

CEYLON ELECTRICITY BOARD

Annual Report
2021



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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*



Our Environmental Policy

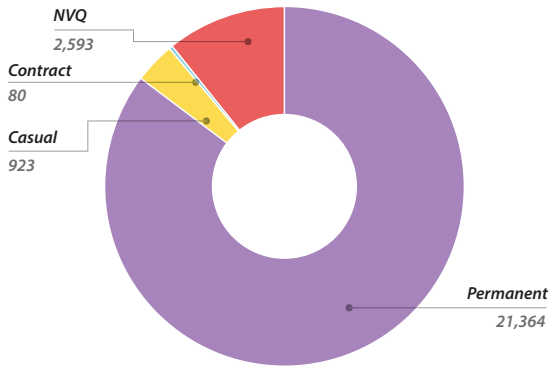
CEB will manage all its business activities in a manner, which cares for the natural and manmade environment and contribute to sustainable development. By means of openness in dealing with environmental issues, we intend to create confidence in our activities on the part of the public, customers, authorities,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

We will actively pursue a policy of incorporating and integrating environmental considerations into our activities

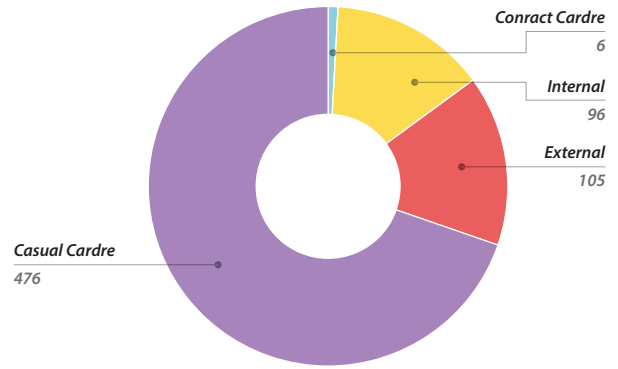




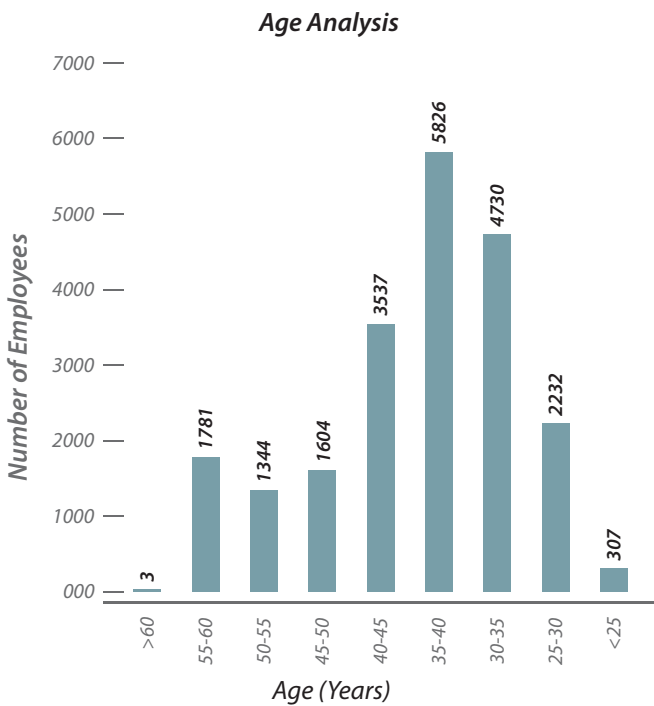
Our Work Force as at 2021.12.31



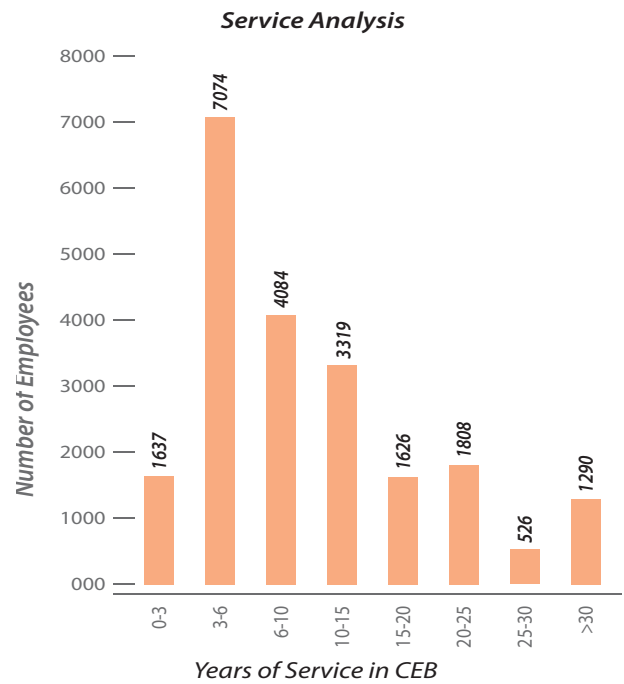
Work Force



New Recruitments to Permanent Cadre

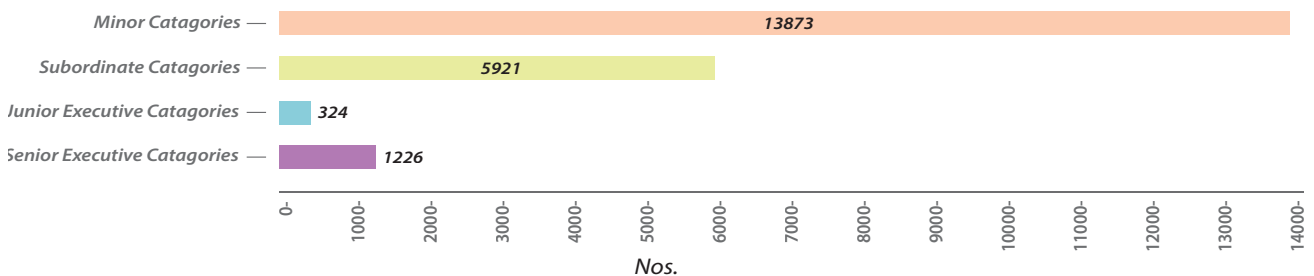


Age Analysis



Service Analysis

Category Analysis



Past Performances

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Energy Generation (GWh)	11,801	11,962	12,423	13,154	14,249	14,773	15,985	16,556	16,392	17,378
NCRE Generation* (GWh)	736	1,179	1,217	1,467	1,160	1,464	1,832	1,761	1,866	2,930
Maximum Demand (MW)	2,146	2,164	2,152	2,283	2,453	2,523	2,616	2,669	2,717	2,802
Electricity Sales (GWh)	10,474	10,621	11,063	11,786	12,785	13,431	14,091	14,611	14,286	15,214
Consumer Accounts (Nos.)	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	6,809,528
System Energy Losses (%)	11.24	11.14	10.91	10.40	10.28	8.45	8.34	8.23	9.08	8.72
Revenue (LKR Million)	163,513	194,147	202,645	188,684	206,811	218,450	229,571	242,950	238,911	249,089
Average Selling Price (Rs/kWh) - (a)	15.56	17.93	18.50	16.00	16.18	16.26	16.29	16.63	16.72	16.37
Average Cost at selling point (Rs/kWh) - (a)	23.66	16.94	20.00	15.07	18.08	20.34	19.12	24.12	21.67	18.63
Household Electrified during the year (Nos.)	225,707	198,484	178,300	198,166	277,038	181,627	118,077	108,315	98,829	125,277

* - 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	up to 19.07.2021
Mr. M.M.C. Ferdinando	from 20.07.2021

Vice Chairman

Mr. N. S. Ilangakoon
Member/ Working Director

Member Representing the General Treasury

Mr. S. D. Jude Nilukshan

Members

Mr. M. M. Nayeemudeen	
Mr. B. K. Jagath Perera	up to 07.01.2021
Dr. B. Wijayarathne	from 07.01.2021
Mr. L. G. Premasiri	up to 29.01.2021
Mr. V. P. K. Anusha Palpita	from 30.01.2021 to 07.07.2021
Gen. Daya Rathnayake (Retd.)	from 08.07.2021 to 23.12.2021
Mr. G. P. N. M. Abeysekara	from 24.12.2021
Mr. R. Wickramarachchi	

Secretary to the Board

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

General Manager

Eng. (Mrs.) N. W. K. Herath	up to 22.08.2021
Eng. M. R. Ranatunga	from 23.08.2021

Corporate Management

Additional General Manager (Generation)

Eng. H. M. A. Herath	up to 25.04.2021
Eng. K.D.A. Munasinghe	from 26.04.2021 to 08.05.2021
Eng. A. R. Nawamanni	from 09.05.2021

Additional General Manager (Transmission)

Eng. M. M. S. M. K. Gunaratne	up to 29.05.2021
Eng. G. J. Aluthge	from 30.05.2021 to 30.11.2021
Eng. P. W. Hendaheewa	from 01.12.2021

Additional General Manager (DD 1)

Eng. J. Meegoda

Additional General Manager (DD 2)

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

Additional General Manager (DD 3)

Eng. J. Nantha Kumar	up to 28.10.2021
Eng. P. W. Hendaheewa	from 29.10.2021 to 30.11.2021
Eng. G. J. Aluthge	from 01.12.2021

Additional General Manager (DD 4)

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

Additional General Manager (Assets Management)

Eng. K. K. S. Dasanayake

Additional General Manager (Corporate Strategy)

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

Additional General Manager (Projects)

Eng. M. R. Ranatunga	up to 22.08.2021
Eng. H. S. Somathilaka	from 23.08.2021

Finance Manager

Mr. T. K. Liyanage

Organization Structure 2021



Additional General Manager
(Corporate Strategy)

Additional General Manager
(Generation)

Additional General Manager
(Transmission)

Additional General Manager
(Distribution Division 1)

Additional General Manager
(Distribution Division 2)

Additional General Manager
(Distribution Division 3)

Additional General Manager
(Distribution Division 4)

Additional General Manager
(Assets Management)

Additional General Manager
(Projects)

Finance Manager

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

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 (Private Power Development)
DGM (Renewable Energy Procurement & Performance Monitoring)
AFM (Transmission)

DGM (Commercial & Corporate)
DGM (Projects & 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 I)
DGM (Southern Province I)
DGM (Southern Province II)
PD (Vidulakpaya)
AFM (Distribution Division 4)

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

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

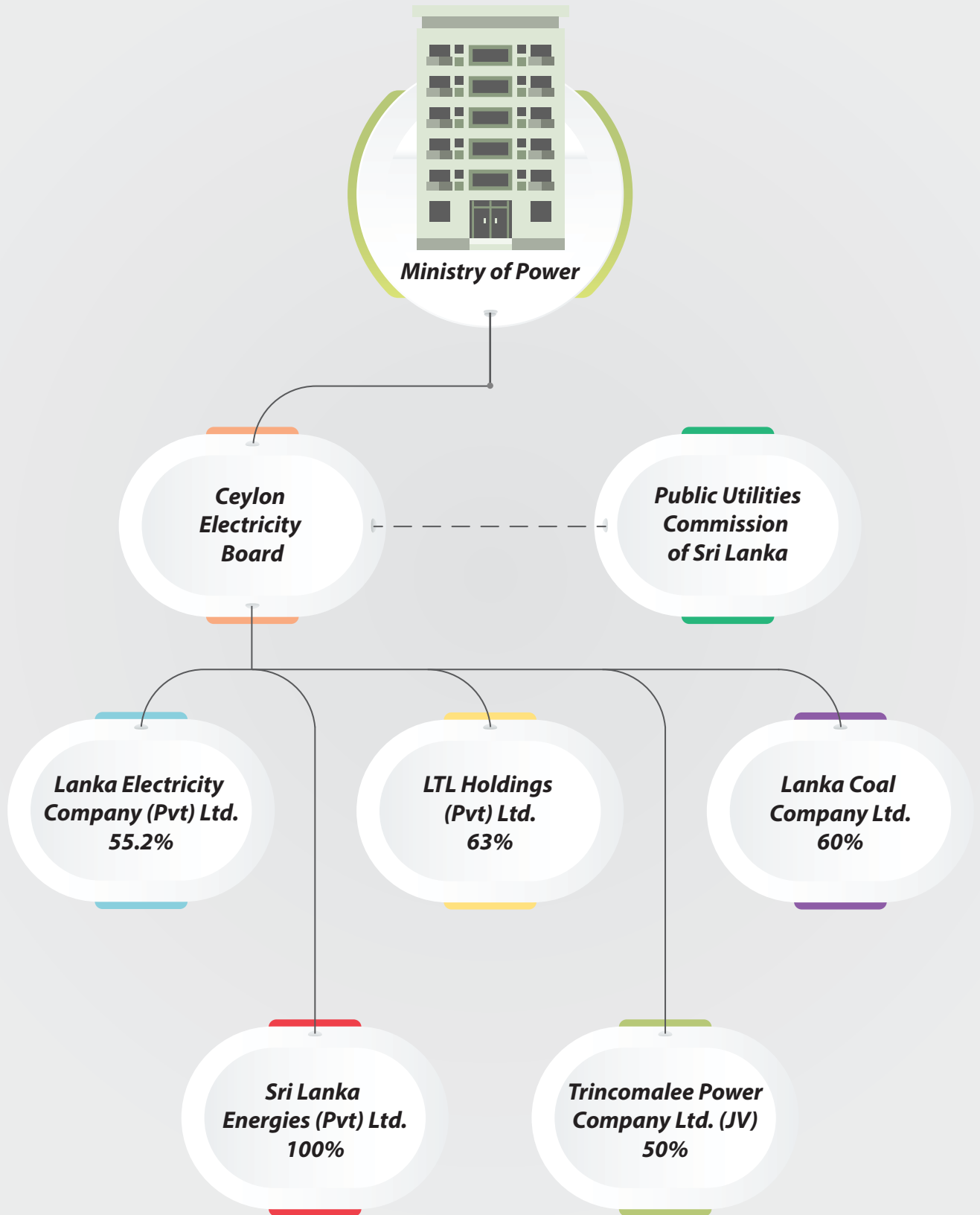
DGM (Coordination)
DGM (Personnel)
DGM (Engineering Audit)
Chief Internal Auditor

Chief Legal Officer

Manager Investigations

Secretary to the Board

Organization Structure of CEB with Subsidiaries - 2021



Lakvijaya Power Plant





CHAIRMAN'S REVIEW

“Accordingly, CEB was able to increase the installed capacity of the renewable energy plants (except major hydro power plants) by 14%. The total generation contributed by these plants was recorded as 2921.2 GWh (i.e. 17.5% of the total generation). This includes the contribution of the fully commissioned CEB owned first-ever large-scale wind power plant; -; i nmj k\$, located along the southern coast of Mannar Island.

It gives me pleasure to recollect and review the annual performance of the Ceylon Electricity Board for the year 2021. A year with multiple challenges. A year making the electricity sector's move towards more renewables a reality. A year of continuation of implementing the policy framework enumerated in the “Vision 2025 - Vistas of Prosperity and Splendour”, with the guidance of the Hon. Dullus Allahapperuma, the Minister of Power .

Accordingly, CEB was able to increase the installed capacity of the renewable energy plants (except major hydro power plants) by 14%. The total generation contributed by these plants was recorded as 2921.2 GWh (i.e. 17.5% of the total generation). This includes the contribution of the fully commissioned CEB owned first-ever large-scale wind power plant; -; i nmj k\$, located along the southern coast of Mannar Island.

Also, CEB was actively involved with the power generation project titled “Battle for Solar Energy” (Battle for Solar Energy). A project launched by the Ministry of Power to integrate solar electricity generated in houses/premises of electricity consumers through rooftop solar PV panels, to the national grid. Under the above project, 6,727 new rooftop solar connections were approved with a total installed capacity of 415 MW.

CEB continued the “Electricity for All” programme in the year 2021 and provided free electricity connections to 33,302 households by the end of the year.

Apart from the above, with the country struggling to emerge from one of the most devastating pandemics, there was an urgent need to rebuild lives and economies in a manner that is sustainable. In this unusual and difficult time, CEB was able to provide safe and reliable electricity to its consumers while ensuring the safety and well-being of our employees at the highest level of operational efficiencies. This was possible due to the coordinated efforts of all the employees of CEB.

Even with the persistent challenging environment, CEB recorded a Revenue of LKR 249 Billion in year 2021. A growth of 4% compared to year 2020, reflecting remarkable efforts to overcome uncertainties and instabilities that occurred due to the pandemic. Key contributors to the revenue growth included, the increase in demand in the Bulk Supply Tariff categories, which dropped in year 2020 during the pandemic, and the increase in Domestic consumption; reflecting an overall increase of 6% in the country's total electricity demand.

CEB cash management was difficult. With the new normalcy of the country and with release of lockdown, the usual demand pattern of electricity was established. The cushion on treasury due to low consumption of electricity was wiped off. The situation worsened due to high world coal prices. However, the challenge was managed successfully by completing the largest listed debenture issue in April 2021 amounting to LKR 20 Billion. CEB became the first government owned statutory board to embark on issuing listed debt securities. Meanwhile, by a Government policy decision, the tariff structure remains

unchanged since year 2014, whilst all the cost factors related to power generation increased rapidly.

As a result of the favorable generation mix predominantly supported by hydro generation, the net loss decreased by 68% compared to the previous year. It was recorded as LKR 21.95 Billion. The favorable generation condition, enabled CEB to withstand considerable volatilities in the input prices in spite of the non-cost reflective tariff. As at the end of the year, the hydro generation (including mini- hydro) recorded a 45% increase compared to the previous year.

Further, CEB continued its efforts to achieve operational excellence with state of art technology and was able to further develop the award winning IT solution - "CEBAssist", by digitalizing and automating interruption requests,

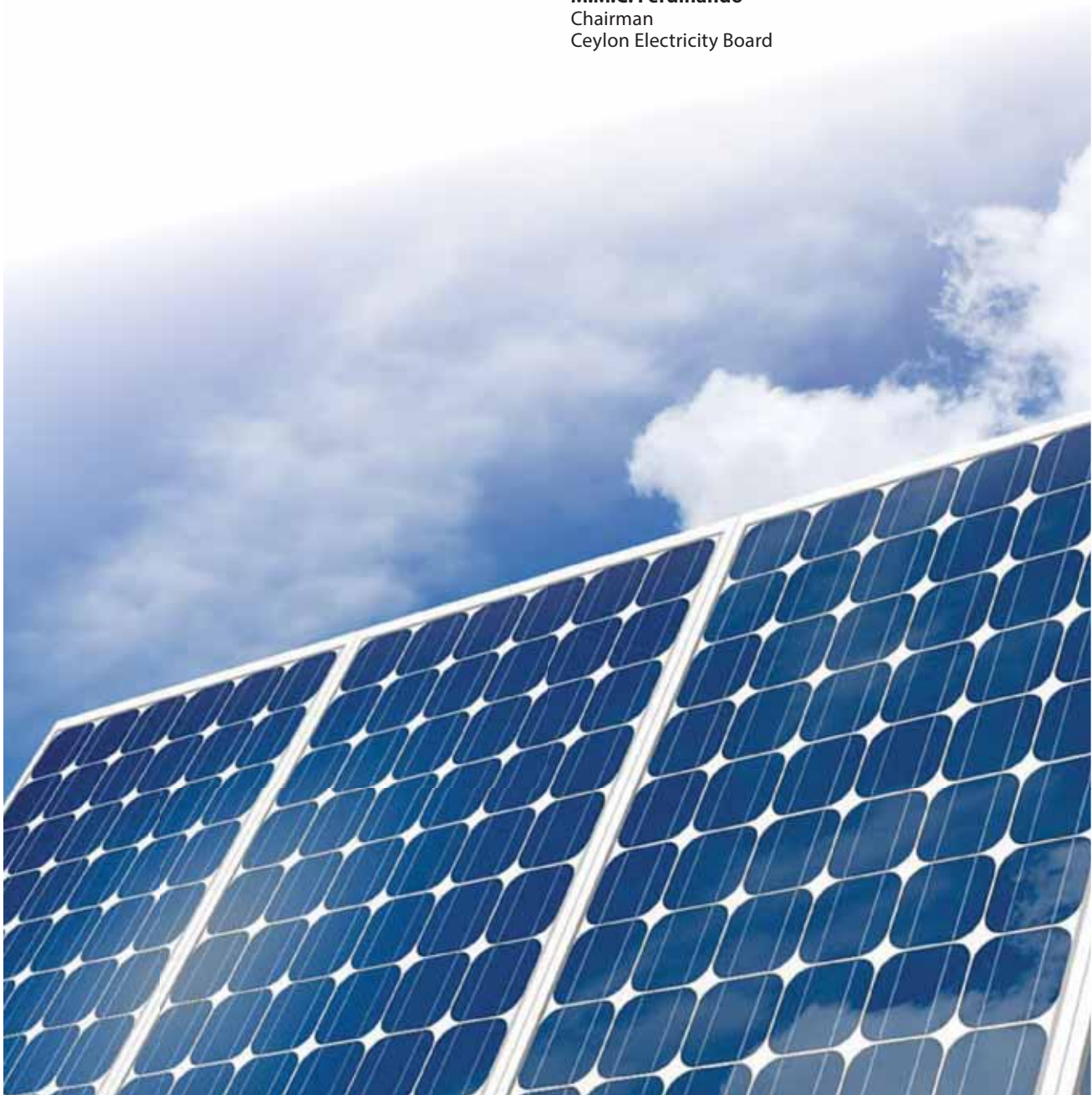
interruption planning, interruption scheduling and permit to work processes with the new Interruption Planning Module.

Apart from the organizations main business, CEB explored income generating methods from underutilized resources. It took steps to lease hydro reservoirs for tourism and recreational activities such as operation of float planes and operation of boat services.

In conclusion, I am happy that all these achievements were possible due to the dedicated services extended by the Members of the Board and all the Employees of the CEB led by the General Manager. I thank them all and wish them well.



M.M.C. Ferdinando
Chairman
Ceylon Electricity Board





GENERAL MANAGER'S REVIEW

“ When the generation mix for year 2021 is analyzed, the coal generation stood at 33% from the total generation and the hydro contribution with mini hydro was at 43%. Accordingly, CEB was able to record a significant decrease in financial losses as thermal oil generation was reduced to 16%. The balance 8% was contributed by wind and other renewable sources, showing steady movements towards the government’s renewable targets established for the year 2030.

In my capacity as the General Manager and the Chief Executive Officer of the Ceylon Electricity Board (CEB), it is a pleasure for me to review the progress made by the organization during the year 2021.

Year 2021 was a challenging and satisfactory year for CEB. The Net Loss for the year recorded a significant decrease compared to the previous year, which can be considered as a substantial improvement of the financial performances. Total revenue for year 2021 was LKR 261.91 Billion and total expenses was LKR 283.36 Billion. The resulting total loss for the year was LKR 21.95 Billion. A reduction of 68 % compared to the year 2020.

Proper Power Generation Mix is the dominant factor of CEB's profitability and financial viability. All these years, CEB's direct generation cost was highly dependent on hydro and coal power generation. Consequently, thermal oil power sources played a significant role in the generation mix when hydro power conditions weakened thus increasing the direct generation costs which were burdened by fuel cost. Sri Lanka's largest wind power plant "Thambapawani" contributed 2% of the annual net generation. That undoubtedly established a way forward for a proper generation mix.

When the generation mix for year 2021 is analyzed, the coal generation stood at 33% from the total generation and the hydro contribution with mini hydro was at 43%. Accordingly, CEB was able to record a significant decrease in financial losses as thermal oil generation was reduced to 16%. The balance 8% was contributed by wind and other renewable sources, showing steady movements towards the government's renewable targets established for the year 2030.

Total power generation of 16,716 GWh (net) was recorded during the year 2021 which shows 6.4% growth compared to the previous year. Out of 16,716 GWh generated in 2021, 24% was purchased from independent power producers. It was 29% in 2020. The Transmission and distribution loss was recorded as 8.72% in 2021 which was 9.08% in the previous year. The average Generation cost of the year 2021 was LKR 11.74 which has decreased by 16% in contrast to year 2020, even with an increase in generation units by 6%. The saving was mainly due to the Generation mix being predominantly supported by Hydro Generation. The total cost per unit of electricity at selling point was recorded as LKR 18.63 and the same was LKR 21.67 in the previous year. This has reduced LKR 3.04 and shows a 14% decrease.

Further, the total electricity consumption of the year was 15,214 GWh which shows a growth of 6.5% compared to the previous year. The average selling price was recorded as LKR 16.37 which was reduced by 2.1% compared to year 2020. CEB recorded a Revenue of LKR 249 Billion in year 2021 delivering a growth of 4% compared to year 2020, reflecting remarkable efforts to overcome uncertainties and instabilities that occurred due to the pandemic. Key contributors to the revenue growth included, the increase in demand in the Bulk Supply Tariff categories which had dropped in year 2020 during the pandemic, and the increase in Domestic consumption; reflecting an overall increase of 6% in the country's total electricity demand.

The Tariff structure remains unchanged since year 2014, as per Government policy decision, whilst all the cost factors related to power generation increased rapidly. Ceylon Electricity Board provided electricity to the nation at a price less than its generation cost.

Steered by the Government's policy to provide electricity to all, the CEB during the year vigorously continued with its efforts to reach out to all its prospective customers. During the year the number of consumers increased by 173,262 making the total number of consumers as at end of the year 6,809,528. The CEB throughout the year took all possible measures to make electricity available to its customers for all 24 hours of the day except for unavoidable short term breakdowns. However, unfortunately an island-wide total failure occurred on 3rd December 2021.

Whilst recovering from the Pandemic, CEB had continued its efforts to provide quality and reliable power supply to the nation while ensuring the safety and wellbeing of its customers as well as its employees. CEB has fully commissioned its first-ever large-scale wind power plant; named "Thambapavani", with a total installed capacity of 103.5 MW with thirty-three (33) cutting edge wind turbine generators located along the southern coast of Mannar Island on 8th December 2020. Further, generation development projects such as Uma Oya Hydro Power Project, Broadlands Hydro Power Project, Moragolla Hydro Power Project and Liquefied Natural Gas Project were continued smoothly to ensure the power supply security of the country. In addition, eight transmission development projects were continued. They reported an overall acceptable progress despite the challenging environment.

In addition to the above developments, re-commissioning of Kelanitissa Combine Cycle Power Plant, emergency overhaul of Unit 2 Samanalawewa Hydro Power Station and generation capacity and lifetime enhancements, such as Refurbishment of Frame V Gas Turbines at Kelanitissa Power Station, were successfully completed. Enhancing of Coal Handling Capacity at Coal Yard at Lakvijaya Power Plant continued during the year.

Apart from the technical developments, a Human Resource Audit was conducted for the entire CEB, covering all types of employees to identify the excess and shortages of the staff of all categories across the CEB and redistribute them to improve the organizational performance. In addition, novel, low cost advertising campaigns were initiated to promote energy conservations, renewable energy developments and CEB online facilities.

The organization achieved a remarkable milestone by reaching one trillion worth of total assets, with its asset base increasing by 5% i.e. in LKR 48 Billion, in comparison to the

previous financial year. The Non-Current Assets and Current Assets grew by 4% and 13% respectively during the year. Key contributors being Property, Plant & Equipment and inventories. However, the total liabilities increased by 7%, compared to the previous year, with total interest bearing loans & borrowings being considerably higher than equity, leading to a deterioration of CEB's Debt/Equity ratio at the end of year 2021.

Finally I would like to highlight, as a Government policy decision, that CEB offers electricity at a price lower than the actual cost at the selling point, 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 and General Purpose category have to bear a part of this cost in excess. As at the end of the year 2021, the total loss recorded due to this existing tariff scheme was LKR 59.7 Billion whereas the surplus charged from high end consumers amounted to LKR 25.4 Billion. Hence the loss incurred by CEB was stated as LKR 34.3 Billion, excluding Other Income. Net loss was calculated as LKR 21.96 Billion with Other Income.

In conclusion, despite the challenging socio-economic conditions that prevailed in the country, CEB was able to diminish its Net Loss against that of year 2020, primarily facilitated by decreased Direct Generation Cost and increased contribution from energy demand. This would not have been possible if not for the commitment and dedication shown by my predecessors, Additional General Managers, the Finance Manager and all other employees of the CEB in their own individual capacities. I pay my tribute to all of them.

My gratitude should also go to Hon. Minister of Power and Hon. State Minister of Solar power, Wind and Hydro power Generation projects Development and the Secretary Ministry of Power and her staff at the ministry and the Chairman and the Board of Directors for guiding and advising. The excellent cooperation given to me to work as one unit was key to the achievements of 2021.



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



CEYLON ELECTRICITY BOARD

The Map of Sri Lanka Transmission System in Year 2021



Maussakelle Reservoir



Generation Division

The Generation Division operates, maintains and rehabilitates all power plants owned by the Ceylon Electricity Board. The Division has seventeen Hydro Power Plants with installed capacity of 1,383MW, seven oil-fired Thermal Power Plants having installed capacity of 654MW, one Coal-fired Power Plant having installed capacity of 900MW and one wind power plant with installed capacity of 103 MW. CEB also operates a few diesel plants in the surrounding islands of Jaffna Peninsula. Total installed Capacity of CEB-owned Power Plants by end 2021 was 3,040MW.

Performance of Power Stations

Year 2021 was a satisfactory year for Mahaweli Complex in terms of electricity generation. The power stations in Mahaweli Complex have generated 2,985.85 GWh, which is about 53% of the total CEB hydro generation. It is about 18% of the total generation of the country in 2021. Victoria, Kotmale, Upper Kotmale, Randenigala, Ukuwela and Bowatenna power stations surpassed its annual planned generation targets while Rantambe and Nilambe power stations were able to generate more than 87% of their planned generation target.

Contribution of Hydro Power Plants

Power Station	Installed capacity (MW)	Generation in 2021(GWh)	Availability factor (%)	Plant factor (%)
Victoria	210	973.00	97.99	52.97
Kotmale	201	565.14	99.79	32.23
Upper Kotmale	150	507.95	99.89	38.80
Randenigala	122.60	424.58	99.87	39.88
Rantembe	50	193.81	99.68	45.61
Ukuwela	40	212.60	99.38	60.78
Bowatenna	40	94.13	99.73	26.97
Nillambe	3.20	14.64	99.36	50.36
Mahaweli Complex Total	816.80	2,985.85		
Samanalaweve	120	405.19	92.66	42.32
Kukuleganga	75	399.69	94.17	65.42
Udawalawa	6	13.67	92.93	47.05
Inginiyagala	11.25	22.46	98.22	22.95
Samanala Complex Total	212.25	841.01		
Old Laxapana Stage I	28.80	351.92	99.80	74.50
Old Laxapana Stage II	25			
New Laxapana	100	610.19	99.70	60.60
Samanala	90	530.08	99.30	66.50
Wimalasurendra	50	142.51	99.60	32.60
Canyon	60	178.42	100.00	34.10
Laxapana Complex Total	353.80	1,813.12		
Hydro Total	1,382.85	5,639.98		

The Total annual generation of Laxapana Complex in year 2021 (1,813.12 GWh) is the highest in its history. In year 2021, Old Laxapana (351.9 GWh) and Samanala (530.1 GWh) Power Stations also recorded their highest annual generation.

Samanalawewa, Kukule Ganga and Udawalawa Power Stations of the Samanala Complex generated more than the annual expected energy while operating to fulfill the irrigation demand as requested by the Department of Irrigation.

Thermal (oil) Power Plants generated 1,234.04 GWh during the year . Though year 2021 was a challenging year, contribution of Lakvijaya Power Plant to the national grid was one percent higher than the target given by the CEB System Control Centre (energy dispatch forecast for dry condition–January 2021). Net energy generated from Lakvijaya Power Plant in 2021 was 5,519.04 GWh against the given target of 5477.13 GWh. The electricity generated during 2021 from Lakvijaya Power Plant is around 33% of the national demand.

Electricity generated by Power Plants and other related factors in the year 2021 are listed below.

Contribution of Thermal (Oil) Power Plants

Power Station	Installed Capacity (MW)	Max. Available Total Capacity (MW)	Energy Generated in 2021 (GWh)	Availability Factor (%)	Plant Factor (%)	Fault Factor (%)
Sapugaskanda – A	80	70	238.86	93.9	40.3	0.09
Sapugaskanda - B	80	72	333.01	94.3	55.1	0.07
Kelanitissa CCPP – GT	110	110	133.25	53.74	37.71	33.11
Kelanitissa CCPP – ST	55	55		46.61	32.07	32.99
Kelanitissa GT - 07	115	115	78.75	86.26	10.19	6.95
Kelanitissa Frame V GTT	80	54	10.96	65.81	8.21	25.61
Emergency Power	50	40	41.35	95.6	13	3.5
Uthuru Janani	24	24	88.59	87.93	49.35	5.85
Barge Mounted	60	62.4	306.57	96.13	58.37	3.76
Small Islands			2.70			
Thermal (Oil) Total	654	602.4	1,234.04			

Contribution of Lakvijaya Power Plant

		Unit 01	Unit 02	Unit 03	Total
Installed Capacity	MW	300	300	300	900
Gross Energy	GWh	2,103.03	2,082.59	1,925.31	6,110.93
Net Energy Sent Out	GWh	1,901.93	1,876.56	1,740.55	5,519.04
Auxiliary Consumption	GWh	201.10	206.03	184.76	591.88
Availability Factor	%	98.55	96.15	86.87	93.85
Capacity Factor	%	80.02	79.25	73.26	77.51

Highlights

In addition to the routine maintenance of generating units and auxiliary systems of power plants, following special maintenance activities and projects were carried out by the Generation Division to enhance the generation capacity and reliability of the power plants and associated equipment.

Counter measures adopted for the causes of failures in Polpitiya generators

Several failures of the Polpitiya generators occurred due to severe damages in the Polpitiya Intake Screen at Laxapana Pond. This issue caused significant losses to CEB both in terms of repair costs as well as lost generation. A three-day pond outage was taken in September 2021 for desilting of Laxapana pond and repair of Polpitiya intake screen to ensure the reliability of machines.

Generator loading capacity reinstated at Old Laxapana Unit 4

The Old Laxapana Unit 4 generator loading capacity had been limited to 10.5MW due to excessive deposit of dust on the air ventilation paths. The Generator loading capacity was improved back to 12.5MW by thoroughly cleaning the machine in July 2021.



Figure G1: Intake screen before and after the repair



Figure G2: Unit 4 Generator at Old Laxapana

Re-connected 165MW to the network after repairing gas turbine rotor at Kelanitissa Combine Cycle Power Station (KCCPS)



Figure G3: Rotor repair works in progress

KCCP gas turbine rotor had been damaged due to a flashover. Consequently, 165MW generation capacity was lost from the national grid. The damaged rotor was repaired and successfully commissioned in April 2021 and the lost generation capacity was re-connected.

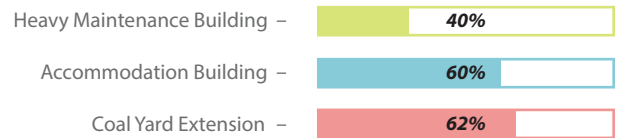
Enhancing Handling Capacity of Coal Yard, Lakvijaya Power Plant



Figure G4: Coal yard extension works in progress

With the experience gained over the past on operating a coal power plant, it was identified that the reliability of the plant could be further improved if the availability of the coal stock could be increased. Therefore, 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.

The project is scheduled to be completed by February 2023. The physical progress of the main components of the project is approximately as follows.



Extending the retirement age of Frame V Gas Turbine, Kelanitissa Power Station



Figure G5: Rehabilitated frame V gas turbines

It has been decided to extend the retirement age of Frame V Gas Turbines by at least six (06) years to compensate for the generation shortage and for voltage regulation of Colombo City region.

Accordingly, requirement arose to carry out major maintenance/ rehabilitations of the units of four Frame – V GTs namely, GT-01, GT-02, GT-04 & GT-05, after procuring adequate spare parts. A project has been established to accomplish the same. The progress of the project as at the end of the year is 95%. It is expected to be completed by end of March 2022.

Capacity enhancement of Kelanitissa Power Station

It has been decided to install 3x35MW gas turbines at Kelanitissa Power Station. The requirement identified in the approved Long-Term Generation Expansion Plan (LTGEP) 2015-2034. This plant is planned to operate on diesel fuel and then on LNG when LNG is available at Kelanitissa. With the present progress of the project procurement, the award of the contract is expected in April 2022.

Cost of Generation

Complex	Plant	Cum. Actual Net Generation (GWh)	Cum. Actual Expenditure (LKR Million)	Average Unit Cost (Rs. /KWh)
Thermal	KPS - Gas Turbines	89.71	4,648.12	51.81
	KPS - Combined Cycle	133.25	4,307.98	32.33
	Sapugaskanda	571.87	11,962.39	20.92
	Island Small Generators	2.7	186.12	68.93
	Uthuru Janani	88.59	2,472.67	27.91
	Barge Mounted PS	306.57	5,361.66	17.49
	Emergency Power - 1MW x 50	41.35	1,659.24	40.13
	Overall Thermal - Fuel	1234.04	30,598.19	24.80
Coal	Coal	5519.05	68,752.08	12.46
Total Thermal	Overall Thermal	6753.09	99,350.26	14.71
Mahaweli	Victoria	973	671.21	0.69
	Kotmale	565.14	1,102.69	1.95
	Ukuwela	212.6	300.96	1.42
	Bowatenna	94.13	503.23	5.35
	Randenigala/Rantambe	618.39	1,288.22	2.08
	Nilambe	14.64	110.42	7.54
	Upper Kotmale	507.95	1,529.46	3.01
	Thambapavani	318.21	919.01	2.89
	Overall Mahaweli	3304.06	6,425.21	1.94
Laxapana	Old & New Laxapana	962.12	1,015.25	1.06
	Samanala	530.08	494.44	0.93
	Wimalasurendra	142.51	468.48	3.29
	Canyon	178.41	408.05	2.29
	Overall Laxapana	1813.12	2,386.23	1.32
Samanala	Samanalawewa	405.19	1,434.79	3.54
	Kukule	399.69	567.00	1.42
	Inginiyagala	22.46	142.31	6.34
	Udawalawe	13.67	170.74	12.49
	Overall Samanala	841.01	2,314.84	2.75
Total Hydro	Overall Hydro/Wind	5958.19	11,126.27	1.87
Total CEB	Overall CEB (At Generation Point)	12711.28	110,476.53	8.69

Source: Energy Sales Branch

Vauniya Grid Substation



Transmission Division

CEB has a statutory responsibility to develop, operate, and maintain an economical transmission system for the whole country. In addition, it is the statutory duty of CEB to have adequate generation to meet the forecasted 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 forecasted demand for electricity.
- Maintain the system transmission voltage variations within $\pm 10\%$ for 132 kV & 220 kV and frequency within $\pm 1\%$ of 50Hz.

Transmission Division is responsible to carry out the above duties with these objectives on behalf of CEB through thirteen branches while providing services to other Divisions of CEB. The Transmission Division, after carrying out detailed studies, publishes the Least Cost Long Term Generation Expansion Plan (LCLTGEP). The LCLTGEP 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 LCLTGEP, stipulates the required transmission lines and other infrastructure additions to the system for the next 10 years. These plans are published as rolling plans.

The Transmission Division through its System Control Centre dispatches the electricity supplied to the National Grid by all generation stations by utilizing the 220kV and 132kV 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 asset 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 developments 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.

Item	Unit	Quantity
220kV overhead transmission lines	km	807
220kV underground cables	km	22
132kV overhead lines	km	2335
132kV underground cables	km	55
220/132/33kV Grid Substations	Nos.	4
220/132/33kV Transformers	Nos.	8
	MVA	1600/380
220/132kV Grid Substations	Nos.	7
220/132kV Transformers	Nos.	12
	MVA	3010
132/33 kV Grid Substations	Nos.	60
132/33kV Transformers	Nos.	154
	MVA	4757.5
132/11 kV Grid Substations	Nos.	8
132/11kV Transformers	Nos.	22
	MVA	792
220/33 kV Grid Substations	Nos.	5
220/33kV Transformers	Nos.	8
	MVA	498

Table T 1: Transmission System as at 31st December 2021

Power System Performance

Net electricity generation for the year 2021 was recorded as 16,715.6 GWh. It is a 6.4% increase compared to the last year. Net electricity generation from the CEB owned hydro power plants in 2021 was recorded as 5,640 GWh and recorded a 44.2% increase compared to the year 2020.

The CEB owned wind generation was recorded as 318.2 GWh with the fully commissioned Thambapawani wind power plant and it contributed 1.9% of the total generation.

The annual generation of Lakvijaya power station which is the only coal power plant in Sri Lanka, was 5,519 GWh with a 33% contribution to the total generation.

The contribution of IPP thermal (oil) power generation was 1,400.3 GWh which amounts to 8.4% of the total generation. The IPP plants registered under the names of ACE Power (Embilipitiya), ACE Power (Matarara) and Asia Power were retired upon the expiration of contract periods on 6th April, 8th April and 11th April 2021 respectively. The IPP plant V Power (Valachchanei) operated under short term contract basis for 6 months from April to October 2021 and contributed 5.846 GWh to the annual net generation.

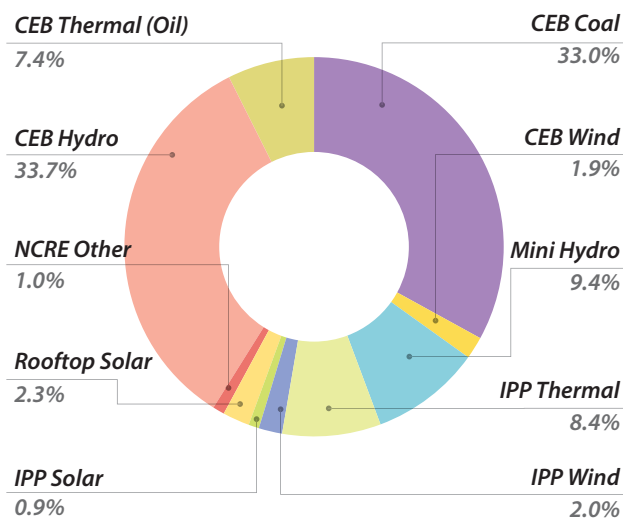


Figure T 1: Net Energy Generation Mix of year 2021

Wind, mini hydro, solar, municipal solid waste, dendro and biomass are power generation sources in Sri Lanka currently categorized under Non-Conventional Renewable Energy. The total IPP NCRE generation was recorded as 2,604 GWh including rooftop solar generation. This is a 15.6% contribution to the total generation and records 40.1% increase compared to the previous year.

The total renewable energy contribution is recorded as 51.2% of the total generation in the year under review.

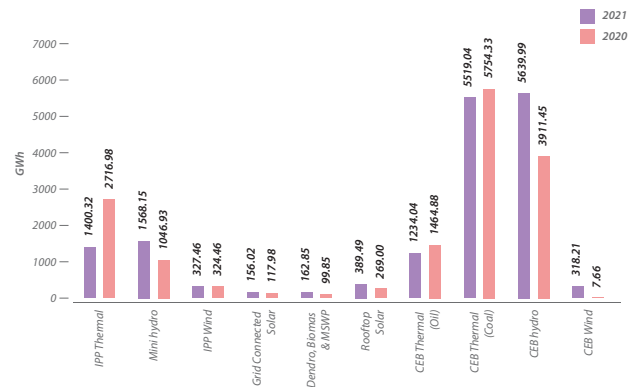


Figure T 2: Comparison of the contribution of different power sources 2021/2020 (in GWh)

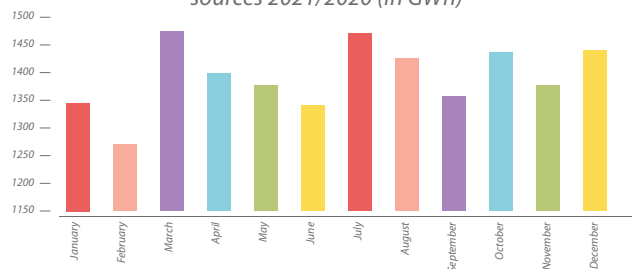


Figure T 3: Monthly Net Generation in Year 2021 (in GWh)

The difference in monthly power generation over the year was mainly due to the changes in weather conditions and number of days in the month. However, the demand of the months of January, February and September were affected with partial lockdown in the country due to the Covid-19 pandemic. This can also be observed in the average daily generation pattern.

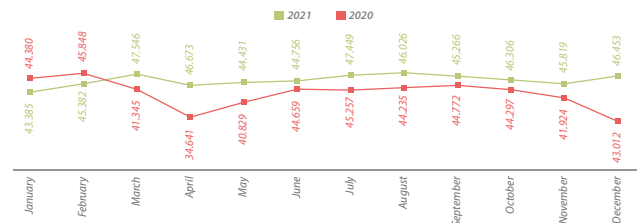


Figure T 4: Variation of monthly average daily generation in year 2021 and 2020 (in GWh)

The maximum night peak of year 2021 occurred on 06th April 2021 at 19:00hrs. The electricity demand reached 2801.6 MW. The day peak of the same day was 2407.7 MW at 16:00 hrs and it is the maximum day peak for year 2021. The lowest recorded system demand in year 2021 was 964.2 MW and was recorded on 27th May 2021 at 03:00hrs.

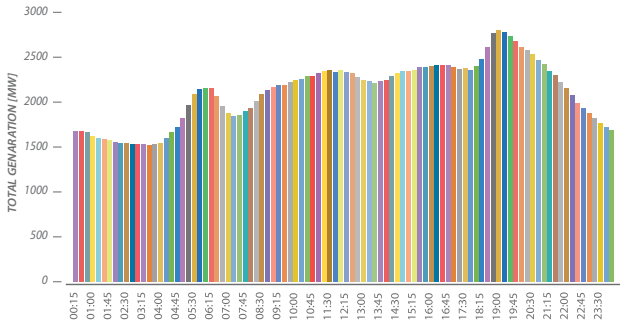


Figure T 5: Quarter hourly generation profile on the day of the maximum night peak -2021

Maximum daily generation of 50.1 GWh was recorded on 06th April 2021. The minimum daily generation of 28.3 GWh was recorded on 14th April 2021, the day of Sinhala & Hindu New Year. Maximum and minimum daily generation values mentioned above are without NCRE generation.

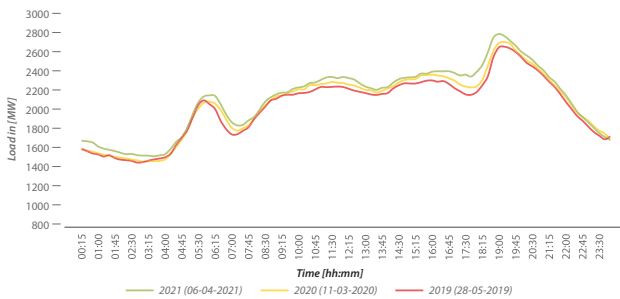


Figure T 6: Load Curves of Annual Maximum Night Peak Day (2019 - 2021)

Island wide Blackout

An island wide blackout occurred on 3rd December 2021 at 11:27hrs. The system failure initiated with the tripping of Kothmale-Biyagama cct 02. This was followed by the tripping of several other circuits and system collapsed due to rejection of 34% of generation and subsequent tripping of generators. The system was successfully recovered in approximately 5 hours after a tremendous team effort. All Grid Substations were energized by 16:47hrs. The total system un-served energy due to this failure was estimated as 10.4 GWh.

Reservoir Performance

The year 2021 commenced with a total hydro storage of 893.2 GWh. This was 74% of system full storage which is 1,207.3 GWh. The highest ever recorded inflow of 5,647.2GWh was received to hydro catchment during the year. The lowest storage recorded was 743 GWh, on 2nd May 2021. The end of the year storage was 888.2 GWh, and is a 73.6% from the total system storage.

The highest storage of 1154.07 GWh was recorded on 16th November 2021 following high inflows received throughout the South - West monsoon and the second inter monsoon (October - November). It is 95.6% of the total storage. Year 2021 can be considered as a high inflow year.

The highest inflow in year 2021 was recorded in the month of May with the maximum average daily inflow of 25GWh. The second half of the year received 3,417 GWh inflow to the system.

