contractor mobilized to the site and commenced construction works in August 2013. The construction work is in Progress in parallel at Main Dam, Main Tunnel, Diversion Tunnel, Power House and Switchyard Site. The project is scheduled to be completed by mid-2021. Broadlands Hydropower Project is the first large scale hydropower plant which has obtained CDM registration in Sri Lanka.

Moragolla Hydro Power Project

Fossil-fueled power generation has outstripped hydropower over the past 30 years as readily exploitable hydro power locations have already been utilized. The Moragolla Hydro Power Project (MHPP) is one of several hydropower projects identified by the Government of Sri Lanka to reduce the usage of fossil-fueled power generation. Financial assistance is given by the Asian Development Bank (ADB) and the project is expected to generate 100 GWh of energy annually with an installed capacity of 30.5 MW.

EIA was approved by the Project Approving Authority, the Mahaweli Authority Sri Lanka.

Consultants to the project were appointed and design work of mechanical and electrical facilities and construction



Figure P 3 : Construction works of power house

supervision work of main civil works are in progress.

The construction of the resettlement housing scheme for the Project Affected Persons (PAPs) was completed and twenty houses were handed over to the Project Affected Persons (PAPs).

Details of the components of the project are given below:

Component	Contractor	Status
Lot-A1- Preparatory Works	VV Karunaratne and Company Awarded on 27th March 2018	Access road to powerhouse along with the causeway across the Mahaweli river and Employers office building were completed Overall progress is around 55%.
Lot A2- Main Civil Works	China Gezhouba Group Co. Ltd. Awarded on 04th October 2019	Construction of the contractor's camp buildings, temporary access road to the dam including the bailey bridge are almost completed. Excavation work of the left & right bank of the dam is in progress. Excavation work of the diversion tunnel has commenced from the downstream end. The excavation work and construction of temporary access road at the power house site was commenced (Figure G03). The overall progress of work is around 7.5%.
Lot B - Mechanical & Electrical Facilities	Dongfang Electric International Corporation, China Awarded on 13th May 2020	The contract agreement was signed on June 30, 2020. The commencement date of the contract is October 02, 2020. The contractor has commenced the design work.

Projects Division (Contd.)

The Uma Oya Multipurpose Development Project

The Uma Oya Multipurpose Development Project (UOMDP) is a hydroelectric energy generation project coupled with a trans-basin water diversion project which diverts 168 MCM of water per annum from the Uma Oya Basin to the Kirindi Oya Basin for irrigation. The estimated cost of the project is USD 514 Million.

The project includes Puhulpola RCC dam of 35 m height and Dyraaba RCC Dam of 50 m height. Both reservoirs are connected with a 3.7 km long Link Tunnel. Main waterway from Dyraaba intake feeds 19.50 m³/s water in to the Alikota-Ara dam via a 15.1 km long headrace tunnel (HRT), 630 m high steel vertical pressure shaft, 2 x 60 MW hydroelectric generators and 3.6 km long tailrace tunnel.

Uma Oya Multipurpose Development Project was initially implemented by the Ministry of Irrigation and Water Management. It is presently under the purview of the Ministry of Irrigation. Expected date of completion of the project is in June 2021. The physical progress recorded as at the end of the year was 96%.

Following activities were performed during the year 2020.

Completion of Dry Commissioning of Uma Oya Power House

Main equipment Dry Commissioning activities of Uma Oya Power House was completed by the end of February 2020 which include Main Inlet Valve (MIV), Turbine and Governor, Generator, Excitation, Generator Auxiliaries, AC System, DC System, Cooling Water System and Compressed Air Systems of both Unit 1 and Unit 2.

Main Inlet Valve (MIV), Turbine and Governor, Generator, Excitation and Generator Auxiliaries dry commissioning was performed by the Andritz Hydro, Austria while AC System, DC System, Cooling Water System and Compressed Air System dry commissioning was performed by the Iranian EPC contractor Farab (FC) with the recommendations of the Original Equipment Manufacturers.



Figure P 4: Dry Commissioning of Uma Oya Power House

Commencement of 132 kV Transmission Line and Mono Pole Foundation

Tower erection works of 132 kV transmission line progressed during the year 2020. Further, it has been decided to erect three special monopole towers at the end of the 132 kV transmission line connecting the Uma Oya Power station, near Badulla switchyard. Monopole Merge Towers will be used for the first time in Sri Lanka. Construction of those tower foundations were started on December 2020.



Figure P 5: Erection of 132kV transmission line

Completion of Puhulpola Dam Impounding

Puhulpola and Dyraaba are the two reservoirs constructed under Uma Oya Multipurpose Development Project. Puhulpola dam impounding and H&M commissioning activities were completed during the year 2020.



Figure P 6: Aerial view of Puhulpola dam

Liquefied Natural Gas Project (LNGP)

A Pre-feasibility study to deploy Liquefied Natural Gas (LNG) for the Colombo based power plants was conducted in year 2018 under the assistance of Asian Development Bank (ADB). The study envisaged the introduction of natural gas for the power sector in the country and accordingly recommended the technical configuration, location and a suitable business model required for development of LNG infrastructure. Pre-Feasibility study concluded that Floating Storage and Regasification Unit (FSRU) moored at offshore Kerawalapitiya is the best option to deploy LNG for power generation.

Projects Division (Contd.)

Following the Pre-Feasibility study, Consultants from PricewaterhouseCoopers (PwC) were appointed by ADB to work with CEB counterparts to carry out the detailed feasibility study.

Lanka Hydraulic Institute and Force Technology (Denmark) was engaged for met-ocean/hydrodynamic studies and numerical simulations of ship operations under various model scenarios of met-ocean/hydrodynamic conditions. At the same time CEB and PwC consultants developed a Request for Proposal document inclusive of Project Agreements to call proposals through International Competitive Bidding to:

- Deploy FSRU and Mooring system at offshore Kerawalapitiya
- Construct sub-sea and onshore pipeline system
- LNG sourcing to FSRU.

In June, 2020, the Cabinet of Ministers approved the LNG deployment Project and authorized CEB to deploy the FSRU and Mooring system and procure LNG to the FSRU.

This proposed FSRU moored at 5 km offshore Kerawalapitiya will supply LNG to the existing power plants at Kelanitissa and Kerawalapitiya as well as future combined cycle power plants and enable more and more environmental benefits to the Nation.

Trincomalee Coal Power Project (TCPP)

Even though the development of 500 MW power plant proposed in Sampoor has been suspended, the Habarana-Veyangoda Transmission Line Project which is required for power system improvements is being implemented with the assistance of the Japan International Cooperation Agency (JICA).

The Contract for the construction of a new 220kV/132kV/33kV Habarana Grid substation and augmentation of Veyangoda grid substation (Lot A) of the Project recorded 84% work progress at the end of the year 2020.

The Contract for the construction of 148 km, 220 kV transmission line from Veyangoda to New Habarana grid substation and the associated line diversions (Lot B) of the Project recorded 85% work progress at the end of the year 2020.



Figure P 7: 220/132/33kV New Habarana grid substation

Seethawaka Ganga Hydropower Project

Detail Design of the project and Draft Bidding Documents were completed in January 2020. Further, in connection with the compensation and land acquisition, Abbreviated Resettlement Action Plan was approved by the Board in June 2020 and Land Acquisition Order Gazette Notifications were published in August 2020, in keeping with the provisions of the CEB Act. The final report of Environmental Impact Assessment was submitted to the Central Environmental Authority for approval. The final approval is still pending due to Covid-19 pandemic issues. However, it has been decided to implement this plant as a CEB owned project through an alternative method.

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

Green Power Development and Energy Efficiency Improvement Investment Programme - Tranche 2 comprises transmission infrastructure enhancement, efficiency improvement of medium voltage network and demand-side management involving smart grid and metering pilot subproject.

The project scope includes 220 kV transmission development in Mannar to evacuate energy generated from Wind Power Project, construction of 220 kV Polpitiya-Hambantota transmission line, 132 kV Horana-Padukka transmission line, second circuit stringing of 132 kV Habarana-Valachchanai transmission line, 220 kV Grid substation at Hambantota, 132/33kV Colombo B substation, augmentation of Dehiwala, Horana, Padukka, Kolonnawa, Madampe and Kotugoda grid substations, 220/33 kV capacity enhancement at Biyagama grid substation, enhancement of MV distribution in Anuradhapura area, Ethagala, construction of Kappalthurai-China Bay 33 kV lines, network development for voltage improvement and control in Western and Southern Provinces. It also comprises of distribution and Demand Side Management (DSM) components and 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 and the balance is from CEB. The project is expected to be completed in December, 2021. The cost of Transmission Infrastructure Enhancement component is USD 154.6 Million.

There are 8 Lots under three packages in Transmission Infrastructure Enhancement component. Upon the award of these contracts, there was a saving of approximately USD 31 Million, and hence two more Packages has been introduced to utilize savings.

Projects Division (Contd.)

The newly introduced scope (Package 8) includes augmentation of five grid substations namely Chunnakam, Nadukuda, Aniyakanda, Pannala and Ambalangoda, in order to facilitate more renewable energy absorptions and also to meet increasing electricity demands of the industries located in the area.



Figure P 8: Mannar- Nadukuda transmission line

The scope of newly introduced Package 9 includes construction of 220 kV GIS at Kerawalapitiya to facilitate energy absorption from the proposed LNG plants to be built in Kerawalapitiya.

Construction works of Mannar-Nadukuda 220 kV transmission line under Package 1 was completed in August, 2020 and Nadukuda 220/33kV grid substation will be completed in April 2021.



Figure P 9: New Polpitiya- Hambantota transmission line



Figure P 10: Placing 132kV/33kV 31.5 MVA Transformer at Dehiwala Grid Substation.



Figure P 11: Construction of control building at Biyagama 220/33kV GS

The 220 kV developments at Hambantota under Package 2 were approximately 60% completed and is expected to be completed in September, 2021.

Under Package 3, augmentation of six GSS (Lot A2) recorded 70% progress, construction of Colombo B GS recorded 25% progress and construction of 220/33kV Biyagama GS recorded 73% by end of the year.

Out of the newly added Packages, tender floated and bids were closed in Package 8 and Contract was awarded and work commenced in Package 9.

Even though the Project works progressed satisfactorily during the year under review, extensions will be required to the loans and Contracts to cope with the delays due to Covid-19 pandemic and to complete the added scope of works.

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

This Project is funded by JICA under the Loan No. SLP-113. The Project includes four packages.

Projects Division (Contd.)

Package 1 is for the Construction of 132kV/220kV/400kV transmission lines. Contract Agreement for the Package is signed and construction progress was recorded as 19% as at the end of the year.

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 for the Package is signed and construction progress was recorded as 30% as at the end of the year.

Package 3 is for the Construction of 220 kV transmission line from Kotmale GSS –New Polpitiya GSS and construction of 132kV transmission line from Polpitiya GSS - New Habarana GSS. Contract Agreement for the Package is signed and construction progress was recorded as 25% as at the end of the year.

Package 4 is for the Construction of Primary Substations, 11 kV Cables with SCADA/DAS in Dehiwala, Mt. Lavana and Battaramulla. Contract Agreement for the Package is signed and construction progress was recorded as 5% as at the end of the year.

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

The capacity of the Colombo City underground transmission system was doubled by completing the GCT&DLRP. In addition to the completed scope of work, it is further planned to lay another single circuit 220 kV, 1600 mm², 3x Single Core, XLPE Insulated underground cable system between Kerawalapitiya GSS and Colombo L GSS.

This new cable will further enhance the capacity of the transmission network and will be used to transmit the power generated by new LNG plants, which are to be constructed in Kerawalapitiya. Further, replacement of line bay busbar CT's and protection scheme of Colombo E and F GSS to remove the existing bottlenecks in CT capacities will also be carried out under the same Project.

This contract was already awarded to ABB Power Grids, Germany and Schneider Electric Lanka (Pvt.) Ltd and planned to complete by September 2021.

Power System Reliability Strengthening Project

Power System Reliability Strengthening Project (PSRSP) was initiated in view of meeting the state of reliable and uninterrupted power supply, evacuating the power generated by Norochcholai Lakvijaya Power Plant and coping with the development strategy of the country. Cost is USD 123 Million and is funded under ADB loan package expected to be signed in year 2021.

The Project is scheduled to be completed by 2023.

This Project consists of construction of 220/33kV grid substation in Mirigama, 132/3kV grid substations in Peliyagoda, Homagama, Tissamaharama, Baddegama, Kalawana and Negombo, augmentation of Matara 132/33kV grid substation, construction of associated transmission lines and underground cables to interconnect above grid substations, construction of 46 km double circuit 220 kV transmission line between New Habarana and New Anuradhapura Grid Substations and construction of 77 km double circuit 132 kV Transmission line between Matara and Hambantota Grid substations.

Profile surveys of Matara-Hambantota, Hambantota-Tissamaharama transmission lines and transmission line to Homagama Grid substation were completed and profile surveys of New Habarana-New Anuradhapura and Kukule-Kalawana transmission lines are in progress.

Tendering of Package 3 (Construction of Tissamaharama, Baddegama, Homagama and Peliyagoda 132/33kV Grid Substations) and Package 2-Lot A (Construction of 132kV line between Matara- Hambantota, Hambantota-Tissamaharama, in and out connection of Homagama GS, in and out connection of Baddegama GS and tower construction at University of Kelaniya) was done on 2020-10-01 and pre-bid meetings and site visits were completed. These tenders are scheduled to be closed on 2021-01-03 and 2021-01-20 respectively.

Transmission Projects Branch

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 1) Part 2

This Transmission Project is funded by ADB (USD 23.9 Million) and co-finance by AFD (USD 30 Million).

Under this project, augmentation of 132/33kV Grid Substations in Trincomalee, Katunayaka and New Anuradhapura and 220/33kV Grid Substations in Kerawalapitiya were completed and commercially energized in 2019.

During the year under review, transmission lines associate with grid substation in Kappalthurai, Anuradhapura, Kalutara and Kesbewa were completed and energized.

Proposed new 132/33kV grid substations in Anuradhapura, Kalutara and Kesbewa and 220kV/33kV grid substation in Kappalthurai are being constructed and it is expected to complete them during year 2021.

Renewable Energy Absorption Transmission Development Project

The objective of the Project is to facilitate the absorption of renewable energy to the National Grid, and to cater to the increasing electricity demand in Central and Sabaragamuwa provinces.

Projects Division (Contd.)

To fulfill above requirements it has been decided to construct new grid substations in Maliboda, Wewelwatta, Nawalapitiya and Ragala and related transmission lines under this Project.

Estimated cost of the Project is USD 48 Million. Out of that EURO 30 Million is funded by AFD, France and the balance is scheduled to be funded by CEB.

This Project is directly executed as a Pilot Project where CEB Engineers are responsible for design, procurement and construction works. This is a deviation from "Turnkey" concept. This new concept increased the involvement of CEB engineers and technical staff in the works of the Projects. That is earmarked as a positive trend in developing the skills of CEB employees.

There were twelve contracts for the procurements of Goods and three contracts for the procurement of Works of this Project. Competitive Bidding, complying with the requirement of AFD and Government of Sri Lanka were followed during the procurement process. Further, CEB gained considerable savings by following this newly introduced direct procurement concept.



Figure P 12: Maliboda GS



Figure P 13: Maliboda - Polpitiya transmission line

Even under numerous restrictions developed with the Covid-19 pandemic, Maliboda GS, Wewelwatta GS and

Maliboda – Polpitiya transmission line were successfully commissioned during year 2020. It is expected to energize the Nawalapitiya and Ragala grid substations in June 2021.

With the completion of this project, additional 100 MW of mini-hydro developments could be absorbed to the National Grid in Central and Sabaragamuwa Provinces.

Clean Energy and Network Efficiency Improvement Project

This project consists of four packages and most of the construction works were completed successfully by mid 2019 with the closure of the ADB loan no 2892/2893 under which the project was funded.

However following components of the Project were delayed due to the reasons beyond the control of the CEB and the status of delayed components are given below:

Package 01- Lot A

Construction of Mannar grid substation was successfully completed and energized in February 2020



Figure P 14: Mannar GS

Package 02: 132kV Transmission Infrastructure Project

Re-construction of Athurugiriya-Kolonnawa line is on hold since line was not released for the work.

Athurugiriya-Padukka 132kV transmission line is under construction and is expected to be completed by February 2021.

Package 03-Lot B

Construction works progressed in the Padukka-Pannipitiya transmission line section during the year and is expected to be completed by 2021.

Projects Division (Contd.)



Figure P 15: Padukka- Pannipitiya transmission line stringing works

Transmission Construction Projects Branch

This Branch was established in year 2012, to implement transmission constructions, which involve new constructions, augmentations, reconstructions and rehabilitations of the CEB transmission network. The Branch focused on mobilizing its own staff to undertake maximum possible areas of allocated jobs from purchasing required equipment and material to construction activities. Only identified portions of work that could not be performed using its own staff is sub-contracted through competitive bidding.

Grid Substation Construction Projects (GSCP) Unit

Construction works performed during the year 2020 is presented below:

Scope of Work	Description/Status
Installation of 100 MVar Reactor at New Anuradhapura GS and 50 MVar Reactors at Mannar GS	<ul style="list-style-type: none"> To maintain 220kV voltage of the system within the limits. This project was commenced on August 2019 and will be completed in March 2021. Total estimated cost for the Project is LKR 1,375 Million.
Construction of Wagawatta Grid Substation	<ul style="list-style-type: none"> To provide 30 MVA power supply for Wagawatta industrial zone and 25 MVA power supply for Millaniya proposed industrial zone. The estimated cost for the Project is LKR 1,898 Million and funds provided by the Board of Investment of Sri Lanka (BOI). Project completion is scheduled to December 2021.
Construction of 02 Nos. of 220 kV double bus bars Transmission Line Bay at New Polpitiya Switching Station	<ul style="list-style-type: none"> To facilitate the grid connection of New Polpitiya –Hambantota 220 kV transmission line. Project completion is scheduled to April 2021.
Construction of Two (02) 33 kV Feeder Bays at Ratmalana Grid Substation	<ul style="list-style-type: none"> To connect proposed Karadiyana Waste Power Project (10 MW) to National Grid. This projects is in progress and estimated cost is LKR 147.9 Million
Extension of Kelenitissa 132 kV GIS	<ul style="list-style-type: none"> To connect three (03) gas turbines installed under Kelanitissa New Gas Turbine Project (KNGTP). This project is in progress and estimated cost is LKR 465 Million.
Construction of 33 kV Feeder Bays at Kalutara GS	<ul style="list-style-type: none"> This project is in progress and estimated cost is LKR 35 Million.

Projects Division (Contd.)

Transmission Line Construction Projects (TLCP) Unit

Construction works performed during the year 2020 is presented below:

Scope of Work	Description/Status
Reconstruction of Badulla – Medagama 132 kV, 32.5 km double circuit, Zebra Transmission Line	<ul style="list-style-type: none"> The 132 kV single circuit transmission line from Badulla Grid Substation to Inginiyagala power station was built in 1963. To improve the current carrying capacity and reliability of existing Badulla-Inginiyagala 132kV Oriole, single circuit transmission line constructed in year 1963. It was proposed to reconstruct the Badulla – Medagama 32.5km, 132kV transmission line section with double circuit, Zebra transmission line. Constructions were completed in June 2020 and is to be energized once completed the three poles shared with Oma Oya transmission line.
Construction of foundation and erection of tower at Wagawatte	<ul style="list-style-type: none"> A tower was constructed for the interconnection of Proposed Wagawatte Grid Substation to Pannipitiya / Mathugama – Horana 132 kV Transmission Line.
Construction of two towers for Athurugiriya – Padukka 132 kV Transmission Line	<ul style="list-style-type: none"> Constructions were completed by the end of year 2020.

Transmission Design & Environment Branch

Transmission Design Unit and Environmental Unit operate under the purview of this Branch.

Transmission Design Unit

Activities carried out during the year 2020 by the Unit are summarized below:

- Preparation of tender documents were completed for following Projects:
 - Green Power Development and Energy Efficiency Improvement Investment Programme Project (GPD&EEIIPP) - Tranche 2 - Package 8 Lot A and Lot B
 - Power System Reliability Strengthening Project (PSRSP) Package 2 Lot A and Package 3
- Draft tender document preparation was completed for Supplier Credit Scheme of PSRSP-Package 3, 4 and 5.
- Draft tender document preparation was completed as per ADB guide lines for PSRSP - Package 1B and 2B.
- Design reviews were performed for submitted designs under following Projects
 - CE&NEIP-P1, P2 & P3
 - GPD&EEIIPP- Tranche 1 – Part 2 – Lot B1
 - Uma Oya Hydro Power Project- 132kV Transmission Line
 - GPD&EEIIPP- Tranche II- Package 3: Lot A2 and Lot B
 - REATDP
 - Habarana - Veyangoda Transmission Project
 - NTDND & EIP Package I, Package II and Package III
 - Colombo Port City Development Project
 - Mannar Wind Farm Development Project
 - SESRIP-P7- Lot A1 and Lot A2
- Witnessed Factory Acceptance Tests conducted online due to COVID-19 pandemic for eight transformers and Insulator String Sets.
- Prepared a new specification for 132kV/220kV UG cables
 - Prepared an Engineering Report for Kerawalapitiya-GSS "L" -second cable installation.
 - Carried out designs for the 1.5 Breaker scheme at 245 kV GIS at Norochcholai.
 - Carried out profile survey works for Veyangoda-Thulhiriya 132 kV transmission line, Biyagama-Pannipitiya line and detail surveys for Mirigama GSS, Kotadeniyawa, Norochcholai and Thulhiriya GSS
 - Provided safety clearances for existing transmission lines for public requirements
 - Provided assistance for commissioning and energization of New Polpitiya, Padukka and Wewelwatta GSS.

Projects Division (Contd.)

Environmental Unit

The Environment Unit is the focal point for environment related activities of development projects carried out by CEB. The main responsibilities of the Environment Unit include conducting the Environmental Approval Process for new transmission and generation 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, monitoring of safeguard implementation and conducting environmental awareness programs for CEB and its stakeholders.

During 2020, environmental studies for subprojects under Power Sector Reliability Strengthening Project were completed and submitted to Central Environmental Authority. Transmission lines associated with renewable energy generation projects in Pooneryn and Siyabalanduwa were finalized and environmental studies were completed in association with Sustainable Energy Authority. Environmental Impact Assessment for Kerawalapitiya – Kirindiwela 400

kV transmission line was conducted and submitted to CEA, to be opened for public comments. Environmental and Social Impact Assessment for Kerawalapitiya – Sub L 220 kV underground cable was initiated under AIB funding.

Corporate and Projects Coordination (C&PC) Branch

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

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 in a safe and conducive working environment. It catered for 176 Executives and 540 employees of various grades. They made up the total of 716 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.



Review of Operations

ASSETS
MANAGEMENT
DIVISION

Assets Management Division

Assets 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. The Division consists of five Branches as described below.

Assets Management & Corporate Branch

The responsibility of the Assets Management & Corporate Branch is to ensure proper functioning of the Assets Management Division by optimum use of human resources. Other than the HR and corporate functions of employees, the Branch handles Assets Management related functions of CEB.

Core activities of the Branch are better management of CEB lands and buildings and generating an additional income by utilizing available resources and assets for purposes other than the core activities, without affecting core statutory functions.

Main activities performed by the Branch during the year are given below.

- Asset registers of lands and buildings database were prepared and maintained (During the year 786 land lots were identified from Generation Division, 5 from Transmission Division and 12 from Distribution Divisions. Bringing the total lots to 1056 from Generation Division and 1008 from other Divisions)
- A dedicated network based CEBAssist data management system to store the land related data in all Provinces and the facility to store land related data from the end user level was established. At the initial development stage of the above system, 1031 Nos. of land entities with various data such as Survey Plans, Ownership Documents, Valuation Figures, Location, User of the Land etc. were stored in the system.
- Lands from Department of Government Electrical Undertakings which were transferred to CEB in Castlereagh reservoir premises where the boundaries were re-demarcated and actions taken against encroachments.
- Valuation of Kolonnawa CEB premises and Ukuwela Power Station were completed. Total valuation was LKR 2.6 Billion. This makes the cumulative total of valuation completed land assets LKR 29.2 Billion. Valuation of Bowathenna Power Station continued.
- Preparation of survey plans for Maussakele reservoir premises and Kelanithissa Power Station premises were completed. Re-demarcation of boundaries of CEB land assets in Wimalasurendra Power Station and Norton pond area Premises continued.
- ACEB vehicle database was developed and maintained to manage the CEB vehicles.
- CEB hydro reservoirs were leased for tourism and recreational activities such as operation of float planes and boat services.
- Corporate functions of Assets Management Division continued.



Figure A 1: Surveying at Maussakele CEB Premises

Training Branch

Establishing a continuous learning policy is a key strategy identified to achieve the Goals of the organization. The Training Branch of CEB is committed to provide maximum educational services, and continues to deliver training to employees that equip them with skills and knowledge needed to meet current and future challenges while shouldering the task of up keeping attitude development. In addition, the Branch is committed to strengthen values of our employees. Values which are guided by public sector policies.

The year 2020 was a year like no other. Training Branch had to face extraordinary challenges due to the Covid-19 pandemic. In response to the pandemic, the Branch had to divert to remote and flexible learning, which had never been done before.

Due to the commitment made by the staff, the Branch was able to lift its Piliyandala training center to a National Level Training Center which could offer training to anybody at the level of National Vocational Qualification (NVQ) level four, for the trades in Electrician, Linesman, and Machinist and Welder.

Assets Management Division (Contd.)

Presently Training Branch is working towards transforming this training center to the level of a Polytechnic.

Duties and responsibilities of the various Units of the Branch are given below.

Technical Training Unit

This unit organizes technical training, training for promotional requirements of CEB Field Service and Skilled Grades Employees including Drivers, Middle Level Technical Grades as per CEB Recruitment and Promotion Scheme, continues Professional Development Programs for Executives and other training needs of Junior Executives and Middle Level Technical Grades, organizes Induction Training sessions for all categories of employees except Clerical and Allied Grade employees and Office employees, organizes Technical Training Programs for External Organizations and offer resources of CEB TC-Piliyandala, TC-Kalawana & TC-Kinchigune for external organizations.

Internal Training Unit

This Unit organizes training sessions for promotional requirements of CEB Clerical and Allied Service, Office Employees Service and Security Service as per CEB Recruitment and Promotion Scheme, organizes Induction Training, organizes Industrial Training for engineering undergraduates, engineering diplomates and technical students, provides training for employees through other recognized local institutions.

Training Centre, Castlereagh

Castlereagh Training Centre organizes training sessions for Trainee Junior Technical Mates, Junior Technical Mates and Technical Mates of Generation Division as per CEB Recruitment & Promotion Scheme. Further, it conducts several Continuing Professional Development programs (CPD) for CEB employees, service provider's employees and external individuals.

System Training Unit

This Unit organizes training sessions to improve quality, productivity and customer care capabilities of all grades of employees, organizes training sessions related to first aid and fire safety, organizes training sessions for implementation of Japanese 5S methodology and implementation of ISO standards.

Total of 436 employees including Engineers, MLTS, Clerical and Allied Services and Field Service were given training related to their duties through training programs conducted by External Training Institutes. 300 numbers Undergraduates of Engineering Faculties of all Government Universities of the Country and 120 numbers Diploma Level Students from Government Polytechnics were given Industrial Training in CEB during this year.

Figure A 2 : Details of Training Programs Conducted at TC-Piliyandala

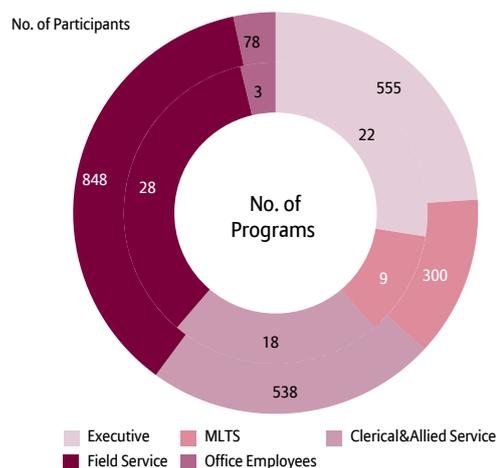


Figure A 3 : Details of Training Programs Conducted at TC- Castlereagh

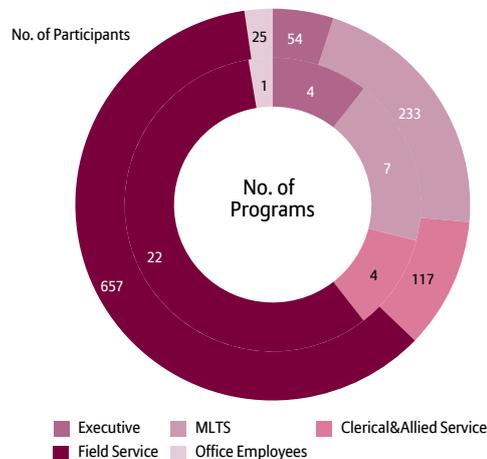
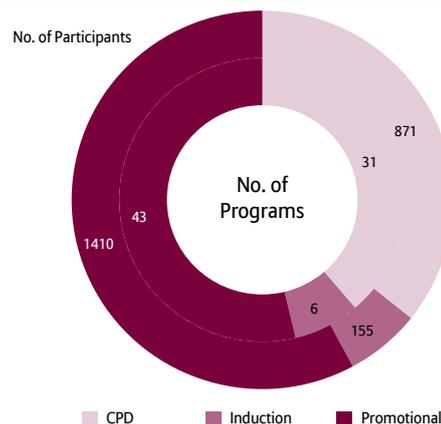


Figure A 4 : Details of Training Programs Conducted for First Aid & Fire Safety



Assets Management Division (Contd.)

Due to the Covid-19 pandemic the number of training programs that could be held this year was considerably less compared to the year 2019.

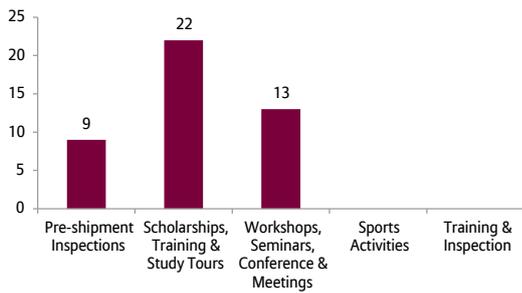
Productivity of the Centre was improved by introducing new training programs considering the prevailing training needs and emerging technologies. The infrastructure facilities were further developed to improve service quality.

External Training Unit

This Unit facilitates overseas training sessions for all CEB Employees.

Due to the prevailing Covid-19 pandemic, this year most of the training, seminars and pre-shipment inspections were online.

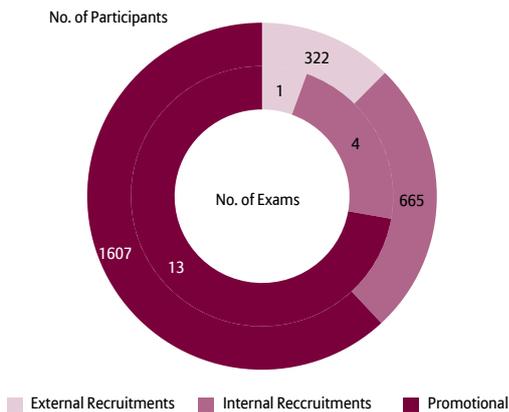
Figure A 5 : Details of Examinations Held



Examination Unit

This Unit organizes and conducts examinations for External Recruitment, Internal Recruitment and Promotions with the assistance of External Organizations Such as the Chartered Institute of Personnel Management (CIPM), the National Vocational Training Institute (NVTI) and the University of Moratuwa (UOM), while maintaining the quality and the

Figure A 6 : Details of Examinations Held



confidentiality of the examination process at the optimal cost. The progress achieved is less due to the pandemic experienced during the year which restricted holding of examinations to the calendar prepared at the beginning of the year.

During the year 2020, 12 senior executives were granted approval to follow MBA and MSC courses, while 08 subordinate employees were granted approval to follow diplomas and similar level courses

Workshop & Ancillary Services Branch

The Workshop & Ancillary Service Branch consists of four operational units namely Power Plant Unit, conditioning and Refrigeration Unit, Lifts Unit, Air and Central Workshop and Garage.

Power Plant Unit

Power Plant Unit involves in maintenance of standby generators, repair/rehabilitation of diesel generators, hiring of diesel generator for requirements of CEB, private organizations, President's Security Division and Prime Minister's Security Division. Summary of the works performed during the year is given below:

Category of the Job	No. of Jobs	Value (LKR Million)
Standby Diesel Generator Annual Maintenance	94	103
Repair/ Rehabilitation of Diesel Generators	47	73
Diesel Generator Hiring for CEB requirements	38	11
Diesel Generator Hiring - Private, President's Security Division, Prime Minister's Security Division requirements	67	61
Other jobs	18	0.6
Total		248.6

Air conditioning and Refrigeration Unit

Air conditioning and Refrigeration Unit provides all the services and maintenance on centralized and split type air conditioner units, cool rooms as well as mortuary coolers installed at Government hospitals, public institutions, CEB operational units and power stations located island wide.

Job Category	External		Internal	
	Nos.	Value LKR Million	Nos.	Value LKR Million
Annual Maintenance	33	243.6	283	54.7
New Installations	-	-	35	23.0
Repair & Rehabilitations	6	1.6	29	3.2
Total	39	245.2	347	80.9

Assets Management Division (Contd.)

Total value of the jobs done during the year 2020 is tabulated below:



Figure A 7: Rehabilitation works at National Hospital Kandy

Lifts Unit



Figure A 8: Replacement work Traction Motor of Lift at Boiler no. 02 - LVPP

Lifts Unit gives all the services on traction type and hydraulic type lifts installed at Government hospitals, public institutions, CEB operational units and power stations located island wide.

Job Category	External		Internal	
	Nos.	Value LKR Million	Nos.	Value LKR Million
Annual Maintenance	20	23.6	9	3.7
New Installation	-	-	1	7.0
Repair & Rehabilitations	4	4.2	3	0.8
Others (Testing & Consultancy)	3	0.5	-	-
Total	27	28.3	13	11.5

Further, it maintains the Paternoster at the CEB Head Office, one of its kind in the world.

Total Estimated cost of the jobs done during the year is tabulated below.

Central Workshop and Garage Unit

Jobs completed by the Central Workshop & Garage Unit during the year are mentioned below.

Job Category	Job Description	Nos.	Value LKR Million
Mechanical	Fabrication of step up transformer cooling fan guards, steel cover for display panel, router dampers and Bronze Pelton wheel monument for CEB Headquarters	04	0.82
Electrical	Rewinding of Cooling Fan Motors of Sapugaskanda Power Station	33	3.20
Production	Production of D-Brackets, T-clamps for Distribution Divisions	16	11.9
Vehicle Repair	Repairs, painting and tinkering of CEB vehicles	67	7.24
Vehicle Service	Service of CEB vehicles	66	1.62
Other	Repairing of automatic fire pump control panel	01	0.46
Total			25.24

This unit undertook the installation of a Pelton runner as a monument at the entrance of CEB Headquarters building.

A Pelton runner removed from Laxapana Power Station (Stage I) was brought to the workshop and suitable mounting arrangement was fabricated. It was successfully installed at the CEB HQ on 03.12.2020.



Figure A 9: Pelton Runner Installed at CEB HQ

Civil Works and Buildings Branch

Civil Works and Buildings Branch involves in construction of new buildings, renovation/extension of existing buildings/offices and maintenance of head office building and circuit

Assets Management Division (Contd.)

bungalows belong to CEB throughout the country. The Branch consists of its own structural design unit which is capable of carrying out structural designs and related drawings using latest software. The Facility Management Unit attached to CW&B is responsible for carrying out maintenance works in head office building and circuit bungalows.

The status of completed works during the year is as follows.

Description	Value LKR Million
Construction and interior works of DGM(NCP) office at Anuradhapura	232
Construction of Area Engineer's office at Puttalam	65
Extension and renovation of Area Electrical Engineer's office at Ja-Ela	48
Refurbishment works of CEB Head Office building	143
Construction of Consumer Service Centre at Godakawela	38
Renovation of CSC Building at Veyangoda	17
Repair works of Central Work Shop and Garage at Aniyakanda	8
Renovation of DGM(Uva) Office	10
Renovation of Provincial stores at Hali-Ela	28
Repair of Security headquarters at Kolonnawa	11



Figure A 10: Construction and interior works of DGM (NCP) office at Anuradhapura



Figure A 11: Ja-Ela Area Office after Renovations

Occupational Health and Safety Branch

Occupational Health and Safety (OH&S) Branch was set up in the CEB in 2015 with the objective of improving safety culture within the organization by ensuring safe working environment and health and safety awareness among employees to reduce the number of accidents and injuries.

During the year 2020, 35 Occupational Health and Safety programs were conducted for 1394 Field Staff and Clerical and Allied Grade Employees and 07 Occupational Health and Safety programs were conducted for 270 power station staff.

The Branch has identified the need to educate the employees on safety aspects related to critical tasks that they conduct in everyday duties. As a method of communicating best safety practices, safety bulletins are published by the Branch periodically and distributed among the employees. The third volume of the Safety Bulletin was published and distributed during the year 2020.

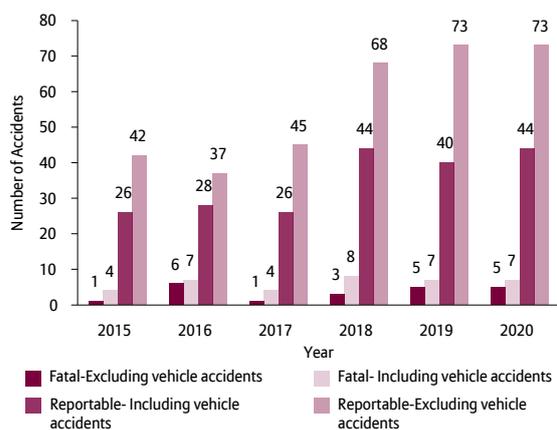
This Branch is entrusted with carrying out safety audits to ensure a safe working place for the employees of CEB. As the first step, the Branch has taken measures to inspect primary substations and gantries scattered around the country to identify lapses that could lead to accidents to field employees and the general public. Details of these inspections conducted during the year are given below:

Division	No. of Primary Substations Inspected	No. of Gantries Inspected	No. of Consumer Service Centers Inspected
Distribution Division 1	07	-	-
Distribution Division 2	17	06	-
Distribution Division 3	04	-	01
Distribution Division 4	05	01	01
Total	33	07	02

Further the Branch is geared to perform a key role in CEB to create an accident-free safe working environment and a healthy work force. A summary of accident records is given below.

Assets Management Division (Contd.)

Figure A 12 : Accident Summary



Security Section

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

Security personnel attached to Private Security Services as well as Civil Defense Security are deployed island wide at some premises of CEB. They are also supervised and observed by the CEB Security Section.

Special Training was provided to Security Personnel during the year 2020 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 is given below.

Program	No. of Participants
Handling live rounds firing training	765
Occupational Health & Safety	200
Training Programs for the newly promoted Security Officer	11
Training programs for Security Grade II A	31



Review of Operations
CORPORATE
STRATEGY
DIVISION

Corporate Strategy Division

The Corporate Strategy Division is the coordinating body for developing and implementing strategies to achieve CEB's corporate objectives. The Division, headed by an Additional General Manager, consists of five Branches, namely Business & Operational Strategy, Corporate Strategy & Regulatory Affairs, Functional Strategy & Process Development, Information Technology (IT) and Research & Development. Each Branch is headed by a Deputy General Manager. In addition, a project headed by a Project Director, for implementing an Enterprise Resource Planning (ERP) system for CEB, is functioning under the purview of Corporate Strategy Division. The performances of each Branch during the year 2020 are stated herein.

Business & Operational Strategy Branch

Business & Operational Strategy (B&OS) Branch is primarily responsible for formulating strategies related to essential business & operational activities of CEB. Building and enhancing the corporate image also falls under the purview of the B&OS Branch. Furthermore, monitoring organization's performance on execution of strategies stated in the Corporate Plan (2019-2023) is among the key activities.

Operational review of Key Performance Indicators (KPI's) for Goals (Level -I) was done quarterly during the year 2020 for the CEB management to measure the extent to which the Goals of the organization were achieved.

The Board has approved a proposal to form a Strategic Communication Unit (SCU) dedicated to activities related to building and sustaining the corporate image. That is in line with the scope of the Branch. As there were misconceptions published by journalists on the operations of 'Lakvijaya' Coal Power Plant, B&OS Branch organized a 'Journalist visit' to 'Lakvijaya' Power Plant on 4th March 2020 to dispel the misconceptions among journalists. 'Lakvijaya' Power Plant management had a productive press conference. Positive press coverage was provided on print, electronic and web media.

In line with the 51st Celebrations of CEB, a series of discussions and documentaries were produced and broadcast through Sri Lanka Rupavahini Corporation (SLRC) and Sri Lanka Broadcasting Corporation (SLBC), for enhancing the corporate image. CEB officials who are specialists shared their knowledge through the following programmes.

- A discussion on 'Lakvijaya' Power Plant was broadcasted on 02nd October 2020 in the "Morning Show" programme of SLRC.
- A discussion on "CEB Customer Service and Benefits" was broadcasted on 10th October 2020 and a discussion on "51st Anniversary and future of CEB" was broadcasted on 31st October 2020 in "ශ්‍රී ලංකා ආයුබෝවන්" programme of SLRC.
- A documentary on "70th Anniversary of Laxapana Power Station" was broadcasted on 31st October 2020 by SLRC.

- A discussion on "CEB's history, present and future" was broadcasted on 01st November 2020 in "ඉලෙක්ට්‍රික් ආයුබෝවන්" programme of SLRC.
- A special anniversary programme was broadcasted by SLBC on 01st November 2020.

Competitions were held to promote the above programmes and commemorate the anniversary of the organization. Winners were gifted with valuable prizes.



Figure C 1: Choosing-Winners-of-51st Celebrations Programme with SLBC

B&OS Branch was able to get positive print media coverage. The following interviews of CEB officials on strategically and contextually critical subject matter, were published in National Newspapers. These helped build the corporate image and dispel the misconceptions among the public.

- Mawbima Newspaper (01st November 2020) – Two-page coverage with an article written by Eng. (Dr.) Susantha Perera, Addl. General Manager (Transmission) and statements from SME sector on CEB.
- Sunday Times (01st November 2020) – Full page interview with Eng. Rohan Seneviratne, Addl. General Manager (Distribution Division 04)
- The Sunday Morning and 'Sathi Aga Aruna' (01st November 2020) – Press Advertisements
- Web Advertising on Mawbima newspaper's website.
- Children's day programme messages of Eng. Vijitha Herath, Chairman, CEB and Eng. Keerthi Karunaratne, General Manager, CEB.
- A discussion with Eng.(Mrs.) NWK Herath, Addl. General Manager (DD1) in line with the Children's day programme
- An article on CEB Care mobile app by Eng.(Dr.) D.C.R. Abeysekera, Addl.General Manager (Corporate Strategy)

Corporate Strategy Division (Contd.)

The opening ceremony of the “Thambapavani” wind farm of Mannar was jointly organized by the CEB and the Ministry of Power. The Hon. Mahinda Rajapaksa, Prime Minister of the Democratic Socialist Republic of Sri Lanka, declared open the “Thambapavani” Wind Farm with the presence of Hon. Dullas Alahapperuma, Minister of Power and Hon. Duminda Dissanayake State Minister of Solar, Wind & Hydropower Generation Projects on 8th December 2020.

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 Licensees as well as with the Public Utility Commission of Sri Lanka (PUCSL). In addition to handling regulatory affairs, this Branch is also responsible for coordinating the Corporate Strategy formulation for CEB.

During the year, Regulatory Affairs Unit worked closely with Licensees as well as with PUCSL to meet the obligations of all CEB licensees. In particular, the focus of the Unit was to see the implementation of 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. In addition, Regulatory Affairs Unit worked with PUCSL as well as CEB licensees to improve the existing guidelines as well as to formulate new guidelines for Merit Order Dispatch Procedure and Shifting/Removing of Electric Pole(s)/Line(s) in public roads. With the completion of the former, the current operating procedure of the System Control Centre will be strengthened in respect of documentation and reporting. It is also intended to review the existing scheduling and dispatching procedures. With the completion of the latter, a consistent, efficacious and participatory procedure for shifting Poles in Public roads will be in force.

In addition, RA unit coordinated with the PUCSL for getting concurrence for RFP of the 300 MW LNG Power Plant (2nd), RFP of the 300 MW Coal Power Plant extension at LVPP and PPA of the 300 MW LNG Power Plant (1st) at Kerawalapitiya.

The RA unit played a lead role to compile the existing issues of the Sri Lanka Electricity Act No. 20 of 2009 as amended in 2013 in order to seek Cabinet concurrence to reactivate the functions held up for years without solutions. Specific clauses that require amendments to improve efficiencies were listed out by a committee appointed by General Manager.

Year 2020 is counted as another successive year without getting a cost reflective tariff. This has resulted in a negative balance sheet for year 2020 as well. CEB kept on reminding for subsidies due monthly as a result of the Government's policy of not revising the Tariff for 7 years from 2013. The accumulated subsidy due from the government for the current tariff period from 2016 to June 2020 is LKR 307.5 Billion.

The Tariff Unit coordinated the activities of Bulk Supply Tariff filing for the two periods January-June 2020 and July-December 2020. In addition, the Unit coordinated the Uniform National Tariff (UNT) adjustment works with PUCSL for all four quarters of the year. Further, the Unit submitted Bulk supply Transaction Accounts (BSTA) to the Ministry of Finance and the PUCSL on monthly basis.

Year 2020 has been a busy year with the Start of Multi Year Tariff Filing for the period 2021-2025. Under the Multi-Year Tariff Framework Transmission Licensee and the four Distribution Licensees calculate the aggregated Revenue Requirement and expected revenue from tariff for the business that each licensee is assigned for the period of five years. Current Tariff filing is the 3rd filing done by CEB after electricity regulator is in force. The activity started in mid-2020 with a committee appointed representing all Divisions of CEB. This is one of the activities performed with a contribution of large group of people comprising engineers and accounting staff. It took more than ten Committee meetings, two PUCSL meetings and a DCC meeting to collect the main inputs to the Tariff model covering all the cost centers. The submissions were made to PUCSL on time in Mid November 2020.

In early 2020, The Unit participated in the PUCSL initiated study for Revision of Tariff Methodology. The study included the review of the existing tariff setting processes and tariff methodology approved by the Commission, filing made by the licensees in line with regulatory accounting system and analysis of tariff decisions.

In line with corporate strategy function, the Branch undertook the task of compiling and publishing of the corporate documents of CEB including Corporate Plans, Action Plans, Annual Reports, Statistical Digests, Sales and Generation Data Books and Performance and Programs of CEB.

During the year 2020 following documents were compiled under the Branch:

- Annual Report-2019
- Action Plan 2020
- Statistical Digest 2019
- Sales and Generation Data Book 2019
- Performance 2020 and Programmes 2021

Furthermore, initiatives have been made to automate Action Plan preparation and progress

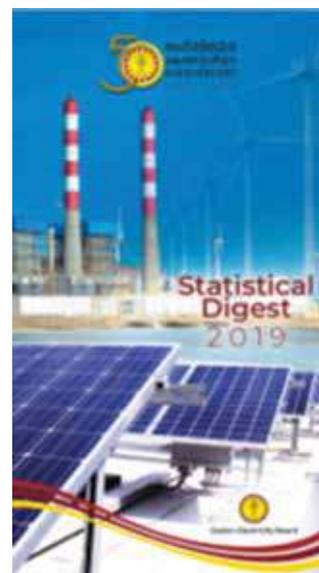


Figure C 2: Statistical Digest-2019

Corporate Strategy Division (Contd.)

reporting to overcome the difficulties and drawbacks identified. This was with the assistance of IT Branch of CEB. It is expected to complete this automation process by June 2021.

Functional Strategy & Process Development Branch

Despite several challenges posed by the Pandemic on the key modes of operations of the Branch, such as restrictions on physical meetings, stakeholder discussions, brainstorming sessions, close group discussions, Functional Strategy & Process Development (FS & PD) Branch managed to carry out most of its regular activities during the year 2020.

Immediately at the diminution of the first wave of the Covid-19 pandemic, the long-awaited reorganization of the Distribution Divisions to improve the supply reliability and service quality was realized by obtaining the approval for a Road Map, through a Board Paper submitted on May 20, 2020. The approval of this Road Map, which was a result of a longtime investigation by the FS&PD Branch and by several deliberations made by various Divisional representatives, paved the way for the creations of 05 Provinces, 16 Areas and 35 CSCs over the next five years. Creation of some of the proposed new Offices have already been initiated by respective Divisions. It is expected that the move would allow CEB to serve its customers even more efficiently.

In addition, two more key Board Papers, one for the restructuring of the Training Branch and the other for the restructuring of the Personnel Branch were refined and made available for the stakeholders to review. Another important Board Paper, requesting approval of the Board for the structural changes required for the Corporate Office of the General Manager was also submitted to the Board. This proposal, once approved by the Board would strengthen the day-to-day management and administration of the General Manager by means of strong back office support while creating the long-expected Engineering Audit Branch as well as a Digital Governance Branch.



Figure C 3: Distributed New Manuals

Year 2020 saw an unprecedented demand for FS&PD Operating Manuals that are widely used by Branches as reference for day-to-day operations. New Manuals such as DGM (C&C) Manual, DGM (P&D) Manual and DFM (Distribution) Manual received the approval of the General Manager. Arrangements were made to print them for the reference of the relevant Branches. Due to heavy demand for printed Manuals, several Personnel and Operating Manuals were reprinted and distributed.

The revision and updating of the Salaries and Wages Manual, Transfer Manual and Leave Manuals were organized. Tamil translation of Rules of Disciplinary Procedure was carried out where and when opportunities for physical meetings were available. Sinhala and Tamil Translation of Salaries and Wages and Holiday Pay Manuals were arranged from sworn translators.

All such activities were carried out while adhering to the severe restrictions of Pandemic Health Guidelines. The detail nature of the discussions required when drafting Operating Manuals means that the online meetings could not fully meet the level of effectiveness of the physical meetings. As such, FS & PD Branch had to take a number of precautions in arranging such meetings to ensure the safety of all participants and the staff of the Branch, while maintaining minimum staff level in the Office as per the health guidelines.

Information Technology Branch

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

In catering digitization needs, IT Branch use four strategies as In-house development; off the shelf products customized for organizational needs; adopting developments, innovation from outside IT Branch; and outsourcing.

Year 2020 had been a challenging year for Information Technology Branch. With the pandemic IT Branch successfully empowered employees to work from home and conduct online meetings to carry out uninterrupted services to the customers.

IT branch completed a successful year despite the challenging circumstances. One success story is performing an industry par, overhaul to the Infrastructure layer. The new virtualized and automated hardware platform ensure reliable hardware services with fault tolerance and high availability.

Online meter reading and instant bill processing have been introduced as an another milestone enabling customers to receive their accurate account balance once the meter reader



Figure C 4: Manage Business Operations through CEB Assist

Corporate Strategy Division (Contd.)

visited the site, as well as CEB to identify its sales position. This was initiated as a pilot project in WPN and is expanding to all distribution divisions.

CEBAssist has been awarded for its solution excellence twice during year 2020. As the winner in the Best Digital-Enabled Product/Service under Government & NGOs and the Best Use of Mobile Award in SLT Zero One Awards for Digital Excellence 2018/19. CEBAssist Solutions improves customer care, customer engagement, workplace efficiency, internal processes and service quality. CEBAssist disrupts the utility market through rapid delivery of digital services to customers combined with advanced features and full access to information.