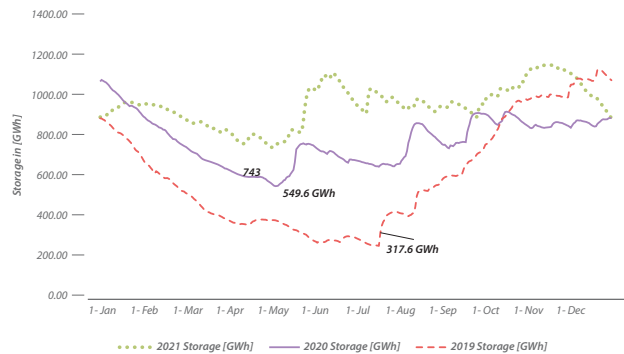


Figure T 7: Variation of System Storage from year 2019 to 2021

Performance of NCRE Projects

Category	Commissioned in 2021		Cumulative Commissioned Projects as at the end of 2021	
	No of Plants	Capacity (MW)	No of Plants	Capacity (MW)
Mini Hydro	3	4.6	211	414.15
Biomass	-	-	13	40.09
Wind	-	-	17	148.45
Solar	25	25	57	100.36
Municipal Solid Waste	-	-	1	10.00
Total	28	29.6	299	713.05

Table T 2: Commissioned NCRE Projects

PPA Signed Non-Commissioned Projects under Standard Tariff

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

Category	No of Plants	Capacity (MW)
Mini Hydro	51	91.20
Biomass	17	75.63
Wind	1	1.10
Municipal Solid Waste	3	20.40
Solar Thermal	2	20.00
Total	74	208.33

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

Summary of Projects under the Process of Tendering

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

Tender	No of Plants	Total Capacity (MW)	Remarks
Chunnakkam Wind	2	20	Commissioned
60x 1 MW Solar	35	35	35 Projects awarded & PPA signed 34 Projects Commissioned 1 Project Under Construction
90x 1 MW Solar	68	68	PPA Signing Pending for 3 Projects 15 Project Commissioned 50 Projects Under Construction
2x 10 MW Solar	2	20	Under Construction
Solar PV with Farming	1	10	LOI Issued PPA Signing Pending
(1~10)MW Wind Plants	5	35	PPA Signing Pending for 3 Projects 2 Projects are Awaiting PUCSL Approval to Award
(1~10)MW Solar Plants	23	147	LOI Issued for 19 Projects LOI Pending for 4 Projects
Total		335	

Table T 4: Details of NCRE Projects under Tendering Process as at end of 2021

	SPPA signed (During 2021)		LOI Issued (During 2021)	
	No of Plants	Capacity (MW)	No of Plants	Capacity (MW)
Solar	39	66	*20	124
Wind	-	-	3	25

Table T 5: Details of Projects under the PPA & LOI stage (During 2021)

*Out of LOI signed projects during 2021, 1 solar project (10 MW) signed the PPA also within the same year. This project is included in 39 signed PPAs within 2021.

Even though it was anticipated to call tenders for another 140MW solar and 40MW wind, unfortunately these tenders were not initiated.

NCRE Development and Past Performance

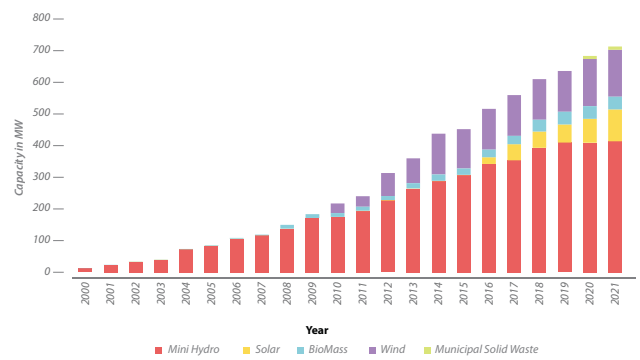


Figure T 8: Cumulative Total of Commissioned NCRE Projects (Excluding Rooftop Solar)

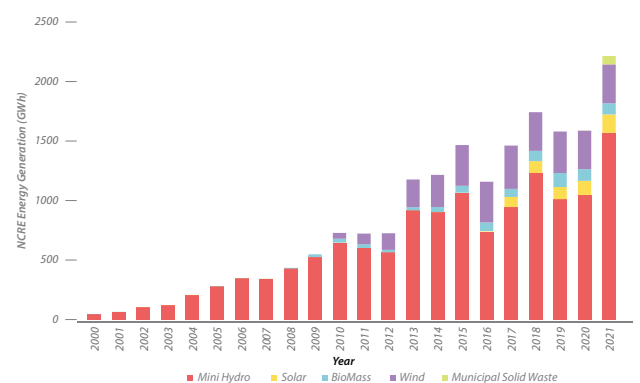


Figure T 9: Energy Generation through NCRE Projects (Excluding Rooftop Solar)

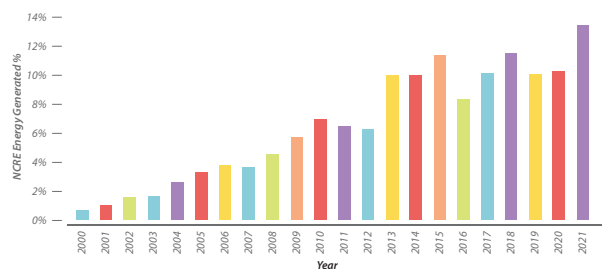


Figure T 10: NCRE Contribution to the National Energy Generation (Excluding Rooftop Solar)

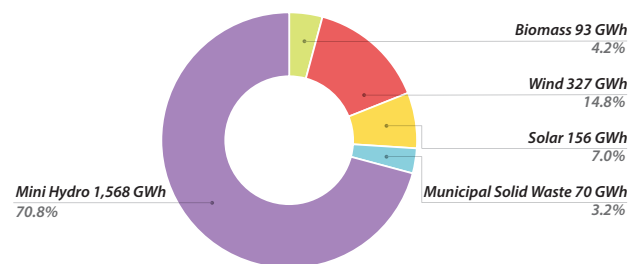


Figure T 11: Technology wise Contribution of NCRE Year 2021 (Excluding Rooftop Solar)

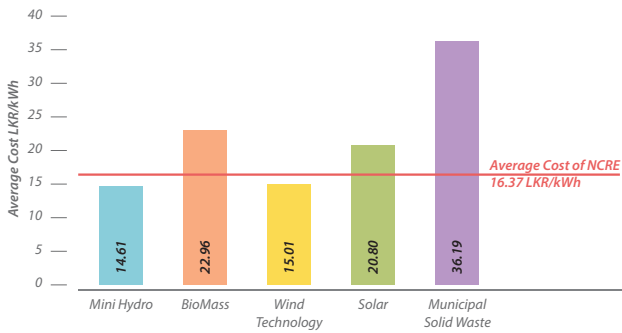


Figure T 12: Average Cost of NCRE Year 2021 (Excluding Rooftop Solar)

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
- 190MW Solar & Wind Tender (150MW Solar & 40MW Wind)

Highlights

In 2021 too, 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 guidelines, which is very difficult in practice.

New Plans for the Future

Least Cost Long Term Generation Expansion Plan (LCLTGEP) 2022-2041 was approved by the Public Utilities Commission of Sri Lanka (PUCSL) on 5th October 2021 with the condition only to carry out the developments that have no hindrance to meet the commitments made by the government’s new policy for the power sector. In this conditionally approved LCLTGEP 2022-2041, it is planned to have 13,184 MW of generation capacity added during next 20 years with a mix of hydro, thermal and other renewable energy sources (wind, solar, mini hydro & biomass).

The government’s new policy guideline mentions achieving 70% of renewable energy generation by 2030, no capacity addition of Coal power plants and achieving Carbon Neutrality by 2050. CEB has already started the study process for the preparation of a new plan (LCLTGEP 2023-2042) to accommodate the government’s new policy guideline.

Pumped Storage

To achieve the 70% renewable energy generation target by 2030, it is required to add considerable generating capacity from renewable energy sources such as solar and wind during next eight years. Solar and wind power do not give a “firm”

continuous output at the desired output level but vary its output with the intensity and availability of the resource. Also, such plants cannot be stopped as and when needed without wasting energy. In order to overcome both drawbacks, it is required to install a high capacity energy storage systems in the power system that also could carry out fast power adjustments to offset generation from varying solar and wind resources. CEB had identified Pumped Storage Hydropower Plant (PSHP) as the most suitable, long lasting solution to add such firming capacity.

Previous studies done by CEB has earmarked two sites to develop PSHPs. Maha oya site in Maha oya basin and Victoria-Wewathenna site upstream of Victoria reservoir. The CEB has started a consultancy procurement process to select a panel of consultants to carry out the pre-feasibility study and the detailed feasibility study for a PSHP, based on the above sites. It is planned to commence the studies in mid - 2022.

Highway for Green Energy

At present studies related to LTTDP 2023 – 2032 are ongoing adhering to the government’s new policy guideline of achieving 70% of renewable energy by year 2030. Alongside, a study ‘Integration of Renewable Based Generation into Sri Lankan Grid 2023-2042’ with the objective of investigating main challenges and to determine the optimum solutions when integrating renewable energy-based generation to the grid, is ongoing. It consists of three parts; long term generation expansion, power system operational study and transmission network studies.

Furthermore, studies have been initiated on renewable energy absorption mainly focusing on the development of the transmission backbone and collector substations in Northern, Eastern and Southern parts of Sri Lanka. This study results will give the transmission infrastructure developments required all around the country with their related costs.

New Grid Substations

Following Grid Substations were commissioned and operations and maintenance handed over to the Division during 2021. In addition Old Anuradhapura Grid Substation was replaced by Anuradhapura 132kV Grid Substation.

Grid Substation	Voltage level	Capacity
Nawalapitiya	132/33 kV	63 MVA
Ragala	132/33 kV	63 MVA
Port (Sub L)	220/132 kV	500 MVA
Kappalturai	220/33 kV	126 MVA



Distribution Divisions

A major part of the electricity distribution in the country is handled by CEB amounting to 89% 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, 400V 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 (The Provinces demarcated in this chapter may not exactly be the administrative provinces of the country) 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 I, North Western II, North Central and Northern Province
Division 2 (DD2)	Western Province North, Central Province I, Central Province II and Eastern Province
Division 3 (DD3)	Western Province South II, Uva and Sabaragamuwa Provinces
Division 4 (DD4)	Western Province South I, Southern Province I and Southern Province II

A Province is 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 subdivided into several Consumer Service Centers (CSCs) each headed by an Electrical Superintendent.

Area of Operation

Distribution Division 1 consists of five Provinces; namely North Western I, North Western II, North Central, Northern and Colombo Municipality Area. North Central Province is divided into three Areas while Northern Province is divided into four Areas. The North Western Province I is divided into four Areas, North Western Province II is divided into four Areas and Colombo City is divided into four Areas, as at 2021.

Division	Province	Area
Distribution Division 1	North Western I	Chilaw, Kuliyaipitiya, Wennappuwa, Puttlam
	North Western II	Kurunegala, Wariyapola, 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 25 Area Offices. Out of the four Provinces, Eastern Province is divided into five Areas, Central Province I is divided into six Areas, Central Province II is divided into seven Areas and the Western Province North is divided into seven Areas, as at 2021.

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

Distribution Division 03 covers a part of Western Province (Western Province South II), Sabaragamuwa Province and Uva Province. Out of three Provinces, Western Province South II and Sabaragamuwa Province are divided into five Areas each and Uva Province is divided into four Areas, as at 2021.

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

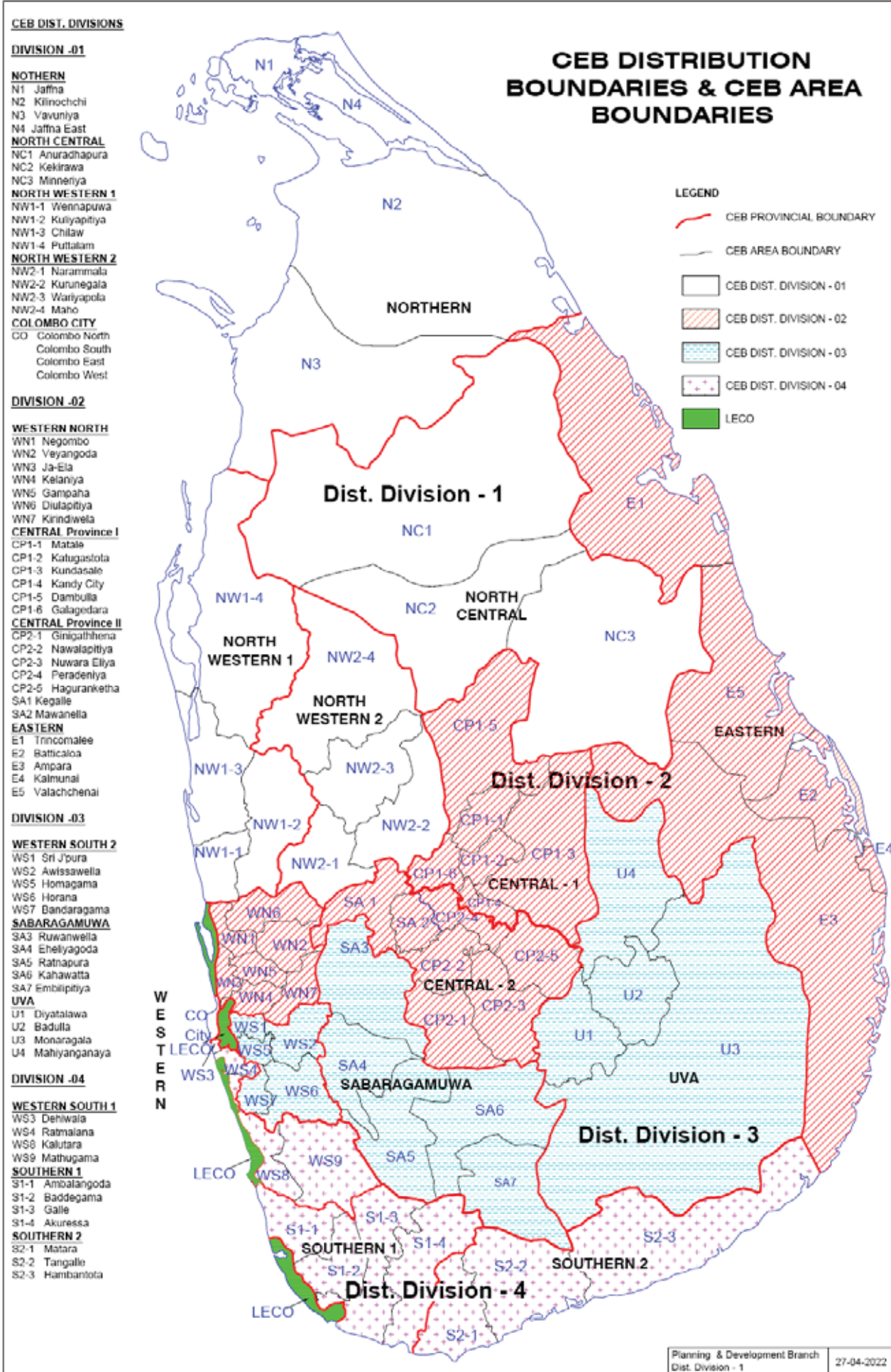
Distribution Division 4 covers a part of the Western Province (Western Province South I), the entire Southern Province and few parts of the Sabaragamuwa and Uva Provinces. Western Province South I covers four Areas, Southern Province I covers four Areas and Southern Province II covers three Areas, as at 2021.

Division	Province	Area
Distribution Division 4	Southern Province I	Ambalangoda, Galle, Akuressa and Baddegama
	Southern Province II	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 and quality electricity supply to all consumers within the Division.
- Sale of electricity and achieving planned revenues to meet the expenditure while meeting the present demand and planning for the future demand.
- 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.
- Facilitate renewable absorptions as per the present Government Policies.



Outreach of Distribution Divisions

Description	DD1	DD2	DD3	DD4
Service Area (Sq. km)*	26,929	17,935	12,178	6,870
Areas (Nos.)	19	25	14	11
Consumer Service Centers (Nos.)	58	91	53	42
CEB operated Collection Centers (POS) (Nos.)	21	21	13	27
Control Centers (Nos.)	4	3	3	0
Call Centers (Nos.)	4	3	3	2
Bulk consumers (Nos.)	4,846	3,901	2,357	1,953
Retail consumers (Nos.)	1,961,369	2,335,704	1,381,462	1,117,934
SAIDI (Minutes/ Customer /Year)	3,215	3,995	5,041	3,896
SAIFI (Interruptions/Customer/Year)	17	38.4	48.6	28.7

*Excludes forests and islands which have no electricity network

Distribution Infrastructure Development during the Year 2021

Distribution line/substation additions during the year are depicted in the table below. It has been observed that line length corrections have also been done after the GPS based accurate data collection process.

Description	Units	DD1	DD2	DD3	DD4	Cumulative Total
Distribution Lines (Overhead)						
33 kV	km	-	126	215	-	33,269
11 kV	km	19	-	-	44	1,413
LV	km	-	1,033	395	-	149,205
Underground Cables						
33 kV	km	-	-	0.2	0.4	48
11 kV	km	23	4	-	5	1,036
LV	km	12	-	5	-	817
Sub Stations						
33/11 kV Primary Substations	No.	1	1	-	02	137
LV Distribution Substations	No.	-	376	257	185	35,290
Others						
Gantries	No.	8	31	0	0	292
A/R	No.	61	-	10	17	1,351

Key Figures 2021 at a Glance

Description	Units	DD1	DD2	DD3	DD4	Total
Units purchased by the Division	GWh	4,381	4,987	2,876	2,153	14,397
Units sold within the Division	GWh	4,129	4,766	2,675	2,010	13,580
Revenue earned from Units sold	MLKR	73,868	75,522	43,254	33,528	226,172
Average selling price	LKR	17.89	15.85	16.17	16.68	16.65
Distribution Loss	%	6.08	5.17	7.55	6.75	6.16
No. of new connections provided	No	49,311	62,890	35,870	25,191	173,262

Operational Data

Number of Accounts by Tariff – 2021

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,659,019	2,025,000	1,212,250	979,289	5,875,558
Religious	14,308	14,445	7,833	6,052	42,638
Industrial	38,102	15,676	9,099	6,723	69,600
Hotel	113	240	39	159	551
Government	2,163	2,880	2,813	1,507	9,363
General Purpose	252,510	281,364	151,785	126,157	811,816
Total	1,966,215	2,339,605	1,383,819	1,119,887	6,809,526

(Nos.)

Sales by Tariff – 2021

(GWh)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,531	1,789	1,016	902	5,238
Religious	32	25	12	12	81
Industrial	1,065	2,059	1,110	588	4,822
Hotel	101	49	6	63	219
Government	95	60	25	46	226
General Purpose	1,267	747	502	380	2,896
Street Light	38	37	4	19	98
Total	4,129	4,766	2,675	2,010	13,580

Revenue by Tariff - 2021

LKR Million

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	24,140	25,771	14,475	13,694	78,080
Religious	239	177	81	85	582
Industrial	15,935	29,874	16,241	8,709	70,759
Hotel	1,726	928	123	1,125	3,902
Government	1,774	1,104	459	806	4,143
General Purpose	30,054	17,666	11,875	9,109	68,704
Street Lighting	0	2	0	0	2
Total	73,868	75,522	43,254	33,528	226,172

Five Year Progress of Consumer Accounts

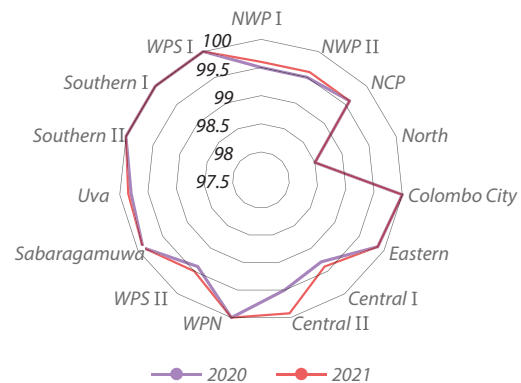
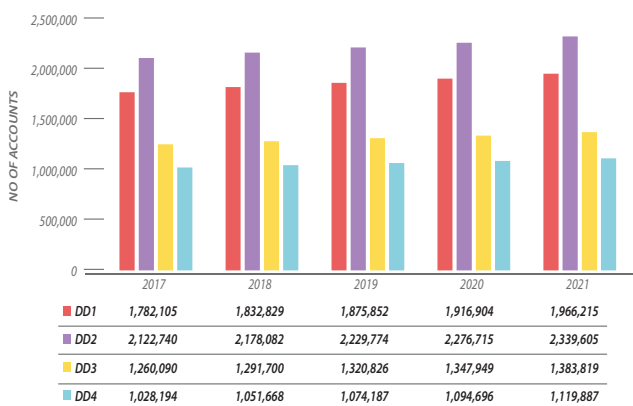


Figure D 1: Electrification Level Year 2020/2021

Measurements of Progress- Year 2021

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 fifteen Provinces, five Provinces namely Colombo City, Western Province North, Western South I and Southern Province I and Southern Province II 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.

Electrification Schemes and Extensions

Rural electrification schemes had been introduced to improve the quality of life of rural communities. During the year 2021 approximately 30 nos. of rural electrification schemes and more than 650 extension schemes were completed at a total cost of LKR 466 million.

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.

	DD1		DD2		DD3		DD4		Total	
	Consumers (Nos.)	Installed Capacity (MW)	Consumers (Nos.)	Installed Capacity (MW)	Consumers (Nos.)	Installed Capacity (MW)	Consumers (Nos.)	Installed Capacity (MW)	Consumers (Nos.)	Installed Capacity (MW)
Net Metering	3,342	26	2,225	16	2,243	12	1,961	14	9,771	68
Net Accounting	4,256	39	4,394	40	3,002	25	3,579	32	15,231	136
Net Plus	860	52	428	71	357	49	421	38	2,066	210
Total	8,458	117	7,047	127	5,602	86	5,961	84	27,068	415

Highlights

Electricity for All

“Electricity for All” program was implemented by Ceylon Electricity Board to provide free electrical connections to all households without electricity in Sri Lanka according to the Government “Vision of Prosperity”. LKR 750 Million has been allocated through the National Budget 2021 for this program.

The list of households without electricity had been obtained by the Department of Samurdhi Development after a survey through Samurdhi officers and 115,925 households were identified.

The first electricity connection under this program was given on 6th March 2021 in Giribawa with the participation of His Excellency Gotabaya Rajapaksa, President of the Democratic Socialist Republic of Sri Lanka. By the end of the year 33,302 electricity connections were given to those who completed their internal wiring as per the stipulated regulation.



Battle for Solar Energy - විද්‍යුතේ සඳහා

The Ministry of Power and Renewable Energy launched a power generation project titled “විද්‍යුතේ සඳහා” (Battle for Solar Energy), a community based solar electricity generation program to integrate solar electricity in houses/premises of electricity consumers through rooftop solar PV panels to the national grid with collaboration of Ceylon Electricity Board (CEB) and Lanka Electricity Company (Private) Limited (LECO).

This promotes the setting up of small solar power plants on the rooftops of houses, religious places, hotels, commercial establishments and industries. It is expected to add 1000 MW of solar electricity to the national grid by 2025 and 1500 MW by 2030 through this intervention. Under this program, the consumers will have options to generate and use electricity in their premises. In case of electricity generated is more than their requirement, they can sell the excess to the national grid or bank it for later use. According to the electricity usage, the customer can select a preferred option from the three schemes i.e. Net Metering, Net Accounting and Net Plus. The installation service should be obtained by a registered solar service provider.

The progress of above program as at December 2021 is as follows

	Net Metering	Net Accounting	Net Plus	Total
No of Solar Customers	9,771	15,231	2,066	27,068
Installed Solar Capacity (MW)	68.5	136.3	210.4	415.1

Thambapavani Wind Power Plant



Projects Division

The 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 the entire Power System. The Division is headed by an Additional General Manager. Under him there are five Deputy General Managers, eleven Project Directors (Class I officers) and one Additional Finance Manager to achieve the goals of the Projects Division.

The Transmission Designs Branch operates under the Projects Division prepares the detailed scope of works, specifications for the Board approved projects, obtains the environmental approvals, support Technical Evaluation Committees (TEC) during tendering stage, review and approve design documents, FAT protocols and FAT results and support project staff during the project construction stage and attending design related issues.

The year 2021 had been another challenging year for the Projects Division as it handled and carried out project works above LKR 34.4 Billion, under the pandemic. Description of the project activities carried out in 2021 is as follows.

Mannar Wind Power Project-Phase I

Ceylon Electricity Board has fully commissioned its first-ever large-scale wind power plant on 2021-05-18; named “Thambapavani”, with a total installed capacity of 103.5 MW. The plant has thirty-three (33) wind turbine generators, with cutting edge technology, located along the southern coast of Mannar Island.

The implementation of this project benchmarked the wind power generation in Sri Lanka which predisposed the understanding of operational characteristics of large-scale wind penetration into national grid. Asian Development Bank (ADB) funded the entire project including the associated transmission infrastructure facilities.

Thambapavani power plant has the capability to operate as a semi-dispatchable power plant which is supported by advanced wind forecasting system. Further, each wind turbine generator is compliant with grid code conditions. The plant possesses a state-of-art bird detection RADAR system which selectively shuts down wind turbines autonomously, if they sense a potential bird strike.



Figure P1: Mannar site

Broadlands Hydro Power Project

This is a run-of-river type Project built on the Kelani River and located about 90km north - east of Colombo, near the town Kithulgala.

The key objective of the Project is to harness the hydro potential downstream of the existing Polpitiya Power Station

Installed Capacity 2 X 17.5 MW	
Contractor	China National Electric Equipment Corporation Ltd, (CNEEC)
Estimated Cost	USD 97 million
Project Funding	85% : Industrial & Commercial Bank of China (ICBC) 15% : Hatton National Bank

The main construction works of Main Dam, Main Tunnel, Diversion Tunnel, and Power House and Switchyard Site have been completed during the year 2021 and the plant test operation has commenced.

The Broadlands Hydropower Project is the first large scale project which has obtained Construction Design and Management Regulations (CDM) registration in Sri Lanka.



Figure P4: Broadlands power house building



Figure P2: Broadlands Generator Floor



Figure P3: Broadlands main dam and the reservoir

Moragolla Hydro Power Project

Installed Capacity 30.5 MW	
Contractor	VV Karunaratne and Company
Preparatory Works	China Gezhouba Group Co. Ltd.
Main Civil Works	
Mechanical & Electrical Facilities	Dongfang Electric International Corporation, China
Estimated Cost	LKR 18,553 Million
Project Funding	Asian Development Bank
Expected Date of Commissioning	November 30, 2023
Overall Progress	30%

The reported progress of each project component as at 2021.12.31 is given in the Figure P5.

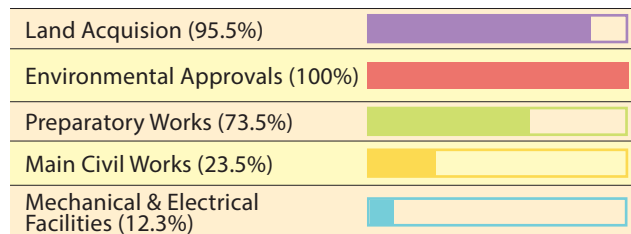


Figure P5: Progress of MHPP

The Uma Oya Multipurpose Development Project

Uma Oya Multipurpose Development Project (UOMDP) was implemented by the Ministry of Irrigation and Water Management (MOIWM), presently coming under the purview of the Ministry of Irrigation (MOI). CEB technical staff is assigned to UOMDP Project Management Unit (PMU) to provide technical consultation services for Electro Mechanical works of the project.

Installed Capacity 120 MW	
Contractor	FARAB Company (FC), Iran
Estimated Cost	USD 530 Million
Expected Date of Commissioning	May 25, 2022
Overall Progress	97.71%



Figure P6: Erected monopole tower under Uma Oya Project

Liquefied Natural Gas Project (LNGP)





In June, 2020, the Cabinet of Ministers approved the LNG deployment Project and authorized CEB to deploy the FSRU and Mooring system and procurement of LNG to the FSRU. By this national project, the existing combined cycle power plants at Kelanitissa and Kerawalapitiya and the future combined cycle power plants beyond year 2024 will be run on natural gas supplied from the FSRU moored 5 km offshore of Kerawalapitiya, giving economical and environmental benefits to the country.

The RFP was obtained by the prospective investors on Public Private Partnership (PPP) basis and the Contract negotiation for the FSRU and the Mooring system is underway with the prospective Investor. The Contract will be established soon and the FSRU will be ready to receive LNG and supply Natural gas by mid of 2024.

Procurement process for the supply of LNG to commence shortly.

Transmission Development Projects

The progress of ongoing transmission developments as at 2021.12.31 is given in the Table 1 and the progress bar color indicates the deviation of the actual progress against the planned progress as given below.

If deviation < 10 %	
If 10%<deviation<25%	
If 25%<deviation<50%	
If 50%<deviation<100%	

The status of transmission projects formulated and yet to be started as at 2021.12.31 is given in the Table 2.

Challenges Faced during the Year

Key issues and challenges faced during the year that affected to the progress and completions of the projects under the purview of the division are depicted below.

- Lack of availability of construction material such as cement and steel bars in the local market.
- Price increment of construction material in the local market.
- Issues in arrival of foreign contractor's site personnel due restrictions imposed in line with the Pandemic.
- Delays in local and international procurements due to limited shipping and custom clearance services operated during the Pandemic.
- Public objections raised in securing transmission line corridors and lands.

Ongoing Transmission Projects

Project	Package	Cost (LKR Million)	Physical Progress as at 2021-12-31	Expected date of completion
Greater Colombo Transmission and Loss Reduction Project	Construction of Second 220kV Cable from Kerawalapitiya to Colombo L	9,119	5%	April 2024
	Replacement of CT and Busbar Protection Scheme at Colombo E & F	122	45%	May 2022
Trincomalee Coal Power Development Project	Lot A: Construction of New Habarana GSS and Augmentation of Veyangoda GSS	3,200	97%	May 2022
	Lot B: construction of 148 km, 220 kV transmission line from Veyangoda to New Habarana grid substation and the associated line diversions	7,100	95%	July 2022
Green Power Dev. & Energy Efficiency Improvement Project - Tranche II	Package 1/Lot A- Hambanthota 220kV Development	1,866	95%	February 2022
	Package 1/Lot B - New Polpitiya -Hambantota TL	5,794	78%	May 2022
	Package 2/Lot A - Construction of Nadukuda & augmentation of Mannar 220/33 kV GSS	2,698	100%	April 2021
	Package 2/Lot B2 A - Construction of Padukka-Horana 132kV TL	592	45%	April 2022
	Package 2/Lot B2 B - 2nd cct. stringing of Habarana-Valachchenai 132 kV TL	502	96%	January 2022
	Package 3/Lot A1 - Construction of Colombo B GSS, Single In & Out connection from Colombo C-Kolonnawa 132kV 800sqmm Cable & Augmentation of Colombo C & Kolonnawa GSS	1,261	84%	May 2022
	Package 3/Lot A2 - Augmentation of Kotugoda,Kolonnawa, Padukka, Horana, Dehiwala & Madampe GSS	2,316	90%	May 2022
	Package 3/Lot B- Construction of Biyagama 220/33kV GSS and Augmentation of Biyagama Grid Substation	1,540	99%	January 2022
Supporting Electricity Supply Reliability Improvement Project (SESRIIP)	Package 7-Lot A1: Installation of 100Mvar BSC at Pannipitiya Grid Substations	1,104	71%	April 2022
	Package 7-Lot A2: Installation of Static Var System (SVS) at Biyagama Grid Substation	1,595	35.5%	October 2022
Liquefied Natural Gas Power Project	Deployment of Floating Storage and Regasification Unit (FSRU) and Mooring System	PPP	28%	February 2024
National Trans. & Dist. Net. Dev. & EI Project	Package 1 - Construction of 400kV, 220kV and 132kV Transmission Lines	13,003	50%	July 2022
	Package 2 - Construction & Augmentation of Grid Substations	7,418	59%	June 2022
	Package 3- Construction of 220kV and 132kV Transmission Lines	12,000	42%	June 2022
	Package 4 -Construction of Primary Substations, Distribution Substions and Cables in Dehiwala, Mt. Lavina and Baththaramulla	4,594	31%	September 2022
Green Power Dev. & Energy Eff. Imp Project-Tranche 1	Construction of Kappalturei GS and Augmentation of Kerawalapitiya, Katunayake and Trincomalee GSS	2,525	99.9%	November 2021
	Construction of Kesbewa and Kaluthara GSS and Augmentation of New Anuradhapura Old Anuradhapura GSS	2,738	98%	February 2022
	GDPEEIP: Tranche 2 - Package 9 : 220kV Switching Station at Kerawalapitiya	2,910	34%	August 2022
Transmission Construction Projects Branch	Installation of 100 MVAR Reactor at New Anuradhapura GS and 50 MVAR Reactors at Mannar GS	1,463	97%	April 2022
	Construction of Wagawatta Grid Substation	1,898	60%	July 2022
	Construction of 132 kV Switch Yard at Randeniya (Uma Oya Hydro Power Project)	350	65%	June 2022
	Reconstruction of Medagama - Ampara 132kV Transmission Line	3,206	4%	January 2025
	Construction of Victoria – Rantembe 220kV Transmission line	1,400	4%	December 2024
	Construction of Poonaryn – Kilinochchi 220kV Transmission Line	3,450	3%	December 2025

Table P1: Progress of ongoing transmission developments as at 2021.12.31

Project	Sub-Project	Cost Estimate (LKR Million)	Status
Green Power Dev. & Energy Efficiency Improvement Project - Tranche II	Package 8/Lot A - Augmentation of Nadukuda 220/33kV Grid Substation, Augmentation of Aniyakanda 132/33 kV Grid Substation and Augmentation of Chunnakam 132/33kV Grid Substation	1,382	Ready to Award
	Package 8/Lot B - Augmentation of Ambalangoda 132/33 kV Grid Substation, Augmentation of Pannala 132/33 kV Grid Substation & Supply of 2 Spare Transformers of 132/33 kV 31.5 MVA	1,494	
Supporting Electricity Supply Reliability Improvement Project (SES RIP)	Package 7-Lot A3: Installation of 124Mvar Breaker Switched Capacitor Banks in Colombo City Grid Substations and Replacing the detuned Breaker Switched Capacitor Banks at Thulhiriya Grid Substation	1,705	Awaiting Cabinet Approval to award the Contract
Power System Reliability Strengthening Project	Package 1 (Lot A) - Construction of Kalawana and Negombo 132/33kV Grid substations	3,638	Funding to be finalized
	Package 1 (Lot B) - Construction of Mirigama 220/33kV Grid Substation, 2 Nos. 220kV Line bays at New Anuradhapura Grid Substation, 2 Nos. 132kV Line bays at Hambantota Grid Substation and, Augmentation of Matara 132/33kV Grid Substation	4,655	
	Package 2 (Lot A) - Construction of 132kV DC Matara-Hambantota Transmission Line(77km), 132kV DC Hambantota-Tissamaharana Transmission Line(23km), 132kV DC from Horana-Padukka Transmission Line to Homagama Grid Substation(8km), 132kV DC from Ambalangoda-Galle Transmission Line to Baddegama Grid Substation(0.5km), Cable Termination Tower at Kelaniya for UG cable termination of Peliyagoda GSS	4,396	
	Package 2 (Lot B) - Construction of 132kV XLPE Cu Underground Cable to Peliyagoda 132/22kV Grid Substation	200	
	Package 3 - Construction of 132/33kV Tissamaharama, Baddegama, Homagama and Peliyagoda Grid Substations	2,045	
	Package 4 - Construction of 220kV, DC New Anuradhapura-New Habarana Transmission Line (46km), 132kV Kukule-Kalawana Transmission Line, 220kV Transmission Line from New Habarana-Veyangoda Transmission Line to Mirigama Grid Substation (5km)	2,921	

Table P2: Status of transmission projects formulated and yet to be started as at 2021.12.31

Chunnakam Grid Substation



Assets Management Division

Assets Management is a component of the infrastructure development transition. 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.

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.

The Training Branch of CEB is committed to provide maximum education services, and continues to deliver the training for CEB employees that equip them with necessary skills and knowledge needed to meet current and future challenges while shouldering the task of up keeping attitude development of employees.

The Workshop & Ancillary Services Branch consists of four operational units namely Power Plant Unit, Lifts Unit, Air Conditioning and Refrigeration Unit and Central Workshop and Garage and involves in relevant services, repair and maintenance inside and outside the CEB on request.

The Civil Works and Buildings Branch is involved in construction of new buildings, renovation/extension of existing buildings/offices related to CEB and maintenance of Head Office Building and Circuit Bungalows belong to CEB throughout the country. The CW&B consists of its own structural design unit which is capable of carrying out structural designs and related drawings using latest software. Also, Civil Engineers in CEB are trained for the corporate membership of IESL by this design unit. The facility Management Unit attached to CW&B is responsible for carrying out maintenance works in Head Office Building and Circuit Bungalows.

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

In addition, the Security Section, which is also under this division, is responsible for security of lives and property of all vulnerable locations including Generation, Transmission, Distribution and Assets Management Divisions and other important locations of CEB.

Operational Performance Training

The year 2021 was a year like no other. Training Branch had to face extraordinary challenges, due to the COVID-19 pandemic. In response to the pandemic, Training Branch had to divert to remote and flexible learning which had started in the year 2020 during the pandemic.



Figure A1: Leadership Training Conducted at Kinchigune Training Center

However, the level of training provided to various categories of employees had to be restricted due to the aggressiveness of the pandemic which prevailed during this year, especially during the period of May to December 2021. Further, training to be provided to field service employees could not be arranged as it involves practical sessions which should be done physically at the Centre.

Hostel buildings of Piliyandala, Kalawana and Kinchigune were converted to Intermediate Covid Care Centers due to the situation that prevailed in the country during this period. It also prevented arranging training at these Centers.

The performance of the branch is given below.

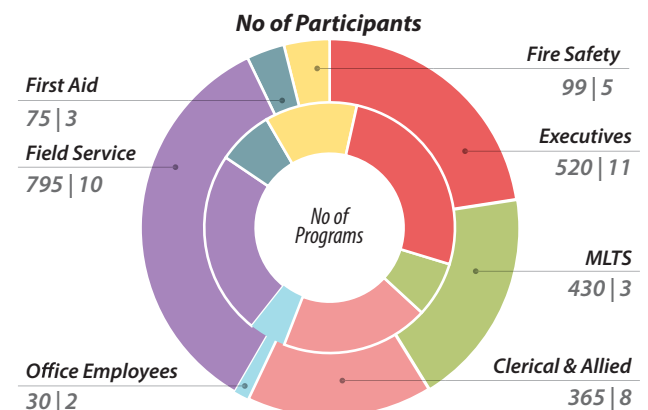


Figure A2: Training Programs Conducted at TCP

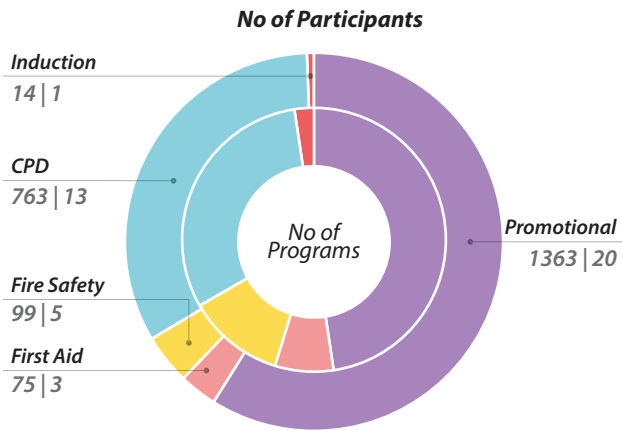


Figure A3: Categories of Programs Conducted at TCP

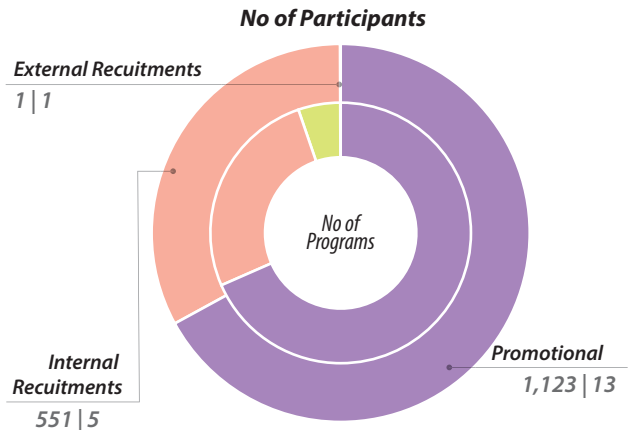


Figure A7: Examination Held

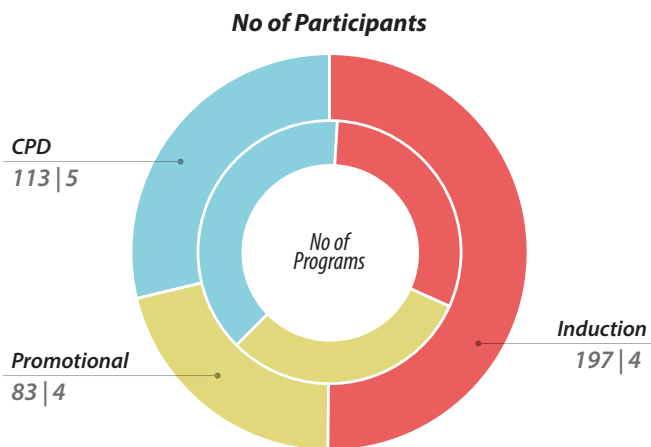


Figure A4: Training Programs Conducted at TCC

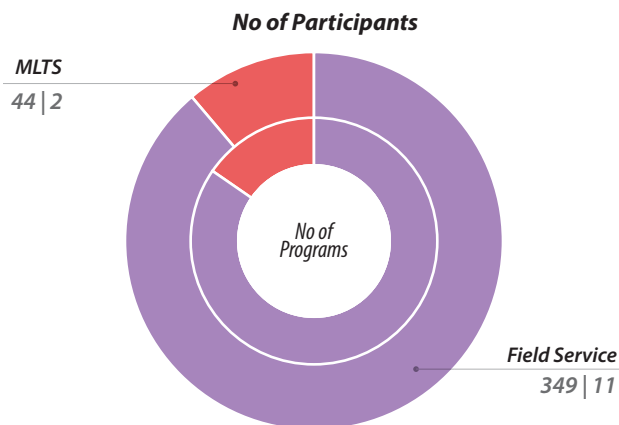


Figure A5: Categories of Programs Conducted at TCC

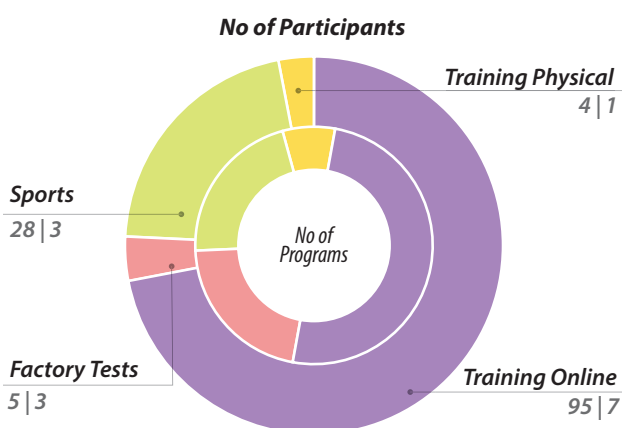


Figure A6: Overseas Visits of Employees

Standby Diesel Generator Maintenance and Hiring

Category of the Job	No. of Jobs	Estimated Cost (LKR million)
Standby Diesel Generator Annual Maintenance	87	133
Repair / Rehabilitation of Diesel Generators	86	72
Diesel Generator hiring for CEB requirements	72	42
Diesel Generator Hiring - Private, President's Security Division, Prime Minister's Security Division & Other 3rd parties	58	94
Other Jobs	26	15
Maintenance done on the generators belongs to the Power Plants Unit	31	19
Total	360	375

Air Conditioning and Refrigeration Installations, Repairs and Rehabilitations

Job Category	External		Internal	
	Nos.	Value MLKR	Nos.	Value MLKR
Annual Maintenance	34	247.2	299	68.4
New Installations	-	-	25	12
Repair & Rehabilitations	5	1.8	26	3.3
Total	39	249.0	350	83.7



Figure A8: Maintenance of mortuary coolers during COVID-19 at Kandy hospital

Lifts Installations, Repairs and Rehabilitations

Job Category	External		Internal	
	Nos.	Value MLKR	Nos.	Value MLKR
Annual Maintenance	22	27	11	4.4
New Installations	-	-	1	7.9
Repair & Rehabilitations	6	1.9	9	2.7
Others (Testing & Consultancy)	-	-	-	-
Total	28	28.9	21	15



Figure A9: Polonnaruwa Area Office

Fabrications, Productions and Vehicle Repairs

Job Category	Job Description	No of Jobs	Value (MLKR)
Mechanical	Fabrication works of street lamp luminaries, router dampers for diesel generators, structure of neutral current transformers and steel ladder for roof top solar PV at CEB headquarters.	07	3.6
Electrical	Rewinding of electrical motors of Sapugaskanda Power Station of Generation Division	28	2.7
Production	Production of ungalvanized D brackets and Aluminum clamps for Transmission Division and Distribution Divisions.	24	16.6
Vehicle Repair/ Services	Engine overhauls, running repairs, body tinkering, services and painting of CEB vehicles	305	14.7
Total			37.6

Trainings on Occupational Health & Safety

Participant Category	No. of Programmes	No. of Participants
Field Staff and Clerical & Allied Grade Employees	11	444
Power Station Staff	02	74
Total	13	518

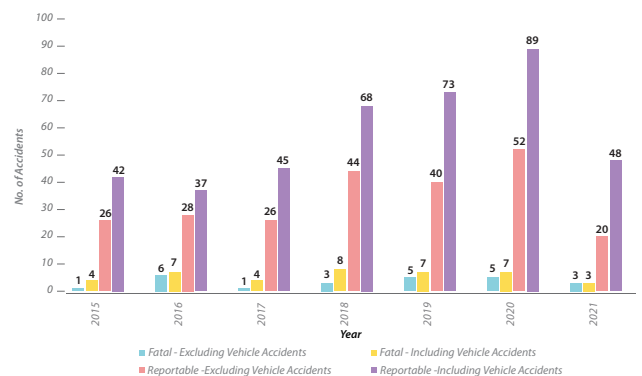
Safety Inspections

Division	No. of Inspected Primary Substations	No. of Inspected Gantries	No. of Inspected Consumer Service Centers
Distribution Division 1	-	04	-
Distribution Division 2	01	07	-
Distribution Division 3	-	05	01
Distribution Division 4	01	-	01
Total	02	16	02

Building Constructions, Maintenance and Repairs

Description	Value (MLKR)
Construction and refurbishments of CEB Head Office	70
Construction of Area Office at Polonnaruwa	100
Construction and refurbishments at CEB premises at Kolonnawa	39
Total	209

Accident Summary



Highlights

The highlights of the activities performed in the division during the year 2021 are given below.

- Preparation of Asset register of lands and buildings belonging to CEB and updating & maintenance of the database of CEB Land & Buildings. In year 2021, 1710 Nos of lots identified from Generation Division, 05 Nos from Distribution Divisions totaling to 2766 in Generation Division and 1013 in other Divisions.
- Established a dedicated entry for network based CEB Assist data management system to store the land related data for entry access to authorized uses in all CEB provinces and this also provide the facility to store land related data from the end user level.
- CEB hydro reservoirs were leased for tourism and recreational activities such as operation of float planes and operation of boat services. Two agreement were signed with MJF Holdings and Saffron Aviation for the operations of boat service and float planes in Castlereagh Reservoir.
- With the several discussions had with Land Ministry, transferred lands from Department of Government Electrical Undertakings to CEB in Castlereagh reservoir premises were re-demarcated. Actions were taken against the unauthorized encroachments in the premises and completed the community survey of Castlereagh premises.