Figure C 5: Best Use of Mobile Award in SLT Zero One Awards for Digital Excellence 2018/19

Moreover, IT Branch has removed certain limitations that persisted requiring customers to make payments to the respective province counters only, by its revamping of PIV online system and PoS systems. This has improved the convenience of customer and finance division.

IT Branch has embarked on a journey to consolidate the technology platforms used in order to optimize resources and reduce expenditure. IT Branch is currently providing Platform as a Service (PaaS) and Infrastructure as a Service (IaaS) to other branches and is continuously improving the service quality and security.

Furthermore, IT Branch is working in collaboration with R&D Branch and other divisions to implement the smart metering and smart grid pilot projects to embark on CEB's journey to the next level of digitization.

The user trainings and IT support services ensure users are conveniently aligned with the digital processes.

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 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.

The five pillars of the Information Technology Branch; Infrastructure Unit, Digital Services Unit, Business Processes Unit, Information System Development Unit and Information System Operations unit are continuously working on improving the IT services for the betterment of CEB and customers.

Research & Development Branch

Research & Development (R&D) Branch comprises of Demand Side Management Unit, Research & Development Unit, and Regional Centre for Lighting. A Project Management Unit (PMU) was formulated to implement the Katunayake Smart Metering Tranche 2 project in 2020.

Demand Side Management Unit

Recently, steps have been taken to mitigate the high evening peak in the load profile of the country. The tariff structure for domestic category is one of such steps. 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 the final report drafted. DSM unit further, conducted walk through energy audits based on the requests of customers. A training programme on energy management and energy efficiency was conducted for CEB staff of Central province.

A DB funded smart metering pilot DSM project was completed during the year 2019 and 1,000 smart meters were installed and monitored on pilot basis. A survey was conducted to evaluate the effectiveness of introducing the In-Home Display and Piggy Back Sockets. The project will be expanded to 13,000 smart meters in Katunayake geographical area with the learnt lessons.

R&D Branch facilitated a study on pre-paid metering initiated by CS&RA Branch. The study is funded by Asian Development Bank and the consultant completed the task in the year 2020.

Research and Development Unit

With the expectation of nourishing research and developmental activities conducted in CEB, R&D Unit coordinates researches in variety of identified research topics. Outcome of combination of such research has been compiled in to CEB R&D Journal 2020. The research topics included in the journal are Voltage Impact of Roof-Top Solar Photo-Voltaic Systems on Low Voltage Network and Measures of Mitigation, Economic Evaluation and Optimization of Reactive Power Flow of Existing CEB Transmission System, Energy Consumption Comparison of Inverter and Non-Inverter Refrigerators, Impact of Three-Hour Power Discontinuation of Refrigerators on Microbiological Stability of Food, Assessment of Lightning

Corporate Strategy Division (Contd.)

Effects on Distribution Network and Finding Feasible Solutions for High Lightning Prone Areas, Study and Implementation of Diesel Generator Soundproofing, Technical and Economic Performance of PV Plus Battery Storage Domestic Systems Installed under NAMA Project.

R&D Unit concluded the production of documentary video of distribution substation maintenance. It was presented to DCC and circulated CEB-wide for dissemination of the knowledge of good practices in maintenance of installations such as distribution substations.

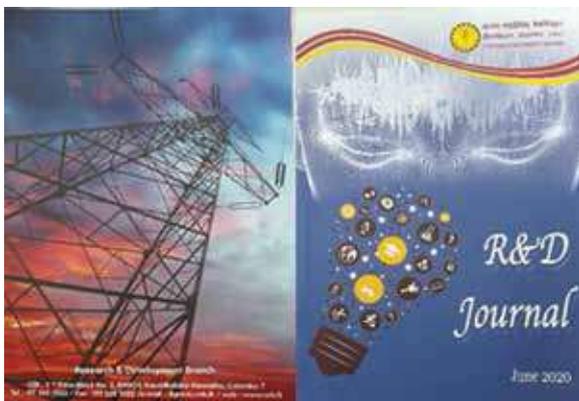


Figure C 6: CEB R&D Journal June, 2020

Furthermore, R&D Unit has been involved in dissemination of award-winning innovations of CEB Innovation Competition, CEB-wide. As a part of it, R&D Unit provided suggestions upon 4 innovations to respective entities of CEB. Recommendations were provided to DCC upon possible consideration of implementation of innovation Development of Low-cost Advanced Protection System for Transformers in Unmanned Primary Substations. A documentary video was produced covering the processes involved with the innovation Eco-Friendly Lube Oil Filter developed in Samanalawewa Power Station, which was subsequently circulated among Generation Division and hydro power complexes.

The feasibility of using existing ANTE LECO smart meters with GPRS based communication modules for implementing an AMI was studied. 50 smart meters, installed in Colombo City Province with communication modules from ANTE LECO were used for this study. The meters were integrated with CEBAassist software for remote meter reading and bill generation. In parallel with this activity, in-house design of a communication module was started with the expertise available at R&D Branch. A complete system containing communication modules, a headend system, and other intermediate software was developed. GPRS communication technology together with IoT technology used in this exercise enabled low-cost bi-directional communication. After having several field tests, it was concluded that the solution is suitable for billing operations once integrated with CEBAassist System.

R&D Branch supported the System Control Center to find a solution for the long outstanding issue of renewable energy generation monitoring of NCRE power plants by designing and developing an IoT based data acquisition system. The energy data was acquired from billing energy meters and transferred to a central server via an MQTT broker. A dashboard was developed to monitor the energy data as well as the health of the system. This solution is identified as a cost-effective solution in terms of capital and recurrent costs.



Figure C 7: Communication Device Installed at a NCRE Power Plant

An instrumental integrating of SLS 1680:2020 complied hybrid inverter in LT electricity network was completed by the R&D Unit. This system facilitates domestic customers, who are in TOU tariff, to install a system of rooftop solar PV with battery, thereby to enhance customers satisfaction of uninterrupted power supply, even at grid supply fails.

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 these SLS standards. Moreover, RCL conducts testing of LED products as per the standard

Corporate Strategy Division (Contd.)

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.

Project Management Unit for Katunayake Smart Metering Project Tranche 2

Followed by the successful implementation of the Smart Grid Pilot Project in Katunayake, a Project Management Unit (PMU) was formulated to implement the Tranche 2 of the same project which covers the whole Katunayake CSC area comprised of approximately 13,000 installations. PMU developed a comprehensive set of bidding documents with no support of external consultancy services. The bidding document was published on December 2020 and will be closed on February 2021. Implementation is planned to be completed in 300 days. Once the project is completed, no meter readers and disconnection crews will be required for the Katunayake CSC area since automated meter reading and remote disconnection facilities are the major pros of the system. Additionally, a distribution substation monitoring system and value-added service like load profiles will be available. It has been planned to integrate this system in the future with MDMS to be introduced by the ERP project of CEB. The estimated cost of the project is USD 2.0 Million.

Enterprise Resource Planning

The Enterprise Resource Planning (ERP) system of CEB will automate business processes in view of integrating information across the entire organization. Discrete business

processes from Generation, Transmission, Distribution and Centralized Services would be integrated so that information will flow across the organization at all levels.

The ERP Project tender process progressed during year 2020. ERP Project procurement followed International Competitive Bidding, single stage two envelope Bidding procedure complying with Procurement Regulations for ADB Borrowers. CEB managed to conduct the first ever virtual Proof of Concept (POC) process within CEB, with the participation of around 50 Subject Matter Experts from CEB and 30 experts representing the Bidder. By the fourth quarter of 2020, the final stage of Bid evaluation has been reached.

It is envisaged to complete the Phase 01 of the Project in 02 years and the Phase 02 of the Project in another 01 year.

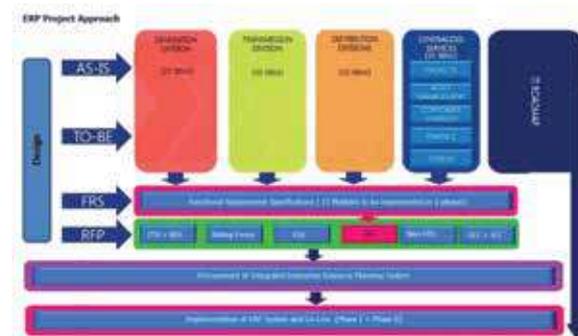
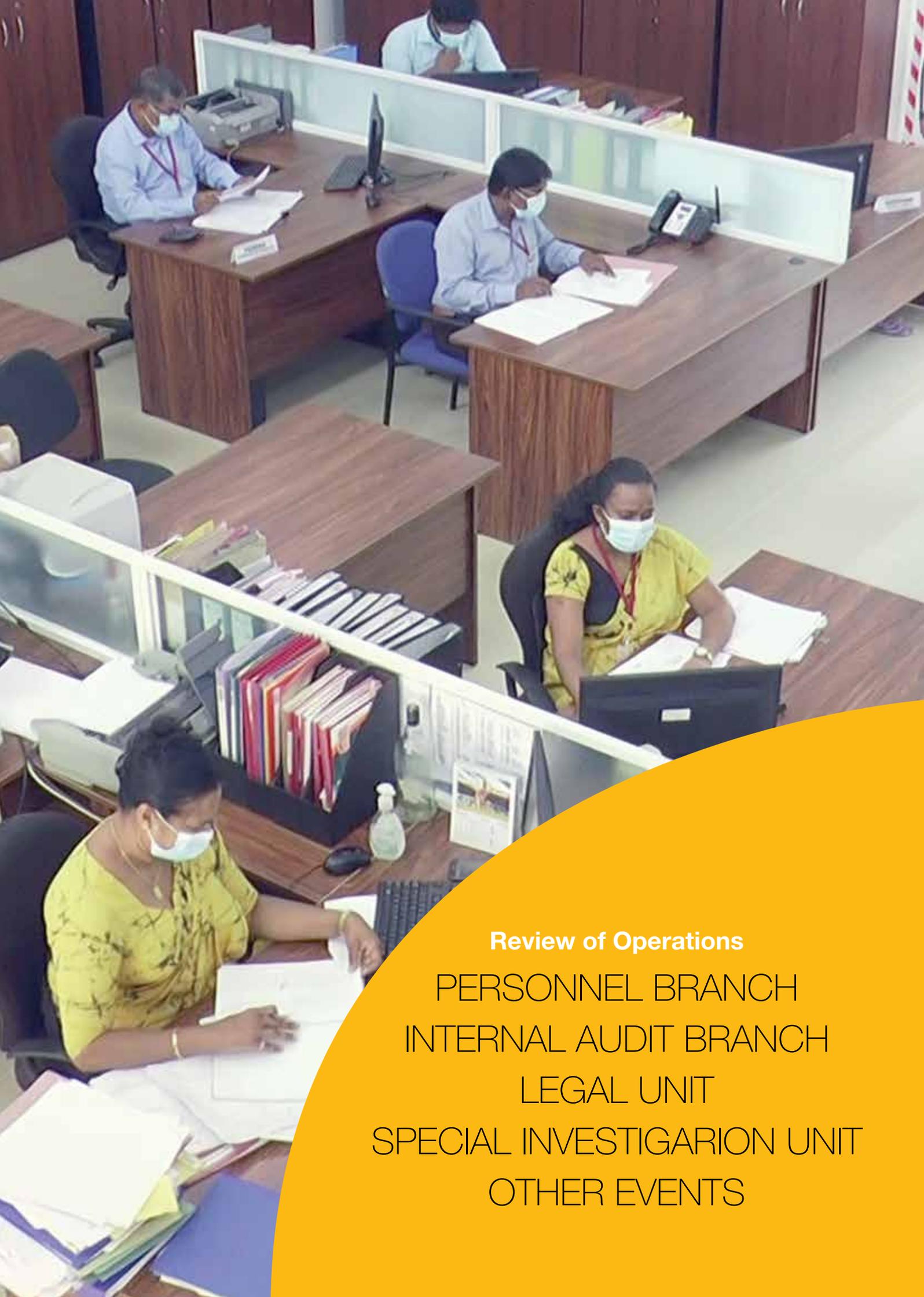


Figure C 8: ERP Project Approach



Review of Operations

PERSONNEL BRANCH

INTERNAL AUDIT BRANCH

LEGAL UNIT

SPECIAL INVESTIGARION UNIT

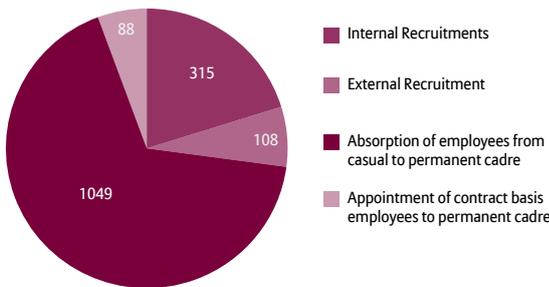
OTHER EVENTS

Personnel Branch

Personnel Branch of CEB is committed to recruit, train and retain the human resource at optimal levels to assist the core functions. 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.

New recruitment details of the organization during the year under review are as follows:

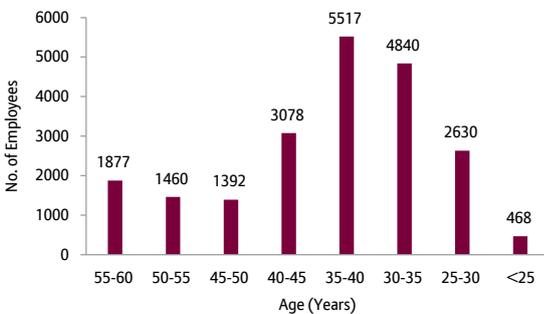
Figure O1 : New Recruitment Details- Year 2020



Moreover, 399 have retired during this period, and 81 employees have left due to various reasons such as resignations, deaths and terminations. As at the end of the year, the total workforce was 21,262 permanent employees, 1,485 casual employees, 118 contract employees and 2,759 trainees under the 4-year apprenticeship training scheme. These employees fall under various age groups from 18 years to 60 years.

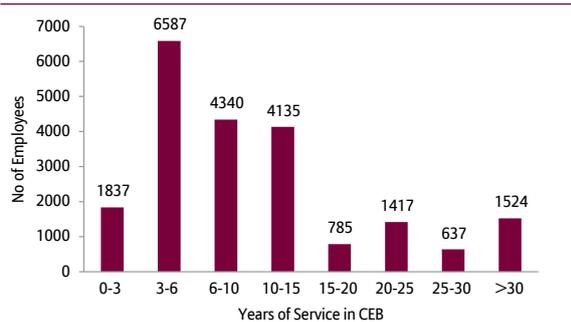
Following graph shows the age analysis of the employees at the end of year 2020.

Figure O2 : Age Analysis as at 31st December 2020



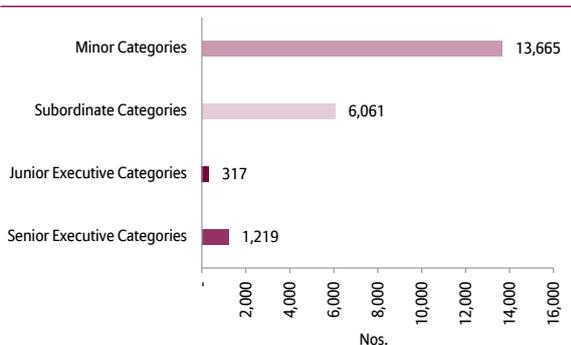
Due to its diverse workforce, CEB has employees who count a service less than 3 years to more than 30 years. The forthcoming chart indicates the service experiences of entire CEB staff against their number of years served.

Figure O3 : Service Analysis of Employees as at 31st December 2020



The entire workforce of CEB can be further 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.

Figure O4 : Category Analysis of Employees as at 31st December 2020



Policy Unit

This unit is responsible for HR planning, maintaining all CEB personnel policies with timely updates, maintaining the Scheme of Recruitment and Promotion of CEB employees and do necessary amendments as required, provide clarifications on HR administration related issues, handling matters connected with employees' salary, manage significant legal cases related to personnel matters, and issuing circulars related to HR policies and administration.

During the year 2020, the Policy Unit issued a total of 21 circulars and submitted 12 important Board Papers related to personnel matters.

Recruitment, Promotion and Disciplinary Matters Unit

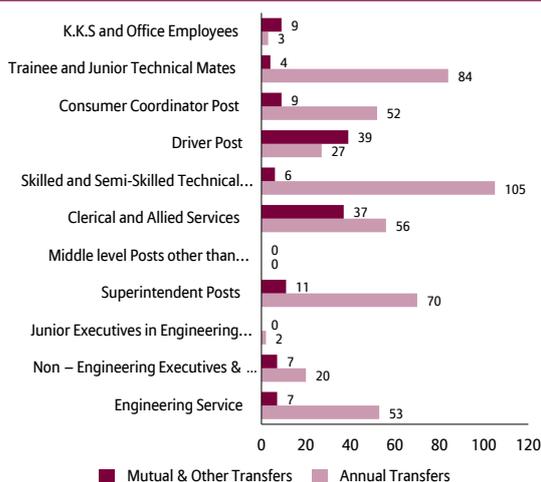
This Unit handles all the matters connected with all internal and external recruitment, floating internal advertisements for executive posts and filling the vacancies, handling all the cadre-restricted promotions and all inter grade promotions of executive officers, and conducting disciplinary matters under the General Manager’s purview.

Transfers and General Unit

Executing all categories of annual transfers and mutual transfers among Divisions are carried out by this Unit.

Progress of the unit during the year under review is as follows:

Figure O5 : Details of Transfers Carried Out during the Year 2020



Personal File Unit

Personal files of all employees working in Corporate Strategy Division, and Branches and Units under the General Manager fall under the purview of this Unit. Altogether 608 personal files including 92 files of senior executives are handled by this Unit.

Welfare Unit

Welfare Unit is established for looking after the welfare of the CEB employees, and functions to accomplish the objective of providing facilities and amenities to CEB employees for their work-life balance.

With the expectation to provide safe accommodation and other facilities at an affordable price, a network of CEB Circuit Bungalows is maintained by CEB at important locations island wide. Altogether, 33 circuit bungalows are operated across the country to provide leisure and official stays to the employees. This facility is one of the major benefits available to employees. Continuous improvements are being made to the facilities provided at these bungalows with a view to providing the best service to the employees.



Figure O 6 : Refurbished Circuit Bungalow - Nuwara Eliya

Under strict rules, continuous monitoring and adhering to Covid-19 preventive guidelines, these circuit bungalows operated even during the Pandemic to facilitate official stays for CEB employees.

During the year under review, a new circuit bungalow was established in Colombo 02, the heart of the city of Colombo for duty purposes and Nuwara-Eliya circuit bungalow was refurbished with modern architecture look.

Encouraging religious activities, CEB annually makes contributions for Vesak, Poson and Christmas festivals that are organized by the employees through societies such as the CEB Buddhist Society and the Christian Association.

During year 2020, all such functions were simply but ceremonially organized though the country faced a pandemic. “ජාතික පොසොන් උත්සවය” and “මිහින්තලා ආලෝක පූජාව -2020” organized by the Ministry of Cultural affairs held in Mihinthale was co-sponsored by the CEB. The welfare unit facilitated all official coordination among government institutions to make these events a success.

The Welfare unit organized an island wide “Shramadana Programme” in CEB premises on 2020-02-28. Official ceremonies were held at CEB headquarters on 2020-09-17 and 2020-11-02 to commemorate 146th birth anniversary of Eng. D. J. Wimalasurendra, and to celebrate the 51st anniversary of the organization respectively.

Because of the Covid-19 pandemic, sports activities coordinated by CEB recreation club were not held as in previous years. However, Ceylon Electricity Board Cricket team won all three matches and was selected to the C/D division of State Service Cricket Tournament 2019/2020.

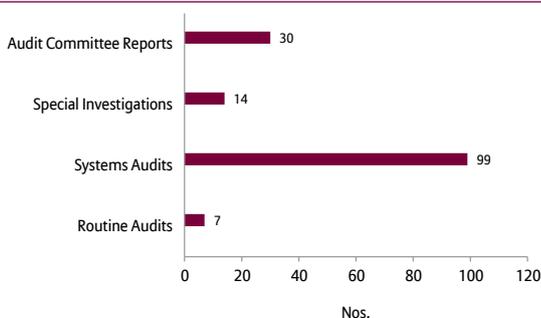
Internal Audit Branch

Internal Audit Branch is headed by the Chief Internal Auditor and supported by 85 staff members and 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 they enable the entity's objectives and goals to be met.

Audits are carried out on all Units, Branches, and Divisions in a frequency which is determined by the level of the risk assessed and the availability of staff. Details of the audits performed during the year 2020 are given below:

Figure O7 : Details of Audits Conducted during Year 2020



During the year 2020, focus was given to system audits where we check whether the particular systems introduced in the CEB are in existence and those are effectively operated by the officers concerned.

Legal Unit

All legal work and litigation of the organization are handled by the Legal Unit including the litigation work arising from court cases filed by the CEB as well as court cases filed by other parties against CEB.

The first category covers:

- Recovery of arrears subsequent to disconnections/revision of electricity bills associated with meter defects/tampering etc.
- Issues arising out of breach of Agreements/contracts.
- Recovery of damages caused to CEB properties/vehicles.
- Recovery of possession of CEB quarters/land matters.

The second category covers:

- Actions instituted against disconnections and revision of bills.
- Injunctions/Stay orders issued against drawing of electricity lines over third party properties/claiming damages caused to the said properties, lands, trees/vegetation etc.
- Tender/contract matters against breach, violation of procedure, claiming of damages.
- Fundamental rights Applications, Labour Tribunal/Industrial Court/Labour Department matters relevant

to termination of employment, employer Vs employee issues etc.

Details of court works handled by the Unit during the year under review are given below:

Name of Court	Number of Cases
Supreme Court	35
Court of Appeal	45
Civil Appeal High Court and High Court	23
District Court	164
Labour Tribunal and Industrial Court	32
Magistrate Court	12

Further to above, disputes between the Board and the employees, employee matters relating to termination of employment, vacation of post notices and grievances were also handled at the following Tribunals according to prevailing laws.

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

The Legal Unit is also responsible for scrutinizing the charge sheets, letters of appointment on fixed terms contracts etc. and documentation related to Labour matters before they are officially issued to the recipients.

The Unit is also responsible to ensure the legality of all Agreements/Contracts that CEB enters into with outside parties including all Finance Agreements, Commercial Agreements and Power Purchase Agreements.

In addition five Arbitration matters were attended to by the Legal Unit during the year 2020.

Special Investigation Unit

Special Investigation Unit was established in 1995 to expedite the investigations on illegal tapping of electricity and meter tampering. Eighteen flying squad teams have been deployed in Provinces to carry out investigations.

Due to the Covid-19 Pandemic, the Unit was able to carry out raids only for six months during the year 2020 and the information regarding the same is given in the table below:

Cases	Successful Cases	Court Fine (LKR Million)	CEB Loss (LKR Million)	Total (LKR Million)
Meter Cases	1090	3.09	60.25	63.34
Hook Cases	149	0.43	2.05	2.48
Total	1239	3.51	62.31	65.82

Apart from those activities, several investigations were conducted to inspect the irregularities, referred through various sources to the SIU and disciplinary actions were taken against the officers and employees identified as culpable.

Other Events

JANUARY

A blood donation campaign and a free health camp were organized by the welfare society of Upper Kotmale PS in collaboration with Lions Club on 09th January 2020. 200 pints of blood donated during the event.

MAY

Godakawela CSC shifted to a new location on 23rd May 2020



JUNE

Kiran CSC established in Baticalloa Area on 26th June 2020



JULY



Haliela Provincial Stores established in a new building on 22nd July 2020



Rathmalana Area Office shifted to a new location on 30th July 2020

Other Events (Contd.)

AUGUST



A new area office established in Mahiyanganaya on 14th August 2020.



An alms giving was conducted to mark the first anniversary of occupying the new Distribution Division 4 Headquarters Building complex at Dehiwala on 30th August 2020.



A new CSC established in Redeemaliyadda on 14th August 2020.

SEPTEMBER

- Madurankuriya CSC established on 17th September 2020
- A new CSC established at Alagama in Kegall Area on 17th September 2020
- New POS counter established at Kurunduwatta in Gampola Area on 18th September 2020
- A pirth chanting programme organized in DD4 Headquarters on 23rd September 2020.
- Newly renovated Substation D declared open on 29th September 2020.
- Serunuwara ECSC established on 29th September 2020
- Uhana CSC established in Ampara Area on 30th September 2020



Other Events (Contd.)

OCTOBER

Maho Area Office established on 6th October 2020



NOVEMBER

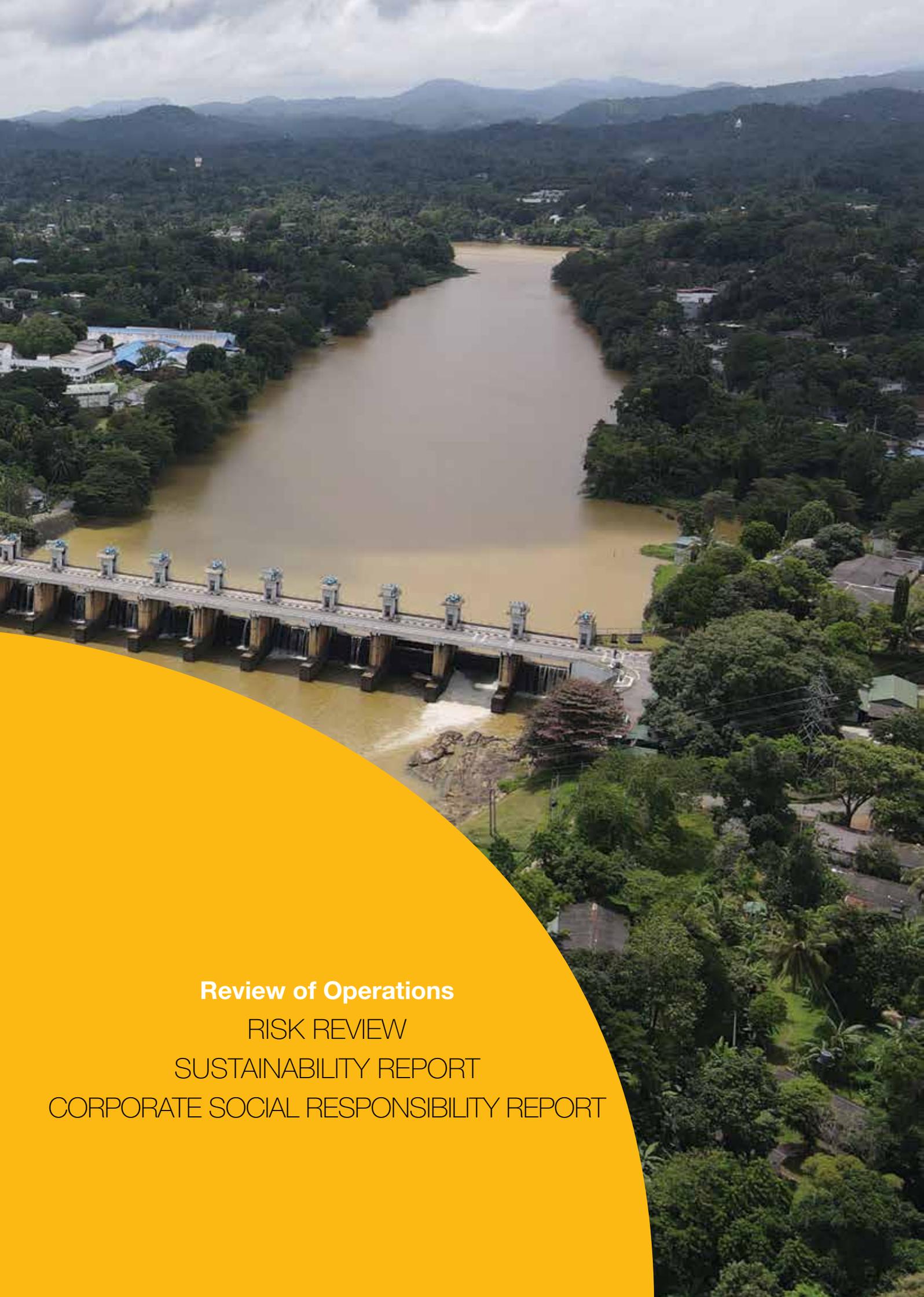
- Digital signature facility was introduced for the first time in the country to a government agency (DD4 Headquarters) for its internal communication purposes on 18th November 2020.
- Ambalantota CSC established on 27th November 2020.



DECEMBER

- Puttlam Area Office shifted to a new building on 9th December 2020
- Jaffna East Area Office established on 10th December 2020
- Western Province South 1 Transformer Maintenance Unit established on 24th December 2020.
- A new construction depot established at Rathmalana
- Galewela CSC established in Dambulla Area
- Kirindiwela Area Office established on 31st December 2020 in Gampaha Area





Review of Operations

RISK REVIEW

SUSTAINABILITY REPORT

CORPORATE SOCIAL RESPONSIBILITY REPORT

Risk Review

As yet the CEB has not adopted a risk policy or integrated a formal risk management framework into its operations in its entirety. Tentative steps were taken earlier by the Corporate Strategy Division to prepare a risk policy and incorporate a risk evaluation procedure, but that activity came to an abrupt stop with the occurrence of a less likely, high negative consequence event, the Covid-19 pandemic. However, The Finance Division has implemented a financial risk management framework.

The Covid-19 pandemic had severe impacts on the entire CEB, all operation divisions were affected. They had to change work procedures to deal with travel restrictions, lockdowns, strict but restrictive health regulations and the disruption of the social, administrative and financial functions that occurred globally. However, it is not necessary for risks to have only negative consequences. A positive consequence of the Covid-19 pandemic is the thrust that CEB has made in developing its digital solutions.

Other low likelihood high negative consequence events mostly associated with natural disasters, such as major floods, cyclones did not occur in 2020. These risks are mitigated by CEB's relationship with the National Disaster Management authorities.

High Consequence Risk Factors

Technical Aspects

Risk Identification

By the nature of its activities and the dangers of electricity, risk mitigating procedures are part of CEB's operations. Ceylon Electricity Board has identified the risks that can impact proper functioning of the organization as a quality, reliable and economical electricity supplier.

It is vital to identify the risks and classify it according to the degree of likelihood and the extent of its consequences, negative or positive, and take appropriate measures. Some of the identified and classified high consequence risks are addressed in the Planning processes, the Corporate Plan, the Long Term Generation Expansion Plan, the Long Term Transmission Development Plan and the Budget. Others are dealt in emergency procedures by the responsible Divisions. An example of which is the procedures that were used to restore the System after the island wide blackout of 17-08-2020. An event which is considered a high likelihood high negative consequence event.

Financial Risk and its Effect on Technical Performance

Not having a cost reflective/ cost recovery tariff is a high consequence risk factor. That risk has not only affected the financial performance but also technical performance.

Under section 30(2)(b) of the Sri Lanka Electricity Act, No. 20 of

2009, CEB is permitted to recover all reasonable costs incurred in the carrying out of the authorized activities. That clause is to ensure CEB would be able to continue its authorized core activities in financially viable manner. However, not having a cost recovery tariff had increased the risk of CEB being unable to perform its core functions efficiently and effectively.

Under part V of the Ceylon Electricity Board Act, No. 17 of 1969, CEB had powers to set tariffs and charges to recover its costs. However, such powers were repealed under the Sri Lanka Electricity Act and were given to Public Utilities Commission of Sri Lanka (PUCSL), the regulator. As the government policy is for the entire country to have a single "Uniform National Tariff" (UNT), setting up of the end user tariff schedule as applicable to all consumers during periods where a UNT prevails was made the responsibility of PUCSL as a single licensee cannot do so. However, no end user tariff increase was made since 2013, despite a tariff reduction in 2014. Inability to construct low cost power plants too had aggravated the financial loss. With the introduction of Liquefied Natural Gas (LNG) CEB expects some reduction to cost of generation. However, even with LNG, CEB revenue is not expected to reach cost recovery level without a tariff increase or government intervention by way of a subsidy injection.

The CEB has continued to request the PUCSL for measures for reimbursement of the subsidy till now, necessitated by government policy decisions.

Risk of Insufficient Generating Capacity

The power capacities (both for long-term requirements and medium term stop gap requirements) as identified in CEB's Long Term Generation Expansion Plans have not been implemented as planned, causing CEB to operate with a lower reserve capacity margin than desired. Inability to construct planned generation additions timely gives rise to a vicious cycle. Lower reserve margin prevents existing power plants from being taken off on schedule for preventive maintenance or to attend to other routine maintenance. That affects the reliability of machines and lowers further the available capacity to meet the demand. Lack of reserve capacity leads to manual load shedding during prolonged outage of a large plant. Further, inadequate reserve generating capacity in the system causes CEB from time to time to procure short term supplementary power, during prolonged dry spells and/or during an outage of a large generating unit.

Network Expansion Risk - Delay in Network Expansions

To carry power from future power plants and also to serve the increasing energy demand in a more reliable manner, network expansions for high, medium and low voltages are planned. These include construction of new transmission and distribution circuits, augmentation/construction of new

Risk Review (Contd.)

substations, grid quality enhancements, etc. Construction of new transmission lines to evacuate power from generating plants has to be properly timed with the generation project implementation as delay in the former causes delay in power evacuation from the latter. Also, the time has arrived to analyze the reliability of certain switchgear including compact gas insulated substations in the medium voltage network which have served 20 years or more. The reliability of such substations serving core utility services such as water supply, petroleum and to industries such as export processing areas have to be looked at with a fresh perspective to ascertain whether alternative power supply options are available to ensure uninterrupted supply to such key services and industries. Further, there are ageing grid equipment that need be replaced to improve grid reliability. Securing funding to such replacements and also to obtain interruptions to carry out such work amidst lack of reserve and redundant capacity in both generation and transmission networks have seen as a severe challenge and a risk. Risk associated with unavailability of some of these network equipment are minimized to an extent through continuous condition monitoring exercises that enables to foresee failure events in advance, so that early rectification action could be initiated without down time delay or causing any catastrophe.

HR Risk - Challenges in Maintaining a Skilled and Motivated Workforce

Having a skilled workforce is an intangible asset and it is vital for sound maintenance of network equipment. Worker motivation is important to maintain CEB's core business that envisages delivering a quality service to the nation. Also, employee satisfaction is key to avoid industrial disputes. CEB maintains a skilled workforce through continuous training programs and on the job training. Though Covid-19 pandemic has impacted badly the continuity of this exercise, efforts are made to carry out on-line training and capacity development programs as far as possible to maintain this expertise. Considering highly specialized nature of certain job functions, new vistas in the traditional transfer policy are looked upon in view of retaining expertise in vital technical fields.

Risk of Channeling Funds from Priority Areas due to Pressure from Lending Agencies

Under section 38 of the Ceylon Electricity Board Act, No. 17 of 1969, Board was given a duty to ensure that revenue of the Board is sufficient to meet a reasonable proportion of the cost of development of services of the Board. However, the "tool" that was available with CEB to secure such finances, namely powers to set tariffs and charges, was taken off from CEB in 2009 and was given to PUCSL by the Sri Lanka Electricity Act. Unavailability of own funds is a common problem for generation projects implementation as well as transmission/distribution network enhancement projects, particularly to those where international funding cannot be secured.

Investment decisions in the power sector are shaped by a set of complex factors, including demand for electricity, changing government policies, stakeholder expectations, supply chain issues, business synergies, as well as pressure from climate policies. Funding organizations too have developed their own funding policies to cater to changing views of the world towards fossil fuels, government owned utility structures etc. Thus, funding is available only to areas that fulfill the policies of funding agencies than towards real requirement of the CEB.

Insistence of conditions via loan covenants too have compelled the organization to utilize even the limited borrowing space to areas such lending organizations are willing to lend than to priority areas.

Risk of Public Perception and Challenges to Utility Plans

Electricity accounts for only 12% of the total energy use in the country. Nevertheless, electricity sector draws more attention from media, NGOs, environmental pressure groups, etc., possibly due to high commercial interest, than to rest of the 88%. Power system is a highly specialized subject that is often beyond the understanding of not only the general public but also of those who has basic engineering education but no power system experience. Thus, it is very difficult to justify and convince general public and media about utility plans and decisions. Since power sector offers highly attractive business opportunities, there is a significant risk of pressure from groups with business interest to change plans and policies to support the business areas that they can engage in and to make way for technologies that they trade.

To somewhat mitigate these risk of misconception of CEB plans, projects and activities, the Board has approved a proposal to form a Strategic Communication Unit (SCU) dedicated to activities related to building and sustaining the corporate image.

Risk of Changing Policies

Power projects have long gestation periods. Thus, plans are prepared well ahead of the required date to commence development activities in advance. Even planning for power expansion takes considerable time. Therefore, government policies needs to be clear and persistent. Changing and inconsistent government policies create major challenges and risks ahead to utility planning and project execution.

Cyber Risk

The organization has increasingly become IT oriented. Almost all the Branches have become networked and interconnected. This makes them highly vulnerable to external cyber-attacks as intrusion to a single location means that this could spread through the network.

Operational IT systems that are commonly used by the electricity utilities like CEB, have widely used information

Risk Review (Contd.)

technology for communication and controlling purposes. However, these operations and systems tend to operate mostly as isolated silos and have less connectivity to outside unlike management IT systems. Furthermore, when Operational IT systems are connected to the outside, they tend to have high end security devices as the Gateways. Therefore, they have a somewhat lower threat of intrusions and attacks from outside. Nevertheless, there is always a risk of cyber-attacks. This could be due to attackers exploiting loopholes in the security systems and there could be human errors and mistakes. Even highly technologically advanced countries have been targeted and attacked by hackers compromising the operational IT systems. Therefore, properly configured and managed devices as well as a stronger IT policy is required to reduce the risk of being compromised.

Financial Aspects

Ceylon Electricity Board being a government owned Specified Business Enterprise having almost a monopoly in supply of electricity to the nation is exposed to many risks. Although being a utility organization with large exposure to non-financial generation, transmission and distribution risks, CEB is also exposed to financial risks through different propagation channels.

Due to constraints in tariff structure, CEB's business model involves borrowing of funds from local as well as foreign banks where it is exposed to fluctuating interest rates and exchange rates. The cash outflows in foreign currencies for borrowings and purchasing of energy sources cannot be offset with an equivalent foreign currency inflow since CEB's main cash inflow from electricity sales are denominated in local currency. CEB is not in a position to increase the sales revenue proportionately to the increase in funding cost due to various macro-economic reasons. Hence continuous financial risk analysis and risk management is of paramount importance to protect the economic value of the organization.

Financial Risk Management Framework

The Board of Directors and the General Manager, CEB are ultimately responsible to the Risk Management and Analysis in the organization. However, the Treasury Management Branch established in year 2018, headed by an Additional Finance Manager directly reporting to the Finance Manager working under General Manager, plays a pivotal role in financial risk management of CEB.

Financial Risk Management Policy

The Risk Management Policy of CEB forms part of the overall risk, liquidity and cash flow management framework established for CEB and its Divisions. The primary objective of the policy is to define a robust framework to identify, measure, limit, manage, and monitor the material financial risks. It aims to establish an effective risk culture which improves visibility

and awareness for financial risk within the organization. Further, it immunizes the CEB Services against shocks from financial markets by limiting the risk exposure to a viable level. Accordingly, the treasury management team continuously analyze the financial data to identify the current risk exposure and provides recommendations to the General Manager and the Board of Directors on the remedial actions to be taken to mitigate the risks.

Financial Risk Management Process

CEB's Financial Risk Management Process involves 5 steps.



“Risk Identification” is an annual top-down process. As an initial step, the Income Statement is segregated in to main components to explore the circumstances that leads to low revenue and high costs and then to the transactions and circumstances that lead to unexpected high outflows which stresses the liquidity position. Accordingly, the treasury management team carefully scrutinize the long term generation plan to identify the future demand requirement and the generation mix to fulfill the demand which will enable to quantify the future revenue and costs. Accordingly, the future cash deficit and liquidity risks are identified and financial plan is prepared to face the situation.

“Risk Measurement” is the quantification of the volume subject to price changes and the magnitude of potential price changes within a certain time horizon. Scenario analysis based on different generation mix is a key tool used to measure the profit/loss, financial position and cash flow situation of the Board under different circumstances to quantify the financial impact and related risks.

“Risk Appetite” defines the amount of risk that the Board of Directors feels comfortable to take (Risk Capacity) and it is prepared annually and approved by the Board on the recommendation of General Manager, CEB. The risk appetite is operationalized through the “Limit Setting”. It breaks down the risk appetite into manageable quantities defining how much risk that the certain risk takers are allowed to accept. Circulars are issued time to time establishing the financial authority limits for each executive categories as well as for different level of procurement committees. This ensures that high value transactions are scrutinized and approved by more experienced and capable officials who are more capable of and allowed to accept higher risks.

Decentralized risk taking, but centralized risk management is the underlying principle of “Risk Management” in CEB. Risk Management is centralized due to advantages of ability to maximum off set of exposure, economies of scale through entering into large scale risk mitigating transactions than many smaller ones. The weekly cash requirement of each Division is

Risk Review (Contd.)

escalated to the payment unit in the Finance Division which evaluates the daily cash requirement matching with the daily collections. Accordingly, the funding requirement for overall CEB is identified and the negotiations are made with the Banks for favourable interest rates and funding arrangements to fulfill the cash requirement and allocate funds to each Divisions for their expenses.

“Risk Reporting” is the frequent reporting of the actual risk undertaken by CEB and recommendations made to overcome the same. A monthly Performance Report prepared and submitted to the Board by the Finance Division provides a comprehensive explanation of the movement in financial performance, financial position and cash flows. Further, it highlights the potential financial risks identified through the above analysis and the recommendations thereto enabling the Board of Directors to take decisions for implementation.

Financial Risk Analysis 2020

Year 2020 was operationally challenging year not only to CEB but also to the whole world. The measures taken to curtail the spread of the COVID 19 virus, including lock downs, quarantines, social distancing and closure of non-essential services have triggered significant disruption to businesses, resulting in an economic slowdown.

Cash and Liquidity Management

Efficient cash and liquidity management is expected to significantly improve the profitability, business continuity and growth of an organization. The competitive environments have forced CEB to re-visit its collection and payments, developing more sophisticated cash management solutions by standardizing its internal processes and strengthening its internal controls.

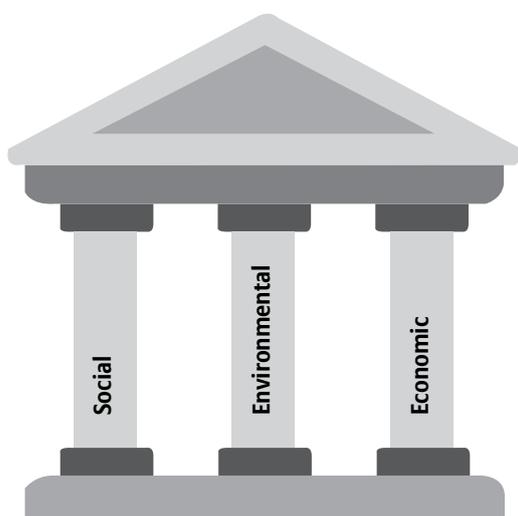
With the spreading of the virus, the disposable income of the customers became low. The Government decision to provide a grace period to settle the bills and to defer the disconnection of unpaid customers significantly impacted on the already-hindered cash-flows. Hence, with the recommendation of the treasury management team, the Board approved the following strategies to overcome the situation.

- Arrangements to issue a senior listed debenture worth of LKR 20 Billion, converting the short term liabilities to a medium term debt instrument, is a historic moment of CEB and in the government sector of Sri Lanka.
- Strict prioritization of cash disbursements and restricting the capital expenditure to essentials enabled the significant cash transactions to be strictly monitored.
- The technological advancement in the payable module in MITFIN system provided the daily credit exposure of the Board which helped to plan the future cash requirement.
- Maximum utilization of credit period of suppliers extended the cash availability to prioritized payments.
- Restructuring of the existing loan portfolio to reduced interest rates and to extended repayment periods.
- The expansion of online collection facilities enabled more options to customers to settle the bills in this pandemic situation, enhancing the timely collection of sales receipts.
- The financing options were extended to private commercial banks apart from government banks to attract competitive interest rates.
- Formulation of Financial Recovery Model to strengthen the financial position

Sustainability Report

Our Approach for Sustainability of Electricity Industry

Sustainability is one of the core values of CEB included in its mission statement. CEB believes that sustainability stands on three pillars i.e. Social, Environmental and Economic. Therefore, CEB is committed to perform all its major operations while maintaining the right balance among the Social, Environmental and Economic aspects.



Economic Sustainability

In the Sri Lankan economy's power sector, the CEB is a dominant entity. It supplies an essential item, electricity, to meet a steadily increasing demand, which is difficult to be substituted by another source. Basic economic theory would suggest that the CEB should not be a loss making organization. However, CEB for many years since its establishment in 1969 was loss making. This is because, in a social and political context, CEB is considered a service organization of the people.

Accordingly, CEB carries out its planning functions relevant to electricity generation, transmission and distribution and subsequently, investments on their constructions, operation and maintenance phases. These activities are guided, governed and regulated by ; SLE Act, No. 20 of 2009 (as amended), SEA Act, No.35 of 2007 PUCSL Act, No. 35 of 2002 , CEA Act, No. 47 of 1980 , Provincial/ Municipal/Local Government Rules.

Its Long Term Generation Expansion Plan (LTGEP) is prepared on economic principles for the whole country as opposed to financial principles of viability of the organization. The LTGEP accounts for a substantial amount of infrastructure investment in Sri Lanka. The Long Term Transmission Plan and The Distribution Plans of the Divisions then optimally connect

the Power Stations to the consumers; domestic, religious, industrial and commercial.

CEB ensures optimum generation dispatch without disturbing proper functioning of irrigation requirement and with proper balancing of the generation mix in order to secure economic sustainability of the organization as well as the country. As a result, the organization was able to maintain the average cost of production at a rate of LKR 21.21/kWh. However, it is noteworthy that non revision of electricity tariff for last 8 years adversely affected the financial sustainability as CEB sold electricity at a rate low as LKR 16.72/ kWh.

Environmental Sustainability

CEB has scrupulously conformed to Legislation and Regulations to preserve the environment in its activities including Conventional Renewable Energy projects.

Sri Lanka is a country vulnerable to climate change and requires both mitigation and adaptation. In response to challenges posed by climate changes, Government of Sri Lanka has taken several positive steps by introducing national policies, strategies and actions to address possible impacts. Integrating more renewable energy sources in combination with conventional fossil fuel based energy sources is one of the strategies. The National Energy Policy and Strategy has declared and increasing penetration of renewable energy sources. Accordingly CEB has increased its renewable energy capacity up to 49% of total installed capacity during the year 2020. That was a 3.2% increase compared to last year.

Further establishment of large scale wind power farms, solar farms etc. and adopting and exploring other renewable energy sources were in progress during the year under review to ensure cleaner environment. As a result, CEB offered the first CEB owned large scale wind power plant to the Nation. The කම්බපවනි Wind Power Station in Mannar.

On the other hand, low cost generation is the key for economic sustainability. CEB struggles to include low cost electricity generation sources such as coal and LNG to maintain the economic sustainability of the organization as well as the Country as a whole.

It is true that deforestation or loss of part of a tree is unavoidable in all most all construction of any power plant, transmission line or grid substation. However, these constructions are carried out in accordance with the recommendations in the approved Environment Impact Assessment (EIA) studies. EIA studies are conducted to ensure that the development options under consideration are environmentally sound and sustainable. So that environmental consequences are recognized and taken into account early in project design, we allowed the public and other stakeholders to present their views and inputs on the impacts due to planned development. For example, CEB pays

Sustainability Report (Contd.)

compensation to the Forest Department (as estimated by FD), in order to meet the cost of replanting and maintaining forests for each and every construction that involves deforestation as depicted in EIA studies.

During the year under review, such studies has suggested many more measures to prevent or minimize negative impacts and to enhance positive impacts when launching generation and transmission projects.

The EIA process when carried out properly, benefits first and foremost the project proponent and other developers who intend to use natural resources. In addition, the EIA process provides a way for both government agencies and the public to ensure that both environmental (physical and biological) and social concerns are addressed before major development projects are undertaken. In short, EIA ensures sustainable investment for developers and a livable environment for the people.

During operations of generators CEB adheres to almost all the environment guidelines applicable to the country and as a result CEB maintained average emission index at a level of 0.555 kg/kWh during the year under review. Special concern was given for the operations of the Lakvijaya Coal Power Plant throughout the year to ensure its operations within the limitations imposed by the licensee.

Moreover CEB had to clear trees (in forests, plantations or home gardens) to maintain the right of way (ROW) of approximately 187,848 km of power lines in different levels to ensure the safety of people and equipment. As a responsible organization CEB conducted tree planting programs during the past years as well as during the year under review to compensate the deforestation and ensure environment sustainability and successfully planted approximately 6,500 nos. of plants during the year 2020.

On the other hand distribution developments such as replacing bare conductors with insulated bundle conductors has indirectly addressed the social issues pertaining to ensuring the safety of the people, safeguarding surrounding environment by optimum vegetation management etc., beyond the primary technical reasons. Electricity consumers

are allowed to generate electricity at roof tops within their premises and to synchronize their generators with the CEB system, while consuming and exporting energy, under three schemes namely Net Metering, Net Accounting and Net Plus. A measure to reduce the dependence on fossil fuel usage.

Social Sustainability

As the pioneer in the electricity industry reliable operation of the CEB power system is the mainstay of the social and economic sustainability of the Nation.

The organization achieved 100% access for electrification few years back and laid the foundation for social sustainability. This is an achievement of which CEB is proud of. When electricity reaches areas the life of the community changes dramatically. Education and employment opportunities are open to the people. The gap between the haves and have nots is reduced.

CEB has lived its values even after the Covid-19 pandemic by maintaining 24 hour service throughout Sri Lanka by a swift response to lockdown measures implemented from March 2020. We believe we have upheld the trust of our customers and look to their cooperation to take CEB to a new level of performance despite the risks and uncertainties.

Apart from the above CEB took step forward and facilitate the grid interconnection of the Sri Lanka's first power plant (IPP) based on municipal garbage to the National Grid in late 2020. Even though the unit cost of this plant is relatively high when compared with other cheaper sources, CEB corporates this development as this plant supports to address the national problem of accumulating municipal garbage and believes this leads to the environmental sustainability of the country as a whole as this recycles solid waste within the Colombo Municipal Area to generate 11.5 MW of power converting 500-700 metric tons of municipal waste into electricity.

As mentioned above sustainability is living our values with concern for environment, social and economics and making the hard decisions in hard times to maintain the balance between these three pillars for the sustainability of the organization and the economy.

Corporate Social Responsibility Report

CEB took all efforts to contributing towards the health, welfare and sustainable development of society during the year under review. Some of such efforts are described in this section.



Children First

Covid-19 pandemic caused a lot of fear and uncertainty among the people. Children were the most vulnerable. Thus, under the theme of corporate social responsibilities (CSR), an event was held on 30th September 2020 at the CEB Headquarters to celebrate World's Children's day with the launch of a new children's song. It was to cheer up children in isolation, those who were experiencing Covid-19 related anxieties. The song, "Viduli Eliyen Akuru Karana," was produced by the renowned musician Mr.Keerthi Pasquel on behalf of the CEB.



Generation Division constructed 25' x 50' classroom building for P/Kal/Panaiyadi R.C.T.Vidyalaya at the total cost of 3.72M LKR to facilitate the younger generation.



Infrastructure Development Make Better Future

Norochcholai – Panayadiya road was renovated at a total cost of LKR 48.58 Million for the betterment of the villagers by the Generation Division.