Corporate Strategy Division

Corporate Strategy Division of CEB, which is headed by Additional General Manager (Corporate Strategy), consists of five Branches, namely Business & Operational Strategy Branch, Corporate Strategy & Regulatory Affairs Branch, Functional Strategy & Process Development Branch, Information Technology Branch and Research & Development Branch. The performances of the division, during the year 2021, are stated herein. The project; Enterprise Resource Planning (ERP) headed by a Project Director, is also functioning under the purview of Additional General Manager (Corporate Strategy).

Business & Operational Strategy (B&OS) Branch is primarily responsible for formulating strategies related to essential business & operational activities of the CEB. Building and sustaining the corporate image of the CEB also falls under the purview of the B&OS Branch. Furthermore, monitoring the organization's performance on the execution of strategies stated in the Corporate Plan (2019-2023) is among the key activities. Monitoring and reviewing of Key Performance Indicators (KPIs) of the CEB were main activities which is in line with CEB Corporate Plan 2019-2023. The Branch has formed a Strategic Communication Unit (SCU) dedicated to the activities related to building and sustaining the corporate image of the CEB. Well-coordinated and formulated corporate image building programs were also rolled out subsequently to the formation of the SCU. Publicity Unit of B&OS Branch has coordinated with the media, printing and advertising firms and agencies.

The Corporate Strategy and Regulatory Affairs (CS&RA) Branch deals with the matters arising from and related to Generation, Transmission and Distribution Licenses issued to the Ceylon Electricity Board, coordinates 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 implementing and handling tariff related studies and issues. The branch also coordinates the CEB's Corporate Strategy formulation.

The Functional Strategy and Process Development (FS&PD) Branch is to engage in development of functional strategies, policy and process development activities of the Ceylon Electricity Board. The branch is responsible to ensure that all systems and procedures are documented and incorporated in the relevant operating and functional manuals.

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

Research & Development (R&D) Branch comprises of Demand Side Management Unit, Research & Development Unit, and Regional Centre for Lighting (RCL). A Project Management Unit (PMU) was formulated to implement the Katunayake Smart Metering Tranche 2 project in 2020. R&D Branch and RCL laboratory was shifted to Kolonnawa in December 2021.

Highlights

The highlights of the division during the year 2021 is given below.

- CEB owned lands and offices in prominent public areas were identified and utilized for outdoor advertising covering various topics and branding. Those outdoor advertising campaigns mainly promoted the use of CEB care app, use of CEB online facilities, electricity bill payment options, renewable energy and energy conservation.
- Developed the CEB owned "you-tube" channel and uploaded all videos and educational documentaries to educate the general public.
- Coordinated with PUCSL to include the geographical information of the transmission line corridors to the existing geographical information map (Geoportal) of Sri Lanka developed by Information and Communication Technology Agency (ICTA) through National Spatial Data Infrastructure (NSDI). This provides accessibility to geographical information of the existing transmission lines to the general public in order to ensure the safety of lives and properties and to improve the reliability of the transmission network including better coordination among many stakeholders.
- Actively involved in 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. This study was planned to be finished by PUCSL before the Multi Year Tariff Filing. However, PUCSL was not able to complete the revised methodology on time and finally it was sent to CEB in October 2021.
- ‘Human Resource Audit’ was conducted for the entire CEB, covering all types of employees. The objective of the audit was to identify the excess and shortages of the staff of all categories across the CEB and redistribute them to improve the organizational performance. This exercise required an in-depth analysis of CEB staff utilization and therefore involved extensive data collection, updating, analysis and making recommendations. The assignment demanded the utilization of all available FS&PD Branch resources for the entire year.
 - Developing an in-house central system to connect prevailing CEB owned EV chargers eliminating the KIOSK towers and NFC card payment method from the system which was a bottleneck to customers and an overhead to CEB. The system brought in the new experience to the EV customers by accommodating all the available real time payment methods to the EV customers with Anytime, Anywhere & Any Device access.
 - The industry par, virtualized Infrastructure layer implementation. The new virtualized and automated hardware platform ensures reliable hardware services with fault tolerance and high availability.
 - Digitalizing and automating interruption requests, interruption planning, interruption scheduling and permit to work processes with the new Interruption Planning Module in CEB Assist.
 - Enabling the Informix database to upgrade to newest version 14 and aligning modern developing technology stacks.
 - Defining and segregating the next inhouse revamping of legacy systems and developments of new features for units within the IT branch and organizing them into actions in the corporate plan.
 - In-house developed, Head End System (HES) to facilitate load profile monitoring and automated billing process for the utility. The Phase-I was done in Colombo city and the development is envisioned to be developed into a unified Meter Data Management System and HES solution.
 - Enabling digital archival for board meetings, and enabling BoardPAC collaboration platform for Board Meetings.
 - In-house developed portal to automate Action Plan preparing and progress reporting process in collaboration with CS & RA Branch. The portal will be used for utility wide action planning and tracking for the year 2022.
 - A study was conducted on the overloading of transformers in agricultural areas in Kalpitiya peninsula. The study was conducted through a combination of on-site inspections, discussions with farmers and related CEB distribution officials, data-logging of selected transformers and customer loads. This information was analyzed and used to identify practical solutions for Demand Side Management (DSM) measures and Supply Side Management (SSM) measures. The DSM and SSM measures were introduced and considered encompassed both short and long term.
 - Street lighting pilot project was implemented in HM55 substation in Homagama Area of Western Province South II to ensure energy efficient street lighting. 175 numbers of luminaires were installed under the project. Each luminaire is equipped with two 9W LED lamps. Luminaires were also manufactured by workshop of CEB.
 - Coordinated the CEB participation in the CEPsi International conference where CEB could achieve 10 nos. full paper submissions under the authorship of engineers from different CEB entities.



Figure C1: Energy efficient street lighting

- Developed a communication module compatible with ANTE – LECO single-phase smart energy meters. It was tested successfully with a headend system developed by the R&D Branch. In 2021, this module was further improved to work with the headend system developed by the IT Branch of CEB. The current design supports two-way communication without the need for static IP sim cards which are expensive to operate compared to dynamic IP sim cards. This design supports connecting any DLMS/COSEM compliant energy meter with the CEB headend system.
- A PMU has been formulated for Katunayake Smart Metering Project- Tranche 2. 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 Million.

- The Enterprise Resource Planning (ERP) system of CEB is being developed. This 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.

Recognitions received for the Services:

CEB Assist has been awarded for its solution excellence thrice during the year 2020/2021. As the winner in Best Digitalization Process Enabler in NBQSA - National ICT Awards 2021, Most Outstanding ICT Achievement Award - Public Sector and silver award in In-House Category in NBQSA - National ICT Awards 2020.

Introducing all new
WorkFlow Module in CEB Assist Solution

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**A digital system to manage all your
correspondence, documents & workflows**

- ✔ Manage correspondences in a timely, consistent and efficient manner
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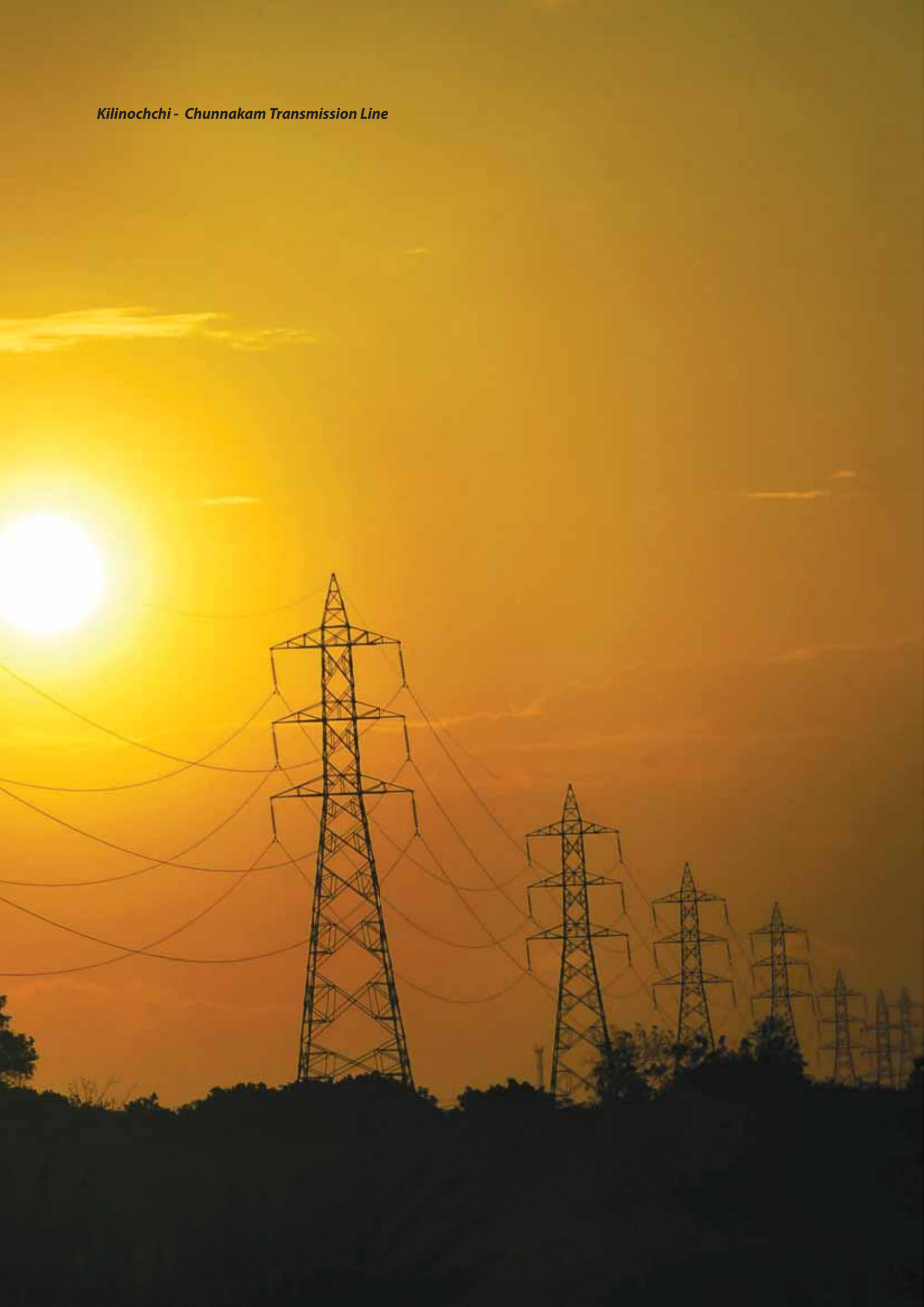
Introduced by
Deputy General Manager (IT) Branch
Ceylon Electricity Board

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*WorkFlow module beta version is currently deployed in Central Province & now available for other branches

Kilinochchi - Chunnakam Transmission Line



Financial Risk Management

Ceylon Electricity Board (CEB), is a utility with significant exposure to non-financial risks on generation, transmission and distribution. CEB is also exposed to Financial Risks through the following propagation channels:

1. CEB's business model heavily depends on borrowing funds from banks and financial markets exposing CEB to varying interest expenses. CEB revenue is mainly from sales of electricity to customers for which the electricity tariff is unchanged since 2014. Therefore, the escalated cost for finance cannot be passed through to revenue, exposing a risk on it. Further, funding cost in foreign currency could go up because of deterioration of Sri Lanka's credit standing/rating. As a result, CEB credit rating also could go down. Conversely, if funding costs reduce, CEB would benefit from a profit increase. Funding cost could reduce if market interest rates reduce, CEB's debt to equity ratio lowers or for borrowing in foreign currency, if Sri Lanka's country rating improves. It is important to note that even fixed rate borrowings contribute to interest rate risk in a dynamic perspective as they are likely to be renewed instead of being repaid at maturity. The interest rate risk might result from higher roll over rates than the previous borrowings.
2. Since CEB business model involves substantial cash flows in foreign currencies particularly borrowings, purchasing commodities and services without having equivalent revenues in foreign currency to offset these outflows, CEB is exposed to Forex risk as it cannot pass through.
3. CEB is vulnerable for commodity risks mainly due to fuel, coal, spares and material. If commodity prices increase, CEB has to compensate for the higher purchase cost or it has an impact as a drop of profit. It is important to note that even long term purchase contracts exhibit a commodity risk if CEB cannot deliberately increase its sales prices to compensate the potentially increased purchase cost of the follow up commodity contract.
4. CEB's business model and payment forecast capabilities include unexpected cash shortages that must be covered on an ad hoc basis. The shortage might be substantial and difficult to cover or might only be coverable at a penalty rate.

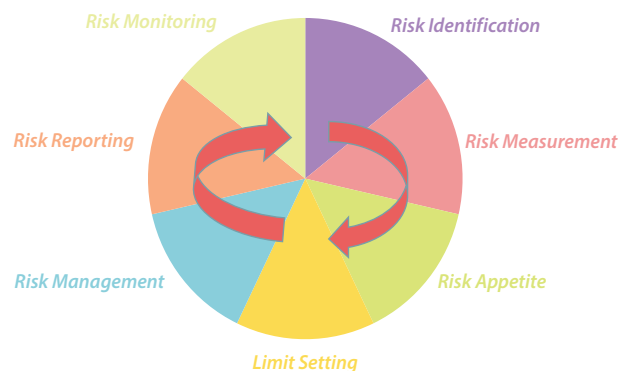
It is important to acknowledge that the aim of Risk Management is not to forecast exactly where interest rates, exchange rates or commodity prices will be in the future, but to model the spectrum of potential interest rate, exchange rate and commodity price changes and to quantify the potentially negative (or positive) implications on CEB's bottom line of these changes.

Financial Risk Management Framework

The Board of Directors is ultimately responsible for the Risk Management and Analysis in the organization. However, the Treasury Management Branch headed by the Additional Finance Manager directly reporting to the Finance Manager of CEB plays a pivotal role in financial risk management of CEB.

Risk Management Process

CEB's financial risk management process consists of the following 7 steps:



The risk identification process is an annual top down process. This process breaks down the CEB's Profit and Loss in to its main components and explores under which circumstances revenues could be low and under which circumstances expenses could be high.

In Risk measurement it explores which transactions and circumstances could lead to unexpected high outflows.

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. The risk appetite is operationalized through the Limit Setting. It breaks down the risk appetite into manageable quantities defining

how much risk 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 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 escalated to the payment unit in the Finance Division which evaluates the daily cash requirement matching it with the daily collections. Accordingly, the funding requirement for overall CEB is identified and the negotiations are made with the Banks for favorable 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 for Risk Monitoring 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

New normalcy of country with release of Covid lockdown, the usual demand pattern of electricity was established and the cushion on treasury due to low consumption of electricity was wiped off. The organization had the challenge of financing for energy purchases of thermal generation at higher rates with low collection level from consumers. Further treasury was crunched due to high world coal prices

Foreign Currency Shortage

CEB is also facing the issue of non-availability of foreign currencies. However, treasury was able to overcome the situation to a great extent by using the banking relationship

with other banks, by buying forex from them instead of depending on People's Bank. Further as a minimization of forex exposure treasury embarked on curtailment of foreign purchases by prioritizing it.

Cash and Liquidity Management

CEB has continually reported a net loss in recent years. In a situation like this Cash and Liquidity Management plays a vital role. The competitive environments have forced organizations to re-visit their collection and payments, developing more sophisticated cash management solutions by standardizing its internal processes and strengthening its internal controls.

With the spreading of the Covid 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.

- Strict prioritization of cash disbursements and restricting the capital expenditure to essentials which 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 which 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 which 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

Technical Risk Management

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.

Financial Risks 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 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 to 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. 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 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.

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	Environment	
<ul style="list-style-type: none"> - Cost reflective tariff - Increased revenue - Enhance low cost power generation - Energy conservation - Minimize T&D losses 	<ul style="list-style-type: none"> - Optimize integration of green energy - Ensure low emissions - Tree planting 	
<th>Social</th>		Social
<ul style="list-style-type: none"> - Reliable power supply - Free electricity connections - Customer friendly operations 		

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 18.63/kWh. However, it is noteworthy that non revision of electricity tariff for last 9 years adversely affected the financial sustainability as CEB sold electricity at a rate low as LKR 16.37/ kWh.

Organization has to immediately introduce a cost reflective tariff, ensure the implementations of low cost power generation, ensure increased revenue collection and minimize the T&D losses to move back in to a financially sustainable position.

CEB took every effort to get a revised tariff approved during the last few years though it is still not successful as at the end of the year under review. In addition, the organization successfully made its T&D loss curve downwards again and reported T&D losses as 8.72% during the year under review. Further new approaches have been initiated to improve the revenue collections and promote energy conservations to ensure the economic sustainability of the organization as well as the country.

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 including rooftop solar up to 57% of total installed capacity during the year 2021. That was a 5% increase compared to last year.

The 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 has fully commissioned its first-ever large-scale wind power plant; “jinmjks” with a total installed capacity of 103.5 MW.

The electricity consumers are allowed to generate electricity on 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. CEB successfully increased the rooftop solar installed capacity of the network by 51% compared to the last year and the total rooftop solar capacity as at the end of the year is recorded as 415 MW. This would positively contribute to the environmental sustainability.

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. Meanwhile, during operations of generators CEB adheres to almost all the environment guidelines applicable to the country and as a result CEB maintained the 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 to ensure its operations within the limitations imposed by the license. The results of the latest ambient air quality measurements for the Southwest Monsoon period is depicted in the Table 1.

Deforestation or loss of parts of tree is one of the serious environmental issues in Sri Lanka. In implementing power generation, transmission and distribution projects, clearing of forested areas and trees in homesteads are inevitable. As a responsible state institution CEB strives to minimize these impacts by careful planning from the inception of projects. In addition to compensatory reforestation in collaboration with Forest Department, CEB has already planted over 30,000 trees in watershed areas of its hydropower reservoirs. Accordingly, more than 8,000 trees were planted during the year under review to ensure the environment purification and beatification in continuation of the above said program and other bio diversity protection programs conducted within the organization throughout the year.

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. Accordingly, CEB allocated LKR 750 Million to provide free electricity connections for low income households, under the Government’s “Vistas of Prosperity and Splendour” policy framework.

CEB promotes the use of CEB care app, other CEB online facilities and electricity bill payment options to ensure the fulfilment of the needs of modern consumers and hence to make easy their lifestyles.

Table 1: Ambient Air Quality Measurements

Parameter	Averaging Time	Units	Results										Maximum Permissible Level
			AAQ1	AAQ2	AAQ3	AAQ4	AAQ5	AAQ6	AAQ7	AAQ8	AAQ9	AAQ10	
Suspended particulate matter aerodynamic diameter less than 10µm (PM ₁₀)	24-hour average	µg/m ³	20	22	26	28	47	21	17	27	17	38	100
	1 hour average	µg/m ³	42	42	33	43	56	32	21	43	32	56	Not Available
Suspended particulate matter aerodynamic diameter less than 2.5µm (PM _{2.5})	24-hour average	µg/m ³	12	12	15	15	15	11	8	14	10	16	50
	1 hour average	µg/m ³	24	19	20	27	19	15	14	28	14	22	Not Available
Sulphur Dioxide (SO ₂)	24-hour average	ppb	1.5	3.2	-	3.6	1.1	2.3	1.9	1.4	1.3	5.2	30
	1 hour average	ppb	2.5	4	-	4.4	2.2	2.9	2.7	2.4	1.5	6.1	80
Nitrogen Dioxide (NO ₂)	24-hour average	ppb	3.5	4	1.1	2.3	2	4.6	3.5	1.9	5.1	4.2	50
	1 hour average	ppb	8.4	6.7	2.5	3.2	2.4	4.9	10.2	3.2	5.9	4.8	130
Carbon Monoxide (CO)	24-hour average	ppb	1331	1302	931	972	870	1075	540	699	472	987	Not Available
	1 hour average	ppb	1506	1756	1133	1196	988	1453	752	936	718	1373	26000
Ozone (O ₃)	24-hour average	ppb	19.8	21.9	17.3	23.8	22.8	21.7	12.6	14.7	17.9	21.5	Not Available
	1 hour average	ppb	27.3	27.6	26	31.3	29.3	28.8	17.8	18.8	24.3	29.1	100

Corporate Social Responsibility Report

CEB took all efforts to contribute towards the health, welfare and sustainable development of society. To ensure this, the Board decided to use 25% of the earnings from the Lakvijaya Power Plants fly ash sales for the CSR activities. In addition, resettlement programs and tree planting programs were also conducted to ensure the wellbeing of society and the environment. The details of such programs are given below.

Coping with the Pandemic

On a request received from the administration of the hospital of Puttalam, main sponsorship for the construction and construction supervision of the Covid-19 high dependency unit was completed in November 2021. The capacity of the ward exceeds 20 beds, including the accommodation facilities for the staff. The total expenditure for the project was LKR 6.7 Million.



In addition, access road renovation and construction of toilet units for the this ward has been done at a total cost of LKR 1.5 Million.

Building the next generation

The Lakvijaya Power Plant contributed to complete the partially constructed 20'x40' size school building at P / Kal / Narakkalliya Government Roman Catholic Tamil Vidyalaya. The total contribution was LKR 2.19 Million and 150 students will be facilitated from this project.



In addition, wiring & electrical installation works in the ten classroom building was completed at the P/Kal/ Daluwa St. Anthonys' Maha Vidyalaya in March 2021 at a cost of LKR 0.9 Million and 400 student will be benefited from this project.

The Pandemic which prevailed necessitated online education irrespective of the affordability. B&OS Branch conducted a contest to provide free internet data (bandwidth) for children who were engaged in online-learning activities in this unprecedented situation.

Ensuring the well-being of our people

Fisheries societies are the main community group along the beach side of the Kalpitiya peninsula. Renovation of the “Arogya Matha” fisheries community hall at llanthadiya, Norochcholai was completed in December 2021, for the betterment of fisheries community, at a cost of LKR 1.64 Million. More than 350 fisher families will be benefitted with this project.

In addition, five culverts were constructed in llanthadiya area to control floods at a total cost of LKR 1.64 Million, in January 2021. Approximately 500 families will be protected from floods during storm conditions due to these constructions.

Further, construction of six bus shelters along the Palaviya - Kalpitiya road was completed in March 2021 at a total cost of LKR 2.15 Million to facilitate the surrounding community.

Uplifting living standards of resettled community

A resettlement village has been constructed in a very scenic area overlooking the proposed Moragolla dam and the reservoir to resettle 20 households from Sinhapura, Weliganga and Ulapane South areas by the Moragolla Hydropower Project. The resettlement has been required for the constructions of the project.

This resettlement village consists all the infrastructural facilities, such as 20 feet concrete access roads, pipe-borne water, electricity, street lamps. In addition, community facilities such as children’s nursery, maternity clinic, Grama Niladhari office, boutique shop, children’s park and community hall have been provided to this village to uplift the living standard of the affected community.



Protecting our planet

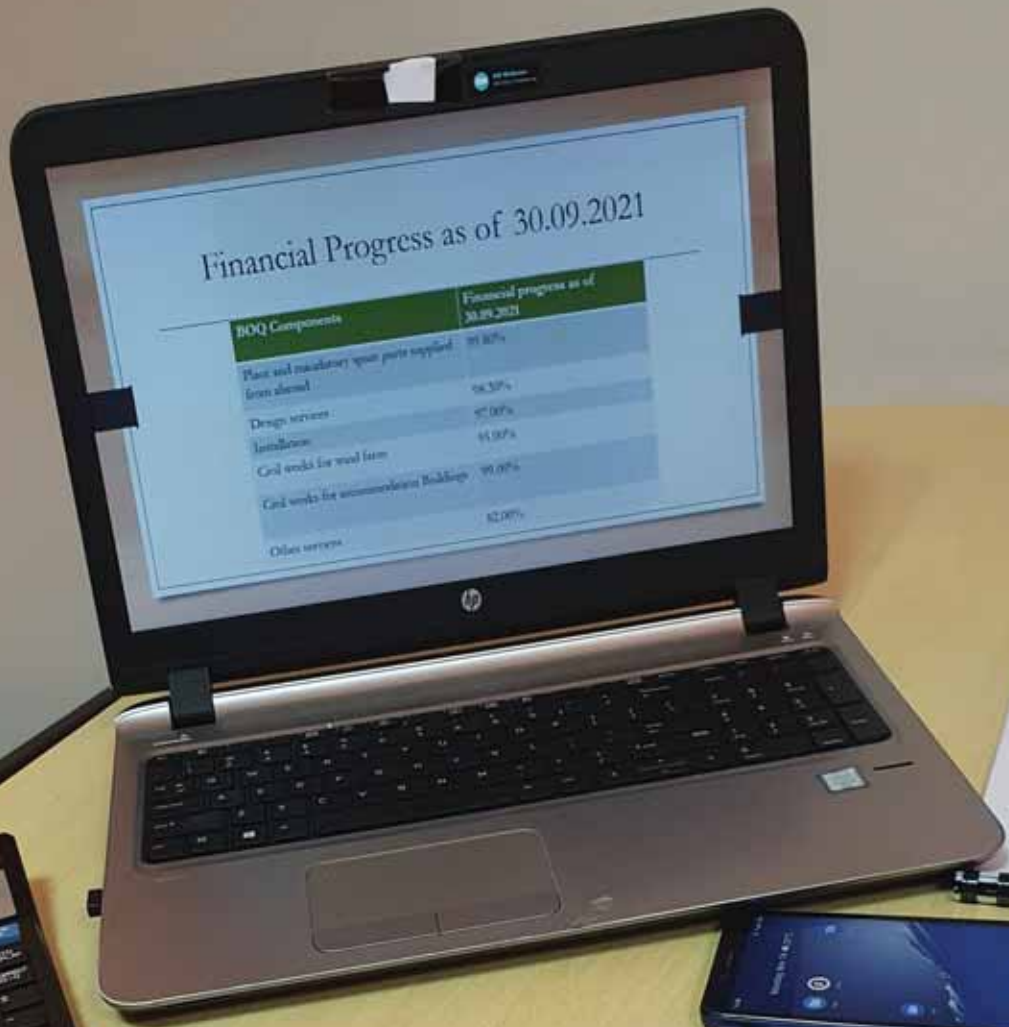
Planting tree saplings ensures sufficient oxygen content in the atmosphere, reduced temperature and creates a healthy effect, both physically and psychologically on human beings. Hence, it is a wonderful social service.

Clearing of trees is inevitable during constructions of projects. CEB, as a socially responsible organization, has started afforestation program to compensate for the loss of approximately 1,500 trees due to construction of Moragolla Hydropower Project. Accordingly, planting of 78,000 plants in the catchment area of the said project has started.



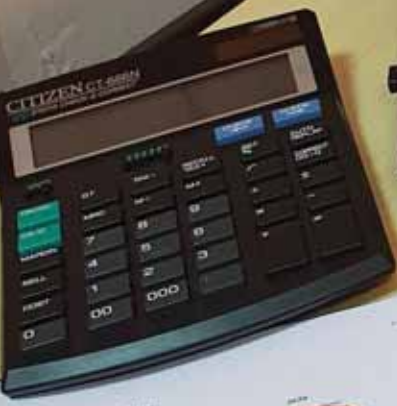
In addition, during the year under review, Mee, Kumbuk, Kohomba and Karanda trees have been planted and maintained along the main road from Palaviya to Kalpitiya and around 5000 plants were planted at the boundaries of the Puttalam Lagoon to ensure the protection of bio diversity in the Kalpitiya peninsula.





Financial Progress as of 30.09.2021

BOQ Components	Financial progress as of 30.09.2021
Plant and machinery spare parts supplied from abroad	97.00%
Design services	98.33%
Installation	97.00%
Grid works for road items	97.00%
Grid works for accommodation buildings	97.00%
Other services	92.00%



Recurrent Expenditure

Analysis

... direct generation cost dominates the total cost structure with (Rs. 157Bn) 56% ...
 ... in contrast to year 2020 mainly due to payment of salary arrears/ annual ...
 ... domestic consumers (Rs. 5.3Bn in year 2020) have lessened the upturn in ...
 ... O&M cost increased by 5.3Bn (4%) against year 2020.

Bank Supply Debtors Analysis - Financial Indicators - Year-wise

Year	2020	2021
Total	1,200	1,200
...

Trade Debtors as at 31 December 2021 - Detailed

Category	Total Amount (Rs. Bn)	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-180 Days	181-360 Days	360 Days and above
Government	1,200	...	...	...	...	...	...	...
Private	...	...	...	...	...	...	...	...
Total	1,200	...	...	...	...	...	...	...

Table XXVIII - Trade Debtors Age Analysis - Customer Category



Finance Division

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

Operation Structure

The head of the Finance Division is the Finance Manager who directly reports to the General Manager of CEB. While AFM (Head Quarters), AFM (Corporate) and AFM (Treasury Management) directly reports to the Finance Manager within the Finance Division, there are eight Additional Finance Managers who directly reports to the Divisional AGMs. They are functionally responsible to the Finance Manager for finance related matters of each Division.

The key functions of AFM (Head Quarters) are cash management, project coordination and collection management whereas the preparation and presentation of CEB financial statements and management information including budgets are key functions of AFM (Corporate). AFM (Treasury Management), involves in managing the Provident and Pension funds of CEB and arranging funds for day to day operations and for capital projects. A 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 key functions in finance division. All disbursements are being handled by this unit. This year was crucial for the payment division due to the COVID 19 outbreak. As a result of the pandemic, CEB offered several concessions to consumers on the electricity bill, even while it experienced 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 efficiently.

In technical aspects, the payment unit has initiated Online PIV settlement system in order to smooth the operating system.

Collection Management

CEB Head office Cash branch operates with 14 POS counters in four POS centers including three centers in Peoples' Bank Branches and One at CEB Head office. There are 24 Collection Agents who collect the electricity bills on behalf of CEB. They include almost all the leading commercial banks in Sri Lanka, super markets, the mobile network providers and electronic appliance providers. Further, CEB has extended its bill payment facilities to Web payments, SMS Payments and to the CEB Care Application.

The key function of the Cash Branch are to update the daily electricity bill collection through the 24 collection agents spread throughout the country. This collection amounts to two third of the monthly collection of CEB. Reconciliation of daily fund transfers by the collection agents, refund adjustments and error corrections are also done by the cash unit.

Projects Coordination

The Projects Coordination Unit of the CEB acts as a Coordinating Unit for all foreign funded Projects of the Entity by assisting in the coordination of Loan/Credit related matters with the Funding Agency, Project Management Units (PMUs), External Resources Department (ERD) and the General Treasury. The key activities involve the submission of Audited Project 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 Department.

With the spread of COVID-19 Pandemic, the Year 2021 was challenging in meeting the deadlines for the submission of Audited Financial Statements of the Projects to the Lending Agency. However, the Project Coordination Department has worked hand in hand with the relevant PMUs and the Auditors and have managed to make all required submissions on time to the Lending Agencies.

Treasury Management

Treasury management Branch plays a vital role by managing cash, investments and other financial assets. New normalcy of country with the release of lockdown, the usual demand pattern of electricity was established and the cushion on treasury, due to low consumption of electricity, was wiped off. The unit had the challenge of financing energy purchases of thermal generation at higher rates with low collection levels from consumers. Further, treasury was crunched due to high world coal prices. However, the challenge was managed successfully by completing the largest ever listed debenture issue in April 2021 amounting to LKR 20 Billion. In the first day of the issue it was oversubscribed. CEB became the first government owned statutory board to embark on issuing listed debt securities.

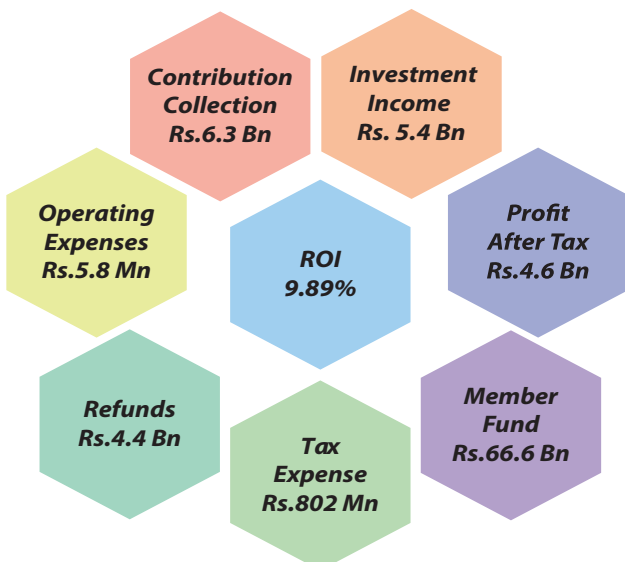
Treasury management unit was challenged to find forex for settlement of foreign debt and foreign purchases due to shortage in liquidity in the forex market. However, treasury was able to overcome the situation to a great extent by using the banking relationship with other banks by buying forex from them instead of depending only on the main banker. Further, as a minimization of forex exposure, treasury embarked on curtailment of foreign purchases by prioritizing it.

During the year Treasury Branch has commenced the implementation of MITFFIN payable module to match the cash outflows and inflows to manage the liquidity position and monitor cash collection and cash outflows.

**Fund Management
CEB Provident Fund**

The Ceylon Electricity Board Provident Fund (CEBPF) operates as a Private Provident Fund under the provisions of Employee Provident Fund Act No.15 of 1958.

The overall responsibility on affairs of the Fund is vested with the Committee of Management under the close scrutiny of the Board of CEB, the custodian of the fund.



The Secretary & Accountant of the fund, appointed by Board, is responsible for all the operations and activities of the Fund. The Covid-19 Pandemic has resulted in a health crisis and economic devastation across the world with severe impacts on developing countries such as Sri Lanka. Economic conditions deteriorated due to the 2nd wave in October 2020. The Fund's performance reflected the unprecedented challenges in the operating environment of 2021.

Fund's net profit declined by 14% compared with last year, reflecting a sustained reduction in interest rates. Interest income was also impacted by loan facilities granted at a reduced rate in par with prevailing banking rates. Sharp increase in operating expenses emerged with the increase in inspections on granted loans.

The Fund's tax expenses for the year 2021 declined by 20%. However, the Department of Inland Revenue has issued a direction, under section 25A (1) of VAT Act No.14 of 2002, on Funds that are liable for VAT on financial service at the rate of 15%. The Fund has not paid any VAT on interest income yet but imposition of 15% VAT on interest income will deteriorate sustainability of the Fund.

The Fund's asset base grew by 9% to LKR 73.895 Billion during the year 2021. In optimizing the risk return dynamics, the fund pursued only selective investment opportunities. Given the operating conditions that prevailed, the Fund's investment accounted for 74.86% of total assets (Compared to 74.06% the previous year).

Total Liabilities declined by 17.22% while increasing the member balance by 2.93% to LKR 66.632 Billion. As at 31st December 2021, the Fund has about 25,118 member accounts of which about 24,602 are currently contributing members. Total contribution for the year 2021 was recorded as LKR 6.3 Billion while the Fund has refunded LKR 4.49 Billion to the members during the same period.

The Fund was able to declare a rate of 8% to its members as dividend for the year 2020. However, this declaring rate for the year 2021, will be impacted by the newly imposed VAT on financial service at the rate of 15%.

The Fund continued to adopt a cautious approach on investment opportunities upon the anticipated revival of economic conditions.

Continuous focus will be placed on generating cost efficiencies and preserving portfolio quality through digital capabilities and advanced data analytics.

- Developed a member centric data base in order to provide easy access to their accounts.

- Implemented a New Management Information system for the fund, with the support of the developer, in order to digitalize the EPF operations which leads to fully automated system with paperless environment.

The graphs below (Figure F 1 to Figure F 5) indicate the operational and financial highlights of the fund from government and members point of view.

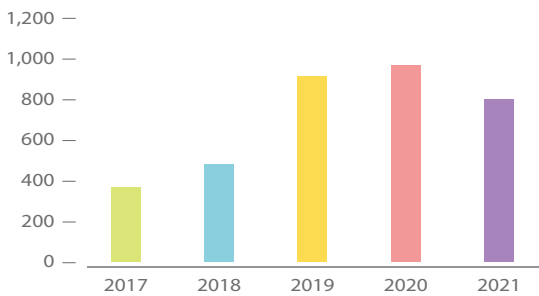


Figure F 1: Income Tax Paid (LKR)

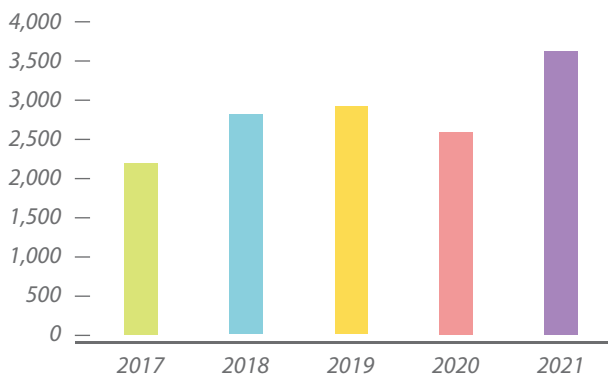


Figure F 2: Loans Granted (LKR Million)

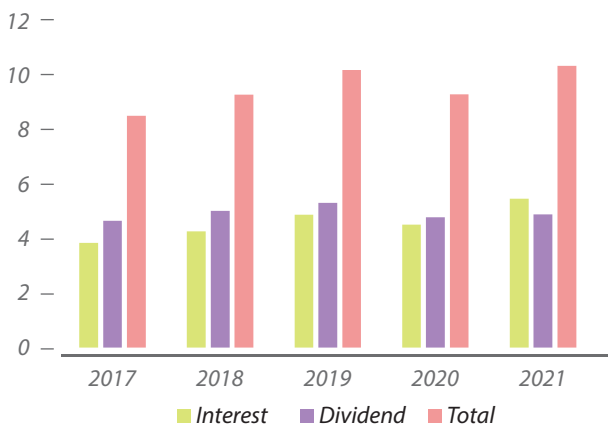


Figure F 3: Interest & Dividend (LKR Billion)

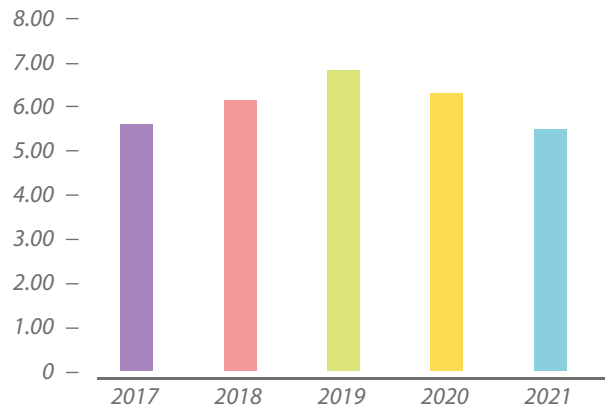
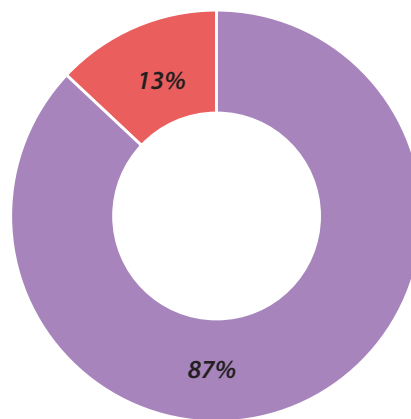


Figure F 4: Income (LKR Billion)



■ Investment in Debentures ■ Investment in FD

Figure F 5: Investment Portfolio (%)

CEB Pension Fund

The Pension Fund was established, on 1st January 1994, under the provisions of Section 12(j) of the Ceylon Electricity Board Act No.17 of 1969 and is managed by the Committee of Management appointed by the Custodian, the Ceylon Electricity Board. The Fund is under direct scrutiny of the Management Committee. Secretary & Accountant is the Treasurer as well as the Administrator of the pension fund.

Total number of active pensioners at the end of 2021 was 7,714, out of 8,057 total pensioners. The increase of the pensioners during last Five Years is depicted below.

Year	No. of Pensioners	Increase of pensioners	
		Nos.	%
2015	5,721	-	-
2016	6,194	473	8.30%
2017	6,622	428	6.90%
2018	7,061	439	6.60%
2019	7,533	472	6.70%
2020	7,839	306	4.06%
2021	8,057	218	2.78%

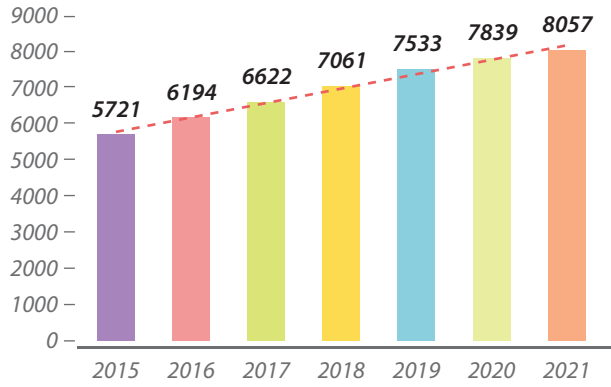


Figure F 6: Number of pensioners 2015-2021

The main income sources of the pension fund are the CEB Contribution on behalf of active employees and the return on investments. During the last five years, short fall of the funds for pension payments had increased annually due to the increase of pension payment in par with salary increase of CEB with effect from 2015 and the increase of number of pensioners. The average increase of pensioners over the last six years was 5.90%.

The fund had been severely hindered with the low interest regime that has caused to continuously broaden the deficit.

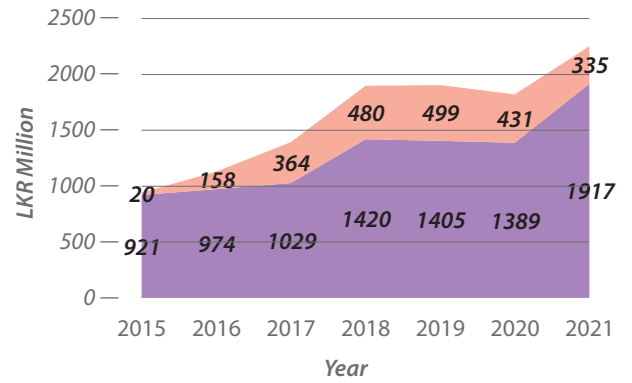


Figure F 7: Composition of annual pension commitments 2015-2021

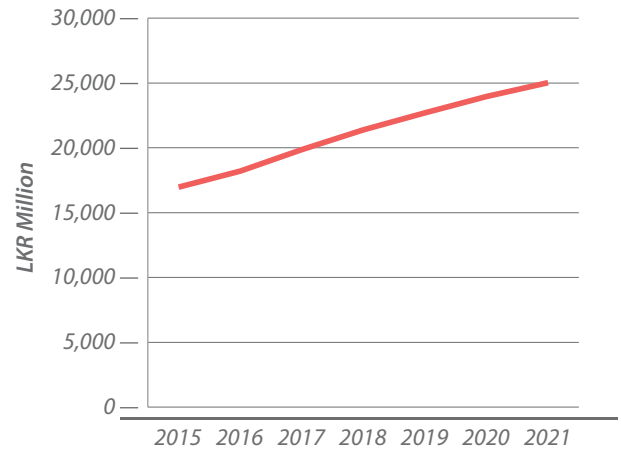


Figure F 8: Net assets

Financial Review

The Ceylon Electricity Board has continued to play a vital role in driving the nation forward by means of ensuring reliable energy as well as progressing sustainably in line with National Policies. With the country struggling to emerge from one of the most devastating pandemics, there is an urgent need to rebuild lives and economies in a manner that is sustainable. In these unusual and difficult times, it was imperative for CEB to provide safe and reliable electricity supply to its consumers while ensuring the safety and well-being of our employees at the highest level of operational efficiencies.

Financial Performance Revenue

CEB recorded a Revenue of LKR 249 Billion in year 2021, a growth of 4% compared to year 2020, reflecting remarkable efforts to overcome uncertainties and instabilities that occurred due to the pandemic. Key contributors to the revenue growth included, the increase in demand in the Bulk Supply Tariff categories, which dropped in year 2020 during the pandemic, and the increase in Domestic consumption; reflecting an overall increase of 6% in the country's total electricity demand. 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.

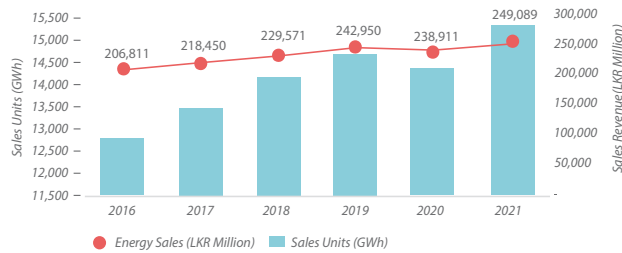


Figure F 1: Sales Revenue & Units

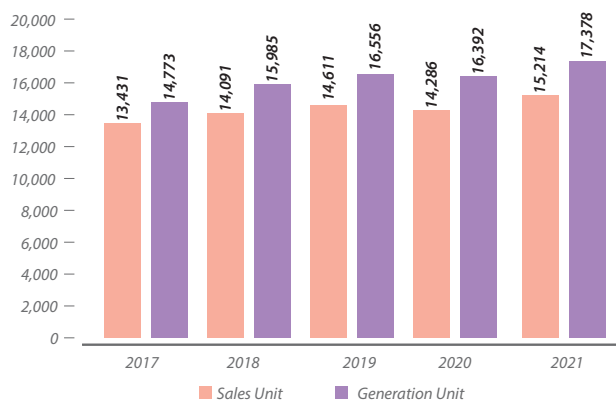


Figure F 2: Generation & Sales Unit (Gwh)

Net Profit / (Loss)

Net Loss for the year amounted to LKR 21.9 Billion. Displaying a significant decrease of 68% compared to the previous year. A favorable Generation Mix, predominantly supported by Hydro Generation, enabled CEB to withstand considerable volatilities in the input prices despite the non-cost reflective tariff. The non-establishment of least cost, base load power plants, contributed further to the continuing losses. Despite the challenging socio-economic conditions in the country, CEB was able to diminish its Net Loss against year 2020, primarily facilitated by decreased Direct Generation Cost and increased contribution from energy demand.

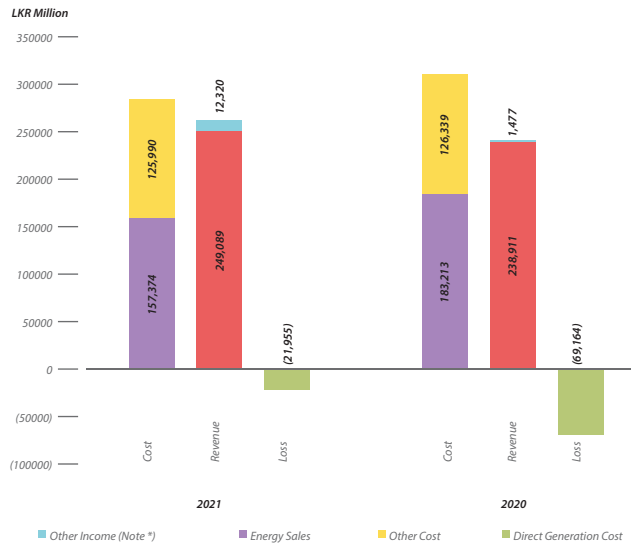


Figure F 3: Financial Performance 2021 Vs 2020

Note *: Actuarial gain/ (loss) on defined benefit obligations was netted off with Other Income

	2021 LKR. Million	2020 Restated LKR. Million	Variance -%
Electricity Sale	249,089	238,911	4%
Other Income	12,824	10,155	26%
Total Cost	(283,364)	(309,552)	-8%
Actuarial Loss on Defined Benefit Obligation	(505)	(8,678)	-94%

Favorable change in the generation mix led by improved contribution from CEB-Hydro to 34% from 25 % (2020), largely supported the reduction in Direct Generation cost by LKR 26 Billion (14%) compared to year 2020. Marking a historic milestone in Sri Lanka’s power generation, Sri Lanka’s largest wind powered plant, “Thambapawani”, contributed 2% of the annual net generation. Increased input from CEB-Hydro, CEB-Wind and private NCRE to the generation mix (from 35% to 49% of total net generation) constructively affected the financial performance against the year before. CEB was able to fulfil the energy demand of the year with a lesser contribution from the high cost thermal power sources such as power purchases from Independent Power Producers.