Coping with Pandemic

A musical program was organized by the B&OS Branch in collaboration with the Sri Lanka Broadcasting Corporation (SLBC) and Sri Lanka Rupavahini Corporation (SLRC) to support Sri Lankans, those who were coping with Covid-19 pandemic related lockdowns all around the world. This music program was held on 1st November 2020 and broadcasted live locally. It was also made available through the SLRC corporate website for overseas viewers.

During the Sinhala-Tamil New Year, the B&OS Branch organized a series of SLBC programs to boost the citizens' morale. City FM – "ඔක් මහ සැනසෙලිය" was sponsored by CEB. A prominent event of this initiative.

Free Electricity

In celebration of the 51st Anniversary of the CEB, the B&OS Branch made arrangements to assist 51 low-income families around the Island to obtain electricity service connections and completed internal wirings free of charge.

Strengthening Local People

In the real sense of the word Mannar Wind Power Project is a bench mark project which incorporates internationally acclaimed best practices in wind power development. It has been identified as a model project for future wind power development. Perhaps the most rewarding aspect of the project is how it engaged the local community, providing direct and indirect employment opportunities, upgrading the road network and improving sanitation facilities for the fishing community. The assistance provided to the local government authorities to manage solid waste and many other such efforts won over the support of all local people.

Cleaner Environment

Deforestation is a serious issue in Sri Lanka. It is often required to clear trees (in forests, plantations or home gardens) for

Corporate Social Responsibility Report (Contd.)



the right of way of power transmission lines. Land could be cleared /inundated during implementation of power station /grid substation or other project components of CEB. It is noteworthy that CEB compensates the Forest Department for replanting and maintaining forests in suitable locations in order to mitigate such deforestation. Not only that, as a responsible corporate body, CEB organized several tree planting programmes per year to ensure a cleaner environment. During the year under review more than 6500 plants such as Kumbuk, Mee, Jak, Keta kela, herbal and fruit were planted across the country.



Review of Operations
FINANCE DIVISION &
FINANCIAL INFORMATION

Finance Division

The Finance Division involves in financial planning, treasury management, financial and management reporting, statutory relations, taxation, cash management and corporate and project finance to facilitate the sustainability and growth of business activities. Its primary responsibility is to ensure all financial decisions are based on sound criteria which contribute to cost efficiencies across CEB.

Operation Structure

Finance Division is headed by the Finance Manager who directly reports to the General Manager of CEB. There are three Additional Finance Managers as AFM (HQ), AFM (Corporate) and AFM (TM) who directly report to him and eight Additional Finance Managers who directly reports to the Divisional AGMs and are functionally responsible to the Finance Manager for finance related matters of each Division.

AFM (Head Quarters) plays a key role in cash management, project coordination and collection management. Further, the preparation and presentation of CEB financial statements and management information including budgets are key functions of AFM (Corporate). With the establishment of Treasury Management Branch under AFM (TM), the management of Provident and Pension funds and funding arrangements for day to day operations and for capital projects is handled by AFM (TM). Brief description of the key initiatives and steps taken to enhance the operations of each function is given below.

Cash Management

Payment Unit performs one of the key functions in the Finance Division of CEB and all disbursements are handled by this Unit. This year was a crucial period for the Payment Unit due to Covid-19 outbreak. As a result of the pandemic, CEB offered several concessions to consumers on electricity bill while experiencing significant constraints on cash and working capital including potential liquidity issues. However, with the assistance of the Treasury Management Branch, the Payment Unit prioritized the payments and allocated the available funds in an efficient way.

In technical aspects, Payment Unit has initiated the Online PIV Settlement System in order to smooth the operating system.

Collection Management

Government restrictions to control the spread of Covid-19 virus such as lockdowns, curfew, social distancing and temporary shut-down of non-essential services, restricted the access to electricity customers for bill reading as well as for bill payments. All the POS counters were re-arranged according

to the health guidelines to safeguard the customers as well as the employees. Further, the following initiatives also took place during the year to facilitate the electricity bill payment to be more convenient and efficient.

- Extending the "On Line Real Time" (OLRT) updating of bill payments for the collection agents of Union Bank and Hatton National Bank (HNB)
- Implementing Integrated Automated Electricity Bill Payments (via online standing orders) by Commercial Bank, Sampath Bank and Seylan Bank.
- CEB Internet Payment gateway (IPG-Website) has been facilitated to accept online credit card payment via "AMEX Cards" at free of charge basis in addition to the existing credit cards: Visa/Master.
- Updating the billing system as soon as the meter readings are obtained via CEB Assist App will enable the billing cycle to be the calendar month. This will eliminate the long lasting issues relating to reconciliation of Revenue and Collection between billing system and the ledger.

Projects Coordination

The Projects Coordination Unit acts as a coordinating unit for all foreign funded projects by assisting in the coordination of loan/credit related matters with the funding agencies, Project Management Units (PMUs), External Resources Department (ERD) and the General Treasury. The key roles involve the submission of Audited Financial Statements and other information required and requested by the funding agencies as per the credit/ loan Agreements. Moreover, coordination with the General Treasury in the Debt-to-Equity conversion and assisting the management of the CEB by providing required loan related information for decision making and planning the future operations of the executing agency also comes under the purview of the Unit.

The Year 2020 was a challenging period with the outbreak of the Covid-19 pandemic in meeting the deadlines for the submission of Audited Financial Statements of the projects to the lending agency. However, the Projects Coordination Unit has worked hand in hand with the PMUs and the Auditors and have managed to make all required submissions on time. Further, the Loan repayment of the Puttalam Coal Power Project was converted to equity for the second consecutive year with the coordination of the Ministry of Finance. The Ministry of Finance has converted the debt in to equity strengthening the debt to equity ratio.

Finance Division (Contd.)

Treasury Management

Treasury Management Branch plays a vital role by managing cash, investments and other financial assets. However, this financial year has been one of the most challenging years in the recent past due to the outbreak of Covid-19 pandemic. Since imposition of island wide curfew in mid March 2020, CEB confronted many financial difficulties. The Treasury Management Branch initiated a series of measures to resolve those issues including a freeze of all low prioritized capital expenditure, negotiation with commercial banks to obtain term loans and implementing the payable module to match the cash outflows and inflows to manage the liquidity position.

Further, CEB has stepped forward to obtain funds through non-conventional financial instruments becoming the first government owned statutory board to embark on issuing listed debt securities.

Furthermore, for timely information for decision making, the Treasury Management Branch has subscribed to the Reuters financial platform to reach the market information.

Fund Management

CEB Provident Fund

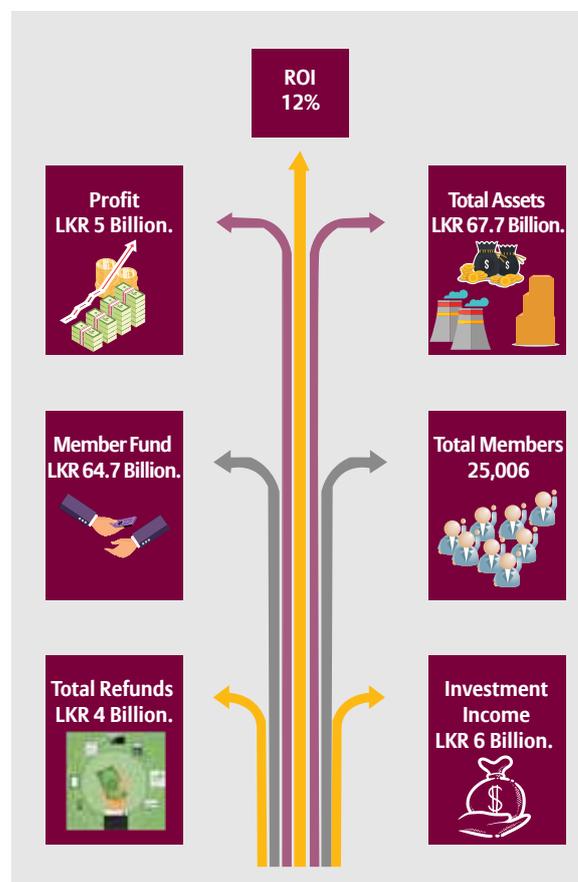
Ceylon Electricity Board Provident Fund is a Private Provident Fund under the provisions of the Employee Provident Fund Act No.15 of 1958.

It is administrated by a Committee of Management consisting of seven members. The Chairman of the committee is the Chairman of CEB and the Deputy Chairman is the General Manager of CEB respectively. The Finance Manager and Deputy General Manager (Personnel) are other ex-officio members. Three other members are nominated by the CEB Board. The Secretary and Accountant of the fund is appointed by Board to be responsible for the day to day administration and the Secretary and Accountant is also the Treasurer of the Fund.

The fund recorded considerable progress and had significant achievements during the year 2020. Some achievements are highlighted below.

- Total contribution from employer & employee for the year amounted to LKR 4.80 Billion though it was a slight decrease of 1.74% compared to the previous year.
- The value of the investment portfolio increased from LKR 45.4 Billion to LKR 50 Billion as at the reporting date. However, the total Investment Income recorded as LKR 6.2 Billion during the year compared to LKR 6.8 Billion in 2019 with a reduction of 9.6% due to drastic reduction of interest rates in economy.

- The fund earned a net profit of LKR 5.3 Billion compared to LKR 5.8 Billion in the previous year and the fund transferred LKR 450 Million to Investment reserve fund while declaring 8% dividend to their members at the end of the year.
- The total net asset value of the fund exceeded LKR 66 Billion at the end of the year.
- Operating expenses as a percentage of total income decreased to 0.06% from 0.07% in 2020. This is a reflection of the improved operating efficiency of the fund for the period.
- PABX system with IVR facility (Interactive Voice Response) to handle 05 Member calls concurrently continued to function effectively during the year with special attention focused on giving authority to our members to access the provident fund system, by viewing their monthly contribution, available loan balances and credit balances.
- Record Room in Digital form is completed up to year 2017 and expected to continue successfully optimising the available office space.



Finance Division (Contd.)

Figure F 1 : Interest and Dividend (LKR Billion)



Figure F 5 : Income Tax Paid (LKR)

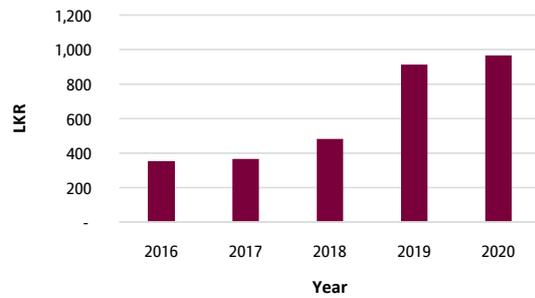


Figure F 2 : Income (LKR Billion.) Vs. Expenses (LKR Million.)

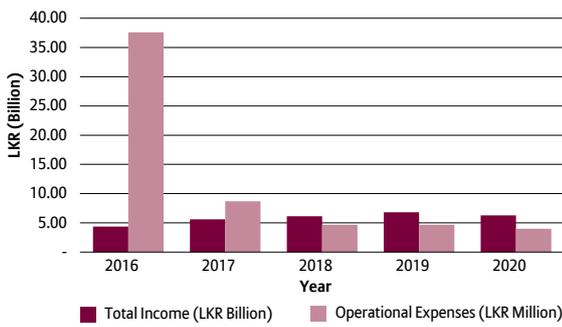


Figure F6 : Total Investments in Govt. Banks (LKR Million)

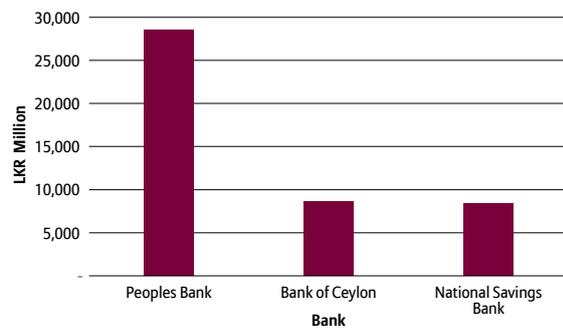


Figure F 3 : Loan Granted (LKR Million.)

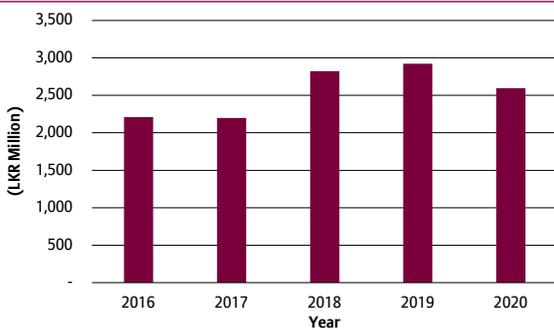
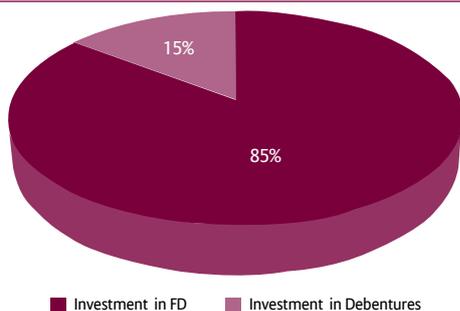


Figure F 4 : Investment Portfolio %



CEB Pension Fund

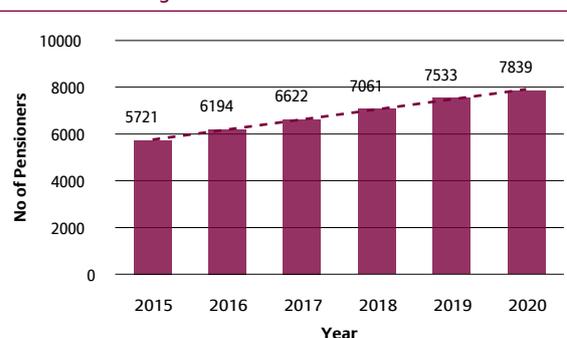
Pension Fund was established, on 1st January 1994, under Section 12(j) of the Ceylon Electricity Board Act No.17 of 1969. It is managed by the Committee of Management, consisting of Eight Members. The Chairman CEB and General Manager CEB are the Chairman and Vice Chairman of the Committee respectively. Finance Manager and Deputy General Manager (Personnel) are the other ex-officio members of the committee. The remaining Four Members are permanent employees of CEB who are nominated by the Board. Secretary & Accountant is the Treasurer as well as the Administrator of the Fund and functionally under the purview of the CEB Treasury Management Unit

Total number of active pensioners at the end of 2020 was 7839 and the increase of the pensioners during last Five Years is depicted below.

Year	No. of Pensioners	Increase of pensioners	
		Nos.	%
2015	5721		
2016	6194	473	8.3%
2017	6622	428	6.9%
2018	7061	439	6.6%
2019	7533	472	6.7%
2020	7839	306	3.9%

Finance Division (Contd.)

Figure F7 : Number of Pensioners



The main sources of the pension fund are the CEB Contribution on behalf of active employees and the return on investments. During last five years, a short fall of the funds for pension payments had increased annually due to the increase of Pension Payment by 50% and the number of new pensioners with effect from year 2015. The average increase of pensioners from year 2015 is 8%.

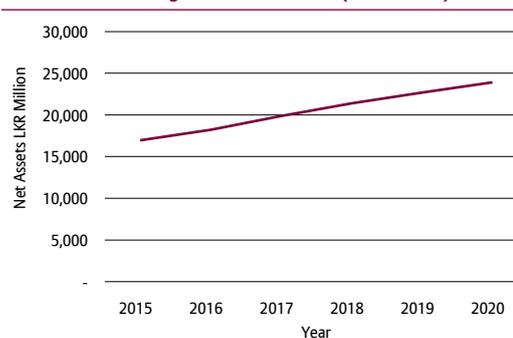
Year	CEB Contribution (LKR Million)	Interest Income (LKR Million)	Annual Pension Payment	Growth (%)
2015	921	20	941	
2016	974	158	1,132	20%
2017	1,029	364	1,393	23%
2018	1,420	480	1,900	36%
2019	1,405	499	1,904	0.21%
2020	1,389	431	2,035	7%

Figure F8 : Composition of Annual Pension Payment



Year	Net Assets (LKR Million)	Increase in Value (LKR Million)	Increase in %
2015	16,962		
2016	18,211	1,249	7%
2017	19,863	1,652	9%
2018	21,384	1,521	7.6%
2019	22,695	1,311	6%
2020	23,919	1,224	5%

Figure F9 : Net assets (LKR Million)



Overall Operational and Financial Review

The uninterrupted power supply is a prerequisite to enrich lives of Sri Lankans thus electricity plays a key role in national growth and development. Sri Lanka’s national electrification level has reached over 99.5% by year 2020, which is a remarkable achievement in the Asian context. Sri Lanka is the only country in South Asia that has almost 100% electricity accessibility with 24-hour electricity supply.

As a responsible corporate body in Sri Lanka, CEB was driven to support inclusive growth of the economy by facilitating the Industrial sector, Agricultural sector and the Service sector. In recent years, CEB has pursued tapping of renewable energy sources for sustainability. These initiatives have paved the way to add value to all our stakeholders.

Financial Performance

Revenue

The CEB achieved a Revenue of LKR 239 Billion in year 2020 reflecting a Revenue decline of 2% compared to year 2019, confronted by numerous external challenges. The drop in revenue was predominantly affected by the outbreak of the COVID-19 pandemic, with a significant decrease in demand in the Industrial, General Purpose and Hotel categories, despite the demand growth in the Domestic category. Given the challenging socio-economic conditions in the country, the demand for electricity units was declined by 2% as well. The Tariff structure remains unchanged since year 2014 by a Government policy decision whilst all the cost factors related to power generation is increasing rapidly.

Figure F 1 : Variation of Sales Revenue and Units Sold



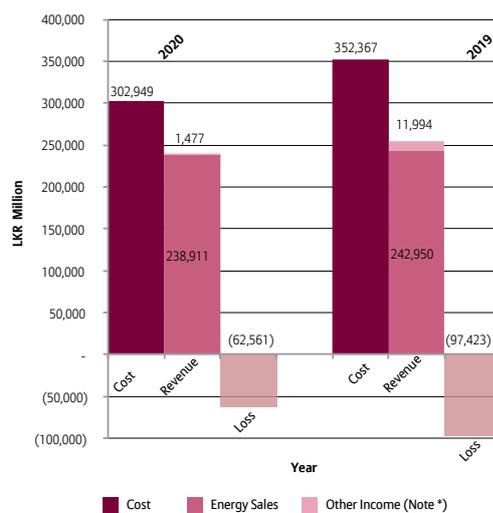
Figure F 2 : Variation of Generation and Sales Units in GWh



Net Profit / (Loss)

The financial year 2020 was another precarious year for CEB recording a Net Loss of LKR 62.5 Billion due to non-cost reflective tariff and the delay in implementation of the proposed least-cost power generation projects. The CEB was able to condense the bottom line reducing the Net Loss by 36% in comparison to year 2019 which recorded a Net Loss of LKR 97.4 Billion. The reduction of loss against previous financial year was due to extraction of demand, reduction in fuel prices and more generation through CEB-Hydro & Coal sources.

Figure F 3 : Financial Performance Year 2019-2020



Note : Actuarial gain /(loss) on defined benefit obligation was netted off with other income

Increased contribution from CEB-Hydro & Coal reflected 62% of annual Net Generation from 57% in comparison to the year 2019. The decline in operating cost also reflects

Overall Operational and Financial Review (Contd.)

wide emphasis on cost optimization, with comparatively low energy generation from thermal oil sources and the decrease in commodity prices, namely fuel and coal in the international markets. Further, the Government has granted a price revision on Furnace Oil to CEB as well as to Independent Power Producers (Thermal) at LKR 70/- per litre with effect from 19th March 2020 and 08th April 2020, respectively. Demand for connection of solar roof top energy generation was growing steadily with Net Plus/ Net Accounting schemes in comparison to the previous year.

Figure F 4 : Generation Mix 2019/2020



Cost Structure

The decline in Direct Generation Cost by 17% against the preceding year was mainly due to the decrease in fuel and IPP-Thermal costs along with the reduction in coal and IPP-NCRE costs. Expenses incurred on Fuel during year 2020 have reduced primarily due to the volatility of the generation mix and the drop in energy generation from certain CEB-Thermal Plants which were under maintenance, in addition to the price revision granted on Furnace Oil. Slight improvement in Hydro Generation with improved contribution from CEB-Coal has compensated the loss on energy generation from CEB-Thermal. An 8% cost saving has been reflected in Coal expenses in year 2020 against year 2019 despite a 7% increase in its energy generation. The decrease in energy demand was steered on reducing power purchase from Independent Power Producers-Thermal which contributed constructively to the decline in cost incurred on IPP-Thermal.

The cost saving in Direct Generation positively affected the decrease in cost per unit at generation point in year 2020 which was recorded at LKR 13.53/kWh in comparison to LKR 15.74/kWh in 2019.

Figure F 5 : Cost Structure - 2020

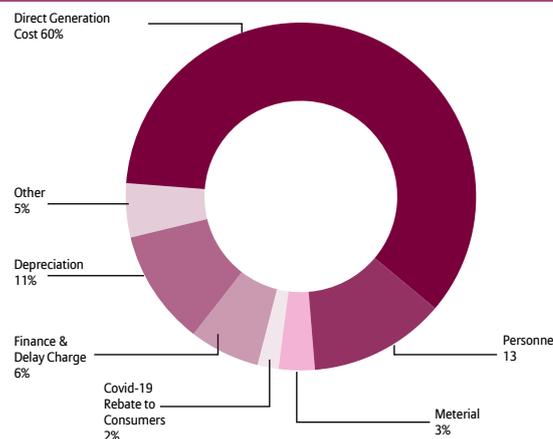
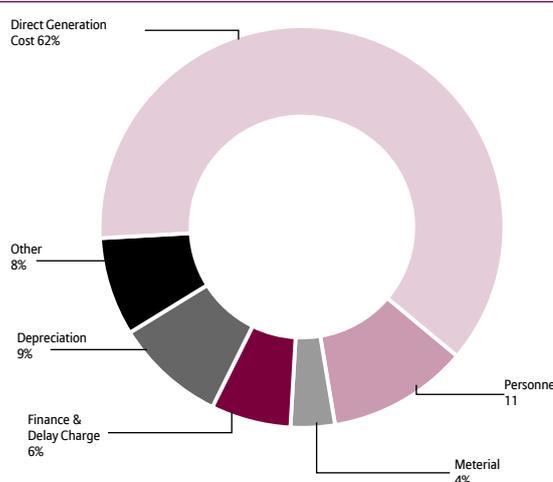


Figure F 6 - Cost Structure - 2019



Ongoing focus on increasing efficiencies and optimizing costs enabled the CEB to maintain its Operating & Maintenance cost at LKR 95.94 Billion during the year with a drop of 14% against year 2019. Further, as per a Cabinet Decision, the CEB has granted LKR 5.91 Billion as a concession to Domestic Consumers who were affected by the COVID-19 pandemic.

At the point of sale to end consumer the cost per unit of CEB stood at LKR 21.21 for year 2020 against 24.12 kWh for year 2019. Accordingly, Cost of Sales has decreased by 12% compared to the previous financial year.

Borrowing and Cost of Finance

Finance expenses decreased to LKR 19.71 Billion in year 2020, reflecting a 13% drop compared to year 2019. The key contributors were the reduction in delayed interest in CPC

Overall Operational and Financial Review (Contd.)

and IPP payments by 38% and 39%, respectively. This resulted due to the partial settlement of the outstanding balances of major suppliers namely, Ceylon Petroleum Corporation and Independent Power Producers, through the Government Grant amounting to LKR 48 Billion received in March 2020.

Despite the new borrowings amounting to LKR 29 Billion during the year, the interest cost was managed to optimize the restructuring of the existing loan portfolio by revising interest rates and extending repayment periods. Further, CEB has been able to obtain new loan facilities at favourable interest rates from private commercial banks apart from the Government banks, contributing positively to the drop in overall finance expenses during the year.

Financial Position

Being the pioneer in the energy sector, CEB held a total asset base worth of LKR 953 Billion reflecting an increase of 4% in comparison to year 2019. Meanwhile the Non-Current Assets and Current Assets increased by 4% and 5% respectively, resulting in an asset composition 88% : 12% as at end December 2020.

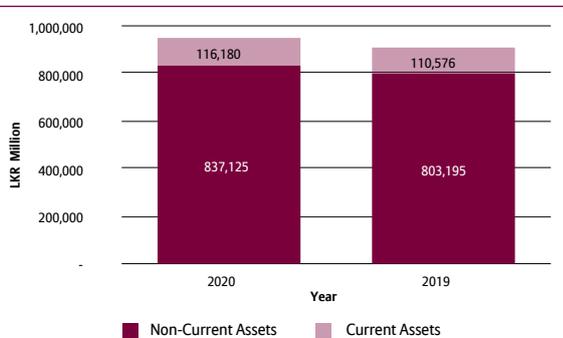
86% of the total assets comprised of Property, Plant & Equipment while Inventories and Trade & Other Receivables consisted of 12% with CEB carrying LKR 44 Billion of inventory and LKR 66 Billion of Receivables as at the balance sheet date of year ending 2020.

Debt funded 39% of CEB's total assets, relatively unchanged over the previous year, reflecting an increase of 5% in total liabilities and 3% in equity. The CEB had to borrow funds amounting to LKR 29 Billion from commercial banks and subsidiary company (LECO (Pvt) Ltd) to maintain uninterrupted power supply during the period under review.

Despite the challenging epidemic environment leading to increased Trade & Other receivables, the liquidity position of CEB has improved in comparison to year 2019 with reduction in Trade & Other payables which was facilitated by the Government Grant during the year. The Gearing ratio of CEB reflected a marginal decrease to 49% from 52% in the previous year.

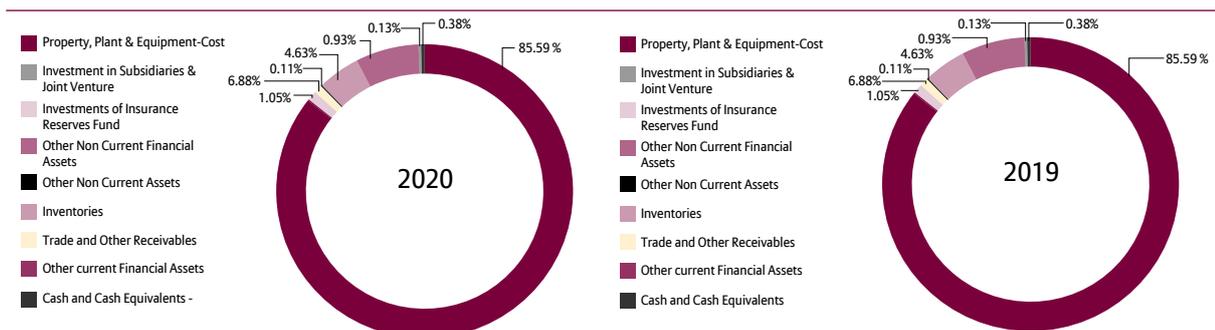
The Conversion of LKR 17.3 Billion to equity from a Treasury loan granted to the Puttalam Coal Power Project contributed significantly to cushion the net assets of CEB.

Figure F 7 : Movement in Assets



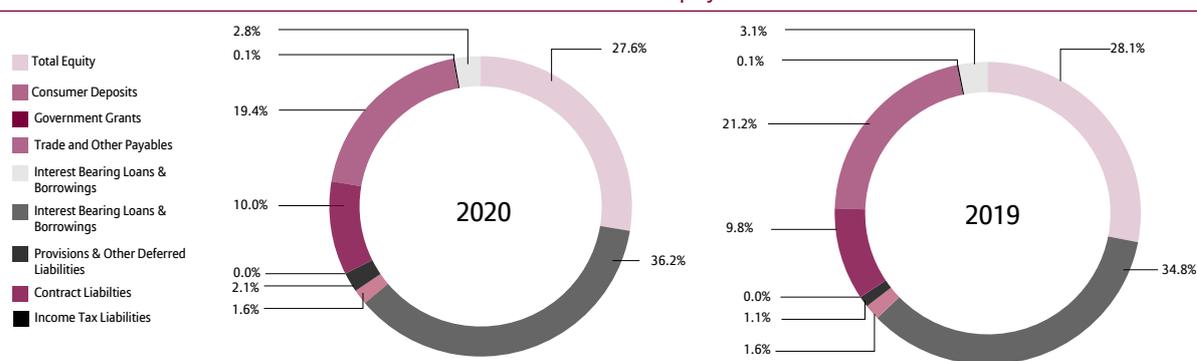
Financial Highlights

Total Assets

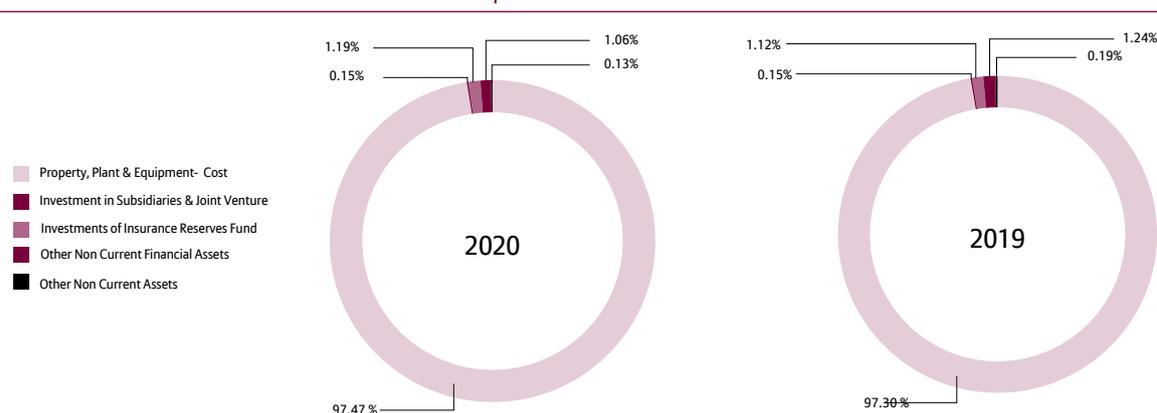


Overall Operational and Financial Review (Contd.)

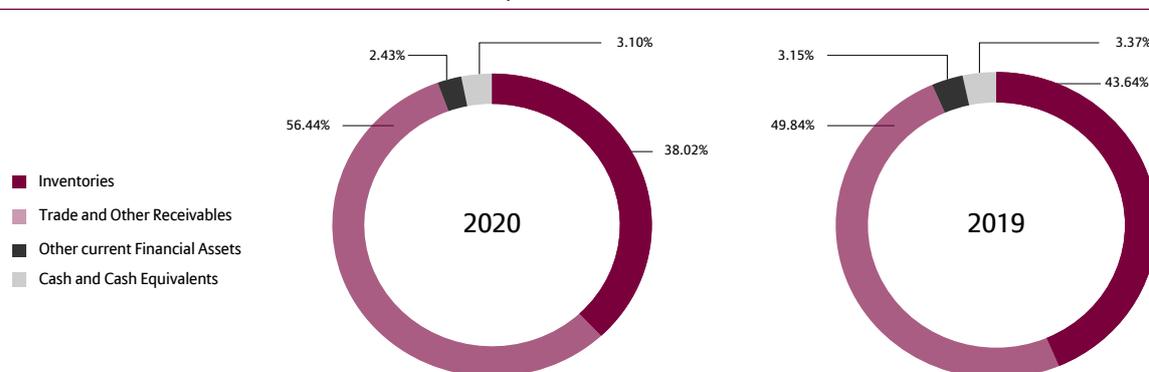
Total Liabilities and Equity



Composition of Non-Current Assets



Composition of Current Assets



Overall Operational and Financial Review (Contd.)

Financial Ratios

Ratio	2020	2019
Current Ratio	0.55:1	0.49:1
Debt to Assets	39%	38%
Debt to Equity	95%	107%
Gearing Ratio	49%	52%
Return on Equity	-16%	-30%
DSCR	-0.26	-0.38

End user Tariff and Government Policy

CEB offers electricity tariff at a price lower than the actual cost at the selling point as a Government policy, to consumers at low consumption level in Domestic category and most of the other categories excluding General Purpose.

Hence, the high end consumers in the Domestic category/ General Purpose category have to bear a part of this cost in excess. Total surplus charged for the year 2020 was LKR 14,883 Million in comparison to LKR 5,827 Million of the previous year, largely due to the increased energy consumption of Domestic consumers during the COVID-19 pandemic period.

Accordingly, the net impact to the CEB financial statements due to the Government subsidy policy is as follows:

	2020 (LKR Million)	2019 (LKR Million)
Loss/Deficit (Subsidy required) due to Government Policy	(78,922)	(115,243)
Surplus charged	14,883	5,827
Net loss	(64,039)	(109,416)
Other Income	1,477	11,994
Profit/(Loss) as per the Financial Statements	(62,561)	(97,422)

Impact of COVID-19

Supply of electricity being an essential service, CEB continued to carry out its main operations of generation, transmission and distribution of electricity uninterrupted throughout the country despite the challenges faced following the

outbreak of the COVID-19 pandemic. CEB operated with strict adherence to the guidelines issued by the Government to curtail the spread of the virus; ensuring the health and safety of its employees by sanitizing and implementing other safety measures at all operating locations and facilitating appropriate work-from-home and remote working measures for our office employees.

Due to the imposition of the island wide curfew since March 2020 to mid-May, the lockdown in parts of the country during October – December 2020; and other restrictions prevailed in the country, the electricity demand of Domestic consumers reflected an increase while the demand of Industrial, General Purpose and Hotel categories dropped significantly. However, the decrease in demand for electricity due to COVID-19 epidemic lead to a favourable Generation Mix with less dependency on high cost thermal energy sources, which constructively affected to decrease the Financial Loss of CEB for the year 2020.

Nevertheless, CEB's financial performance was adversely affected with the concession granted amounting to LKR 5.9 Billion for the domestic consumers as per the Cabinet Decision No. 20/1063/22/062 dated 17/07/2020. Further, the bill reading and collection processes were disturbed due to health and travel restrictions imposed by the Government.

The hindered disposable income of the consumers coupled with Government decision to provide a grace period to settle the electricity bills and to defer the disconnection of unpaid consumers had impacted severely on already hindered cash flows of the CEB. Disturbance in collection process affected settlements to major suppliers including Ceylon Petroleum Corporation (CPC), Independent Power Producers (IPP) and financing of coal procurement.

In order to mitigate the cash flow related challenges, the Board of Directors decided to confine to capital expenditure directly related to generation of power. Further, it has been decided to curtail overhead expenditure (exclusive of Finance Cost) by 20% against the approved OPEX budget of year 2020. The Treasury team of CEB had proactively engaged with banks to restructure the terms of the existing loans and to obtain new short term loan facilities at competitive rates to effectively manage liquidity levels.

Given the current uncertainty regarding the duration and intensity of the pandemic in Sri Lanka and globally, it is essential to assess and quantify the exact impact of COVID-19 on the CEB's financial performance. However, strategies are implemented and reviewed by the Board of Directors to preserve the financial stability in CEB.

Ten Year Summary

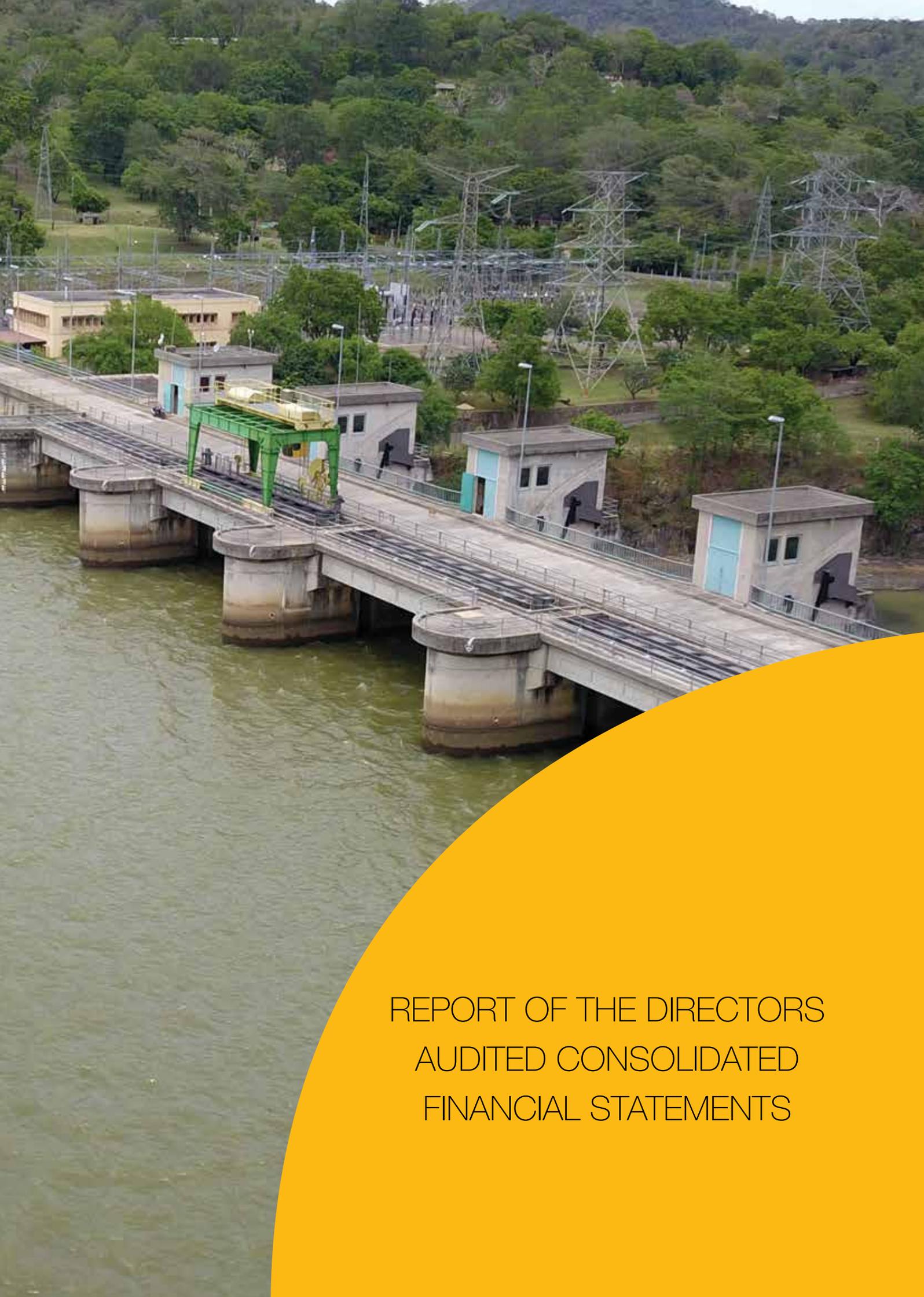
The result of operation and the assets position of the Ceylon Electricity Board for the last ten years are given below

For the year ended 31 December	2020 LKR Million	2019 (Restated) LKR Million	2018 (Restated) LKR Million	2017 (Restated) LKR Million	2016 (Restated) LKR Million	2015 (Restated) LKR Million	2014 (Restated) LKR Million	2013 (Restated) LKR Million	2012 (Restated) LKR Million	2011 (Restated) LKR Million
Result of operation										
Revenue	238,910	242,950	229,571	218,450	206,811	188,684	202,645	194,147	163,513	132,460
Cost of sales	(270,134)	(322,522)	(251,964)	(260,273)	(222,097)	(168,781)	(213,646)	(165,509)	(222,419)	(151,448)
Gross Profit / (loss)	(37,131)	(79,571)	(22,393)	(41,823)	(15,286)	19,903	(11,001)	28,638	(58,907)	(18,988)
Other Income & Gain	8,817	10,307	9,450	8,143	10,323	8,292	5,871	5,107	4,225	3,810
Administrative Expenses	(7,149)	(7,280)	(5,832)	(5,110)	(4,965)	(4,086)	(3,146)	(2,556)	(2,997)	(1,636)
Finance Income	1338	1,751	1,466	1,194	1,049	434	304	1,677	2,429	416
Finance Cost	(19,705)	(22,526)	(13,036)	(8,415)	(4,312)	(5,134)	(7,030)	(10,601)	(6,198)	(3,787)
Profit / (Loss) before Income Tax	(53,830)	(97,319)	(30,345)	(46,011)	(13,191)	19,409	(15,002)	22,265	(61,448)	(20,185)
Income Tax Expenses	(52,970)	(39)	(51)	(231)	(263)	(61)	(95)	-	-	-
Differed Tax (Charge)/ Revisal	-	-	-	-	-	-	996	(1,325)	(16,198)	(830)
Comprehensive Income	(62,561)	(97,422)	(31,936)	(47,581)	(14,457)	20,300	(17,285)	20,900	(77,770)	(21,323)

As at 31 December	2020 LKR Million	2019 (Restated) LKR Million	2018 (Restated) LKR Million	2017 (Restated) LKR Million	2016 (Restated) LKR Million	2015 (Restated) LKR Million	2014 (Restated) LKR Million	2013 (Restated) LKR Million	2012 (Restated) LKR Million	2011 (Restated) LKR Million
Assets										
Property Plant & Equipment	815,972	781,517	747,012	724,068	704,695	694,415	681,471	648,130	621,088	493,050
Investment in Subsidiaries	912	912	912	912	912	912	785	785	762	737
Investment in Joint Venture	329	329	329	329	329	329	150	150	150	-
Investment of Insurance reserve fund	9,980	8,997	8,070	7,246	6,496	6,036	5,653	5,250	4,433	3,710
Other financial Assets	8,859	9,951	10,204	8,912	8,983	3,848	2,291	-	-	-
Other non-current Assets	1,074	1,489	1,242	961	949	896	-	-	-	-
Non-current Assets held for sale	0.076	0.076	0.076	0.655	1,022	1,025	1,023	1,021	-	-
Current Assets	116,180	110,576	102,338	89,065	80,968	69,391	72,662	91,423	101,295	109,173
Total Assets	953,306	913,771	870,107	831,494	804,354	776,852	764,035	746,759	727,728	606,671
Liabilities										
Interest bearing loan and Borrowings	345,387	318,149	281,262	236,129	220,476	214,299	221,735	355,043	345,700	184,243
Consumer Deposits	15,641	15,014	14,311	13,557	12,753	11,484	10,458	9,722	8,899	7,544
Provision & other Differed Liabilities	20,121	10,482	10,038	8,622	7,262	6,116	6,572	3,236	3,593	2,930
Government Grants	200	213	228	243	211	-	-	-	-	-
Deferred Income	-	-	-	-	-	71,696	66,292	60,343	55,208	44,390
Contract liabilities	95,770	89,746	86,335	82,564	77,628	-	-	-	-	-
Deferred Taxation	-	-	-	-	-	-	-	22,182	20,857	17,142
Current liabilities	212,927	223,803	145,712	123,682	72,661	43,630	64,147	69,134	96,171	84,945
Total Liabilities	690,046	657,407	537,886	464,797	390,991	347,225	369,204	519,660	530,428	341,194
Equity										
Contributed Capital	391,731	323,194	302,695	302,695	302,695	302,228	289,038	121,708	110,862	83,311
Reserves	39,254	37,110	34,881	32,783	30,283	28,463	27,434	25,999	24,460	23,436
Retained Earnings	(167,725)	(103,940)	(5,355)	31,219	80,385	98,936	78,359	79,392	61,978	158,730
Total Equity	263,260	256,364	332,221	366,697	413,363	429,627	394,831	227,099	197,300	265,477
Total Equity & Liabilities	953,306	913,771	870,107	831,494	804,354	776,852	764,035	746,759	727,728	606,671

Value Added Statement

	2020 In LKR Million	2019 In LKR Million
Value Created		
Revenue	238,911	242,950
Other Income	8,817	10,307
Finance Income	1,338	1,751
Cost of resources provided by outsiders	(148,011)	(141,255)
	101,054	113,753
Value distributed		
To Employees as Remuneration and Other Benefits	38,224	39,743
To Government Revenue		
Income Tax	53	40
Other Taxes	3,173	7,862
To Lenders of Capital		
Interest on Borrowings	19,705	22,526
To the Community		
Corporate Social Responsibility	69	306
Concessions provided due to COVID	5,908	-
Electricity provided at subsidized tariff	64,039	109,416
Value Retained for Growth and Expansion		
Retained	(62,561)	(97,422)
Depreciation	32,445	31,283
	101,054	113,753



REPORT OF THE DIRECTORS
AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

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 2020.

Principal activities

The principle activities of the Board were generation, procurement, transmission, effective distribution and sale of electricity. The Board 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 110 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 12 and 13 to the Financial Statements on pages 138 to 139 of this Annual Report.

Review of the Year's Performance

The Chairman's Message on pages 12 to 13 deal with the year's performance of the Board/Group. The General Manager's Review on pages 14 to 15 provides a detailed description of the operations of the Board during the year under review. The section titled "Finance Review" on pages 92 to 98 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.

Corporate Social Responsibility (CSR)

Activities during the period under review are given in page 85 to 86.

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 2020 is given on page 191 and 173 of this Annual Report respectively.

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 110 to 126 There have been no material changes in the accounting policies adopted by the Board during the year under review

Board members' Interest in Contract with the Board

Eng. H M Vijitha Herath assumed duties as the Chairman of CEB on the 23rd December 2019 and he served as the Chairman during the year 2020. He was also appointed as the Chairman of Sri Lanka Energies (Pvt) Ltd. and LTL Holdings (Pvt) Ltd. and as a Board Director of the Lanka Electricity Company (Pvt) Ltd.; which are the Subsidiaries of CEB. Further, he served as the Chairman of the Trincomalee Power Co. Ltd, (TPCL); a Joint Venture Company between CEB and NTPC-India during 2020.

Mr. Y G I Saman Kumara was appointed as the Vice Chairman/ Board Member of CEB on the 30th January 2020 and he served CEB until 14th December 2020. Additionally, he served Sri Lanka Energies (Pvt) Ltd. as a Board Director. Mr. N S Ilangakoon assumed duties as the Vice Chairman/Board Member of CEB on 16th December 2020 and he was also appointed as a Board Director of Sri Lanka Energies (Pvt) Ltd., LTL Holdings (Pvt) Ltd. and Trincomalee Power Co. Ltd, (TPCL)

Mr. N A Ranjith assumed duties as a Working Director/Board Member of CEB on the 16th January 2020 and he served until 24th April 2020.

Mr. A H K Jagath Chandrasiri, State Secretary, Ministry of Industries and Supply Chain Management was appointed as a Board member on 26th February 2020 and on 07th October 2020 Mr. L G Premasiri, Chief Finance Officer, Ministry of Industries was appointed as a Member in place of Mr. A H K Jagath Chandrasiri.

Mr. S D Jude Nilukshan, the Director General, Department of National Budget was appointed as a Board Member on the 13th January 2020 and he served CEB during the year 2020

Mr. M M. Nayeemudeen, the Additional Secretary (Projects Monitoring), Ministry of Public Administration, Home Affairs, and Provincial Councils & Local Government was appointed as a Member of the Board on 17th January 2020 and he served during the year 2020.

Report of the Directors (Contd.)

Mr. B K Jagath Perera was appointed as a Member of the Board on 14th January 2020 and he served CEB during the year 2020.

Mr. Ruban Wickramarachchi was appointed as a Member of the Board on 24th April 2020 and he served during the year 2020.

The Directors have no direct or indirect interest in any contract or proposed contract with the Board for the year ended 31 December 2020 other than those disclosed in Note 39 to the financial Statements.

The following Sub Committees have been appointed by the Board as follows

Name	Date of appointment
Employees Grievances Committee	January 28, 2020
Disciplinary Appeal Board	January 28, 2020
Audit and Management Committee	January 28, 2020
Board Procurement Committee	January 28, 2020
Legal Committee	June 30, 2020

01. Employees Grievances Committee

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

The Grievances Committee comprises of 02 Board Members and several Senior Executives of CEB.

The Committee formally met once during year 2020 and reviewed 03 Nos of individual grievances of employees/ex-employees of the CEB.

The minutes of the Committee meetings will be tabled at Board Meetings 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 2020 is as given below.

- Mr. Y G I Saman Kumara , Vice Chairman, CEB as the Chairman
- Mr. N A Rranjith, Working Director, CEB as a member (until 24th April 2020)
- Mr. Ruban Wickramarachchi ,Member ,as a member from (24th April 2020)

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

02. 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 10 times during the financial year 2020 and handled 24 cases.

The minutes of the Committee meetings will be tabled at Board Meetings for approval and the General Manager, CEB will take early necessary actions to implement the said decisions accordingly.

The composition of the Committee for the year 2020 was as follows.

- Mr. Y G I Saman Kumara , Vice Chairman, CEB as the Chairman(until 14th December 2020)
- Mr. N S Ilangakoon, Vice Chairman ,CEB as the Chairman (from 14th December 2020)
- Mr. N A Ranjith, Working Director, CEB as a member (until 24th April 2020)
- Mr. Ruban Wickramarachchi as a member (from 24th April 2020)
- Mr. J G L S Jayawardena, Director, Ministry of P& RE as a member
- Mr. Jagath Chandrasiri as a member (until September 2020)
- Mr. L G Premasiri as a member (from 20th October 2020)
- 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.

03. Legal Committee

The Legal Committee is a sub-committee of the Board and the Committee will review and advice the Board on the legal matters/cases of CEB to ensure that all matters will proceed smoothly in the best interest of CEB.

The Committee had formally met once during the financial year 2020

- Mr. Y G I Saman Kumara, Vice Chairman, CEB as the Chairman(until 14th December 2020)
- Mr. N S Ilangakoon, Vice Chairman, CEB as the Chairman (from 14th December 2020)
- Mr. Ruban Wickramarachchi as a member
- Mr. M. M. Nayeemudeen as a Member

A Legal Officer is the Convener of this Sub Committee.

Report of the Directors (Contd.)

04. 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 Statutory 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 Branch 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.

The composition of the Audit committee for the year 2020 is as follows.

Mr. S D J Nilukshan	- Chairman
Mr. M M Nayeemudeen	- Member
Mr. B K Jagath Perera	- Member
Mr. Jagath Chandrasiri	- Member
Mr. L G Premasiri	- Member

The Audit committee reviewed and discussed the reports submitted by the Internal Audit and Statutory 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 2020.