Pandemic induced disruptions to global supply chains resulting in the escalation of coal, fuel and other material prices adversely affected operating cost, mainly in the latter part of the year. Demand for connection of solar roof top energy generation grew steadily in comparison to the previous year.

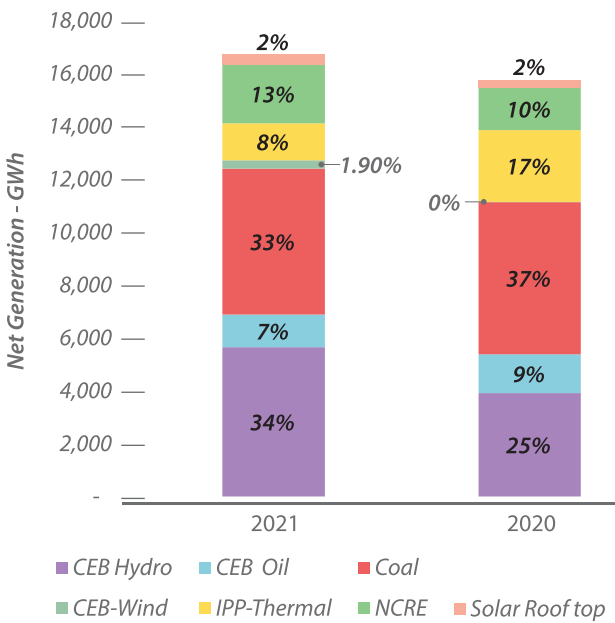


Figure F 4: Net Generation Mix

Cost Structure

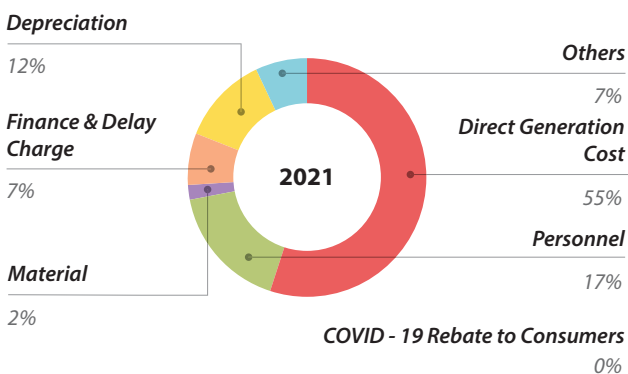


Figure F 5: Cost Structure 2021

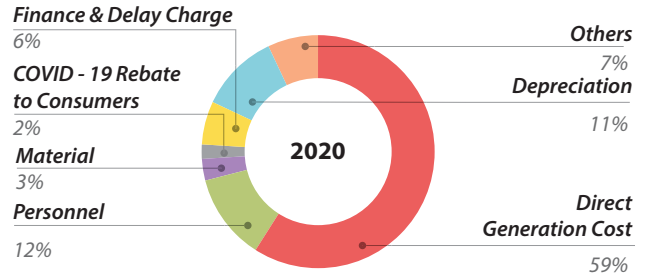


Figure F 6: Cost Structure 2020

The decline in Direct Generation Cost by 14% against the preceding year (2021: 157 Billion, 2020: 183 billion) was primarily due to the decrease in fuel and IPP-Thermal costs, as a result of the favorable generation mix caused by an above normal rainfall in the central highlands of the country. The cost escalation reflected in coal expenses was 11% in year 2021 against the previous year, despite a 4% drop in its energy generation. CEB was able to control the Operational and Maintenance cost increase at 4%, despite additional expenditure arising from costs associated with the health and safety of the employees.

The cost saving in Direct Generation constructively affected the decrease in cost per unit at generation point in year 2021 which was recorded at LKR 11.74 /kWh in comparison to LKR 13.96 /kWh in 2020.

At the point of sale to the end consumer, the cost per unit of CEB stood at LKR 18.63/kWh- for year 2021 against 21.67/kWh in year 2020 (Restated). Accordingly, the Operating Cost inclusive of Direct Generation Cost, has decreased by 8% compared to the previous financial year.

Borrowings and Cost of Finance

CEB’s finance expenses increased by 5% to LKR 20.4 Billion during the year, triggered by the rise in delayed interest on payments to Ceylon Petroleum Corporation (“CPC”) by 145%, to LKR 6.4 Billion. Disturbances in the collection process due to the pandemic, severely affected already hindered cash flows and obstructed the settlements to major suppliers inclusive of CPC, resulting in an increase in delayed interest.

Despite the new borrowings amounting to LKR 64.8 Billion in year 2021, the interest cost decreased by 16% to LKR 12.2 Billion, reflecting proactive efforts on the restructuring of the existing loan portfolio by revising interest rates and extending repayment periods.

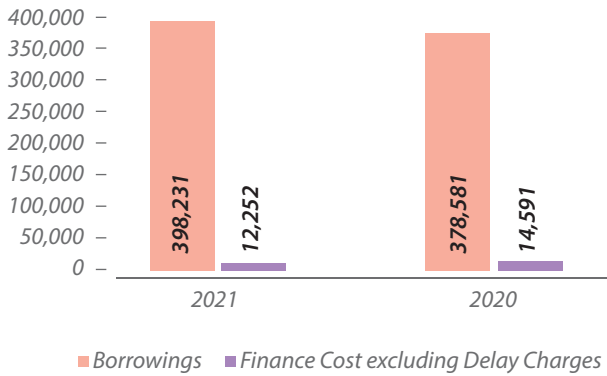
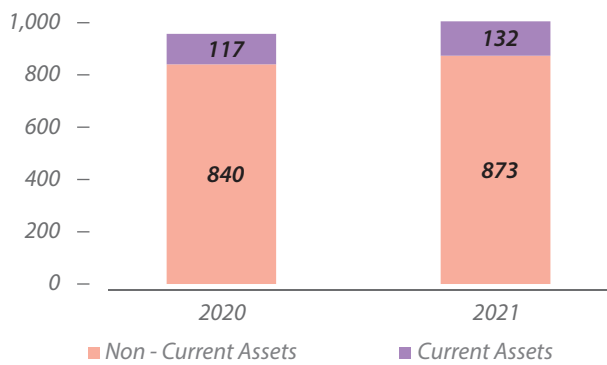


Figure F 7: Borrowings Vs. Finance Cost (LKR Million)

In a first-of-its-kind move, as a state owned utility CEB, in April 2021, issued LKR 20 Billion worth of Senior, Unsecured, Listed, Redeemable, Rated Debentures, with an issue price of LKR 100, at a fixed coupon rate of 9.35% and a maturity period of 5 years. Recording an interest cost of LKR 1.35 Billion for the year, the proceeds from the debenture were utilized to partially settle the dues to the key creditors of CEB.

Financial Position

CEB achieved a remarkable milestone by reaching one trillion worth of total assets, with its asset base increasing by 5%, i.e. by LKR 48 Billion, in comparison to the previous financial year. The Non-Current Assets and Current Assets grew by 4% and 13% respectively during the year, with key contributors being Property, Plant & Equipment and inventories.



F 8: Asset Growth

Property, Plant & Equipment increased by 4% compared to year 2020, reflecting 85% of CEB’s total asset base, largely due to the investments in generation power plants, transmission & distribution lines and Buildings. With investments in inventories increasing by 40% to LKR 64 Billion - mainly driven by coal stocks, spares and consumables; the current assets accounted for 13% of CEB’s total asset base, compared to 12%, the previous year. Although Trade and Other receivables decreased by 7% during the year, ‘Non-related electricity debtors’ grew by 8%, due to the hindered disposable income of the consumers coupled with the Government decision to defer electricity disconnections, and the disturbances to the collection process during the pandemic.

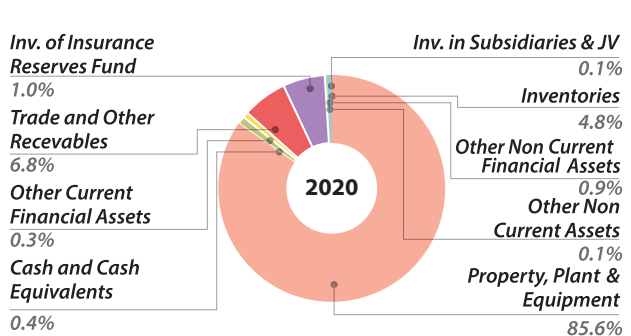
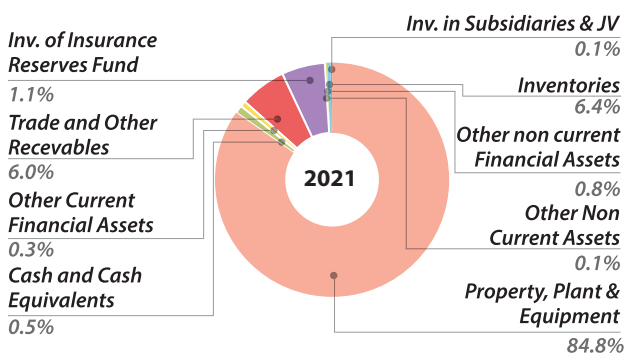
Debt funded 40% of CEB’s total assets – relatively unchanged over the previous years, while reflecting an increase of 5% in total equity and liabilities in year 2021. LKR 45 Billion worth of borrowings were obtained from financial institutions to finance the increased capital and working capital requirements of CEB in order to maintain uninterrupted power supply during the year.

Furthermore, CEB opted for a challenging path to raise finance, by being listed in the market with a debenture worth LKR 20 Billion, gaining prominence as the largest ever listed debenture issue in Sri Lanka. The debentures were successfully oversubscribed and the funds raised were utilized to settle a portion of liabilities to the CPC and the Independent Power Producers of CEB amounting to LKR 6 Billion and LKR 14 Billion, respectively.

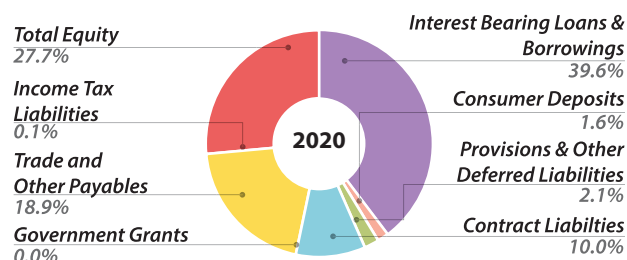
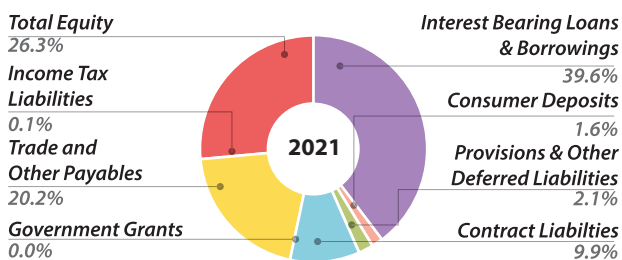
In addition, the equity position was enhanced due to the transfer of LKR 21.3 Billion worth of capital contribution from the Treasury through settlements made for the foreign loan on Puttalam Coal Power Plant Project. Nevertheless, the total liabilities increased by 7%, compared to the previous year, with total interest bearing loans & borrowings being considerably higher than equity, leading to a deterioration of CEB’s Debt/Equity ratio at the end of year 2021.

Financial Position (Highlights)

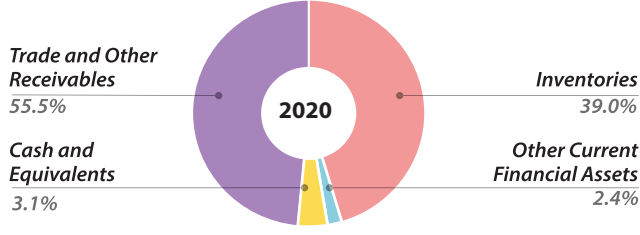
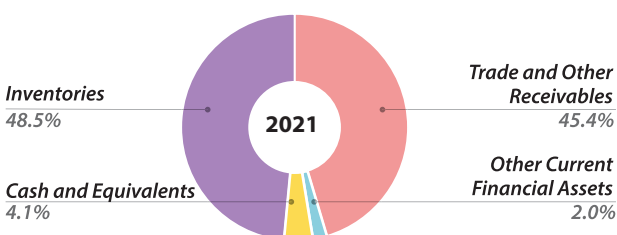
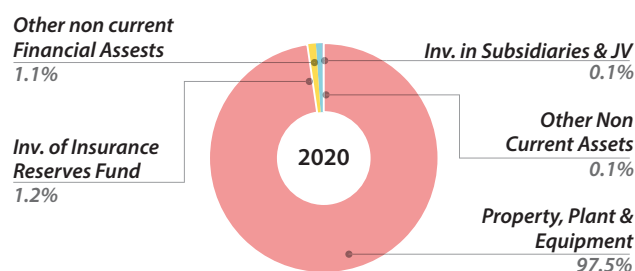
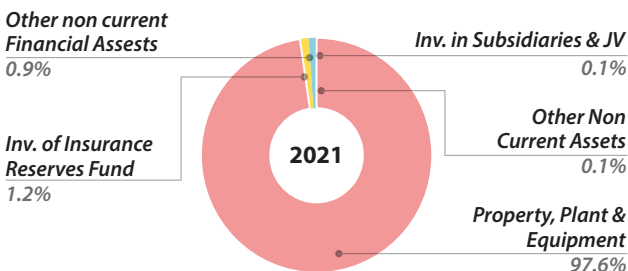
Total Assets



Total Liabilities & Equity



Composition of Non-Current Assets



Financial Ratios

Ratio	2021	Restated 2020
Return on Assets	-2%	-7%
Return on Equity	-8%	-26%
Debt to Equity	150%	143%
Debt to Assets	40%	40%
Current Ratio	0.53:1	0.56:1
Quick Ratio	0.27:1	0.34:1
DSCR	0.79	-0.24
Interest Cover	-0.08	-2.80

End user Tariff and Government Policy

As a Government policy, CEB offers electricity tariff at a price lower than the actual cost at the selling point 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 and General Purpose category bear a part of this cost in excess. As at 31st December 2021 total loss recorded due to this Government Policy was LKR 59.7 Billion where the surplus charged from high end consumers amounted to LKR 25.4 Billion. Hence the loss incurred by CEB was stated as LKR 34.3 Billion, excluding Other Income.

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

	2021 LKR Million	2020 Restated LKR Million
Loss/Deficit (Subsidy required) due to Government Policy	(59,665)	(83,856)
Surplus Charged	25,390	13,215
Net Subsidy to be provided by the Government	-34,275	-70,641
Other Income (Actuarial Loss on Defined Benefit Obligation adjusted)	12,320	1,477
Net Loss as per the Financial Statements	-21,955	-69,164

Ten Year Summary

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

For the year ended 31 December	2021 LKR million	2020 Restated 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
Result of operation										
Revenue	249,089	238,911	242,950	229,571	218,450	206,811	188,684	202,645	194,147	163,512
Concession provided to Domestic Customers	(196)	(5,908)	-	-	-	-	-	-	-	-
Cost of sales	(254,452)	(276,938)	(322,521)	(251,964)	(260,273)	(222,097)	(168,781)	(213,646)	(165,509)	(222,419)
Gross Profit / (loss)	(5,559)	(43,935)	(79,571)	(22,393)	(41,823)	(15,286)	19,903	(11,001)	28,638	(58,907)
Other Income & Gain	11,693	8,817	10,307	9,450	8,143	10,323	8,292	5,871	5,107	4,225
Administrative Expenses	(8,285)	(7,131)	(7,280)	(5,832)	(5,110)	(4,965)	(4,086)	(3,146)	(2,556)	(2,997)
Finance Income	1,131	1,338	1,751	1,466	1,194	1,049	434	304	1,677	2,429
Finance Cost	(20,430)	(19,522)	(22,526)	(13,036)	(8,415)	(4,312)	(5,134)	(7,030)	(10,601)	(6,198)
Profit / (Loss) before Income Tax	(21,450)	(60,433)	(97,319)	(30,345)	(46,011)	(13,191)	19,409	(15,002)	22,265	(61,448)
Income Tax Expenses	-	(53)	(39)	(50)	(232)	(263)	(61)	(95)	-	-
Deferred Tax (Charge)/ Reversal	-	-	-	-	-	-	-	995	(1,326)	(16,198)
Actuarial gain/(loss) on defined benefit obligations	(505)	(8,678)	(64)	(1,541)	(1,338)	(1,003)	952	(3,183)	(39)	(124)
Comprehensive Income	(21,955)	(69,164)	(97,422)	(31,936)	(47,581)	(14,457)	20,300	(17,285)	20,900	(77,770)
As at 31 December	2021 LKR million	2020 (Restated) 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
Assets										
Property Plant & Equipment	853,011	819,248	781,517	747,012	724,068	704,695	694,415	681,471	648,130	621,088
Investment in Subsidiaries	912	912	912	912	912	912	912	785	785	762
Investment in Joint Venture	329	329	329	329	329	329	329	150	150	150
Investment of Insurance reserve fund	10,658	9,981	8,997	8,070	7,246	6,496	6,036	5,653	5,250	4,433
Other financial Assets	7,700	8,859	9,951	10,204	8,912	8,983	3,848	2,291	-	-
Other non-current Assets	851	1,074	1,489	1,242	961	949	896	-	-	-
Non-current Assets held for sale	0.076	0.076	0.076	0.076	0.655	1,022	1,025	1,023	1,021	-
Current Assets	131,921	116,617	110,576	102,338	89,065	80,968	69,391	72,662	91,423	101,295
Total Assets	1,005,382	957,020	913,771	870,107	831,494	804,354	776,852	764,035	746,759	727,728
Liabilities										
Interest bearing loan and Borrowings	353,928	352,094	318,149	281,262	236,129	220,476	214,299	221,735	355,043	345,700
Consumer Deposits	16,300	15,641	15,014	14,311	13,557	12,753	11,484	10,458	9,722	8,899
Provision & other Differed Liabilities	21,615	20,121	10,482	10,038	8,622	7,262	6,116	6,572	3,236	3,593
Government Grants	188	200	213	228	243	211	-	-	-	-
Deferred Income	-	-	-	-	-	-	71,696	66,292	60,343	55,208
Contract liabilities	99,518	95,771	89,746	86,335	82,564	77,628	-	-	-	-
Deferred Taxation	-	-	-	-	-	-	-	-	22,182	20,857
Current liabilities	249,031	208,447	223,803	145,712	123,682	72,661	43,630	64,147	69,134	96,171
Total Liabilities	740,580	692,274	657,407	537,886	464,797	390,991	347,225	369,204	519,660	530,428
Equity										
Contributed Capital	413,054	391,731	323,194	302,695	302,695	302,695	302,228	289,038	121,708	110,862
Reserves	41,222	39,254	37,110	34,881	32,783	30,283	28,463	27,434	25,999	24,460
Retained Earnings	(189,474)	(166,239)	(103,940)	(5,355)	31,219	80,385	98,936	78,359	79,392	61,978
Total Equity	264,802	264,746	256,364	332,221	366,697	413,363	429,627	394,831	227,099	197,300
Total Equity & Liabilities	1,005,382	957,020	913,771	870,107	831,494	804,354	776,852	764,035	746,759	727,728

Value Added Statement

Description	2021 In Rs. LKR Mn	2020 In Rs. LKR Mn
Value Created		
Revenue	249,089	238,911
Other Income	11,693	8,817
Finance Income	1,131	1,338
Cost of resources provided by outsiders	(144,426)	(148,856)
Total Value Created by the Entity	117,488	100,210
Value distributed		
To Employees as Remuneration and Other Benefits	47,869	38,224
To Government Revenue		
Income Tax		53
Other Taxes	3,504	3,173
To Lenders of Capital		
Interest on Borrowing	20,431	19,522
To the Community		
Corporate Social Responsibility	24	69
Concessions provided due to COVID	196	5,908
Electricity provided at subsidized tariff	34,275	70,641
Value Retained for Growth and Expansion		
Retained	(21,955)	(69,164)
Depreciation	33,144	31,784
Total Value Distributed By the Entity	117,488	100,210

Hambantota Solar Park



Report of the Directors

Board of Directors Profile

ENG. H. M. VIJITHA HERATH	
Designation	Chairman
Tenure	Until 19th July 2021
Skills and Experience	Holder of B.Sc Engineering Degree, Member of Institute of Engineers in Sri Lanka, Member of American Society of Welding. He has 20 years' experience in Project Management and Business Administration.
Role in other Entities	Chairman of Sri Lanka Energies (Pvt) Ltd Chairman of LTL Holdings (Pvt) Ltd Board of Director of Lanka Electricity Company (Pvt) Ltd Chairman - Trincomalee Power Co Ltd
M. M. C. FERDINANDO	
Designation	Chairman
Tenure	From 20th July 2021
Skills and Experience	Obtained LLB (Sri Lanka), Attorney-at-Law and Diploma on Public Management (Administrative College Netherlands) A senior member of Sri Lanka Administrative Service (Premier Public Civil Service) and having more than 45 years of Service in Public Sector. Served as the Secretary to various Ministries, held the posts of Chairman, other senior positions and Board Director of many SOEs, participated and represented Sri Lanka in many International forums.
Role in other Entities	Chairman of LTL Holdings (Pvt) Ltd Board of Director of Sri Lanka Energies (Pvt) Ltd Board of Director of Trincomalee Power Co Ltd
N. S. ILANGAKOON	
Designation	Vice Chairman
Tenure	From 11th December 2020
Skills and Experience	Qualified Commercial Pilot with sea plane rating in both Sri Lanka and USA. He has 16 years experience in Business Management as Chairman and Senior Manager in both Government and Private Sector organizations.
Role in other Entities	Chairman of Sri Lanka Energies (Pvt) Ltd Chairman of Trincomalee Power Company Ltd. Board Member of LTL Holdings (Pvt) Ltd Board Member of Lanka Electricity Company (Pvt) Ltd
L. G. PREMASIRI	
Designation	Board Member
Tenure	Until 29th January 2021
Skills and Experience	Obtained Bachelor of Commerce degree from University of Kelaniya and holds a Master Degree in Public Administration from Sri Lanka Institute of Development Administration (SLIDA), Member of the Sri Lanka Accountants' Service. He has 34 years of experience in various capacities as an Accountant, Chief Internal Auditor and Director in number of Ministries and Departments.
Role in other Entities	Chief Finance Officer - Ministry of Industries
V. P. K. ANUSHA PALPITA	
Designation	Board Member
Tenure	From 30th January 2021 to 7th July 2021
Skills and Experience	Super Grade officer in the Sri Lanka Administration Service with 27 years of experience in Public Service. He possessed strong management and planning skills by managing important government projects such as Lotus Tower and Suriyawewa IT park Project. He successfully served in various Senior Management positions such as Director General of Telecommunication Regulatory Commission, Chairman - Sri Lanka Broadcasting Corporation, Director General - Department of Government Information and Rupavahini Corporation.
Role in other Entities	Secretary - Ministry of Industries Board Member - Urban Development Authority

Report of the Directors (Contd...)

Board of Directors Profile (Contd...)

GENERAL DAYA RATNAYAKE - (RETIRED)	
Designation	Board Member
Tenure	From 8th July 2021 – 23rd December 2021
Skills and Experience	<p>General (Retd) Daya Ratnayake WWV RWP RSP VSV USP ndu psc</p> <p>General (Retd) Daya Ratnayake was appointed as the Secretary to the Ministry of Industries in 2021 and he was the former Chairman of the Sri Lanka Ports Authority (SLPA) and was the 20th Commander of the Sri Lanka Army (2013-2015) with a distinguish career record.</p> <p>He was enlisted to the Regular Force of the Sri Lanka Army on 06th February 1980 as an Officer Cadet and upon commissioning, he followed number of military and non-military training and academic courses including Junior Command and Senior Command Courses in India, Governance and Management of Defence Course at Cranfield University, UK, Higher Level Security Studies Diploma Course and Advanced Communication Skills Course in Asia-Pacific Centre for Security Studies in Honolulu, Hawaii, USA. He also graduated from Defence Service Command and Staff College, Bangladesh, National Defence University, China and Army Intelligence School, Fort Hnachuca, Arizona, USA. Currently, he is reading for his PhD at General Sir John Kotelawala Defence University.</p> <p>General (Retd) Daya Ratnayake has held many command appointments to suit his rank and his role as the Commissioner General of Rehabilitation to rehabilitate more than 14,500 LTTE ex-combatants has been widely acknowledged.</p> <p>His exceptionally unique performances in many daunting military operations have been well-recognized as a battlefield veteran and decorated with more than twenty-six gallantry and service medals.</p>
Role in other Entities	Secretary Ministry of Industries

G. P. N. M. ABEYSEKARA	
Designation	Board Member
Tenure	From 24th December 2021
Skills and Experience	<p>He has more than 22 years experience in Public Service as a member of Sri Lanka Administrative Service (SLAS) and currently he is serving as an Additional Secretary in the Ministry of Industries. He has prior experience as an Additional Secretary in the Ministry of Justice and Ministry of Urban Development too. In addition he possessed Senior Assistant Secretary posts and Director Posts in number of Ministries and Government Departments as well.</p>
Role in Other Entities	Additional Secretary Policy Development - Ministry of Industries

S. D. JUDE NILUKSHAN	
Designation	Board Member
Tenure	From 13th January 2020 to 23rd December 2021
Skills and Experience	<p>He has a Master Degree in International Trade and Economic Cooperation from Kyung Hee University, South Korea and a Bsc. Special Degree in Public Administration from University of Sri Jayawardenapura. He also has 20 years of Experience in Public Sector and as a Special Grade Officer of SLAS. Further, He served as the Senior Assistant Secretary of the Cabinet Office from 2015 to 2020 and represented the Treasury in the Boards of several key State Owned Enterprises and Statutory Boards.</p>
Role in other Entities	Director General, Department of National Budget

M. M NAYEEMUDEEN	
Designation	Board Member
Tenure	From 17th January 2020
Skills and Experience	<p>He is a Special Grade Officer of SLAS and a Fellow Member of Chartered Professional Management. He also has a Master Degree in Public Management and Degree in Economics. He has around 26 years of experience as a public sector manager with 16 years of experience in higher level leadership positions. He was commended for directing government institutions regarding policy reforms, institutional strengthening, project management, procurement and human resources.</p>
Role in other Entities	Additional Secretary (Projects Monitoring) Ministry of Public Administration, Home Affairs, and Provincial Councils & Local Government.

Report of the Directors (Contd...)

B. K. JAGATH PERERA

Designation	Board Member
Tenure	Until 7th January 2021
Skills and Experience	He has more than 20 years experience in the private sector and 10 years' experience in the public sector. Prior to the appointment to the CEB Board, he served as the Chairman of Colombo Commercial Fertilizers Ltd, the Chairman of Ceylon Fisheries Corporation, the Chairman of Cey-Nor Foundation Limited, and the Chairman of State Engineering Corporation
Role in other Entities	Chairman - Lanka Coal Company (Pvt) Ltd

DR. B. WIJAYRATHNE

Designation	Board Member
Tenure	From 7th January 2021
Skills and Experience	He has more than 35 years of experience in Public Sector as a member of Sri Lanka Administrative Service. He served as the Secretary of the Ministry of Agriculture prior to the appointment to the CEB Board. He held the posts of Secretary of the Ministry of Youth and Skill Development, Additional Secretary of the Ministry of Economic Development, and Director General of the Sri Lanka Institute of Development Administration and Commissioner General of Motor Traffic.
Role in other Entities	Chairman of the National Institute of the Plantation Management Director General of Sri Lanka Rupavahini Corporation Directorship of National Institute of Education.

RUBAN WICKRAMARACHCHI

Designation	Board Member
Tenure	From 24th April 2020
Skills and Experience	He is an Economics Graduate of University of Kelaniya and hold a Post Graduate Diploma in Personal Management. He has 36 years of Experience in CEB Internal Audit and Special Investigation Branches. Further he has carried out the duties as, Board of Director, Member of the Audit & Management Committee and the Member of the Disciplinary Board in CEB from 1994 to 2001. He was the founding chief of the Special Investigation Branch of CEB.
Role in other Entities	Director and Member of the Audit Committee of Lanka Logistics & Technologies Director and Member of the Audit Committee of Consumer Service Authority.

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 2021.

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 86. 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 117 to 119 of this Annual Report.

Review of the Year's Performance

The Chairman's Message on pages 12 to 13 incorporates 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 65 to 68 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.

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 Government of Sri Lanka to finance the specific capital development projects. Details of Contributed capital is given in note No 22 of the Financial Statements on page 123.

Issue and Utilization of Debentures

During the year in April 2021, CEB issued LKR 20 Billion worth of senior unsecured listed redeemable rated debentures with the issue price of LKR 100 at a fixed coupon rate of 9.35% and the maturity period of 5 Years.

Report of the Directors (Contd...)

The funds raised through the Debenture Issue (LKR 20 Billion) was utilized to settle the credit facilities obtained from Ceylon Petroleum Corporation (30% of the funds) and other Independent Power Producers (IPP's) (70% of the funds).

The funds were utilized to settle the above debt outstanding of the organization and disbursements were subject to appropriate review by the Finance Department. Further, there were no significant risk factors that may lead to the non-achievement of Debenture Issue objectives as organization intends to decrease the penalty interest payments to the relevant parties.

Corporate Social Responsibility (CSR)

Activities carried out related to Corporate Social Responsibility, during the period under review are given in pages 58 to 59 with the section titled Corporate Social Responsibility Report.

Sustainability

CEB has committed to perform its operations while maintaining a right balance of Social, Economic and Environmental sustainability. CEB's approach to achieve Social, Economic and Environmental Sustainability is stated in pages no 55 to 57.

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 and 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 Consolidated Financial Statements of the Board and its Subsidiaries as at 31 December 2021 is given on pages 151 to 164 of this Annual Report.

Accounting Policies

The Group and the Board prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKASs) and Sri Lanka Financial Reporting Standards (SLFRSs). The accounting policies adopted in the preparation of Financial Statements are given on pages 86 to 105 There have been no

material changes in the accounting policies adopted by the Board during the year under review.

Board Members' Interest in Contracts with the Board

The Directors have no direct or indirect interest in any contract or proposed contract with the Board for the year ended 31 December 2021 other than those disclosed in Note 39.4 in the financial Statements.

Remuneration Committee

Ceylon Electricity Board is a government institute established by a Parliament Act. Accordingly administrative practices and control procedures are governed by Circulars, Acts etc. CEB does not require to hold a Remuneration Committee as the remuneration of the Directors of the CEB are decided based on Public Enterprise Circular No: PED 3/ 2015 issued by the Ministry of Finance. The above mentioned circular can be viewed in the following URL <https://www.treasury.gov.lk/web/public-enterprises-department-circular/section/2015>.

The following Sub Committees have been appointed by the Board.

01. Employees Grievances Committee
02. Disciplinary Appeal Board
03. Audit and Management Committee
04. Legal Committee

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 Board Member composition of the Committee for the year 2021 is given below.

- i. Mr. N S Ilangakoon, Vice Chairman, CEB as the Chairman
- ii. Mr. Ruban Wickramarachchi, Member, as a member

Other members are as follows;

- i. Eng. H.M.K.J. Weerasuriya (DGM - C&C/DD - 02)
- ii. Eng. R.K.P.S. Gunathilake (DGM – CA/Gen.)
- iii. Eng. P.A.J.P.K. Perera (DGM-P)
- iv. Ms. W.P.G.C.S. Jayalath (AFM-Corporate-Actg)
- v. Eng. M.I.M. Irshad (CE-Policy)
- vi. Ms. P.R. Handapangoda (HRM/DGM-P)

Report of the Directors (Contd...)

The Committee formally met twice during the year 2021 and reviewed 26 numbers of individual grievances of employees/ex-employees of the CEB.

The Minutes of the Meetings were tabled at the Board Meetings for approval and subsequently, the General Manager-CEB took necessary actions to implement the said decisions accordingly. 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 2021 and handled 24 cases.

The Minutes of the Meetings were tabled at Board Meetings for approval and subsequently, the General Manager/CEB took necessary actions to implement the said decisions accordingly.

The composition of the committee for the year 2021 was as follows.

- i. Mr. N.S. Ilangakoon, Vice Chairman, CEB as the Chairman
- ii. Mr. Ruban Wickramarachchi, as a Member
- iii. Mr. L.G. Premasiri as a Member (until 11th January 2021)
- iv. Mr. V. P. K. Anusha Pelpita as a Member (until June 2021)
- v. Dr. B. Wijyaratne as a Member (from 28th September 2021)
- vi. Mr. J. G. L. S. Jayawardena, Observer to the Board as a Member (until 28th September 2021)
- vii. Mr. L. K. S. U. Dharmakeerthi, Observer to the Board as a member (from 28th September 2021)
- viii. 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 as a sub-committee of the Board. This committee is responsible to review the legal matters/cases of CEB, if required and advice the Board on the same.

The committee had formally met twice during the financial year 2021.

- i. Mr. N. S. Ilangakoon, Vice Chairman, CEB as the Chairman
- ii. Mr. Ruban Wickramarachchi as a Member
- iii. Mr. M. M. Nayeemudeen as a Member

A Legal Officer is the Convener of this Sub Committee.

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.

Further, the Chairman of the Audit Committee or any Committee Member does not possess the stipulated accounting qualifications in order to comply with the CSE listing Rule 7.10.6.a. The appointments to the CEB Board of Directors are made by the Power and Energy Minister and CEB does not have a flexibility to decide on the members of the Board, which comprise the Audit Committee. As such a Senior Officer (Mrs. T. H. P. Banduthilaka - Chief Internal Auditor) Fellow Member of the Institute of Chartered Accountants of Sri Lanka has been appointed as the Convener with the requisite qualification from the CEB to advice on matters assigned to the Audit Committee in order to comply the above CSE listing rule.

The audit committee comprises four independent directors having sound skills and extensive experience in finance, audit and related area and the Head of Internal Audit serves as the 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 2021 is as follows.

Mr. S. D. Jude Nilukshan	-	Chairman
Mr. M. M. Nayeemudeen	-	Member
Mr. B. Wijeratne	-	Member
Mr. R. Wickramaarachchi	-	Member

Report of the Directors (Contd...)

The Audit committee review and discuss the reports submitted by the Auditor General and the Internal Audit Branch in the areas of operational and financial reviews. Audit Committee review these reports using their extensive experience and expertise, recommend 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 only two times during the year 2021 due to pandemic environment prevailed in the country.

Land and Buildings of CEB

Below table indicate the division wise details of land and building of CEB as of 31.12.2021.

Land Details as at 31.12.2021						
Division	No. of Lands	Area of the Land			Total Value (LKR)	Remarks
		Acres	Route	Perches		
Distribution Division 1	206	157	0	31.65	7,281,768,325.00	Extent for 186 Lands & Valuation for 160 Lands
Distribution Division 2	398	138	1	35.51	4,775,930,709.25	Extent for 365 Lands & Valuation for 297 Lands
Distribution Division 3	128	66	2	0.94	2,177,543,200.00	Extent for 127 Lands & Valuation for 114 Lands
Distribution Division 4	161	66	3	1.14	3,461,751,021.00	Extent for 153 Lands & Valuation for 140 Lands
Assets Management	5	45	2	14.55	5,366,450,000.00	Extent for 5 Lands & Valuation for 5 Lands
Transmission	123	409	2	6.28	5,772,362,300.00	Extent for 117 Lands & Valuation for 84 Lands
Generation	3086	6194	0	6.19	688,700,000.00	Extent for 2327 Lands & Valuation for 8 Lands
Total	4107	7075	10	96.26	29,524,505,555.25	

Building Details as at 31.12.2021

Division	No. of Buildings	Square Feet
Distribution Division 1	271	250,955.79
Distribution Division 2	415	306,086.65
Distribution Division 3	216	195,907.62
Distribution Division 4	168	320,393.55
Assets Management	68	21,808.24
Transmission	98	39,231.39
Generation	1044	275,618.18
Projects	31	9,687.31
Corporate Strategy	8	7,597.32
Total	2319	1,427,286.05

Related Party Transactions

Related party Disclosures as required by the Sri Lanka Accounting Standard - LKAS 24 are detailed in note no 39 of the consolidated financial statements.

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

Contingent liability that arise due to pending litigations is mentioned in note no 37.1 of Consolidated Financial Statements.

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.

Report of the Directors (Contd...)

Compliance to CSE Listing Requirements related to Contents of Annual Report

Listing Rule no	Disclosure Requirements	Reference / Comments	Page no
7.6 (i)	Names of persons who during the financial year were Directors of the entity.	Report of the Directors	72-74
7.6 (ii)	Principal activities of the entity and its subsidiaries during the Year and any changes therein.	Report of the Directors and note 12.1 of Audited Consolidated Financial statements	74,118
7.6 (iii)	The names and the number of shares held by the 20 largest Holders of voting and non-voting shares and the percentage of such shares held.	Not Applicable	n/a
7.6 (iv)	The public holding percentage.	Not applicable	n/a
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Not applicable	n/a
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity.	Risk Management Report	51-54
7.6 (vii)	Details of material issues pertaining to employees and Industrial relations of the entity.	No material issues occurred during the year	-
7.6 (viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Report of the Directors	77
7.6 (ix)	Number of shares representing the entity's stated capital	Not Applicable	n/a
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings.	Not applicable	n/a
7.6 (xi)	Ratios and market price information:		
	Interest rate of comparable government securities, Debt /Equity Ratio, Interest cover, Quick asset ratio	Financial Review	68
	Market price and yield during the year (Highest price / Lowest price /Last traded price	Not traded	-
	Any Changes in credit rating	No changes in the Credit rating	-
7.6 (xii)	Significant changes in the entity's or its subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value.	Not Applicable	n/a
7.6 (xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement.	Report of the Directors	74-75
7.6 (xiv)	Information in respect of each employee share ownership or stock option scheme.	Not applicable	n/a
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section7 of the Rules.	Board of Directors Profile and Report of the Directors	72-77
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower.	Note no 39 of Audited Consolidated Financial Statements	146-147

Statement of Profit or Loss

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

	Note	Group		Board	
		2021	2020 Restated	2021	2020 Restated
Revenue	4	291,198,388	264,265,952	249,089,188	238,910,553
Concession Provided to Domestic Customers	5	(195,709)	(5,907,770)	(195,709)	(5,907,770)
Cost of Sales		(279,421,532)	(286,530,043)	(254,452,760)	(276,938,425)
Gross Profit / (Loss)		11,581,147	(28,171,861)	(5,559,281)	(43,935,642)
Other Operating Income and Gains	6	18,297,764	9,844,016	11,692,938	8,817,159
Distribution Cost		(205,209)	(166,221)	-	-
Other Expenses		(3,260,481)	(3,164,799)	-	-
Administrative Expenses		(13,166,794)	(11,565,050)	(8,284,761)	(7,130,803)
Operating Profit/(Loss)		13,246,427	(33,223,915)	(2,151,104)	(42,249,286)
Finance Income	7.1	3,286,673	2,942,470	1,131,378	1,337,772
Finance Cost	7.2	(22,544,140)	(21,242,401)	(20,430,643)	(19,521,978)
Finance Cost-Net		(19,257,467)	(18,299,931)	(19,299,265)	(18,184,206)
Share of loss of Joint Venture	13	(5,080)	(6,143)	-	-
Profit/(loss) before Income Tax		(6,016,120)	(51,529,989)	(21,450,369)	(60,433,492)
Income Tax Expense	9.1	(3,190,093)	(2,615,239)	-	(52,970)
Deferred Tax (Charge)/Reversal	9.2	(46,656)	211,068	-	-
Profit/(Loss) for the year from continuing operation		(9,252,869)	(53,934,160)	(21,450,369)	(60,486,462)
Attributable to:					
Equity Holders of the Parent		(16,572,106)	(58,040,771)		
Non Controlling Interest		7,319,237	4,106,611		
		(9,252,869)	(53,934,160)		

The Notes on Pages 86 through 150 form an integral part of the Financial Statements

Statement of Comprehensive Income

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2021	2020 Restated	2021	2020 Restated
Profit/ (Loss) for the year from continuing operation	(9,252,869)	(53,934,160)	(21,450,369)	(60,486,462)
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	(377,986)	(8,877,951)	(504,579)	(8,677,627)
Deferred Tax Impact on Actuarial gain / loss	(33,122)	55,961	-	-
Exchange differences on translation of foreign subsidiary operations	935,845	336,799	-	-
Fair value gain on available for sale financial assets	1,082,877	126,398	-	-
Net gain loss on exchange conversion of foreign currency loans	(92,688)	-	-	-
Total Comprehensive Income for the year, net of tax	(7,737,943)	(62,292,953)	(21,954,948)	(69,164,089)
Attributable to:				
Equity Holders of the Parent	(16,174,363)	(66,579,481)		
Non Controlling Interest	8,436,420	4,286,528		
	(7,737,943)	(62,292,953)		

The Notes on Pages 86 through 150 form an integral part of the Financial Statements

Statement of Financial Position

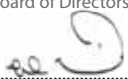

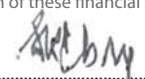
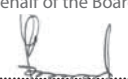
As at 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

	Note	Group			Board		
		2021	2020 Restated	As at 1st January 2020 Restated	2021	2020 Restated	As at 1st January 2020 Restated
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	10	873,253,897	838,065,364	801,729,433	852,877,484	819,086,380	784,022,232
Premium Paid on Leasehold Land		-	-	235,577	-	-	-
Intangible assets	11	513,343	512,459	499,058	133,997	161,509	107,718
Investments in Subsidiaries	12	-	-	-	911,813	911,813	911,813
Investment in Joint Venture	13	25,677	30,757	36,900	328,606	328,606	328,606
Finance Lease Receivables	14	20,465,466	19,588,944	19,899,441	-	-	-
Other Non Current Financial Assets	15	28,054,665	24,418,095	25,353,078	7,700,399	8,859,225	9,951,461
Other Non-Current Assets	16	1,830,583	2,160,224	2,591,430	851,383	1,073,891	1,489,354
Investments of Insurance Reserve	17	10,657,598	9,980,730	8,996,893	10,657,598	9,980,730	8,996,893
Total Non-Current Assets		934,801,229	894,756,573	859,341,810	873,461,280	840,402,154	805,808,077
Non Current Assets held for sale	18	76	76	76	76	76	76
Current Assets							
Inventories	19	74,986,599	53,412,273	56,128,504	63,926,113	45,522,065	48,529,122
Trade and Other Receivables	20	84,380,715	74,358,646	56,491,746	56,340,888	59,342,291	49,126,626
Amounts Due from Related Parties	21	-	-	-	3,612,627	5,322,241	5,984,849
Sub Lease Receivables		-	-	21,110	-	-	-
Finance Lease Receivables	14	825,121	1,015,236	910,171	-	-	-
Other Current Financial Assets	15	29,922,547	33,652,650	27,080,350	2,601,739	2,826,654	3,485,735
Cash and Bank Balances	32	15,309,470	9,719,896	7,282,167	5,439,757	3,604,157	3,725,333
Total Current Assets		205,424,452	172,158,701	147,914,048	131,921,124	116,617,408	110,851,665
Total Assets		1,140,225,757	1,066,915,350	1,007,255,934	1,005,382,480	957,019,638	916,659,818
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	22	413,054,569	391,730,584	323,194,038	413,054,569	391,730,584	323,194,038
Reserves	23	59,080,519	52,807,115	50,082,923	41,222,600	39,253,987	37,109,568
Retained Earnings / (Loss)		(170,433,066)	(148,673,699)	(80,229,218)	(189,474,269)	(166,239,107)	(95,851,304)
Equity Attributable to the Equity Holders of the Parent		301,702,022	295,864,000	293,047,743	264,802,900	264,745,464	264,452,302
Non Controlling Interest		39,331,148	34,651,585	31,655,307	-	-	-
Total Equity		341,033,170	330,515,585	324,703,050	264,802,900	264,745,464	264,452,302
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	24	372,001,007	353,176,565	324,004,981	353,927,442	352,094,501	318,149,176
Consumer Deposits	25	16,299,865	15,640,570	15,013,791	16,299,865	15,640,571	15,013,791
Provisions and Other Deferred Liabilities	26	23,289,439	21,798,853	11,788,539	21,615,200	20,120,600	10,482,143
Government Grant	27	261,134	278,934	297,697	188,347	200,334	213,303
Contract Liabilities	28	104,566,765	100,694,744	94,421,389	99,518,157	95,770,721	89,746,084
Deferred Taxation	29	715,268	541,753	753,562	-	-	-
		517,133,478	492,131,419	446,279,959	491,549,011	483,826,727	433,604,497
Current Liabilities							
Trade and Other Payables	30	220,801,095	187,337,415	195,261,270	197,241,656	176,476,320	185,930,922
Dividend Payables		1,618,534	905,038	2,303,810	-	-	-
Amounts Due to Related Parties	31	-	-	-	6,214,208	4,213,940	2,989,787
Interest Bearing Loans & Borrowings	24	55,652,643	53,038,697	36,492,272	44,303,939	26,486,421	28,411,544
Income Tax Payable		3,986,837	2,987,196	2,215,573	1,270,766	1,270,766	1,270,766
		282,059,109	244,268,346	236,272,925	249,030,569	208,447,447	218,603,019
Total Equity and Liabilities		1,140,225,757	1,066,915,350	1,007,255,934	1,005,382,480	957,019,638	916,659,818

The Notes on Pages 86 through 150 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	 Director	 General Manager	 Finance Manager
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Statement of Changes in Equity

Year Ended 31st December 2021

The Group	Contributed Capital	Capital Reserve	Depreciation Reserve
Balance as at 31 December 2019	323,194,038	19,197,852	24,000
Prior Year Adjustment made during the Period	-	-	-
Balance as at 01st January 2020 (Restated)	323,194,038	19,197,852	24,000
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	-	103,426	-
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
Interest received from customers	-	36,601	-
Investment Reserve	-	-	-
Development Reserve	-	-	-
Issue of shares of subsidiaries	-	-	-
LECO Minority Interest adjustment	-	-	-
Dividend Payment - LTL	-	-	-
Dividend Payment -LECO	-	-	-
Balance as at 01st January 2021 (Restated)	391,730,584	19,337,879	25,000
Profit/(Loss) for the period	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-
Net gain loss on Fair Value through OCI Investments	-	-	-
Exchange Equalization Reserve	-	306,670	-
Total Comprehensive income	-	306,670	-
Debt to equity conversion	17,915,014	-	-
Puttalam Coal Power Project	3,408,971	-	-
Interest income from Insurance Reserve Fund	-	-	-
Transfer to self insurance reserve	-	-	-
Transferred to Depreciation Reserve	-	-	1,000
Interest received from customers	-	24,558	-
Investment Reserve	-	-	-
Assets Replacement Reserve	-	-	-
Development Reserve	-	-	-
Issue of shares of subsidiaries	-	-	-
Dividend Payment - LTL	-	-	-
Dividend Payment -LECO	-	-	-
Balance as at 31 December 2021	413,054,569	19,669,107	26,000

The Notes on Pages 86 through 150 form an integral part of the Financial Statements

(All amounts in Sri Lanka Rupees Thousands)

Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Fair Value Reserve	Development Reserve	Retained Earnings	Non Controlling Interest	Total
312,494	5,930,351	18,540,372	6,060,529	17,325	(88,317,951)	31,655,307	316,614,317
-	-	-	-	-	8,088,733	-	8,088,733
312,494	5,930,351	18,540,372	6,060,529	17,325	(80,229,218)	31,655,307	324,703,050
-	-	-	-	-	(58,040,771)	4,106,611	(53,934,160)
-	-	-	-	-	(8,757,641)	(64,349)	(8,821,990)
-	-	-	66,155	-	-	60,244	126,399
-	-	-	-	-	-	233,374	336,800
-	-	-	66,155	-	(66,798,412)	4,335,880	(62,292,951)
-	-	-	-	-	-	-	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
-	-	-	-	-	(12,163)	(20,096)	(32,259)
-	-	-	-	-	-	(1,100,731)	(1,100,731)
-	-	-	-	-	-	(338,700)	(338,700)
312,494	6,330,543	20,647,190	6,126,684	27,325	(148,673,699)	34,651,585	330,515,585
-	-	-	-	-	(16,572,106)	7,319,237	(9,252,869)
-	-	-	-	-	(449,693)	38,586	(411,107)
-	-	-	540,767	-	-	449,422	990,189
-	-	-	-	-	-	629,175	935,845
-	-	-	540,767	-	(17,021,799)	8,436,420	(7,737,942)
-	-	-	-	-	-	-	17,915,014
-	-	-	-	-	-	-	3,408,971
-	-	663,841	-	-	-	-	663,841
-	-	1,279,214	-	-	(1,279,214)	-	-
-	-	-	-	-	(1,000)	-	-
-	-	-	-	-	-	-	24,558
-	3,671,322	-	-	-	(3,671,322)	-	-
(223,968)	-	-	-	-	223,968	-	-
-	-	-	-	10,000	(10,000)	-	-
-	-	-	-	-	-	28,350	28,350
-	-	-	-	-	-	(3,285,207)	(3,285,207)
-	-	-	-	-	-	(500,000)	(500,000)
88,526	10,001,865	22,590,245	6,667,451	37,325	(170,433,066)	39,331,148	341,033,170

Statements of Changes in Equity (Contd...)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

The Board	Contributed Capital	Other Capital reserves	RHCP Reserve	Loan Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
Balance as at 31.12.2019	323,194,038	165,446	948,639	17,447,062	24,000	18,524,421	(103,940,037)	256,363,569
Prior year adjustment made during the period	-	-	-	-	-	-	8,088,733	8,088,733
Balance as at 1st January 2020 (restated)	323,194,038	165,446	948,639	17,447,062	24,000	18,524,421	(95,851,304)	264,452,302
Profit/(Loss) for the period	-	-	-	-	-	-	(69,164,089)	(69,164,089)
Interest income from Insurance Reserve Fund	-	-	-	-	-	884,104	-	884,104
Debt to Equity Conversion	17,361,455	-	-	-	-	-	-	17,361,455
Puttalam Coal Project	3,175,091	-	-	-	-	-	-	3,175,091
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)	-
Interest received from customers	-	-	36,601	-	-	-	-	36,601
Balance as at 31 December 2020 (Restated)	391,730,584	165,446	985,240	17,447,062	25,000	20,631,239	(166,239,107)	264,745,464
Profit/(Loss) for the period	-	-	-	-	-	-	(21,954,948)	(21,954,948)
Interest income from Insurance Reserve Fund	-	-	-	-	-	663,841	-	663,841
Debt to Equity Conversion	17,915,014	-	-	-	-	-	-	17,915,014
Puttalam Coal Project	3,408,971	-	-	-	-	-	-	3,408,971
Transferred to depreciation reserve	-	-	-	-	1,000	-	(1,000)	-
Transfer to self insurance reserve	-	-	-	-	-	1,279,214	(1,279,214)	-
Interest received from customers	-	-	24,558	-	-	-	-	24,558
Balance as at 31 December 2021	413,054,569	165,446	1,009,798	17,447,062	26,000	22,574,294	(189,474,269)	264,802,900

The Notes on Pages 86 through 150 form an integral part of the Financial Statements

STATEMENT OF CASH FLOWS

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2021	2020	2021	2020
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	(6,016,120)	(51,529,989)	(21,450,369)	(60,433,492)
Adjustments for				
Depreciation -Charged for the year	34,771,183	34,469,546	33,095,688	32,107,297
Amortization of Consumer Contribution	(4,487,145)	(3,841,968)	(4,058,249)	(3,440,050)
Amortization of Government Grant	(15,068)	(20,511)	(15,068)	(14,718)
Income from Investments	(1,359,813)	-	-	-
(Profit)/Loss on sales of Property, Plant & Equipment	149,507	(48,658)	135,046	(31,285)
Finance Costs	22,661,291	21,441,905	20,430,643	19,705,300
Lease Interest	12,775	-	12,775	14,332
Provision for Obsolete & Unserviceable Cost	337,770	15,069	331,159	71,706
Provision for price Variance	(2,037,510)	347,263	(2,037,510)	347,263
Provision for Impairment of Debtors	1,649,777	1,842,072	1,747,552	1,343,916
Bad Debt Write off	345,653	-	345,653	-
Electric vehicle Charging Revenue	(2,696)	(2,836)	(2,696)	(2,836)
Share of (Profit)/ loss of Joint Venture	5,080	6,143	-	-
Amortization of Intangible Assets	60,832	46,752	48,442	-
Finance Income	(2,041,285)	(2,942,471)	(1,131,378)	(1,337,772)
Dividend Income	(6,908,775)	(807,188)	(2,519,496)	(1,129,505)
Foreign Currency Gain or Loss	(1,353,047)	51,963	-	-
Income adjustment on Finance Lease Receivable	1,600,538	1,461,389	-	-
Defined Benefit Plans	1,301,341	1,148,638	1,067,140	1,117,957
Personnel Cost on Pension Fund	717,208	534,584	717,208	534,584
Prepaid Staff Cost	556,360	770,928	556,360	770,928
Operating Profit/(Loss) before Working Capital Changes	39,947,856	2,942,631	27,272,900	(10,376,375)
(Increase)/ Decrease in Inventories	(20,679,002)	2,716,231	(17,579,672)	3,941,964
(Increase)/ Decrease in Trade and Other Receivables	(4,766,748)	(25,898,417)	9,673,323	(9,623,794)
Increase/ (Decrease) in Trade and Other Payables	30,408,639	(7,894,835)	18,544,716	(4,213,535)
Cash Generated from Operations	44,910,745	(28,134,390)	37,911,267	(20,271,740)
Finance Cost paid	(22,661,291)	(21,427,573)	(20,430,643)	(19,705,300)
Retirement Benefit Obligation	(921,523)	(740,303)	(794,325)	(691,714)
Income Tax Paid	(2,190,520)	(1,886,702)	-	-
Net Cash From/(Used in) Operating Activities	19,137,411	(52,188,968)	16,686,299	(40,668,754)
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(73,357,083)	(71,511,025)	(70,650,630)	(68,699,432)
Acquisition of Finance Lease Receivable of a subsidiary	-	(68,224)	-	-
Acquisition of Intangible Assets	(21,088)	(89,732)	(20,930)	(89,732)
Re- Investment in Insurance Reserves Fund	(676,868)	(983,837)	(676,868)	(983,837)
Interest Received from Insurance Reserves Fund	-	884,104	-	-
Interest Income on Insurance Escrow Fund	663,841	-	663,841	884,104
Investment in Financial Assets	(140,931)	12,607,086	-	-
Acquisition of Non-Controlling Interest	51,975	96,300	-	-
Dividend Received	6,908,775	807,188	3,119,790	2,204,559
Interest Received	2,746,863	1,564,393	575,018	566,843
Sale Proceeds of Fixed Assets Disposals	(131,759)	36,009	(135,046)	31,322
Dividend Paid	(2,660,372)	(3,209,977)	-	-
Net Cash Flows from/(Used in) Investing Activities	(66,616,647)	(59,867,715)	(67,124,825)	(66,086,173)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	3,408,971	57,882,718	3,408,969	57,882,722
Consumer Contribution	10,669,518	5,964,166	10,669,518	5,445,429
Electric Vehicle E-card Prepayments	2,791	2,977	2,796	2,977
Funds received for RHCP Project	24,558	36,601	24,558	36,601
Grant -Received	3,082	1,749	3,082	1,749
Consumer deposit - refund	(146,050)	(101,908)	(146,050)	(101,908)
Consumer deposit Received	805,345	728,688	805,345	728,688
Net Movement in Lease Creditors/(Lease Payment)	(172,675)	(101,288)	(64,099)	(64,629)
Proceeds From Interest Bearing Loans & Borrowings	75,824,340	83,540,078	64,829,950	63,196,153
Repayment of Interest Bearing Loans & Borrowings	(38,330,162)	(34,068,909)	(28,201,288)	(20,656,692)
Redemption of preference shares	(732,087)	(689,475)	-	-
Net Cash Flows from/(Used in) Financing Activities	51,357,631	113,195,397	51,332,781	106,471,090
Net Increase/(Decrease) in Cash and Cash Equivalents	3,878,395	1,138,714	894,255	(283,837)
Cash and Cash Equivalents at the beginning of the year	(6,916,202)	(8,054,916)	(9,596,222)	(9,312,387)
Cash and Cash Equivalents at the end of the year	(3,037,807)	(6,916,202)	(8,701,967)	(9,596,222)

Notes to the Financial Statements

Year Ended 31 December 2021

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 2021 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 of electrical energy, engaging in the activities as that 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 2021 were authorized for issue by the Board of Directors on 16.08.2022.

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.

Notes to the Financial Statements (Contd.)

Year Ended 31 December 2021

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 2020 is presented in these financial statements due to the reasons disclosed in Note 34.

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 2021. 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)

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

- 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%

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.

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

- 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any result in gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.6 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 is current when it is:

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

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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 recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed if the fair value of the net assets acquired in excess of the aggregate Consideratuin 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.

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.

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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.

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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
- (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.

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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
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

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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 2.6.7 and the date that the asset is derecognised.

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

Board

Freehold Buildings & Leasehold Land & Buildings 40 Years

Civil Works

Spillways & Dams	100Years
Steel water pipes & pens stock	40Years
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-33 kv	50 Years
HT Underground-132 kv	50 Years
HT Underground-11 kv	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years

Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	35Years
Service Main - Overhead	35 Years
Service Main - Underground	40 Years
SCADA (Central Facilities) & Communication Equipment	15 Years
Vehicles - Passenger Transport - Two or three wheelers*	15 Years
Vehicles - Passenger Transport – Other*	14 Years
Heavy Vehicles*	20 Years
Motor Boats	07 Years
Machinery & Tools	05 Years
Office Equipment	05 - 15 Years
Furniture & Fittings	05 Years
Solar PV Plan	10 - 25 years

* Note: The useful life of the motor vehicles has been revised in 2021. Prior to the year 2021, the useful life of all the motor vehicles were considered as 07 years

LTL Holdings (Pvt) Ltd

Buildings	over 25 - 50 years
Plant &Machinery	over8 - 20 years
Power Plant	over10 –20 years
Factory Equipment	over10years
Intercom Equipment	over10years
Fire Fighting Equipment	over10years
Office Equipment	over03-10 years
Furniture and Fittings	over03- 10 years
Motor Vehicles including Bowsers	over04 years
Operation and maintenance spares	ActualUsage
Solar PV Plant	over 15 years

Lanka Electricity Co. (Pvt) Ltd.

Buildings	40 years
Supply of Infrastructure	10 years
Substations, Overhead lines & Service Lines taken Over from Local Authorities & CEB	
Substations, Overhead lines & Service Lines Constructed by LECO	20-25 years
Motor Vehicles	05-07 years
Computers	03-05 years
Office Equipments	03-07 years
Plant & Machinery	03-04 years

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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 Limited

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 of the date of classification.

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

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

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

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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.

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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 Lanka 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.

Notes to the Financial Statements (Contd.)

Year Ended 31 December 2021

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.

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

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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 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 and into 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 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

Notes to the Financial Statements (Contd.)

Year Ended 31 December 2021

- (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 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 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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.
- 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.

Notes to the Financial Statements (Contd.)

Year Ended 31 December 2021

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

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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.

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 - 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.

Notes to the Financial Statements (Contd.)

Year Ended 31 December 2021

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.

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.

Notes to the Financial Statements (Contd..)

Year Ended 31 December 2021

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).

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 2021

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2021	2020	2021	2020
4. REVENUE				
Sales	291,198,388	264,265,952	249,089,188	238,910,553
	291,198,388	264,265,952	249,089,188	238,910,553
4.1 Segmental Revenue				
Sale of Electricity	258,006,739	243,902,714	249,089,188	238,910,553
Sale of Goods	6,889,127	4,820,639	-	-
Galvanizing Operations	1,661,318	927,129	-	-
Income on Hiring of Power Plants	16,920,361	7,951,833	-	-
Finance Lease & Power Generation	4,098,395	1,845,615	-	-
Operational & Maintenance Services for Power Plants	3,530,556	4,772,257	-	-
Other Operations	91,892	45,765	-	-
	291,198,388	264,265,952	249,089,188	238,910,553

5. CONSESSION PROVIDED TO DOMESTIC CUSTOMERS

The amount of Rs 195,708,670 (2021) and Rs 5,907,769,841 (2020) Represent the rebate given to the domestic consumers 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 Covid- 19 penadamic situation.

	Group		Board	
	2021	2020	2021	2020
6. OTHER OPERATING INCOME AND GAIN				
Dividend Income	6,908,775	807,188	2,519,496	1,129,505
Penalty on Electricity Consumption	4,704	6,232	4,704	6,232
Recoveries from Consumers	169,496	176,704	-	-
Profit on Disposal of Property Plant and Equipment	686,309	416,113	700,770	398,740
Amortization of Consumer Contribution	4,481,332	3,841,968	4,058,249	3,440,050
Amortization of Government Grant	20,882	20,511	15,068	14,718
Miscellaneous Income	964,956	1,553,564	898,231	806,178
Government Grant related Income	7,850	3,399	7,850	3,399
Government Department Income	204,145	198,208	204,145	198,208
Liquidated Damages	199,570	202,861	199,570	202,861
Sale of Ash	787,226	699,274	787,226	699,274
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	72,140	89,080	72,140	89,080
Income on Cost Recovery jobs	1,425,993	1,075,225	1,425,993	1,075,225
Service Main Application Fee	9,467	7,112	9,467	7,112
Surcharge on Electricity Bills	790,027	746,548	790,027	746,548
Electric Vehicle Energy Card Sale	2	29	2	29
Gain/loss on exchange of currencies	1,564,890	-	-	-
	18,297,764	9,844,016	11,692,938	8,817,159

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

7.1 FINANCE INCOME	Group		Board	
	2021	2020	2021	2020
Interest on Deposits	1,517,556	1,439,925	-	-
Interest on Borrowings	85,702	31,226	-	-
Interest on Government Securities	312,332	-	-	-
Interest Income from Investments	119,188	23,911	21,313	23,911
Interest Income from Staff Loans	1,113,238	1,262,025	971,408	1,126,374
Interest on Samurdhi Loans	117,799	151,338	117,799	151,338
Interest Income on Related Party Loans	1,950	-	1,950	2,104
Interest on Other Consumer Loans	18,908	34,045	18,908	34,045
	3,286,673	2,942,470	1,131,378	1,337,772

7.2 FINANCE COST	Group		Board	
	2021	2020 Restated	2021	2020
Interest Expense on Overdrafts	823,074	1,405,470	586,294	843,851
Interest Expense on Long Term/Short term Borrowings	9,228,253	11,241,673	7,415,828	10,222,844
Interest Expense on Project Loans	2,878,855	3,498,949	2,878,855	3,498,949
Debenture Interest Account	1,354,504	-	1,354,504	-
Lease Interest	35,955	14,415	12,775	14,332
Delayed Interest on IPP Payments	1,730,595	2,297,951	1,730,595	2,297,951
Delayed Interest on CPC Payments	6,448,291	2,632,905	6,448,291	2,632,905
Interest on Loans obtained to finance consumer loans	5,037	99,652	3,501	11,146
Interest Expense on Consumer Deposit	39,576	51,386	-	-
	22,544,140	21,242,401	20,430,643	19,521,978

8. PROFIT/(LOSS) BEFORE TAX	Group		Board	
	2021	2020 Restated	2021	2020 Restated
Stated after Charging /(Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	28,933	21,049	17,040	9,339
Director's Emoluments	129,906	149,497	4,061	3,471
Depreciation	34,542,913	34,126,242	33,095,689	32,398,646
Personnel Costs includes				
- Defined Benefit Plan Costs -Gratuity	1,301,341	1,148,638	1,067,140	1,117,957
- Defined Contribution Plan Costs - EPF & ETF	4,795,792	3,676,302	4,371,493	3,316,570
- Other Staff Costs	46,059,399	37,153,458	42,379,538	33,754,346
(Profit)/Loss on Disposal of Property, Plant and Equipment	120,585	(48,658)	135,046	(31,285)
Amortization of Intangible Assets	60,831	44,868	48,442	35,993
Public Relation and Advertising	12,810	293,328	-	281,037
Donations	-	1,169	-	-
Government Grant	15,068	(20,511)	15,068	(14,718)
Impairment of obsolete and slow moving inventories	337,770	15,069	331,159	71,706
Provision for Impairment of Debtors	1,649,740	1,842,072	1,747,552	1,343,916

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(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 01.01.2021 Restated	Additions / Transfers / Acquisitions	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Transfer to asset held for sale	Balance as at 31.12.2021
Freehold Land	11,181,547	30,771	61,808	-	-	-	11,274,126
Building	20,835,185	3,937,419	10,427	-	(756)	-	24,782,275
Civil Works	234,333,313	-	-	-	-	-	234,333,313
Plant & Machinery	1,656,356	72,436	14,079	(14,554)	-	-	1,728,317
Generation Power Plant	292,438,276	25,410,999	(175,102)	(23,845)	-	-	317,650,328
Solar Systems	130,593	2,664	80,584	-	-	-	213,841
Transmission & Distribution Lines	646,304,584	24,995,506	71,336	(675,806)	(33,563)	-	670,662,057
Motor Vehicles	13,616,147	2,845,273	17,009	(184,466)	(2,114,472)	(50)	14,179,441
Other Supply Infrastructure	24,159,113	907,248	-	(114,152)	-	-	24,952,209
Office & Other Equipment	7,535,227	545,377	3,427	(27,018)	(77,290)	-	7,979,723
Furniture and Fittings	557,855	111,588	3,478	(1,170)	445	-	672,196
Machinery and Tools	6,357,407	545,601	1,467	(16,318)	(7,986)	-	6,880,171
Container Accommodation	6,744	-	-	-	-	-	6,744
	1,259,112,347	59,404,882	88,513	(1,057,329)	(2,233,622)	(50)	1,315,314,741

10.1.2 Project Assets Gross Carrying Amount

At Cost or Valuation

	Balance as at 01.01.2021 Restated	Additions / Transfers / Acquisitions	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance as at 31.12.2021
Freehold Land	199,543	38,744	-	-	-	238,287
Building	6,370	193,237	-	-	(5,577)	194,030
Transmission & Distribution Lines	-	2,915,974	-	(2,915,974)	-	-
Motor Vehicles	1,766,103	664,936	204,676	(417,675)	-	2,218,040
Office & Other Equipment	106,347	30,211	5,621	(19,110)	(7,468)	115,601
Furniture and Fittings	28,635	4,308	-	(3,443)	(20,157)	9,343
Machinery and Tools	60,823	817	-	(640)	(991)	60,009
	2,167,821	3,848,227	210,297	(3,356,842)	(34,193)	2,835,310

10.1.3 Capital Work in Progress

	Balance as at 01.01.2021 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance as at 31.12.2021
Capital Work in Progress (Refer 10.3)	157,869,513	68,855,732	(29,168,454)	(26,921,867)	170,634,924
Total Gross Carrying Amount	157,869,513	68,855,732	(29,168,454)	(26,921,867)	170,634,924

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

10. PROPERTY, PLANT & EQUIPMENT (Contd..)

10.1.4 Depreciation

Freehold Assets	Balance as at 01.01.2021 Restated	Charge for the Year	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Transfer to asset held for sale	Balance as at 31.12.2021
Freehold Land	-	-	-	-	-	-	-
Building	7,702,914	600,493	1,060	-	(134)	-	8,304,333
Civil Works	83,092,411	3,568,792	-	-	-	-	86,661,203
Plant & Machinery	1,222,630	118,942	6,790	(1,980)	-	-	1,346,382
Generation Power Plant	181,367,707	10,996,161	-	(118,128)	-	-	192,245,740
Solar Systems	24,585	8,830	-	-	16,246	-	49,661
Transmission & Distribution Lines	274,025,597	16,588,699	2,878	(210,449)	(5,269)	-	290,401,456
Motor Vehicles	7,380,594	1,115,776	10,745	(115,660)	-	(50)	8,391,405
Other Supply Infrastructure	15,890,094	677,038	-	(80,485)	-	-	16,486,647
Office & Other Equipment	4,929,587	612,729	1,882	(9,377)	(16,844)	-	5,517,977
Furniture and Fittings	418,383	65,223	1,279	(937)	-	-	483,948
Machinery and Tools	4,710,432	529,753	1,303	(1,050)	(706)	-	5,239,732
Container Accommodation	6,744	-	-	-	-	-	6,744
	580,771,678	34,882,436	25,937	(538,066)	(6,707)	(50)	615,135,228

10.1.5 Depreciation

Project Assets	Balance as at 01.01.2021 Restated	Charge to WIP/Transfer	Additions Adjustments	Disposal Transfer	Disposals Adjustments	Balance as at 31.12.2021
Freehold Land	-	-	-	-	-	-
Building	830	159	-	-	(892)	97
Civil Works	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-
Generation Power Plant	-	-	-	-	-	-
Transmission & Distribution Lines	-	-	-	-	-	-
Motor Vehicles	848,348	194,960	204,676	(223,013)	-	1,024,971
Office & Other Equipment	88,540	11,024	937	(9,765)	(7,467)	83,269
Furniture and Fittings	25,005	1,065	-	(502)	(18,623)	6,945
Machinery and Tools	43,068	8,931	-	(364)	(506)	51,129
	1,005,791	216,139	205,613	(233,644)	(27,488)	1,166,411

10.1.6 Net Book Values

At Cost or Valuation	2021
Freehold Land	11,512,413
Building	16,671,875
Civil Works	147,672,110
Plant & Machinery	381,935
Generation Power Plant	125,404,587
Solar Plant	164,180
Transmission & Distribution Lines	380,260,601
Motor Vehicles	6,981,106
Other Supply Infrastructure	8,465,562
Office & Other Equipment	2,494,078
Furniture and Fittings	190,646
Machinery and Tools	1,649,319
Container Accommodation	-
	701,848,412

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(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 01.01.2021	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2021
Land & Building	742,732	228,971	(14,391)	957,312
Motor Vehicles	209,349	55,829	(9,040)	256,138
	952,081	284,800	(23,431)	1,213,450

Depreciation	Balance As At 01.01.2021	Charge for the Year	Terminations/ Adjustments	Balance as at 31.12.2021
Land & Building	241,603	169,477	(2,103)	408,977
Motor Vehicles	17,326	18,200	(1,614)	33,912
	258,929	187,677	(3,717)	442,889

Net Book Values	2021	2020
Land & Building	548,335	501,129
Motor Vehicles	222,226	192,023
	770,561	693,152

10.1.8 Property, Plant & Equipment including Right of Use Assets

	2021	2020
Net Book Values		
Property, Plant & Equipment (note 10.1.6)	701,848,412	679,502,699
Capital Work in Progress (note 10.3)	170,634,924	157,869,513
Right of Use Assets (Note 10.1.7)	770,561	693,152
Total Value of Property Plant & Equipment including Right-of-use Assets	873,253,897	838,065,364

10.1.9 Carrying amount of fully depreciated Property, plant and equipment of the Group as at 31.12.2021 Rs 207,710 Mn (31.12.2020 Rs 197,123 Mn)

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(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 01.01.2021 Restated	Additions / Transfers / Acquisitions	Additions Adjustment	Disposals / Transfers	Disposals Adjustments	Transfer to held for sale	Balance As at 31.12.2021
Freehold Land	9,568,081	7,214	-	-	-	-	9,575,295
Building	19,722,834	3,772,793	-	-	(756)	-	23,494,871
Civil Works	234,333,313	-	-	-	-	-	234,333,313
Plant & Machinery	766,745	30,449	-	(11,508)	-	-	785,686
Generation Power Plant	288,956,815	25,081,281	(175,102)	(23,845)	-	-	313,839,149
Solar Systems	13,737	2,664	80,584	-	-	-	96,985
Transmission & Distribution Lines	646,304,584	24,995,506	71,336	(675,806)	(33,563)	-	670,662,057
Motor Vehicles	11,807,735	2,811,306	240	(176,701)	(2,114,472)	(50)	12,328,058
Office & Other Equipment	3,403,130	332,531	876	(19,015)	(77,290)	-	3,640,232
Furniture and Fittings	480,783	95,545	192	(879)	445	-	576,086
Machinery and Tools	6,238,268	542,824	1,467	(16,318)	(7,986)	-	6,758,255
	1,221,596,025	57,672,113	(20,407)	(924,072)	(2,233,622)	(50)	1,276,089,987

10.2.2 Project Assets

Gross Carrying Amounts

At Cost or Valuation	Balance As At 01.01.2021	Additions / Transfers / Acquisitions	Additions Adjustment	Disposals / Transfers	Adjustments	Transfer to held for sale	Balance As at 31.12.2021
Freehold Land	199,543	38,744	-	-	-	-	238,287
Building	6,370	193,237	-	-	(5,577)	-	194,030
Transmission & Distribution Lines	-	2,915,974	-	(2,915,974)	-	-	-
Motor Vehicles	1,766,103	664,936	204,676	(417,675)	-	-	2,218,040
Office & Other Equipment	106,347	30,211	5,621	(19,110)	(7,468)	-	115,601
Furniture and Fittings	28,635	4,308	-	(3,443)	(20,157)	-	9,343
Machinery and Tools	60,823	817	-	(640)	(991)	-	60,009
	2,167,821	3,848,227	210,297	(3,356,842)	(34,193)	-	2,835,310
Total value of depreciable assets	1,223,763,846	61,520,340	189,890	(4,280,914)	(2,267,815)	(50)	1,278,925,297

10.2.3 Capital work in Progress

	Balance As At 01.01.2021	Incurred During the Year	Transfer to PPE	Reclassified / Transferred	Balance As at 31.12.2021
Capital Work in Progress	154,671,838	66,897,017	(28,185,858)	(26,924,139)	166,458,858
Total Gross Carrying Amount	154,671,838	66,897,017	(28,185,858)	(26,924,139)	166,458,858

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(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 01.01.2021 Restated	Charge for the year	Additions Adjustment	Disposals / Transfers / Discontinued	Disposals Adjustments	Transfer to held for sale	Balance As at 31.12.2021
Building	7,479,232	558,322	-	-	(134)	-	8,037,420
Civil Works	83,092,411	3,575,678	-	-	-	-	86,668,089
Plant & Machinery	617,070	32,565	-	-	-	-	649,635
Generation Power Plant	179,838,045	10,801,536	-	(23,845)	-	-	190,615,736
Solar Systems	1,145	1,830	-	-	16,246	-	19,221
Transmission & Distribution Lines	274,025,597	16,588,699	2,878	(210,449)	(5,269)	-	290,401,456
Motor Vehicles	5,900,232	941,136	2,672	(109,851)	-	(50)	6,734,139
Office & Other Equipment	2,566,877	310,618	347	(4,538)	(16,844)	-	2,856,460
Furniture and Fittings	390,022	52,456	194	(646)	-	-	442,026
Machinery and Tools	4,657,514	513,853	1,303	(1,050)	(706)	-	5,170,914
	558,568,145	33,376,693	7,394	(350,379)	(6,707)	(50)	591,595,096

10.2.5 Depreciation Project Assets

At Cost or Valuation	Balance As At 01.01.2021	Charge to WIP / Transfers	Additions Adjustment	Disposals / Transfers / Discontinued	Disposals Adjustments	Transfer to held for sale	Balance As at 31.12.2021
Building	830	159	-	-	(892)	-	97
Motor Vehicles	848,348	194,960	204,676	(223,013)	-	-	1,024,971
Office & Other Equipment	88,540	11,024	937	(9,765)	(7,467)	-	83,269
Furniture and Fittings	25,005	1,065	-	(502)	(18,623)	-	6,945
Machinery and Tools	43,068	8,931	-	(364)	(506)	-	51,129
	1,005,791	216,139	205,613	(233,644)	(27,488)	-	1,166,411
	559,573,936	33,592,832	213,007	(584,023)	(34,195)	(50)	592,761,507

10.2.6 Net Book Values

At Cost or Valuation	2021	2020 Restated
Freehold Land	9,813,582	9,767,624
Building	15,651,384	12,249,142
Civil Works	147,665,224	151,240,902
Plant & Machinery	136,051	149,675
Generation Power Plant	123,223,413	109,118,770
Solar Systems	77,764	12,592
Transmission & Distribution Lines	380,260,601	372,278,987
Motor Vehicles	6,786,988	6,825,258
Office & Other Equipment	816,104	854,060
Furniture and Fittings	136,458	94,391
Machinery and Tools	1,596,221	1,598,509
	686,163,790	664,189,910

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT AND EQUIPMENT (Contd....)

10.2 Board

10.2.7 Right of Use Assets

Cost	Balance As At 01.01.2021	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2021
Land & Building	32,609	-	-	32,609
Motor Vehicles	209,349	55,830	(9,040)	256,139
	241,958	55,830	(9,040)	288,748

Depreciation	Balance As At 01.01.2021	Charge for the year	Terminations / Adjustments	Balance as at 31.12.2021
Land & Building	-	-	-	-
Motor Vehicles	17,326	18,200	(1,614)	33,912
	17,326	18,200	(1,614)	33,912

Net Book Values	2021	2020
Land & Building	32,609	32,609
Motor Vehicles	222,227	192,023
	254,836	224,632

10.2.8 Property, Plant & Equipment including Right of Use Assets

	2021	2020 Restated
Net Book Values		
Property, Plant & Equipment (Note 10.2.6)	686,163,790	664,189,910
Capital Work in Progress (Note 10.3)	166,458,858	154,671,838
Right of use Assets (Notes 10.2.7)	254,836	224,632
Total Value of Property Plant & Equipment including Right-of-use Assets	852,877,484	819,086,380

10.2.9 Carrying amount of fully depreciated Property, plant and equipment of the Board as at 31.12.2021 Rs. 197,211 Mn (31.12.2020 Rs. 187,580 Mn.)

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(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	
	2021	2020 Restated	2021	2020 Restated
Generation Projects	11,604,395	8,477,947	11,604,395	8,477,947
Transmission projects	209,494	2,409,942	209,494	2,409,942
Distribution Projects	41,017,903	35,337,085	41,017,903	35,337,085
Upper Kothmale Hydro power project	2,302	16,756	2,302	16,756
Colombo City Electricity Distribution Development Project	24,081	24,081	24,081	24,081
Renewable Energy Absorption Transmission Development Project	6,158,899	5,975,316	6,158,899	5,975,316
Green Power Development and Energy Efficiency Improvement Project-TII	24,233,919	15,174,038	24,233,919	15,174,038
Puttalam Coal Power Project	124,303	179,195	124,303	179,195
Other Projects(AGM P)	-	303	-	303
Habarana Veyangoda Transmission Line Project	15,645,409	13,677,627	15,645,409	13,677,627
New kelani bridge project	-	106,767	-	106,767
Uma Oya Hydro Power Project	547,301	483,990	547,301	483,990
Clean Energy and Network Efficiency Improvement Project - Mannar Transmission Infrastructure Projects - P1	12,020	1,621,064	12,020	1,621,064
Clean Energy and Network Efficiency Improvement Project - 132 KV Transmission Infrastructure Project - P2	1,855,379	1,889,883	1,855,379	1,889,883
Clean Energy and Network Efficiency Improvement Project - 220KV Transmission Infrastructure Project - P3	9,077,084	8,947,597	9,077,084	8,947,597
Green Power Development and Energy Efficiency Improvement Project TI	6,917,781	6,452,867	6,917,781	6,452,867
Augmentation Of 132/33KV GSS at Kribathkumbura	-	1,305,391	-	1,305,391
Seethawaka Ganga Hydro Power Project	301,191	289,403	301,191	289,403
National Transmission & Distribution Network Development Energy Efficiency Improvement Project	16,013,156	5,012,389	16,013,156	5,012,389
Mannar Wind Power Project	1,058,864	23,750,970	1,058,864	23,750,970
P M U Of Liquid Natural Gas (LNG)	66,383	41,045	66,383	41,045
Mannar wind power project phase 111	9,018	-	9,018	-
Mannar Nadukuda and Embilipitiya Grid Sub Aug Project	21,198	(9,277)	21,198	(9,277)
DGM(Transmission Construction Projects)	5,372,283	4,623,950	5,372,283	4,623,950
Moragolla Hydro Power Project	4,436,390	2,972,620	4,436,390	2,972,620
Broadland Hydro Power Project	20,181,453	14,989,702	20,181,453	14,989,702
Power System Reliability Strengthening Project	398,590	62,514	398,590	62,514
New Coal Power Plant Project	167,313	88,956	167,313	88,956
Greater Colombo Transmission and Distribution loss reduction Project	525,870	316,322	525,870	316,322
Clean Energy Absorption Transmission Project- PMU 1	2,283	(8,858)	2,283	(8,858)
Clean Energy Absorption Transmission Project- PMU 2	15,412	(3,663)	15,412	(3,663)
Enterprise Resource Planning System	147,033	132,473	147,033	132,473
Projects in Asset Management Division	312,151	333,440	312,151	333,443
Work in progress-LECO	1,097,528	743,222	-	-
Work in progress-LTL	3,076,288	2,380,701	-	-
Work in progress-SLE	2,250	73,755	-	-
Total Value of Capital Work-In-Progress	170,634,924	157,869,513	166,458,858	154,671,838

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

11. INTANGIBLE ASSETS	Group		Board		
	At cost	2021	2020 Restated	2021	2020 Restated
As at 1 January		477,018	346,585	286,112	186,484
Acquired / incurred during the period		43,363	120,624	20,930	89,841
Exchange translation difference		460	9,812	-	9,787
As at 31 December		520,841	477,021	307,042	286,112
Amortisation					
As at 1 January		227,884	173,154	124,603	78,766
Amortized during the period		60,831	44,869	48,442	35,993
Exchange translation difference		387	9,861	-	9,844
As at 31 December		289,102	227,884	173,045	124,603
Goodwill					
As at 1 January		263,322	263,322	-	-
Acquired / incurred during the period		18,282	-	-	-
Impairment		-	-	-	-
As at 31 December		281,604	263,322	-	-
Net Book Value		513,343	512,459	133,997	161,509

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

The opening balance represents the goodwill acquired from acquisition of Asiatic Electricals & Switchgear (Pvt) Ltd after providing for the impairment.

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.

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

Acquisition of LD Heavy Engineering (Pvt) Ltd

On 1 April 2021, the Group acquired 100% of the voting shares of LD Heavy Engineering (Pvt) Ltd, an unlisted company based in Sri Lanka. This acquisition has been accounted for using Business Combination.

The fair value of the identifiable assets and liabilities of LD Heavy Engineering (Pvt) Ltd as at the date of acquisition were, as follows

Asset	1 April 2021 Rs.
Deferred Tax Asset	3,394
Trade and Other Receivables	162,694
Prepayments	403
Other Current Financial Assets	100,000
Cash and Cash Equivalents	17,309
	283,800
Liabilities	
Retirement Benefit Obligations	(14,143)
Income tax payable	(7,651)
Trade and Other Payables	(9,916)
	(31,710)
Total Identifiable Net Assets At Fair Value	252,090
Purchase Consideration (By Cash)	270,374
Non Controlling Interest on Acquisition Date	-
Goodwill on Business Acquisition	18,284

12. INVESTMENTS IN SUBSIDIARIES Non-Quoted- At Cost	Holding Percentage	Group		Board	
		2021	2020	2021	2020
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 2021

(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 and 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 and 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 (Pte) 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 and 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 and feed the same to the National Grid of Nepal (Commercaill Operations are yet to commence)
LD Heavy Engineering (Pvt) Ltd	100		Carryout Engineering Projects of technical nature in power industry
Sobadhanavi Limited	100		Power generation using thermal energy and feed the same to the National Grid of Sri Lanka and Power Plants under construction
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 2021

(All amounts in Sri Lanka Rupees Thousands)

13. INVESTMENT IN JOINT VENTURE (Trincomalee Power Company Ltd)	Group		Board	
	2021	2020	2021	2020
Balance at the beginning of the year	30,757	36,900	328,606	328,606
Investment Made During The Year	-	-	-	-
Share of pre-operating loss	(5,080)	(6,143)	-	-
Balance at the end of the year	25,677	30,757	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-subsiary 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 treated as a finance lease which is accounted for in accordance with "LeasesSLFRS 16 - Leases".

The Lakdhanavi Bangla Power Limited (LBPL), sub-subsiary 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 treated as a finance lease which is accounted for in accordance with SLFRS 16 "Leases".

The Feni Lanka Power Limited (FLPL), sub-subsiary 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 treated as a finance lease which is accounted for in accordance with SLFRS 16 "Leases".

As per the guidelines provided in SLFRS 16 "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.

Gross Investment in finance leases receivables	Group		Board	
	2021	2020	2021	2020
Current				
Less than one year	5,170,771	5,350,805	-	-
Non Current				
Between one and five years	16,689,806	16,800,050	-	-
More than five years	38,102,076	39,430,625	-	-
	54,791,882	56,230,675	-	-
	59,962,653	61,581,480	-	-
Unearned Finance Income	(38,672,066)	(40,977,300)	-	-
Net investment in finance leases	21,290,587	20,604,180	-	-

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

14. FINANCE LEASE RECEIVABLE (Contd..)

14.3.1 Unearned Finance Income	Group		Board	
	2021	2020	2021	2020
Less than one year	4,345,650	4,335,569	-	-
Between one and five years	15,601,390	15,366,475	-	-
More than five years	18,725,026	21,275,256	-	-
	38,672,066	40,977,300	-	-

14.3.2 Net Investment in finance leases receivables	Group		Board	
	2021	2020	2021	2020
Current				
Less than one year	825,121	1,015,236	-	-
Non Current				
Between one and five years	1,088,416	1,433,574	-	-
More than five years	19,377,050	18,155,369	-	-
	20,465,466	19,588,944	-	-
	21,290,587	20,604,180	-	-

15. OTHER FINANCIAL ASSETS

Summary	Group		Board	
	2021	2020	2021	2020
15.1 Financial Assets at amortized cost				
Refundable Deposits	82,646	68,676	-	-
Investment in Fixed Deposits	23,500,045	28,485,598	-	-
Investment in Repurchase Agreements	3,350,369	199,700	-	-
Investment in Treasury Bonds	3,828,262			
Investment in Other Deposit	125,945	1,759,276	-	-
Loans to Company Officers	10,519,701	10,454,647	9,126,961	9,082,114
Loans to Consumers	1,237,538	2,771,005	1,175,176	2,603,765
Investments in Debentures	62,406	202,117	-	-
	42,706,912	43,941,019	10,302,137	11,685,879

15.2 Financial Assets at Fair value through Profit or Loss	Group		Board	
	2021	2020	2021	2020
Investment in Equity Securities	338,548	280,851	-	-
	338,548	280,851	-	-

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

15.3 Fair Value through Profit & Loss Investment consist of Investment in Equity Securities- Quoted

Share Name	No. of Ordinary Shares		Carrying Value	
	2021	2020	2021	2020
Investment in JB Ventage Money Market (Units)	3,163	3,163	92,932	86,767
Investment in JB Ventage Equity Market (Units)	4,686	4,686	128,070	105,698
	7,849	7,849	221,002	192,465
Aitken Spence Hotel Holdings PLC	37	37	1,547	1,181
Aitken Spence PLC	50	50	4,120	2,890
Brown & Company PLC	-	29	-	3,024
Chevron Lubricants Lanka PLC	38	35	4,294	3,780
CIC Holdings PLC	-	10	-	1,516
Citizens Development Business Finance PLC	103	103	9,178	6,718
Commercial Bank of Ceylon PLC	5	5	415	414
Commercial Credit & Finance PLC	-	3	-	63
Hatton National Bank PLC	56	54	7,172	6,148
Hayleys PLC	473	72	61,480	29,965
Hemas Holdings PLC	5	5	335	500
Janashakthi Insurance PLC	2	2	61	60
John Keells Holdings PLC	40	40	5,975	5,959
Lanka IOC PLC	150	157	10,988	3,521
National Development Bank PLC	67	46	4,589	3,565
People's Leasing & Finance PLC	342	324	3,663	4,014
Royal Ceramics Lanka PLC	-	12	-	2,049
Seylan Bank PLC	74	71	2,463	2,425
Sri Lanka Telecom PLC	33	33	1,266	1,093
Teejay Lanka PLC	-	250	-	9,500
	1,475	1,338	117,546	88,385
	9,324	9,187	338,548	280,850

15.4 Financial Assets at Other Comprehensive Income

Investments in Unquoted Equity Shares	Group		Board	
	2021	2020	2021	2020
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	14,931,752	13,848,875	-	-
Less: Impairment of Investments	(20,000)	(20,000)	-	-
	14,931,752	13,848,875	-	-
Total Other Financial Assets				
Other Financial Assets - Non Current	28,054,665	24,418,095	7,700,399	8,859,225
Other Financial Assets - Current	29,922,547	33,652,650	2,601,739	2,826,654
	57,977,212	58,070,745	10,302,138	11,685,879

Financial Assets at amortized cost

Loans and receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties and changes in variable interest rates for some instruments.

Financial Assets at other Comprehensive Income

LTL Holdings (Pvt) Ltd

The Financial Assets at other Comprehensive Income consist of an 4.77% Investment in equity shares of Non - listed company, West Coast (Pvt) Ltd, which is valued based on Discounted Cash Flow (DCF) 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 irrecoverably designated as FVOCI as group considered these investments to be strategic in nature.

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

16.	OTHER NON-CURRENT ASSETS	Group		Board	
		2021	2020	2021	2020
	Other receivables*	775,978	775,978	-	-
	Prepaid Staff Cost (16.1)	1,051,945	1,381,586	851,383	1,073,891
	Investment in Ash Bricks Project**	2,660	2,660	-	-
		1,830,583	2,160,224	851,383	1,073,891
	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	
		2021	2020	2021	2020
	Balance as at the beginning of the year	1,381,587	1,822,552	1,073,891	1,489,354
	Fair value adjustment on loans granted/terminated	148,339	218,991	273,539	358,419
	Amortization of staff cost	(477,981)	(659,957)	(496,047)	(773,882)
	Balance as at the end of the year	1,051,945	1,381,586	851,383	1,073,891
17.	INVESTMENT OF INSURANCE RESERVE	Group		Board	
		2021	2020	2021	2020
	At the beginning of the year	9,980,730	8,996,893	9,980,730	8,996,893
	Investments made during the year	676,868	983,837	676,868	983,837
	At the end of the year	10,657,598	9,980,730	10,657,598	9,980,730
18.	NON CURRENTS ASSET HELD FOR SALE	Group		Board	
		2021	2020	2021	2020
	Balance at the beginning of the period	76	76	76	76
	Balance at the end of the period	76	76	76	76
19.	INVENTORIES	Group		Board	
		2021	2020 Restated	2021	2020 Restated
	Raw Materials	4,653,620	2,373,595	-	-
	Finished Goods	537,619	474,442	-	-
	Consumables & Spares	41,220,925	35,882,959	36,345,674	31,373,756
	Work in Progress	765,244	399,822	-	-
	Fuel	23,750,404	14,996,857	23,750,404	14,996,857
	Goods in Transit	6,554,377	2,315,427	6,094,045	1,940,651
	Less: Provision for Obsolete & Unserviceable Stock	(2,217,593)	(1,913,882)	(1,986,013)	(1,672,252)
	Provision for price Variance	(277,997)	(1,116,947)	(277,997)	(1,116,947)
		74,986,599	53,412,273	63,926,113	45,522,065

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

20	TRADE AND OTHER RECEIVABLES	Group		Board	
		2021	2020 Restated	2021	2020 Restated
	Trade Debtors	61,239,412	48,333,461	41,590,611	38,406,026
	Less: Provision for impairment	(10,096,003)	(8,482,763)	(8,411,360)	(6,678,606)
		51,143,409	39,850,698	33,179,251	31,727,420
	Other Debtors	29,874,309	33,437,527	22,335,124	27,422,062
	Advances and Prepayments	3,511,443	1,259,981	974,959	382,369
	Less: Provision for impairment	(164,891)	(189,560)	(164,891)	(189,560)
	Transit Account	16,445	-	16,445	-
		84,380,715	74,358,646	56,340,888	59,342,291

21	AMOUNTS DUE FROM RELATED PARTIES	Relationship	Group		Board	
			2021	2020	2021	2020
	Lanka Electricity Company (Pvt) Ltd	Subsidiary Company	-	-	2,488,483	3,952,032
	Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	891,880	1,256,679
	Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	232,264	113,530
			-	-	3,612,627	5,322,241

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.

	2021	2020
Balance at the Beginning of the Period	391,730,584	323,194,038
Puttalam Coal Power Project	3,408,971	3,175,091
Debt to equity conversion	17,915,014	17,361,455
Additional Equity Investment from Fuel price Stabilization Fund(FPSF)	-	48,000,000
Balance as at the end of the Period	413,054,569	391,730,584

23	RESERVES Summary	Group		Board	
		2021	2020 Restated	2021	2020 Restated
	Capital Reserves (23.1)	19,669,108	19,337,879	18,622,307	18,597,748
	Fair Value Reserve (23.2)	6,667,451	6,126,684	-	-
	Depreciation Reserve (23.3)	26,000	25,000	26,000	25,000
	Self Insurance Reserve (23.4)	22,590,245	20,647,190	22,574,294	20,631,239
	Asset Replacement Reserve (23.5)	88,526	312,494	-	-
	Investment Reserve (23.6)	10,001,865	6,330,543	-	-
	Development Reserve (23.7)	37,325	27,325	-	-
		59,080,520	52,807,115	41,222,601	39,253,987

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

23.1	Capital Reserve	Group		Board	
		2021	2020	2021	2020
	Balance as at the Beginning of the Year	19,337,879	19,197,852	18,597,748	18,561,147
	Exchange Equalization Reserve	306,670	103,426	-	-
	RHCP Loan Reserve	24,558	36,601	24,558	36,601
	Balance as at the end of the Year	19,669,107	19,337,879	18,622,306	18,597,748

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 Reserves

A General Reserve has been established under the provisions of Section 47 (2) (b) of the CEB Act No.17 of 1969 which require CEB to maintain a reserve, for the purpose of financing the capital works from revenue moneys, ensuring the financial stability of the Board. No additional appropriations were made since year 2000 due to the operational losses incurred by CEB throughout the period. The balance carried forward since year 2000 is Rs. 165Mn

RHCP Loan Reserve

This reserve represents the funds retained for the continuation of the RHCP (Rural Household Connections Project) loan scheme.

LTL Holdings (Pvt) Ltd

Exchange Equalization Reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

23.2	Fair Value Reserve	Group		Board	
		2021	2020	2021	2020
	Balance as at the beginning of the year	6,126,684	6,060,529	-	-
	Net Gain / (Loss) on available for sale assets	540,767	66,155	-	-
	Balance as at the end of the year	6,667,451	6,126,684	-	-

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	
		2021	2020	2021	2020
	At the beginning of the year	25,000	24,000	25,000	24,000
	Transfers during the period	1,000	1,000	1,000	1,000
	At the end of the year	26,000	25,000	26,000	25,000

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.