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 2020

(All amounts in Sri Lanka Rupees Thousands)

	Note	Group		Board	
		2020	2019	2020	2019
Continuing Operation			Restated		Restated
Revenue	4	264,266,258	267,041,265	238,910,553	242,950,327
Concession Provided to Domestic Customers	5	(5,907,770)	-	(5,907,770)	-
Cost of Sales		(280,777,548)	(336,463,749)	(270,134,142)	(322,521,607)
Gross Profit / (Loss)		(22,419,060)	(69,422,484)	(37,131,359)	(79,571,280)
Other Operating Income and Gains	6	9,843,996	17,021,754	8,817,160	10,306,591
Distribution Cost		(166,221)	(392,611)	-	-
Other Expenses		(3,163,877)	(355,200)	-	-
Administrative Expenses		(11,588,301)	(11,967,383)	(7,149,157)	(7,280,014)
Operating Profit/(Loss)		(27,493,463)	(65,115,924)	(35,463,356)	(76,544,703)
Finance Income	7.1	2,823,643	3,848,623	1,337,772	1,751,170
Finance Cost	7.2	(21,429,720)	(24,103,238)	(19,705,301)	(22,525,622)
Finance Cost-Net		(18,606,077)	(20,254,615)	(18,367,529)	(20,774,452)
Share of loss of Joint Venture	13	(6,143)	(6,850)	-	-
Profit/(loss) before Income Tax	8	(46,105,683)	(85,377,389)	(53,830,885)	(97,319,155)
Income Tax Expense	9.1	(2,641,845)	(1,901,477)	(52,970)	(39,529)
Deferred Tax (Charge)/Reversal	9.2	211,805	(522,385)	-	-
Profit/(Loss) for the year from continuing operation		(48,535,723)	(87,801,251)	(53,883,855)	(97,358,684)
Attributable to:					
Equity Holders of the Parent		(52,593,156)	(93,860,667)		
Non Controlling Interest		4,057,433	6,059,416		
		(48,535,723)	(87,801,251)		

The Notes on Pages 110 through 172 form an integral part of the Financial Statements

Statement of Comprehensive Income

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2020	2019 Restated	2020	2019 Restated
Profit/ (Loss) for the year from continuing operation	(48,535,723)	(87,801,251)	(53,883,855)	(97,358,684)
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	(8,877,951)	(65,714)	(8,677,629)	(63,710)
Deferred Tax Impact on Actuarial gain / loss	55,961	562	-	-
Exchange differences on translation of foreign subsidiary operations	336,800	(115,468)	-	-
Fair value gain on available for sale financial assets	126,398	466,166	-	-
Total Comprehensive Income for the year, net of tax	(56,894,516)	(87,515,705)	(62,561,484)	(97,422,394)
Attributable to:				
Equity Holders of the Parent	(61,181,043)	(93,713,405)		
Non Controlling Interest	4,286,527	6,197,700		
	(56,894,516)	(87,515,705)		

The Notes on Pages 110 through 172 form an integral part of the Financial Statements

Statement of Financial Position

As at 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

	Note	Group			Board		
		2020	2019 Restated	As at 1st January 2019 Restated	2020	2019 Restated	As at 1st January 2019 Restated
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	10	835,795,922	799,116,029	763,064,685	815,809,520	781,408,827	746,885,067
Premium Paid on Leasehold Land		-	235,577	229,042	-	-	-
Intangible assets	11	512,455	499,056	532,736	161,508	107,718	127,226
Investments in Subsidiaries	12	-	-	-	911,813	911,813	911,813
Investment in Joint Venture	13	30,757	36,900	43,750	328,606	328,606	328,606
Finance Lease Receivables	14	19,588,944	19,899,441	9,775,319	-	-	-
Other Non Current Financial Assets	15	24,418,096	25,353,078	2,303,439	8,859,225	9,951,461	10,204,445
Other Non-Current Assets	16	2,160,224	2,591,430	36,461,582	1,073,891	1,489,354	1,241,869
Investments of Insurance Reserve	17	9,980,730	8,996,893	8,070,253	9,980,730	8,996,893	8,070,253
Total Non-Current Assets		892,487,128	856,728,404	820,480,806	837,125,293	803,194,672	767,769,279
Non Current Assets held for sale	18	76	76	76	76	76	76
Current Assets							
Inventories	19	52,113,549	55,852,975	48,309,728	44,174,621	48,253,593	42,712,420
Trade and Other Receivables	20	79,261,983	56,491,746	57,740,010	60,252,638	49,126,626	48,515,530
Amounts Due from Related Parties	21	-	-	-	5,322,241	5,984,849	4,986,694
Sub Lease Receivables		-	21,109	-	-	-	-
Finance Lease Receivables	14	1,015,236	910,171	569,718	-	-	-
Other Current Financial Assets	15	33,652,650	27,080,350	19,565,808	2,826,654	3,485,735	3,872,615
Cash and Bank Balances	32	9,632,295	7,282,167	5,503,939	3,604,157	3,725,333	2,250,515
Total Current Assets		175,675,713	147,638,518	131,689,203	116,180,311	110,576,136	102,337,774
Total Assets		1,068,162,917	1,004,366,998	952,170,085	953,305,680	913,770,884	870,107,129
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	22	391,730,584	323,194,038	302,694,797	391,730,584	323,194,038	302,694,797
Reserves	23	52,807,114	50,082,923	44,511,162	39,253,987	37,109,568	34,881,039
Retained Earnings / (Loss)		(142,625,240)	(88,317,951)	9,897,996	(167,725,235)	(103,940,037)	(5,355,297)
Equity Attributable to the Equity Holders of the Parent		301,912,458	284,959,010	357,103,955	263,259,336	256,363,569	332,220,539
Non Controlling Interest		34,622,332	31,655,308	25,758,561	-	-	-
Total Equity		336,534,790	316,614,318	382,862,516	263,259,336	256,363,569	332,220,539
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	24	357,676,324	324,004,981	288,351,654	345,386,873	318,149,176	281,262,195
Consumer Deposits	25	15,640,571	15,013,791	14,311,008	15,640,571	15,013,788	14,311,005
Provisions and Other Deferred Liabilities	26	21,801,592	11,788,539	11,257,055	20,120,599	10,482,144	10,038,368
Government Grant	27	278,934	297,697	318,228	200,334	213,303	228,022
Contract Liabilities	28	100,694,746	94,421,389	90,809,989	95,770,723	89,746,084	86,335,217
Deferred Taxation	29	489,800	753,562	276,157	-	-	-
		496,581,967	446,279,959	405,324,091	477,119,100	433,604,495	392,174,807
Current Liabilities							
Trade and Other Payables	30	189,330,262	200,461,069	136,393,678	180,956,115	191,130,723	125,515,300
Dividend Payables		905,034	2,303,807	2,258,669	-	-	-
Amounts Due to Related Parties	31	-	-	-	4,213,942	2,989,787	3,557,973
Interest Bearing Loans & Borrowings	24	41,798,351	36,492,272	22,995,033	26,486,421	28,411,544	15,367,744
Income Tax Payable		3,012,513	2,215,573	2,336,098	1,270,766	1,270,766	1,270,766
		235,046,160	241,472,721	163,983,478	212,927,244	223,802,820	145,711,783
Total Equity and Liabilities		1,068,162,917	1,004,366,998	952,170,085	953,305,680	913,770,884	870,107,129

The Notes on Pages 110 through 172 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

Year Ended 31st December 2020

The Group	Contributed Capital	Capital Reserve	Depreciation Reserve	Asset Replacement Reserve
Balance as at 01st January 2019 (Restated)	302,694,797	19,179,474	23,000	294,930
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on Fair Value through OCI Investments	-	-	-	-
Exchange Equalization Reserve	-	(39,667)	-	-
Total Comprehensive income	302,694,797	19,139,807	23,000	294,930
Debt to equity conversion	16,942,799	-	-	-
Puttalam Coal Power Project	3,556,442	-	-	-
Interest income from Insurance Reserve Fund	-	-	-	-
Transfer to self insurance reserve	-	-	-	-
Transferred to Depreciation Reserve	-	-	1,000	-
RHCP project (Interest received from customers)	-	58,045	-	-
Investment Reserve	-	-	-	-
Assets Replacement Reserve	-	-	-	17,564
Development Reserve	-	-	-	-
Ownership Change without Change in Controlling Power	-	-	-	-
Issue of shares of subsidiaries	-	-	-	-
Dividend Payment - LTL	-	-	-	-
Dividend Payment -LECO	-	-	-	-
Balance as at 31 December 2019	323,194,038	19,197,852	24,000	312,494
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on Fair Value through OCI Investments	-	-	-	-
Exchange Equalization Reserve	-	103,426	-	-
Total Comprehensive income	323,194,038	19,301,278	24,000	312,494
Debt to equity conversion	17,361,455	-	-	-
Puttalam Coal Power Project	3,175,091	-	-	-
Interest income from Insurance Reserve Fund	-	-	-	-
Additional Equity Investment from Fuel Price Stabilization Fund (FPSF)	48,000,000	-	-	-
Transfer to self insurance reserve	-	-	-	-
Transferred to Depreciation Reserve	-	-	1,000	-
RHCP project (Interest received from customers)	-	36,601	-	-
Investment Reserve	-	-	-	-
Development Reserve	-	-	-	-
Issue of shares of subsidiaries	-	-	-	-
Dividend Payment - LTL	-	-	-	-
Dividend Payment -LECO	-	-	-	-
Balance as at 31 December 2020	391,730,584	19,337,879	25,000	312,494

The Notes on Pages 110 through 172 form an integral part of the Financial Statements

Statement of Changes In Equity

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

Investment Reserve	Self Insurance Reserve	Fair Value Reserve	Development Reserve	Retained Earnings	Non Controlling Interest	Total
2,821,145	16,370,888	5,810,700	11,025	9,897,996	25,758,561	382,862,516
-	-	-	-	(93,860,667)	6,059,416	(87,801,251)
-	-	-	-	(62,901)	(2,252)	(65,153)
-	-	249,829	-	-	216,338	466,167
-	-	-	-	-	(75,801)	(115,468)
2,821,145	16,370,888	6,060,529	11,025	(84,025,572)	31,956,262	295,346,811
-	-	-	-	-	-	16,942,799
-	-	-	-	-	-	3,556,442
-	1,008,138	-	-	-	-	1,008,138
-	1,161,346	-	-	(1,161,346)	-	-
-	-	-	-	(1,000)	-	-
-	-	-	-	-	-	58,045
3,109,206	-	-	-	(3,109,206)	-	-
-	-	-	-	(17,564)	-	-
-	-	-	6,300	(6,300)	-	-
-	-	-	-	3,037	(20,022)	(16,985)
-	-	-	-	-	2,550,207	2,550,207
-	-	-	-	-	(2,223,548)	(2,223,548)
-	-	-	-	-	(607,591)	(607,591)
5,930,351	18,540,372	6,060,529	17,325	(88,317,951)	31,655,308	316,614,318
-	-	-	-	(52,593,156)	4,057,433	(48,535,723)
-	-	-	-	(80,227)	(64,135)	(144,362)
-	-	66,154	-	-	59,857	126,011
-	-	-	-	-	233,374	336,800
5,930,351	18,540,372	6,126,683	17,325	(140,991,334)	35,941,837	268,397,044
-	-	-	-	-	-	17,361,455
-	-	-	-	-	-	3,175,091
-	884,104	-	-	-	-	884,104
-	-	-	-	-	-	48,000,000
-	1,222,714	-	-	(1,222,714)	-	-
-	-	-	-	(1,000)	-	-
-	-	-	-	-	-	36,601
400,192	-	-	-	(400,192)	-	-
-	-	-	10,000	(10,000)	-	-
-	-	-	-	-	119,925	119,925
-	-	-	-	-	(1,100,732)	(1,100,732)
-	-	-	-	-	(338,698)	(338,698)
6,330,543	20,647,190	6,126,683	27,325	(142,625,240)	34,622,332	336,534,790

Statement of Changes In Equity

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

The Board	Contributed Capital	Other Capital reserves	RHCP Reserve	Loan Redemption Reserve	Depreciation Reserves	Self Insurance Reserve	Retained Earnings	Total
Balance as at 1st January 2019 (Restated)	302,694,797	165,446	890,594	17,447,062	23,000	16,354,937	(5,355,297)	332,220,539
Profit/(Loss) for the period	-	-	-	-	-	-	(97,422,394)	(97,422,394)
Interest income from Insurance Reserve Fund	-	-	-	-	-	1,008,138	-	1,008,138
Debt to Equity Conversion	16,942,799	-	-	-	-	-	-	16,942,799
Puttalam Coal Project	3,556,442	-	-	-	-	-	-	3,556,442
Transferred to depreciation reserve	-	-	-	-	1,000	-	(1,000)	-
Transfer to self insurance reserve	-	-	-	-	-	1,161,346	(1,161,346)	-
RHCP project (Interest received from customers)	-	-	58,045	-	-	-	-	58,045
Balance as at 31 December 2019 (Restated)	323,194,038	165,446	948,639	17,447,062	24,000	18,524,421	(103,940,037)	256,363,569
Profit/(Loss) for the period	-	-	-	-	-	-	(62,561,484)	(62,561,484)
Interest income from Insurance Reserve Fund	-	-	-	-	-	884,104	-	884,104
Debt to Equity Conversion	3,175,091	-	-	-	-	-	-	3,175,091
Puttalam Coal Project	17,361,455	-	-	-	-	-	-	17,361,455
Additional Equity Investment from Fuel Price Stabilization Fund(FPSF)	48,000,000	-	-	-	-	-	-	48,000,000
Transferred to depreciation reserve	-	-	-	-	1,000	-	(1,000)	-
Transfer to self insurance reserve	-	-	-	-	-	1,222,714	(1,222,714)	-
RHCP project (Interest received from customers)	-	-	36,601	-	-	-	-	36,601
Balance as at 31 December 2020	391,730,584	165,446	985,240	17,447,062	25,000	20,631,239	(167,725,235)	263,259,336

The Notes on Pages 110 through 172 form an integral part of the Financial Statements

Statement of Cash Flows

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2020	2019	2020	2019
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	(46,105,683)	(85,377,389)	(53,830,885)	(97,319,155)
Adjustments for				
Depreciation -Charged for the year	34,126,242	32,893,574	32,445,270	31,282,934
Amortization of Consumer Contribution	(3,841,968)	(3,975,636)	(3,440,050)	(3,594,603)
Amortization of Government Grant	(20,511)	(20,531)	(14,718)	(14,718)
(Profit)/Loss on sales of Property, Plant & Equipment	(48,658)	13,234	(31,285)	(3,131)
Finance Costs	21,445,900	15,758,216	19,719,633	14,177,340
Provision for Obsolete & Unserviceable Cost	15,069	(12,887)	71,706	61,228
Provision for price Variance	347,263	(958,460)	347,263	(958,460)
Provision for Impairment of Debtors	1,842,072	1,657,181	1,343,916	938,432
Bad Debt Write off	-	11,165	-	11,165
Electric vehicle Charging Revenue	(2,836)	(3,782)	(2,836)	(3,782)
Share of (Profit)/ loss of Joint Venture	6,143	6,850	-	-
Amortization of Intangible Assets	44,868	39,722	-	-
Finance Income	(2,823,644)	(3,848,624)	(1,337,772)	(1,751,170)
Dividend Income	(807,188)	(8,609,571)	(1,129,505)	(2,746,968)
Foreign Currency Gain or Loss	51,963	650,805	-	-
Income adjustment on Finance Lease Receivable	1,461,389	887,365	-	-
Defined Benefit Plans	1,342,111	1,299,692	1,117,957	1,106,619
Personnel Cost on Pension Fund	534,584	212,058	534,584	212,058
Prepaid Staff Cost	770,929	982,973	770,928	982,972
Operating Profit/(Loss) before Working Capital Changes	8,338,045	(48,394,045)	(3,435,794)	(57,619,239)
(Increase)/ Decrease in Inventories	3,739,426	(5,603,865)	5,013,879	(3,621,559)
(Increase)/ Decrease in Trade and Other Receivables	(22,770,237)	611,495	(10,534,141)	(1,798,544)
Increase/ (Decrease) in Trade and Other Payables	(11,130,807)	63,100,741	(4,931,331)	64,098,696
Cash Generated from Operations	(21,823,573)	9,714,326	(13,887,387)	1,059,354
Finance Cost paid	(21,431,568)	(12,190,937)	(19,705,300)	(10,610,061)
Retirement Benefit Obligation	(740,303)	(1,045,981)	(691,714)	(938,612)
Income Tax Paid	(1,947,109)	(2,543,303)	-	(39,529)
Net Cash From/(Used in) Operating Activities	(45,942,553)	(6,065,895)	(34,284,401)	(10,528,848)
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(71,268,227)	(69,395,632)	(68,376,154)	(66,868,244)
Acquisition of Finance Lease Receivable of a subsidiary	(68,224)	(13,449,665)	-	-
Acquisition of Intangible Assets	(89,732)	(20)	(89,732)	-
Re- Investment in Insurance Reserves Fund	(983,837)	(926,640)	(983,837)	(926,640)
Interest Received from Insurance Reserves Fund	884,104	1,008,138	884,104	1,008,138
Investment in Financial Assets	12,607,086	3,289,048	-	-
Acquisition of Non-Controlling Interest	96,300	2,569,179	-	-
Income on Foreign Investment	-	(5,218)	-	-
Dividend Received	807,188	8,609,571	2,204,559	2,636,334
Interest Received	1,445,566	2,864,461	566,843	767,007
Sale Proceeds of Fixed Assets Disposals	36,009	7,541	31,322	3,131
Dividend Paid	(3,209,977)	(2,825,529)	-	-
Net Cash Flows from/(Used in) Investing Activities	(59,743,744)	(68,254,766)	(65,762,895)	(63,380,274)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	51,175,091	-	51,175,091	-
Consumer Contribution	5,964,166	8,534,901	5,445,429	7,953,336
Electric Vehicle E-card Prepayments	2,977	4,458	2,977	4,458
Funds received for RHCP Project	36,601	58,045	36,601	58,045
Grant -Received	1,749	-	1,749	-
Consumer deposit - refund	(101,908)	(205,990)	(101,908)	(205,995)
Consumer deposit Received	728,688	908,773	728,688	908,773
Net Movement in Lease Creditors/(Lease Payment)	(98,328)	(16,917)	(64,629)	(107,645)
Proceeds From Interest Bearing Loans & Borrowings	83,786,760	124,553,253	63,196,153	111,822,169
Repayment of Interest Bearing Loans & Borrowings	(34,068,909)	(62,930,314)	(20,656,691)	(50,409,795)
Redemption of preference shares	(689,477)	(679,297)	-	-
Net Cash Flows from/(Used in) Financing Activities	106,737,410	70,226,912	99,763,460	70,023,346
Net Increase/(Decrease) in Cash and Cash Equivalents	1,051,113	(4,093,749)	(283,836)	(3,885,776)
Cash and Cash Equivalents at the beginning of the year	(8,054,916)	(3,961,167)	(9,312,387)	(5,426,611)
Cash and Cash Equivalents at the end of the year	(7,003,803)	(8,054,916)	(9,596,223)	(9,312,387)

The Notes on Pages 110 through 172 form an integral part of the Financial Statements

Notes to the Financial Statements

Year Ended 31st December 2020

1. CORPORATE INFORMATION

1.1 Reporting Entity

Ceylon Electricity Board ("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 Consolidated Financial Statements

The Consolidated Financial Statements of the Board for the year ended 31 December 2020 comprises of Ceylon Electricity Board (the Board) and all its Subsidiaries whose financial statements have been consolidated therein (the Group).

1.3 Principal Activities and Nature of Operations

Board

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

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

1.3.1 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. Subsidiaries of the group are engaged in providing infrastructure facilities for electricity distribution including manufacturing and trading of electricity meters.

b) LTL Holdings (Pvt) Ltd

During the year, the principal activities of the company were to hold investments of its subsidiary undertakings. Subsidiaries of the group are engaged in power generation, providing related infrastructure facilities to the power generation, manufacturing of transformers and feeder pillars and galvanizing operations.

c) Lanka Coal Company (Pvt) Ltd

Supplying of high quality, low sulphur coal for the power generation at Lakvijaya Coal power plant at Norochcholai.

d) Sri Lanka Energies (Pvt) Ltd

The principal activities of the company were 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, engaging in the activities as are necessary for development of renewable energy, manufacturing of meter enclosures and recruitment and supply of Manpower for the services of the Board.

Subsidiaries of the group engaged in recruitment and supply of Manpower for the services of the Board and hydro power generation.

1.3.2 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 Board. The company has now abandoned the project to construct a coal power plant. However, cabinet approval has not been received to set up a 50MW solar power plant in Sampur.

1.4 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.

1.5 Date of Authorization for Issue

The financial statements of Ceylon Electricity Board, for the year ended 31 December 2020 were authorized for issue by the Board of Directors on 15.06.2021.

2. 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 measured at fair value through comprehensive income. The consolidated financial statements are presented in Sri Lanka Rupees and all values are rounded to the nearest thousand (Rs.000), except where indicated otherwise.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement in financial statements. An additional statement of financial position as at 1 January 2019 is presented in these financial statements due to the reasons disclosed in Note 34.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

2.2 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.(CA Sri Lanka)

2.3 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 09 May 2009 signed between Heladhanavi Ltd and Ceylon Electricity Board expired on 08 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.

Going Concern – Lanka Industrial Products Engineering (Pvt) Limited

The directors have decided to cease its operations with effect from 01 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.

Going Concern – Sri Lanka Energies HR (Pvt) Ltd

Majority of its man power employees were appointed under Ceylon Electricity Board as permanent employees and with that particular decision, revenue of the company has dropped drastically subsequent to this transfer. However, the financial statements have been prepared on the basis of the company being a going concern since the Directors have not made any decision on what they intend to do with the company as at the reporting date and have no intention either to liquidate.

2.4 Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

2.5 Basis of Consolidation

The consolidated financial statements of the group comprise of the financial statements of the Board and its subsidiaries ("The group) for the year ended 31 December 2020. 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 an 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 returns from its involvement with the investee
- The ability to use 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 majority of the 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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%

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

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
Feni Lanka Power Limited	Bangladesh

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 for 31st December 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 shareholders of the 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 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 recognised at fair value.

2.6 Summary of Significant Accounting Policies

The Principal Accounting Policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.6.1 Current versus non-current classification

The Board presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Board classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6.2 Business Combinations, Acquisition of Non-Controlling Interests and Goodwill

When the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

2.6.3 Investment in Joint Venture

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 the 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 Group's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Group's OCI.

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In addition, when there has been a change recognized 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.

2.6.4 Foreign Currency Translation, Foreign Currency transactions and Balances

a). Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (LKR), which is the Group'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. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the Statement of Profit or Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (Translation differences on items whose gain or loss is recognised in Other Comprehensive Income or Statement of Profit or Loss is also recognised in Other Comprehensive Income or Profit or Loss respectively).

In terms of sub section 06 of the 42 of the Ceylon Electricity Board Act No: 17 of 1969, Board 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 the Board.

c). Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint

ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.6.5 Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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.

a). Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date the Board generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss.

Provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, effective from 01 April 2018.

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,

- (i) Where the deferred income 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 the transaction, affects neither the accounting profit nor taxable profit or loss; and

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

- (ii) In respect of taxable temporary differences associated with investments 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.

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

- (i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of deductible temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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.

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 outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. 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.

Tax on Dividend income

Tax on dividend income from subsidiaries is recognised as an expense in the Statement of Profit or Loss.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.6.6 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.

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.

Lanka Electricity Co. Limited	
The Operational & Maintenance good	- at actual cost on weighted average basis.
Goods in transits and other stocks	- at actual cost
Raw materials	- at actual cost on weighted average basis

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Finished Goods and Work in Progress	- at the cost of direct materials, direct labour and appropriate proportion of fixed and variable overheads based on normal operating capacity in producing the products
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 on specific identification basis
Consumables & Spares	- at actual cost on first-in-first-out basis
Goods in Transit	- at actual cost

2.6.7 Property, Plant and Equipment**a) Basis of recognition**

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

b) Basis of measurement

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Construction in progress is stated at cost net of impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Board derecognises the net book value of replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

c) Capital Work in Progress

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in progress and is stated at cost. On completion, the related assets are transferred to Property, Plant and Equipment.

d) De-recognition

An Item of Property, Plant & Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is de-recognised.

e) Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets. The depreciation of the asset ceases at the earlier of the date that the asset is classified as held for sale as described under 2.6.8 and the date that the asset is derecognised.

The estimated useful lives of the property, plant and equipment is as follows:

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)	12-15 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-33kV	50 Years
HT Underground-132kV	50 Years
HT Underground-11kV	40 Years

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

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
Solar PV Plan	10 – 25 years

LTL Holdings (Pvt) Ltd

Buildings	over 25-50 years
Plant & Machinery	over 8-20 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 Vehicles including Browsers	over 04 years
Operation and maintenance spares	Actual Usage
Solar PV Plant	over 15 years

Lanka Electricity Co. (Pvt) Ltd.

Buildings	40 years
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– 04years

Lanka Coal Co. (Pvt) Ltd.

Furniture & Fittings	5 years
Equipment	4 years
Motor Vehicles	4 years
Computers	4 years
Leasehold Improvements	2 years
Network System	2 years

Sri Lanka Energies (Pvt) Ltd

Plant and Machinery	5 years
Furniture, Equipment and Tools	3 years
Motor Vehicles	5 years

Trincomalee Power Company Ltd

Furniture and fittings	5 years
Equipment	5 years
Laptop and Computers	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

(f) Borrowing Costs

Borrowing costs consist of interest and other costs that the Group 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.6.8 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. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The Board's 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) and the asset is available for immediate sale in its present condition.

Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within six months from the date of the classification.

The Depreciation is ceased upon the classification of the Property Plant and Equipment as held for sale.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

Asset and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

De-recognition

The failure to dispose the assets which are classified as “non-current assets held for sale” within six months from the Board decision, to be reclassified again under Property Plant & Equipment (PPE) along with the depreciation adjustment for the period cease for depreciation.

2.6.9 Impairment of Non-Financial Assets

Group assesses at each reporting date whether there is an indication that an asset may be impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or Cash-Generating Unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s (or CGU’s) fair value less costs to sell and value in use. In assessing the 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 risks specific to the asset.

For the purposes of assessing impairment, Board as a whole is considered as a separate Cash Generating Unit.

Impairment losses of continuing operations are recognised in the statement of profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the assets is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the Statement of profit or loss.

2.6.10 Leases

At inception of a contract, the Board assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Board uses the definition of a lease in SLFRS 16.

2.6.10.1 Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-

term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of Use Assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Board is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The Group’s Right of Use Assets are included in the Property, Plant & Equipment.

Lease Liabilities

At the commencement date of the lease, the Group recognises Lease Liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Board uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of Lease Liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of Lease Liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group’s Lease Liabilities are included in Interest-Bearing Loans and Borrowings.

2.6.10.2 Group as a Lessor – LTL Holdings (Pvt) Ltd

Operating Lease

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.

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Year Ended 31st December 2020

Finance Lease

The group is of the view that the substance of the arrangements between Raj Lanka Power Company Ltd and Bangladesh Power Development Board and Lakdhanavi Bangala Power Ltd and Bangladesh Power Development Board fall within the purview of "IFRIC 4- Determining whether an arrangement contains a Lease" and to be accounted as a lease under "SLFRS-16- Leases" due to the satisfaction of following criterion;

- The fulfilment of the arrangement under the Power Purchase Agreement is dependent on the exclusive use of the specific power plant of the Group situated in 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 to for any other party other 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 arrangement is accounted as a "Finance Lease" under "SLFRS 16 – Leases where Raj Lnaka Company Ltd and Lakdhanavi Bangala Power Ltd as the lessor and Bangladesh Power Development Board as the Lessee as all the risks and rewards incidental to legal ownership of the power plant of the group are transferred to Bangladesh Power Development Board.

2.6.11 Intangible Assets

Basis of Recognition

Intangible Assets are recognised if it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognised at 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.

Amortisation/Impairment

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.

Board

Software is amortised over a useful life of 5 years and Licenses are amortized over the useful life time stipulated in the term of agreements.

LTL Holdings (Pvt) Ltd

Computer software is amortised over 4 years from the date of acquisition and development.

Lanka Electricity Co. (Pvt) Ltd

Computer software licenses are amortised over the useful life of 5 years.

Technical Know-how is amortised over the contract period of 15 years.

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.

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss when the asset is derecognised.

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Year Ended 31st December 2020

2.6.12 Financial Assets and Liabilities

2.6.12.1 Financial Assets

Financial Assets Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees, loans to related parties and other investments included under other financial assets.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments that are neither held for trading nor contingent consideration under SLFRS 3, as equity instruments designated at fair value through OCI. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to the Statement of Profit or Loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Re-classification of financial assets

The group reclassified its financial assets when, and only when, the Group changes its business model for managing financial assets. If the Group reclassifies financial assets which were measured at amortized cost, fair value through other comprehensive income or

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Year Ended 31st December 2020

fair value through profit or loss, the Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Group reclassifies a financial asset out of the amortized cost measurement category and in to the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in Profit or Loss.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category its fair value is measured at the reclassification date, any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and in to the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in Other Comprehensive Income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects Other Comprehensive Income but does not affect Profit or Loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and in to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other Comprehensive Income is reclassified from equity to Profit or Loss as a reclassification adjustment at the reclassification date.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset
 - or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it reevaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes a 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.

2.6.12.2 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

Notes to the Financial Statements (Contd.)

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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.

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors to the economic environment.

2.6.12.3 Financial Liabilities

Initial Recognition and measurement

Financial liabilities within the scope of SLFRS 9 are classified, at initial recognition, as 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 borrowing, carried at amortised cost. This includes directly attributable transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classifications as follows.

Financial liabilities classified as 'fair value through profit or loss' will be subsequently measured at fair value and financial liabilities classified as 'other liabilities' will be subsequently measured at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.6.12.4 Off Setting Financial Instruments

Financial Assets and Liabilities are offset and the net amount reported in the Statement of Financial Position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously.

2.6.12.5 Fair Value of Financial Instruments

The Group measures financial instruments such as available for sale and financial assets at fair value through profit or loss at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets measured through other comprehensive income.

For the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 passage of time is recognised as finance cost.

2.6.14 Retirement Benefit Obligations

Defined Benefit Plan – Pension Obligation

An employee will receive the pension benefit on retirement, usually dependent on one or more factors such as age, 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 outflows 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 terms to maturity approximating to the terms of the related pension obligation.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

Past service cost is recognised immediately in statement of profit or loss, 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.

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 gratuity liability recognised in the statement of financial position, is the present value of the defined benefit obligation at the date of the statement of financial position measured using the projected unit credit method by independent actuaries.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

The gratuity liability is not externally funded.

Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively. The Board contributes 15% and 3% of gross emoluments of employees to Ceylon Electricity Board Provident Fund and Employees' Trust Fund respectively.

2.6.15 Self Insurance Reserve

Board 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 the Board are charged to this Insurance reserve. The funds for this purpose are met from the monies invested in a separate account at a Bank.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

2.6.16 Government Grants

Government grants are recognised initially at fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

2.6.17 Cash and Cash Equivalents

Cash and Cash Equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

2.6.18 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

Group's performance obligation of delivering electricity represents a promise to deliver a series of distinct services that should be accounted for as a single performance obligation. The performance obligation is satisfied over time. The Group recognizes the revenue from sale of electricity when the customers use the electricity through the service connections provided by the Group. 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.

Group measures the progress of performance obligations using the output method. Output method recognised revenue is based on direct measurements of value transferred to the customer. Accordingly, Group records turnover on a monthly basis, based on the amount of KWh of electricity delivered.

b) Consumer Contribution

The consideration received from the customers at the inception to create the asset which facilitate 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 the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group executed performance obligation under the contract.

2.6.19 Finance cost and Income

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

2.6.20 Dividend Income

Dividend income recognised when the shareholders' right to receive the payment is established.

2.6.21 Other Operating income and expenses

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Other income and expenses

Other income and expenses are recognised on an accrual basis.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

2.6.22 Expenditure Recognition

- a) Expenses including expenses arising on power purchase agreement (PPA) are recognized in the Statement of comprehensive income on the basis of a direct association between, the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the statement of profit or loss.
- b) For the purpose of presentation of Statement of profit or loss the directors are of the opinion that "Function of Expenses" method present fairly the element of the Board's performance and hence such presentation method is adopted.

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed below;

Determining the lease term of contracts which renewal and termination options - Group as lease

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for

it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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.

Review 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).

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

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.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

4. REVENUE	Group		Board	
	2020	2019	2020	2019
Sales	264,266,258	267,041,265	238,910,553	242,950,327
	264,266,258	267,041,265	238,910,553	242,950,327

4.1 Segmental Revenue	Group		Board	
	2020	2019	2020	2019
Sale of Electricity	243,903,019	247,691,324	238,910,553	242,950,327
Sale of Goods	4,820,640	5,020,136	-	-
Galvanizing Operations	927,129	1,158,558	-	-
Construction Services	-	441,596	-	-
Income on Hiring of Power Plants	7,951,833	6,796,748	-	-
Finance Lease & Power Generation	1,845,615	1,940,163	-	-
Operational & Maintenance Services for Power Plants	4,772,257	3,891,310	-	-
Other Operations	45,765	101,430	-	-
	264,266,258	267,041,265	238,910,553	242,950,327

5. CONSESSION PROVIDED TO DOMESTIC CUSTOMERS

The amount of Rs. 5,907,769,841 represents the rebate given to domestic customers based on the Cabinet decision Ref. No. 20/1063/226/062 dated 15th July 2020 for the payment of electricity bills during the period from March to May 2020 due to the Covid 19 pandemic situation.

6. OTHER OPERATING INCOME AND GAIN	Group		Board	
	2020	2019	2020	2019
Dividend Income	807,188	8,609,571	1,129,505	2,746,968
Penalty on Electricity Consumption	6,232	7,001	6,232	7,001
Recoveries from Consumers	176,704	363,970	-	-
Profit on Disposal of Property Plant and Equipment	416,113	299,638	398,740	316,003
Amortization of Consumer Contribution	3,841,968	3,975,636	3,440,050	3,594,603
Amortization of Government Grant	20,511	20,531	14,718	14,718
Miscellaneous Income	1,553,544	1,401,454	806,178	1,283,345
Government Grant related Income	3,399	3,736	3,399	3,736
Government Department Income	198,208	355,690	198,208	355,690
Liquidated Damages	202,861	158,620	202,861	158,620
Sale of Ash	699,274	622,996	699,274	622,996
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	89,080	69,685	89,080	69,685
Income on Cost Recovery jobs	1,075,225	575,864	1,075,225	575,864
Service Main Application Fee	7,112	6,839	7,113	6,839
Surcharge on Electricity Bills	746,548	550,405	746,548	550,405
Electric Vehicle Energy Card Sale	29	118	29	118
	9,843,996	17,021,754	8,817,160	10,306,591

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

7.1 FINANCE INCOME	Group		Board	
	2020	2019	2020	2019
Interest on Deposits	1,352,324	2,074,303	-	-
Interest Income from Investments	23,911	12,102	23,911	12,102
Interest Income from Staff Loans	1,262,025	1,444,692	1,126,374	1,421,142
Interest on Samurduhi Loans	151,338	268,670	151,338	268,670
Interest Income on Related Party Loans	-	-	2,104	400
Interest on Other Consumer Loans	34,045	48,856	34,045	48,856
	2,823,643	3,848,623	1,337,772	1,751,170

7.2 FINANCE COST	Group		Board	
	2020	2019	2020	2019
Interest Expense on Overdrafts	1,409,464	1,007,049	843,851	716,948
Interest Expense on Loans and Borrowings	11,241,674	11,018,376	10,222,846	9,893,111
Interest Expense on Project Loans	3,498,949	3,556,443	3,498,949	3,556,443
Lease Interest	14,415	45,923	14,332	10,836
Delayed Interest on IPP Payments	2,481,272	4,024,272	2,481,272	4,024,272
Delayed Interest on CPC Payments	2,632,905	4,297,312	2,632,905	4,297,314
Interest on Loans obtained to finance consumer loans	99,652	75,532	11,146	26,698
Interest Expense on Consumer Deposit	51,389	78,331	-	-
	21,429,720	24,103,238	19,705,301	22,525,622

8. PROFIT/(LOSS) BEFORE TAX	Group		Board	
	2020	2019	2020	2019
Stated after Charging / (Crediting)		Restated		Restated
Auditors' Remuneration - Current Year Fees and Expenses	21,049	17,813	9,339	7,127
Director's Emoluments	160,065	162,957	3,471	4,149
Depreciation	34,059,503	32,564,416	32,398,646	30,933,953
Personnel Costs includes				
- Defined Benefit Plan Costs - Gratuity	1,342,111	1,299,692	1,117,957	1,106,619
- Defined Contribution Plan Costs - EPF & ETF	3,676,302	3,723,045	3,316,570	3,365,903
- Other Staff Costs	37,153,458	38,507,692	33,754,346	35,231,778
(Profit)/Loss on Disposal of Property, Plant and Equipment	(14,429)	13,234	(31,285)	(3,131)
Amortization of Intangible Assets	44,868	39,722	35,993	19,823
Public Relation and Advertising	293,328	320,984	281,037	281,037
Donations	1,169	1,169	-	-
Government Grant	(20,511)	(20,531)	(14,718)	(14,718)
Impairment of obsolete and slow moving inventories	15,069	(12,887)	71,706	61,228
Provision for Impairment of Debtors	1,673,674	1,657,181	1,343,916	938,432

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT**10.1 Group****10.1.1 Freehold Assets**

Gross Carrying Amounts At Cost	Balance As At 01.01.2020 Restated	Additions / Transfers / Acquisitions	Increase / Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2020
Freehold Land	13,282,773	189,039	(1,859,160)	11,980	(636)	(41,275)	11,582,721
Building	19,216,628	2,392,754	69,651	(13,381)	(369,434)	-	21,296,218
Civil Works	233,822,368	-	-	-	-	(345)	233,822,023
Plant & Machinery	4,928,516	161,992	-	56,938	(3,184,097)	308	1,963,657
Generation Power Plant	282,734,823	10,042,826	-	-	(664,421)	(8,162)	292,105,066
Transmission & Distribution Lines	596,926,359	50,002,804	-	-	(730,781)	(24,896)	646,173,486
Motor Vehicles	12,704,634	1,192,750	-	(53,619)	(300,896)	7,910	13,550,779
Other Supply Infrastructure	23,447,275	967,661	-	338,180	(102,157)	-	24,650,959
Office & Other Equipment	4,235,522	132,504	-	49,634	(285,249)	(76,158)	4,056,253
Furniture and Fittings	523,163	692,478	-	-	(7,467)	984	1,209,158
Machinery and Tools	8,124,842	299,270	-	-	(557)	-	8,423,555
Container Accommodation	6,744	-	-	-	-	-	6,744
Solar PV Plant	116,856	-	-	-	-	-	116,856
	1,200,070,503	66,074,078	(1,789,509)	389,732	(5,645,695)	(141,634)	1,258,957,475

10.1.2 Project Assets

Gross Carrying Amount At Cost or Valuation	Balance As At 01.01.2020	Additions / Transfers / Acquisitions	Disposals / Transfers	Adjustments	Balance As at 31.12.2020
Freehold Land	129,710	123,568	(53,735)	-	199,543
Building	6,370	1,221,227	(1,221,227)	-	6,370
Transmission & Distribution Lines	-	26,781,549	(26,781,549)	-	-
Motor Vehicles	1,350,279	710,244	(294,419)	-	1,766,104
Office & Other Equipment	96,123	17,334	(7,065)	(46)	106,346
Furniture and Fittings	27,526	3,785	(2,676)	-	28,635
Machinery and Tools	53,120	8,602	(793)	(106)	60,823
	1,663,128	28,866,309	(28,361,464)	(152)	2,167,821

10.1.3 Capital Work in Progress

	Balance As At 01.01.2020 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance As at 31.12.2020
Capital Work in Progress (Refer 10.3)	150,832,712	68,133,977	(58,061,066)	(1,943,075)	158,962,548
Total Gross Carrying Amount	150,832,712	68,133,977	(58,061,066)	(1,943,075)	158,962,548

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

10.1.4 Depreciation	Balance As At 01.01.2020 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2020
Freehold Assets						
Building	7,150,501	511,325	(1,400)	(12,002)	(55,118)	7,593,306
Civil Works	79,449,632	3,586,118	-	-	-	83,035,750
Plant & Machinery	1,313,804	274,019	-	(296,136)	68	1,291,755
Generation Power Plant	169,820,075	11,485,242	-	(29,891)	-	181,275,426
Transmission & Distribution Lines	258,578,298	15,624,118	-	(303,250)	(10,035)	273,889,130
Motor Vehicles	9,406,432	1,390,818	1,300	(258,978)	1,987	10,541,559
Other Supply Infrastructure	15,293,063	661,695	-	(64,694)	28	15,890,093
Office & Other Equipment	3,168,217	389,880	-	(225,436)	(11,702)	3,320,959
Furniture and Fittings	372,435	47,233	-	(2,848)	204	417,024
Machinery and Tools	5,470,314	838,822	-	(81)	-	6,309,055
Container Accommodation	6,744	-	-	-	-	6,744
Solar PV Plant	16,366	7,073	-	-	-	23,439
	550,045,881	34,816,343	(100)	(1,193,316)	(74,568)	583,594,240

10.1.5 Depreciation	Balance As At 01.01.2020 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2020
Project Assets						
Building	671	159	-	-	-	830
Motor Vehicles	1,064,165	358,760	-	(207,648)	-	1,215,276
Office & Other Equipment	80,001	12,981	-	(2,949)	(46)	89,988
Furniture and Fittings	23,436	3,421	-	(1,852)	-	25,005
Machinery and Tools	33,643	9,434	-	-	(9)	43,068
	1,201,916	384,755	-	(212,449)	(55)	1,374,167

10.1.6 Net Book Values At Cost or Valuation	2020
Freehold Land	11,782,264
Building	13,708,452
Civil Works	150,786,273
Plant & Machinery	671,903
Generation Power Plant	110,829,640
Transmission & Distribution Lines	372,284,356
Motor Vehicles	3,560,048
Other Supply Infrastructure	8,760,866
Office & Other Equipment	751,652
Furniture and Fittings	795,764
Machinery and Tools	2,132,255
Solar PV Plant	93,416
	676,156,889

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)**10.1 Group (Contd..)****10.1.7 Right of Use Assets**

Cost	Balance As At 01.01.2020	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2020
Land & Building	439,829	302,903	-	742,732
Motor Vehicles	298,502	31,082	(120,236)	209,348
	738,331	333,985	(120,236)	952,080

Depreciation	Balance As At 01.01.2020	Charge for the year	Terminations/ Adjustments	Balance as at 31.12.2020
Land & Building	108,119	133,487	-	241,606
Motor Vehicles	77,968	38,389	(82,368)	33,989
	186,087	171,876	(82,368)	275,595

Net Book Values	2020	2019
Land & Building	501,126	155,671
Motor Vehicles	175,359	396,571
	676,485	552,242

10.1.8 Property, Plant & Equipment including Right of Use Assets	2020	2019 Restated
Net Book Values		
Property, Plant & Equipment (note 10.1.6)	676,156,889	647,731,075
Capital Work in Progress (note 10.1.3)	158,962,548	150,832,712
Right of Use Assets (Note 10.1.7)	676,485	552,242
Total Value of Property Plant & Equipment including Right-of-use Assets	835,795,922	799,116,029

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)**10.2 Board****10.2.1 Gross Carrying Amounts**

Freehold Assets At Cost or Valuation	Balance As At 01.01.2020 Restated	Additions / Transfers / Acquisitions	Transfer from held for sale	Additions Adjustment	Disposals / Transfers	Disposals Adjustments	Transfer to held for sale	Balance As at 31.12.2020
Freehold Land	9,487,202	150,529	-	-	-	(69,650)	-	9,568,081
Building	17,807,402	2,214,112	-	-	(339,246)	-	-	19,682,268
Civil Works	233,822,368	-	-	-	-	(345)	-	233,822,023
Plant & Machinery	3,843,635	72,027	-	-	(3,148,917)	-	-	766,745
Generation Power Plant	279,253,362	10,042,826	-	6,317	(664,421)	(8,162)	-	288,629,922
Transmission & Distribution Lines	596,926,360	50,002,804	-	30,058	(730,781)	(24,896)	-	646,203,545
Motor Vehicles	10,822,642	1,090,365	1,300	169,420	(268,727)	(4,565)	(2,200)	11,808,235
Office & Other Equipment	3,202,312	274,818	-	227	(66,831)	(76,788)	-	3,333,738
Furniture and Fittings	449,114	35,538	-	537	(4,994)	-	-	480,195
Machinery and Tools	5,551,022	687,965	-	12,668	(557)	-	-	6,251,098
	1,161,165,419	64,570,984	1,300	219,227	(5,224,474)	(184,406)	(2,200)	1,220,545,850

10.2.2 Project Assets

Gross Carrying Amounts At Cost or Valuation	Balance As At 01.01.2020	Additions / Transfers / Acquisitions	Transfer from held for sale	Additions Adjustment	Disposals / Transfers	Adjustments	Transfer to held for sale	Balance As at 31.12.2020
Freehold Land	129,710	53,919	-	69,650	(53,735)	-	-	199,544
Building	6,370	1,221,227	-	-	(1,221,227)	-	-	6,370
Transmission & Distribution Lines	-	26,781,549	-	-	(26,781,549)	-	-	-
Motor Vehicles	1,350,279	524,922	-	185,322	(294,419)	-	-	1,766,104
Office & Other Equipment	96,123	14,419	-	2,915	(7,065)	(46)	-	106,346
Furniture and Fittings	27,526	3,785	-	-	(2,676)	-	-	28,635
Machinery and Tools	53,120	8,602	-	-	(793)	(106)	-	60,823
	1,663,128	28,608,423	-	257,887	(28,361,464)	(152)	-	2,167,822
Total value of depreciable assets	1,162,828,547	93,179,407	1,300	477,114	(33,585,938)	(184,558)	(2,200)	1,222,713,672

10.2.3 Capital work in Progress

	Balance As At 01.01.2020 Restated	Incurred During the Year	Transfer to PPE	Reclassified /Transferred	Balance As at 31.12.2020
Capital Work in Progress	148,769,569	66,019,968	(57,088,734)	(1,935,902)	155,764,901
Total Gross Carrying Amount	148,769,569	66,019,968	(57,088,734)	(1,935,902)	155,764,901

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT AND EQUIPMENT (Contd....)**10.2 Board****10.2.4 Depreciation**

At Cost or Valuation	Balance As At 01.01.2020 Restated	Charge for the year	Transfer from held for sale	Additions Adjustment	Disposals / Transfers / Discontinued	Disposals Adjustments	Transfer to held for sale	Balance As at 31.12.2020
Building	7,000,018	475,516	-	(1,323)	(289)	-	-	7,473,922
Civil Works	79,449,632	3,586,118	-	-	-	-	-	83,035,750
Plant & Machinery	764,039	114,223	-	-	(261,192)	-	-	617,070
Generation Power Plant	168,473,573	11,302,082	-	-	(29,891)	-	-	179,745,764
Transmission & Distribution Lines	258,578,298	15,510,704	-	216,221	(303,250)	(10,035)	-	273,991,938
Motor Vehicles	8,073,815	1,184,611	1,300	24,188	(223,798)	-	(2,200)	9,057,915
Office & Other Equipment	2,335,265	276,055	-	(58,116)	(8,910)	(12,000)	-	2,532,294
Furniture and Fittings	351,441	37,596	-	1,382	(374)	-	-	390,045
Machinery and Tools	4,192,106	526,205	-	(60,073)	(81)	-	-	4,658,157
	529,218,187	33,013,110	1,300	122,279	(827,786)	(22,035)	(2,200)	561,502,855

10.2.5 Depreciation**Project Assets**

At Cost or Valuation	Balance As At 01.01.2020	Charge to WIP / Transfers	Transfer from held for sale	Additions Adjustment	Disposals / Transfers / Discontinued	Disposals Adjustments	Transfer to held for sale	Balance As at 31.12.2020
Building	671	159	-	-	-	-	-	830
Motor Vehicles	1,064,165	173,438	-	185,322	(207,648)	-	-	1,215,277
Office & Other Equipment	80,001	11,414	-	1,567	(2,949)	(46)	-	89,987
Furniture and Fittings	23,436	3,421	-	-	(1,852)	-	-	25,005
Machinery and Tools	33,643	9,434	-	-	-	(9)	-	43,068
	1,201,916	197,866	-	186,889	(212,449)	(55)	-	1,374,167
	530,420,103	33,210,976	1,300	309,168	(1,040,235)	(22,090)	(2,200)	562,877,022

10.2.6 Net Book Values

At Cost or Valuation	2020	2019 Restated
Freehold Land	9,767,625	9,616,911
Building	12,213,887	10,813,084
Civil Works	150,786,273	154,372,737
Plant & Machinery	149,676	3,079,596
Generation Power Plant	108,884,159	110,779,790
Transmission & Distribution Lines	372,211,607	338,211,182
Motor Vehicles	3,301,147	3,034,941
Office & Other Equipment	817,803	883,168
Furniture and Fittings	93,782	101,763
Machinery and Tools	1,610,692	1,378,394
	659,836,650	632,271,565

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

10. PROPERTY, PLANT AND EQUIPMENT (Contd....)**10.2 Board****10.2.7 Right of Use Assets****Board****Cost**

	Balance As At 01.01.2020	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2020
Land & Building	10,279	22,330	-	32,609
Motor Vehicles	298,502	31,083	(120,236)	209,349
	308,781	53,413	(120,236)	241,958

Depreciation

	Balance As At 01.01.2020	Charge for the year	Terminations/ Adjustments	Balance as at 31.12.2020
Motor Vehicles	77,968	38,389	(82,368)	33,989
	77,968	38,389	(82,368)	33,989

Net Book Values

	2020	2019
Land & Building	32,609	10,279
Motor Vehicles	175,360	220,534
	207,969	230,813

10.2.8 Property, Plant & Equipment including Right of Use Assets**2020****2019****Restated**

Net Book Values	2020	2019
Property, Plant & Equipment (Note 10.2.6)	659,836,650	632,408,446
Capital Work in Progress (Note 10.2.3)	155,764,901	148,769,569
Right of use Assets (Notes 10.2.7)	207,969	230,813
Total Value of Property Plant & Equipment including Right-of-use Assets	815,809,520	781,408,828

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT AND EQUIPMENT (Contd....)**10.3 Capital Work in Progress represents the following.**

Projects	Group		Board	
	2020	2019 Restated	2020	2019 Restated
Generation Projects	8,239,503	9,358,286	8,239,503	9,358,286
Transmission Projects	2,409,942	2,261,870	2,409,942	2,261,870
Distribution Projects	35,337,085	36,563,354	35,337,085	36,563,354
Upper Kothmale Hydropower Project	979,889	944,031	979,889	944,031
Colombo City Electricity Distribution Development Project	24,081	24,081	24,081	24,081
Renewable Energy Absorption Transmission Development Project	5,994,570	5,494,289	5,994,570	5,494,289
Green Power Development and Energy Efficiency Improvement Project-TII	15,211,033	6,535,272	15,211,033	6,535,272
Puttalam Coal Power Project	179,195	75,560	179,195	75,560
Other Projects(AGM P)	303	9,945	303	9,945
Habarana Veyangoda Transmission Line Project	13,682,455	10,948,750	13,682,455	10,948,750
New Kelani Bridge Project	106,767	98,926	106,767	98,926
Uma Oya Hydro Power Project	493,150	435,199	493,150	435,199
Clean Energy and Network Efficiency Improvement Project - Mannar Transmission Infrastructure Projects - P1	1,630,793	4,988,303	1,630,793	4,988,303
Clean Energy and Network Efficiency Improvement Project - 132 KV Transmission Infrastructure Project - P2	1,896,357	4,219,615	1,896,357	4,219,615
Clean Energy and Network Efficiency Improvement Project - 220KV Transmission Infrastructure Project - P3	8,964,606	8,896,582	8,964,606	8,896,582
Green Power Development and Energy Efficiency Improvement Project TI	6,461,215	6,086,328	6,461,215	6,086,328
Augmentation of 132/33KV GSS at Kribathkumbura	1,305,391	1,294,873	1,305,391	1,294,873
Seethawaka Ganga Hydro Power Project	289,403	218,854	289,403	218,854
National Transmission & Distribution Network Development Energy Efficiency Improvement Project	5,054,473	2,192,651	5,054,473	2,192,651
Mannar Wind Power Project	23,764,850	6,189,838	23,764,850	6,189,838
P M U Of Liquid Natural Gas (LNG)	48,694	29,286	48,694	29,286
Kelanitissa Gas Turbine Project	-	48,036	-	48,036
Mannar Nadukuda and Embilipitiya Grid Sub Aug Project	3,564	-	3,564	-
DGM(Transmission Construction Projects)	4,688,009	2,768,451	4,688,009	2,768,451
Moragolla Hydro Power Project	3,007,988	2,416,756	3,007,988	2,416,756
Broadland Hydro Power Project	14,989,702	13,395,404	14,989,702	13,395,404
Power System Reliability Strengthening Project	101,092	28,122	101,092	28,122
New Coal Power Plant Project	88,956	26,176	88,956	26,176
Greater Colombo Transmission and Distribution Loss Reduction Project	345,920	22,319,132	345,920	22,319,132
Vidulakpaya Project	-	470,656	-	470,656
Enterprise Resource Planning System	132,473	130,181	132,473	130,181
Projects in Asset Management Division	333,440	300,762	333,442	300,762
Work in progress-LECO	743,192	995,121	-	-
Work in progress-LTL	2,380,701	1,052,662	-	-
Work in progress-SLE	73,754	15,360	-	-
Total Value of Capital Work-In-Progress	158,962,548	150,832,712	155,764,901	148,769,569

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

11. INTANGIBLE ASSETS

	Group		Board	
	2020	2019 Restated	2020	2019 Restated
At cost				
As at 1 January	346,585	340,613	186,484	186,170
Acquired / incurred during the period	120,621	2,336	89,841	315
Exchange translation difference	9,812	3,638	9,787	-
As at 31 December	477,018	346,587	286,112	186,485
Amortisation				
As at 1 January	173,154	133,502	78,766	58,943
Amortized during the period	44,868	39,723	35,993	19,824
Exchange translation difference	9,863	(69)	9,844	-
As at 31 December	227,885	173,156	124,603	78,767
Goodwill				
As at 1 January	263,322	325,625	-	-
Acquired / incurred during the period	-	-	-	-
Impairment	-	-	-	-
As at 31 December	263,322	325,625	-	-
Net Book Value	512,455	499,056	161,508	107,718

Ceylon Electricity Board

Intangible assets of the Board consists of the software used for operations

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 and Switchgear (Pvt) Ltd CGU is determined based on a value in use calculation using cash flow projections approved by senior management covering a five year period. Future cash flows are estimated in Indian Rupees (INR) in which they will be generated and then discounted using the discount rate appropriate for that currency. The discount rate applied to the cash flow projections is 11% (2019-11%). As a result of the analysis, the management identify an impairment for this CGU.