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

23.4 Self Insurance Reserve	Group		Board	
	2021	2020 Restated	2021	2020 Restated
Balance at the beginning of the period	20,647,190	18,540,372	20,631,239	18,524,421
Transfers from the retained earnings	1,279,214	1,222,714	1,279,214	1,222,714
Income received from investment	663,841	884,104	663,841	884,104
Balance at end of the period	22,590,245	20,647,190	22,574,294	20,631,239

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	
	2021	2020	2021	2020
Balance at the beginning of the period	312,494	312,494	-	-
Transfer to the retained earnings	(223,968)	-	-	-
Balance at end of the period	88,526	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

23.6 Investment Reserve	Group		Board	
	2021	2021	2021	2020
Balance at the beginning of the period	6,330,543	5,930,349	-	-
Transfers from the retained earnings	3,671,322	400,192	-	-
Balance at end of the period	10,001,865	6,330,541	-	-

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	
	2021	2020	2021	2020
Balance at the beginning of the period	27,325	17,325	-	-
Transfers from the retained earnings	10,000	10,000	-	-
Balance at end of the period	37,325	27,325	-	-

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 tune 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 2021

(All amounts in Sri Lanka Rupees Thousands)

24. INTEREST BEARING LOANS & BORROWINGS

The Group	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total	2020 Repayable Within 1 year	2020 Repayable After 1 year	2020 Total
Bank Loans (24.1.2)	24,246,592	90,381,772	114,628,364	24,242,974	96,773,898	121,016,872
Projects Loans (24.2)	12,467,675	261,311,042	273,778,717	11,207,386	255,362,329	266,569,715
Debentures (24.3)	-	20,000,000	20,000,000	-	-	-
Loans from Samurdhi Authority (24.5)	-	-	-	43,813	-	43,813
Lease Creditors (24.6.1)	222,348	308,193	530,541	203,754	708,248	912,002
Redeemable Preference Shares	368,751	-	368,751	704,672	332,090	1,036,762
Bank Overdrafts	18,347,277	-	18,347,277	16,636,098	-	16,636,098
	55,652,643	372,001,007	427,653,650	53,038,697	353,176,565	406,215,262

The Board	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total	2020 Repayable Within 1 year	2020 Repayable After 1 year	2020 Total
Bank Loans (24.1.1)	16,880,143	72,537,341	89,417,484	13,215,396	83,434,169	96,649,565
Projects Loans (24.2)	12,467,675	261,311,042	273,778,717	-	266,569,715	266,569,715
Debetures (24.3)	-	20,000,000	20,000,000	-	-	-
Loans from Related Party (24.4)	780,541	-	780,541	-	2,000,000	2,000,000
Loans from Samurdhi Authority (24.5)	-	-	-	43,813	-	43,813
Lease Creditors (24.6.2)	33,856	79,059	112,915	26,833	90,617	117,450
Bank Overdrafts	14,141,724	-	14,141,724	13,200,379	-	13,200,379
	44,303,939	353,927,442	398,231,381	26,486,421	352,094,501	378,580,922

24.1 Bank Loans

24.1.1 The Board Term Loan	Interest rate	As At 01.01.2021	Loans Obtained	Repayment	As At 31.12.2021	Repayable Within 1 Year	Repayable After 1 Year	
NSB (Rs 10 000 Mn)	2014.09.30	10.17%	2,500,000	-	1,250,000	1,250,000	-	
People's Bank (Euro 2087 Mn)	2015.04.30	9.67%	2,131,562	-	857,143	1,274,419	417,276	
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.01.24	9.17%	5,100,000	-	1,680,000	3,420,000	1,740,000	
People's Bank - OD Settlement	2018.03.03	9.17%	3,329,000	-	1,044,000	2,285,000	1,241,000	
National Savings Bank+Sampath+Seylan (Rs 10 000 Mn)	2019.02.25	10.17%	10,000,000	-	3,080,000	6,920,000	3,360,000	
Bank of Ceylon (15B)	2019.07.12	9.67%	15,000,000	-	925,000	14,075,000	2,394,000	
Seylan Bank (2Bn)	2019.10.04	9.67%	2,000,000	-	50,106	1,949,894	284,000	
People's Bank (Rs. 35B)	2019.05.31	9.67%	35,000,000	-	2,800,000	32,200,000	4,800,000	
Bank of Ceylon (Rs. 5000 Mn)	2020.03.03	9.67%	5,000,000	-	-	5,000,000	200,000	
Peoples Bank (Rs. 10000 Mn)	2020.04.01	9.67%	10,000,000	-	-	10,000,000	675,000	
NTB Loan (1000 Mn)	2020.11.09	9.55%	972,000	-	364,000	608,000	336,000	
People's Bank - Coal Loan 4	2020.11.06	9.17%	618,253	13,185,081	13,803,334	-	-	
NSB Loan (5000 Mn)	2020.12.19	9.67%	4,998,750	1,250	-	5,000,000	-	
People's Bank - Coal Loan 5	2021.09.28	9.17%	-	5,435,171	-	5,435,171	-	
			96,649,565	18,621,502	25,853,583	89,417,484	16,880,143	72,537,341

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

24.1.2	The Group Company	Lending Institution	Interest Rate	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total	2020 Repayable Within 1 year	2020 Repayable After 1 year	2020 Total
	LTL Holdings (Pvt) Ltd	Standard Chartered Bank	LIBOR+ 2.75%	-	-	-	330,930	-	330,930
	Pawan Danavi (Pvt) Ltd	Sampath Bank	AWPLR +1.25%	95,679	107,866	203,545	119,424	203,545	322,969
	Lakdanavi Ltd	Hatton National Bank	AWPLR + 0.25%	2,000,000	-	2,000,000	1,900,000	-	1,900,000
	Lakdanavi Ltd	NDB Bank	AWPLR + 1%	-	3,000,000	3,000,000	-	-	-
	Lakdanavi Ltd	Seylan Bank	8.75% for 1st two years	-	1,800,000	1,800,000	-	-	-
	Lakdanavi Ltd	Secured Loan - LBPL	3Month LIBOR+4.5%	814,494	1,061,367	1,875,861	800,524	1,724,367	2,524,891
	Lakdanavi Ltd	Raj Lanka	9% p.a./3 month LIBOR+4.5%	1,185,436	36,577	1,222,013	534,394	118,277	652,671
	Lakdanavi Ltd	Secured/ Working Capital Loan	10% p.a./3 month LIBOR+4.5%	1,540,245	10,300,210	11,840,455	1,248,956	10,417,653	11,666,609
	Lakdhanavi Bangala Power Ltd	Working Capital Loan	12% p.a	-	-	-	1,240,287	-	1,240,287
	Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	MCPLR+ Applicable Margin	85,495	-	85,495	249,686	-	249,686
	Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	6.80%	26,900	-	26,900	30,014	-	30,014
	Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	LIBOR+ Margin	101,578	-	101,578	86,933	94,178	181,111
	Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	MCPLR+ Applicable Margin	80,700	-	80,700	76,500	-	76,500
	LTL Energies (Pvt) Ltd	Standard Chartered Bank	3Month LIBOR+ 2%	-	-	-	1,239,187	412,900	1,652,087
	LTL Transformers (Pvt) Ltd	Sampath Bank	AWPLR+1.1%	5,004	21,227	26,231	4,587	26,648	31,235
	LTL Transformers (Pvt) Ltd	Hatton National Bank	3M LIBOR +3.25%	8,727	-	8,727	49,542	-	49,542
	LTL Transformers (Pvt) Ltd	Bank of Ceylon	AWPLR + 1.1%	272,686	66,914	339,600	11,689	327,911	339,600
	LTL Transformers (Pvt) Ltd	People's Bank	AWPLR+0.5%	300,000	-	300,000	-	-	-
	LTL Transformers (Pvt) Ltd	Nations Trust Bank	7.39% p.a.	30,639	-	30,639	-	-	-
	LTL Galvanizers (Pvt) Ltd	NDB Bank	6.25% p.a	4,125	10,500	14,625	4,500	14,250	18,750
	Infra Engineering (Pvt) Ltd	HNB	6M Euro LIBOR + 1.35% p.a. (For WKV)	-	-	-	101,535	-	101,535
	Infra Engineering (Pvt) Ltd	Sampath Bank	4% p.a.	-	-	-	2,983,890	-	2,983,890
	Makari Gad Hydropower Pvt. Ltd.	Term Loans	Weighted Average Base Rate (WABR) + 1.5% not less than base rate of any member bank	814,741	1,050,817	1,865,558	-	-	-
	Sri Lanka Energies (Pvt) Ltd	Sampath Bank		-	388,953	388,953	-	-	-
	Lanka Electricity Company (Pvt) Ltd			-	-	-	15,000	-	15,000
				7,366,449	17,844,431	25,210,880	11,027,578	13,339,729	24,367,307
	The Board (Note 24.1.1)			16,880,143	72,537,341	89,417,484	13,215,396	83,434,169	96,649,565
	Total Bank Loans of the Group			24,246,592	90,381,772	114,628,364	24,242,974	96,773,898	121,016,872

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

24.2 Project Loans

24.2.1	Loans From Treasury The Board / Group	Provider of Funds	Interest Rate Per Annum (%)	As at 01.01.2021	Loan Obtained	Transferred to Equity	As at 31.12.2021	Repayable Within 1 year	Repayable After 1 year
	Puttalam Coal Power project - 155Mn	EXIM BANK	6 Month LIBOR + Margin 100b.p	15,391,363	-	2,894,122	12,497,241	1,785,320	10,711,921
	Puttalam Coal Power project - 300Mn	EXIM BANK	2%	30,823,743	-	3,783,600	27,040,143	2,253,345	24,786,798
	Puttalam Coal Power project -phase 11	EXIM BANK	2%	97,261,937	-	11,237,292	86,024,645	7,168,720	78,855,925
	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 Finalized	10,649,662	1,949,831	-	12,599,493	-	12,599,493
	Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Finalized	22,003,633	-	-	22,003,633	-	22,003,633
	Clean Energy Net Work Efficiency Improvement Project	ADB	10%	16,893,518	-	-	16,893,518	-	16,893,518
	National Transmission & Distribution Network Development	JICA	Not Finalized	6,064,691	6,792,640	-	12,857,331	-	12,857,331
	Green Power Development & Energy Efficiency Improvement Project	ADB	Not Finalized	6,166,728	1,463,242	-	7,629,970	-	7,629,970
	Green Power Dev. & Energy Efficiency Improvement Project	AFD	Not Finalized	3,793,638	-	-	3,793,638	-	3,793,638
	Green Power Dev. & Energy Efficiency Improvement Project (Tranch 2)	AFD	10%	1,589,690	1,912,649	-	3,502,339	-	3,502,339
	Construction of four grid Substation	AFD	Not Finalized	4,439,125	10,974	-	4,450,099	-	4,450,099
				223,414,917	12,129,336	17,915,014	217,629,239	11,207,385	206,421,854

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

24.2.2	Loans From Bank	Interest Rate	As At 01.01.2021	Loans Obtained	Repayment	As At 31.12.2021	Repayable Within 1 Year	Repayable After 1 Year	
	Broadland Hydro Power Project (HNB)	2013.06.06	6 Months LIBOR + Margin 6.3%	963,705	-	192,741	770,964	192,741	578,223
	Broadland Hydro Power Project (ICB)	2013.01.16	6 Months LIBOR + 3.2% Margin	5,010,906	-	715,832	4,295,074	715,832	3,579,242
	Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2017.07.10	6 Months LIBOR + 0.6% - 0.1% + Premium 0.1%	8,012,325	4,663,208	-	12,675,533	-	12,675,533
	Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2016.12.06	2% (Fixed)	3,571,264	1,147,806	-	4,719,070	-	4,719,070
	Supporting Elec.supply reliability improvement project	2016.12.19	6 Months LIBOR + 0.6% - 0.1% + Premium 0.1%	5,077,746	2,256,490	175,858	7,158,378	351,717	6,806,661
	Mannar Wind Power Generation Project (ADB)	2017.11.22	6 Months LIBOR + 0.6% - 0.1%	20,518,853	2,727,095	-	23,245,948	-	23,245,948
	Broadland Hydro Power Project (PB)	2021.03.10	AWPLR+ 1.5%	-	3,284,511	-	3,284,511	-	3,284,511
				43,154,799	14,079,110	1,084,431	56,149,478	1,260,290	54,889,188
	Total Project Loan			266,569,716	26,208,446	18,999,445	273,778,717	12,467,675	261,311,042

24.3 Debentures

The Board/Group	Coupon Rate	As At 01.01.2021	Debenture Issued	Repayment	As At 31.12.2021	Repayable Within 1 Year	Repayable After 1 Year	
2 Bn Senior Unsecured Listed Redeemable Rated debentures	2021.04.16	9.35%	-	20,000,000	-	20,000,000	-	20,000,000
			-	20,000,000	-	20,000,000	-	20,000,000

24.4 Loans from Related Party The Board

	As At 01.01.2021	Loans Obtained	Repayment	As At 31.12.2021	Repayable Within 1 Year	Repayable After 1 Year
Lanka Electricity Company (Pvt)Ltd	2,000,000	-	1,219,459	780,541	780,541	-
	2,000,000	-	1,219,459	780,541	780,541	-

24.5 Loans From Samurdhi Authority The Board/Group

	As At 01.01.2021	Loans Obtained	Repayment	As At 31.12.2021	Repayable Within 1 Year	Repayable After 1 Year
Term Loan for "Viduli Athwela" Programme	-	-	-	-	-	-
	-	-	-	-	-	-

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

24.6. Lease Creditor	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total	2020 Repayable Within 1 year	2020 Repayable After 1 year	2020 Total
24.6.1 The Group						
Lease Creditor	222,348	308,193	530,541	203,754	708,248	912,002
	222,348	308,193	530,541	203,754	708,248	912,002

24.6.2 The Board	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total	2020 Repayable Within 1 year	2020 Repayable After 1 year	2020 Total
Lease Creditor	33,856	79,059	112,915	26,833	90,617	117,450
	33,856	79,059	112,915	26,833	90,617	117,450

25 CONSUMER DEPOSITS

	Group		Board	
	2021	2020	2021	2020
Balance as at Beginning of the year	15,640,570	15,013,791	15,640,570	15,013,791
Deposit Received during the year	805,345	728,687	805,345	728,688
Refunds Made during the year	(146,050)	(101,908)	(146,050)	(101,908)
Balance as at the end of the year	16,299,865	15,640,570	16,299,865	15,640,571

26. PROVISIONS AND OTHER DEFERRED LIABILITIES

	Group		Board	
	2021	2020	2021	2020
Retirement Benefits Obligation- Gratuity (26.1)	9,033,125	8,961,915	7,358,886	7,283,662
Pension Benefits (26.2)	14,226,314	12,806,938	14,226,314	12,806,938
Commutated Pension Fund Liability-Non Funded	30,000	30,000	30,000	30,000
	23,289,439	21,798,853	21,615,200	20,120,600

26.1 Retirement Benefits Obligation- Gratuity

	Group		Board	
	2021	2020	2021	2020
Balance at the beginning of the year	8,961,915	7,324,937	7,283,661	6,018,541
Transferred during the year	14,143	-	-	-
Charge for the year (26.1.1)	1,300,444	1,338,082	1,064,811	1,117,957
Payments made during the year	(867,379)	(740,304)	(791,997)	(691,715)
Actuarial (Gain)/Loss	(375,998)	1,039,200	(197,589)	838,878
Balance at the end of the year	9,033,125	8,961,915	7,358,886	7,283,661

26.1.1 Charge for the year

	Group		Board	
	2021	2020	2021	2020
Interest Cost	557,917	709,471	482,119	631,947
Current service Cost	742,527	628,611	582,692	486,010
Actuarial (gain)/ loss	-	-	-	-
	1,300,444	1,338,082	1,064,811	1,117,957

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

26.1.2 Retirement Benefits Obligation- Gratuit 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

	2021	2020
Discount rate assumed (%) (per Annum)	8%	8%
Further salary increase (%) - once in three years	24%	20%
Retirement age	62	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 follows

	2021	2022
Discount rate assumed (%) (per Annum)	12%	10%
Salary Increase Rate (%) (per Annum)	9%	25%
Normal Retirement Age - Appointments up to 31 December 2006	65 years	65 years
- Appointments after 01 January 2007	57 years	57 years
Staff Turnover - Up to age 50	1.00%	0.26%
- Age above 50	0%	0%

LTL Holdings (Private) Limited

Messes Piyal S. Gunathilake and Associates actuaries carried out and actuarial valuation of the defined benefit plan gratuity as at 31 December 2021 and 31 December 2020 for the respective plan years.

Principal Assumptions

	2021	2020
Discount rate assumed (%) (per Annum)	11.2%	7.63%
Salary Increase Rate (%) (per Annum)	7%	7%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	60 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."

	2021	2020
Present Value of Obligations (26.2.1)	39,247,514	36,749,620
Fair Value of plan assets (26.2.2)	25,021,199	23,942,682
Deficit of funded plans	14,226,315	12,806,938
Liability / Assets in the Statement of Financial Position	14,226,315	12,806,938

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

26.2.1	The movement in the pension fund liability over the year is as follows,	2021	2020
	At beginning of the year	36,749,620	27,628,309
	Current Service Cost	1,465,449	1,167,667
	Interest Cost	2,572,473	2,624,689
	Actuarial Gain/ (Losses)	711,977	7,351,801
	Benefit Paid	(2,252,005)	(2,022,846)
	At end of the year	39,247,514	36,749,620
26.2.2	The movement in the fair value of plan assets of the year is as follows	2021	2020
	At beginning of the year	23,942,682	23,194,706
	Expected Return on Plan Assets	1,404,075	1,868,094
	Actuarial Losses	9,809	(486,950)
	Contribution Paid (Employee + Employer)	1,916,638	1,389,678
	Benefit Paid	(2,252,005)	(2,022,846)
	At end of the year	25,021,199	23,942,682
	The amounts recognized in the income statement are as follows		
	Current service cost	1,465,449	1,167,667
	Interest Cost	2,572,473	2,624,689
	Expected return on plan assets	(1,404,075)	(1,868,094)
	Recognized in income statement	2,633,847	1,924,262
	The principal actuarial assumptions were as follows		
	Discount Rates	8.0%	7%
	Expected return on plan assets	6.00%	8.00%
	Future Salary Increases	24%	20%
	Future Pension Increases	0%	0%
	Retirement Age	62	60
	Plan assets are comprised as follows		
	Fixed Deposits	20,860,576	19,924,140
	Debentures at amortized cost	4,161,392	4,161,544
	Other	(768)	(143,002)
	Total	25,021,200	23,942,682

27.	GOVERNMENT GRANT	Group		Board	
		2021	2020	2021	2020
	Balance at the beginning of the year	278,934	297,696	200,334	213,303
	Received During the year	3,082	1,749	3,082	1,749
	Amount Amortised during the year	(20,882)	(20,511)	(15,069)	(14,718)
	Balance at the end of the year	261,134	278,934	188,347	200,334

28.	CONTRACT LAIBILITIES	Group		Board	
		2021	2020	2021	2020
	Consumer Contribution (28.1)	104,565,608	100,693,688	99,517,000	95,769,665
	Prepaid Electric Vehicle charging Revenue (28.2)	1,157	1,056	1,157	1,056
		104,566,765	100,694,744	99,518,157	95,770,721

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

28.1 Consumer Contribution	Group		Board	
	2021	2020	2021	2020
Balance at the beginning of the year	100,561,790	94,420,472	95,769,665	89,745,167
Consumer Contribution received During the year	8,485,151	10,115,184	7,805,584	9,464,549
Amount Amortised During the year	(4,481,333)	(3,841,968)	(4,058,249)	(3,440,051)
Balance at the end of the year	104,565,608	100,693,688	99,517,000	95,769,665

28.2 Prepaid Electric Vehicle Charging Revenue	Group		Board	
	2021	2020	2021	2020
Balance at the beginning of the Period	1,058	916	1,058	916
Cash received for prepaid e-Cards	1,748	1,562	1,748	1,562
Utilization for the year	(2,696)	(1,422)	(2,696)	(1,421)
Refunds made during the period	1,047	-	1,047	-
Balance at the end of the Period	1,157	1,056	1,157	1,057

29. DEFERRED TAXATION	Group		Board	
	2021	2020	2021	2020
Balance at the beginning of the year	541,753	751,512	-	-
Deferred Tax Charged to Income Statement	47,715	(211,804)	-	-
Deferred Tax Adjusted to Other Comprehensive Income	125,800	2,045	-	-
Balance at the end of the year	715,268	541,753	-	-

	Group		Board	
	2021	2020	2021	2020
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes	1,539,152	1,718,922	-	-
Net change in fair value of available for sale investments	92,688	3,266	-	-
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(53,722)	(115,774)	-	-
Employment Retirement Benefits	(380,668)	(455,281)	-	-
Other provisions	(428,221)	(532,845)	-	-
Unutilized tax losses	(53,961)	(76,535)	-	-
	715,268	541,753	-	-

30. TRADE AND OTHER PAYABLES	Group		Board	
	2021	2020 Restated	2021	2020 Restated
Trade Payables	153,676,043	142,773,000	141,093,913	136,890,674
Other Payables	20,879,079	8,033,976	11,419,185	6,308,444
Sundry Creditors Including Accrued Expenses	20,005,584	14,710,352	18,495,284	11,459,333
Deposits(30.1)	26,336,527	21,829,086	26,329,412	21,826,868
Stock Adjustment	(96,138)	(8,999)	(96,138)	(8,999)
	220,801,095	187,337,415	197,241,656	176,476,320

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

30 TRADE AND OTHER PAYABLES (Contd...)		Group		Board	
30.1 Deposits		2021	2020 Restated	2021	2020 Restated
Service mains deposits		18,432,236	15,568,301	18,432,236	15,568,301
Tender Deposits		574,999	507,663	574,999	507,663
Security Deposits		104	80	104	80
Other Deposits		7,329,188	5,753,042	7,322,073	5,750,824
		26,336,527	21,829,086	26,329,412	21,826,868

31. AMOUNTS DUE TO RELATED PARTIES		Relationship	Group		Board	
			2021	2020	2021	2020
LTL Holdings (Pvt) Ltd	Subsidiary Company		-	-	641,963	613,651
LTL Transformers (Pvt) Ltd	Sub-subsidiary Company		-	-	238,820	-
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary Company		-	-	271,043	-
Ante Leco Metering Co.(Pvt) Ltd	Sub-subsidiary Company		-	-	207,974	252,219
Lanka Coal Company (Pvt) Ltd	Subsidiary Company		-	-	4,793,983	3,306,557
Kumbalgamuwa Mini Hydro (Pvt) Ltd	Sub-subsidiary Company		-	-	47,565	41,513
Sri Lanka Energies (Pvt) Ltd	Subsidiary Company		-	-	12,860	-
			-	-	6,214,208	4,213,940

32 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT		Group		Board	
Components of Cash and Cash Equivalents		2021	2020	2021	2020
32.1 Favourable Cash & Cash Equivalents balance					
Cash & Bank Balances		14,812,572	7,537,614	5,137,477	3,510,610
Cash in Transit		194,618	2,088,735	-	-
Call Deposits		302,280	93,547	302,280	93,547
		15,309,470	9,719,896	5,439,757	3,604,157
32.2 Unfavourable Cash & Cash Equivalent Balances					
Bank Overdraft (Note 24)		(18,347,277)	(16,636,098)	(14,141,724)	(13,200,379)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		(3,037,807)	(6,916,202)	(8,701,967)	(9,596,222)

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

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	2021	2020
LTL Holding (Pvt) Ltd	Sri Lanka	37%	37%
Lanka Electricity Company (Pvt) Ltd	Sri Lanka	44.8%	44.8%
Lanka Coal Company (Pvt) Ltd	Sri Lanka	40%	40%

33.2 Profit allocated to material non-controlling interests

LTL Holding (Pvt) Ltd	5,835,605	3,285,540
Lanka Electricity Company (Pvt) Ltd	1,483,633	821,071

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 2021	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Revenue	33,644,837	31,747,316	59,046,037
Cost of sales	(25,745,147)	(22,817,244)	(58,990,573)
Gross Profit	7,899,690	8,930,072	55,464
Other Income & Gains	2,315,557	6,807,112	1,016
Distribution Expenses	-	(205,209)	-
Administrative Expenses	(2,863,061)	(1,876,864)	(60,942)
Other Operating Expenses	(2,927,724)	(339,391)	-
Finance Income	905,443	1,359,813	4,462
Finance Cost	(215,929)	(1,964,937)	-
Profit before Tax	5,113,976	12,710,596	-
Income tax	(1,824,938)	(1,390,599)	-
Profit for the year from continuing operations	3,289,038	11,319,997	-
Total Comprehensive Income			
Attributable to non-controlling interest	1,483,633	5,835,605	-
Dividends paid to non-controlling interests	500,000	3,285,207	-

33.4 Summarised statement of profit or loss for 2020

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
Distribution Expenses	-	(157,047)	-
Administrative Expenses	(2,900,379)	(1,430,284)	(53,920)
Other Operating Expenses	(2,616,911)	(566,151)	-
Finance Income	986,404	609,455	6,317
Finance Cost	(142,809)	(1,532,746)	-
Profit before Tax	2,424,971	7,532,691	-
Income tax	(600,837)	(1,815,290)	-
Profit for the year from continuing operations	1,824,134	5,717,401	-
Total Comprehensive Income			
Attributable to non-controlling interest	821,071	3,285,540	-
Dividends paid to non-controlling interests	338,700	1,100,732	-

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

33.5 Summarised statements of financial position as at 31st December 2021	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt)Ltd
Inventories and Cash and bank balances (current)	4,255,542	16,030,048	59,278
Property, Plant and equipment and other non-current assets	14,822,846	28,960,200	783,602
Financial assets (non-current)	17,046,257	3,308,009	-
Trade & other Payables (current)	4,660,648	12,471,488	9,780,294
Interest-bearing loans and borrowings and deferred tax	1,907,974	29,421,354	-
Liabilities (non-current)	6,578,698	206,360	5,519
Total Equity			
Attributable to :			
Equity holders of parent	21,475,747	25,432,342	64,181
Non- controlling interest	17,429,592	14,936,455	42,788
33.6 Summarised statements of financial position as at 31st December 2020			
Inventories and Cash and bank balances (current)	3,516,204	8,235,747	8,505
Property, Plant and equipment and other non-current assets	14,511,072	63,924,215	786,096
Financial assets (non-current)	12,275,532	3,283,338	-
Trade & other Payables (current)	4,838,007	2,871,204	5,666,485
Interest-bearing loans and borrowings and deferred tax	1,300,946	29,274,126	-
Liabilities (non-current)	6,353,679	187,232	4,442
Total Equity			
Attributable to :			
Equity holders of parent	19,447,409	21,225,414	64,181
Non- controlling interest	15,783,405	12,465,720	42,788
33.7 Summarised cash flow information for the year ending 31 December 2021			
Operating	3,111,371	1,658,971	47,104
Investing	(2,672,463)	5,534,828	3,669
Financing	(69,732)	(6,422,870)	-
Net increase/(decrease) in cash and cash equivalents	369,176	770,929	50,773
33.8 Summarised cash flow information for the year ending 31 December 2020			
Operating	(6,308,731)	4,709,291	(1,531)
Investing	7,192,492	5,652,224	5,747
Financing	(729,854)	9,388,856	-
Net increase/(decrease) in cash and cash equivalents	153,907	19,750,371	4,216

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(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

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 capital expenditure recorded as recurrent expenditure in Sapugaskanda Power Station

	Dr Rs.	Cr Rs.
Capital Work in Progress	323,278	
Retained Earnings - 2020		323,278

02 Being correcting the Depreciation charge for year 2019 and 2020 in Combine Cycle

	Dr Rs.	Cr Rs.
PPE Accumulated Depreciation - 2019	3,960	
PPE Accumulated Depreciation - 2020	23,084	
Retained Earnings - Before 2020		3,960
Retained Earnings - In 2020		23,084

03 Being correcting the value of spare parts recorded as expenditure in Sapugaskanda Power Station

	Dr Rs.	Cr Rs.
Retained Earnings - Before 2020	9,181	
Retained Earnings - in 2020	53,135	
Spare Parts - 2019		9,181
Spare Parts - 2020		53,135

04 Being correcting the value of spare parts recorded as expenditure in Sapugaskanda Power Station

	Dr Rs.	Cr Rs.
Spare Parts - 2019	284,710	
Spare Parts - 2020	1,125,050	
Retained Earnings - Before 2020		284,710
Retained Earnings - in 2020		1,125,050

05 Being recording of Depreciation in Kotmale Power Station

	Dr Rs.	Cr Rs.
Retained Earnings - Before 2020	10,228	
Retained Earnings - in 2020	1,493	
Accumulated Depreciation - Before 2020		10,228
Accumulated Depreciation - In 2020		1,493

06 Being recording of Depreciation in Mahaweli Complex

	Dr Rs.	Cr Rs.
Retained Earnings - Before 2020	20,482	
Retained Earnings - in 2020	14,077	
Accumulated Depreciation - Before 2020		20,482
Accumulated Depreciation - In 2020		14,077

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

	Dr Rs.	Cr Rs.
07 Being correcting the accrual on IPP		
IPP Payable - Before 2020	4,750,834	
IPP Delay Interest Payable - Before 2020	282	
IPP Payable - In 2020	873,804	
IPP Delay Interest Payable - In 2020	183,321	
Retained Earnings - Before 2020		4,751,116
Retained Earnings - in 2020		1,057,126
08 Being correcting the accrual on NCRE		
	Dr Rs.	Cr Rs.
Retained Earnings - Before 2020	127	
Retained Earnings - In 2020	1,774,921	
IPP Payable - Before 2020		127
IPP Payable - In 2020		1,774,921
09 Being correcting the accrual on NCRE over 15 years extention		
	Dr Rs.	Cr Rs.
Retained Earnings - In 2020	910,347	
Other Debtors		910,347
10 Being correcting the accrual on IPP		
	Dr Rs.	Cr Rs.
IPP Payable - Before 2020	448,813	
Retained Earnings - Before 2020		448,813
11 Being recording the exchange gain/loss on Puttalam Coal Power Project Loan		
	Dr Rs.	Cr Rs.
Retained Earnings - In 2020	6,707,628	
Interest Bearing Loans & Borrowings		6,707,628
12 Being correcting the error in estimating the useful life of Motor Vehicles in CEB		
	Dr Rs.	Cr Rs.
Accumulated Depreciation - Before 2020	2,819,061	
Accumulated Depreciation - in 2020	354,785	
Retained Earnings - Before 2020		2,819,061
Retained Earnings - in 2020		354,785
13 Being correcting the deprecation provision in Upper Kotmale Pwer Station		
	Dr Rs.	Cr Rs.
Retained Earning - Before 2020	178,907	
Retained Earning - In 2020	24,327	
Accumulated Depreciation - Before 2020		178,907
Accumulated Depreciation - In 2020		24,327
14 Being Transferring WIP to PPE & Being Provision for amount payable to supplier		
	Dr Rs.	Cr Rs.
Property Plant & Equipment- Before 2020	1,050,173	
Working Progress Account- Before 2020		1,047,966
Other Payable- Before 2020		2,208
15 Being correcting LECO revaluation elimination adjustments and over statement receivables, loans and payables in Group accounts		
	Dr Rs.	Cr Rs.
Other Comprehensive Income - In 2020	8,677,242	
Cost of Sales - In 2020		1,092,143
Trade and Other Receivables - In 2020		4,000,146
Property, Plant and Equipment - In 2020		1,018,350
Deferred tax - In 2020		51,952
Loans and Payables - In 2020		2,514,651

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

34.2 Lanka Electricity Company (Pvt) Ltd

Prior year adjustments have been carried out for the year ended 31st December 2020 due to the reasons explained below

Statement of Financial Position

01	Error correction in Property, Plant & Equipment	10,924
02	Error correction in inventories due to Right of Use Assets depreciation	(48,720)
03	Error correction in trade and receivable due to interest adjustment	38,381
04	Error correction in cash and bank balances due to accrual of interest	87,601
05	Restatement of retained earnings	101,619
06	Restatement of minority interest with respect to Ante Leco Metering Company Ltd	(21,854)
07	Error correction in opening balance of post employment benefit liabilities	(2,739)
08	Error correction in trade other payables	21,478
09	Correcting the income tax payable due to change in the income tax expense	(25,317)
10	Error correction in short term loans	15,000

Profit/loss Statement

01	Error correction in accruing interest	87,601
02	Error correction in accounting for interest accrual on loan granted	31,226
03	Error correction in Right of Use Assets depreciation	(48,720)
04	Error correction in Collection Account	7,155
05	Restatement of gratuity provision	2,800
06	Correction in income tax provision	31,961

34.3 Sri Lanka Energies (Pvt) Ltd

Manufacturing expenses related to the Meter Enclosure Manufacturing plant of Sri Lanka Energies (Pvt) Ltd was previously recorded as direct project expenses and it was corrected as Cost of Good Sold. 40,643

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

34.4 Impact of the prior year adjustment for the Group as at 31 December 2020

Statement of Financial Position	2020 Before Restatement	Adjustments	2020 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	835,795,922	2,269,442	838,065,364
Intangible Assets	512,459	-	512,459
Investment in Joint Venture	30,757	-	30,757
Finance Lease Receivables	19,588,944	-	19,588,944
Other Non Current Financial Assets	24,418,095	-	24,418,095
Other Non Current Assets	2,160,224	-	2,160,224
Investments of Insurance Reserves Fund	9,980,730	-	9,980,730
	892,487,131	2,269,442	894,756,573
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	52,113,549	1,298,724	53,412,273
Trade and Other Receivables	79,261,983	(4,903,337)	74,358,646
Finance Lease Receivables	1,015,236	-	1,015,236
Other Current Financial Assets	33,652,650	-	33,652,650
Cash and Cash Equivalents	9,632,295	87,601	9,719,896
	175,675,713	(3,517,012)	172,158,701
Total Assets	1,068,162,920	(1,247,570)	1,066,915,350
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	391,730,584	-	391,730,584
Reserves	52,807,115	-	52,807,115
Retained Earnings/(Loss)	(142,625,238)	(6,048,461)	(148,673,699)
Equity Attributable to the Equity Holders of the Parent	301,912,461	(6,048,461)	295,864,000
Non Controlling Interest	34,622,330	29,255	34,651,585
Total Equity	336,534,791	(6,019,206)	330,515,585
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	357,676,324	(4,499,759)	353,176,565
Consumer Deposits	15,640,570	-	15,640,570
Provisions & Other Deferred Liabilities	21,801,592	(2,739)	21,798,853
Government Grants	278,934	-	278,934
Contract Liabilities	100,694,744	-	100,694,744
Deferred Taxation	489,800	51,953	541,753
	496,581,964	(4,450,545)	492,131,419
Current Liabilities			
Trade and Other Payables	189,330,262	(1,992,847)	187,337,415
Dividend Payable	905,038	-	905,038
Interest Bearing Loans & Borrowings	41,798,352	11,240,345	53,038,697
Income Tax Payable	3,012,513	(25,317)	2,987,196
	235,046,165	9,222,181	244,268,346
Total Equity and Liabilities	1,068,162,920	(1,247,570)	1,066,915,350

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

34.5 Impact of the prior year adjustment for the Group as at 31 December 2020

Statement of Comprehensive Income	2020 Before Restatement	Adjustments	2020 After Restatement
Revenue	264,266,257	(305)	264,265,952
Concession provided to Domestic Customers	(5,907,770)	-	(5,907,770)
Cost of Sales	(280,777,547)	(5,752,496)	(286,530,043)
Gross Profit / (Loss)	(22,419,060)	(5,752,801)	(28,171,861)
Other Operating Income and Gains	9,843,997	20	9,844,017
Distribution Cost	(166,221)	-	(166,221)
Other Expenses	(3,163,878)	(921)	(3,164,799)
Administrative Expenses	(11,588,301)	23,251	(11,565,050)
Operating Profit / (Loss)	(27,493,463)	(5,730,451)	(33,223,914)
Finance Income	2,823,643	118,827	2,942,470
Finance Costs	(21,429,719)	187,317	(21,242,402)
Finance Cost-Net	(18,606,076)	306,144	(18,299,932)
Share of loss of Joint Venture	(6,143)	-	(6,143)
Profit / (Loss) Before Income tax	(46,105,682)	(5,424,307)	(51,529,989)
Income Tax Expense	(2,641,845)	26,606	(2,615,239)
Deferred Tax (Charge)/Reversal	211,805	(737)	211,068
Profit/(Loss) for the period	(48,535,722)	(5,398,438)	(53,934,160)

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

34.6 Impact of the prior year adjustment for the Group as at 31 December 2019

Statement of Financial Position	2019 Before Restatement	Adjustments	2019 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	799,116,029	2,613,404	801,729,433
Premium Paid on Leasehold Land	235,577	-	235,577
Intangible Assets	499,058	-	499,058
Investment in Joint Venture	36,900	-	36,900
Finance Lease Receivables	19,899,441	-	19,899,441
Other Non Current Financial Assets	25,353,078	-	25,353,078
Other Non Current Assets	2,591,430	-	2,591,430
Investments of Insurance Reserves Fund	8,996,893	-	8,996,893
	856,728,406	2,613,404	859,341,810
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	55,852,975	275,529	56,128,504
Trade and Other Receivables	56,491,746	-	56,491,746
Sub Lease Receivables	21,110	-	21,110
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
	147,638,519	275,529	147,914,048
Total Assets	1,004,367,001	2,888,933	1,007,255,934
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	323,194,038	-	323,194,038
Reserves	50,082,923	-	50,082,923
Accumulated Profit	(88,317,951)	8,088,733	(80,229,218)
Equity Attributable to the Equity Holders of the Parent	284,959,010	-	293,047,743
Non Controlling Interest	31,655,307	-	31,655,307
Total Equity	316,614,317	8,088,733	324,703,050
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	324,004,981	-	324,004,981
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
Deferred Taxation	753,562	-	753,562
	446,279,959	-	446,279,959
Current Liabilities			
Trade and Other Payables	200,461,070	(5,199,800)	195,261,270
Dividend Payable	2,303,810	-	2,303,810
Interest Bearing Loans & Borrowings	36,492,272	-	36,492,272
Income Tax Payable	2,215,573	-	2,215,573
	241,472,725	(5,199,800)	236,272,925
Total Equity and Liabilities	1,004,367,001	2,888,933	1,007,255,934

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(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
		2021	2020	
Fixed Deposits	Bank Overdraft facilities of People's Bank	86,000	36,000	Non-current Financial Assets
Fixed Deposits	SMI Loan Schemes of People's Bank	213,982	196,122	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	1,066,533	1,120,464	
Fixed Deposits	NSB Solar Loan	1,332,525	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
		2021	2020	
Lakdhanavi Ltd				
Investment in Fixed Deposits	Bank Guarantees	702,625	648,060	Non-current Financial Assets
	Other Current Financial Liabilities	688,076	542,194	
	Letter of Credit Facilities	2,010,160	-	
	Letter of Credit, Guarentees, Overdraft, Loans & import bill Facilities	200,750	-	

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.

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 31.12.2021, the Board is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs 4,390 Mn.

37.2 LTL Holdings (Private) Limited

Legal Claim Contingencies

CEB has filed a case in the Supreme Court of Sri Lanka, bearing no. SC/HC/LA/59/2020 against Heladhanavi Limited challenging the judgement in Commercial High Court case no. ARB/268/2013. Now the case is listed for granting of leave on 19th September 2022

Notes to the Financial Statements (Contd.)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

37.3 Lanka Coal Company (Pvt) Ltd

Liberty Commodities Ltd

The company has filed a case against Liberty Commodities for the amount over claimed by Liberty Commodities. The carrying value of the claim as at the balance sheet date is Rs. 236Mn. Received an order and/or award from Arbitration on 31/12/2021, directing the Respondent to pay the Claimant (Lanka Coal Company) US \$ 1,575,141.86

PT.Asian Mining and Resources

The Company lodged a demand for sum of USD 300,000/- from PT. Asian Mining and Resources as they were in breach of condition of bid security of SPOT Tender No - LCC/20-21/ST/19/2. Commercial High Court of Colombo has issued an enjoining order restraining Bank from making payment on encashment of Bid Security No.BTD/B090651 for USD 300,000/-

37.4 Lanka Electricity Company (Pvt) Ltd

The company is defendant or defendant respondent in six lawsuits and have estimated a possible obligation of Rs 12,774,636 that has been considered as contingent liability considering the probability of winning/losing cases. Although there is no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this regard.

Guarantees given by the company in respect of bank guarantees amounted to Rs 28.3 Million

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 2021.(2020 - 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 as at 31.12.2021(2020 - Nil).

38.3 LTL Holdings (Pvt) Ltd

Leases

Finance Lease commitments the Group as lessee is disclosed in Note 24

Finance Lease receivable the Group as lessor is disclosed in Note 14

Letter of Credits

Bank

	2021	2020
Hatton National Bank PLC	5,053,148	127,106
Nation Trust Bank PLC	1,828,870	-
Commercial Bank PLC	4,339,713	-
Standard Chartered Bank	204,350	305,454
	11,426,081	432,560

Bank Guarantees/Shipping Guarantees

Bank

	2021	2020
Hatton National Bank PLC	225,658	189,674
Standard Chartered Bank	159,616	155,550
Habib Bank Limited	-	73,289
	385,274	418,513

Airway Bill Endorsement / Bills Discounting

Bank

	2021	2020
Standard Chartered Bank	85,495	249,686
	85,495	249,686

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

Corporate Guarantees

LTL Holdings (Private) Limited has issued corporate guarantees to following Banks;

Bank	Subsidiary	2021	2020
Sampath Bank PLC	Pawandhanavi Limited	600,000	600,000
Sampath Bank PLC	LTL Transformers (Pvt) Ltd	50,000	50,000
Standard Chartered Bank	Asiatic Electrical & Switchgear Private Limited	1,606,000	1,493,200

Lakdanavi Limited

"The Company has a commitment towards Hatton National Bank of Rs. Rs. 6,148,509,763/- (2020 - Rs. 6,148,509,763/), USD NIL (2020- USD 25,000/-) and Euro NIL (2021- Euro NIL) as Performance Guarantees and Rs. 900,000,000/- (2020 - Rs.NIL) as performance obligation bond and USD 1,000,000/- (2020-USD NIL) as site reinstatement bond. The Company has a commitment towards Sampath Bank PLC of Rs. 8,063,097,020/- (2020- Rs. 5,863,097,020/-) as Performance Guarantees. The Company has a commitment towards National Development Bank PLC of Rs.600,000,000/- (2020- NIL) as Proposal security bond."

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 NIL (2020- Rs. Rs. 24,358,320/-) as letter of credit.

The Company has a commitment towards Hatton National Bank of NIL (2020- Rs. 1,493,670,652/-) 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 maintainance 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 maintainance 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 2021

(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	
		2021	2020	2021	2020
Ceylon Petroleum Corporation	Purchase of Fuel	21,759,060	30,195,427	21,759,060	30,195,427
Department of Public Enterprises	Obtain Project Loans	12,129,337	11,515,486	12,129,337	11,515,486
Peoples Bank	Obtain Bank Loans	18,620,253	15,890,781	18,620,253	15,890,781
Peoples Bank	Deposits	6,269,500	14,006,485	-	-
National Savings Bank	Obtain Bank Loans	1,250	6,229,720	1,250	4,998,750
Bank of Ceylon	Obtain Bank Loans	339,600	10,139,296	-	5,000,000
State Mortgage & Investment Bank	Deposits	46,504	57,442	-	-
HDFC Bank	Deposits	1,020,029	1,063,021	-	-

Further, transaction as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

Maintaining bank accounts and entering in to Banking transactions with Bank of Ceylon and Peoples Bank

Payments of statutory rates, taxes.

Payment for employment retirement benefit-EPF and ETF

Payment for utilities mainly comprising of telephone, electricity and water

Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation

Payment for insurance premiums to Sri Lanka Insurance Corporation.

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	2021	2020
Lanka Electricity Company	Subsidiary	Sale of Electricity	(22,917,476)	(25,717,054)
		Cash receipts for electricity sales		28,720,346
		Dividend Income	-	411,300
		Loan obtained	-	2,000,000
LTL Holdings (Pvt) Ltd	Subsidiary	Loan settlements	1,219,459	-
		Dividend Income	2,519,496	629,874
		Dividend receipt	(3,119,790)	(2,204,229)
Lanka Coal Company (Pvt) Ltd	Subsidiary	Purchase of Coal	58,990,573	40,954,618
		Reimbursement of net expenditure	55,464	45,765
LTL Transformers Ltd	Sub-subsidiary	Purchase of Goods	831,252	1,096,030
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary	Receipt of Services	333,424	
Nividu (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	86,056	78,461
Nividu Assupinella (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	115,986	219,644
Pawan Danavi Limited	Sub-subsidiary	Purchase of Electricity	157,398	187,103
ANTE LECO Metering Co (Pvt) Ltd	Sub-subsidiary	Purchase of Goods	1,195,641	833,185
Sri Lanka Energies (Pvt) Ltd	Sub-subsidiary	Reimbursement of SLE GM salaries	10,333	7,562
Kumbalgamuwa Mini hydro (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	116,108	115,197
Trincomalee Power Company Limited	Joint Venture	Loan Given	-	1,092

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

39.3 Related Party Transactions among the group companies

Nature of the Transactions	LTL Holding and Subsidiaries	2021	2020
Sale of Transformers	254,939	254,939	151,723
Operation and Maintenance Services	3,812,889	3,812,889	4,777,494

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	
	2021	2020	2021	2020
Short- term employee benefits	132,017	149,498	4,061	3,471
Post - Employment benefits	13,941	13,941	-	
	145,958	163,439	4,061	3,471

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 2021

(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.

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.

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

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 creditworthiness 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, 2021, 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

Fair value through OCI	(Note 15)
Fair value through Profit or Loss	(Note 15)

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	
	2021	2020	2021	2020
Refundable Deposits	82,646	68,676	82,646	68,676
Investment in Fixed Deposits	23,500,045	28,485,598	23,500,045	28,485,598
Investment in Repurchase Agreements	3,350,369	199,700	3,350,369	199,700
Investment in Other Deposit	125,945	1,759,276	125,945	1,759,276
Loans to Company Officers	10,519,701	10,454,647	10,519,701	10,454,647
Loans to Consumers	1,237,538	2,771,005	1,237,538	2,771,005
Investments in Debentures	62,406	202,117	54,828	193,168
	38,878,650	43,941,019	38,871,072	43,932,070

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.

Notes to the Financial Statements (Contd..)

Year Ended 31st December 2021

(All amounts in Sri Lanka Rupees Thousands)

As at 31 December 2021, 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	2021	Level 1	Level 2	Level 3
Financial Assets at Fair Value through OCI					
Unquoted Equity Shares	31-Dec-21	14,931,752	-	-	14,931,752
Financial Assets at Fair Value through Profit or Loss					
Investment in Equity Securities	31-Dec-21	338,548	338,548	-	-
Assets for which fair value is disclosed					
Investment in Debentures	31-Dec-21	54,828	54,828	-	-

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, 2021. Company held 18.8% stake in West Coast Power (Private) Ltd.

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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 NATIONAL AUDIT OFFICE



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 Date }

27 October 2022

The Chairman

Ceylon Electricity Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Electricity Board ("the Board") and its Subsidiaries ("the Group") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 significant 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 Company (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 financial statements of the Board and the group give a true and fair view of the financial position of the Board and the group as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Comments on Consolidated Financial Statements

1.2.1.1 The Qualified Opinion on the financial statements of the following companies for the year ended 31 December 2021 had been expressed by me based on the following observations.

(a) Lanka Coal Company (Pvt) Ltd

- (i) As per the paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12), with regard to the value added tax assessments, a sum of Rs. 287,139,348 relating to additional tax payable, and a sum of Rs. 220,628,092 relating to penalty payable thereon for the years of assessment 2017/2018 and 2018/2019 had not been disclosed in the financial statements..
- (ii) The Company had not settled a sum of Rs. 33,317,325 relating to suspense accounts of 154 shipments, and a sum of Rs. 1,760,500 relating to advances receivable from the CEB Proc-coal closing balance in the year under review.

Auditor General's Report On Group Financial Statements (Contd...)



- (iii) When importation of coal, a mark-up of 10 per cent, which had not been actually incurred, had been added to the value at the point of the Customs as a notional adjustment in ascertaining the value for the Custom purpose. However, the Company had added a 10 per cent mark-up amounting to Rs. 5,324,423,778 to the revenue, and later, that amount had been recognized as discounts to the debtors and adjusted to the cost of sales. As a result, the cost of sales and revenue had overstated by similar amount.
- (iv) According to the financial statements, VAT and other receivables amounting to Rs. 197,452,711 receivable from the CEB as at the end of the year under review had not been confirmed by the CEB. Further, CEB had not recognized this liability in its financial statements. Accordingly, the accuracy and completeness of that amounts could not be ascertained satisfactorily in audit.
- (v) Management fees amounting to Rs. 22,502,205 had been outstanding for over 3 years as at the end of the year under review. However, any provision in this regard had not been made in the financial statements.
- (vi) According to the information made available, it was observed that the Company had paid a sum of Rs. 205,000,000 as penalty to the Sri Lanka Customs due to non-declaration of correct value of the coal imported during the period from 19 September 2016 to 09 April 2018. The penalty payment made in 2019 had been accounted for under the Sri Lanka Custom VAT account, VAT control account and CSCL liability account instead of being accounted as expenditure in the respective years. As a result, the retained earnings had overstated by Rs. 205,000,000, and the Sri Lanka Custom VAT account, VAT control account and CSCL liability account had understated by Rs. 158,186,165, Rs. 39,970,418 and Rs. 6,843,417 respectively in the year under review.
- (vii) The Company had not taken appropriate actions to get recovered a long outstanding balance of Rs. 539,192,079 receivable from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL), and no any provision had been made for impairment. Further, the TISCL/CSCL had not confirmed the due balance. Therefore, it was unable to ascertain the accuracy and existence of the above balance.
- (viii) Balance confirmations and other relevant evidences relating to the verification of balances of Miscellaneous Debtors amounting to Rs. 18,075,801, Receivables from Noble Resources International (Pvt.) Ltd amounting to Rs. 1,115,987, Trade Creditors – Nobel Resources International (Pvt.) Ltd amounting to Rs. 85,887,776 and SGS charges of 50% receivable from Liberty Commodities Ltd amounting to Rs. 8,048,531 were not made available to the audit.
- (ix) 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 only a sum of Rs. 106,969,404. Accordingly, it was observed that the Company had overpaid a sum of Rs. 29,266,965.
- (x) There was an unidentified difference amounting to Rs. 4,003,372 between the balance payable to Ceylon Shipping Corporation as at the end of the year under review as per the financial statements of Lanka Coal Company (Private) Limited, and the balance confirmed by the Ceylon Shipping Corporation as at that date. However, the Company had not taken proper actions to reconcile the difference.
- (xi) Balance confirmations and other relevant documentary evidences relating to a payable balance of Rs. 2,362,129 as at the end of the year under review were not made available to audit.