12. INVESTMENTS IN SUBSIDIARIES

Non-Quoted- At Cost	Holding Percentage	Group		Board	
		2020	2019	2020	2019
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.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

12.1 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.
Subsidiaries/Sub-subsidiaries of LTL Holdings (Pvt) Ltd			
Lakdhanavi Limited.	51		Engage in Heavy Engineering Services and Operation and Maintenance Services to Power Plants
LTL Energy (Pvt) Ltd	35		Offshore Investments in the Power & Energy sector especially Renewable Energy
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
Pawan Danavi (Pvt) Ltd	32		Power Generation using wind energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Nividu (Pvt) Ltd	41		Power Generation using hydro energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Asiatic Electrical & Switchgear (Pvt) Ltd	62		Manufacture and sale (Export & Local) of electrical switchgears and accessories
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
Heladanavi Ltd	52		Non operating Company
Nividu Assupinella (Pvt) Ltd	41		Power Generation using hydro energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Raj Lanka Power Company Ltd	39		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Lakdhanavi Bangla Power Company Ltd	26		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Feni Lanka Power Limited	29		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Makarigad Hydro Power (Pvt) Ltd	34		Power Generation using hydro energy abd feed the same to the National Grid of Nepal (Commercail Operations are yet to commence)
Subsidiaries of Lanka Electricity Company (Pvt) Ltd			
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
Subsidiaries of Sri Lanka Energies (Pvt) Ltd			
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.)

Year Ended 31st December 2020

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13. INVESTMENT IN JOINT VENTURE (Trincomalee Power Company Ltd)	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the year	36,900	43,750	328,606	328,606
Share of pre-operating loss	(6,143)	(6,850)	-	-
Balance at the end of the year	30,757	36,900	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.

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.

14. FINANCE LEASE RECEIVABLE

The Raj Lanka Power Company Limited (RLPCL), sub-subsidiary of the group has the legal ownership of the Power Plant at Rajshahi, Natore. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and RLPCL, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as a finance lease which is accounted for in accordance with LKAS 17 "Leases".

The Lakdhanavi Bangla Power Limited (LBPL), sub-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 LBPL, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as a finance lease which is accounted for in accordance with LKAS 17 "Leases".

The Feni Lanka Power Limited (FLPL), sub-subsidiary of the group has the legal ownership of the Power Plant at Feni. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and FLPL, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as a finance lease which is accounted for in accordance with LKAS 17 "Leases".

As per the guidelines provided in LKAS 17 "Leases", the Group 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 Group (as the 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	
	2020	2019	2020	2019
Gross Investment in finance leases receivables				
Current				
Less than one year	5,350,805	5,366,140	-	-
Non Current				
Between one and five years	16,800,050	17,772,347	-	-
More than five years	39,430,625	41,938,620	-	-
	56,230,675	59,710,967	-	-
	61,581,480	65,077,107		
Unearned Finance Income	(40,977,300)	(44,267,495)		
Net investment in finance leases	20,604,180	20,809,612	-	-

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Year Ended 31st December 2020

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14. FINANCE LEASE RECEIVABLE (Cont...)

	Group		Board	
	2020	2019	2020	2019
14.3.1 Unearned Finance Income				
Less than one year	4,335,569	4,455,968	-	-
Between one and five years	15,366,475	15,631,594	-	-
More than five years	21,275,256	24,179,933	-	-
	40,977,300	44,267,495	-	-

	Group		Board	
	2020	2019	2020	2019
14.3.2 Net Investment in finance leases receivables				
Current				
Less than one year	1,015,236	910,171	-	-
Non Current				
Between one and five years	1,433,575	2,140,753	-	-
More than five years	18,155,369	17,758,688	-	-
	19,588,944	19,899,441	-	-
	20,604,180	20,809,612	-	-

15. OTHER FINANCIAL ASSETS

Summary	Group		Board	
	2020	2019	2020	2019
15.1 Financial Assets at amortized cost				
Refundable Deposits	68,675	40,739	-	-
Investment in Fixed Deposits	28,485,597	20,586,151	-	-
Investment in Repurchase Agreements	199,700	303,278	-	-
Investment in Other Deposit	1,759,276	2,413,602	-	-
Loans to Company Officers	10,454,647	10,714,161	9,082,114	9,363,472
Loans to Consumers	2,771,008	4,195,879	2,603,764	4,073,725
Investments in Debentures	202,117	202,063	-	-
	43,941,020	38,455,873	11,685,878	13,437,197

	Group		Board	
	2020	2019	2020	2019
15.2 Financial Assets at Fair value through Profit or Loss				
Investment in Equity Securities	280,850	248,590	-	-
	280,850	248,590	-	-

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

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15.3 Fair Value through Profit & Loss Investment consist of Investment in Equity Securities- Quoted

Share Name	No. of Ordinary Shares		Carrying Value	
	2020	2019	2020	2019
Investment in JB Vantage Money Market (Units)	3,163	3,163	86,767	77,875
Investment in JB Vantage Equity Market (Units)	4,686	4,686	105,698	90,707
	7,849	7,849	192,465	168,582
Brown & Company PLC	37	37	1,181	991
CIC Holdings PLC	50	50	2,890	2,325
Commercial Credit & Finance PLC	29	34	3,024	2,460
Expolanka Holdings PLC	-	2	-	2,201
Hayleys PLC	35	25	3,780	1,873
Lanka IOC PLC	10	50	1,516	2,380
Chevron Lubricants Lanka PLC	103	103	6,718	6,977
National Development Bank	5	5	414	475
People's Leasing & Finance	3	3	63	74
Royal Ceramics Lanka PLC	-	150	-	765
Sri Lanka Telecom PLC	54	53	6,148	8,135
Seylan Bank PLC	-	11	-	197
Aitken Spence Hotel Holdings PLC	72	75	29,965	13,081
Citizens Development Business Finance PLC	5	1	500	80
Ceylon Tobacco Company PLC	2	2	60	65
Hatton National Bank PLC	40	40	5,959	6,677
John Keells Holdings PLC	157	157	3,521	2,987
Aitken Spence PLC	46	44	3,565	4,352
Commercial Bank of Ceylon PLC	324	309	4,014	5,533
Hemas Holdings PLC	12	40	2,049	3,540
Janashakthi Insurance PLC	71	103	2,425	3,481
Heyleys Fabric PLC	33	33	1,093	1,041
Tokyo Cement PLC	250	250	9,500	10,200
Teejay Lanka PLC	-	3	-	118
	1,338	1,578	88,385	80,008
	9,187	9,427	280,850	248,590

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

15.4 Financial Assets at Other Comprehensive Income Investments in Unquoted Equity Shares		Group		Board	
		2020	2019	2020	2019
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	13,848,875	13,719,210	-	-
Less: Impairment of Investments		(20,000)	(20,000)	-	-
		13,848,875	13,719,210	-	-
Total Other Financial Assets					
Other Financial Assets - Non Current		24,418,096	25,353,078	8,859,225	9,951,461
Other Financial Assets - Current		33,652,650	27,080,350	2,826,654	3,485,735
		58,070,746	52,433,428	11,685,879	13,437,196

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 counter parties 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. These investments were irrevocably designated as FVOCI as group considered these investments to be strategic in nature.

16. OTHER NON-CURRENT ASSETS	Group		Board	
	2020	2019	2020	2019
Other receivables*	775,978	775,978	-	-
Prepaid Staff Cost (16.1)	1,381,586	1,812,792	1,073,891	1,489,354
Investment in Ash Bricks Project**	2,660	2,660	-	-
	2,160,224	2,591,430	1,073,891	1,489,354

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 said MOU was cancelled on 03/12/2013 by signing a withdrawal of MOU.

16.1 Prepaid Staff Cost	Group		Board	
	2020	2019	2020	2019
Balance as at the beginning of the year	1,822,552	1,520,098	1,489,354	1,241,869
Fair value adjustment on loans granted/terminated	218,991	1,361,497	358,419	1,230,457
Amortization of staff cost	(659,957)	(1,068,803)	(773,882)	(982,972)
Balance as at the end of the year	1,381,586	1,812,792	1,073,891	1,489,354

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

17. INVESTMENT OF INSURANCE RESERVE	Group		Board	
	2020	2019	2020	2019
At the beginning of the year	8,996,893	8,070,253	8,996,893	8,070,253
Investments made during the year	983,837	926,640	983,837	926,640
At the end of the year	9,980,730	8,996,893	9,980,730	8,996,893

18. NON CURRENTS ASSET HELD FOR SALE	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the period	76	76	76	76
Transfer from PPE	-	-	-	-
Balance at the end of the period	76	76	76	76

19. INVENTORIES	Group		Board	
	2020	2019 Restated	2020	2019 Restated
Raw Materials	2,373,595	3,195,958	-	-
Finished Goods	474,442	516,748	-	-
Consumables & Spares	34,584,235	34,264,604	30,026,312	30,825,841
Work in Progress	399,822	394,211	-	-
Fuel	14,996,857	18,227,105	14,996,857	18,227,105
Goods in Transit	2,315,427	1,856,588	1,940,651	1,504,618
Less: Provision for Obsolete & Unserviceable Stock	(1,913,882)	(1,902,729)	(1,672,252)	(1,604,461)
Provision for price Variance	(1,116,947)	(699,510)	(1,116,947)	(699,510)
	52,113,549	55,852,975	44,174,621	48,253,593

20. TRADE AND OTHER RECEIVABLES	Group		Board	
	2020	2019 Restated	2020	2019 Restated
Trade Debtors	52,333,461	26,717,975	38,406,026	20,953,453
Less: Provision for impairment	(8,482,763)	(6,617,487)	(6,678,606)	(5,302,786)
	43,850,698	20,100,488	31,727,420	15,650,667
Other Debtors	34,340,864	34,640,976	28,332,408	32,887,644
Advances and Prepayments	1,259,981	1,971,745	382,370	809,778
Less: Provision for impairment	(189,560)	(221,463)	(189,560)	(221,463)
	79,261,983	56,491,746	60,252,638	49,126,626

21. AMOUNTS DUE FROM RELATED PARTIES	Relationship	Group		Board	
		2020	2019	2020	2019
Lanka Electricity Company (Pvt) Ltd	Subsidiary Company	-	-	3,952,032	5,031,800
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	1,256,679	714,965
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	113,530	238,084
		-	-	5,322,241	5,984,849

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

22 CONTRIBUTED CAPITAL

The contributed capital 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.

	2020	2019
Balance at the Beginning of the Period	323,194,038	302,694,797
Puttalam Coal Power Project	3,175,091	3,556,442
Debt to equity conversion (Refer note 24.2.1)	17,361,455	16,942,799
Additional Equity Investment from Fuel price Stabilization Fund(FPSF)	48,000,000	-
Balance as at the end of the Period	391,730,584	323,194,038

23 RESERVES

	Group		Board	
	2020	2019 Restated	2020	2019 Restated
Summary				
Capital Reserves (23.1)	19,337,879	19,197,852	18,597,748	18,561,147
Fair Value Reserve (23.2)	6,126,683	6,060,529	-	-
Depreciation Reserve (23.3)	25,000	24,000	25,000	24,000
Self Insurance Reserve (23.4)	20,647,190	18,540,372	20,631,239	18,524,421
Asset Replacement Reserve (23.5)	312,494	312,494	-	-
Investment Reserve (23.6)	6,330,543	5,930,351	-	-
Development Reserve (23.7)	27,325	17,325	-	-
	52,807,114	50,082,923	39,253,987	37,109,568

23.1 Capital Reserve	Group		Board	
	2020	2019	2020	2019
Balance as at the Beginning of the Year	19,197,852	19,179,474	18,561,147	18,503,102
Movement during the period				
Exchange Equalization Reserve	103,426	(39,667)	-	-
RHCP Loan Reserve	36,601	58,045	36,601	58,045
Balance as at the end of the Year	19,337,879	19,197,852	18,597,748	18,561,147

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 which has a balance of Rs. 985 Mn as at 31 December 2020.

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.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

23.2 Fair Value Reserve	Group		Board	
	2020	2019	2020	2019
Balance as at the beginning of the year	6,060,529	5,810,700	-	-
Net Gain / (Loss) on available for sale assets	66,154	249,829	-	-
Balance as at the end of the year	6,126,683	6,060,529	-	-

Fair value reserve includes the fair value changes in the investments classified as Fair value through OCI of LTL Holding (Pvt) Ltd and Lanka Electricity Company (Pvt) Ltd

23.3 Depreciation Reserve	Group		Board	
	2020	2019	2020	2019
At the beginning of the year	24,000	23,000	24,000	23,000
Transfers during the period	1,000	1,000	1,000	1,000
At the end of the year	25,000	24,000	25,000	24,000

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.

23.4 Self Insurance Reserve	Group		Board	
	2020	2019 Restated	2020	2019 Restated
Balance at the beginning of the period	18,540,372	16,370,888	18,524,421	16,354,938
Transfers from the retained earnings	1,222,714	1,161,346	1,222,714	1,161,346
Income received from investment	884,104	1,008,138	884,104	1,008,137
Balance at end of the period	20,647,190	18,540,372	20,631,239	18,524,421

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.

23.5 Asset Replacement Reserve	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the period	312,494	294,930	-	-
Transfers from the retained earnings	-	17,564	-	-
Balance at end of the period	312,494	312,494	-	-

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

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

23.6 Investment Reserve	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the period	5,930,351	2,821,145	-	-
Transfers from the retained earnings	400,192	3,109,206	-	-
Balance at end of the period	6,330,543	5,930,351	-	-

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.

23.7 Development Reserve	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the period	17,325	11,025	-	-
Transfers from the retained earnings	10,000	6,300	-	-
Balance at end of the period	27,325	17,325	-	-

M/s LTL Transformers (Pvt.) Limited (LTLT) intends issuing a warranty from 2020 onwards for all transformer sales done within Sri Lanka. In this context, if a warranty claim is made it would be covered via a special Insurance cover to be obtained. Upon analysis of the root cause/s for the warranty claim, a reserve to be built from 2018 onwards which will in turn be used to address the issue identified.

Building a P&L Reserve

Management of LTLT identifies, a P&L Reserve to the amount of LKR 50 Million, which would be built from f/y 2018/19 onwards with an annual accumulation of LKR 10 Million and would be completed at the end of 5 years. The reserve being built will be inter-alia used for R&D purposes, training and skill development, acquisition of advanced machinery etc.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

24. INTEREST BEARING LOANS & BORROWINGS

The Group	2020	2020	2020	2019	2019	2019
	Repayable Within 1 year	Repayable After 1 year	Total	Repayable Within 1 year	Repayable After 1 year	Total
Bank Loans (24.1)	24,227,974	96,773,898	121,001,872	19,085,913	79,869,606	98,955,519
Project Loans (24.2)	-	259,862,085	259,862,085	1,076,038	242,749,456	243,825,494
Loans from Samurdhi Authority (24.3)	43,813	-	43,813	132,073	-	132,073
Lease Creditors (24.4.1)	185,794	708,248	894,042	176,525	393,396	569,921
Redeemable Preference Shares	704,672	332,093	1,036,765	684,640	992,523	1,677,163
Bank Overdrafts	16,636,098	-	16,636,098	15,337,083	-	15,337,083
	41,798,351	357,676,324	399,474,676	36,492,272	324,004,981	360,497,253

The Board	2020	2020	2020	2019	2019	2019
	Repayable Within 1 year	Repayable After 1 year	Total	Repayable Within 1 year	Repayable After 1 year	Total
Bank Loans (24.1.1)	13,215,396	83,434,169	96,649,565	14,126,840	75,293,052	89,419,894
Project Loans (24.2)	-	259,862,085	259,862,085	1,076,038.00	242,749,456	243,825,494
Loans from Samurdhi Authority (24.3)	43,813	-	43,813	132,073	-	132,073
Loans from Related Party	-	2,000,000	2,000,000	-	-	-
Lease Creditors (24.4.2)	26,833	90,619	117,452	38,873	106,668	145,541
Bank Overdrafts	13,200,379	-	13,200,379	13,037,720	-	13,037,720
	26,486,421	345,386,873	371,873,294	28,411,544	318,149,176	346,560,721

24.1 Bank Loans**24.1.1 The Board**

Term Loans		Interest rate	As At	Loans	Repayment	As At	Repayable	Repayable
			01.01.2020	Obtained		31.12.2020	Within 1 Year	After 1 Year
People's Bank (Rs. 4110 Mn)	2013.04.02	13.74%	195,714	-	195,714	-	-	-
People's Bank (Rs. 17650 Mn)	2013.01.30	13.74%	430,000	-	430,000	-	-	-
NSB (Rs 10 000 Mn)	2014.09.30	13.74%	3,750,000	-	1,250,000	2,500,000	1,250,000	1,250,000
People's Bank (Euro 2087 Mn)	2015.04.30	13.74%	2,964,052	24,653	857,143	2,131,562	857,143	1,274,419
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.01.24	13.74%	6,780,000	-	1,680,000	5,100,000	1,680,000	3,420,000
People's Bank - OD Settlement	2018.03.03	13.74%	4,373,000	-	1,044,000	3,329,000	1,044,000	2,285,000
National Savings Bank (Rs 10000 Mn)	2019.02.23	12.73%	10,000,000	-	-	10,000,000	3,080,000	6,920,000
Bank of Ceylon (15B)	2019.07.12	11.65%	15,000,000	-	-	15,000,000	1,110,000	13,890,000
People's Bank (Rs. 10000 Mn - Coal purchases)	2019.10.10	11.49%	8,927,125	4,866,291	13,793,416	-	-	-
Seylan Bank (2Bn)	2019.10.04	12.79%	2,000,000	-	-	2,000,000	40,000	1,960,000
People's Bank (Rs. 35B)	2019.05.31	11.99%	35,000,000	-	-	35,000,000	3,200,000	31,800,000
Bank of Ceylon (Rs. 5000 Mn)	2020.03.03	7.35%	-	5,000,000	-	5,000,000	-	5,000,000
Peoples Bank (Rs. 10000 Mn)	2020.04.01	7.33%	-	10,000,000	-	10,000,000	-	10,000,000
NTB Bank (Rs. 1000 Mn)	2020.11.09	7.35%	-	1,000,000	28,000	972,000	336,000	636,000
People's Bank - Coal Loan 4	2020.11.06	6.83%	-	999,837	381,584	618,253	618,253	-
NSB Bank (Rs. 5000 Mn)	2020.12.19	7.33%	-	4,998,750	-	4,998,750	-	4,998,750
			89,419,891	26,889,531	19,659,857	96,649,565	13,215,396	83,434,169

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Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

24.1.2 The Group			2020	2020	2020	2019	2019	2019
Company	Lending Institution	Interest Rate	Repayable Within 1 year	Repayable After 1 year	Total	Repayable Within 1 year	Repayable After 1 year	Total
LTL Holdings (Pvt) Ltd	Standard Chartered Bank	LIBOR+2.75%	330,930	-	330,930	332,838	318,800	651,638
Pawan Danavi (Pvt) Ltd	HNB	3 months AWDR+2% & AWPLR	-	-	-	27,647	-	27,647
Pawan Danavi (Pvt) Ltd	Sampath Bank	AWPLR +1.25%	119,424	203,545	322,969	173,782	288,223	462,005
Lakdanavi Ltd	HNB	AWPLR + 0.5%	1,900,000	-	1,900,000	-	-	-
Lakdhanavi Bangala Power Ltd	Secured Bank Loan	3Month LIBOR+4.5%	800,524	1,724,367	2,524,891	775,045	2,430,104	3,205,149
Lakdhanavi Bangala Power Ltd	Working Capital Loan	12% p.a	1,240,287	-	1,240,287	971,949	-	971,949
Raj Lanka	Secured Bank Loan	3Month LIBOR+4.5%	534,394	118,277	652,671	524,735	564,642	1,089,377
Feni Lanka Power Ltd	Secured Bank Loan	3 Month LIBOR + 4.5%	903,997	10,417,653	11,321,650	-	-	-
Feni Lanka Power Ltd	Working Capital Loan	10% p.a	344,959	-	344,959	654,770	-	654,770
Asiatic Electrical & Switchgear Pvt Ltd	HDFC Bank	10.50%	-	-	-	-	-	-
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	MCPLR+Applicable Margin	249,686	-	249,686	25,077	-	25,077
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	6.80%	30,014	-	30,014	226,176	-	226,176
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	Up to Aug'19-5.31% and 4.44% Sep'19 onwards	86,933	94,178	181,111	138,331	-	138,331
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	MCPLR+Applicable Margin	76,500	-	76,500	-	-	-
Asiatic Electrical & Switchgear Pvt Ltd	Yes Bank Ltd	MCPLR+Applicable Margin	-	-	-	10,860	-	10,860
Asiatic Electrical & Switchgear Pvt Ltd	Canara Bank	MCPLR+Applicable Margin	-	-	-	14,815	-	14,815
LTL Energies (Pvt) Ltd	Standard Chartered Bank	3Month LIBOR+ 2%	1,239,187	412,900	1,652,087	505,628	494,478	1,000,106
LTL Transformers (Pvt) Ltd	Sampath Bank	AWPLR+1.1%	4,587	26,648	31,235	5,004	31,235	36,239
LTL Transformers (Pvt) Ltd	HNB	3M LIBOR +3.25%	49,542	-	49,542	-	-	-
LTL Transformers (Pvt) Ltd	BOC	AWPLR + 1.1%	11,689	327,911	339,600	-	-	-
LTL Transformers (Pvt) Ltd	HNB	AWPLR+0.5%	-	-	-	66,562	-	66,562
LTL Galvanizers (Pvt) Ltd	NDB	6.25% p.a	4,500	14,250	18,750	1,125	21,375	22,500
Infra Engineering (Pvt) Ltd	HNB	6M Euro LIBOR + 1.35% p.a. (For WKV)	101,535	-	101,535	434,298	-	434,298
Infra Engineering (Pvt) Ltd	Sampath Bank	4% p.a.	2,983,890	-	2,983,890	-	-	-
Sri Lanka Energies (Pvt) Ltd	Sampath Bank		-	-	-	70,431	427,697	498,128
			11,012,578	13,339,729	24,352,307	4,959,073	4,576,554	9,535,627
The Board (Note 24.1.1)			13,215,396	83,434,169	96,649,565	14,126,840	75,293,052	89,419,892
Total Bank Loans of the Group			24,227,974	96,773,898	121,001,872	19,085,913	79,869,606	98,955,519

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Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

24.2 Project Loans

24.2.1 Loans From Treasury

The Board/Group	Provider of funds	Interest Per Annum (%)	As At 01.01.2020	Loans Obtained	Transferred to Equity	As At 31.12.2020	Repayable Within 1 Year	Repayable After 1 Year
Puttalam Coal Power project - 155Mn	EXIM BANK	6 Month LIBOR + Margin 100b.p	17,087,257	-	2,804,696	14,282,561	-	14,282,561
Puttalam Coal Power project - 300Mn	EXIM BANK	2%	32,960,178	-	3,666,690	29,293,488	-	29,293,488
Puttalam Coal Power project -phase 11	EXIM BANK	2%	104,083,434	-	10,890,069	93,193,365	-	93,193,365
New Laxapana & Wimalasurendra Rehabilitation project	CAYLON OF FRENCH	10%	39,395	-	-	39,395	-	39,395
Clean Energy Access Impro. Project (SLA I)	ADB	10%	3,970,201	-	-	3,970,201	-	3,970,201
Clean Energy Access Impro. Project (SLA II)	ADB	10%	615,223	-	-	615,223	-	615,223
Sustainable Power Support Project	ADB	10%	3,712,370	-	-	3,712,370	-	3,712,370
Habarana Veyangoda Transmission Line project	JICA	Not Notified	8,204,654	2,445,008	-	10,649,662	-	10,649,662
Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Notified	19,194,693	2,808,940	-	22,003,633	-	22,003,633
Clean Energy Net Work Efficiency Improvement Project	ADB	10%	16,834,361	59,156	-	16,893,518	-	16,893,518
National Transmission & Distribution Network Development	JICA	Not Notified	2,660,074	3,404,617	-	6,064,691	-	6,064,691
Green Power Development & Energy Efficiency Improvement Project	ADB	-	4,310,410	1,856,318	-	6,166,728	-	6,166,728
Green Power Dev. & Energy Efficiency Improvement Project	AFD	Not Notified	3,742,565	336,545	-	4,079,110	-	4,079,110
Green Power Dev. & Energy Efficiency Improvement Project (Tranch 2)	AFD	10%	1,262,503	41,713	-	1,304,216	-	1,304,216
Construction of four grid Substation	AFD	Not Notified	3,875,937	563,188	-	4,439,125	-	4,439,125
			222,553,255	11,515,485	17,361,455	216,707,286	-	216,707,286

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Year Ended 31st December 2020

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24.2.2 Loans From Bank

		Interest Rate	As At 01.01.2020	Loans Obtained	Repayment	As At 31.12.2020	Repayable Within 1 Year	Repayable After 1 Year
Broadland Hydro Power Project (HNB)	2013.07.19	6 Months LIBOR + Margin 6.3%	1,156,446	-	192,741	963,705	-	963,705
Broadland Hydro Power Project (ICB)	2013.06.06	6 Months LIBOR + 3.2% Margin	5,726,738	-	715,832	5,010,906	-	5,010,906
Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2017.07.10	6 Months LIBOR + 0.6% - 0.1% + Premium 0.1%	3,827,873	4,184,452	-	8,012,325	-	8,012,325
Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2016.12.06	2% (Fixed)	2,364,318	1,206,946	-	3,571,264	-	3,571,264
Supporting Elec.supply reliability improvement project	2016.12.19	6 Months LIBOR + 0.6% - 0.1% + Premium 0.1%	3,963,807	1,113,939	-	5,077,746	-	5,077,746
Mannar Wind Power Generation Project (ADB)	2017.11.22	6 Months LIBOR + 0.6% - 0.1%	4,233,054	16,285,799	-	20,518,853	-	20,518,853
			21,272,236	22,791,136	908,573	43,154,799	-	43,154,799
Total Project Loan			243,825,492	34,306,621	18,270,028	259,862,084	-	259,862,085

24.3 Loans From Samurdhi Authority

	As At 01.01.2020	Loans Obtained	Repayment	As At 31.12.2020	Repayable Within 1 Year	Repayable After 1 Year
The Board/Group Term Loan for "Viduli Athwela" Programme	132,073	-	88,260	43,813	43,813	-
	132,073	-	88,260	43,813	43,813	-

24.4 Lease Creditor

24.4.1 The Group

	2020 Repayable Within 1 year	2020 Repayable After 1 year	2020 Total	2019 Repayable Within 1 year	2019 Repayable After 1 year	2019 Total
Lease Creditor	185,794	708,248	894,042	176,525	393,396	569,921
	185,794	708,248	894,042	176,525	393,396	569,921

24.4.2 The Board

	2020 Repayable Within 1 year	2020 Repayable After 1 year	2020 Total	2019 Repayable Within 1 year	2019 Repayable After 1 year	2019 Total
Lease Creditor	26,833	90,619	117,452	38,873	106,668	145,541
	26,833	90,619	117,452	38,873	106,668	145,541

25. CONSUMER DEPOSITS

	Group		Board	
	2020	2019	2020	2019
Balance as at Beginning of the year	15,013,791	14,311,008	15,013,788	14,311,005
Deposit Received during the year	728,688	908,773	728,691	908,773
Refunds Made during the year	(101,908)	(205,990)	(101,908)	(205,990)
Balance as at the end of the year	15,640,571	15,013,791	15,640,571	15,013,788

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

26. PROVISIONS AND OTHER DEFERRED LIABILITIES	Group		Board	
	2020	2019	2020	2019
Retirement Benefits Obligation- Gratuity (26.1)	8,964,655	7,324,937	7,283,661	6,018,542
Pension Benefits (26.2)	12,806,937	4,433,602	12,806,938	4,433,602
Commuted Pension Fund Liability-Non Funded	30,000	30,000	30,000	30,000
	21,801,592	11,788,539	20,120,599	10,482,144

26.1 Retirement Benefits Obligation- Gratuity	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the year	7,324,937	7,685,152	6,018,541	6,466,465
Charge for the year (26.1.1)	2,380,021	685,766	1,956,835	490,689
Payments made during the year	(740,303)	(1,045,981)	(938,613)	(938,612)
Balance at the end of the year	8,964,655	7,324,937	7,036,764	6,018,542

26.1.1 Charge for the year	Group		Board	
	2020	2019	2020	2019
Interest Cost	709,290	838,220	631,947	711,311
Current service Cost	632,821	461,472	486,010	395,308
Actuarial (gain)/ loss	1,037,910	(613,926)	838,878	(615,930)
	2,380,021	685,766	1,956,835	490,689

26.1.2 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

	2020	2019
Discount rate assumed (%) (per Annum)	10.5%	11%
Further salary increase (%) - once in three years	20%	25%
Retirement age	60	60

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

	2020	2019
Discount rate assumed (%) (per Annum)	11%	11%
Salary Increase Rate (%) (per Annum)	25%	25%
Normal Retirement Age	65 years	65 years
- Appointments up to 31 December 2006		
- Appointments after 01 January 2007	57 years	57 years
Staff Turnover - Up to age 50	0.96%	0.96%
- Age above 50	0%	0%

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

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

	2020	2019
Discount rate assumed (%) (per Annum)	10.0%	10.4%
Salary Increase Rate (%) (per Annum)	10%	10%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	55 Years	55 Years

26.2 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.

	2020	2019
Present Value of Obligations (26.2.1)	36,749,619	27,628,308
Fair Value of plan assets (26.2.2)	23,942,682	23,194,706
Deficit of funded plans	12,806,937	4,433,602
Liability / Assets in the Statement of Financial Position	12,806,937	4,433,602

26.2.1 The movement in the pension fund liability over the year is as follows,

	2020	2019
At beginning of the year	27,628,308	25,242,243
Current Service Cost	1,167,667	772,229
Interest Cost	2,624,689	2,524,225
Actuarial Gain/ (Losses)	7,351,801	993,932
Benefit Paid	(2,022,846)	(1,904,321)
At end of the year	36,749,619	27,628,308

26.2.2 The movement in the fair value of plan assets of the year is as follows

	2020	2019
At beginning of the year	23,194,706	21,700,339
Expected Return on Plan Assets	1,868,094	1,679,102
Actuarial Losses	(486,950)	314,293
Contribution Paid (Employee + Employer)	1,389,678	1,405,293
Benefit Paid	(2,022,846)	(1,904,321)
At end of the year	23,942,682	23,194,706

The amounts recognized in the income statement are as follows

Current service cost	1,167,667	772,229
Interest Cost	2,624,689	2,524,224
Expected return on plan assets	(1,868,094)	(1,679,102)
Recognized in income statement	1,924,262	1,617,351

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

The principal actuarial assumptions were as follows		2020	2019
Discount Rates		7.0%	10%
Expected return on plan assets		8.00%	7.74%
Future Salary Increases		20%	20%
Future Pension Increases		0%	0%
Retirement Age		60	60
Plan assets are comprised as follows			
Fixed Deposits		19,924,140	20,709,296
Debentures at amortized cost		4,161,544	2,081,648
Other		(143,002)	403,762
Total		23,942,682	23,194,706

27. GOVERNMENT GRANT	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the year	297,696	318,228	213,304	228,022
Received During the year	1,749	-	1,749	-
Amount Amortised during the year	(20,511)	(20,531)	(14,719)	(14,719)
Balance at the end of the year	278,934	297,697	200,334	213,303

28. CONTRACT LAIBILITIES	Group		Board	
	2020	2019	2020	2019
Consumer Contribution (28.1)	100,693,689	94,420,472	95,769,666	89,745,167
Prepaid Electric Vehicle charging Revenue (28.2)	1,057	917	1,057	917
	100,694,746	94,421,389	95,770,723	89,746,084

28.1 Consumer Contribution	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the year	94,420,472	90,809,750	89,745,167	86,334,976
Consumer Contribution received During the year	10,115,185	7,586,358	9,464,549	7,004,794
Amount Amortised During the year	(3,841,968)	(3,975,636)	(3,440,050)	(3,594,603)
Balance at the end of the year	100,693,689	94,420,472	95,769,666	89,745,167

28.2 Prepaid Electric Vehicle Charging Revenue	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the Period	916	241	916	241
Cash received for prepaid e-Cards	1,562	4,458	1,562	4,458
Utilization for the year	(1,421)	(3,782)	(1,421)	(3,782)
Balance at the end of the Period	1,057	917	1,057	917

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

29. DEFERRED TAXATION	Group		Board	
	2020	2019	2020	2019
Balance at the beginning of the year	675,944	276,157	-	-
Deferred Tax Charged to Income Statement	(146,927)	522,385	-	-
Deferred Tax Adjusted to Other Comprehensive Income	(39,217)	(44,980)	-	-
Balance at the end of the year	489,800	753,562	-	-
	Group		Board	
	2020	2019	2020	2019
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes	1,713,863	1,631,614	-	-
Net change in fair value of available for sale investments	3,266	53,693	-	-
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(115,774)	(160,104)	-	-
Employment Retirement Benefits	(455,281)	(375,595)	-	-
Other provisions	(579,737)	(388,968)	-	-
Unutilized tax losses	(76,537)	(7,078)	-	-
	489,800	753,562	-	-
	Group		Board	
	2020	2019	2020	2019
30. TRADE AND OTHER PAYABLES				
	2020	2019	2020	2019
		Restated		Restated
Trade Payables	140,493,757	147,747,292	133,364,648	141,903,604
Other Payables	13,941,113	11,966,541	14,314,265	9,624,574
Sundry Creditors Including Accrued Expenses	13,075,304	15,531,188	11,459,332	14,386,518
Deposits(30.1)	21,829,087	25,191,884	21,826,869	25,191,863
Loan Balance pending confirmation from ERD	-	6,070	-	6,070
Stock Adjustment	(8,999)	18,094	(8,999)	18,094
	189,330,262	200,461,069	180,956,115	191,130,723
30.1 Deposits				
Service mains deposits	15,568,302	19,587,421	15,568,302	19,587,421
Tender Deposits	507,663	423,629	507,663	423,629
Security Deposits	80	-	80	-
Other Deposits	5,753,042	5,180,834	5,750,824	5,180,813
	21,829,087	25,191,884	21,826,869	25,191,863

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

31. AMOUNTS DUE TO RELATED PARTIES		Group		Board	
		2020	2019	2020	2019
	Relationship				
LTL Holdings (Pvt) Ltd	Subsidiary Company	-	-	613,652	712,003
Ante Leco Metering Co.(Pvt) Ltd	Sub-subsidiary Company	-	-	252,219	287,248
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	3,306,557	1,956,099
Kumbalgamuwa Mini Hydro (Pvt) Ltd	Sub-subsidiary Company	-	-	41,513	34,437
		-	-	4,213,942	2,989,787

32. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents		Group		Board	
		2020	2019	2020	2019
32.1 Favourable Cash & Cash Equivalents balance					
Cash & Bank Balances		7,450,013	7,105,530	3,510,610	3,725,169
Cash in Transit		2,088,735	176,473	-	-
Call Deposits		93,547	164	93,547	164
		9,632,295	7,282,167	3,604,157	3,725,333
32.2 Unfavourable Cash & Cash Equivalent Balances					
Bank Overdraft (Note 24)		(16,636,098)	(15,337,083)	(13,200,379)	(13,037,720)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		(7,003,803)	(8,054,916)	(9,596,222)	(9,312,387)

33. MATERIALLY PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interest is provided below.

33.1 Proportion of equity interest held by non-controlling interest

Name of the Subsidiary	Country of incorporation and operation	2020	2019
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%

33.2 Profit allocated to material non-controlling interests

LTL Holding (Pvt) Ltd	3,285,540	4,825,940
Lanka Electricity Company (Pvt) Ltd	771,893	1,233,476
Lanka Coal Company (Pvt) Ltd	-	-

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

33.3 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 2020	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Revenue	31,678,905	19,887,845	41,000,383
Cost of sales	(25,503,865)	(10,509,027)	(40,954,618)
Gross Profit	6,175,040	9,378,818	45,765
Other Income & Gains	923,626	1,230,646	1,838
Administrative Expenses	(2,905,276)	(1,430,284)	(53,837)
Other Operating Expenses	-	(723,198)	-
Finance Income	867,577	609,455	6,316
Finance Cost	(146,804)	(1,532,746)	-
Profit before Tax	4,914,163	7,532,691	82
Income tax	(626,707)	(1,815,290)	-
Profit for the year from continuing operations	4,287,456	5,717,401	-
Total Comprehensive Income			
Attributable to non-controlling interest	771,893	3,285,540	-
Dividends paid to non-controlling interests	338,698	1,100,732	-

33.4 Summarised statement of profit or loss for 2019

Revenue	33,710,930	19,020,419	42,470,160
cost of sales	(30,760,741)	(12,133,978)	(42,414,954)
Gross Profit	2,950,189	6,886,441	55,206
Other Income & Gains	2,733,393	6,719,443	7,975
Administrative Expenses	(3,062,843)	(1,488,916)	(65,539)
Other Operating Expenses	-	(707,388)	-
Finance Income	1,541,363	548,909	2,358
Finance Cost	(162,202)	(1,340,250)	-
Profit before Tax	3,999,900	10,618,239	-
Income tax	(1,264,513)	(1,113,505)	-
Profit for the year from continuing operations	2,735,387	9,504,734	-
Total Comprehensive Income			
Attributable to non-controlling interest	1,233,476	4,825,940	-
Dividends paid to non-controlling interests	607,591	2,223,548	-

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

33.5 Summarised statements of financial position as at 31st December 2020	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Inventories and Cash and bank balances (current)	3,477,323	8,235,747	8,505
Property, Plant and equipment and other non-current	14,500,148	63,924,215	786,096
Financial assets (non-current)	12,275,532	3,283,338	-
Trade & other Payables (current)	3,928,897	2,871,204	5,666,483
Interest-bearing loans and borrowings and deferred tax	1,191,553	29,274,126	-
Liabilities (non-current)	6,450,812	187,232	4,442
Total Equity			
Attributable to:			
Equity holders of parent	19,403,379	21,225,414	64,181
Non- controlling interest	15,747,670	12,465,720	42,788
33.6 Summarised statements of financial position as at 31st December 2019			
Inventories and Cash and bank balances (current)	2,450,877	8,259,679	4,289
Property, Plant and equipment and other non-current	14,130,121	26,601,024	779,236
Financial assets (non-current)	12,224,220	3,167,637	-
Trade & other Payables (current)	1,590,156	4,808,182	2,846,858
Interest-bearing loans and borrowings and deferred tax	1,179,429	13,717,096	-
Liabilities (non-current)	5,991,397	155,819	3,949
Total Equity			
Attributable to:			
Equity holders of parent	18,667,755	12,442,360	59,456
Non- controlling interest	15,150,641	7,307,418	39,638
33.7 Summarised cash flow information for the year ended 31 December 2020			
Operating	(6,176,693)	4,709,291	(1,531)
Investing	6,987,852	5,652,224	5,747
Financing	(744,854)	9,388,856	-
Net increase/(decrease) in cash and cash equivalents	66,305	19,750,371	4,216
33.8 Summarised cash flow information for the year ended 31 December 2019			
Operating	1,227,067	3,252,151	(83,158)
Investing	(1,980,420)	(2,888,916)	2,180
Financing	723,244	(487,409)	(80,978)
Net increase/(decrease) in cash and cash equivalents	(30,109)	(124,174)	(161,956)

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

34. PRIOR YEAR ADJUSTMENTS

The details of the group prior year adjustments are as follows;

34.1 Ceylon Electricity Board

Prior year adjustments have been carried out due to the reasons explained below in note 34.2

34.2 PRIOR YEAR ADJUSTMENT MADE DURING THE YEAR

Following adjustments were made in the financial statements which are relevant to the prior periods.

01. Being correcting the recognition of exchange losses on Interest bearing loans and borrowings

	Dr Rs	Cr Rs
Retained earnings for the year 2019	11,889,481,893	
Interest bearing loans and borrowings		11,889,481,893

02. Being correcting the accounting for notional tax

	Dr Rs	Cr Rs
Withholding tax receivable A/C	324,742	
Retained earnings for the period before 2019		324,742

03. Being correcting the stock adjustment on inventories other than coal in Lakvijaya Power Station

	Dr Rs	Cr Rs
Retained earnings for the period before 2019	246,444,785	
Stock adjustment		246,444,785

04. Being correcting the transfer of Property Plant & Equipment from Work In Progress in Generation

	Dr Rs	Cr Rs
Property Plant & Equipment for the period before 2019	916,205,092	
Property Plant & Equipment for the year 2019	463,928,760	
Work In Progress for the period before 2019		916,205,092
Work In Progress for the year 2019		463,928,760

05. Being accounting for the depreciation expense on assets transferred from work in progress in Generation

	Dr Rs	Cr Rs
Retained earnings for the period before 2019	115,120,218	
Retained earnings for the year 2019	329,132,106	
Property Plant & Equipment for the period before 2019		115,120,218
Property Plant & Equipment for the year 2019		329,132,106

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

06. Being correcting the erroneous recognition of payable amount on operation and maintenance services

	Dr	Cr
	Rs	Rs
Trade and Other Payables	84,420,715	
Retained earnings for the period before 2019		84,420,715

07. Being correcting the erroneous recognition of issue of spare inventories

	Dr	Cr
	Rs	Rs
Spares inventories	230,207,987	
Retained earnings for the year 2019		230,207,987

08. Being correcting the stock adjustment on coal inventories in Lakvijaya Power Station

	Dr	Cr
	Rs	Rs
Retained earnings for the period before 2019	3,207,727,326	
Stock adjustment		3,207,727,326

09. Being correcting the recognition of prepaid staff cost

	Dr	Cr
	Rs	Rs
Other non financial assets	4,879,801	
Other financial assets for the year 2019		4,879,801

10. Being correcting the stock adjustment on fuel stock

	Dr	Cr
	Rs	Rs
Retained earnings for the year 2019	22,066,110	
Stock adjustment		22,066,110

11. Being correcting the transfer of Property Plant & Equipment from Work In Progress in Transmission

	Dr	Cr
	Rs	Rs
Property Plant & Equipment for the period before 2019	135,968,117	
Property Plant & Equipment for the year 2019	912,114	
Work In Progress for the period before 2019		135,968,117
Work In Progress for the year 2019		912,114

12. Being accounting for the depreciation expense on assets transferred from work in progress in Transmission

	Dr	Cr
	Rs	Rs
Retained earnings for the period before 2019	16,160,559	
Retained earnings for the year 2019	25,645	
Property Plant & Equipment for the period before 2019		16,160,559
Property Plant & Equipment for the year 2019		25,645

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

34.3 Impact of the prior year adjustment for the Board as at 31 December 2019

Statement of Financial Position	2019 Before Adjustments	Adjustments	Adjustmnt Nos	2019 After Adjustments
ASSETS				
Non-Current Assets				
Property, Plant & Equipment -Cost	799,576,467	(460,438)	04/05/11/12	799,116,029
Premium Paid on Leasehold Land	235,577			235,577
Intangible Assets	499,056			499,056
Investment in Joint Venture	36,900			36,900
Finance Lease Receivables	19,899,441			19,899,441
Investments of Insurance Reserves Fund	8,996,893			8,996,893
Other Financial Assets	2,596,310	(4,880)	09	2,591,430
Other Non current Assets	25,348,198	4,880	09	25,353,078
	857,188,842	(460,438)		856,728,404
Non Current Assets Held For sale	76			76
Current Assets				
Inventories	55,622,767	230,208	07	55,852,975
Trade and Other Receivables	56,491,420	325	02	56,491,746
Sub Lease Receivables	21,110			21,109
Finance Lease Receivables	910,171			910,171
Other Financial Assets	27,080,350			27,080,350
Cash and Cash Equivalents	7,282,167			7,282,167
	147,407,985	230,533		147,638,518
Total Assets	1,004,596,903	(229,905)		1,004,366,998
EQUITY AND LIABILITIES				
Capital & Reserves				
Contributed Capital	323,194,038			323,194,038
Reserves	50,082,923			50,082,923
Retained Earnings	(72,806,745)	(15,511,205)	01/02/03/05/06/ 07/08/10/12	(88,317,951)
Equity Attributable to the Equity Holders of the Parent	300,470,216	(15,511,205)		284,959,010
Non Controlling Interest	31,655,307			31,655,308
Total Equity	332,125,523	(15,511,205)		316,614,318
Non-Current Liabilities and Deferred income				
Interest Bearing Loans & Borrowings	312,115,499	11,889,482	01	324,004,981
Deferred Tax Liability	753,562			753,562
Consumer Deposits	15,013,791			15,013,791
Provisions & Other Deferred Liabilities	11,788,539			11,788,539
Government Grants	297,697			297,697
Contract Liabilities	94,421,389			94,421,389
	434,390,477	11,889,482		446,279,959
Current Liabilities				
Trade and Other Payables	197,069,250	3,391,819	03/06/08/10	200,461,069
Dividend Payables	2,303,807			2,303,807
Income Tax Liabilities	2,215,573			2,215,573
Interest Bearing Loans & Borrowings	36,492,272			36,492,272
	238,080,902	3,391,819		241,472,721
Total Equity and Liabilities	1,004,596,903	(229,905)		1,004,366,998

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

34.4.1 Impact of the prior year adjustment for the Board as at 31 December 2019

Statement of Comprehensive Income	2019 Before Adjustments	Adjustments	Adjustmnt Nos	2019 After Adjustments
Revenue	267,041,265			267,041,265
Cost of Sales	(324,453,251)	(12,010,498)	01/05/10/12/07	(336,463,749)
Gross Profit / (Loss)	(57,411,986)	(12,010,498)		(69,422,484)
Other Income	17,021,754			17,021,754
Distribution Cost	(392,611)			(392,611)
Other Expenses	(355,200)			(355,200)
Administrative Expenses	(11,967,383)			(11,967,383)
Operating Profit / (Loss)	(53,105,426)	(12,010,498)		(65,115,924)
Finance Income	3,848,623			3,848,623
Finance Costs	(24,103,238)			(24,103,238)
Finance Cost-Net	(20,254,615)	-		(20,254,615)
Share of loss of Joint Venture	(6,850)			(6,850)
Profit / (Loss) Before Income tax	(73,366,891)	(12,010,498)		(85,377,389)
Income & Deferred Tax Expense	(2,423,862)			(2,423,862)
Non Controlling Interest	(6,059,416)			(6,059,416)
Profit/(Loss) for the period	(81,850,169)	(12,010,498)		(93,860,667)

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

34.3.2 Impact of the prior year adjustment for the Board as at 01st January 2019

Statement of Financial Position	1st January 2019 Before Adjustments	Adjustments	Adjustmnt Nos	1st January 2019 After Adjustments
ASSETS				
Non-Current Assets				
Property, Plant & Equipment -Cost	763,195,966	(131,281)	04/05/11/12	763,064,685
Premium Paid on Leasehold Land	229,042			229,042
Intangible Assets	532,736			532,736
Investment in Joint Venture	43,750			43,750
Finance Lease Receivables	9,775,319			9,775,319
Investments of Insurance Reserves Fund	8,070,253			8,070,253
Other Financial Assets	2,303,439			2,303,439
Other Non current Assets	36,461,582			36,461,582
	820,612,087	(131,281)		820,480,806
Non Current Assets Held For sale	76			76
Current Assets				
Inventories	48,309,728			48,309,728
Trade and Other Receivables	57,740,010			57,740,010
Finance Lease Receivables	569,718			569,718
Other Financial Assets	19,565,483	325	02	19,565,808
Cash and Cash Equivalents	5,503,939			5,503,939
	131,688,878	325		131,689,203
Total Assets	952,301,041	(130,956)		952,170,085
EQUITY AND LIABILITIES				
Capital & Reserves				
Contributed Capital	302,694,797			302,694,797
Reserves	44,511,162			44,511,162
Retained Earnings	13,398,703	(3,500,707)	02/03/05/06/08/12	9,897,996
Equity Attributable to the Equity Holders of the Parent	360,604,662	(3,500,707)		357,103,955
Non Controlling Interest	25,758,561			25,758,561
Total Equity	386,363,223	(3,500,707)		382,862,516
Non-Current Liabilities and Deferred income				
Interest Bearing Loans & Borrowings	288,351,654			288,351,654
Deferred Tax Liability	276,157			276,157
Consumer Deposits	14,311,008			14,311,008
Provisions & Other Deferred Liabilities	11,257,055			11,257,055
Government Grants	318,228			318,228
Contract Liabilities	90,809,989			90,809,989
	405,324,091	-		405,324,091
Current Liabilities				
Trade and Other Payables	133,023,927	3,369,751	03/06/08	136,393,678
Dividend Payables	2,258,669			2,258,669
Income Tax Liabilities	2,336,098			2,336,098
Interest Bearing Loans & Borrowings	22,995,033			22,995,033
	160,613,727	3,369,751		163,983,478
Total Equity and Liabilities	952,301,041	(130,956)		952,170,085

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

35. ASSETS PLEDGED**The Board**

There is no assets pledged as at the date of the Statement of Financial Position .

35.1 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
		2020	2019	
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	241,552	} Current and Non Current Other Investments
Fixed Deposits	SMI Loan Schemes of People's Bank	196,122	57,518	
Fixed Deposits	Staff loan Schemes of SMIB Bank and			
	HDFC Bank Facilities	1,120,464	1,061,638	
Fixed Deposits	NSB Solar Loan	1,230,970	-	

35.2 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
		2020	2019	
Lakdhanavi Ltd				
Investment in Fixed Deposits	Mortgage against the Bank Guarantees	648,060	475,692	} Other Financial Assets
	Other Current Liabilities	542,194	579,440	
	Letter of Credit Facility	-	991,333	
Pawan Danavi (Private) Limited				
Wind power plant, Free Hold land and Lease Hold Land.	Primary Concurrent Mortgage Bond	-	1,813,480	Property Plant & Equipment
Ordinary shares 51% Held by LTL Holdings Pvt Ltd.	Primary Concurrent Mortgage Bond	-	540,600	Stated Capital

35.3 Sri Lanka Energies (Pvt) Ltd

Company has pledged its fixed deposit for loans obtained for the construction of Galigamuwa Meter Board Enclosure Factory & Electro Mechanical Equipments of meter Enclosure production are also pledged against the same corporate Loan Facility & also company has agreed for a lien over its savings bank account for the value of 27.4 Mn for the Letter of Credit facility on cash basis provided by the sampath Bank PLC.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

36. EVENTS OCCURING AFTER THE STATEMENT OF THE FINANCIAL POSITION

No circumstances have arisen since the Statement of Financial Position date, which would require adjustments in the financial statements

37. CONTINGENCIES

37.1 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 31.12.2020, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.4,340Mn.

37.2 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. 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 field 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. On 10 November 2017, 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 Heladhanavi Ltd

CEB is not entitled to directly appeal against the judgment granted in favour of Heladhanavi; 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 upon hearing whether grant leave to proceed or not, on 14 May 2019 directed both cases be sent back to the same Commercial High Court Judge, to write the judgement again considering the fact the certain objections raised by the CEB has not been considered in the judgement given. Consequently, both cases were called before High Court Judge, and both parties tendered additional/further submissions. This was concluded on 22nd January 2020. Both cases were fixed for judgement on 3rd April 2020. However, considering the limitations due to Covid-19 pandemic, it is expected that the judgement date would be deferred until the country situation returns to normalcy.

37.2.2 Other Contingencies

Subsidiary companies of LTL (Holdings (Pvt) Ltd has received tax assessments on VAT, NBT and ESC for the year of Assessments 2016/17, 2017/18 and 2018/19 for an amount of Rs1,158Mn consist of Rs. 479Mn as penalty charges. The respective companies have filed lodged valid appeal against these tax assessments. Having discussed with independent tax consultants and based on the information available, Directors of the subsidiary company are in the opinion that there will not be any future liabilities arising in respect to these assessments as of 31 December 2020.

37.3 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.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

38 CAPITAL COMMITMENTS

38.1 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 2020. (2019 Nil)

38.2 Lanka Electricity Company (Pvt) Limited

There were no material capital commitments as at the reporting date that require adjustments to or disclosure in the financial statements. (2019 - Nil).

38.3 LTL Holdings (Pvt) Ltd

Leases

Finance Lease commitments the Group as lessee is disclosed in Note 24.4

Finance Lease receivable the Group as lessor is disclosed in Note 14

Letter of Credits

Bank	2020	2019
Hatton National Bank PLC	127,106	44,572
Standard Chartered Bank	305,454	556,333
	432,560	600,905

Guarantee

Bank	2020	2019
Hatton National Bank PLC	189,674	386,439
Canara Bank - India	-	1,058
Standard Chartered Bank	155,550	331,622
Habib Bank	73,289	73,289
	418,513	792,408

Import Bills

Bank	2020	2019
Hatton National Bank PLC	-	23,629
Standard Chartered Bank	249,686	25,077
	249,686	48,706

Lakdanavi Limited

The Company has a commitment towards Hatton National Bank of Rs. Rs. 6,148,509,763/- (2019- Rs. 6,148,509,763/-) and USD 25,000/- (2019- NIL) as Guarantees.

The Company has a commitment towards Sampath Bank PLC of Rs.5,863,097,020/- (2019- Rs. 5,723,265,471/-) as Guarantees and Rs. NIL (2019- Rs. 350,000,000/-) as Bid Guarantees.

The Company has a commitment towards Standard Chartered Bank of USD NIL (2019- USD 731,700/-) as Bid Guarantees.

The Company has a commitment towards National Development Bank of USD 4,104,000/- as guarantees.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

38.4 Other Commitments

Lakdhanavi Limited

The Company is liable to pay 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 Kerawalapitya power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitya power project.

The Company has a Fixed Price Contract (Escalated according to US Consumer Price Index (USCPI)) to provide Operational and Maintenance Services to Lakdhanavi Bangla Power Limited, a subsidiary company.

The Company has a Fixed Price Contract (Escalated according to Bangladesh Consumer Price Index (BCPI)) to provide Operational and Maintenance Services to Raj Lanka Power Company Limited, a subsidiary company.

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 117,666,077 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 117,666,077. 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.

Feni Lanka Power Ltd

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 Eastern Bank Ltd, Bangladesh for the equivalent of USD 2,427,378.39/-. 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 Company has a commitment towards Hatton National Bank of Rs. 24,358,320/- (2019- Rs. 289,393,902/-) as letter of credit.

The Company has a commitment towards Hatton National Bank of Rs. Rs. 1,493,670,652/- (2019- NIL) as Performance Guarantees.

The Company has a fixed price contract (adjustable as per the change of Colombo Consumer Price Index annually) to provide operational and maintenance services to Nividhu (Private) Limited, an affiliate company for a period of 4 Years.

The Company has a fixed price contract (adjustable as per the change of Colombo Consumer Price Index annually) to provide operational and maintenance services to Nividhu Assupiniella (Private) Limited, an affiliate company for a period of 2 Years.

The Company has a fixed price contract (adjustable 5% annually) to provide operational services to Pawan Danavi (Private) Limited, an affiliate company.

The Company has a Fixed Price Contract (Escalated according to US Consumer Price Index (USCPI)) to provide Operational and Maintenance Services to Feni Lanka Power Limited, a fellow subsidiary company.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

39 Related Party Disclosures

39.1. 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	
		2020	2019	2020	2019
Ceylon Petroleum Corporation	Purchase of Fuel	30,195,427	53,399,860	30,195,427	53,399,860
Department of Public Enterprises	Obtain Project Loans	11,515,486	18,026,484	11,515,486	18,026,484
Peoples Bank	Obtain Bank Loans	15,890,781	83,363,945	15,890,781	83,363,945
Peoples Bank	Investments	14,006,485	7,620,302	-	-
National Savings Bank	Obtain Bank Loans	6,229,720	16,014,000	4,998,750	10,000,000
Bank of Ceylon	Obtain Bank Loans	10,139,296	17,404,077	5,000,000	15,000,000
State Mortgage & Investment Bank	Investments	57,442	57,442	-	-
HDFC Bank	Investments	1,063,021	1,061,638	-	-

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 into 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)

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

39.2 Related Party Transactions with the related companies of CEB

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	2020	2019
Lanka Electricity Company	Subsidiary	Sale of Electricity	(24,596,359)	(27,737,578)
		Cash receipts for electricity sales	28,720,346	36,799,539
		Dividend Income	411,300	542,409
		Loan obtained	2,000,000	2,403
LTL Holdings (Pvt) Ltd	Subsidiary	Dividend Income	629,874	2,204,559
		Dividend receipt	(2,204,559)	(2,636,334)
Lanka Coal Company (Pvt) Ltd	Subsidiary	Purchase of Coal	40,954,618	42,414,954
		Reimbursement of net expenditure	45,765	55,206
LTL Transformers Ltd	Sub-subsidiary	Purchase of Goods	1,096,030	1,108,165
Nividu (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	78,461	56,037
Nividu Assupinella (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	219,644	190,808
Pawan Danavi Limited	Sub-subsidiary	Purchase of Electricity	187,103	597,840
ANTE LECO Metering Co (Pvt) Ltd	Sub-subsidiary	Purchase of Goods	833,185	1,076,347
Sri Lanka Energies HR (Pvt) Ltd	Sub-subsidiary	Receipt of Services	73,742	20,269
Kumbalgamuwa Minihydro (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	115,197	106,274

39.3 Related Party Transactions among the group companies

Nature of the transaction	LTL Holding and subsidiaries	2020	2019
Sale of Goods & Services	151,723	151,723	221,215
Operational & Engineering Services	4,777,494	4,777,494	316,534

39.4 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	
	2020	2019	2020	2019
Short- term employee benefits	149,498	162,957	3,471	4,149
Post - Employment benefits	13,941	13,842	-	-
	163,439	176,799	3,471	4,149

In addition to above compensation, the company also provides non cash benefits to Key Management Personnel in terms of employment contracts with them.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 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.

40.2 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.

40.3 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.

40.4 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 whereby 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.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

40.5 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.

40.5.1 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.

40.5.2 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.

41 FAIR VALUE

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- a) The Management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- b) Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific risk factors, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at December 31, 2020, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

41.1 Financial Instruments carried at Fair Value

The group has the following financial instruments carried at fair value

Financial Assets

Fair value through OCI	(Note 15)
Fair value through Profit or Loss	(Note 15)

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

41.2 Financial Instruments not carried at fair value

Given below is a comparison, by class, of the carrying amounts and fair values of the group's financial instruments that are not carried at fair value in the Financial Statements other than those with carrying amounts that are reasonably approximate of fair values. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying Value		Fair Value	
	2020	2019	2020	2019
Refundable Deposits	68,675	40,739	68,675	40,739
Investment in Fixed Deposits	28,485,597	20,586,151	28,485,597	20,586,151
Investment in Repurchase Agreements	199,700	303,278	199,700	303,278
Investment in Other Deposit	1,759,276	2,413,602	1,759,276	2,413,602
Loans to Company Officers	10,454,647	10,714,161	10,454,647	10,714,161
Loans to Consumers	2,771,008	4,195,879	2,771,008	4,195,879
Investments in Debentures	202,117	202,063	193,170	196,769
	43,941,020	38,455,873	43,932,073	38,450,579

41.3 Fair value hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a trade price may not be possible. In these circumstances, the group use alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 : Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2020, the Group held the following Financial instruments carried at fair value on the statement of financial position.

Assets measured at fair value	Date of valuation	2020	Level 1	Level 2	Level 3
Financial Assets at Fair Value through OCI					
Unquoted Equity Shares	31-Dec-20	71	-	-	71
Financial Assets at Fair Value through Profit or Loss					
Investment in Equity Securities	31-Dec-20	280,850	280,850	-	-
Amortized Cost - Financial Assets					
Investment in other Financial Instruments	31-Dec-20	30,513,248	-	-	30,513,248
Loans to Consumers and Staff	31-Dec-20	13,225,655	-	-	13,225,655
Assets for which fair value is disclosed					
Investment in Debentures	31-Dec-20	193,170	193,170	-	-

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2020

(All amounts in Sri Lanka Rupees Thousands)

Description of significant unobservable inputs to valuation of FVOCI - Financial assets

Lank Electricity Company (Pvt) Ltd

Fair value of unquoted equity investments has been estimated using Market Multiple Methodology (MMM). Under MMM approach value is estimated based on suitable levels of future earnings for a business ("maintainable earnings") and applies an appropriate multiple to these earnings, capitalizing them into a value for the business. Company applies EBIT as earning base. To identify appropriate peers to use in reviewing the fair value of West Coast Power (Private) Ltd, listed companies involved in the supply of electricity using fossil fuel in the Asian Region were analysed. Outliers were estimated based on the differences in the nature of operations and size of the entities.

Due to the minority stake of West Coast Power (Private) Limited, the Management is not in a position to access the direct management and insider information. However considering the nature of the industry and general features of Power Purchasing agreement, market values of assets and liabilities are assumed to be remain similar to the carrying value recorded as at December 31, 2020.

LTL Holdings (Pvt) Ltd

The fair value of the unquoted ordinary shares have been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows and discount rate. The probabilities of the various estimates within the range can be reasonably assessed and used in management's estimate of fair value for the unquoted equity investment

Auditor General's Report on Group Financial Statements



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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Your No. }

දිනය
திகதி } 15 September 2021
Date }

**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 2020 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 2020 comprising the statement of financial position as at 31 December 2020 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 of LTL Holdings (Pvt) Ltd and Trincomalee Power Company Ltd were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries.

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 2020, 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 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 during the financial year 2016 and the expenses previously capitalized has been written off in the year 2018. 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.

1.2.2 The Qualified Opinion on the financial statements of the following companies for the year ended 31 December 2020 had been expressed by me based on the following observations.

(a) Lanka Electricity Company (Private) Limited

- (i) As per paragraph 32 of LKAS 1, the company shall not offset assets and liabilities or income and expenses, unless required or permitted by a SLFRS. However,
 - Delay charges received from the suppliers amounting to Rs.64.3 million had been offset against operating expenses of the year under review.

Auditor General's Report on Group Financial Statements (Contd.)



- The company had offset credit balances of customers amounting to Rs. 9 million against the trade receivables of the year under review.
 - Debit balance of advance payment amounting to Rs. 9.4 million had offset against the sundry creditors and accrued expenses of the year under review.
- (ii) Interest expense of National Saving Bank Sooriya Bala Sangramaya Loans as at 31 December 2020 had been overstated by Rs.37.4 million.
 - (iii) According to the financial statements, the balances of Capital Work in Progress of Nugegoda, Negombo, and Galle branches as at 31 December 2020 were Rs.215.8 million, Rs.29.97 million and Rs.77 million respectively. However, as per the report of capital jobs in progress, the aforesaid balances were Rs.237.3 million, Rs.35.3 million and Rs.65.3 million respectively. Accordingly, there were differences of Rs.21.49 million, Rs.5.3 million and Rs.11.9 million between balances respectively.
 - (iv) There was a difference of Rs. 13.5 million in respect of debtors balance shown in the financial statements and the Billing system as at 31 December 2020.
 - (v) Interest income on term deposits and fixed deposit had not been recognized in the year under review. As a result, the value of other financial assets interest income shown in the financial statements as at 31 December 2020 had been understated by Rs.136.8 million and by Rs.67.9 million respectively.
 - (vi) Cash deposit amounting to Rs.6 million made on 31 December 2020 by the Nugegoda branch had been recognized as bank overdraft in financial statements of the year under review.
 - (vii) Right of use assets and Depreciation on Right of use assets had been overstated by Rs.10 million and understated by Rs.5.8 million respectively.
 - (viii) Income tax expenses of Ante Leco Metering Company (Private) Limited of the year under review was Rs.6 million. However, it had not been considered in preparing consolidated financial statements of the year under review.
 - (ix) Depreciation on Right of Use Assets amounting to Rs.48.7 million had been included under the inventory. As a result, the profit of the year under review has been overstated by similar amount.
 - (x) Interest received on security deposit for the first quarter of the year 2020 amounting to Rs.8.7 million had been erroneously recorded under the interest receivable on investments. As a result, the interest income of the year under review had been understated by similar amount.
 - (xi) I was unable to obtain share certificate or any other sufficient appropriate audit evidence in respect of the investment amounting to Rs 5 million made on ordinary shares of the Lanka Broad Band Network (Private) Limited as at 31 December 2020.

(b) Lanka Coal Company (Pvt.) Ltd

- (i) As per paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12), no disclosure had been made regarding the assessment of Rs.159.54 million relating to the Economic Service Charge (ESC) for the year of assessment 2017/2018 and the penalties imposed of amounting to Rs. 75.46 million thereon in the financial statements of the year under review.
- (ii) A sum of Rs.12.07 million receivable from CEB has contained in a suspense account that carrying a debit balance of Rs.2.5 million at the year end of the year under review and the opening balance as at 01.01.2020 was Rs. 4.67 million. During the year under review the Company has debited a sum of Rs.1.6 million and credited a sum of Rs.3.7 million to the above suspense account without any reasons.
- (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.3.65 billion 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) According to the financial statements final VAT and other receivable and trade debtors receivable balance as at 31.12.2020 from CEB were Rs.197.45 million and Rs.12.07 million respectively. However, it had not confirmed by the CEB. Therefore, audit was unable to ascertain the accuracy of trade debtor balance since no evidence was not made available for audit.

Auditor General's Report on Group Financial Statements (Contd.)



- (v) The Company has not made any provision for the impairment of long outstanding management fee receivable amounting to Rs. 10.62 million as at 31.12.2020.
- (vi) According to the documents available, the Company had been paid a penalty of Rs. 205 million to Sri Lanka Custom on non-declaration of correct transaction value of the coal imported during the period from 19 September 2016 to 09 April 2018. The Penalty payment made in 2019 had been debited to Sri Lanka Custom VAT account, VAT control account and CSCL liability account instead of being accounted as expense to the respective year. As a result, retained earnings had been overstated by Rs.205 million and Sri Lanka Custom VAT account, VAT control account and CSCL liability account had been understated by Rs., 158.19 million, Rs.39.97 million and Rs.6.8 million respectively.
- (vii) The Company had failed to take actions to recover the long outstanding receivable balance amounting to Rs.539.19 million from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL). Ceylon Shipping Corporation had not accounted the above balance in their financial statements as at 31.12.2020. TISCL/CSCL had neither confirmed this balance nor had not made any provision for the impairment. Therefore, it was unable to ascertain the accuracy and existence of the above balance.
- (viii) The balance confirmations and evidences relevant to verification of Rs. 578.67 million ESC receivable from CEB, Rs 18.07 million of Miscellaneous Debtors, Rs. 1.1 million of receivable of Noble Resources International Pte Ltd, Rs. 85.89 million of Trade Creditors – Nobel Resources International Pte Ltd and Rs.8.04 million of SGS charges 50% receivable from Liberty Commodities Ltd were not made available to the audit.
- (ix) Without disclosing the amount of Rs. 285,375,105 paid by CEB for the freight and VAT charges for the forthcoming financial year separately and it had been deducted from the account of, "Trade Debtors (CEB) for thermal Coal Shipments". As a result, the balances of "Trade Debtors (CEB) for thermal Coal Shipments" and Advance received from CEB had been understated by Rs. 285.37 million.
- (x) Without a liability in the financial statements the Company had paid a sum of Rs.4 million to M/s Mercator Singapore (Pvt) Ltd in 2019 through Ceylon Shipping Corporation Ltd (CSCL). However, the Company had deducted this amount from the CSCL payable balance erroneously. Hence, the liabilities had been understated by similar amount.
- (xi) The Company had paid a sum of Rs. 136.23 million as Custom VAT for the Shipment No. 123. However according to the Cusdec the actual VAT amount was Rs. 106.97 million. Hence, the over payment was Rs. 29.27 million.

1.2.3 Comments on Financial Statement of the CEB

1.2.3.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) Conceptual Framework for financial reporting

- (i) Contrary to the paragraph 4.1(b) of the framework, expenses amounting to Rs.43.97 million which have no direct association between the cost incurred and earning of specific items of income of the board and which are the administration expenses of the separate entity had been recognized as expenses of the CEB in its income statement.
- (ii) Contrary to the paragraph 4.3, the assets valued at Rs.8 million which Economic benefits do not flow to the board and controlling power and right of assets lie with the board had been utilized by other entity.
- (iii) Ownership of the land of head office building is unable to verify due to non-availability of documents related to the right of the assets.

(b) LKAS 2- Inventories and LKAS 16 – Property, Plant and Equipment

CEB is applying the standard cost method for valuing of 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 overhead rate variances aggregating to Rs.2.61 billion arisen thereon had been brought to the financial statements.

As a result of that, the operating results, assets 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.

(c) LKAS 16 – Property, Plant and Equipment

The fixed assets amounting to Rs.172,019,335,924 in the Transmission Division had not been physically verified during the year under review.

Auditor General's Report on Group Financial Statements (Contd.)



(d) Accounting Policies

The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed and adjusted prospectively as mentioned in the accounting policy no.2.6.7(e) and 3. For instance, fully depreciated property, plant and equipment amount of Rs.187.58 billion are being still using without estimating the real life time.

1.2.3.2 Accounting Deficiencies

- (a) A debit balance of Rs.189.54 million (stock shortage) and a credit balance of Rs.114.64 million (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.
- (b) Loan amount aggregating to Rs.159.18 billion obtained for the construction of Lakwijaya Power Plant should be transferred to the Lanka Coal Company (Pvt) Ltd (LCC) by the treasury and CEB should pay the equivalent amount required for debt servicing to LCC as per the requirements of the Cabinet decision no. 10/2434/423/034 dated 13 October 2010. According to the letter no. PE/EN/CEB/Equity/2014 dated 30 September 2014 issued by the Secretary to Treasury, these loans should be treated as direct loans of CEB. However, the CEB had recorded these loans as loans received from General Treasury even no any sub loan agreements entered with the General Treasury. Hence existence of these loans is in doubt and impact to the financial statements on repayment of these loans cannot be quantified.

Further, an amount of Rs. Rs.20.5 billion including Rs.3.56 billion of interest payment and amount of Rs. 20.54 billion including Rs.3.15 billion of interest payment incurred by the treasury had been transferred to the equity of CEB in 2019 and 2020 respectively. However, CEB had charged interest expenses to the income statement which were transferred as interest to the equity even this expense was not incurred by the CEB. Hence, loss for the years 2019 and 2020 had been overstated by Rs.3.56 billion and Rs.3.15 billion respectively.

Further, CEB had charged Rs.11.89 billion and Rs.20.86 million to the income statement as exchange loss in the year 2019 and 2020 respectively even the Section 42(6) of Electricity Board act no. 17 of 1969 stated that the any loss or profit in relation to the revaluation of SriLanka rupee which the loan made to the board with approval and guarantee of the government should charged to the consolidated fund and government shall bear that losses or profit. Therefore, loss for the years had been overstated by Rs. 11.89 billion and Rs.20.86 million in the years 2019 and 2020 respectively.

- (c) CEB had recorded the amount of Rs.25.23 billion as disbursed from foreign loans after 31 December 2014 for the Projects as sub loans from General Treasury even these loans had not been treated as sub loans in treasury financial statements after 31 December 2014. Further repayment of these loans had been assigned to the CEB as per the cabinet decision no.15/0228/613/012 taken on 18 March 2015. However, CEB had not paid or made the provisions for the capital repayment and interest payment for these loans. Hence, existence of these loans is in doubt and impact to the financial statement on repayment conditions (capital and interest payment) is unable to quantify.
- (d) Six foreign loans valued at Rs.54.71 billion had been recognised as loan received from General treasury in the financial statements of the Board even no any sub loan agreements entered with General Treasury. Hence existence of these loans is in doubt and impact to the financial statements on repayment of these loans is unable to quantify.
- (e) The jobs carried out by the CEB for supply, maintain and repair of power generators, lifts and air conditioners to the government institutions prior to the year 2013 had been valued at cost and accounted them accordingly instead of account the jobs based on their invoice values. As a result, the receivables and retained earnings shown in the financial statements had been understated by Rs.66.99 million as at 31 December 2017. The CEB had not submitted the settlement details of these outstanding balances and invoices as at 31 December 2020 to audit.
- (f) The amount of Rs.500 million out of Rs. 5 billion which was paid to the General Treasury as levy in the year 2016 had been amortised to the income statement as payment of management fee during the year under review and amount of Rs.1.5 billion had been charged to the retained earnings. The balance amount of Rs.3.0 billion is shown as other debtors in the financial statement instead of being charged to the equity statement. However, no management services had been obtained by the CEB from the General Treasury. Therefore loss for the year had been overstated by Rs.500 million.
- (g) Completed number of 7,546 Jobs valuing to Rs.6.18 billion is remained in work in progress account without being transferred to the assets in Distribution Divisions. The depreciation relating to those assets had not been charged to the income statement.
- (h) Total cost of Rs.979.88 million in relation to the Upper Kothmale Hydro Power project which was completed in 2012 was still included in work in progress accounts instead of capitalizing. Hence, depreciation for the year under review and retained earnings had been understated by Rs.27.99 million and Rs.195.98 million respectively.

Auditor General's Report on Group Financial Statements (Contd.)



- (i) Total cost of Rs.179.19 million vehicles purchased for the Puttalam Coal Power project which was completed in 2014 and it was still included in work in progress accounts instead of capitalizing. Hence, retained earnings had been understated by Rs.179.19 million.
- (j) Amount of Rs.18.76 million of Interest income, VAT and surcharge received from bulk finalized customers against written off balances had not been recognized properly. Hence debtor balances was understated by same amount.
- (k) Provision for unrecoverable amount of Rs.30.56 million of Street lightening maintenance expenses had not been made in financial statements.
- (l) The payable balance of Rs.29.97 million had been debited to the collection control account erroneously in Colombo City office. Hence debtor balance was understated by same amount.
- (m) The sundry debtors balance had been overstated by Rs.585.69 million due to recognition of revenue relevant for the period from 01 January 2021 to 15 January 2021 as revenue of the year under review. Hence Revenue for the year had been overstated by same amount.
- (n) Claimable period exceeded amount of Rs.1.57 billion of Economic Service Charge (ESC) had not been charged to income statement. Hence, Loss had been understated by same amount.
- (o) Work in progress balance in distribution divisions had been understated by Rs.52.06 million due to offsetting abnormal credit balances.
- (p) The amount of Rs.912.69 million is remained more than one year in Goods in transits account without being transferred to the relevant expenses. Hence loss had been understated by same amount. Further, abnormal credit balance of Rs.245.53 million is remained in the Goods in Transits account without being cleared.
- (q) Cost and cumulative depreciation of Property, Plant and Equipment had been understated due to omission of the values of 12 numbers vehicles in financial statements.
- (r) Value of Power Station had been overstated by Rs.175.10 million due to capitalisation of expenses of incomplete assets in relation to the Kelnithissa Combined Cycle Power Station. Further capital expenditure amount of Rs.323.28 million and depreciation amount of Rs.27.04 million in relation to this incomplete asset had been charged to the income statement during the year under review. Hence loss for the year had been overstated by Rs.350.32 million and Work in progress balance had been understated by Rs.498.38 million.
- (s) The depreciation amount of Rs.54.14 million which are relevant for the assets completed in year 2018 and 2019 had been recognized as expense in Generation Division during the year under review. Hence loss for the year under review had been overstated by same amount.
- (t) The two projects valued at Rs.167.25 million which is remained without completion from the year 2015 are shown under work in progress without being cleared.
- (u) Loss for the year under review had been overstated by Rs.0.99 billion due to over provision made in relation to the accruals of thermal power purchase.
- (v) Loss for the year under review had been understated by Rs.1.1 billion due to omission of 77.2 GWh of renewable energy purchases.
- (w) Renewable energy purchase of 12.2 GWh amounting to Rs.212 million during the year 2019 had been accounted to the renewable energy purchase account of 2020. Hence loss for the year had been overstated by same amount.
- (x) The amount of Rs. 808 million payable for renewable energy purchase up to 31 December 2020 from the renewable energy power producers who contract period of 15 years were completed had not been accounted. Hence loss for the year had been understated by same amount.
- (y) As per the financial statements, delay payment interest during the year under review was Rs. 2,481 million and it was Rs.2,885 million as per the certified delay payment interest calculations for the year under review. Hence loss for the year had been understated by Rs. 404 million.
- (z) The fixed assets amount of Rs. 14 million which were disposed had been still shown in the fixed assets of the Transmission division.
- (aa) Existence of the loan amount of Rs.2 billion received from related party on March 2020 was unable to verify due to non availability of agreement entered by two parties. Hence impact to the financial position on repayment of loan is unable to quantify.

Auditor General's Report on Group Financial Statements (Contd.)



- (bb) A provision of Rs.63.56 million for shipment charges of Coal had not been made in the financial statements. Hence loss for the year had been understated by same amount.
- (cc) 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. However, financial statements of the CEB are continuously restated since the year 2013 due to weaknesses in the internal controls established by the Board.
- (dd) A debit balance of Rs.557.94 million and credit balance of Rs. 556.81 million had been remained without being cleared since 2002 as inter divisions' current account balances as at 31 December 2020.
- (ee) An amount of Rs.1.25 million of loan processing fee had been charged to the loan balance instead of income statement. Hence, loss for the year under review and loan balance had been understated by same amount.

1.2.3.3 Un-reconciled Differences

- (a) A difference of Rs.753.61 million was observed between the balance shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2020 and the corresponding balance shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.
Further, this dispute had not been cleared even as at 31 December 2020 though it has been reiterated in audit reports since 2013 continuously.
- (b) Un-reconciled differences aggregating to Rs.41.18 million was observed between the balances of bulk trade debtors as at 31 December 2020 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements for the year under review due to omission of some balances in billing system and as well as in the financial statements. Further, an amount of Rs.423.76 million is remained as unidentified since 2012.
- (c) Reconciliation for the balance of Rs. 2,343 million and Rs. 149 million available in the Collection Control ledger account as debit and credit as at 31 December 2020 had not been submitted to the audit. Hence accuracy of the balance available in Collection control account was unable to verify.
- (d) Age analysis and detail schedule of the suspense balance amounting to Rs.117.58 million had not been submitted to identify the nature of the balance.
- (e) The amount of Rs. 38.76 million is remained outstanding since 2019 due to application of wrong tariff methodology for the customer by the Board.
- (f) A difference of Rs.5.9 billion were observed in relation to the Thermal payable - Independent power producers between the balance shown in the financial statements and sum of unsettled certified invoices.

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.

Auditor General's Report on Group Financial Statements (Contd.)



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.
- 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 Functions performed by the board out of its powers, functions and duties

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- 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.
- 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.
- 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 1.2.1, 1.2.2 (b) - (iii), (vi), (vii), (viii), 1.2.3.1 (a) - (i), (ii), (b), (c), 1.2.3.2 (a), (b), (c), (d), (e), (f), (g), (h), (i), (cc), (dd), 1.2.3.3 (a), (b), (c), (d).

W. P. C. Wickramaratne
Auditor General

Replies to the Report of the Auditor General

Replies to the Report of the Auditor General on the Consolidated Financial Statements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2020 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

1.2.1 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.

The Cabinet approval was given to develop 50 MW solar power and 500 MW LNG plants in May 2018. It has been decided to develop 50 MW solar power plant by TPCL at the land allocated for coal power plant at Sampur. Further to develop 500 MW LNG power plant at Kerawalapitiya by a new company formed with 50:50 shares by NTPC and CEB.

The said matter was continuously discussed in the Board Meetings of TPCL held during the past periods and the Board decided to amend the articles of association of TPCL in order to implement the solar power project by TPCL and the Board will take necessary actions to sign joint venture agreement between CEB and NTPC during 2021 in order to commence the development of solar power. However required legal clearance should be taken from Attorney General before signing the JV agreement.

After series of discussions between CEB and NTPC both parties have signed joint venture agreement on 25th October 2019 to develop the LNG power plant in Kerawalapitiya. Further Attorney Generals clearance received for the Articles of Association in July 2021.

Progress of discussions are on hold as of today due to impact of COVID 19. However Board of TPCL is in the opinion that steps will be taken to implement the proposed projects during future periods.

1.2.2 The Qualified Opinion on the financial statements of the following company for the year ended 31 December 2020 had been expressed based on the following observations.

(a) Lanka Electricity Company (Private) Limited

(i) As per paragraph 32 of LKAS 1, the company shall not offset the following assets and liabilities or income and expenses, unless required or permitted by SLFRS.

Delay charges received from the suppliers amounting to Rs.64,314,868 had been offset against operating expenses.

In future the captioned charge will be extracted periodically and will be presented as an Other Income instead of setting off against Cost of Purchases.

The company had offset credit balances of customers amounting to Rs.9, 174,474 against the trade receivables.

It is impracticable to show credit balances separately in the financial statements. Value of the credit balances not material when compared to the total value of the debtors.

Solar loan installments paid by consumers are the main reason for these credit balances. Solar loans, as per the agreement have to be paid on specific dates but consumers pay it on different dates. Therefore, Billing system is unable to recognize this. We will take steps to incorporate the payment mode after these specified dates.

However, necessary steps have been taken time to time to generate several reports from the billing system to identify the credit balances and make the payments to NSB

Debit balance of advance payment amounting to Rs. 9,385,853 had offset against the sundry creditors and accrued expenses

This includes an amount of Rs. 8,772,473 to which the related LC value has not been entered to the system as at 31.12.2020 and therefore showing a debit balance in creditors

Replies to the Report of the Auditor General (Contd.)

- (ii) Interest expense of National Saving Bank Sooriya Bala Sangramaya Loans as at 31 December 2020 had been overstated by Rs.37,420,500.**

Agreed with the comment and will be rectified in the year 2021

- (iii) Capital Work in Progress of Nugegoda, Negombo, and Galle branches as at 31 December 2020 were Rs.215,834,467, Rs.29,970,666 and Rs.77,226,400 respectively. However, as per the report of capital jobs in progress, the aforesaid balances were Rs.237,329,923, Rs.35,308,618, and Rs.65,301,260 respectively. Accordingly, there were differences of Rs.21,495,456, Rs.5,337,952 and Rs.11,925,140 between balances respectively.**

There were some entries migrated from previous version of the Pronto system in 2016. It found that certain job entries were duplicated in the job costing module. This might be the reason for this gap. IT department is investigating about this matter with the Pronto system service provider.

- (iv) A difference of Rs. 13.5 Mn in respect of debtors balance shown in the financial statements and the Billing system as at 31 December 2020.**

Noted the comment. This balance appears in the PRONTO with the system migration in year 2016. The matter will be discussed at the Audit Committee Meeting and rectifications will be done accordingly.

- (v) Interest income on term deposits and fixed deposit had not been recognized in the year under review for Rs.136.8 Mn and by Rs.67.9 Mn respectively.**

Noted and will do the necessary adjustments during the year 2021

- (vi) Cash deposit amounting to Rs.6 Mn recognized as bank overdraft**

This was rectified in the books of account in March 2021.

- (vii) Right of use assets and Depreciation on Right of use assets had been overstated by Rs.10 million and understated by Rs.5.8 million respectively.**

These RoU and Borrowing Liability were created according to the rent agreement signed for lands & buildings obtained by LECO for monthly rent basis. This calculation gap is arose due to the difference of expected lease period estimate is different from current year to last year and as a result of that differences of net present value. We will revisit the calculations in the year 2021 and do the relevant adjustments in the books of account.

- (viii) Income tax expenses of Ante Leco Metering Company (Private) Limited of the year under review was Rs.6 Mn not considered in preparing consolidated financial statements**

Noted the comment and do necessary adjustments in the year 2021, if required.

- (ix) Depreciation on Right of Use Assets amounting to Rs.48.7Mn had been included under the inventory.**

Accounting entries relating to RoU Assets depreciation were posted to relevant G/L accounts correctly. However when preparing Financial Statements manually, these GL codes were erroneously mapped to the inventory balance. We will rectify this error in 2021.

- (x) Interest received on security deposit for Rs.8.7 Mn had been erroneously recorded under the interest receivable on investments.**

Necessary adjustments will be made in year 2021

- (xi) Unable to obtain share certificate or any other sufficient appropriate audit evidence in respect of the investment amounting to Rs 5,000,000 made on ordinary shares of the Lanka Broad Band Network (Private) Limited as at 31 December 2020.**

LECO is seeking legal advices from Attorney General Department to recover this balance since the share certificates relating to the investment were not given by the company though several requests were made.

(b) Lanka Coal Company (Pvt.) Ltd

- (i) No disclosure had been made regarding the assessment of Rs.159.5 Mn relating to the Economic Service Charge (ESC) and Rs 75.46 Mn penalties thereon**

A letter was sent to the Department of Inland Revenue requesting for an extension of the settlement of ESC and a request was also made to refrain from any recovery action or imposition of any levies against the company in this regard until an amicable agreement is made on the settlement of the ESC.

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- (ii) A sum of Rs.12.07 Mn receivable from CEB has contained in a suspense account that carrying a debit balance of Rs.2.5 Mn at the year end of the year under review and the opening balance as at 01.01.2020 was Rs. 4.6Mn. During the year under review the Company has passed debit and credit entries to the above suspense account without any reasons.**

The above entries have been passed to rectify the errors identified in internal audit reports.

- (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 by Inland Revenue Department (IRD) 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 2018-09-07 to which the response is yet to be received. Until such time we added 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. LCC has inquired from the Inland Revenue Department about the possibility of calculating the output VAT by removing the 10% notional margin, which contents in the revenue.

- (iv) VAT and other receivable and trade debtors receivable balance as at 31.12.2020 from CEB were Rs.197.45 Mn and Rs. 12.07Mn respectively which had not been confirmed by CEB.**

Final VAT & Other Receivable from CEB Rs.197,452,711 :

As per the investigation done by Sri Lanka Customs, Lanka Coal Company did not declare the correct transaction values of the coal imported during the period from 19/09/2016 to 09/04/2018. LCC and CEB officers have calculated the VAT payable as per the Customs officers' directions and were found that Rs. 195,780,909 to be paid for the shipments from 123 to 154. In addition to that LCC asked to pay Rs.1,671,802 for exchange loss related to the said shipments. Currently, the above VAT payable Balance is further analyzed for future settlements.

The breakup of the Trade Debtors (CEB) - Steam Coal Rs. 12,073,788 is given below.

- Receivable from CEB Rs.2,563,287 : Amount left after settlement of the account with CEB in 2017. Being further investigated to ascertain source/origin.
- Trade debtor (CEB) Steam Coal Rs.7,750,000 : The amount paid to M/s Mercator on behalf of CEB. Being considered to ascertain source/origin.
- Other Receivable from CEB Rs.1,760,500 :Amount left after settlement of the account with CEB in 2017. Being further investigated to ascertain source/origin.

- (v) The Company has not made any provision for the impairment of long outstanding management fee receivable amounting to Rs. 10,624,394 as at 31.12.2020 which comes over 3 years.**

The matter will be resolved after obtaining a board decision at LCC Board.

- (vi) A forfeiture (penalty) of Rs. 205,000,000 by on non-declaration of correct transaction value of the coal imported during the period from 19 September 2016 to 09 April 2018.**

As per the investigation done by Sri Lanka Customs, Lanka Coal Company has not declared the correct transaction values of the coal imported during the period from 19/09/2016 to 09/04/2018. During that time, the custom declaration totally handled by Ceylon Shipping Corporation (CSC) for a charge of Rs.1,000,000/- per shipment and S.L Customs had imposed a forfeiture of 205,000,000/- to LCC on above wrong declaration & the investigation officers of S.L Customs had informed to LCC Officers that no any final VAT payment to be done after this payment.

At that time LCC had paid Rs. 37,594,744 to Sri Lanka Customs as final VAT to the above related shipments and LCC was compelled to settle the sum of Rs 205 Mn subsequently using the funds provided by CEB to make the settlement of CSC outstanding since S.L. Customs held the clearance of coal shipments.

- (vii) The Company had failed to take actions to recover the long outstanding receivable balance amounting to Rs.539.19 Mn from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL).**

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

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in our possession, the settlement proposal has been submitted for determination by the cabinet. Present Status of Outstanding amount receivable from Ceylon Shipping Corporation (Taurian Iron and Steel Company Ltd.) was referred to the Cabinet of Ministers and the Cabinet appointed a four-members Committee of the Treasury (Chairman), Ceylon Shipping Corporation, Lakvijaya Power Plant and Lanka Coal Company to negotiate with the Taurian Iron and Steel Company. Further, Cabinet has advised to submit the recommendations of the committee through Ministry of Ports and Shipping back to the Cabinet which is yet to be submitted.

(viii) The balance confirmations and evidences relevant to verification of Rs. 578.67 Mn ESC receivable from CEB, Rs 18.07 Mn of Miscellaneous Debtors, Rs. 1.1 Mn of receivable of Noble Resources International Pte Ltd, Rs 85.88 Mn of Trade Creditors – Nobel Resources International Pte Ltd and Rs.8.04 Mn of SGS charges 50% receivable from Liberty Commodities Ltd were not made available to the audit.

i. ESC Receivable from CEB : 578.67 Mn

A letter was sent to the Department of Inland Revenue requesting for an extension of the settlement of ESC

ii. Misc. Debtors Rs.18.07 Mn

Initial investigations revealed that the amount comprises of Rs.17.83 Mn of irrecoverable NBT & PAL. Being further investigated to ascertain source/origin.

iii. Receivable from Nobel Resources Rs.1.1 Mn

There is a credit balance for a sum of Rs.85.89 Mn for Noble Resources and we will set off this debtor balance against the same.

iv. Trade creditors Noble Resource Rs.85.88 Mn

The balance mainly consists of an under drawn amount by Nobel Recourses Intl. Pvt. Ltd due to expiry of the LC validity period.

v. SGS Charges 50% receivable from Liberty Commodities Ltd : Rs.8.04 Mn

Draft Survey Charges at discharge port for 17 nos of vessels in the season 2015/16 are included. An email was sent in 2019 informing M/s Liberty Commodities Pte Ltd to make this payment based on the signed agreement. Arbitration process is going on this matter.

(ix) Without disclosing the amount of Rs. 285,375,105 paid by CEB for the freight and VAT charges for the forthcoming financial year separately it had been deducted from the account of, "Trade Debtors (CEB) for thermal Coal Shipments".

The accounting is done for each coal season according to the existing accounting methods of the LCC. The net value due for the season 2020-21 is shown as the balance to be received from the CEB as at 31st December 2020.

As shown in the audit, the net balance due at the end of the year has been disclosed but the total amount due from CEB and the advances received have not been disclosed separately. Advances received in next year's financial statements are expected to be disclosed separately.

(x) Without a liability in the financial statements the Company had paid a sum of Rs.4,000,000 to M/s Mercator Singapore (Pvt) Ltd in 2019 through Ceylon Shipping Corporation Ltd (CSCL).

This payment had done to M/s Mercator Singapore (Pvt) Ltd through Ceylon Shipping Corporation Ltd in the year 2019 & being investigated to ascertain source/origin of the Mercator liability & will pass the relevant entries to CSC accordingly.

(xi) The Company had paid a sum of Rs. 136,236,370 as Custom VAT for the Shipment No. 123. However according to the Cusdec the actual VAT amount was Rs. 106,969,404. Hence, the over payment was Rs. 29,266,965.

The following documents were submitted to Sri Lanka Customs for the over payment of Rs.29,266,965.

- Final Cusdec (Custom Declaration)1183769 of 09/11/2016 on Mv.Star Lutas
- Final VAT calculation
- Copy of the latest customs refund letter dated 10th February 2021.

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1.2.3 Comments on Financial Statement of the CEB

1.2.3.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) Conceptual Framework for financial reporting

(i&ii) Contrary to the paragraph 4.1(b) and 4.3 of the framework, expenses amounting to Rs.43.97 million are the administration expenses of the separate entity are borne by CEB and assets valued at Rs.8 million in which the right of assets lie with the CEB had been used by another entity

Clause 12 (j) of the Ceylon Electricity Board Act has given the power to the Board to establish provident and pension funds. Hence, the establishment of the Provident Fund for CEB employees is a decision of CEB.

According to the Clause No. 5 of the Provident Fund Rules, gazetted on 31st December 2003, the fund is managed and administered by a Committee appointed by the Board, therefore it is the responsibility of the Board to manage and administer the Fund. Hence the cost of managing and administering the Fund is born by CEB.

Further, according to the Clause No. 20 (i) of the said rules, all the Administrative Expenses of the Fund, except for expenses related to inspection of Housing Loans, are being borne by CEB and this policy was in place from the inception of the Fund (from 1st November 1969) therefore the expenses incurred by CEB on behalf of Provident Fund are not recorded in the Financial Statements of the Fund.

This matter was presented to the Management Committee meeting of the Fund held on 11th February 2021, thereby the committee decided, to continue the existing practice and have a Board concurrence for the same. Accordingly a board paper was submitted to the CEB Board (Ref No: AFM(TM) / DFM (Provident & Pension Fund) /Adm/ 2021/01 Dated 2021-03-29) and having considered the matter in detail, the board has granted approval approved to continue the present policy of incurring Management and Administrative Expenses of the Fund by the Board.

iii. Ownership of the land of head office building is unable to verify due to non-availability of documents related to the right of the assets

Relevant documents for ownership of the land of CEB Head Office building are not available and therefore, CEB has requested the Land Commissioner to make necessary arrangements to establish the ownership of the CEB Head Office building.

(b) LKAS 2-Inventories and LKAS 16 –Property, Plant and Equipment

CEB is applying the standard cost method for valuing of overhead costs of its capital and maintenance jobs As a result, the favourable overhead rate variances aggregating to Rs.2.61 billion arisen thereon had been brought to the financial statements.

The absorption of overhead cost to capital jobs at an annually predetermined rate is practiced only in Distribution Divisions of CEB. Annual Overhead absorption rate is calculated using the budgeted cost of each unit which are directly relating to the construction jobs. When the budgeted cost is compared with the actual cost of Distribution Divisions, it was noted that the actual costs incurred have exceeded the budgeted costs by 10%. Hence, the overhead absorption rate used is also reasonable.

(c) LKAS 16 – Property, Plant and Equipment

The fixed assets amounting to Rs.172, 019,335,924 in the Transmission Division had not been physically verified during the year under review.

The physical verification pertaining to all moveable fixed assets have been successfully carried out and records furnished for the attention of Audit. The immovable assets, mainly related with existing the transmission lines, plant and machinery which are integral parts of electricity transmission network in providing continuous electrical energy supply in the county at present.

(d) Accounting Policies

The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB.

More than 53% of the fully depreciated assets consist of Generation power plants and related assets. A Committee has already been appointed to review the useful life of the fully depreciated power stations. However, due to the complexity and uniqueness of the power station, it would take a considerable time for the valuation.

The implementation of the revised useful lives for Motor Vehicles will be made in year 2021 with the approval of the Board.

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The major component of the balance assets is the transmission and distribution lines which is 38% of the fully depreciated assets. Actions will be taken to identify a mechanism to resolve the audit observation.

1.2.3.2 Accounting Deficiencies

(a) A debit balance of Rs.189.54 million (stock shortage) and a credit balance of Rs.114.64 million (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.

The following actions have been taken to clear the stock adjustment.

- Appointment of committees to resolve the matters
- Conducting formal inquires against the responsible employees
- Seeking legal advises, and
- Submitting board papers.

Accordingly, more than 46% of the shortage balance and 30% of the surplus balance are included in the above process.

(b) Loan amount of Rs.159.18 Billion obtained for the construction of Lakwijaya Power Plant should be transferred to the Lanka Coal Company (Pvt) Ltd (LCC) by the treasury and CEB should pay the equivalent amount required for debt servicing to LCC as per the requirements of the Cabinet decision no. 10/2434/423/034 dated 13 October 2010. However, the CEB had recorded this loan as loan received from General Treasury even no any sub loan agreements entered with the General Treasury.

As per the letter No: PE/EN/CEB/Equity/2014 dated 2014-09-30 with the subject implementation of Budget Proposals -2014 Debt to Equity Conversion signed by the Secretary to the Treasury, CEB has been advised that all loans obtained in relation to the Puttalam Coal Power Plant are to be treated as direct loans obtained by CEB and due to liquidity constraints servicing these loans would be continued by Treasury until CEB is in a position to meet the debt service cost

Further, at the meeting held on 2018-01-11 at the Department of Public Enterprise it was emphasized that servicing of the said loans needs to be channelled to the CEB as the asset and the obligation both are in the balance sheet of the CEB.

As the loan agreement is already signed between the Government of Sri Lanka and the respective lending agency the loan is recorded as a liability to treasury until treasury makes necessary arrangements to transfer the loan CEB.

Considering the directions given by treasury through the letter No: PEP/I/CEB/2/II (i) dated 2019-10-17 sent by the Director General of Department of Public Enterprises, CEB has made adjustments for capital repayments of Rs.16,942,798,790.95 along with an interest of Rs. 3,556,442,931.30 in the books of CEB for the year 2019. Further, as per Letter No: PED/1/CEB/02/11 (i) dated 15.01.2021 sent by the Director General, Department of the Public Enterprise CEB has converted Rs.20,536,545,932.04 to equity of GOSL in the books of CEB in line with the records of Department of Public Enterprises. Accordingly, the books of CEB has been adjusted in line with the directions given by Treasury.

In terms of sub-section 6 of section 42 of the Ceylon Electricity Board Act No.17 of 1969, Board does not account for any profits or losses arising from foreign 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 the Board. However, in order to cover this expense the Government enters into a sub loan agreement with CEB at an interest rate compensating such losses of loans obtained for CEB by the government.

As Treasury has decided to treat these loans as a direct loans obtained by CEB such sub loan agreements has not been entered into. Since the debt servicing is done by Treasury due to Liquidity Constraints of CEB the actual payment made to the lending agency has been transferred to CEB as a conversion of debt equity.

Since CEB has recorded these loans at the rate they were initially obtained in par with the act and has not revalued the loans thereafter, the exchange loss related to the capital repayment has also been included in the debt to equity conversion done by treasury. Accordingly, the exchange loss amounting to Rs. 20,862,022.88 related to exchange rate deviation from the beginning of the Year 2020 to the end of Year 2020 has been incorporated in the financial year 2020 and the exchange loss amounting to Rs.6,154,069,044.78 related to the exchange rate deviation up to the end of year 2019 has been adjusted to the year 2019.

Further, the exchange loss included in the 2019 debt equity conversion amounting to Rs.5,735,412,848.45 which has been accounted as a loan repayment in 2019 has been corrected in 2020 totalling the exchange loss for the year 2019 to Rs. 11,889,481,893.00

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- (c) CEB had recorded amount of Rs.25.23 billion disbursed from foreign loans after 31 December 2014 for the projects as sub loans from General Treasury even these loans should be assigned to the CEB as debt and service and repayment should have to be done by CEB as per the cabinet decision no.15/0228/613/012 taken on 18 March 2015, existence of these loans is in doubt and impact to the financial statement on repayment conditions cannot be quantified**

As per the Cabinet Memorandum dated 2015-03-09 submitted by Ministry of Finance on Regularising the mechanism of Disbursement, Servicing, repayment and accounting of foreign financed development projects and the cabinet Decision dated 2015-03-18 in this regard CEB is expected to service and repay debt from the year 2015.

As the Loan Agreements are already signed between the Government of Sri Lanka and the Lending agency, but obtained on behalf of CEB, initially these disbursements have been recorded as a liability to Treasury.

Subsequently, at the meeting held on 2018-01-11 by the Department of Public Enterprise it was decided to convert the on lending loans made to CEB through the General Treasury after 2014-12-31 in to GOSL equity with approval of the cabinet of Ministers.

Therefore, until the direction is received by treasury to transfer these balance in to equity CEB has recorded it as a liability to treasury.

- (d) Six foreign loans valued at Rs.54.71 billion had been presented as loan from General treasury in the financial statements of the Board even no any sub loan agreements entered with General Treasury**

These loans have been obtained through treasury on behalf of CEB even through sub loan agreements have not been finalized with General Treasury.

As the disbursement are made to CEB these are recorded as a liability to treasury. Further, the loan agreements are already signed between the Government of Sri Lanka and the respective lending agency

- (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 the probability of collection of receivables from the Ministry of Power & Energy and Government Hospitals for the jobs carried out by CEB, is doubtful, prior to 2013, revenue has been recognized on cash basis and the actual cost of the jobs were shown as receivable in the books of accounts, until the money being collected from the client. As at 2020-12-31, the difference between the actual cost and the estimated value of the jobs carried out for Government institutions is Rs 43,421,695.18 and it is not Rs. 66,987,761 as stated in the query.

However, as directed by the Board, at its meeting held on 2020-10-06 under minute No.20.14.279, General Manager, CEB, by her letter No. CEB/FM/AFM(Corp)/DFM(P&I)/Debtors dated 2020-12-21, has sought the assistance of the Director General, Department of Public Enterprises to recover the long overdue amounts from Government Institutions to overcome the cash flow issues faced by CEB and we have not so far received a favorable response from the Department of Public Enterprises.

Further, the Audit committee has directed Assets Management Division to draft a Board Paper to write off the long-standing receivables which cannot be recovered, at its meeting held on 2020-12-21 under the meeting minute No.03.03 of 2020/03 which confirmed by the Board under minute No. 21.06.128A at the board meeting held on 2021-04-07, as the Assets Management Division was unable to recover the overdue receivables from Government Institutions even after the persistent efforts being taken. Accordingly, DGM (W&AS) has engaged in the process of drafting a Board Paper in this regard.