Auditor General's Report On Group Financial Statements (Contd...)



(b) Lanka Electricity Company (Private) Limited

- (i) The balance due from the Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2021 was amounted to Rs. 1,343,821,164 which contained the cost of energy purchased by the CEB amounting to Rs. 1,336,859,095 for the years of 2017, 2019 and 2020 using net accounting and net plus methods. However, the balance confirmation for that amount was not made available to audit. Further, CEB had not recognized this liability in its financial statements.
- (ii) Share certificates or any other sufficient appropriate documentary evidence in respect of the investment amounting to Rs. 5,000,000 made in ordinary shares of Lanka Broad Band Network (Private) Limited as at 31 December 2021 were not made available to audit.
- (iii) An unidentified collection from customers amounting to Rs. 14,731,287 had transferred from the rejected account had been shown under the balance of other creditors as at 31 December 2021.
- (iv) The Company had incurred a cost of Rs. 206,924,712 to purchase the lands and buildings used for construction of the CEB primary substations and that amount had been recorded as a balance receivable from the CEB. However, there was no formal agreement between the Company and the CEB regarding setting up primary substations in Company's lands and charges to be paid by the CEB for utilizing the above mentioned lands and buildings.
- (v) According to the Section 6.9 of the Operational Manual for State Owned Enterprises Circular No. PED/01/2021 dated 16 November 2021, the Board of Directors may write off losses, having undertaken a due process and must ensure that there is a due process followed including recommendation from Audit Committee on write offs. However, the Company had not followed the said process in this regard and a debtor balance for street light amounting to Rs. 387,806,335 due from Municipal Councils and Provincial Councils had been written off during the year under review based on the Board approval given on 30 November 2021.
- (vi) The income generated from the non-bulk customers in the last month of a year had been used to recognise as income from the non-bulk customers in the next year. Accordingly, income received from non-bulk customers in December 2020 had been recognised as the income in January 2021, and same practice had been applied for other years continuously. Therefore, the accuracy and completeness of revenues received from non-bulk customers could not be ascertained properly.

1.2.2 Comments on Financial Statement of the CEB

1.2.2.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) Conceptual Framework for financial reporting

- (i) Expenses of the Employee Provident Fund (EPF), which was operated under the Board as a separate entity, amounting to Rs. 53.63 million had been recognized as expenses of the Board in the income statement for the year under review in contrary to the paragraph 4.1(b) of the framework.
- (ii) Assets owned by the Board amounting to Rs. 8 million had been utilized for EPF activities in contrary to the paragraph 4.3 of the framework.

Auditor General's Report On CEB Financial Statements (Contd...)



(b) LKAS 2- Inventories and LKAS 16 – Property, Plant and Equipment

The Board had applied the standard cost method for valuing overhead costs of its capital and maintenance jobs, instead of being applied the actual costs in line with the requirements of the above Standards. As a result, there were favorable overhead rate and material price variances aggregating to Rs.4.04 billion. Further, there was an unfavorable stores price variance aggregating Rs. 1.78 billion. However, the impact on operating results, assets and equity in the financial statements could not be properly ascertained due to lack of required information relating to those capital jobs.

(c) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The fully depreciated non-current assets, which had been continuously utilized by the Board, had not been reviewed annually to revise the estimated useful lifetime as per the accounting policy Nos. 2.4.6(e) and 3(c), and which had not been disclosed in the financial statements. Accordingly, fully depreciated property, plant and equipment amounting to Rs. 197.21 billion had been used by the Board without reviewing the useful lifetime annually. However, the Board had revised the estimated useful lifetime of its vehicle fleet in the year under review, and a sum of Rs. 3.17 billion had been adjusted in the financial statements retrospectively.

(d) LKAS 16 – Property, Plant and Equipment

The value of fixed assets in the Transmission Division as at the end of the year under review was amounting to Rs. 202.9 billion, and out of which, the fixed assets amounting to Rs. 201.01 billion had not been physically verified as at the end of the year under review.

1.2.2.2 Accounting Deficiencies

- (a) As per the Cabinet decision No. 10/2434/423/034 dated 13 October 2010, the loans aggregating to Rs. 159.18 billion obtained for the construction of Lakwijaya Power Plant should have been transferred to Lanka Coal Company (Pvt) Ltd (LCC) by the General Treasury. Accordingly, the Board should have to pay an equivalent amount of debt servicing to the LCC. Further, as per the letter No. PE/EN/CEB/Equity/2014 dated 30 September 2014 of the Secretary to General Treasury, these loans should have been treated as direct loans of the Board. However, the Board had recorded these loans as loans received from the General Treasury (on lent). Accordingly, the Board should have ensured that there was an accounting arrangement to recognize the long-term and short-term portions of the loan balance under the non-current and current liabilities separately in the financial statements. Even though, the interest payable by the Board for the year should have been recognized properly, it was observed that there were no any arrangements made by the Board. Following observations are made in this regard.
- (i) The loan repayments amounting to Rs. 61 billion made by the General Treasury prior to 31 December 2018 had not been recognized as equity in the financial statement of the Board.
- (ii) As per the Section 42(6) of Electricity Board Act No. 17 of 1969 any loss or profit in relation to the revaluation of Sri Lanka Rupee with regarding to a loan provided to the Board should be charged to the consolidated fund and the Government shall bear that loss or profit arising thereon. However, exchange losses amounting to Rs. 6,700 million and Rs. 676.37 million in the years of 2020 and 2021 respectively had been included in the statement of comprehensive income of the Board. As a result, losses for the years of 2020 and 2021 had overstated by Rs. 6,700 million and Rs. 676.37 million respectively.
- (b) A debit balance of Rs. 123.86 million relating to stock shortage and a credit balance of Rs. 32.65 million relating to stock excess had remained unsettled in the Stock Adjustment Account for over one year.

Auditor General's Report On CEB Financial Statements (Contd...)



- (c) An amount of 25.23 billion received to the Board as disbursement from foreign loans for Projects after 31 December 2014 had been recorded as sub loans received from the General Treasury. However, those loans had not been recognized as sub loans in the Island Account. Further, the responsibility for the repayment of those loans had been assigned to the Board by the Cabinet decision No. 15/0228/613/012 dated 18 March 2015. However, the Board had not paid or made any provision for repayment of capital and interest payment of those loans. Hence, the accuracy of those loans could not be ascertained in audit.
- (d) Six foreign funded loans valued at Rs. 66.83 billion had been recognized in the financial statements of the Board as loans received from the General Treasury. However, there were no any sub-loan agreements entered into with the General Treasury. Accordingly, it was observed that the obligation for repayment of those loans had not been properly recognized by the Board. Further, the Board had not made any arrangement to settle the loan or to make any provision for repayment of capital and interest of those loans. Hence, the completeness and accuracy of those loans could not be ascertained satisfactorily in audit.
- (e) The jobs carried out by the Board to supply, maintain and repair power generators, lifts and air conditioners to Government institutions prior to 2013 had been valued at cost and accounted for, instead of being recognized them at invoice values. As a result, the receivable balance and retained earnings shown in the financial statements had understated by Rs. 36.8 million as at 31 December 2017. Further, the details of the settlement of those outstanding balances and invoices created for that purpose in the year under review were not made available to audit.
- (f) The Board had paid a sum of Rs. 5,000 million to the General Treasury as levy in 2016, and out of which a sum of Rs. 2,000 million had been charged to the retained earnings and a sum of Rs. 500 million had been amortised and shown in the statement of comprehensive income as management fees for the year under review. The balance amount of Rs. 2,500 million had been shown as other debtors in the financial statements for the year under review. Accordingly, it was observed that the Board had not clearly understood the nature of the transaction and taken into account.
- (g) A number of 8,094 completed jobs valued at Rs. 6.34 billion had been remained in work in progress account without being transferred to assets account in Distribution Divisions. Further, depreciations on those assets had not been recognized in the financial statements.
- (h) Rs. 124.30 million worth vehicles purchased for the Puttalam Coal Power Project had not been capitalized even after the completion of the Project in 2014, and instead, that amount had been remained in work in progress account. Further, depreciation of those vehicles had not been recognised in the financial statements since the Project completion date.
- (i) An appropriate provision for unrecoverable accounts of the street lighting maintenance expenses relating to the Distribution Division 4 amounting to Rs. 32.32 million had not been made in the financial statements.
- (j) The balance of sundry debtors had understated by Rs. 41.48 million due to offsetting of abnormal credit balances.
- (k) The Economic Service Charges (ESC) which had expired the claimable period amounting to Rs. 2.7 billion had not been recognised as expenses in the statements of comprehensive income. As a result, the loss for the year under review had understated by similar amount.
- (l) Goods in transit amounting to Rs. 871.2 million were remained in goods in transits account ranging the period from 1 to 5 years without being taken proper actions to settle. Further, there was an abnormal credit balance of Rs. 5.1 million in the Goods in Transits account. Documentary evidences relating to goods in transit balances were not made available to audit.

Auditor General's Report On Group Financial Statements (Contd...)



- (m) Cost of the Electricity Distribution Development Project - Dehiwala Mount Lavinia amounting to Rs. 39 million had remained work-in-progress account since the year 2010 without being capitalized.
- (n) The disposed fixed assets amounting to Rs. 14 million had been shown as fixed assets under the Transmission division in the financial statements.
- (o) The financial statements of the Board had been continuously restated since 2013 due to failure of the Board to design, implement and maintain a proper internal control system to detect, correct and prevent material misstatements due to frauds or errors.
- (p) A debit balance of Rs. 557.94 million and credit balance of Rs. 556.81 million had been remained unsettled in the financial statements since 2002 as a result of transferring the inter divisions' current account balances to debtors control account instead of being settled.
- (q) The Board had established a Project Management Unit for the Lakvijaya Power Plant Extension Project as per Cabinet Decision No. 19/2622/113/074 dated 24 September 2019. Even after spending a sum of Rs. 167.31 million on that Project, the Board of Directors had taken a decision to close down it based on the Government policy taken on 26 October 2021. Nevertheless, any provision to write-off that amount had not been made in the financial statements as of 31 December 2021.
- (r) The value of 28 vehicles and the accumulated depreciations thereon had not been recorded in the assets register of Lakvijaya Power Station. As a result, the value of those vehicles had not been included in the financial statements.
- (s) The Government owned land on which the head office building of the Board had been located had been recognized as an asset of the Board in the financial statements of the Board. Hence, the assets of the Board had overstated by Rs.105.62 million.

1.2.2.3 Un-reconciled Differences

- (a) There was a difference of Rs. 1,235 million between the balance shown as payable to the Ceylon Petroleum Corporation (CPC) in the financial statements of the Board as at 31 December 2021, and the corresponding balance shown as receivable in the financial statements of the CPC as at that date. Further, in the above mentioned amounts, there was a disputed amount of Rs. 753.61 million as at 31 December 2021, and it had been reiterated in audit reports since 2013 continuously. Further, there was an un-reconciled balance of Rs. 469.11 million as at 31 December 2021.
- (b) An unidentified debtor balance of Rs. 423.76 million had been remained unrecovered since 2012 in Distribution division 1. However, out of which a sum of Rs. 181.42 million had been transferred to Distribution Division 3 without getting clarifications.
- (c) There was difference between the system generated balances and the ledger account balances relating to ordinary debtors in DD1. Accordingly, it was observed a difference of Rs.6.77 million in Ordinary Debtors in the year under review as a result of non-reconciliation of system generated balances and the ledger account balances on time.
- (d) Collection Control Account had a debit balance of Rs. 297.33 million and a credit balance of Rs. 1,409.57 million as at 31 December 2021. However, reconciliation of unsettled balances was not made available to audit. Hence, the accuracy of the Collection Control Account balances could not be satisfactorily vouched in audit. It was further observed that an unidentified opening balance of Rs. 166.45 million had been included in the Collection Control Account.

Auditor General's Report On Group Financial Statements (Contd...)



- (e) A sum of Rs. 68.99 million collected during the period from 1998 to 2021 had been included in the suspense account without being taken proper actions to settle it.
- (f) A receivable amount of Rs. 38.76 million had been remained outstanding since 2019 due to application of a wrong tariff methodology for customers by the Board.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Board and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board and the Group.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism 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 internal control of the Board and the Group.

Auditor General's Report On Group Financial Statements (Contd...)



- 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.
- 2.1.1 Except for the effect of the matters described in the Basis for Opinion section of my report, 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 Board 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 except the audit matters in paragraphs 1.2.1.1(a)(i), (ii), (iii), (iv), (vi), (vii), (viii), (x), 1.2.2.1(a), (i), (ii), (b), (c), (d), 1.2.2.2(a), (b), (c), (d), (e), (f), (g), (h), (i), (k), (l), (m), (n), (p), (q) described in the basis for qualified opinion section of my report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- 2.2.1 to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business as per the requirement of section 12(d) of the National Audit Act, No. 19 of 2018.

Auditor General's Report On Group Financial Statements (Contd...)



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:

Reference to law/ direction	Description
(a) Section 7(1) and 43(1) of Sri Lanka Electricity Act, No. 20 of 2009 as amended.	Without obtaining the authorization from the regulator, 261.32 Gwh of energy valued at Rs. 6.02 billion had been purchased during the year under review from 3 retired Independent Power Producers (IPPs) whose generation license had been expired.
(b) Section 46 of the Ceylon Electricity Board Act, No. 17 of 1969, and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971.	Even though a contribution of 0.1 per cent of the total value of gross fixed assets as at the end of each year should have been transferred to the Insurance Escrow Fund since 1989, the Board had invested only a sum of Rs. 10,657 million as of 31 December 2021. According to the computation carried out in audit, it was revealed that, a further amount of Rs. 852.87 million could have been invested in the year under review.
(c) Section 3.5 of the Operational Manual for State Owned Enterprises issued by the Department of Public Enterprises.	In contrary to the provision, the Board had paid a sum of Rs. 105.22 million in the year under review as salaries and other payments to 65 employees who had been released to the line Ministry and to the CEB Provident Fund.
(d) PED Circular No. 95 dated 14 June 1994 issued by Department of Public Enterprises, and the Decision taken by the Audit Committee of the Ministry on 25 September 2020.	In contrary to the provisions and management decisions, a sum of Rs. 1.2 billion had been paid in the year under review as leave encashment for the year 2020.
(e) Section 47 of Employee Provident Act, No. 15 of 1958 and attachment "A" of extraordinary Gazette No. 1321/18.	In contrary to the provisions, the Board had considered the highest of the exodus allowance, postgraduate degree allowance and professional allowance/ semi-professional allowance when computing the earnings. EPF had been paid based on those earnings.
(f) Section 6.1.3 of the power purchase agreement entered into with West Coast Power (Pvt) Ltd on 10 January 2007.	The electrical energy supplied by the Board to the West Coast Power (Pvt) Ltd at 220kv should have been at the cost of power, if there were no terms and conditions applicable to the supply of electrical energy at 220kv. However, the Board had considered only the energy charge to compute the rate of the electrical energy supplied to the Company by the Board without being considered the capacity charge and the other charges.
(g) The decision of the Cabinet of Ministers dated 3 October 2018.	The Board had not implemented the Cabinet decision on utilization of the standby Generators owned by Government entities.
(h) Circular No. PED/03/2015 of 17 June 2015, and PED/01/2020 of 27 January 2020.	The Board had not obtained the approval of the Secretary to the Ministry to pay the sitting allowance and transport allowance for additional board meetings.
(i) Circular No. 03/2018 of 18 July 2018 of Management Service Department, and Section 9.1 of Chapter II of E-code.	Two retired employees had been appointed as consultants of the Board without being obtained the approval of the Cabinet of Ministers.
(j) Section 5.1 of the Operational Manual for State Owned Enterprises of 21 November 2021.	Even though the Board had incurred losses continuously, a sum of Rs. 2.7 billion had been paid as bonus in the year under review based on the draft collective agreement.

Auditor General's Report On Group Financial Statements (Contd...)



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;

- (a) Various staff allowances had been paid by the Board from time to time to its staff on the approval of the Board, but, 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. In audit tests it was revealed that such allowances totaling to Rs. 2,134.9 million and Rs. 1,544.4 million had been paid in the years of 2021 and 2020 respectively. Further, in contrary to the provisions of the above Cabinet decision and the Board decision No. BM/2021/22/01, the payment of allowances made to 323 employees had been exceeded 65 per cent of their salaries.
- (b) As per the decision taken by the Cabinet of Ministers at the time of salary revision on 13 December 2007, and as per the Collective Agreement entered into on 20 May 2015, the liability of Pay As You Earn (PAYE) tax/ Advanced Personal Income Tax (APIT) had been decided to be shifted to the employees of the Board. However, the Board had paid PAYE tax/ APIT amounting to Rs. 4.98 billion out of its owned funds without deducting from the salaries of the respective employees during the period from 2010 to 2020 in contrary with the above mentioned Cabinet decisions and the instructions of the circular No. 3/2016 issued by the Department of Public Enterprises.
- (c) As per the Public Enterprises Circular No. 130 dated 08 March 1998, vehicle loans should be granted at the interest rate ranging from 10 per cent to 14 per cent. However, the Board had granted vehicle loans to its employees at the interest rate of 4.2 per cent without being considered the liquidity difficulties of the Board.
- (d) According to the Section 24(1)(c) of Sri Lanka Electricity Act, No. 20 of 2009 as amended, the Board should be able to ensure that there is sufficient capacity from generation plants to meet reasonable forecasted demand for electricity. However, as a result of not commissioning of plants as per the Long Term Generation Expansion Plan, the Board had to purchase thermal power on short term basis at an excessive cost.
- (e) The Board had not paid interest on consumer deposits as specified in the Section 28(3) of Sri Lanka Electricity Act, No. 20 of 2009. According to the computation made in audit based on the rate reported by the Public Utilities Commission of Sri Lanka for the year 2021, the interest to be paid thereon was Rs. 1,357.60 million, and accordingly, the unpaid accumulated interest as at 31 December 2021 had been Rs. 8,089.50 million.
- (f) The Board had increased the salary of employees by 25 per cent in the year 2021 based on draft collective agreement, which was not a legal document as it had not been signed by the related parties, employer and employee unions. Accordingly, the negative impact to the Board due to that unauthorized payment was approximately Rs. 9.6 billion.
- (g) At the Cabinet of Ministers' meeting held on 16 May 2017, it was highlighted that there should be a viable programme to transfer the technical knowhow of CMEC engineers to the Board staff. However, without considering that decision the Board had signed the second and third technical corporation agreement for operation and maintenance of Lakvijaya power station on 23 November 2017 and 25 February 2020 respectively without getting the approval from the Cabinet of Ministers. Total invoice value for the said two agreements (From 01 October 2017 to 30 September 2021) was USD 13,766,367. Further, the another agreement had been entered into for obtaining of Technical Advisory Service for Operation and Maintenance of the Plant for the sum of Rs. 435.64 million (Including Vat) with CMEC Lanka (Pvt) Ltd on 27 December 2021 for one year period from 01 January 2022. Even after entering into those agreements for the operation and maintenance of the power station, 16 numbers of breakdowns had been occurred only during the year 2021 with the loss of 105 days and energy loss of 758,587 mwh. Those breakdowns had resulted in significant adverse impacts on power supply of the country.

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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 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. The total cost incurred by the project up to the end of the year 2020 was Rs. 301.19 million. However, the Board had decided to windup the project activities at the Board meeting held on 20 December 2020. Further, at the Board meeting held on 23 February 2021 it was decided developing the above project through the Sri Lanka Energies (Pvt) Ltd (SLE), and to seek the approval of the Cabinet of Ministers to award this contract as a "Single Source Procurement" to SLE. Accordingly, it was observed that there was a risk that the cost of Rs. 301.19 million incurred by the project might be recognised as an expenditure of the Board, because this expenditure incurred for above mentioned purposes could not be used by another investor.
- (b) Procurement procedure should be followed for non-conventional renewable energy (NCRE) projects after 6 August 2013 as per the Sri Lanka Electricity Act, No. 20 of 2009 as amended. Following observations are made in this regard.
- (i) Regardless of that, the 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. Accordingly, a power purchase agreement for one Solid Waste Plant had been signed with an independent power producer in December 2020 and hence, the total tariff of Rs. 36.20 per Kwh had been borne by the Board. However, a sum of Rs. 13.10 per Kwh had not been reimbursed by the General Treasury as per the Cabinet decision.
- (ii) Only 7 procurements for NCRE projects with aggregating capacity of 390MW had been initiated up to 31 December 2021. Further, out of the above mentioned power plants, only one power plant with aggregating capacity of 49MW had been commissioned up to 31 December 2021.
- (c) The estimated cost of the proposed head office building had been increased from Rs. 1,000 million to Rs. 6,161.87 million (including payments made for consultancy and previous contractor) due to delay in completion of the project from 2011 to 2021 as an additional space requirement, scope changes and price inflation. Further, amounting to Rs. 284.41 million had been incurred by the Board during the period from 2017 to 2020 for renovation of the existing head office building of which the ownership had not been confirmed even after planning a new building to be completed in the year 2023.
- (d) According to the Long Term Generation Expansion Plan of 2018 – 2037, new generations of 500MW, 657MW, 430MW and 445MW were planned to be implemented in the years of 2018, 2019, 2020 and 2021 respectively. However, out of the planned new addition capacity of 2032MW, power plants with aggregating capacity of 661.6MW had only been commissioned. Therefore, the progress of implementation of new generation plants was significantly lower, and the objective of the plan to produce least cost power supply was unable to achieve. As a result, a quantity of 267.17 Gwh valued at Rs. 6.54 billion had to be purchased as additional power during the year under review.

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- (e) Unit costs (Per kwh) of purchased energy from the three retired IPP power plants and from the additional power plant of 24MW during the year under review were Rs. 21.75, Rs. 25.26, Rs. 24.97 and Rs. 88.85 respectively, while average selling price was Rs. 16.37. Therefore, excessive cost of energy purchasing could have been reduced, if power plants were able to commission as per the Least Cost Long Term Generation Expansion Plan to cater the real time demand requirements instead of being used emergency power plants at excessive cost.
- (f) According to the training documents submitted by CMEC, the level "A" maintenance interval which refers to the comprehensive disassembling inspection and repair for the unit, so as to maintain, recover or improve the equipment's performance, shall be between 4 to 6 years. However, it was observed that level "A" maintenance for units 02 and 03 of the Lakvijaya power plant had not been conducted even after 7 years from the commissioning date of the units. It was further observed that 14 numbers of breakdowns had been occurred relating to the unit 02 and 03 of the Lakvijaya power plant during the year under review with a loss of 663,510Mwh energy.
- (g) The Board was unable to complete the remaining works of Tangalle Gantry to Nonagama Gantry line (from Tower 13 to 36) even after 15 years from the initiation of Lighting SriLanka Hambanthota Project due to unresolved objections.

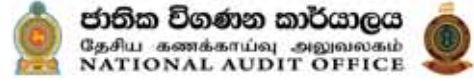
2.3 Other Matters

- (a) Out of the trade debtor balance of Rs. 44,079 million as at 31 December 2021, a balance of Rs. 6,839 million relating to both ordinary and bulk supplies had been remained outstanding for over one year, and out of that amount a sum of Rs. 2,928 million had been remained unrecovered for more than five years.
- (b) Aggregating balances of Rs. 1.67 billion and Rs. 897 million in sundry debtors and other debtors respectively had remained uncollectible for more than one year as at 31 December 2021.
- (c) A sum of Rs. 83.68 million shown under the receivables from Government Institutions for supplying of lifts, air conditioners and power generators by the Asset Management Division of the Board had remained unrecoverable for more than five years.
- (d) A sum of Rs. 714.96 million due from Lanka Coal Company for coal shortage had been remained outstanding for more than five years without being taken proper actions to get recovered.
- (e) Credit balances aggregating Rs. 4.01 billion had been remained unsettled for a longer period as at 31 December 2021. Details are as follows.

Name of Creditor	Amount Rs.
China Machinery Engineering Corporation	2,820,562,372
Deemed dividend tax payable	1,270,766,413

- (f) A sum of Rs. 2.9 billion payable to the Northern Power Company (Pvt) Ltd had been included under the trade creditors of Transmission Division in the financial statements, and that amount had been remained unsettled for over three years.
- (g) Coal stock shortage revealed in stock verification amounting to Rs. 571.34 million (27,049.71MT) had been recognized as a loss in the income statement as at 31 December 2021. However, the accuracy of that amount could not be ascertained in audit due to the following reasons.

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- (i) Only about 35kgs of coal excavated from the pits were weighted to measure the field density of coal per cubic meter to verify a large quantity of coal.
 - (ii) There were differences in field density of coal per cubic meter in the excavated pits.
 - (iii) The average coal surface for bay "B" had not been measured as there were coal piles.
 - (iv) Loaded quantity and discharged quantity had been measured from the draft survey.
 - (v) Zero belt scale used to measure discharged coal had not given an exact figure.
 - (vi) Belt scale used to measure the consumption of coal by three units had not given an exact figure.
 - (vii) Density of coal might be different at the moment of discharging and consuming the coal, and not adjusting the impact of density on the coal stock.
- (h) Even though the Board had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there were no sales and purchase agreements entered into with those two parties in order to ensure the smooth operations between these two Institutions.
- (i) A sum of Rs. 61.39 million had been deducted by the lending agency in 2020 as commitment charges from the foreign funded loans given to the Board to implement projects. Many projects implemented by the Board had not been completed in due dates, and it had led to additional commitment charges. Further, the details of computation of commitment charges were not made available to audit, and accordingly, the occurrence and accuracy of the commitment charges could not be verified satisfactorily.
- (j) Even after the completion of the formal investigation, 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 occurred during the period from 20 November 2006 to 20 February 2012 in Asset Management Division (Power Plant). Further, the same employee was liable for another fraud occurred in other office of the Board, and his duty had been terminated after recovering only Rs. 99,155 as the value of this fraud without being considered the prior fraud.
- (k) An officer, who had been 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, that amount was remained unsettled in the books of accounts. The Board was in the process of writing-off that amount and offering the retirement to him without being taken any disciplinary actions against him.
- (l) There were non-moving items amounting to Rs. 22.88 million in capital work in progress account in the Generation Division since 31 December 2018.
- (m) The Board had not acquired the right of dams valued at Rs. 62.95 billion as at 31 December 2021 shown in the financial statements.
- (n) A sum of Rs. 2.46 billion, representing 8.5 per cent of the total consumable stocks amounting to Rs. 28.79 billion, had been shown in financial statements as slow moving, non-moving and damaged stocks as at 31 December 2021. Accordingly, it was observed that maintaining of such types of consumable stocks might cause for stock damages, increase in holding costs and creating opportunities for frauds.

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- (o) Even though the rate for mini hydro plants should have been decided on actual costs method, that rate had been decided on avoided cost method relating to the some power plants, which had no any relation with the actual cost of the mini hydro power plants. The avoided cost method was based on the thermal plants dispatched, and it had varied from fuel costs. As per the letter No. DGM/SYC/TCH/41 of DGM (system control), the unit cost of mini hydro plants should have been less than Rs. 10.00. However, the rate determined on the avoided cost method for the mini hydro plants for the year 2021 was Rs. 19.11 for the wet season and Rs. 20.59 for the dry season. Further, as per the statistics reports, the hydro cost per unit for the Board was Rs. 2.49 in 2020.
- (p) The progress of the programmes of identification, surveying and valuation of lands belonged to the Board commenced from 01 June 2020 was remained at very lower level, i.e. surveying was 34 per cent and valuation was 0.4 per cent only.
- (q) Some inventories in Lakvijaya Power Station had not been recorded in the books of accounts, and those inventories had not been verified at the end of each year.
- (r) Records of the receipt and consumption of fuel in Lakvijaya Power Station had not been updated from 04 December 2021 to 11 January 2022 in the inventory books. The monthly average receipts and consumption of fuel during the period from 04 December 2021 to 11 January 2022 were 442,200 liters and 725,521 liters respectively.
- (s) The Board had not taken actions to write-off the surcharges and interests amounting to Rs. 361,992,685 as per the Cabinet decision and the Board decision related to Valachchena Paper Corporation.

W.P.C. Wickramaratne
Auditor General

Replies to the Report of the Auditor General on Group Financial Statements

Replies to the Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2021 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 Qualified Opinion

1.2.1 Comments on Consolidated Financial Statements

1.2.1.1 The Qualified Opinion on the financial statements of the following companies for the year ended 31 December 2021 had been expressed by me based on the following observations.

(a) Lanka Coal Company (Pvt.) Ltd

- (i) **As per the paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12), with regard to the value added tax assessments, a sum of Rs. 287,139,348 relating to additional tax payable, and a sum of Rs. 220,628,092 relating to penalty payable thereon for the years of assessment 2017/2018 and 2018/2019 had not been disclosed in the financial statements.**

LCC has submitted the 04 amended VAT returns to IRD along with the appeal for value added tax assessment received and negotiation is going on for same. First meeting was successfully done dated 06/06/2022 with assistance of the Tax consultant. If necessary, as per the Sri Lanka Accounting Standards, disclosure will be made in the next financial year.

- (ii) **The Company had not settled a sum of Rs. 33,317,325 relating to suspense accounts of 154 shipments, and a sum of Rs. 1,760,500 relating to advances receivable from the CEB Proc-coal closing balance in the year under review.**

Content of the suspense accounts as follows.

Opening Balance as at beginning of the year	: 4,323,787.00
Amount transferred with in the year 2021	: 30,757,506.00
Balance as at end of the year 2021	: 35,081,293.00

The content of beginning balance of the Suspense account:

Receivable from CEB Rs.4, 323,787.00: This amount is remaining after settlement of the account with CEB in 2017. This balance is being further investigated to ascertain source/origin and action will be taken to clear the balance from suspense account.

The content of the amount transferred within the year 2021:

This balance is being further investigated to ascertain source/origin to clear the suspense account in 2022 financial year with the guidance of audit and management committee.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (iii) **When importation of coal, a mark-up of 10 per cent, which had not been actually incurred, had been added to the value at the point of the Customs as a notional adjustment in ascertaining the value for the Custom purpose. However, the Company had added a 10 per cent mark-up amounting to Rs. 5,324,423,778 to the revenue, and later, that amount had been recognized as discounts to the debtors and adjusted to the cost of sales. As a result, the cost of sales and revenue had overstated by similar amount.**

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 was on record and minuted have stated 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. CEB has challenged the directive and written to IRD by their letter dated 2018-09-07 to which the response is yet to be received. Until such time 10% customs margin was added to invoice but excess output VAT has not been remitted to IRD until the interim pending issuance of a ruling by IRD. LCC also has inquired from the Inland Revenue Department about the possibility of calculating the output VAT by removing the 10% notional margin, which is contents of the revenue, the response is yet to be received.

Action will be taken to inform Lanka Coal Company to rectify the accounting issue related to the notional tax margin entries according to the Sri Lanka accounting Standards in the financial statements of LCC.

- (iv) **According to the financial statements, VAT and other receivables amounting to Rs. 197,452,711 receivable from the CEB as at the end of the year under review had not been confirmed by the CEB. Further, CEB had not recognized this liability in its financial statements. Accordingly, the accuracy and completeness of that amounts could not be ascertained satisfactorily in audit.**

Action has been taken to inform the relevant officials to send the balance confirmation to Lanka Coal Company in due course after finalizing the payables.

- (v) **Management fees amounting to Rs. 22,502,205 had been outstanding for over 3 years as at the end of the year under review. However, any provision in this regard had not been made in the financial statements.**

Action will be taken to inform Lanka Coal Company to include a provision in the financial statements if there is such management fee payable was outstanding after obtaining the confirmation from AGM (Generation)

- (vi) **According to the information made available, it was observed that the Company had paid a sum of Rs. 205,000,000 as penalty to the Sri Lanka Customs due to non-declaration of correct value of the coal imported during the period from 19 September 2016 to 09 April 2018. The penalty payment made in 2019 had been accounted for under the Sri Lanka Custom VAT account, VAT control account and CSCL liability account instead of being accounted as expenditure in the respective years. As a result, the retained earnings had overstated by Rs. 205,000,000, and the Sri Lanka Custom VAT account, VAT control account and CSCL liability account had understated by Rs. 158,186,165, Rs. 39,970,418 and Rs. 6,843,417 respectively in the year under review.**

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 Rs.205,000,000 to LCC on above wrong declaration. The investigation officers of Sri Lanka Customs had informed to LCC Officers that no any final VAT payment to be done after this payment. Further LCC has identified the actual penalty Rs. 6,843,417.00 due to above wrong declaration and debited against CSC liability.

Action will be taken to inform LCC to effect correct accounting entries in this regard as per Sri Lanka accounting Standards with the consultation with Audit and Management Committee.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (vii) **The Company had not taken appropriate actions to get recovered a long outstanding balance of Rs. 539,192,079 receivable from Taurian Iron and Steel Company Ltd (TISCL) through Ceylon Shipping Corporation Ltd (CSCL), and no any provision had been made for impairment. Further, the TISCL/CSCL had not confirmed the due balance. Therefore, it was unable to ascertain the accuracy and existence of the above balance.**

A high-level committee handled the Taurian Iron and Steel settlement. The committee has not ruled that the debt is bad, and the buyer has agreed to settle the debt by providing coal. According to information we have, the settlement proposal has been submitted to the cabinet for consideration. The current status of the outstanding amount receivable from Ceylon Shipping Corporation (Taurian Iron and Steel Company Ltd.) was referred to the Cabinet of Ministers, who appointed a four-member Committee of the Treasury (Chairman), Ceylon Shipping Corporation, Lakvijaya Power Plant, and Lanka Coal Company to negotiate with the Taurian Iron and Steel Company. Furthermore, the Cabinet has advised that the committee's recommendations has be submitted to the Cabinet via the Ministry of Ports and Shipping, which was yet to be submitted. An internal investigation was ordered at COPE meeting dated 21st June 2022 to identify the parties responsible for the non-delivery of stock of coal worth of Rs.539 million. Accordingly, as per the Audit and Management Committee meeting dated 15/09/2022 approval was given to appoint the investigation officers to conduct an internal investigation.

- (viii) **Balance confirmations and other relevant evidences relating to the verification of balances of Miscellaneous Debtors amounting to Rs. 18,075,801, Receivables from Noble Resources International (Pvt.) Ltd amounting to Rs. 1,115,987, Trade Creditors – Nobel Resources International (Pvt.) Ltd amounting to Rs. 85,887,776 and SGS charges of 50% receivable from Liberty Commodities Ltd amounting to Rs. 8,048,531 were not made available to the audit.**

a. Misc. Debtors Rs.18,075,802

Initial investigations revealed that the amount comprises of Rs.17, 839,949 of irrecoverable NBT & PAL. Action was taken to inform LCC to obtain balance confirmation.

b. Receivable from Nobel Resources Rs.1,115,987

There is a credit balance for a sum of Rs.85, 887,776 for Noble Resources and action will be taken to set off this debtor balance against the credit balance.

c. Trade creditors Noble Resource Rs.85, 887,776

The balance mainly consists of an under drawn amount by Nobel Recourses Intl. Pvt. Ltd due to expiry of the LC validity period.

d. SGS Charges 50% receivable from Liberty Commodities Ltd : Rs.8,048,531

Draft Survey Charges at discharge port for 17 numbers of vessels in the season 2015/16 are included. Email was sent in 2019 informing M/s Liberty Commodities (Pvt) Ltd to make this payment based on the signed agreement. Arbitration process is ongoing regarding this matter.

- (ix) **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 only a sum of Rs. 106,969,404. Accordingly, it was observed that the Company had overpaid a sum of Rs. 29,266,965.**

Due to a wrong declaration done by Ceylon Shipping Corporation, Lanka Coal Company (Pvt) Ltd overpaid VAT of Rs.29, 266,966 to Sri Lanka Customs for shipment no. 123. LCC has already filed a refund claim, and the Customs Department is working on the appropriate formalities to complete the refund or set off against LCC's outstanding Customs due balances. LCC is holding equal CSC outstanding sum until the refund claim is resolved.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (x) **There was an unidentified difference amounting to Rs. 4,003,372 between the balance payable to Ceylon Shipping Corporation as at the end of the year under review as per the financial statements of Lanka Coal Company (Private) Limited, and the balance confirmed by the Ceylon Shipping Corporation as at that date. However, the Company had not taken proper actions to reconcile the difference.**

LCC prepared a reconciliation statement by identifying items for the difference in the balance payable to Ceylon Shipping Corporation as of December 31, 2021. Most of the items were not booked by LCC for justifiable reasons and were disclosed under note no. 24 "Commitment & Contingencies." The LCC and the CSC are currently in discussions to resolve the existing discrepancies and unidentified differences in the year end balances as of 31 December 2021.

- (xi) **Balance confirmations and other relevant documentary evidences relating to a payable balance of Rs. 2,362,129 as at the end of the year under review were not made available to audit.**

The above Accounts Payable was caused by incorrect accounting entries made in the years 2018 and prior. Action will be taken to inform LCC to effect necessary entries to rectify the above errors.

(b) Lanka Electricity Company (Private) Limited

- (i) **The balance due from the Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2021 was amounted to Rs. 1,343,821,164 which contained the cost of energy purchased by the CEB amounting to Rs. 1,336,859,095 for the years of 2017, 2019 and 2020 using net accounting and net plus methods. However, the balance confirmation for that amount was not made available to audit. Further, CEB had not recognized this liability in its financial statements.**

For the year 2021 receivable amount was already adopted with UNT Tariff adjustment for 4th Quarter of 2021. Discussions are ongoing regarding the settlement of previous years' balances.

- (ii) **Share certificates or any other sufficient appropriate documentary evidence in respect of the investment amounting to Rs. 5,000,000 made in ordinary shares of Lanka Broad Band Network (Private) Limited as at 31 December 2021 were not made available to audit.**

This matter was referred to the Attorney General department. They have requested certain information / clarifications time to time and company is working on providing that information and clarifications. It is expected to file a case against this company based on the Attorney General department's final instructions.

- (iii) **An unidentified collection from customers amounting to Rs. 14,731,287 had transferred from the rejected account had been shown under the balance of other creditors as at 31 December 2021.**

This balances are being cleared by Treasury Division coordinating with the collection agents and banks. All relevant efforts were taken by LECO to mitigate this issue. As of now LKR 1,746,780.92 was identified and cleared.

Further, please note that this is a continuous process and there are unidentified collections in several bank accounts due to mistakes made by the depositors and errors/omissions of collectors. When bank reconciliations are prepared, these unidentified collections are cross checked with relevant collectors to clear them.

- (iv) **The Company had incurred a cost of Rs. 206,924,712 to purchase the lands and buildings used for construction of the CEB primary substations and that amount had been recorded as a balance receivable from the CEB. However, there was no formal agreement between the Company and the CEB regarding setting up primary substations in Company's lands and charges to be paid by the CEB for utilizing the above mentioned lands and buildings.**

It will be submitted to Board of Directors, and actions will be taken as per their instructions.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (v) **According to the Section 6.9 of the Operational Manual for State Owned Enterprises Circular No. PED/01/2021 dated 16 November 2021, the Board of Directors may write off losses, having undertaken a due process and must ensure that there is a due process followed including recommendation from Audit Committee on write offs. However, the Company had not followed the said process in this regard and a debtor balance for street light amounting to Rs. 387,806,335 due from Municipal Councils and Provincial Councils had been written off during the year under review based on the Board approval given on 30 November 2021.**

These write-offs were made with the authorizations of Board of Directors.

Action will be taken to inform LECO to establish a procedure for write off and in future, approval from Audit Committee for write off will be taken prior to sending to the Board of Directors.

- (vi) **The income generated from the non-bulk customers in the last month of a year had been used to recognise as income from the non-bulk customers in the next year. Accordingly, income received from non-bulk customers in December 2020 had been recognised as the income in January 2021, and same practice had been applied for other years continuously. Therefore, the accuracy and completeness of revenues received from non-bulk customers could not be ascertained properly.**

All bulk bills are being issued on first day of every month. Therefore, December billing cycle sales are considered for the same year. However, the retail (non-bulk) bills are distributed from 1st to 25th day of every month. The consumption of December and January mixed with the December billing cycle and difficult to cater them for two months. Therefore, retail non bulk bills income was always recognized in the following month due to the difference in the billing dates.

1.2.2 Comments on Financial Statement of the CEB

1.2.2.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies.

(a) Conceptual Framework for financial reporting.

- (i) **Expenses of the Employee Provident Fund (EPF), which was operated under the Board as a separate entity, amounting to Rs. 53.63 million had been recognized as expenses of the Board in the income statement for the year under review in contrary to the paragraph 4.1(b) of the framework.**

Paragraph 4.1 (b) of the Conceptual Framework for Financial Reporting states that “income and expenses, which relate to a reporting entity’s financial performance”.

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 granted approval 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 on Group Financial Statements (Contd...)

Further this matter was again presented to management committee meeting of the fund held on 24th February 2022 and 26th May 2022, committee decided to continue to bear all administrative expenses of the fund by CEB, except the expenses relating to inspection of housing loan.

(ii) Assets owned by the Board amounting to Rs. 8 million had been utilized for EPF activities in contrary to the paragraph 4.3 of the framework.

Paragraph 4.1 (b) of the Conceptual Framework for Financial Reporting states that “income and expenses, which relate to a reporting entity’s financial performance”.

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.

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Further this matter was again presented to management committee meeting of the fund held on 24th February 2022 and 26th May 2022, committee decided to continue to bear all administrative expenses of the fund by CEB, except the expenses relating to inspection of housing loan.

(b) LKAS 2- Inventories and LKAS 16 – Property, Plant and Equipment

The Board had applied the standard cost method for valuing overhead costs of its capital and maintenance jobs, instead of being applied the actual costs in line with the requirements of the above Standards. As a result, there were favorable overhead rate and material price variances aggregating to Rs.4.04 billion. Further, there was an unfavorable stores price variance aggregating Rs. 1.78 billion. However, the impact on operating results, assets and equity in the financial statements could not be properly ascertained due to lack of required information relating to those capital jobs.

As per LKAS 2- Inventories, para 25, the cost of inventories shall be assigned by using the FIFO or weighted average cost formula. An entity shall use cost formula for all inventories having a similar nature and use to the entity. Accordingly, CEB uses FIFO method to value its inventories and actual cost is used to record labour costs in Generation, Transmission, Asset Management and Projects Division which comprises 75% of the Work In Progress, 61% of the Property Plant & Equipment and 55% of the inventories of CEB as at 31 December 2021. Hence, a major portion of the PPE, Inventories and WIP are presented at costs in compliance with the relevant Accounting Standards.

Due to the complexity and huge volume of inventory, the Distributions Divisions in CEB uses standard Cost method.

LKAS 02 – Inventories Para 25 has permitted to use standard cost method for the valuation of Inventories if the results approximate to the cost (“Techniques for the measurement of the cost of inventories such as standard cost method may be used if the results approximate cost”). Another the reason for using the standard cost method for valuation of inventory by CEB is that, there should be a standard cost base to each customer in any area irrespective of the

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

price changes of materials. The PUCSL guidelines for “Methodology for charges” also defined that “Each licensee shall calculate Standard Prices for all items of material used for the provision of electricity supply services in the operational areas”.

However, it is accepted that variances could be occurred due to the price escalation of material and other charges. In case of maintenance cost appeared in the Income Statement, the difference between the standard and the actual cost shall be reflected in the variance accounts in the same statement and results would be net off.

Further, as per LKAS 2 (paragraph 21) standard cost method for the measurement of inventories is recommended to subject to regular review and revision based on the current conditions. Accordingly, the Pricing Committee was instructed to review the standard prices bi – annually in order to minimize the gap between actual prices and standard prices.

In addition to above, CEB is the process of implementing ERP system with the Weighted Average inventory valuation method. When the ERP system is introduced in CEB these issues will be eliminated.

Further there should be an allocation method to absorb the overhead cost to capital and maintenance jobs Overhead rate is calculated using directly attributable overhead related to respective capital or maintenance jobs and absorbed to those jobs.

(c) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The fully depreciated non-current assets, which had been continuously utilized by the Board, had not been reviewed annually to revise the estimated useful lifetime as per the accounting policy Nos. 2.4.6(e) and 3(c), and which had not been disclosed in the financial statements. Accordingly, fully depreciated property, plant and equipment amounting to Rs. 197.21 billion had been used by the Board without reviewing the useful lifetime annually. However, the Board had revised the estimated useful lifetime of its vehicle fleet in the year under review, and a sum of Rs. 3.17 billion had been adjusted in the financial statements retrospectively.

Most 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.

Another major component of the balance assets is the transmission and distribution lines. . Actions will be taken to identify a mechanism to resolve the audit observation.

(d) LKAS 16 – Property, Plant and Equipment

The value of fixed assets in the Transmission Division as at the end of the year under review was amounting to Rs. 202.9 billion, and out of which, the fixed assets amounting to Rs. 201.01 billion had not been physically verified as at the end of the year under review.

The value of fixed assets in Transmission Division as at 31-12-2021 is Rs.202.9 Billion.

The physical verification pertaining to all moveables fixed assets have been successfully carried out and records furnished for the attention of Audit.

The immoveable assets amounting Rs. 201.01 billion, mainly related with existing transmission lines, plant and machinery which are integral parts of electricity transmission network have been identified and incorporated in the Assets Data base of Computerized Maintenance Management System (CMMS) held at Assets Management and Condition Monitoring Branch.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

As at 31st December 2021, the Transmission network immovable assets consist of grid substations, overhead and underground cables as depicted in table 01 and 02.

Table 01: Grid Substations

Grid Substations	Number of GSS	Total Capacity (MVA)
132/33 kV	60	4758
220/132/33 kV	4	1600/380
220/33 kV	5	498
132/11 kV	8	792
220/132kV	7	3010

Table 02: Overhead (OH) Transmission Lines/Under Ground

Overhead (OH) Transmission Lines/Under Ground	Length (km)
220kV, OH	807
220kV, UG	22
132kV, OH	2335
132kV, UG	55

- (1) The above main assets categories comprises with components subcategorized as follows Grid Substation Equipment
 - a. Primary Equipment – 220kV, 132kV, 33/11kV Grid assets
 - b. Control & Protection Equipment
 - c. Communication Equipment
 - d. Metering Equipment
 - e. Secondary Equipment
- (2) Line Equipment
 - a. Overhead Lines – 220kV and 132kV Towers, Conductors etc
 - b. Under Ground cables Lines – 220kV and 132kV Cables, Joint Boxes

At present there are more than 24,000 individual assets related items mainly relevant to Grid Substation equipments, identified and recorded in the Assets data base of Computerized Maintenance Management System (CMMS) maintained by Assets Management Branch.

Additionally, overhead transmission lines including more than 9000 individual towers and underground cables listed in Table 2 are identified as Transmission Line assets and Underground Cables in the Assets data base of Computerized Maintenance Management System (CMMS) as well.