CEB has made a full impairment provision in compliance with section 5.5.4 of Sri Lanka Financial Reporting Standard (SLFRS) 9- Financial Instruments on these receivable balances, considering the expected financial loss which would result in, due to the probable non-recoverability of these balances.

Further, the section (9) (e) of SLFRS 15 – Revenue from Contracts with Customers does not suggest to re-state the receivable balance (i.e., invoice value) as mentioned in the query, since the collectability of these receivable balances is not probable. Even if the receivables that are stated at cost, are restated in the accounts to recognize the invoice values of the above jobs a 100% provision is to be made for impairment, as per the provisions in section 5.5.4 of SLFRS 9 – Financial Instruments.

Accordingly, restating the invoice values (increase in receivables and retained earnings) would lead to recognizing an impairment provision (decrease in receivables and retained earnings) due to non-recoverability of such balances.

Considering all of the above, restating invoice values does not comply with the relevant provisions of the above quoted Accounting Standards as it would not have any significant impact on the financial performance and financial position of

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CEB. Hence, there is no any understatement in the financial statements as stated in the audit query.

Most of the requested information for the audit had already been submitted by the Heads of the respective units and also any additional information that is needed, could be collected from them.

- (f) The amount of Rs.500 million out of Rs. 5 billion which was paid to the General treasury as levy in the year 2016 had been amortized to the income statement as payment of management fee during the year under review and amount of Rs.1.5 billion had been charged to the retained earnings.**

Based on the Department of Public Enterprises letter No.PDE/I/CEB/2/11/(iii) dated 16.10.2019, in year 2019, this payment was considered as "Management Fee" paid to treasury and amortized over a period of 10 years from year 2017.

- (g) Completed number of 7,546 Jobs valuing to Rs.6.18 billion is remained in working progress account without being transferred to the assets in Distribution Divisions.**

Continuous attempts are made to capitalize the completed jobs to PPE on time. Provincial level committees have been appointed to monitor continuously and handover the long outstanding capital jobs. Accordingly, DD1 has capitalized 21% and DD3 has capitalized 28% of the jobs over 4 years by 31 May 2021.

- (h) Total cost of the Upper Kothmale Hydro Power project which was completed in 2012 was Rs.979.88 million and it was still included in work in progress accounts instead of capitalizing.**

Expenditures amounting to Rs. 979,888,779 have been accumulated in WIP account as at December 2020 after the initial asset transfer. This amount comprised mainly with personnel expenses, legal fees for arbitration & cost of land acquisition etc. Actions have been already in place to resolve outstanding issues with Project office in order to transfer this remaining amount and this will be accomplished within the year 2021

- (i) Total cost of the Puttalam Coal Power project which was completed in 2014 was Rs.179.19 million and it was still included in work in progress accounts instead of capitalizing**

Expenditure accumulated after the initial asset transfer amounting Rs. 528,013,647.76 was transferred to respective divisions in year 2020. However, Rs. 179,194,890 incurred for the procurement of vehicles was remained in the accounts due to non-transfer of ownership of the vehicles to the CEB (10 nos.) and this amount will be transferred to the respective divisions once ownership of the vehicles is transferred to the CEB.

- (j) Amount of Rs.18.76 million of Interest income, VAT and surcharge received from bulk finalized customers against written off balances had not been recognized properly.**

Necessary corrections will be made in future.

- (k) Provision for unrecoverable amount of Rs.30.56 million of Street lightening maintenance expenses had not been made in financial statements.**

Street Light maintenance done by the provincial councils are reimbursed by CEB and recorded as receivable from Ministry of Power. The above balance is the accumulated balance relating to such reimbursements made by southern province since year 2013. However, no funds have been received from the Ministry to the above balance so far and hence, Southern Province has taken a decision to not to reimburse the future expenses.

- (l) The payable balance of Rs.29.97 million had been debited to the collection control account erroneously in Colombo City office.**

Balance will be corrected in 2021 financial statements.

- (m) The sundry debtors balance had been overstated by Rs.585.69 million due to recognition of revenue relevant for the period from 01 January 2021 to 15 January 2021 as revenue of the year under review.**

The above balance has created due to difference between the period for billing summary and calendar month. However, actions have been taken to make the billing summary matches to calendar month. Hence, such balance is not created since year 2021.

- (n) Claimable period exceeded for Rs.1.57 billion of ESC**

Rs. 1,573,231,409 of ESC receivable represent the amount which is already time bared (exceed of three year period) required to be written off to the Financial Statements for the Year 2019 and 2020. The respective board paper was submitted in the year 2019 seeking approval for the write off. However, CEB Audit Committee recommendation was not to write off these ESC balance but to look at any alternatives to recover or rest et off this balances against any other payables by referring this matter to Ministry of Power and to General Treasury.

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It has been informed to General Treasury as part of National Budget Proposals 2018 and it was again informed to General Treasury through the Ministry of Power in year 2020 as part of a tax relief. Copy of the letter is attached as to which a reply is not received so far.

(o) Work in progress balance in distribution divisions had been understated by Rs.52.06 million due to abnormal credit balances

The reasons for the unusual credit balances for Rs.26,014,986 has been identified and will be rectified in year 2021 and actions are being initiated to review and clear the jobs relating to Lighting Sri Lanka Rathnapura Project for Rs. 26,045,997 on an individual job basis.

(p) The amount of Rs.912.69 million is remained more than one year in Goods in transits account without being transferred to the relevant expenses and abnormal credit balance of Rs.245.53 is remained in the Goods in Transits account without being cleared

Actions will be taken to rectify the balances in future.

(q) Cost and cumulative depreciation of Property, Plant and Equipment had been understated due to omission of the values of 12 numbers vehicles in financial statements of Distribution Division 03.

Actions will be taken to trace the vehicles and record in the Fixed Assets appropriately

(r) Value of Power Station had been overstated by Rs.175.10 million due to capitalization of expenses of incomplete assets in relation to the Kelnithissa Combined Cycle Power Station. Further capital expenditure amount of Rs.323.28 million and depreciation amount of Rs.27.04 million in relation to this incomplete asset had been charged to the income statement during the year under review.

Will be rectified in year 2021

(s) The depreciation amount of Rs. Rs.54.14 million which are relevant for the assets completed in year 2018 and 2019 had been recognized as expense in Generation Division during the year under review.

Noted and actions will be taken to minimize such errors in future.

(t) The two projects valued at Rs.167.25 million which is remained without completion from the year 2015 are shown under work in progress without being cleared.

Discussed with relevant officers and necessary action will be taken to clear the WIP balances of the two projects.

(u) Loss for the year under review had been overstated by Rs.0.99 billion due to over provision made in relation to the accruals of thermal power purchase.

Arrangements have been already made from January 2021 to obtain the certified invoices on time and account the same in the monthly accounts in order to avoid the over/ under accruals in the expense account.

(v&w) Renewable energy purchase of 77.4 Gwh amounting to Rs.1.1 billion during the year under review had been omitted from the renewable energy purchase account and Renewable energy purchase of 12.2 Gwh amounting to Rs.212 million during the year 2019 had been accounted to the renewable energy purchase account of 2020

NCRE monthly accrual is carried out using the invoices received and the 'monthly NCRE generation report' prepared by the Subject Engineer. Invoices from the newly commissioned plants are usually received with a delay and sometimes even the ongoing plants submit their invoices with a considerable delay due to various reasons. Hence, invoices received with a delay are recorded in the period at which the information is received. Some of these delayed invoices are included in the January 2021 accounts as these purchases were included in the 'NCRE generation report' for the month of January 2021.

(x) The amount of Rs. 808 million payable for renewable energy purchase up to 31 December 2020 from the renewable energy power producers who contract period of 15 years were completed had not been accounted.

The renewal of SPPAs whose original term has been expired, was not carried out at the very instant of expiring the agreement due to various reasons. However, these power plants were operated continuously irrespective of having a signed agreement. Hence, the accrual of invoices was carried out as and when they are received subject to signing the respective extension to the agreement. Hence, there is a total of LKR 900 million accrual in the accounts for the month of January 2021 as an under accrual for the year 2020.

(y) As per the financial statements, delay payment interest during the year under review was Rs. 2,481 million and it was Rs.2,835 million as per the certified delay payment interest calculations for the year under review.

Value of the delayed interest certified for the year 2020 is LKR 2,885 million and there was an over accrued amount related

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to the year 2019 of LKR 383 million and an under accrual of LKR 21 million for the year 2020 included in the account in the year 2020.

However, arrangements have been taken from January 2021 to calculate the delayed interest using the certified values in invoices in order to avoid the over / under accruals in the expense account.

(z) The fixed assets amount of Rs. 14 million which were disposed had been still shown in the fixed assets of the Transmission division.

Action will be taken to instruct all branches of Transmission Division in order to update the PPE with correct information.

(aa) Existence of the loan amount of Rs.2 billion received from related party on March 2020 was unable to verify due to non-availability of agreement entered by two parties.

This credit facility is obtained from LECO to manage working capital requirement of CEB considering adverse financial situation of CEB and the necessity of providing uninterrupted power supply to the nation as per board decision No.20.03.060 dated 25.02.2020. A draft loan agreement is being reviewed by both parties in order to sign the loan agreement.

(bb) A provision of Rs.63.56 million for shipment charges of Coal had not been made in the financial statements.

The above amount of Rs. Rs.63.56 million has not been recorded in CEB books of accounts as at 31.12.2020, since the particular payments were under being discussion with LCC. However, the reconciliation provided in the Financial Statements adequately disclosed the figures under from which only Rs.22,520,185.72 has been settled on 22.03.2021 after closing the accounts for year 2020.

(cc) Financial statements of the CEB are continuously restated since the year 2013

Restatements of financial statements are mainly done due to the complexity of the operation and volume of the transactions in CEB. However, actions will be taken to strengthen the internal control system to avoid the restatement of the Financial Statements

(dd) A debit balance of Rs.557.94 million and credit balance of Rs. 556.81 million had been remained without being cleared since 2002 as inter divisions' current account balances as at 31 December 2020.

The said balance is carried forward since year 2002 on which the decentralization of the Distribution Divisions has taken place. Action will be taken to trace the supporting documents and clear the same.

(ee) An amount of Rs.1.25 million of loan processing fee had been charged to the loan balance instead of income statement.

This had been corrected in monthly accounts April 2021.

1.2.3.3 Un-reconciled Differences

(a) A difference of Rs.753.61 million was observed between the balance shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2020 and the corresponding balance shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.

The above balance has not been shown in CEB financial statements as a payable to CPC and it has been informed to CPC as well. However, CPC has shown in their financial statements as interest receivable from CEB to which CEB does not agree. A decision has been taken at the Audit Committee meeting held at the Ministry of Power to arrange a meeting with the representatives from CPC, CEB, Treasury and the Ministry of Power to resolve the matters

(b) Un-reconciled differences aggregating to Rs.41.18 million was observed between the balances of bulk trade debtors as at 31 December 2020 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements for the year under review due to omission of some balances in billing system and as well as in the financial statements. Further, an amount of Rs.423.76 million is remained as unidentified since 2012.

Debtors' reconciliations are prepared by all Distribution Divisions and are submitted along with the Divisional Copies

(c) Reconciliation for the balance of Rs. 2,343 million and Rs. 149 million available in the Collection Control ledger account as debit and credit as at 31 December 2020 had not been submitted to the audit.

These differences are arisen due to ordinary supply billing cycle cut-off date deviate from financial accounts cut-off date. Therefore, the action have been taken to make the ordinary supply billing cycle cut-off date to be same as the financial year cut-off date in year 2021.

Replies to the Report of the Auditor General (Contd.)

(d) Age analysis and detail schedule of the suspense balance amounting to Rs. 117.58 million had not been submitted to identify the nature of the balance.

Information relating to Trade Debtors are generated through the system. However, the present system does not facilitate an age analysis for suspense balances. Hence, Distribution Division 2 and 4 prepares the age analysis manually which is a cumbersome process. Therefore, actions will be taken to develop an age analysis for suspense balance in future.

(e) The amount of Rs. 38.76 million is remained outstanding since 2019 due to application of wrong tariff methodology for the customer by the Board.

A committee has been appointed to resolve the matter which is still in progress.

(f) A difference of Rs.5.9 billion were observed in relation to the Thermal payable - Independent power producers between the balance shown in the financial statements and sum of unsettled certified invoices.

L5806- 'Thermal payable - Independent power producers' account was a part taken out from the account L-5920 'Accruals' in the year 2020. Balance shows the accrued balance booked using the invoice values received for each month from IPP thermal power plants. These balances are adjusted at the point of certification for the payment. This over / under accrued balance booked is reversed at the payment. There is a difference of LKR 5.6 billion between the ledger balance and certified outstanding invoice total at the end of the year 2020 to be reversed.

However, arrangements have been made since January 2021, to certify the invoices early enough so that payable amount is booked using the certified values. Hence, there will be no difference in two balances going-forward.

1.3 Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Informative

1.4 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Informative

2. Report on Other Legal and Regulatory Requirements

2.1 Functions performed by the board out of its powers, functions and duties

Informative



M. M. C. Ferdinando
Chairman
Ceylon Electricity Board



Eng. M. R. Ranathunga
General Manager
Ceylon Electricity Board

Auditor General's Report on CEB Financial Statements



**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 2020 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" (CEB) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 2020, 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 Opinion

1.2.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) Conceptual Framework for financial reporting

- Contrary to the paragraph 4.1(b) of the framework, expenses amounting to Rs.43.97 million which have no direct association between the cost incurred and earning of specific items of income of the board and which are the administration expenses of the separate entity had been recognised as expenses of the CEB in its income statement.
- Contrary to the paragraph 4.3, the assets valued at Rs.8 million which Economic benefits do not flow to the board and controlling power and right of assets lie with the board had been utilized by another entity.
- Ownership of the land of head office building is unable to verify due to non-availability of documents related to the right of the asset.

(b) LKAS 2- Inventories and LKAS 16 –Property, Plant and Equipment

CEB is applying the standard cost method for valuing of 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 overhead rate variances aggregating to Rs.2.61 billion arisen thereon had been brought to the financial statements.

As a result of that, the operating results, assets 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.

Auditor General's Report on CEB Financial Statements (Contd.)



(c) LKAS 16 – Property, Plant and Equipment

The fixed assets amounting to Rs.171.2 billion out of Rs. 172.2 billion in the Transmission Division had not been physically verified during the year under review.

(d) LKAS 37- Provisions, Contingent Liabilities and Contingent Assets

The Board had not disclosed the amount of Rs. 50 million which should be paid as per the court decision given and appeal made thereon.

1.2.2 Accounting Policies

The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed and adjusted prospectively as mentioned in the accounting policy no. 2.4.6(e) and 3 (c). For instance, fully depreciated property, plant and equipment amount of Rs. 187.58 billion are being still using without estimating the real life time.

1.2.3 Accounting Deficiencies

(a) A debit balance of Rs. 189.54 million (stock shortage) and a credit balance of Rs.114.64 million (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.

(b) Loan amount aggregating to Rs. 159.18 billion obtained for the construction of Lakwijaya Power Plant should be transferred to the Lanka Coal Company (Pvt) Ltd (LCC) by the treasury and CEB should pay the equivalent amount required for debt servicing to LCC as per the requirements of the Cabinet decision no. 10/2434/423/034 dated 13 October 2010. According to the letter no. PE/EN/CEB/Equity/2014 dated 30 September 2014 issued by the Secretary to Treasury, these loans should be treated as direct loans of CEB. However, the CEB had recorded these loans as loans received from General Treasury even no any sub loan agreements entered with the General Treasury. Hence existence of these loans is in doubt and impact to the financial statements on repayment of these loans cannot be quantified.

Further, an amount of Rs. Rs. 20.5 billion including Rs.3.56 billion of interest payment and amount of Rs. 20.54 billion including Rs.3.15 billion of interest payment incurred by the treasury had been transferred to the equity of CEB in 2019 and 2020 respectively. However, CEB had charged interest expenses to the income statement which were transferred as interest to the equity even this expense was not incurred by the CEB. Hence, loss for the years 2019 and 2020 had been overstated by Rs. 3.56 billion and Rs. 3.15 billion respectively.

Further, CEB had charged Rs.11.89 billion and Rs.20.86 million to the income statement as exchange loss in the year 2019 and 2020 respectively even the Section 42(6) of Electricity Board act no. 17 of 1969 stated that the any loss or profit in relation to the revaluation of SriLanka rupee which the loan made to the board with approval and guarantee of the government should be charged to the consolidated fund and government shall bear that losses or profit. Therefore, loss for the years had been overstated by Rs. 11.89 billion and Rs.20.86 million in the years 2019 and 2020 respectively.

(c) CEB had recorded the amount of Rs. 25.23 billion as disbursed from foreign loans after 31 December 2014 for the Projects as sub loans from General Treasury even these loans had not been treated as sub loans in treasury financial statements after 31 December 2014. Further repayment of these loans had been assigned to the CEB as per the cabinet decision no.15/0228/613/012 taken on 18 March 2015. However, CEB had not paid or made the provisions for the capital repayment and interest payment for these loans. Hence, existence of these loans is in doubt and impact to the financial statement on repayment conditions (capital and interest payment) is unable to quantify.

(d) Six foreign loans valued at Rs. 54.71 billion had been recognised as loan received from General treasury in the financial statements of the Board even no any sub loan agreements entered with General Treasury. Hence existence of these loans is in doubt and impact to the financial statements on repayment of these loans is unable to quantify.

(e) The jobs carried out by the CEB for supply, maintain and repair of power generators, lifts and air conditioners to the government institutions prior to the year 2013 had been valued at cost and accounted them accordingly instead of account the jobs based on their invoice values. As a result, the receivables and retained earnings shown in the financial statements had been understated by Rs.66.99 million as at 31 December 2017. The CEB had not submitted the settlement details of these outstanding balances and invoices as at 31 December 2020 to the audit.

(f) The amount of Rs. 500 million out of Rs. 5 billion which was paid to the General Treasury as levy in the year 2016 had been amortised to the income statement as payment of management fee during the year under review and amount of Rs. 1.5 billion had been charged to the retained earnings. The balance amount of Rs. 3.0 billion is shown as other debtors in

Auditor General's Report on CEB Financial Statements (Contd.)



the financial statement instead of being charged to the equity statement. However, no management services had been obtained by the CEB from the General Treasury. Therefore loss for the year had been overstated by Rs.500 million.

- (g) Completed number of 7,546 Jobs valuing to Rs. 6.18 billion is remained in work in progress account without being transferred to the assets in Distribution Divisions. The depreciation relating to those assets had not been charged to the income statement.
- (h) Total cost of Rs. 979.88 million in relation to the Upper Kothmale Hydro Power project which was completed in 2012 was still included in work in progress accounts instead of capitalizing. Hence, depreciation for the year under review and retained earnings had been understated by Rs. 27.99 million and Rs. 195.98 million respectively.
- (i) Total cost of Rs. 179.19 million vehicles purchased for the Puttalam Coal Power project which was completed in 2014 and it was still included in work in progress accounts instead of capitalizing. Hence, retained earnings had been understated by Rs. 179.19 million.
- (j) An Amount of Rs. 18.76 million of Interest income, VAT and surcharge received from bulk finalised customers against written off balances had been credited to the debtor account. Hence debtor balances was understated by same amount.
- (k) Provision for unrecoverable amount of Rs. 30.56 million of Street lightening maintenance expenses had not been made in financial statements.
- (l) The payable balance of Rs. 29.97 million had been debited to the collection control account erroneously in Colombo City office. Hence debtor balance was understated by same amount.
- (m) The sundry debtors balance had been overstated by Rs. 585.69 million due to recognition of revenue relevant for the period from 01 January 2021 to 15 January 2021 as revenue of the year under review. Hence Revenue for the year had been overstated by same amount.
- (n) Claimable period exceeded amount of Rs. 1.57 billion of Economic Service Charge (ESC) had not been charged to income statement. Hence, Loss had been understated by same amount.
- (o) Work in progress balance in distribution divisions had been understated by Rs.52.06 million due to offsetting abnormal credit balances.
- (p) The amount of Rs. 912.69 million is remained more than one year in Goods in transits account without being transferred to the relevant expenses. Hence loss had been understated by same amount. Further, abnormal credit balance of Rs. 245.53 million is remained in the Goods in Transits account without being cleared.
- (q) Cost and cumulative depreciation of Property, Plant and Equipment had been understated due to omission of the values of 12 numbers vehicles in financial statements.
- (r) Value of Power Station had been overstated by Rs.175.10 million due to capitalisation of expenses of incomplete assets in relation to the Kelanithissa Combined Cycle Power Station. Further capital expenditure amount of Rs.323.28 million and depreciation amount of Rs.27.04 million in relation to this incomplete asset had been charged to the income statement during the year under review. Hence loss for the year had been overstated by Rs. 350.32 million and Work in progress balance had been understated by Rs. 498.38 million.
- (s) The depreciation amount of Rs. 54.14 million which are relevant for the assets completed in year 2018 and 2019 had been recognised as expense in Generation Division during the year under review. Hence loss for the year under review had been overstated by same amount.
- (t) The two projects valued at Rs.167.25 million which is remained without completion from the year 2015 are shown under work in progress without being cleared.
- (u) Loss for the year under review had been overstated by Rs. 0.99 billion due to over provision made in relation to the accruals of thermal power purchase.
- (v) Loss for the year under review had been understated by Rs.1.1 billion due to omission of 77.2 GWh of renewable energy purchases.
- (w) Renewable energy purchase of 12.2 GWh amounting to Rs.212 million during the year 2019 had been accounted to the renewable energy purchase account of 2020. Hence loss for the year had been overstated by same amount.
- (x) The amount of Rs. 808 million payable for renewable energy purchase up to 31 December 2020 from the renewable energy power producers whose contract period of 15 years were completed had not been accounted. Hence loss for the year had been understated by same amount.

Auditor General's Report on CEB Financial Statements (Contd.)



- (y) As per the financial statements, delay payment interest during the year under review was Rs. 2,481 million and it was Rs.2,885 million as per the certified delay payment interest calculations for the year under review. Hence loss for the year had been understated by Rs. 404 million.
- (z) The fixed assets amount of Rs. 14 million which were disposed had been still shown in the fixed assets of the Transmission division.
- (aa) Existence of the loan amount of Rs.2 billion received from related party on March 2020 was unable to verify due to non availability of agreement entered by two parties. Hence impact to the financial position on repayment of loan is unable to quantify.
- (bb) A provision of Rs.63.56 million for shipment charges of Coal had not been made in the financial statements. Hence loss for the year had been understated by same amount.
- (cc) 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. However, financial statements of the CEB are continuously restated since the year 2013 due to weaknesses in the internal controls established by the Board.
- (dd) A debit balance of Rs. 557.94 million and credit balance of Rs. 556.81 million had been remained without being cleared since 2002 as inter divisions' current account balances as at 31 December 2020.
- (ee) An amount of Rs.1.25 million of loan processing fee had been charged to the loan balance instead of income statement. Hence, loss for the year under review and loan balance had been understated by same amount.

1.2.4 Un-reconciled Differences

- (a) A difference of Rs.753.61 million was observed between the balance shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2020 and the corresponding balance shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date. Further, this dispute had not been cleared even as at 31 December 2020 though it has been reiterated in audit reports since 2013 continuously.
- (b) Un-reconciled differences aggregating to Rs.41.18 million was observed between the balances of bulk trade debtors as at 31 December 2020 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements for the year under review due to omission of some balances in billing system and as well as in the financial statements. Further, an amount of Rs.423.76 million is remained as unidentified since 2012.
- (c) Reconciliation for the balance of Rs. 2,343 million and Rs. 149 million available in the Collection Control ledger account as debit and credit as at 31 December 2020 had not been submitted to the audit. Hence accuracy of the balance available in Collection control account was unable to verify.
- (d) Age analysis and detail schedule of the suspense balance amounting to Rs.117.58 million had not been submitted to identify the nature of the balance.
- (e) The amount of Rs. 38.76 million is remained outstanding since 2019 due to application of wrong tariff methodology for the customer by the Board.
- (f) A difference of Rs.5.9 billion were observed in relation to the Thermal payable - Independent power producers between the balance shown in the financial statements and sum of unsettled certified invoices.

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 Other information included in the CEB's 2020 Annual Report.

The other information comprises the information included in the Board's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

Auditor General's Report on CEB Financial Statements (Contd.)



In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Board's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 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.

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.

1.5 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.

Auditor General's Report on CEB Financial Statements (Contd.)



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 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 1.2.1 (a), (i), (ii), (b), (c), 1.2.2, 1.2.3 (a), (b), (c), (d), (e), (f), (g), (h), (i), (o), (cc), (dd), 1.2.4 (a), (b), (c), (d).
- 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 course 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 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 7(1) and 43(1) of SriLanka Electricity Act No.20 of 2009 as amended	Without obtaining the authorization from the regulator, 732.192 Gwh of energy valued at Rs.18.91 billion had been purchased during the year under review from the three Independent Power Producers (IPPs) who haven't obtained generation license.
(b) Section 7 (1) Section 43 (2), and 43 (7) of Sri Lanka Electricity Act, no. 20 of 2009 as amended.	Without obtaining the approval for the PPAs, additional power capacity of 100 MW had been purchased from power producers whose generation licence was not granted for the six months during the year 2019. It had been extended for further 6 months since February 2020. 78.669 GW of energy valued at Rs.3.26 billion had been purchased during the year under review.
(c) Ceylon Electricity Board Act, No. 17 of 1969 Section 46 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971	CEB had invested only Rs. 8,996 million as at 31 December 2020 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 should be transferred to that Fund since 1989. The amount of Rs.1.2 billion should be invested during the year under review.
(d) Section 9.4 of the PED circular No.12 issued by Department of Public enterprise.	Contrary to the provision, the Board had paid a sum of Rs. 79.13 million during the year under review as salary and other payments to the 56 employees who were released for the line ministry and CEB Provident Fund.
(e) PED Circular No 95 dated 14 June 1994 issued by Department of Public Enterprises and Decision taken on 25 September 2020 in Audit committee of Ministry	Contrary to the provisions and decisions, the amount of Rs. 1.2 billion had been paid as leave encashment in the year 2020.
(f) Section 47 of Employee Provident act No.15 of 1958.	Contrary to the provision, CEB had considered highest allowance from Exodus Allowance, postgraduate degree allowance and professional allowance /Semi professional allowance when computing the earnings.

Auditor General's Report on CEB Financial Statements (Contd.)



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| (g) Section 6.1.3 of the Power purchase agreement entered with West Coast Power (Pvt) Ltd on 10 January 2007 | The electrical energy supplied by the CEB to the company at 220kv shall be at the cost of power charged by the company to the CEB at the time of such supply if there are no terms and conditions applicable to the supply of electrical energy at 220kv by the CEB to the CEB's Industrial consumers at the time of the such supply. Contrary to the provision, the CEB considered only energy charge to compute the rate of the electrical energy supplied by the CEB to the company without considering the capacity charge and the other charges. |
| (h) Decision of Cabinet of Ministers dated 3 October 2018 | CEB has failed to implement the decision of Cabinet of Ministers on the utilization of standby Generators owned by Government entities. |

2.2.3 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) 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. 1,544.4 million and Rs. 1,712 million had been paid in the year 2020 and 2019 respectively.
- (b) The Cabinet of Ministers had 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)/ Advanced Personal Income Tax (APIT) tax liability to employees. However, the CEB had paid the PAYE tax/ Advanced Personal Income Tax (APIT) amounting to Rs.4.98 billion from its owned fund without deducting it from the salaries of the respective employees during the period from 2010 to 2020 in contravening to the above decisions taken by the Cabinet of Ministers and circular no. 3/2016 issued by the Department of Public Enterprises. The amount so paid during the year under review was Rs.57.04 million including tax on tax charge amounting to Rs.5.48 million.
- (c) Instead of granting vehicle loans at the rate of interest ranging from 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 dated 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.
- (d) CEB (transmission licensee) has failed to ensure that there is sufficient capacity from generation plant to meet reasonable forecast demand for electricity due to power plants are not commissioned as per the Long Term Generation Expansion Plan and thermal power are purchased on short term basis without considering requirements of the Section 24 (1) (c) of Sri Lanka Electricity Act, no. 20 of 2009 as amended.
- (e) The CEB had not paid interest on consumer deposits as specified in the Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009 and according to the computation made by audit based on the rate reported by the Public Utility Commission of Sri Lanka for the year 2020, the interest to be paid thereon was Rs.1,613 million and un paid accumulated interest as at 31 December 2020 was Rs.6,731.90 million.

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;

- (a) As per the Electricity Act No. 20 of 2009 as amended, Non conventional renewable energy (NCRE) projects after the 6 August 2013 will have to follow procurement procedures instead of using the standardized tariff. However, only 7 procurements for NCRE projects aggregating capacity of 390 MW has been initiated up to 31 December 2020 and power plants aggregating capacity of 24 MW had been only commissioned as at 31 December 2020.
- (b) Request for proposals (RFP) were invited on 20 February 2017 for procuring 60 solar power plants with the capacity of each 1MW. 65 Bids were received only for 38 plants and Letter of Intent had been issued to 35 plants out of 36 successful bidders on rates ranging from Rs. 12.73 per Kwh to Rs. 18.37 per Kwh. Even though extended commissioning date of plants was on or before 31 December 2020, only 20 plants were commissioned as at 31 December 2020.
- (c) As per the Long Term Generation Plan 2018-2037, Seethawa Ganga Hydropower Project should be commissioned by 2022. A project management unit (PMU) was established in September 2016 and carried out activities such as feasibility study, detailed design and preparation of the draft tender documents. Total cost of Rs.289 million had been incurred by the project at the end of the year 2020. However, the board had decided to windup the project activities of the board meeting held on 20 December 2020. Further, the board had decided developing the above project through the Sri Lanka Energies(pvt) Ltd

Auditor General's Report on CEB Financial Statements (Contd.)



and it was also decided to seek approval of the cabinet of ministers to award this contract as a "single source Procurement" to SLE at the board meeting held on 23 February 2021. Therefore it was observed that incurred cost of Rs.289 million for the project was remained as expenditure to CEB if it is unable to share these studies with investors.

- (d) Flat rate of Rs. 23.10 for solar power plants was approved by the Cabinet of Ministers on 07 March 2014 as a standardized tariff. As per the Electricity Act No. 20 of 2009 as amended, Non-Conventional Renewable Energy projects after the 6 August 2013 will have to follow procurement procedures instead of using the standardized tariff. However, five solar power plants with the capacity of each 10 MW were commissioned in 2016 and 2017 under the said standardized tariff instead of using rates decided through the procurement procedures. (PPAs were signed in 2014). It was observed that rates decided through the procurement conducted in 2017 for new solar power plants (1MW x 60) were ranging from Rs. 12.73 to Rs. 18.37.
- (e) Standardized tariff which was approved by the Cabinet of Ministers on 07 March 2014 were applied for the projects on the Bio Gas Plant, Dendro Power Plants, Mini Hydro Plants and Wind Power Plants aggregating capacity of 135.62 MW which were commissioned after 6 August 2013 (PPAs were signed after 6 August 2013) instead of rates decided through the procurement procedures.
- (f) Cabinet of Ministers had given approval for five Municipal Solid Waste Plants to be implemented based on Waste to Energy technology at Rs.36.20 per kWh (flat tariff for 20 years) in 2017 even procurement procedure should be followed for Non-conventional renewable energy projects after 6 August 2013. Power Purchase agreement for one Solid Waste Plant was signed in December 2020 and total tariff of Rs.36.20 per kWh is bear by CEB even Rs. 13.10 out of Rs. 36.20 should be reimbursed from Treasury as per cabinet decision.

2.3 Other Matters

- (a) Out of trade debtor balance of Rs. 42,358 million as at 31 December 2020, a balance of Rs. 5,122 million relating to both ordinary and bulk supplies had remained outstanding for over one year and out of them Rs. 2,671 million had remained unrecovered for more than five years.
- (b) Sundry debtor balances aggregating Rs. 3.21 billion had remained unrecovered for more than one year as at 31 December 2020.
- (c) A sum of Rs. 115 million shown under Government institution receivable for the supply of Lift, air conditioner and power Generators of Asset management division is remained without being recovered for more than five years.
- (d) A sum of Rs. 714.96 million due from Lanka Coal Company for coal shortage had remained outstanding for more than five years without taking any recovery action.
- (e) The following credit balances aggregating Rs. 4.3 billion had remained unsettled for long period as at 31 December 2020.

Name of Creditor	Amount Rs.
Custom	1,065,828
China machinery Engineering Corporation	3,034,971,432
Deemed dividend tax payable	1,270,766,413

- (f) The amount of Rs.2.9 billion payable to the Northern Power Company (Pvt) Ltd is remained as trade creditors of Transmission Division without being settling more than two year.
- (g) Even though a quantity of 51,439.64 MT valued at Rs. 1.04 billion has been identified as deficit of the coal stock as at 16 October 2020, a physical verification had not been carried out by the Board of survey team as at 31 December 2020. However, the quantity of 51,439.64 MT valued at Rs. 1.04 billion had been adjusted to income statement as shortage of coal stock as at 31 December 2020. Hence it was unable to verify the accuracy of the coal stock value at Rs. 9.99 billion available as at 31 December 2020.

Further, the amount of Rs. 3.2 billion remained as coal stock shortage and the amount of Rs.1.3 billion remained as coal surplus up to 31 December 2019 had been charged to retained earnings on the board decision on 06 October 2020.

- (h) 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.
- (i) A sum of Rs. 92.69 million had been deducted by the lending agency in 2020 as commitment charges from the loans given

Auditor General's Report on CEB Financial Statements (Contd.)



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.

- (j) According to the Long Term Generation Expansion Plan 2018 – 2037, new generation of 500 MW, 657 MW and 430 MW were planned to implement in the years 2018, 2019 and 2020 respectively. However, power plants aggregating capacity of 275.8 MW out of the planned new addition capacity of 1587 MW had been only commissioned. Therefore, Progress of implementing new generation plants was significantly low and objective of the plan to produce least cost power supply was not achieved. As a result of that, quantity of 811 Gwh valued at Rs. 22.2 billion had been purchased as emergency power during the year under review.
- (k) A special investigation had been carried out by the Internal Audit Branch in respect of stock shortage of Rs. 39.55 million identified in 2014 under project of Uthuruwasanthaya in April 2017 with delay of 3 years. However, formal investigation had not been conducted against the officer who was responsible for the shortage amount of Rs. 2.5 million even up to the date of this report. Further amount of Rs.31.25 million had been adjusted in ledger accounts in the year 2020 against the amount of Rs. 39.55 which a court case (Case no B/1164/15) had been filed against in Mage strict Court, Trincomalee by the Criminal Investigation Department in 2015 by mentioning that goods were received after 6 years. However no any actions had been taken against persons who are responsible for the delay of this stock shortage.
- (l) 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.3.67 million which had been occurred during the period from 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 had been terminated after recovering only Rs. 99,155 as the value of the fraud without considering the prior fraud.
- (m) An officer who was liable for the stock shortage of Rs. 3.79 million 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. The board is in the process to write off this amount without taking actions against the officers who was allowed to retire the defaulter.
- (n) The Balance of Rs. 260.48 million available as at 31 December 2018 in capital work in progress in Generation division remains in the accounts without being movement.
- (o) Only 16 activities out of the 76 activities of the Action plan had been achieved by the Generation Division during the year under review.
- (p) The board had not taken necessary action to acquire the right of dams which valued at Rs. 63.55 billion.
- (q) A sum of Rs. 2.67 billion representing 10 per cent of the total consumable stock of Rs. 26.75 billion had been shown in financial statements as slow moving, non-moving and damaged stock as at 31 December 2020. Maintaining this much of non-moving and slow moving stock may cause to increase damages, cost of holding and fraud etc.
- (r) Even though Minimum Guaranteed Energy Amount (MGEA) relating to PPA entered with ACE Power Embilipitiya (Pvt) Ltd is 697,674,432 kwh per year, energy delivered during the year under review was 475,831,835 kwh under the per unit cost of Rs.24.42. Accordingly, capacity charge for undelivered energy of 221,842,597 kwh had been paid during the year under review. Further, Power purchase agreements for 20MW in Matara, 24 MW in Hambanthota and 24MW in Galle had been entered for supplying energy to the southern province on short term basis. Accordingly, aggregating energy of 130,526,364 kwh had been purchased from these plants at the aggregating cost of Rs. 4.07 billion during the year under review. Per unit cost of these plants were Rs. 28.30, Rs. 36.84 and Rs. 39.52 respectively while average selling price is Rs.16.72. Therefore, energy purchased from these plants could have been supplied from the Embilipitiya plant and excessive cost of energy purchase could have been reduced. Further, CEB owned plants should be operated to meet the peak demand instead of using emergency power plants at excessive cost.
- (s) Rate for mini hydro plants on the avoided cost method for the year 2020 was Rs.19.51 for wet season and Rs. 21.25 for dry season. Avoided cost method is based on the thermal plant dispatch and it is vary with fuel cost. Therefore, rate decided on the said method is no any relation to the actual cost of the mini hydro plant. It was observed that average unit cost of hydro should be less than Rs.10 and CEB hydro cost per unit was Rs. 2.49. Further, it exceeded the average unit sale price of Rs. 16.72.

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 31 December 2020 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 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) Conceptual Framework for financial reporting

- i & ii Contrary to the paragraph 4.1(b) and 4.3 of the framework, expenses amounting to Rs.43.97 million which are the administration expenses of the separate entity are borne by CEB and assets valued at Rs.8 million in which the right of assets lie with the CEB had been used by another entity

Clause 12 (j) of the Ceylon Electricity Board Act has given the power to the Board to establish provident and pension funds. Hence, the establishment of the Provident Fund for CEB employees is a decision of CEB.

According to the Clause No. 5 of the Provident Fund Rules, gazetted on 31st December 2003, the fund is managed and administered by a Committee appointed by the Board, therefore it is the responsibility of the Board to manage and administer the Fund. Hence the cost of managing and administering the Fund is born by CEB.

Further, according to the Clause No. 20 (i) of the said rules, all the Administrative Expenses of the Fund, except for expenses related to inspection of Housing Loans, are being borne by CEB and this policy was in place from the inception of the Fund (from 1st November 1969) therefore the expenses incurred by CEB on behalf of Provident Fund are not recorded in the Financial Statements of the Fund.

This matter was presented to the Management Committee meeting of the Fund held on 11th February 2021, thereby the committee decided, to continue the existing practice and have a Board concurrence for the same. Accordingly a board paper was submitted to the CEB Board and having considered the matter in detail, the board has granted approval to continue the present policy of incurring Management and Administrative Expenses of the Fund by the Board.

- iii. Ownership of the land of head office building is unable to verify due to non-availability of documents related to the right of the assets

Relevant documents for ownership of the land of CEB Head Office building are not available and therefore, CEB has requested the Land Commissioner to make necessary arrangements to establish the ownership of the CEB Head Office building.

(b) LKAS 2-Inventories and LKAS 16 –Property, Plant and Equipment

CEB is applying the standard cost method for valuing overhead costs of its capital and maintenance jobs,

The absorption of overhead cost to capital jobs at an annually predetermined rate is practiced only in Distribution Divisions of CEB. Annual Overhead absorption rate is calculated using the budgeted cost of each unit which are directly relating to the construction jobs. When the budgeted cost is compared with the actual cost of Distribution Divisions, it was noted that the actual costs incurred have exceeded the budgeted costs by 10%. Hence, the overhead absorption rate used is also reasonable.

(c) LKAS 16 – Property, Plant and Equipment

The fixed assets amounting to Rs.171.2 billion out of Rs.172.2 billion in the Transmission Division had not been physically verified during the year under review.

The physical verification pertaining to all moveable fixed assets have been successfully carried out and records furnished for the attention of Audit. The immoveable assets, mainly related with existing the transmission lines, plant and machinery which are integral parts of electricity transmission network in providing continuous electrical energy supply in the county at present.

Replies to the Report of the Auditor General (Contd.)

(d) LKAS 37- Provisions, Contingent Liabilities and Contingent Assets

The Board had not disclosed the amount of Rs.50 million which should be paid as per the court decision given and appeal made thereon.

Ms. Janaki Neththikumari had filed a case against CEB in District Court- Kaduwela under the case No. 259/M for claiming 50M as damages, because the reputation of the Plaintiff was damaged, due to publication in Newspapers about her misuse of electricity. After consideration of the evidence, the judgement was delivered by the District Court Judge of Kaduwela, on 22.08.2019 and ordered CEB to pay sum of Rs.50 Million to the Plaintiff. The CEB has lodged an appeal against the judgment of dismiss the Order. Actions will be taken to disclose this case in future.

1.2.2 Accounting Policies

The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB.

More than 53% of the fully depreciated assets consist of Generation power plants and related assets. A Committee has already been appointed to review the useful life of the fully depreciated power stations. However, due to the complexity and uniqueness of the power station, it would take a considerable time for the valuation.

The implementation of the revised useful lives for Motor Vehicles will be made in year 2021 with the approval of the Board.

The major component of the balance assets is the transmission and distribution lines which is 38% of the fully depreciated assets. Actions will be taken to identify a mechanism to resolve the audit observation.

1.2.3 Accounting Deficiencies

(a) A debit balance of Rs. 189.54 million (stock shortage) and a credit balance of Rs. 114.64 million (stock excess) had remained in the Stock Adjustment Account for more than one year.

The following actions have been taken to clear the stock adjustment.

- Appointment of committees to resolve the matters
- Conducting formal inquires against the responsible employees
- Seeking legal advises, and
- Submitting board papers.

Accordingly, more than 46% of the shortage balance and 30% of the surplus balance are included in the above process.

(b) Loan amount of Rs. Rs.159.18 billion obtained for the construction of Lakwijaya Power Plant should be transferred to the Lanka Coal Company (Pvt) Ltd (LCC) by the treasury and CEB should pay the equivalent amount required for debt servicing to LCC as per the requirements of the Cabinet decision no. 10/2434/423/034 dated 13 October 2010. However, the CEB had recorded this loan as loan received from General Treasury even no any sub loan agreements entered with the General Treasury.

As per the letter No: PE/EN/CEB/Equity/2014 dated 2014-09-30 with the subject implementation of Budget Proposals -2014 Debt to Equity Conversion signed by the Secretary to the Treasury, CEB has been advised that all loans obtained in relation to the Puttalam Coal Power Plant are to be treated as direct loans obtained by CEB and due to liquidity constraints servicing these loans would be continued by Treasury until CEB is in a position to meet the debt service cost

Further, at the meeting held on 2018-01-11 at the Department of Public Enterprise, it was emphasized that servicing of the said loans needs to be channelled to the CEB as the asset and the obligation both are in the balance sheet of the CEB.

As the loan agreement is already signed between the Government of Sri Lanka and the respective lending agency the loan is recorded as a liability to treasury until treasury makes necessary arrangements to transfer the loan CEB.

Considering the directions given by treasury through the letter No: PEP/1/CEB/2/II (i) dated 2019-10-17 sent by the Director General of Department of Public Enterprises, CEB has made adjustments for capital repayments of Rs.16,942,798,790.95 along with an interest of Rs. 3,556,442,931.30 in the books of CEB for the year 2019. Further, as per Letter No: PED/1/CEB/02/11 (i) dated 15.01.2021 sent by the Director General, Department of the Public Enterprise CEB has converted Rs.20, 536,545,932.04 to equity of GOSL in the books of CEB in line with the records of Department of Public Enterprises. Accordingly, the books of CEB has been adjusted in line with the directions given by Treasury.

In terms of sub-section 6 of section 42 of the Ceylon Electricity Board Act No.17 of 1969, Board does not account for any profits or losses arising from foreign exchange fluctuations, in respect of the capital and interest on foreign currency loans

Replies to the Report of the Auditor General (Contd.)

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 the Board.

However, in order to cover this expense the Government enters into a sub loan agreement with CEB at an interest rate compensating such losses of loans obtained for CEB by the government.

As Treasury has decided to treat these loans as a direct loans obtained by CEB such sub loan agreements has not been entered into. Since the debt servicing is done by Treasury due to Liquidity Constraints of CEB the actual payment made to the lending agency has been transferred to CEB as a conversion of debt equity.

Since CEB has recorded these loans at the rate they were initially obtained in par with the act and has not revalued the loans thereafter, the exchange loss related to the capital repayment which has also been included in the debt to equity conversion done by treasury. Accordingly, the exchange loss amounting to Rs. 20,862,022.88 related to exchange rate deviation from the beginning of the Year 2020 to the end of Year 2020 has been incorporated in the financial year 2020 and the exchange loss amounting to Rs.6,154,069,044.78 related to the exchange rate deviation up to the end of year 2019 has been adjusted to the year 2019.

Further, the exchange loss included in the 2019 debt equity conversion amounting to Rs.5,735,412,848.45 which has been accounted as a loan repayment in 2019 has been corrected in 2020 totalling the exchange loss for the year 2019 to Rs. 11,889,481,893.00

- (c) CEB had recorded amount of Rs. 25.23 billion disbursed from foreign loans after 31 December 2014 for the projects as sub loans from General Treasury even these loans should be assigned to the CEB as debt and service and repayment should have to be done by CEB as per the cabinet decision no.15/0228/613/012 taken on 18 March 2015, existence of these loans is in doubt and impact to the financial statement on repayment conditions cannot be quantified.**

As per the Cabinet Memorandum dated 2015-03-09 submitted by Ministry of Finance on Regularising the mechanism of Disbursement, Servicing, repayment and accounting of foreign financed development projects and the cabinet Decision dated 2015-03-18 in this regard, CEB is expected to service and repay debt from the year 2015.

As the Loan Agreements are already signed between the Government of Sri Lanka and the Lending agency, but obtained on behalf of CEB, initially these disbursements have been recorded as a liability to Treasury.

Subsequently, at the meeting held on 2018-01-11 by the Department of Public Enterprise it was decided to convert the on lending loans made to CEB through the General Treasury after 2014-12-31 in to GOSL equity with approval of the cabinet of Ministers.

Therefore, until the direction is received by treasury to transfer these balance in to equity CEB has recorded it as a liability to treasury.

- (d) Six foreign loans valued at Rs. 54.71 billion had been presented as loan from General treasury in the financial statements of the Board even no any sub loan agreements entered with General Treasury**

These loans have been obtained through treasury on behalf of CEB even through sub loan agreements have not been finalized with General Treasury.

As the disbursement are made to CEB these are recorded as a liability to treasury. Further, the loan agreements are already signed between the Government of Sri Lanka and the respective lending agency

- (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 the probability of collection of receivables from the Ministry of Power & Energy and Government Hospitals for the jobs carried out by CEB, is doubtful, prior to 2013, revenue has been recognized on cash basis and the actual cost of the jobs were shown as receivable in the books of accounts, until the money being collected from the client. As at 2020-12-31, the difference between the actual cost and the estimated value of the jobs carried out for Government institutions is Rs 43,421,695.18 and it is not Rs. 66,987,761 as stated in the query.

However, as directed by the Board, at its meeting held on 2020-10-06 under minute No.20.14.279, General Manager, CEB, by her letter No. CEB/FM/AFM(Corp)/DFM(P&I)/Debtors dated 2020-12-21, has sought the assistance of the Director General, Department of Public Enterprises to recover the long overdue amounts from Government Institutions to overcome the cash flow issues faced by CEB and we have not so far received a favourable response from the Department of Public Enterprises.

Replies to the Report of the Auditor General (Contd.)

Further, the Audit committee has directed Assets Management Division to draft a Board Paper to write off the long-standing receivables which cannot be recovered, at its meeting held on 2020-12-21 under the meeting minute No.03.03 of 2020/03 which confirmed by the Board under minute No. 21.06.128A at the board meeting held on 2021-04-07, as the Assets Management Division was unable to recover the overdue receivables from Government Institutions even after the persistent efforts being taken. Accordingly, DGM(W&AS) has engaged in the process of drafting a Board Paper in this regard.

CEB has made a full impairment provision in compliance with section 5.5.4 of Sri Lanka Financial Reporting Standard (SLFRS) 9- Financial Instruments on these receivable balances, considering the expected financial loss which would result in, due to the probable non-recoverability of these balances.

Further, the section (9) (e) of SLFRS 15 – Revenue from Contracts with Customers does not suggest to re-state the receivable balance (i.e., invoice value) as mentioned in the query, since the collectability of these receivable balances is not probable. Even if the receivables that are stated at cost are restated in the accounts to recognize the invoice values of the above jobs a 100% provision is to be made for impairment, as per the provisions in section 5.5.4 of SLFRS 9 – Financial Instruments.

Accordingly, restating the invoice values (increase in receivables and retained earnings) would lead to recognizing an impairment provision (decrease in receivables and retained earnings) due to non-recoverability of such balances.

Considering all of the above, restating invoice values does not comply with the relevant provisions of the above quoted Accounting Standards as it would not have any significant impact on the financial performance and financial position of CEB. Hence, there is no any understatement in the financial statements as stated in the audit query.

Most of the requested information for the audit had already been submitted by the Heads of the respective units and also any additional information that is needed, could be collected from them.

- (f) The amount of Rs.500 million out of Rs. 5 billion which was paid to the General treasury as levy in the year 2016 had been amortised to the income statement as payment of management fee during the year under review and amount of Rs.1.5 billion had been charged to the retained earnings.**

Based on the Department of Public Enterprises letter No. PDE//CEB/2/11/(iii) dated 16.10.2019, in year 2019, this payment was considered as “Management Fee” paid to treasury and amortised over a period of 10 years from year 2017.

- (g) Completed number of 7,546 Jobs valuing to Rs. 6.18 billion is remained in working progress account without being transferred to the assets in Distribution Divisions.**

Continuous attempts are made to capitalize the completed jobs to PPE on time. Provincial level committees have been appointed to monitor continuously and handover the long outstanding capital jobs. Accordingly, DD1 has capitalized 21% and DD3 has capitalized 28% of the jobs over 4 years by 31 May 2021.

- (h) Total cost of the Upper Kothmale Hydro Power project which was completed in 2012 was Rs. 979.88 million and it was still included in work in progress accounts instead of capitalizing.**

Expenditures amounting to Rs. 979.88 million have been accumulated in WIP account as at December 2020 after the initial asset transfer. This amount comprised mainly with personnel expenses, legal fees for arbitration & cost of land acquisition etc. Actions have been already in place to resolve outstanding issues with Project office in order to transfer this remaining amount and this will be accomplished within the year 2021

- (i) Total cost of Rs.179.19 million vehicles purchased for the Puttalam Coal Power project which was completed in 2014 and it was still included in work in progress accounts instead of capitalizing.**

Expenditure accumulated after the initial asset transfer amounting Rs. 528,013,647.76 was transferred to respective divisions in year 2020. However, Rs. 179,194,890 incurred for the procurement of vehicles was remained in the accounts due to non-transfer of ownership of the vehicles to the CEB (10 nos.) and this amount will be transferred to the respective divisions once ownership of the vehicles is transferred to the CEB.

- (j) Interest income, VAT and surcharge had not been recognised for the amount of Rs. 18.76 million received from bulk finalised customers against write-off balances.**

Necessary corrections will be made in future.

- (k) Provision for unrecoverable amount of Rs.30.56 million of Street lightening maintenance expenses had not been made in financial statements.**

Street Light maintenance done by the provincial councils are reimbursed by CEB and recorded as receivable from Ministry of Power. The above balance is the accumulated balance relating to such reimbursements made by southern province

Replies to the Report of the Auditor General (Contd.)

since year 2013. However, no funds have been received from the Ministry to the above balance so far and hence, Southern Province has taken a decision to not to reimburse the future expenses.

(l) The payable balance of Rs. 29.97 million had been debited to the collection control account erroneously in Colombo City office

Balance will be corrected in 2021 financial statements.

(m) The sundry debtors balance had been overstated by Rs. 585.69 million due to recognition of revenue relevant for the period from 01 January 2021 to 15 January 2021 as revenue of the year under review

The above balance has created due to difference between the period for billing summary and calendar month. However, actions have been taken to make the billing summary matches to calendar month. Hence, such balance is not created since year 2021.

(n) Claimable period exceeded amount of Rs. 1.57 billion of Economic Service Charge (ESC) had not been charged to income statement

Rs. 1.57 billion of ESC receivable represent the amount which is already time bared (exceed of three year period) required to be written off to the Financial Statements for the Year 2019 and 2020. The respective board paper was submitted in the year 2019 seeking approval for the write off. However, CEB Audit Committee recommendation was not to write off these ESC balance but to look at any alternatives to recover or set off this balances against any other payables by referring this matter to Ministry of Power and to General Treasury.

It has been informed to General Treasury as part of National Budget Proposals 2018 and it was again informed to General Treasury through the Ministry of Power in year 2020 as part of a tax relief.

(o) Work in progress balance in distribution divisions had been understated by Rs. 52.06 million due to abnormal credit balances

The reasons for the unusual credit balances for Rs.26,014,986 has been identified and will be rectified in year 2021 and actions are being initiated to review and clear the jobs relating to Lighting Sri Lanka Rathnapura Project for Rs. 26,045,997 on an individual job basis.

(p) The amount of Rs 912.69 million is remained more than one year in Goods in transits account without being transferred to the relevant expenses and abnormal credit balance of Rs. 245.53 million is remained in the Goods in Transits account without being cleared

Actions will be taken to rectify the balances in future.

(q) Cost and cumulative depreciation of Property, Plant and Equipment had been understated due to omission of the values of 12 numbers vehicles in financial statements

Actions will be taken to trace the vehicles and record in the Fixed Assets appropriately.

(r) Value of Power Station had been overstated by Rs.175.10 million due to capitalisation of expenses of incomplete assets in relation to the Kelanithissa Combined Cycle Power Station. Further capital expenditure amount of Rs.323.28 million and depreciation amount of Rs.27.04 million in relation to this incomplete asset had been charged to the income statement during the year under review.

Will be rectified in year 2021

(s) The depreciation amount of Rs.54,14 million which are relevant for the assets completed in year 2018 and 2019 had been recognised as expense in Generation Division during the year under review.

Noted and actions will be taken to minimise such errors in future.

(t) The two projects valued at Rs.167.25 million which is remained without completion from the year 2015 are shown under work in progress without being cleared.

Discussed with relevant officers and necessary action will be taken to clear the WIP balances of the two projects.

(u) Loss for the year under review had been overstated by Rs. 0.99 billion due to over provision made in relation to the accruals of thermal power purchase

Arrangements have been already made from January 2021 to obtain the certified invoices on time and account the same in the monthly accounts in order to avoid the over/ under accruals in the expense account.

Replies to the Report of the Auditor General (Contd.)

- (v)&(w) Renewable energy purchase of 77.4 Gwh amounting to Rs.1.1 billion during the year under review had been omitted from the renewable energy purchase account and Renewable energy purchase of 12.2 Gwh amounting to Rs.212 million during the year 2019 had been accounted to the renewable energy purchase account of 2020.**

NCRE monthly accrual is carried out using the invoices received and the 'monthly NCRE generation report' prepared by the Subject Engineer. Invoices from the newly commissioned plants are usually received with a delay and sometimes even the ongoing plants submit their invoices with a considerable delay due to various reasons. Hence, invoices received with a delay are recorded in the period at which the information is received. Some of these delayed invoices are included in the January 2021 accounts as these purchases were included in the 'NCRE generation report' for the month of January 2021.

- (x) The amount of Rs. 808 million payable for renewable energy purchase up to 31 December 2020 from the renewable energy power producers who contract period of 15 years were completed had not been accounted.**

The renewal of SPPAs whose original term has been expired, was not carried out at the very instant of expiring the agreement due to various reasons. However, these power plants were operated continuously irrespective of having a signed agreement. Hence, the accrual of invoices was carried out as and when they are received subject to signing the respective extension to the agreement. Hence, there is a total of LKR 900 million accrual in the accounts for the month of January 2021 as an under accrual for the year 2020.

- (y) As per the financial statements, delay payment interest during the year under review was Rs. 2,481 million and it was Rs.2,835 million as per the certified delay payment interest calculations for the year under review.**

Value of the delayed interest certified for the year 2020 is LKR 2,885 million (refer to the work sheet) and there was an over accrued amount related to the year 2019 of LKR 383 million and an under accrual of LKR 21 million for the year 2020 included in the account in the year 2020.

However, arrangements have been taken from January 2021 to calculate the delayed interest using the certified values in invoices in order to avoid the over / under accruals in the expense account.

- (z) The fixed assets costing to Rs. 14 million which were disposed had been still recorded in the fixed assets of the Transmission division.**

Action will be taken to instruct all branches of Transmission Division in order to update the PPE with correct information.

- (aa) Existence of the loan amount of Rs.2 billion received from related party was unable to verify due to non-availability of agreement entered by two parties.**

This credit facility is obtained from LECO to manage working capital requirement of CEB considering adverse financial situation of CEB and the necessity of providing uninterrupted power supply to the nation as per board decision No.20.03.060 dated 25.02.2020. A draft loan agreement is being reviewed by both parties in order to sign the loan agreement.

- (bb) A provision of Rs.63.56 million to the shipment charges of Coal had not been made in the financial statements.**

The above amount of Rs.63.56 million has not been recorded in CEB books of accounts as at 31.12.2020, since the particular payments were under being discussion with LCC. However, the reconciliation provided in the Financial Statements adequately disclosed the figures under from which only Rs.22,520,185.72 has been settled on 22.03.2021 after closing the accounts for year 2020.

- (cc) Financial statements of the CEB are continuously restated since the year 2013.**

Restatements of financial statements are mainly done due to the complexity of the operation and volume of the transactions in CEB. However, actions will be taken to strengthen the internal control system to avoid the restatement of the Financial Statements.

- (dd) A debit balance of Rs.557.94 million and credit balance of Rs. 556.81 million had been remained without being cleared since 2002 as inter divisions' current account balances as at 31 December 2020**

The said balance is carried forward since year 2002 on which the decentralization of the Distribution Divisions has taken place. Action will be taken to trace the supporting documents and clear the same.

- (ee) An amount of Rs.1.25 million of loan processing fee had been charged to the loan balance instead of income statement**

This had been corrected in monthly accounts April 2021.

Replies to the Report of the Auditor General (Contd.)

1.2.4 Un-reconciled Differences

- (a) A difference of Rs. 753.61 million was observed between the balance shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2020 and the corresponding balance shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.**

The above balance has not been shown in CEB financial statements as a payable to CPC and it has been informed to CPC as well. However, CPC has shown in their financial statements as interest receivable from CEB to which CEB does not agree. A decision has been taken at the Audit Committee meeting held at the Ministry of Power to arrange a meeting with the representatives from CPC, CEB, Treasury and the Ministry of Power to resolve the matters

- (b) Un-reconciled differences aggregating to Rs.41.18 million was observed between the balances of bulk trade debtors as at 31 December 2020 shown in the billing system of the Distribution Divisions 01, 02, 03 and 04 and the corresponding amount shown in the financial statements for the year under review due to omission of some balances in billing system and as well as in the financial statements. Further, an amount of Rs.423.76 million is remained as unidentified since 2012.**

Debtors' reconciliations are prepared by all Distribution Divisions and are submitted along with the Divisional Copies

- (c) Reconciliation for the balance of Rs. 2,343 million and Rs. 149 million available in the Collection Control ledger account as debit and credit as at 31 December 2020 had not been submitted to the audit.**

These differences are arisen due to ordinary supply billing cycle cut-off date deviate from financial accounts cut-off date. Therefore, the action have been taken to make the ordinary supply billing cycle cut-off date to be same as the financial year cut-off date in year 2021.

- (d) Age analysis and detail schedule of the suspense balance amounting to Rs. 117.58 million had not been submitted to identify the nature of the balance.**

Information relating to Trade Debtors are generated through the system. However, the present system does not facilitate an age analysis for suspense balances. Hence, Distribution Division 2 and 4 prepares the age analysis manually which is a cumbersome process. Therefore, actions will be taken to develop an age analysis for suspense balance in future.

- (e) The amount of Rs.38.76 million is remained outstanding since 2019 due to application of wrong tariff methodology for the customer by the Board.**

A committee has been appointed to resolve the matter which is still in progress.

- (f) A difference of Rs.5.9 billion were observed in relation to the Thermal payable - Independent power producers between the balance shown in the financial statements and sum of unsettled certified invoices.**

L5806- 'Thermal payable - Independent power producers' account was a part taken out from the account L-5920 'Accruals' in the year 2020. Balance shows the accrued balance booked using the invoice values received for each month from IPP thermal power plants. These balances are adjusted at the point of certification for the payment. This over / under accrued balance booked is reversed at the payment. There is a difference of LKR 5.6 billion (refer to the work sheet) between the ledger balance and certified outstanding invoice total at the end of the year 2020 to be reversed.

However, arrangements have been made since January 2021, to certify the invoices early enough so that payable amount is booked using the certified values. Hence, there will be no difference in two balances going-forward.

1.3 Other information included in the CEB's 2020 Annual Report

Informative

1.4 Responsibility of Management and those charged with Governance for the Financial Statements

Informative

1.5 Auditors Responsibility for the Audit of Financial Statements

Informative

Replies to the Report of the Auditor General (Contd.)

2. Report on Other Legal and Regulatory Requirements

2.2.2 Non-compliances with written laws or other general or special directions issued by the governing body of the Company.

(a) Section 7(1) and 43(1) of Sri Lanka Electricity Act No.20 of 2009 as amended

Without authorization of the regulator Energy of 732.192 Gwh valued at Rs.18.91 billion had been purchased from the three Independent Power Producers (IPPs)

There are no any legal impediments from sections 7(1) or 43(1) of Sri Lanka Electricity (Amended) Act, No. 20 of 2009 (Electricity Act), for Transmission Licensee to purchase electrical energy from retired IPP power plants. CEB had requested the approval of PUCSL to extend the expired Power Purchase Agreements (PPA) of these three retired IPP power plants and submitted the extended PPAs for their approval.

CEB had to extend the PPAs of these power plants to comply with the duty of CEB (as the holder of Transmission license) under section 24(1)(c) of the Electricity Act to ensure that there is sufficient generation capacity to meet forecasted demand for electricity. CEB had done so with the approval of the Cabinet to avoid power cuts.

(b) Section 7 (1) Section 43 (2), and 43 (7) of Sri Lanka Electricity Act, no. 20 of 2009 as amended.

Without approval for the PPAs, Energy of 78.669 GW valued at Rs.3.26 billion had been purchased during the year under review

Both Cabinet and PUCSL granted principal approval for CEB to purchase 100 MW of supplementary electrical power during the year 2019. CEB followed the due procurement process as per NPA guidelines and continued with the procurement and once the procurement process was over, and all due approvals as required under government tender procedure was obtained, submitted to PUCSL the draft PPA to be signed as required under section 43 for its approval.

In order to comply with the duty of CEB (as the holder of Transmission license) under section 24(1)(c) of the SLEA to ensure that there is sufficient generation capacity to meet forecasted demand for electricity, CEB with the approval of the Cabinet, went ahead with the procurement.

Similarly, for year 2020 both Cabinet and PUCSL granted principle approval to extend the PPAs signed under above procurement for additional six months. After following the due process of obtaining the Cabinet approval, the draft PPAs were submitted for PUCSL approval.

(c) Ceylon Electricity Board Act, No. 17 of 1969 Section 46 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971

Adequate funds have not been invested in Insurance Escrow Fund

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. However, action will be taken to invest equal of 0.1% of the gross fixed assets in insurance reserve investment account once the CEB Liquidity position and cash flows are improved.

(d) Section 9.4 of the PED circular No.12 issued by Department of Public enterprise.

Board has paid salaries and other payments to the 56 employees who were released for the line ministry and CEB provident fund

Releasing of Employees to the Line Ministry

Since the CEB is not in a position to withhold the requests made by the line ministry to release its employees, the expenses incurred cannot be controlled by the CEB

Releasing Employees to Provident Fund

According to the clause No. 20 (i) of the Provident Fund Rules gazette on 31st December 2003, all Administrative Expenses of the Fund, except for expenses related to inspection of Housing Loans, are being borne by CEB and this policy was in place from the inception of the Fund (from 1st November 1969) therefore the expenses incurred by CEB on behalf of Provident Fund are not recorded in the Financial Statements of the Fund.

Further, having presented this matter in the Management Committee of the CEB Provident Fund (being the governing body established in the gazette), the Committee decided, at the meeting held on 11th February 2021, to continue the present practice of incurring Management and Administrative Expenses of the Fund by the Board and the Board also approved to continue the present policy of incurring Management and Administrative Expenses of the Fund by the Board.

Replies to the Report of the Auditor General (Contd.)

- (e) PED Circular No 39 dated 14 June 1994 issued by Department of Public Enterprises and Decision taken on 25 September 2020 in Audit committee of Ministry**

Payment of Leave encashment

With the approval of the Board, the CEB has been paid to incentive payment for unutilized sick leave for its employees since 1984. Board approval was granted in 2006 to continue this scheme for years to come until the Board decides to change otherwise.

- (f) Section 47 of Employee Provident Act No.15 of 1958.**

Considering only the highest allowance when computing earnings

According the Ceylon Electricity Board Act No. 17 of 1969, under the clause 12 powers of the Board are listed.

Clause 12 (m): to make rules in respect of the administration of the affairs of the Board

Clause 12(n): to do all other things which, in the opinion of the Board are necessary to facilitate the proper carrying on of its Business

Accordingly, mentioned findings are related to the benefits given by the Board to its employees to uplift their morale towards working for the betterment of the organization. Further, the act itself provides the authority for the Board to make rules in respect of administration of the Board affairs. Accordingly, highest allowance was considered for calculation of EPF payment on behalf of the employee.

- (g) Section 6.1.3 of the Power purchase agreement entered with West Coast Power (Pvt) Ltd on 10 January 2007**

CEB considered only energy charge to compute the rate of the electrical energy supplied by the CEB

The provisions given in the PPAs and CEB's application of tariff with respect to the import energy have been ambiguous in most of the IPP thermal power plants where the connected voltage is above 33kV. Therefore, a comprehensive investigation shall be conducted and recommendation of an expert committee is necessary to regularize this issue.

- (h) Decision of Cabinet of Ministers dated 3 October 2018**

Utilization of standby Generators owned by Government entities

The above decision has not yet been implemented due to various reasons

2.2.3 Functions performed by the board out of its powers, functions and duties

- (a) 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.**

According the Ceylon Electricity Board Act No. 17 of 1969, under the clause 12 powers of the Board are listed.

Clause 12 (m): to make rules in respect of the administration of the affairs of the Board

Clause 12(n): to do all other things which, in the opinion of the Board are necessary to facilitate the proper carrying on of its Business

Accordingly, mentioned findings are related to the benefits given by the Board to its employees to uplift their morale towards working for the betterment of the organization. Further, the act itself provides the authority for the Board to make rules in respect of administration of the Board affairs.

- (b) CEB had paid the PAYE tax amounting to Rs.4,976,201,706 from its owned fund without deducting it from the salaries of the respective employees during the period from 2010 to 2020**

From November 2020 onwards, the Advance Personal Income tax (APIT) is paid by employees of CEB.

- (c) Instead of granting vehicle loans at the rate of interest ranging from 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 dated 08 March 1998, the CEB had granted these loans at an interest rate of 4.2 per cent.**

According to the Ceylon Electricity Board Act No. 17 of 1969, under the clause 12 powers of the Board are listed.

Clause 12 (m): to make rules in respect of the administration of the affairs of the Board

Replies to the Report of the Auditor General (Contd.)

Clause 12(n): to do all other things which, in the opinion of the Board are necessary to facilitate the proper carrying on of its Business

Accordingly, mentioned findings are related to the benefits given by the Board to its employees to uplift their morale towards working for the betterment of the organization. Further, the act itself provides the authority for the Board to make rules in respect of administration of the Board affairs

(d) CEB (Transmission licensee) has failed to ensure that there is sufficient capacity from generation plant to meet reasonable forecast demand for electricity.

CEB's Long Term Generation Expansion Plans (LTGEP) contain the short term, medium term and long term power capacity requirement for the 20 years. Thus, even the short term capacity requirement of the immediate few years too is indicated in LTGEPs, either in the base case or under contingency analysis.

When long term, low cost power plants are not developed as anticipated on time, (for which there are numerous reasons, most of which are beyond the control of CEB), CEB is compelled to procure short term supplementary capacity to avoid ensuing shortfall and to comply to the duty of CEB (as the holder of Transmission license) under section 24(1)(c) of the Electricity Act to ensure that there is sufficient generation capacity to meet forecasted demand for electricity.

Thus, the said procurement is made to comply to section 24(1)(c) and hence is not a violation of the same.

(e) The CEB had not paid interest on consumer deposits as specified in the Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009

As per Clause No. 3(1) (d), No 4 (1) (c) and No 30 of SL Electricity Act No.20 of 2009 (as amended), the Electricity Tariff shall be arranged by PUCSL. However, the prevailing electricity tariff which was granted in 2013 and adjusted in 2014 is not generating sufficient cash to run the business of CEB. The relevant clauses in the Act. is as follows;

3. (1) the functions of the Commission shall be to act as the economic, technical and safety regulator 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 licence –

(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 licence 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 SL Electricity Act No.20 of 2009 each Distribution License has to pay the interest for securities deposit 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 deposit 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 obtained by utilization of security deposit 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. If as per this clause if DL's going to pay the interest on security deposit it will be an added financial burden for DL's and additional cost to the industry.

Replies to the Report of the Auditor General (Contd.)

Hence we have recommended the complete deletion of clause No 28(3) from SL Electricity Act No.20 of 2009 to Ministry. Further, by CEB letter Ref No: DGM(CS&RA)/GEN/1 dated 2021-05-28 addressed to Secretary, Ministry of Power with a copy to Secretary to the Commission, PCSELR (Presidential Commission on Simplification Laws and Regulations), CEB has requested to delete the Clause No 28.(3) from the Sri Lanka Electricity Act No 20 of 2009.of Existing

2.2.4. Resources of the Board had not been procured and utilized economically, efficiently, and effectively within the time frame

(a) As per the Electricity Act No. 20 of 2009 as amended, NCRE projects after the 6 August 2013 will have to follow procurement procedures instead of using the standardized tariff. However, 7 procurements for NCRE projects aggregating capacity of 390 MW has been initiated up to 31 December 2020 and power plants aggregating capacity of 24 MW had been only commissioned as at 31 December 2020.

Seven bids have been initiated for procurement of energy from NCRE projects for a total capacity of 390MW.

It is not correct to state that tender procedures shall be followed for the procurement of electrical energy after the 2013-08-06. In fact, tender procedure should have been followed for the procurement of electrical energy from 2009-04-08 (enactment date of the Electricity Act). However, there have been an element of ambiguity among the stakeholders of the industry on the viability of this approach. Therefore, the procurement of NCRE based electrical energy have been continued using a standardized tariff system until July 2017 when Hon. Attorney General has given his opinion (for the third time) that procurement of electrical energy shall be based on competitive bidding.

However the status of the 6 bids is as follows

- 10MW solar plant at Vaunathivu: Bid has been opened in September 2017, and the LOI has been issued in May 2018. Due to inability of the Developer to secure the land identified by SLSEA for development activity and to obtain the required clearances from relevant stakeholder institutions, even the PPA could not be signed by 31.12.2020.
- 10MW Polonnaruwa solar plant. Bid has been opened in February 2017 and the LOI has been signed in September 2018. Due to the inability of the developer to secure the land identified by SLSEA for development activity and to obtain the required clearances from relevant stakeholder institutions, PPA could not be signed by 31.12.2020.
- 1MW * 90 solar plant Bid. Bids were opened in April 2018, and awards were made to 84 companies during October 2018 to August 2019 on getting Cabinet of Ministers approval. Awards for 6 bids could not be awarded due to bid bonds being expired and not being extended by the bidders. Only 70 nos. of LOI s were issued (out of 84 awards) due to 14 bid bonds being forfeited. 35 Nos. of PPA s had been signed by 31.12.2020 rest of the developers were unable to submit the required clearances by 31.12.2020.
- 10MW solar plant with Agriculture/farming. Bids were opened in May 2019, and the award was made in June 2020. Developer was unable to secure the required documents to sign the LOI within 31.12.2020.
- 60MW wind plants in 1-10MW range. Bids were opened in March 2020 for the five Grid Substations. No bids were offered for Bolawatta and Kappalthurai Grid substations (GSS) resulting in 25MW being not offered. Cabinet approval to award 10MW at Trincomalee GSS was granted on 31.12.2020. 15MW offered for Mannar GSS was awaiting Cabinet of Ministers approval for awarding till 31.12.2020. 10MW offered at Madampe GSS was re-tendered in November 2020 and was pending bid closing as at 31.12.2020.
- 150MW solar bid (1-10 MW range). Bidding was closed in July 2020. TEC evaluations were completed and submitted to SCAPC by October 2020. No decisions were delivered from Cabinet of Ministers till 31.12.2020.

It is to be noted that, from March 2020, Covid 19 pandemic first outbreak occurred in the country and the second wave occurred in October 2020. This has resulted in most of the activities being blocked and caused delays in almost all the works.

(b) Request for proposals (RFP) were invited on 20 February 2017 for procuring 60 solar power plants with the capacity of each 1MW. 65 Bids were received only for 38 plants and Letter of Intent had been issued to 35 plants out of 36 successful bidders

This was the first ever tender published by CEB for the procurement of solar PV power plants through competitive bidding process after the enactment of Electricity Act on 2009-04-08. On top of that, government made a policy decision of limiting the maximum capacity of a plant to 1 MWp thus enabling a wider participation of small scale project proponents across the country who are new to the industry. Therefore, this endeavour has been a learning process for both CEB and projects proponents.

In addition, after issuing LOI on 2018-02-08, the following Force Majeure situation occurred in the country which severely affected the physical progress of projects.

Replies to the Report of the Auditor General (Contd.)

1. The Board was not available from November 2018 to January 2019.
2. The Easter Sunday bomb attack crippled the country until end of 2019.
3. The occasional onset of several waves of Covid-19 pandemic globally since beginning of 2020 and subsequent introduction of lock down procedures locally since March 2020 to June 2021.

Hence, with careful assessment of the situations, the Board has already granted time extensions to the milestone of Commercial Operation Date until 2021-06-30. As at 2021-06-30, 27 projects have been commissioned which has been an excellent achievement amidst the above referred situations.

(c) Total cost of Rs.289 million incurred by the project Management unit on Seethawa Ganga Hydropower Projects was remained as expenditure to CEB.

CEB set up the PMU in year 2016 to carry out the Seethawaka Ganga Hydropower Project (SGHP) as a CEB owned generating facility with the intention that the loan finances to carry out the project will be provided to CEB by Government of Sri Lanka since CEB has no authority to secure finances on its own. Accordingly, the PMU engaged in the activities of undertaking the feasibility study, detailed design, seeking financier and preparation of draft tender documents etc. A sum of Rs.289 million has been expensed for these activities and obviously feasibility study (Technical and Financial) of a project is very key item. However, on 2020-07-09, CEB was informed by the Ministry of Power by way of its letter PE/DEV/02/171/ 2016 suggesting to consider the following two financing options.

- Issuance of Green Bond to raise funds
- To go for tenders on the basis of Build-Own-Operate and Transfer (BOOT)

As a result, CEB was compelled to revisit the development model and to change the development model from a CEB owned plant to a BOO plant and call for competitive tendering.

CEB proposal was to share all studies carried out, including the feasibility study, EIA, all Test reports, designs etc. with prospective bidders (or developers) so that such studies assist bidders (developers) to lower their risk levels and thus to be factored in to a lower bid price/ development cost. Thus, part of costs incurred for studies were expected to be returned to CEB by way of lower tariffs (whoever is the final project developer).

(d) Flat rate of Rs.23.10 for solar power plants was approved by the Cabinet of Ministers on 07 March 2014 as a standardized tariff. As per the Electricity Act No. 20 of 2009 as amended, Non-Conventional Renewable Energy projects after the 6 August 2013 will have to follow procurement procedures instead of using the standardized tariff. However, five solar power plants with the capacity of each 10 MW were commissioned in 2016 and 2017 under the said standardized tariff instead of using rates decided through the procurement procedures.

The competitive bidding has been specified for the procurement of electrical energy since 2009-04-08. Due to the ambiguities prevailed in the industry on this matter, the procurement of NCRE based electrical energy has been continued using the standardised tariff until 2017.

(e) Standardized tariff which was approved by the Cabinet of Ministers on 07 March 2014 were applied for the projects on the Bio Gas Plant, Dendro Power Plants, Mini Hydro Plants and Wind Power Plants aggregating capacity of 135.62 MW which were commissioned after 6 August 2013 (PPAs were signed after 6 August 2013) instead of rates decided through the procurement procedures.

It is not correct to state that tender procedures shall be followed for the procurement of electrical energy after the 2013-08-06. In fact, tender procedure should have been followed for the procurement of electrical energy from 2009-04-08 (enactment date of the Electricity Act). However, there have been an element of ambiguity among the stakeholders of the industry on the viability of this approach. Therefore, the procurement of NCRE based electrical energy have been continued using a standardized tariff system until July 2017 when Hon. Attorney General has given his opinion (for the third time) that procurement of electrical energy shall be based on competitive bidding.

(f) Cabinet of Ministers had given approval for five Municipal Solid Waste Plants to be implemented based on Waste to Energy technology at Rs.36.20 per kWh (flat tariff for 20 years) in 2017 even procurement procedure should be followed for Non-conventional renewable energy projects after 6 August 2013. Power Purchase agreement for one Solid Waste Plant was signed in December 2020 and total tariff of Rs.36.20 per kWh is bear by CEB even Rs.13.10 out of Rs. 36.20 should be reimbursed from Treasury as per cabinet decision.

It is not correct to state that tender procedures shall be followed for the procurement of electrical energy after the 2013-08-06. In fact, tender procedure should have been followed for the procurement of electrical energy from 2009-04-08 (enactment date of the Electricity Act). However, there have been an element of ambiguity among the stakeholders of the

Replies to the Report of the Auditor General (Contd.)

industry on the viability of this approach. Therefore, the procurement of NCRE based electrical energy have been continued using a standardized tariff system until July 2017 when Hon. Attorney General has given his opinion (for the third time) that procurement of electrical energy shall be based on competitive bidding.

In addition, CEB has complied with the Cabinet decisions dated 2017-10-10 and 2019-02-12 for signing PPAs for Colombo Waste to Energy (Municipal) Power Project respectively Thumbowila Karadiyana Waste (Municipal) Power Project.

The balance portion of tariff paid to Western Power Company (Pvt.) Ltd., has been invoiced to the General Treasury for reimbursement.

However, CEB has not signed a PPA for a Municipal Solid Waste Plant in December 2020.

2.3 Other Matters

(a) Out of trade debtor balance of Rs.42,358 million as at 31 December 2020, a balance of Rs.5,122 million relating to both ordinary and bulk supplies had remained outstanding for over one year and out of them Rs.2,671 million had remained unrecovered for more than five years

When the trade debtors balance was analysed 88% of the Trade debtors balance is aged less than one year and only 12% is outstanding for over one year. Out of the over one year balance 52% of the balance is over five years and it amounts to 6% of the total debtors. This indicates that all Distribution Divisions take continuous effort to follow up the recovery of the trade debtors.

However, when the over one year debtors' balance was further analysed, it is noted that more than 55% of the balance comprise of Finalized Debtors and continues effort is being taken to collect the long outstanding balances.

(b) Sundry debtor balances aggregating Rs.3.21 billion had remained unrecovered for more than one year as at 31 December 2020.

The above sundry debtors balance mainly consists of the following balances

Nature of the balance	Amount (Rs.)	Reasons and further actions taken
AES Kelanitissa	Rs. 1,368,961,445	A meeting is to be arranged by the Ministry of Power with the representatives from CEB, CPC, Treasury and the Ministry of power to resolve this long outstanding disputed balance.
Sustainable Energy Authority	Rs. 897,025,999	According to the committee report issued based on the investigation carried out, it has been recommended to write off this balance from the books of accounts. Hence, actions will be taken for the same.
Removed Transformers	Rs. 497,144,445	Actions will be taken to investigate the reasons and clear the balance appropriately

(c) A sum of Rs.115 million shown under Government institution receivable for the supply of Lift, air conditioner and power Generators of Asset management division is remained without being recovered for more than five years.

The series of actions that have been taken by the management to recover the overdue receivables for Government Institutions, have been much elaborated above in my answer to the query No.1.2.3(e) and the same answer is applicable to this query as well.

However, to overcome the issues reported in the previous years, in 2018, the Addl.GM(AM), has issued guidelines to implement sound internal controls especially on cost recovery jobs of Government Institutions, and accordingly, the undertaking of cost recovery jobs and money receivable from the clients will be monitored on a regular basis.

(d) A sum of Rs.714.96 million due from Lanka Coal Company for coal shortage had remained outstanding for more than five years without taking any recovery action.

This balance comprises of Rs. 478,179,795.00 related to M/s Taurian Iron and Steel Company and Rs 236,785,639.43 related to M/s Liberty Commodities Ltd. With regard to Taurian Iron dues a cabinet committee had been appointed and the final report handed over to the Secretary Ministry of Ports & Shipping. In the case of Liberty commodities LCC has commenced an arbitration process. This balance will be cleared after the legal actions taken by Lanka Coal Company against M/s Liberty Commodities Ltd.

Replies to the Report of the Auditor General (Contd.)

- (e) The following credit balances aggregating Rs.4.3 billion had remained unsettled for long period as at 31 December 2020.**

Name of Creditor	Amount Rs.	Reply
Custom	1,065,828	The demurrage payment in 2017/18 season of Rs. 1,065,828.00 has not been approved by Lakvijaya demurrage payment committee until 31st December 2020. This amount will be paid once approval of Lakvijaya demurrage payment committee is received.
China machinery Engineering Corporation	3,034,971,432	Operation & Maintenance Fee to CMEC has been paid for the year 2014,2015,2016 & 2017 by instalments based on Cabinet approval. Rs.4,195,528,596.54 appears in financial statements includes Operation & Maintenance fee payable for the year 2017,2018,2019 & 2020. CEB pays only USD 1 million per month due to present adverse financial situation.
Deemed dividend tax payable	1,270,766,413	The deemed dividend tax payable amount of Rs.1,270,766,413 represent the unsettled liability of deemed dividend tax for the Y/A 2013/2014 which is due to set off against the deemed dividend tax refund requested for the Y/A 2009/2010 and 2010/2011. The refund requests have not been finalized yet by the Department of Inland Revenue in order to set off this liability in the accounts.

- (f) The amount of Rs.2.9 billion payable to the Northern Power Company (Pvt) Ltd is remained as trade creditors of Transmission Division without being settling more than two year**

The Northern Power Plant has been shut down since 2015-01-27 due to a stay order issued by the Magistrate Court of Mallakam. However, the company has issued monthly invoices for capacity charges declaring this as a Force Majeure situation. CEB has accounted these invoice values as payable since the Court decision was pending. The Supreme Court has ruled that power plant has been operated violating the environmental law, therefore CEB does not have a liability to settle these invoices. Necessary actions will be taken in due course to write-off these amounts.

- (g) Even though a quantity of 51,439.64 MT valued at Rs.1.04 billion has been identified as deficit of the coal stock as at 16 October 2020, a physical verification had not been carried out by the Board of survey team as at 31 December 2020. Hence it was unable to verify the accuracy of the coal stock value at Rs.9,991,897,000 available as at 31 December 2020.**

A physical verification had been carried out as per CEB General Manager's circular No. 2020/GM/42/FM dated on 3rd September 2020;

Quote;

"Verification of coal stock in Lakvijaya power plant and spare parts in generation and transmission divisions should be carried out in most appropriate and convenient time as decided by the respective Division and Branch Heads." Unquote.

The aforementioned Stock adjustment has been cleared off from the books of accounts as per the board approval and necessary committee reports. Any remaining will be cleared during the year 2020.

- (h) 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.**

Agreement with LECO

The progress made on this matter is given below

- A committee with the participation of higher ranking officers of both CEB and LECO has prepared a draft agreement and has sought Attorney General's (AG) opinion on the same
- The 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 refer latter dated 26 March 2015 attached regarding some endorsements made by 03 officers of LECO on the report furnished by the committee. On the same letter, GM CEB has suggested to take this matter at a Board meeting of LECO

Replies to the Report of the Auditor General (Contd.)

Regarding the endorsements made by 03 officers of LECO on the report furnished by the committee, please refer the details given below

According to letter dated 28th January, and the minutes of the GM, CEB dated 30 January 2020 on the same accordingly, GM, CEB has agreed in principal to the recommendations therein. Further, Distribution Coordination Committee (DCC), CEB has appointed a committee to prepare a roadmap for the handing over 33kV injection points and 33kV/11kV primary substations dedicated to LECO power distribution before submission of the board paper. The said committee is processing the matter at present.

With the completion of this task, long awaited issues of "Addressing the issue of LECO supply points owned by distribution licensees (DLs)" as minuted on the report of march 2015 by then Head of Operations LECO/MR.H.N Gunasekara, Then Head of Engineering, LECO/Mr PSN De Silva and then CFO LECO/Mr WDAS Perera will be resolved, and will make way for signing the sales agreement

LECO has requested some action from PUSCL on this matter

Agreement with CPC

The draft Fuel supply agreement with CPC is still under negotiation. There are certain matters to be agreed upon by both parties viz., CPC requests a 30 billion guarantee from CEB where treasury shall issue concurrence. Therefore agreement has not yet been finalized

- (i) A sum of Rs. 92.69 million had been deducted by the lending agency in 2020 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.**

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.

However, out of the above balance Rs. 38,881,225.27 relating to 3 projects are not borne by CEB. Further, there is no commitment charge for Clean Energy Network Efficiency Improvement Project for the year 2020.

- (j) According to the Long Term Generation Expansion Plan 2018 – 2037, new generation of 500 MW, 657 MW and 430 MW were planned to implement in the year 2018, 2019 and 2020 respectively**

Even though CEB prepare Long Term Generation Expansion Plans, CEB do not have the authority on its own to carry out the development of such plants identified in the LTGEPs. CEB is heavily dependent on other agencies and are governed by the Rules and Guidelines of other institutions such as "Electricity (Procurement) Rules No. 02 of 2016" published by the PUSCL and Government Procurement Guidelines. Some of these processes are overlapping too.

For example, as per section 2(xi) of Electricity (Procurement) Rules No. 02 of 2016 published by the Commission, CEB is required to submit the draft Request for Proposal (RFP) (among many other documents) to the Commission to get the preliminary approval as required under section 43(2) of the Electricity Act before proceeding with procuring generating capacity. However, the same RFP document is required to be submitted to a procurement committee (often a SCAPC) appointed pursuant to National Procurement Guidelines for approval. When either PUSCL approved RFP is changed by SCAPC or SCAPC approved document is changed by PUSCL, again, the document needs to go through a review process and be submitted to either entity for approval.

Changing of Policies and Attributes

Further, regularly changing policies, ordering to change key attributes of ongoing power procurement in mid-way (such as changing technology, location, ownership model from BOO to BOT, capacity), and complete cancellation of a power project at a very mature stage, can cause the procurement to move significantly backwards by months and years.

Lack of Finances

There are also delays to secure finances (as shown in the case of Seetawaka Ganga HP mentioned elsewhere in the report).

Under section 38 of the Ceylon Electricity Board Act, No. 17 of 1969, Board was given authority to ensure that revenue of the Board is sufficient to (also) meet a reasonable proportion of the cost of development of services of the Board. However, the "tool" that was available with CEB (under Part V of the CEB Act) to secure such finances, namely powers to set tariffs and charges, was taken off from CEB in 2009 and was given to PUSCL by Sri Lanka Electricity Act. Since then, CEB was unable to carry out any development work out of its own funds due to not being given a cost reflective tariff.

Further, due to other government circulars and Acts, all requests of funds from lending agencies need to be channeled via Department of External Resources. Due to constraints in the government fiscal space, both transmission and generation projects can get delayed at such stages due to lack of finances.

Replies to the Report of the Auditor General (Contd.)

- (k) A special investigation had been carried out by the Internal Audit Branch in respect of stock shortage of Rs. 39.55 million identified in 2014 under project of Uthuru wasanthaya in April 2017 with delay of 3 years.**

Stock Shortage of Rs. 2,510,056

DGM (NP) has appointed a committee by his letter No. NP/DGM/HRO/Inquiry dated 2017-05-04 and the committee report has been submitted to DGM (NP) on 2019-10-03. Accordingly, DGM (NP) has instructed to recover the stock shortage amount of Rs. 2,510,056.88 (including Board charges) from the store Keeper Mr. J. A.M. Asanka Jayakodi (PE No. 37432) via his letter No. NP/DGM/HRO/INQUIRY dated 2019-10-09. The Store keeper has been transferred to DGM (NCP) in October 2019 and the balance which is to be recovered from him (Rs. 2.5 Mn) has been recorded under other receivable. AGM (DD1) has instructed to recover this amount from the employee by his letter No DGM(C&C)/DD1/HRO/ADMN/10 dated 2019-11-28. However, MR. Jayakodi in his letter dated 2020-01-06 requested to conduct a formal inquiry and accordingly charge sheet has been issued.

Further to this, AGM (DD1) has instructed to recover the shortage by letter No. AGM(DD1)/DGM(C&C)/HRO/DD1/162 dated 2020-09-03 by 180 instalments subject to the formal inquiry decision.

Stock Shortage of Rs. 31,257,161

In this regard a Letter of Demand has been issued by the Legal Officer of the CEB to Richardson Projects (Pvt) Ltd to recover Rs. 28,331,000.00 including the 25% Board charges due from this company to CEB for acquiring payments totalling to Rs. 22,584,800.00 fraudulently without delivering the materials. In addition, further verification of stock materials was carried out by in an expeditious manner to identify any further adjustments against the loss. Accordingly, the amount of loss has been reduced to Rs. 8.30Mn. after made some adjustments. Currently, internal inquiry has been finalized and accordingly disciplinary action will be taken against the store keeper Mr. U. P. Uadara Gunarathne (P. F. No. 37475). Furthermore, the court case No. B/1164/15 is pending at Magistrate Courts, Trincomalee.

Disciplinary action is in progress.

- (l) 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.3.67 million which had been occurred during the period from 20 November 2006 to 20 February 2012, in Asset Management Division (Power Plant)**

The CEB has sought Attorney General's opinion on litigation and the meeting was postponed due to prevailing Covid-19 situation in the country.

- (m) An officer who was liable for the stock shortage of Rs.3.79 million had been allowed to retire on 15 October 2011 without being recovered the loss as recommended by the committee appointed for investigation.**

In the audit report, the stock shortage is mentioned as Rs. 3,789,893.00. However, the Committee appointed in the year 2010 to investigate the stock variance, had recommended the stock shortage amount as Rs. 1,953,484.15. Mr. Samarasinghe has retired on 2011-10-15 after reaching the age of 60 years. Actions were taken at his retirement to stop the pension and gratuity payment till a decision on stock shortage issue is finalized. A committee comprising of 03 DGMM has been appointed to inquire the non-recovery of stock shortage. The committee report has been submitted recently and the process of obtaining approval for the recommendation by the committee is in progress for implementation.

- (n) The Balance of Rs.260.48 million available as at 31 December 2018 in capital work in progress in Generation division remains in the accounts without being movement.**

The above balance represents balances which are still under progress as at 31st December 2020. Once completed those balances will be capitalized during the financial year 2021.

- (o) Only 16 activities out of the 76 activities of the Action plan had been achieved by the Generation Division during the year under review**

Although financial progress shown in activity plan is only 16, the activities stated in the plan is in progress

- (p) The board had not taken necessary action to acquire the right of dams which valued at Rs. 63.55 billion properly**

The value shown in the report represents the Victoria, Kothmale, Ukuwela, Bowathenna, Randenigala, Rantembe and Nillambe Power stations. The Board has already acquired the Nillambe dam which is state at Rs. 596,216,467.81 and it is operated, maintained, and managed by the relevant power station. However, all the other dams relating to above mentioned power plants are operated, maintained, and managed by Mahaweli Authority of Sri Lanka by its act. However, the Board has acquired only the waterway up to the power intake at the reservoirs and those are fully operated, maintained and managed by the relevant power stations.

Replies to the Report of the Auditor General (Contd.)

(q) A sum of Rs.2.67 billion representing 10 per cent of the total consumable stock of Rs.26.75 billion had been shown in financial statements as slow moving, non-moving and damaged stock as at 31 December 2020.

Actions have been taken to dispose the slow moving, non-moving and obsolete stocks through appointing committees, board of survey and obtaining board approvals. Accordingly, Distribution Division 2 has already obtained Board Approval to dispose Rs. 38,947,687.46 worth of slow moving stocks.

(r) Even though Minimum Guaranteed Energy Amount (MGEA) relating to PPA entered with ACE Power Embilipitiya (Pvt) Ltd is 697,674,432 kwh per year, energy delivered during the year under review was 475,831,835 kwh under the per unit cost of Rs.24.42. Accordingly, energy of 221,842,597 kwh had not been obtained during the year under review.

Under the referred audit report item under 2.5 (z), CEB has been accused of dispatching ACE Matara, Hambanthota and Galle supplementary power plants while under utilizing ACE Embilipitiya generation. According to the report, given the fact that lesser amount of power is generated from ACE Embilipitiya plant than its MGEA, ACE Embilipitiya generation could have easily utilized to replace power generation from aforementioned power plants.

It is to be noted that,

1. The demand and Net generation should be equal at any given time.
2. The Electricity demand of the country is not a constant and vary with time.
3. Hydro Plant dispatching to be decided according to the inflows to reservoirs/run-of-river plants, Water Management Secretariat (WMS) instructions and future demand requirement including machine maintenance.
4. Thermal plants are dispatching according to the security constraint economic dispatch based on the plant merit order.

It should be noted that power plants are dispatched as per the real time demand requirement based on its energy cost and hence it is not realistic to compare the generation dispatch with its MGEA since MGEA is considered only for capacity charge payments based on the plant availability. Thus there is no relationship with MGEA and real time energy dispatch. It is also to be noted that the said power plants of ACE Matara, Hambanthota and Galle supplementary power plants have been dispatched in addition to the ACE Embilipitiya plant to cater the real time demand requirement. Hence, CEB has always dispatched low cost ACE Embilipitiya plant over ACE Matara, Hambanthota and Galle supplementary power plants with high variable cost. Finally, all thermal plants have been dispatched based on the merit order to meet the Electricity demand of the country.

(s) Rate for mini hydro plants on the avoided cost method for the year 2020 was Rs.19.51 for wet season and Rs.21.25 for dry season. Avoided cost method is based on the thermal plant dispatch and it is vary with fuel cost. Therefore, rate decided on the said method is no any relation to the actual cost of the mini hydro plant. It was observed that average unit cost of hydro should be less than Rs.10 and CEB hydro cost per unit was Rs.2.49. Further, it was exceeded the average unit sale price of Rs.16.62.

The Avoided Cost based tariff system was introduced at the beginning to attract the investors for emerging field of NCRE power plant development. Subsequently, the drawbacks of this system had been identified and a new tariff system identified as 'Cost Reflective, Technology Specific Three Tier Tariff' was introduced in the year 2008. Later, this system was also replaced by competitive bidding process where the tariff was decided by market forces.

Eng. Vijitha Herath
Chairman
Ceylon Electricity Board

Eng. (Mrs) N.W.K. Herath
General Manager
Ceylon Electricity Board

Abbreviations

ABB	ASEA Brown Boveri	DSM	Demand Side Management
ADB	Asian Development Bank	ECSC	Electricity Consumer Service Center
AFD	Agence Francaise de Development	EENS	Estimated Energy Not Supplied
AFM	Additional Finance Manager	EIA	Environmental Impact Assessment
AGM	Additional General Manager	EP	Eastern Province
AIIG	Asian Infrastructure Investment Bank	EPC	Engineering, Procurement and Construction
AMHM	Asset Management Thermal Mechanical	ERD	External Resources Department
AMI	Advance Metering Infrastructure	ERP	Enterprise Resource Planning
B&OS	Business & Operational Strategy	FS&PD	Functional Strategy & Process Development
BBC	Brown, Boveri & Compagnie	FSUR	Floating Storage and Regasification Unit
BHPP	Broadlands Hydropower Project	GCT&DLRP	Greater Colombo Transmission and Distribution Loss Reduction Project
BOI	Board of Investment	GIS	Gas Insulated Switchgear
BOO	Built Own and Operate	GL	Generation Licensee
BOP	Balance of Plant	GM	General Manager
BST	Bulk Supply Tariff	GOSL	Government of Sri Lanka
BSTA	Bulk Supply Transaction Account	GPD&EEIIPP	Green Power Development and Energy Efficiency Improvement Investment Program Project
CB	Circuit Breaker	GPRS	General Packet Radio Service
C&C	Commercial & Corporate	GPS	Global Positioning System
CCPP-GT	Combined Cycle Power Plant-Gas Turbine	GSS	Grid Substation
CCPP-ST	Combined Cycle Power Plant-Steam Turbine	GT	Gas Turbine
CCTV	Closed Circuit Television	HDD	Horizontal Directional Drilling
CDM	Construction (Design and Management)	HQ	Head Quarters
CEA	Central Environment Authority	HR	Human Resource
CEB	Ceylon Electricity Board	HRT	Headrace Tunnel
CE&NEIP	Clean Energy and Network Efficiency Improvement Project	HT	High Tension
CFL	Compact Fluorescent Lamp	HV	High Voltage
CIPM	Chartered Institute of Personnel Management	HVTLP	Habarana Veyangoda Transmission Line Project
CMMS	Computerized Maintenance Management System	ICBC	Industrial & Commercial Bank of China
CNEEC	China National Electric Equipment Corporation	IEC	International Electrotechnical Commission
CPC	Ceylon Petroleum Corporation	IP	Internet Protocol
CPCDP	Colombo Port City Development Project	IPP	Independent Power Producers
CPD	Continuous Professional Development	IT	Information Technology
CS&RA	Corporate Strategy and Regulatory Affairs	IVR	Interactive Voice Response
CS	Corporate Strategy	JICA	Japan International Cooperation Agency
CSR	Corporate Social Responsibility	KNGTP	Kelanitissa New Gas Turbine Project
CSC	Consumer Service Center	KPI	Key Performance Indicators
CT	Current Transformer	KPS	Kelanitissa Power Station
CW&B	Civil Works and Buildings	LC	Laxapana Complex
CW&G	Civil Works and Garage	LCEG	Low Cost Energy Generation
DAS	Distributed Antenna System	LCLTGEP	Least Cost Long Term Generation Expansion Plan
DAQ	Data Acquisition System	LECO	Lanka Electricity Company (Pvt.) Ltd.
DBT	Design Build Transfer	LED	Light-Emitting Diode
DC	Direct Current	LHI	Lanka Hydraulic Institute
DCC	Distribution Coordination Committee	LKR	Lankan Rupees
DD1	Distribution Division 1	LKAS	Sri Lanka Accounting Standard
DD2	Distribution Division 2	LNG	Liquefied Natural Gas
DD3	Distribution Division 3	LOI	Letter of Intent
DD4	Distribution Division 4	LRP	Load Research Program
DFM	Deputy Finance Manager	LT	Low Tension
DGA	Dissolved Gas Analysis	LTGEP	Long Term Generation Expansion Plan
DGM	Deputy General Manager	LTTDP	Long Term Transmission Development Plan
DL	Distribution Licensee		
GOSL	Government of Sri Lanka		
DSE&CSM	Dam Safety Environment & Civil Structure Maintenance		

Abbreviations (Contd.)

LV	Low Voltage	PUCSL	Public Utilities Commission of Sri Lanka
LVPP	Lakvijaya Power Plant	PV	Photovoltaic
MC	Mahaweli Complex	QMS	Queue Management System
MCM	Million Cubic Meters	R&D	Research & Development
MDMS	Meter Data Management System	RCC	Roller-Compacted Concrete
MEPS	Minimum Energy Performance Standard	RCL	Regional Centre for Lighting
MHPP	Moragolla Hydropower Project	REATDP	Renewable Energy Absorption Transmission Development Project
MITFIN	Millennium Information Technology and Financial Information Network	PFP	Request for Proposal
MIV	Main Inlet Valve	ROI	Return on Investment
MLTS	Middle Level Technical Staff	ROW	Right Of Way
MMT	Million Metric Tons	RTU	Remote Terminal Unit
MOI	Ministry of Irrigation	SAIDI	System Average Interruption Duration Index
MOIWM	Ministry of Irrigation and Water Management	SAIFI	System Average Interruption Frequency Index
MQTT	Message Queuing Telemetry Transport	SAS	Substation Automation Systems
MUSD	Million United States Dollar	SC	Samanala Complex
MV	Medium Voltage	SCADA	Supervisory Control & Data Acquisition
MVA	Mega Volt Amp	SCC	System Control Center
MVMMS	Medium Voltage Maintenance Management System	SCU	Strategic Communication Unit
MWPP	Mannar Wind Power Projects	SDH	Synchronous Digital Hierarchy
NAMA	National Appropriate Mitigation Actions	SESRIP	Supporting Electricity Supply Reliability Improvement Project
NCP	North Central Province	SFRA	Sweep Frequency Response Analysis
NCRE	Non-Conventional Renewable Energy	SIU	Special Investigation Unit
NEA	National Environmental Act	SLBC	Sri Lanka Broadcasting Corporation
NGO	Non-Governmental Organization	SLE	Sri Lanka Energies (Pvt.) Limited
NGR	Neutral Grounding Resistor	SLRC	Sri Lanka Rupavahini Corporation
NRE	Non- Renewable Energy	SLS	Sri Lanka Standards Institution
NSSC	National System Control Centre	SLT	Sri Lanka Telecom
NTDND&EIP	National Transmission & Distribution Network Development and Efficiency Improvement Project	SME	Small and Medium Scale Enterprise
NVQ	National Vocational Qualification	SP	Southern Province
NVTI	National Vocational Training Institute	SPPA	Standardized Power Purchase Agreements
NWP	North Western Province	SSBB	section single busbar tower
OEM	Original Equipment Manufacture	SSL	Solid State Lighting
OH&S	Occupational Health & Safety	TCPP	Trincomalee Coal Power Project
OLRT	On Line Real Time	TIG	Tungsten Inert Gas
P&D	Planning & Development	TL	Transmission Licensee
PABX	Private Automatic Branch Exchange	TLCP	Transmission Line Construction Project
PAP	Project Affected Person	TLM	Transmission Line Maintains
PD	Project Director	TM	Treasury Management
PHM	Projects & Heavy Maintenance	TOU	Time Of Use
PIV	pay In Voucher	TPCL	Trincomalee Power Co. Ltd
PLC	Power Line Carrier	UG	Under Ground
PMU	Project Management Unit	UK	United Kingdom
POS	Point of Sales	UNT	Uniform National Tariff
PPA	Power Purchase Agreement	UOM	University of Moratuwa
PRV	Pressure Relief Valve	UOMDP	Uma Oya Multipurpose Development Project
PS	Power Station	USD	United States Dollar
PSS	Primary Substation	VIP	Very Important Part Service
PSHPP	Pumped Storage Hydro Power Plant	VPN	Virtual Private Network
PSRSP	Power System Reliability Strengthening Project	WPN	Western Province North
		WPS	Western Province South