Hence, action will be taken to physically verify these assets pertaining to Transmission Division.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

1.2.2.2 Accounting Deficiencies

(a) **As per the Cabinet decision No. 10/2434/423/034 dated 13 October 2010, the loans aggregating to Rs. 159.18 billion obtained for the construction of Lakwijaya Power Plant should have been transferred to Lanka Coal Company (Pvt) Ltd (LCC) by the General Treasury. Accordingly, the Board should have to pay an equivalent amount of debt servicing to the LCC. Further, as per the letter No. PE/EN/CEB/Equity/2014 dated 30 September 2014 of the Secretary to General Treasury, these loans should have been treated as direct loans of the Board. However, the Board had recorded these loans as loans received from the General Treasury (on lent). Accordingly, the Board should have ensured that there was an accounting arrangement to recognize the long-term and short-term portions of the loan balance under the non-current and current liabilities separately in the financial statements. Even though, the interest payable by the Board for the year should have been recognized properly, it was observed that there were no any arrangements made by the Board. Following observations are made in this regard.**

(i) **The loan repayments amounting to Rs. 61 billion made by the General Treasury prior to 31 December 2018 had not been recognized as equity in the financial statement of the Board.**

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 the liquidity constraints servicing of 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. Thereafter, directions were given by Public Enterprise Department to convert the loan payments from 2019 onwards into equity of CEB.

CEB being a state-owned enterprise is bound to adhere to decisions taken by Treasury. Therefore, the books of CEB can be adjusted as per the directions given by Treasury. The loan repayments prior to 2018 will be recognized in the financial statements of CEB upon receiving such direction from General Treasury.

(ii) **As per the Section 42(6) of Electricity Board Act No. 17 of 1969 any loss or profit in relation to the revaluation of Sri Lanka Rupee with regarding to a loan provided to the Board should be charged to the consolidated fund and the Government shall bear that loss or profit arising thereon. However, exchange losses amounting to Rs. 6,700 million and Rs. 676.37 million in the years of 2020 and 2021 respectively had been included in the statement of comprehensive income of the Board. As a result, losses for the years of 2020 and 2021 had overstated by Rs. 6,700 million and Rs. 676.37 million respectively.**

In terms of above sub-section 6 of section 42 of the Ceylon Electricity Board Act No.17 of 1969, 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 loan obtained by CEB and such sub loan agreements with government have 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 by treasury has been transferred to CEB as a conversion of debt to equity including the exchange rate losses. As per the Sri Lanka Accounting Standards exchange rate losses related to the capital repayment of the loan converted as equity are accounted in the statement of comprehensive income.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (b) **A debit balance of Rs. 123.86 million relating to stock shortage and a credit balance of Rs. 32.65 million relating to stock excess had remained unsettled in the Stock Adjustment Account for over one year.**

Divisions	Stock Surplus / Shortage -Net - More than 1 year	Reply
DD-02	(1,670,231.44)	Stock shortage amounting to Rs 93,823.50 has been cleared during the period from June 2022 to 31st August 2022. Follow up actions are being taken to clear the remaining balance.
DD-03	(54,258,690.00)	Some of the Stock shortage, stock surplus and Stock adjustment balances are cleared as of August 2022. Further, committees have been appointed to review the remaining balances and based on committee recommendations and necessary approvals, balances will be cleared. In the case of WPSII, a committee will be appointed to examine and make recommendations to clear the outstanding balance.
Generation	(35,280,314.00)	A Board paper will be submitted to the Board and the balance of Lakvijaya complex will be cleared in 2022 with the approval of Board. In samanala complex, action has been already taken by the accounts unit to coordinate with the store keepers of all power stations under the purview of DGM(SC) and started clearing the stock shortages and surpluses. Further action will be taken to clear the stock adjustments in other complexes as well
Total	(91,209,235.44)	

- (C) **An amount of 25.23 billion received to the Board as disbursement from foreign loans for Projects after 31 December 2014 had been recorded as sub loans received from the General Treasury. However, those loans had not been recognized as sub loans in the Island Account. Further, the responsibility for the repayment of those loans had been assigned to the Board by the Cabinet decision No. 15/0228/613/012 dated 18 March 2015. However, the Board had not paid or made any provision for repayment of capital and interest payment of those loans. Hence, the accuracy of those loans could not be ascertained in audit.**

As per the above mentioned cabinet Decision dated 2015-03-18 CEB is expected to service and repay debt from the year 2015.

However, since the Loan Agreements were already signed between the Government of Sri Lanka and the Lending agency the debt servicing of these loans are being done by General Treasury. Hence, these loan disbursements have been recorded as a liability to Treasury as CEB doesn't hold a direct liability to the lender since there were no loan agreement entered between CEB and Lending agencies.

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 Government of Sri Lanka equity, with approval of the cabinet of Ministers.

Further advice in this regard has been sought from the Director General, Department of Public Enterprises by the letter no (FM/AFM (HQ)/Treasury Loans) dated 2021.07.14. Therefore, until the direction is received by treasury to transfer this balance to equity, CEB has recorded it as a liability to treasury.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (d) **Six foreign funded loans valued at Rs. 66.83 billion had been recognized in the financial statements of the Board as loans received from the General Treasury. However, there were no any sub-loan agreements entered into with the General Treasury. Accordingly, it was observed that the obligation for repayment of those loans had not been properly recognized by the Board. Further, the Board had not made any arrangement to settle the loan or to make any provision for repayment of capital and interest of those loans. Hence, the completeness and accuracy of those loans could not be ascertained satisfactorily in audit.**

These loans have been obtained through treasury on behalf of CEB even though sub loan agreements have not been finalized with General Treasury.

However, since the loan disbursements are made to CEB, these are recorded as a liability to treasury. Further, the loan agreements were already signed between the Government of Sri Lanka and the respective lending agency. Therefore, the loans are being serviced by the General Treasury as well. Further advice in this regard has been sought from the Director General, Department of Public Enterprises by the letter no FM/AFM (HQ)/Treasury Loans dated 2021.07.14.

- (e) **The jobs carried out by the Board to supply, maintain and repair power generators, lifts and air conditioners to Government institutions prior to 2013 had been valued at cost and accounted for, instead of being recognized them at invoice values. As a result, the receivable balance and retained earnings shown in the financial statements had understated by Rs. 36.8 million as at 31 December 2017. Further, the details of the settlement of those outstanding balances and invoices created for that purpose in the year under review were not made available to audit.**

The difference between the actual cost and the estimated value of the jobs carried out by the Government institution as at 31.12.2020 was Rs. 43,421,695.18 and the same difference as at 31.12.2021 was Rs. 36,811,013.41.

The information of the settlement details between 2021/01/01 and 2021/12/31 were requested by the auditors and that was sent to auditors through the letter dated 18th May 2022 with the letter reference WAS/ACCT/EX/2022/AA1/15.

Out of these outstanding balances, board approval has been granted in August 2021 to write off the total sum of Rs, 33,784,518.05 balance that needed to be received from religious institutions for providing mobile generators for religious festivals and other functions such as sports events, since these balances were long outstanding even after various efforts were been made to recover the outstanding balances.

- (f) **The Board had paid a sum of Rs. 5,000 million to the General Treasury as levy in 2016, and out of which a sum of Rs. 2,000 million had been charged to the retained earnings and a sum of Rs. 500 million had been amortised and shown in the statement of comprehensive income as management fees for the year under review. The balance amount of Rs. 2,500 million had been shown as other debtors in the financial statements for the year under review. Accordingly, it was observed that the Board had not clearly understood the nature of the transaction and taken into account.**

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 the year 2017.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (g) **A number of 8,094 completed jobs valued at Rs. 6.34 billion had been remained in work in progress account without being transferred to assets account in Distribution Divisions. Further, depreciations on those assets had not been recognized in the financial statements.**

Divisions	WIP balance Over 4 years Total	Reply
DD-01	1,124,556,867.00	Over 4 years WIP balance correct value is Rs 1,119,910,733, out of the 406 jobs over 4 years, 218 Number of jobs value amounting Rs 351.06 million have been transferred to assets as at 31 May 2022 by respective Provinces. In this regard continuous actions are being taken to transfer all completed jobs to assets on regular intervals. Special attention will be given to jobs over 3 years or more in WIP account and action will be taken to transfer these jobs to assets before 30th September 2022.
DD-02	1,099,759,554.00	Out of these jobs 194 jobs with a cost of Rs. 331.93 Million, have been completed and transferred to assets during the year 2022. Further there are jobs which are not completed and are shown under WIP due to various reasons such as objections by the third parties, not receiving the way clearances, changing the requirements of the consumer.
DD-03	2,385,892,793.00	Out of these jobs, 8,878 WIP jobs value of Rs 1,960.13 Million were cleared and transferred to Fixed asset during the year 2022. Committees are working to review and complete the remaining long outstanding jobs including transferring of completed jobs to asset account on monthly basis.
DD-04	1,728,878,518.00	All the completed jobs are transferred to assets when the completion reports are received. Provincial level committees were appointed to monitor continuously and handover the long outstanding capital jobs. Therefore, a considerable reduction compared to 2021 could be seen in the outstanding WIP of the division as of August 2022.
Total	6,339,087,732.00	

- (h) **Rs. 124.30 million worth vehicles purchased for the Puttalam Coal Power Project had not been capitalized even after the completion of the Project in 2014, and instead, that amount had been remained in work in progress account. Further, depreciation of those vehicles had not been recognized in the financial statements since the Project completion date.**

Ownership of 06 number of vehicles purchased for the Puttalam Coal Power Project (Phase-02) to the value of Rs.124.30 million has not been transferred to CEB even up to 31st Dec.2021. Capitalization will be realized once the ownership of vehicles are transferred to the CEB.

- (i) **An appropriate provision for unrecoverable accounts of the street lighting maintenance expenses relating to the Distribution Division 4 amounting to Rs. 32.32 million had not been made in the financial statements.**

Provision was already made for unrecoverable accounts amounting to Rs. 32.32 million for the street lighting maintenance expenses in the 2022 financial statements.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (j) **The balance of sundry debtors had understated by Rs. 41.48 million due to offsetting of abnormal credit balances.**

Division	Sundry debtor credit balances as at 31.12.2021	Reply
DD-01		Out of Rs.41.48 Million, DD1 have Sundry Debtors balance of Rs. 37.65 Million which have been set-off with abnormal credit balances in 2021. Out of this balance, 32.21 million credit balance was already rectified and adjusted in the 2022 financial statements and sundry debtor balances were presented without offsetting against credit balances. Remaining balance of 5.44 million will be rectified in 2022 September financial Statements and will be correctly presented.
DGM Colombo City	(36,333,263)	
DGM (North Central Province)	(82,333)	
DGM (Northern Province)	(969,129)	
DGM North western Province -1	(271,130)	
DD-03	(3,731,851.00)	Sundry debtors balance has been understated due to the credit balance figure of LRDD Lighting Rathnapura Project. Action will be taken to clear the credit balance of Lighting Rathnapura Debtor balance during capitalization of these jobs.
Total	(41,487,506.00)	

- (k) **The Economic Service Charges (ESC) which had expired the claimable period amounting to Rs. 2.7 billion had not been recognized as expenses in the statements of comprehensive income. As a result, the loss for the year under review had understated by similar amount.**

The ESC receivable represents the ESC write offs, which were supposed to be written off to the Financial Statements for the Year 2019, 2020 and 2021. 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 find 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. The ESC burden on CEB due to time bar limitation to three years have already 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.

Action has been taken to submit board memo to write off the Rs 2.7 billion explaining the situation.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (i) Goods in transit amounting to Rs. 871.2 million were remained in goods in transits account ranging the period from 1 to 5 years without being taken proper actions to settle. Further, there was an abnormal credit balance of Rs. 5.1 million in the Goods in Transits account. Documentary evidences relating to goods in transit balances were not made available to audit.

Division	Sundry debtor credit balances as at 31.12.2021	Reply												
DD-01	423,708,579.00	<p>DD-01 represent Over 5 Years balance of Rs. 242.37 Million (Rs.242, 376,020)</p> <table border="1"> <thead> <tr> <th>Province Branch</th> <th>Value Rs</th> </tr> </thead> <tbody> <tr> <td>DGM (Colombo City)</td> <td>11,620</td> </tr> <tr> <td>DGM (NWP I)</td> <td>20,090</td> </tr> <tr> <td>DGM (NP)</td> <td>1,309,310</td> </tr> <tr> <td>Corporate Office (DDI)</td> <td>241,035,310</td> </tr> <tr> <td>Total</td> <td>242,376,020</td> </tr> </tbody> </table> <p>The Corporate office balance of Rs.241,035,310 represent, the removed transformer Account. During the year 2021, an amount of Rs.59,872,376.68 was adjusted in the Accounts. Further action has been taken to adjust in the books and to reclassify the amount to the suitable accounting code, once the details of removed transformers are obtained by relevant provincial offices. In addition to the above Accountant (Assets & MI) was instructed to adhere to the GM Circular No. 2017/GM/20/FM dated on 2017-04-07 and to clear balances of such transactions without further delay.</p>	Province Branch	Value Rs	DGM (Colombo City)	11,620	DGM (NWP I)	20,090	DGM (NP)	1,309,310	Corporate Office (DDI)	241,035,310	Total	242,376,020
Province Branch	Value Rs													
DGM (Colombo City)	11,620													
DGM (NWP I)	20,090													
DGM (NP)	1,309,310													
Corporate Office (DDI)	241,035,310													
Total	242,376,020													
DD-02	106,046,035.00	<p>In case of foreign purchases, the expenses incurred till the completion of the purchase are included in the goods in transit account.</p> <p>(i) This includes letter of credit expenses, 85% payment for purchases and other related expenses such as transportation charges, local agent fees, customs and value added tax. After making the final 15% payment and other related fees, the cost of the material will be transferred as stocks. Until then these values are temporarily accounted in the goods in transit account.</p> <p>ii) When locally purchased items are handed over to LTL Galvanizers for galvanizing, those stock items are accounted in the goods in transit account until they are returned to CEB.</p> <p>Accordingly, as per the above reasons, there are balances in the goods in transit account.</p> <p>The detailed list of goods in transit account according to each tender was attached with the final accounts for the year ended December 2021.</p>												
DD-03	337,317,365.00	<p>During the financial period of 2022 necessary steps have been taken and cleared significant balance (99%) remained in Good in transit account. Further the remaining outstanding balance is in the process of being reviewed and cleared from the accounts.</p>												
DD-04	4,181,331.00	<p>Out of the mentioned balance (Rs.4, 181,331), all the balances are cleared except Rs 1.8 Million debit balance in Western Province South 1 as of 31st August 2022.</p>												
Total	871,253,310.00													

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (m) **Cost of the Electricity Distribution Development Project - Dehiwala Mount Lavinia amounting to Rs. 39 million had remained work-in-progress account since the year 2010 without being capitalized.**

Approval has been received to capitalize the WIP balance of the Electricity Distribution Development Project Dehiwala Mount Lavinia amounting to Rs. 39,075,308 under the NTDND@EIP of the Project Division and WIP balance has already been transferred to the Project division by Distribution Division 4 for the Capitalization before end of the year 2022.

- (n) **The disposed fixed assets amounting to Rs. 14 million had been shown as fixed assets under the Transmission division in the financial statements.**

Action will be taken to identify corrective measures to update the fixed assets register in a timely manner and effect the relevant accounting entries in financial statements before the end of the year 2022.

- (o) **The financial statements of the Board had been continuously restated since 2013 due to failure of the Board to design, implement and maintain a proper internal control system to detect, correct and prevent material misstatements due to frauds or errors.**

Action has been taken to minimize such restatements in future. Due to the complexity of the operations and transactions of CEB, there are instances where financial statements are required to be restated in order to ensure financial statements are free from material misstatements and also to rectify, if there are any misstatements occurred in the previous years.

- (p) **A debit balance of Rs. 557.94 million and credit balance of Rs. 556.81 million had been remained unsettled in the financial statements since 2002 as a result of transferring the inter divisions' current account balances to debtors control account instead of being settled.**

There were transits Credit balance of Rs. 556.81 Million and debit balance of Rs. 557.94 Million with respect to DD1 and DD2 at the time of decentralization of Distribution Divisions which was taken place in 2004. Further to this, documentary evidences are not available to verify the nature and details of the debit and credit balances. Therefore, for the purpose of better presentation in Financial Statements, these balances were transferred to Trade debtors Account. Action will be taken to clear these balances.

- (q) **The Board had established a Project Management Unit for the Lakvijaya Power Plant Extension Project as per Cabinet Decision No. 19/2622/113/074 dated 24 September 2019. Even after spending a sum of Rs. 167.31 million on that Project, the Board of Directors had taken a decision to close down it based on the Government policy taken on 26 October 2021. Nevertheless, any provision to write-off that amount had not been made in the financial statements as of 31 December 2021.**

Board Paper was submitted to obtain the approval of the board to write off the expenditure incurred and a provision in the Accounts can be included according to the board decision.

- (r) **The value of 28 vehicles and the accumulated depreciations thereon had not been recorded in the assets register of Lakvijaya Power Station. As a result, the value of those vehicles had not been included in the financial statements.**

These vehicles were received under the project of Lakvijaya Power Plant phase I & II. Necessary action will be taken to resolve this matter.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (s) **The Government owned land on which the head office building of the Board had been located had been recognized as an asset of the Board in the financial statements of the Board. Hence, the assets of the Board had overstated by Rs.105.62 million.**

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 arrangement to establish ownership of the land of CEB Head Office building. Land Commissioner has informed the Divisional Secretary, Colombo to arrange long term leasing for the land without issuing the relevant ownership document. However, CEB is not willing to go for a lease but for the ownership of the property

Further a meeting has been held on 2022-08-23 with Secretary, Ministry of Power & Energy and Secretary, Ministry of Tourism and Land. Decision taken at the meeting was to settle this matter early.

1.2.2.3 Un-reconciled Differences

- (a) **There was a difference of Rs. 1,235 million between the balance shown as payable to the Ceylon Petroleum Corporation (CPC) in the financial statements of the Board as at 31 December 2021, and the corresponding balance shown as receivable in the financial statements of the CPC as at that date. Further, in the above mentioned amounts, there was a disputed amount of Rs. 753.61 million as at 31 December 2021, and it had been reiterated in audit reports since 2013 continuously. Further, there was an un-reconciled balance of Rs. 469.11 million as at 31 December 2021.**

Dispute amount of Rs 753.61 Million has been discussed at the meeting with the participation of CEB, CPC, Ministry of Power and Energy and Treasury and resolving process is in progress. Rs 469.11 million of difference appeared in 2021 December and to date is due to a change in practices made by CPC unilaterally by set offing delayed interest on priority, when settling invoices by CEB.

- (b) **An unidentified debtor balance of Rs. 423.76 million had been remained unrecovered since 2012 in Distribution division 1. However, out of which a sum of Rs. 181.42 million had been transferred to Distribution Division 3 without getting clarifications.**

Out of Rs. 423.76 Million debtor balances, Rs. 241.22 Million remain in the books. The continuous actions are been taken to clear the balance.

As per the available information, balance of Rs.423 Million remained under books of AFM Cost Center since the year 2015, as the amount had not been transferred during the process of Decentralization. All Divisional Additional Finance Managers have been informed to check whether any balance belongs to them and after the responses are received from divisional AFMMs necessary action will be taken.

- (c) **There was difference between the system generated balances and the ledger account balances relating to ordinary debtors in DD1. Accordingly, it was observed a difference of Rs.6.77 million in Ordinary Debtors in the year under review as a result of non-reconciliation of system generated balances and the ledger account balances on time.**

Ordinary supply difference of Rs 17,564,888 is due to suspense accounts included in billing system balance but not included in ledger balance. Suspense amounts are considered in the billing system but ledger does not include suspense balance in the debtor ledger balance, it is accounted in suspense account separately. Reconciliation between billing system balance and Ledger balance was done and reconciliation statement was provided.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (d) **Collection Control Account had a debit balance of Rs. 297.33 million and a credit balance of Rs. 1,409.57 million as at 31 December 2021. However, reconciliation of unsettled balances was not made available to audit. Hence, the accuracy of the Collection Control Account balances could not be satisfactorily vouched in audit. It was further observed that an unidentified opening balance of Rs. 166.45 million had been included in the Collection Control Account.**

Division	Cr balance	Dr balance	Reply
DD-01	105,823,157.78	(398,179,897.06)	Collection Control Account is required to be reconciled on regular basis and relevant instructions were given to Provincial revenue Accountants to reconcile control Account with the support of IT Branch and the process is ongoing to identify the differences and reconcile.
DD-02	191,508,556.91	(600,379,371.64)	Action is being taken to prepare the collection Control Reconciliation.
DD-03	-	(98,757,289.00)	Due to the fact that all provinces revenue points are not extracted the collection on same date there could be credit balances remaining in the collection control account without transferring them to the respective debtors control account as last one or two days collections are not covered in the billing summaries. This will be cleared by following month and it is roll forward continuously. However, the reconciliations are prepared and available to identify the balance by each Provinces.
DD-04	-	(375,576,200.86)	Southern province 1- Reconciliation of Credit balance of Collection control In SP1 at 31st December 2021 amounting to Rs. 148 Mn. is in Progress. The balance as at 31st July is only Rs. 11 Mn. Southern Province 2 – The collection control account has been analyzed and the related reconciliation will be forwarded in due course.
HQ	(38,049,717.00)		Action will be taken to reconcile with other divisions for rectification.
Total	297,331,714.69	(1,510,942,475.56)	

- (e) **A sum of Rs. 68.99 million collected during the period from 1998 to 2021 had been included in the suspense account without being taken proper actions to settle it.**

Suspense account balance can be cleared after receiving customer complaint. When the customer informs correct customer account number the relevant amount can be transferred to customer account. Further to that follow up action is implemented to clear the suspense collections by obtaining details from collection agents.

With the introduction of cash deposit machines (CDM) by commercial banks and other merchants, the instances where suspense occurs has risen. In most cases, the banks are unable to provide us any additional information to clear the suspense since the CDM machine is operated by the consumer itself and there is no any other documentary evidence to establish the correct account number.

Regarding the long outstanding suspense balance, steps are scheduled to be taken to obtain approval to absorb long outstanding suspense payments (payments made more than two years ago) to miscellaneous income. This is possible since we have clearly stated in CEB Bill that payment queries will be entertained only up to 2 years from the date of payment.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (f) **A receivable amount of Rs. 38.76 million had been remained outstanding since 2019 due to application of a wrong tariff methodology for customers by the Board.**

This has been addressed in the Audit committee meeting and as per the confirmed minute of the Audit committee meeting held on 28 December 2021, Audit Committee directed to finalize the Committee report of the Committee formulated to review and submit recommendation with regard to the power purchase agreement and bulk agreement pertaining to the AES Kelanitissa (Pvt) Ltd. Committee report has not been submitted yet.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Informative

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

Informative

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

Informative

- 2.2 **Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;**

Informative

- 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;**

Reference to law/direction	Description	Reply
(a) Section 7(1) and 43(1) of Sri Lanka Electricity Act, No. 20 of 2009 as amended.	Without obtaining the authorization from the regulator, 261.32 Gwh of energy valued at Rs. 6.02 billion had been purchased during the year under review from 3 retired Independent Power Producers (IPPs) whose generation license had been expired.	Retired 3 IPP Plants in 2021: Ace Embilipitiya, Ace Power Generation Matara, and Asia Power. There are no any legal impediments from sections 7(1) or 43(1) of Sri Lanka Electricity Act, No. 20 of 2009 (Amended), 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 Sri Lanka Electricity Act (SLEA) to ensure that there is sufficient generation capacity to meet forecasted demand for electricity. CEB had further considered the impact on the country's economy due to unserved energy to industries/ hotels and commercial buildings, if any power cut was imposed. CEB has done so with the approval of the Cabinet.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Reference to law/ direction	Description	Reply
(b) Section 46 of the Ceylon Electricity Board Act, No. 17 of 1969, and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971.	Even though a contribution of 0.1 percent of the total value of gross fixed assets as at the end of each year should have been transferred to the Insurance Escrow Fund since 1989, the Board had invested only a sum of Rs. 10,657 million as of 31 December 2021. According to the computation carried out in audit, it was revealed that, a further amount of Rs. 852.87 million could have been invested in the year under review.	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. For the last 8 years tariff revision has not been taken place while generation cost is escalating due to increase in fuel and coal prices. 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.
(c) Section 3.5 of the Operational Manual for State Owned Enterprises issued by the Department of Public Enterprises	In contrary to the provision, the Board had paid a sum of Rs. 105.22 million in the year under review as salaries and other payments to 65 employees who had been released to the line Ministry and to the CEB Provident Fund.	C.E.B. is not in a position to withhold the requests made by the line ministry to release its employees to the Ministry and the expenses incurred in this connection are not controllable by the C.E.B. However, a letter has been sent by the General Manager, CEB to the Ministry of Power, requesting to reimburse the expenses incurred by C.E.B. with regard to such the salaries & other benefits of employees released to the Ministry.
(d) PED Circular No. 95 dated 14 June 1994 issued by Department of Public Enterprises, and the Decision taken by the Audit Committee of the Ministry on 25 September 2020.	In contrary to the provisions and management decisions, a sum of Rs. 1.2 billion had been paid in the year under review as leave encashment for the year 2020.	<p>According to a decision by Cabinet of Ministers, salaries and other perks were given to C.E.B. employees through a collective agreement signed with management. In the last signed collective agreement gazetted by the Commissioner General of Labour bearing reference no.: 2068/5 dated April 23, 2018, clause 13 states that -<i>තා තා ශුඛ දා, ග්‍රහණය කළ යුතු වනුයේ, ජාතික විද්‍යාල සේවකයන්ගේ සේවයේ සිටින අවස්ථාවේදී, ජාතික විද්‍යාල සේවකයන්ගේ සේවයේ සිටින අවස්ථාවේදී, ජාතික විද්‍යාල සේවකයන්ගේ සේවයේ සිටින අවස්ථාවේදී</i> .</p> <p>As the payment for leave encashment has been given to C.E.B. employees since 1984, the management was unable to deny such payment legitimately covered by a collective agreement, in which, the management assured employees to grant this benefit.</p> <p>However in line with the PED circular 03/2022 (I) dated 14.07.2022 the board has taken a decision to withhold the unutilized leave encashment for the year 2022</p>
(e) Section 47 of Employee Provident Act, No. 15 of 1958.	In contrary to the provisions, the Board had considered the highest of the exodus allowance, postgraduate degree allowance and professional allowance/ semi-professional allowance when computing the earnings. EPF had been paid based on those earnings.	In the Sub-section (f) of the Section 47 of Provident Fund Act No. 15 of 1958, it is stated that "such other forms of remuneration as may be prescribed" can be used to calculate the amount to be paid for employee provident fund. In line with this clause, the Board decided to consider the highest of the exodus allowance, postgraduate degree allowance payments or professional allowance / semi-professional allowance when computing the earnings for Employee Provident Fund. Accordingly, this is not against the law.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Reference to law/ direction	Description	Reply
(f) Section 6.1.3 of the power purchase agreement entered into with West Coast Power (Pvt) Ltd on 10 January 2007.	The electrical energy supplied by the Board to the West Coast Power (Pvt) Ltd at 220kv should have been at the cost of power, if there were no terms and conditions applicable to the supply of electrical energy at 220kv. However, the Board had considered only the energy charge to compute the rate of the electrical energy supplied to the Company by the Board without being considered the capacity charge and the other charges.	<p>West Coast Power (Pvt) Ltd at Kerawalapitiya power plant is connected to the CEB network at 220 kV voltage level and electrical metering system is installed at the same voltage level. By AGM (DD 2) letter dated 2021-12-16 (Annex 08) requested to take actions to consider West Coast Power (Pvt) Ltd as a Transmission customer. In connection with this regards a meeting was held at DGM (EM) branch on 2022-01-24 to discuss on this matter and it was decided to,</p> <ul style="list-style-type: none"> a) search for the directives issued to adopt the set off method now in practice and; b) Compare the amounts charged to West Coast by CEB from set off method and I3 tariff for the whole period concerned <p>It was observed that by AGM (Corporate Strategy) letter dated 2014-11-12 (Annex 09), as per section 6.1.3 of the Power purchase Agreement, the setting-off of the electrical energy consumed from CEB could be only be done from the Energy Charge payable to West Coast Power (Pvt) Ltd. From that direction CEB has started setting off the amount of Energy imported by West Coast Power (Pvt) Ltd power plant from CEB starting from the month of October 2014.</p> <p>According to the comparison, the amount charged to West Coast by CEB from the set off method is higher than the amount from I3 tariff method for the whole period concerned. Therefore, it was decided to continue the set off method currently done by Transmission Division and to consider West Coast Power (Pvt) Ltd as a Transmission customer and transfer to Transmission Division in the event an approved Transmission Customer Tariff is available.</p>
(g) The decision of the Cabinet of Ministers dated 18 September 2018.	The Board had not implemented the Cabinet decision on utilization of the standby Generators owned by Government entities.	The above decision has not yet been implemented due to various reasons
(h) Circular No. PED/03/2015 of 17 June 2015, and PED/01/2020 of 27 January 2020.	The Board had not obtained the approval of the Secretary to the Ministry to pay the sitting allowance and transport allowance for additional board meetings.	Normally, holds only 02 Board Meeting per month. However, if a special Board Meeting is held Considering the urgency and the importance of the matter, sitting allowance/transport allowance had been paid to the Board Members as well as the observer of the line Ministry after obtaining the approval of the Board for each and every Additional Board Meeting held.
(i) Circular No. 03/2018 of 18 July 2018 of Management Service Department, and Section 9.1 of Chapter II of E-code.	Two retired employees had been appointed as consultants of the Board without being obtained the approval of the Cabinet of Ministers.	As power vested in the Board under section 13 of the CEB Act no 17 of 1969: appointment of consultants were made by the chairman and board to assist on "Policy matters relevant to the implementation of Transmission Development Program in line with the ongoing program of absorption of the 70% of Renewable energy.
(j) Section 5.1 of the Operational Manual for State Owned Enterprises of 21 November 2021.	Even though the Board had incurred losses continuously, a sum of Rs. 2.7 billion had been paid as bonus in the year under review based on the draft collective agreement.	Based on various requests received to the management of C.E.B from trade unions regarding payment of bonus for year 2021, the management sought the advice of the Board on December 06, 2021. Consequently, the Board decided to make the payment of Bonus and communicated the same for GM, CEB on December 17, 2021. Accordingly, the GM, CEB issued a circular to effect the payment of bonus for year 2021 for C.E.B employees adhering to the decision of the Board.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

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;

- (a) **Various staff allowances had been paid by the Board from time to time to its staff on the approval of the Board, but, 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. In audit tests it was revealed that such allowances totaling to Rs. 2,134.9 million and Rs. 1,544.4 million had been paid in the years of 2021 and 2020 respectively. Further, in contrary to the provisions of the above Cabinet decision and the Board decision No. BM/2021/22/01, the payment of allowances made to 323 employees had been exceeded 65 per cent of their salaries.**

The board has taken a decision to limit the staff allowance to 65% of the salary with effect from July 27, 2022. A circular has been issued on this regard

- (b) **As per the decision taken by the Cabinet of Ministers at the time of salary revision on 13 December 2007, and as per the Collective Agreement entered into on 20 May 2015, the liability of Pay As You Earn (PAYE) tax/ Advanced Personal Income Tax (APIT) had been decided to be shifted to the employees of the Board. However, the Board had paid PAYE tax/ APIT amounting to Rs. 4.98 billion out of its owned funds without deducting from the salaries of the respective employees during the period from 2010 to 2020 in contrary with the above mentioned Cabinet decisions and the instructions of the circular No. 3/2016 issued by the Department of Public Enterprises.**

From November 2020 onwards, Advance Personal Income Tax (APIT) was paid by employees of CEB

- (c) **As per the Public Enterprises Circular No. 130 dated 08 March 1998, vehicle loans should be granted at the interest rate ranging from 10 per cent to 14 per cent. However, the Board had granted vehicle loans to its employees at the interest rate of 4.2 per cent without being considered the liquidity difficulties of the Board.**

According to the Ceylon Electricity Board Act No. 17 of 1969, powers of the Board are listed under section 12.

Section 12 (m): to make rules in respect of the administration of the affairs of the Board

Section 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 motivate them 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) **According to the Section 24(1) (c) of Sri Lanka Electricity Act, No. 20 of 2009 as amended, the Board should be able to ensure that there is sufficient capacity from generation plants to meet reasonable forecasted demand for electricity. However, as a result of not commissioning of plants as per the Long Term Generation Expansion Plan, the Board had to purchase thermal power on short term basis at an excessive cost.**

CEB's Long Term Generation Expansion Plans (LTGEP)s 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 was made to comply to section 24(1) (c) and hence it was not a violation of the same.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Further, 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 LTGEs. 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 PUCSL and Government Procurement Guidelines. Some of these processes are overlapping too.

CANCELLATION OF 200MW FURNACE OIL FIRED MEDIUM TERM CAPACITY FOR 10 YEAR PERIOD.

As per our records, CEB had pursued 200MW medium term power capacity procurement to fulfil a part of the 320MW medium term capacity requirement as identified in the LTGEP 2018-2037. This procurement was initially initiated in 2016 as a 170MW plant (as identified in the LTGEP 2015-2034) and was later changed (with the submission of LTGEP 2018-2037) to a 100MW land based plant at Galle and another 4x24MW plant at four grid substations. This, 100MW plant at Galle GSS and 4x24MW requirement was specifically identified in the draft LTGEP 2020-2039.

The procurement has gone through procurement process, including appointment of TEC, receiving SCAPC approval, submission for PUCSL approval etc. But the procurement has been cancelled at the end by Cabinet at its meeting held on 2020-11-02.

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15. අමාත්‍ය මණ්ඩල පත්‍රිකා අංක 20/1660/318/024 වූ, “වර්තමාන විදුලි ජනන සැලසුම් සහ සිදුවීම් හැකි අඩුපාඩු (Lapses) අවම කිරීම සඳහා යෝජනා” යන මාදයන් විදුලිබල ඇමතිතුමා ඉදිරිපත් කළ 2020-10-19 දිනැති සංදේශය - ඉහත සඳහන් සංදේශය, මුදල් ඇමතිතුමාගේ සහ ජලසම්පාදන ඇමතිතුමාගේ නිරීක්ෂණ සහ

Proposals/ Requests : Approval of the Cabinet of Ministers is sought for the following proposal;

I. Proposal 5.1

To direct Ceylon Electricity Board (CEB) to initiate procurement to add medium term furnace oil fired power capacity up to 200 MW for a term of ten years with the approval of the Attorney General and the Public Utilities Commission of Sri Lanka (PUCSL).

II. Proposal 5.2

- a) To direct CEB to first obtain the approval of the PUCSL to negotiate to extend the period of the power purchase agreements of three furnace oil fired IPP plants (ACE Power Embilipitiya, ACE Power Matara, and Asia Power) till 2023.
- b) To instruct the Secretary to the Treasury to appoint a Project Committee and a Cabinet Appointed Negotiating Committee for the above purpose

Accordingly, CMT at its meeting held on 30th December 2020 had cancelled the procurement.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Observations by Hon Finance Minister.

Observations : I & II Proposal 5.1 and 5.2

I observe that the current policy of the Government on power generation reiterate the need for enhancement of renewable energy while minimizing use of thermal energy. Therefore Ceylon Electricity Board need to expedite implementation of the power plants that are highlighted in the Cabinet Memorandum without further delay. It is noted that some of these plants are almost ready to be installed into the national grid. At the same time, apart from its inconsistency with the county's power generation policy in terms of environmental implications, procuring of emergency power from diesel based independent power producers will add significant burden to the economy As a more feasible solution CEB may explore the possibility of acquiring some of these diesel power plants at a reasonable cost. Therefore, I am not in agreement with the proposals.

Cabinet Decision

- (ii) මුදල් ඇමතිතුමාගේ නිරීක්ෂණවල පළමු ඡේදයෙහි දක්වා ඇති කරුණු හේතු කොට, සංදේශයේ 5 ඡේදයෙහි සඳහන් (5.1) සහ (5.2) යෝජනා සම්බන්ධයෙන් ඉදිරි ක්‍රියාමාර්ග ගැනීම අවශ්‍ය නොවන බව.

- (e) **The Board had not paid interest on consumer deposits as specified in the Section 28(3) of Sri Lanka Electricity Act, No. 20 of 2009. According to the computation made in audit based on the rate reported by the Public Utilities Commission of Sri Lanka for the year 2021, the interest to be paid thereon was Rs. 1,357.60 million, and accordingly, the unpaid accumulated interest as at 31 December 2021 had been Rs. 8,089.50 million.**

Awaiting for the response from Ministry of Power for CEB letter No: DG (CS&RA)/GEN/1 dated 2021-05-28. Reminder for the same was sent to Secretary, MOP via letter CEB/GM/CEB/03/Vol.1 dated 2022-06-09. Further to the above, draft board paper has been prepared requesting approval from the board for starting payments of interest on consumer security deposits, once the financial position of CEB is improved.

- (f) **The Board had increased the salary of employees by 25 per cent in the year 2021 based on draft collective agreement, which was not a legal document as it had not been signed by the related parties, employer and employee unions. Accordingly, the negative impact to the Board due to that unauthorized payment was approximately Rs. 9.6 billion.**

During the special Board meeting held on June 15, 2021, the Board decided to grant approval to increase the C.E.B. employees' salaries by 25% for the period 2021-2023 with effect from January 2021. Further, the Board advised the GM, CEB to issue relevant circular instructions in this regard. Based on the decision of the Board, GM, CEB issued the relevant circular.

Further the Board has taken a decision to inform all trade unions to sign the collective agreement as soon as possible.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (g) **At the Cabinet of Ministers' meeting held on 16 May 2017, it was highlighted that there should be a viable programme to transfer the technical knowhow of CMEC engineers to the Board staff. However, without considering that decision the Board had signed the second and third technical corporation agreement for operation and maintenance of Lakvijaya power station on 23 November 2017 and 25 February 2020 respectively without getting the approval from the Cabinet of Ministers. Total invoice value for the said two agreements (From 01 October 2017 to 30 September 2021) was USD 13,766,367. Further the ,another agreement had been entered into for obtaining of Technical Advisory Service for Operation and Maintenance of the Plant for the sum of Rs. 435.64 million (Including Vat) with CMEC Lanka (Pvt) Ltd on 27 December 2021 for one year period from 01 January 2022. Even after entering into those agreements for the operation and maintenance of the power station, 16 numbers of breakdowns had been occurred only during the year 2021 with the loss of 105 days and energy loss of 758,587 mwh. Those breakdowns had resulted in significant adverse impacts on power supply of the country.**

Initially in 2017, about 170 CMEC staff was working and with time it was reduced only to 15 numbers by transferring their knowledge to CEB staff.

The reduction of CMEC staff clearly indicate the knowledge is transferred to CEB staff.

Present situation is as follows.

Considering the Cabinet Memorandum (82/2921/E) submitted by the Hon Minister of Power the Cabinet approval was received on 29th December 2021 to pay all outstanding payments due for CMEC, for providing O&M advisory service. The reference number of the relevant decision is PE/TEN/SCAPC/SJ/2021/18.

The counting number of breakdowns does not reflect the plant performances. Plant breakdowns happen due to internal and external problems. Where external problems are beyond the control of Lakvijaya Power Plant. Plant availability factor and the plant factor are the suitable indexes for evaluate the performance of power plants. Please refer the reply to query ref 2.2.4 (f), for the details of Plant availability factor and the plant factor of Unit 2 and Unit 3.

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 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. The total cost incurred by the project up to the end of the year 2020 was Rs. 301.19 million. However, the Board had decided to windup the project activities at the Board meeting held on 20 December 2020. Further, at the Board meeting held on 23 February 2021 it was decided developing the above project through the Sri Lanka Energies (Pvt) Ltd (SLE), and to seek the approval of the Cabinet of Ministers to award this contract as a "Single Source Procurement" to SLE. Accordingly, it was observed that there was a risk that the cost of Rs. 301.19 million incurred by the project might be recognised as an expenditure of the Board, because this expenditure incurred for above mentioned purposes could not be used by another investor.**

Board Paper has been referred to the Audit Committee for their observations and based on the board decision further action will be taken.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

(b) **Procurement procedure should be followed for non-conventional renewable energy (NCRE) projects after 6 August 2013 as per the Sri Lanka Electricity Act, No. 20 of 2009 as amended. Following observations are made in this regard.**

(i) **Regardless of that, the 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. Accordingly, a power purchase agreement for one Solid Waste Plant had been signed with an independent power producer in December 2020 and hence, the total tariff of Rs. 36.20 per Kwh had been borne by the Board. However, a sum of Rs. 13.10 per Kwh had not been reimbursed by the General Treasury as per the Cabinet decision.**

There has been an element of ambiguity among the stakeholders of the industry on the viability of the Tendering Procedure in implementing NCRE projects. 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 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 (Municipal) to Energy Power Project and Thumbowila Karadiyana Waste (Municipal) to Energy Power Project.

As approved by the Cabinet, Rs13.10 per kWh out of total tariff of Rs.36.20 has to be reimbursed from General Treasury. The balance portion of tariff paid to Western Power Company (Pvt.) Ltd has been invoiced to the General Treasury for reimbursement. The invoices from 2020 December to 2021 August at a total of Rs 633,260,550.00 has been submitted by CEB but CEB has not received any reimbursement claim from treasury as of today.

(ii) **Only 7 procurements for NCRE projects with aggregating capacity of 390MW had been initiated up to 31 December 2021. Further, out of the above mentioned power plants, only one power plant with aggregating capacity of 49MW had been commissioned up to 31 December 2021.**

As per the legal opinion given by the Hon. Attorney General by his letter dated November, 2013 on application of Section 43(4) proviso (a) and (b) of the Sri Lanka Electricity Act no. 31 of 2013, it became a necessity to move for initiating tenders for purchasing renewable energy by the transmission licensee by adoption of tendering process after 06-08-2013. Accordingly, seven tenders have been initiated for procurement of energy from NCRE projects for total capacity of 390MW.

Details of first tender is available in DGM (Energy Purchase) branch. Status of the balance 6 tenders are as follows.

- **10MW Vavunathivu solar PV plant tender:** Bids were 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, signing of the PPA was delayed and signed in March 2021 and the project was under construction by December 31, 2021. Plant was commissioned on September 28th 2022.
- **10MW Polonnaruwa solar PV plant tender:** Bids were opened in September 2017, and the LOI has been issued in September 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, signing of the PPA was delayed and signed in March 2021 and the project was under construction by December 31, 2021. At present, grid interconnection line construction is ongoing. (Approx. 9km).

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- **1MW x 90 solar PV plants tender:** Bids were opened in April 2018, and awards were made to 84 companies during October 2018 to August 2019 upon getting Cabinet 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. 2 performance bonds were forfeited and projects cancelled due to non-performance. 65 Nos. of PPAs had been signed and balance 3 developers were unable to submit the required clearances by December 31, 2021. 15 power plants (total of 15MW) were commissioned by December 31, 2021. At present, 33 power plants (total of 31MW) were commissioned and 68 numbers of PPAs are signed (The last PPA of this tender was signed on March 10, 2022).
- **10MW solar PV plant with Agriculture/farming:** Bids were opened in May 2019, and the award was made in June 2020. LOI was signed in February 2021 and pending submission of required clearances from relevant stakeholder institutions for signing PPA as at December 31, 2021. At present, due to the persistent delay in submitting the required documents to sign the PPA, initiated the issuing of the letter of invocation.
- **60MW wind power 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 Trincomalee GSS received & awarded in January 2021. LOI signed in April 2021 and pending submission of required clearances from relevant stakeholder institutions for signing PPA as at December 31, 2021. At present, developer is in the process of obtaining required clearances from relevant stakeholder institutions to sign the PPA.
 - ◇ Cabinet approval to award 15MW in Mannar GSS received & awarded in July 2021. LOI signed in September 2021 and pending submission of required clearances from relevant stakeholder institutions for signing PPA as at December 31, 2021. The developer has obtained all the clearances from relevant stakeholder institutions and to sign the PPA upon the receipt of the Sri Lanka Sustainable Energy Authority (SLSEA) Energy Permit and the No Objection Letter issued from Public Utilities Commission of Sri Lanka (PUCSL). At present received all the approvals and now in the process of signing the 2 PPA's. The power plant construction is ongoing at present & it is expected to commission by end of December 2022.
 - ◇ Madampe GSS 10MW capacity re-tendered and Cabinet approval to award received and pending awarding as at December 31, 2021. At present, having issued the letter of award in January 2022 and the subsequent LOI in April 2022, the developer is in the process of obtaining required clearances from relevant stakeholder institutions to sign the PPA.
 - ◇ 150MW solar PV plants tender (1-10 MW range): 147MW (23 power plants) were awarded in February 2021. No bids were received for Kolonnawa (Outdoor) GSS for 3MW. LOI's of 18 power plants (104MW) were signed and signing of 5 LOI's were pending as at December 31, 2021. At present LOIs of all the awarded 23 power plants (147 mW) were signed and signing of PPAs only pending.

It is to be noted that, from March 2020, Covid 19 pandemic first outbreak occurred in the country and travel restrictions were imposed from time to time up to 2021. This has resulted in most of the activities being blocked and caused delays in almost all the works. At present, due to the volatility in many parameters such as Forex, bank interest rates, inflation rate, material shortages, constrains on opening LC's etc., have resulted in most of the projects financially non-viable and directly affects the progress of ongoing NCRE projects.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

(c) **The estimated cost of the proposed head office building had been increased from Rs. 1,000 million to Rs. 6,161.87 million (including payments made for consultancy and previous contractor) due to delay in completion of the project from 2011 to 2021 as an additional space requirement, scope changes and price inflation. Further, amounting to Rs. 284.41 million had been incurred by the Board during the period from 2017 to 2020 for renovation of the existing head office building of which the ownership had not been confirmed even after planning a new building to be completed in the year 2023.**

1. The head office building project – Narahenpita was initially handled by the Asset Management Division of CEB and the initial cost of the project (Approximate) prepared by the Consultant- Project Consultancy Unit (PCU), Faculty of Architecture, University of Moratuwa is Rs. 1000 million In the Year 2011
2. Cabinet Approval was granted on 23rd March 2011 for the total estimated cost of Rs. 1936 million. (Cabinet Paper No.11/063/516/013, a memorandum dated 04th March 2011) Floor Area = 23,000 sq. m
3. In the year 2015 the estimate was revised up to Rs. 2542 million (Amount mentioned in the Cabinet Memorandum dated 23rd March 2019) Floor Area = 27,750 sq.m (Area increased by 4,750 sq.m)
4. In the year 2018 the estimate was revised up to Rs. 3149 million (Amount mentioned in the Cabinet Memorandum dated 23rd March 2019)
5. In the year 2020 (February) the project was handed over to Additional General Manager DD04 to re-initiate and expedite the project.
6. In the year 2021, Cabinet approval was granted for the total amount of Rs. 5672 million (Awarded amount of Rs.4, 772 million + 10% Contingencies + 08% VAT) (Refer Cabinet Paper No. 21/1278/318/034/TBR, a Memorandum dated 2021-07-08) Floor area = 33,818 sq.m (Floor area increased by 6068 sq. m)

The reasons for increase in estimated cost of the proposed head office building are identified as follows

1. The floor area of the building was increased for the purpose of utilizing maximum space for offices by closing the Atrium well inside the building. Therefore the architectural floor area was increased from 27,750 sq.m to 33,818 sq.m therefore total floor area was increased by 6,068 sq.m (65,290 sq.ft). Accordingly, the cost is increased due to addition of piling work, structural work, finishes & partitions. Subsequently, the cost of other required building services is increased. Further, part of the terrace area at 4th floor was converted to usable space.
2. Significant increase of material prices for the period of; December 2018 to March, 2021.
3. Introduce internal partition arrangement for all offices.
4. Introduce essential building services which were not included in the previous design such as Building Cleaning system, Access control system, CCTV Camera system, Gas supply, Design and construction of Sewer treatment plant etc.

The existing Head Office building was constructed nearly five decades ago and still functioning. There were several repairs and maintenance works carried out with the aging of the building as per the recommendation of CECB consultant to withstand further twenty years. Therefore, repair and maintenance of the existing building was carried out by the Asset Management Division – CEB.

Further due to civil aviation restrictions, no of floors of new building at Narahenpita proposed CEB head office Building is limited to eleven floors and CEB expects to utilize present Head office Building to accommodate rented offices in and around Colombo city and suburbs.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (d) **According to the Long Term Generation Expansion Plan of 2018 – 2037, new generations of 500MW, 657MW, 430MW and 445MW were planned to be implemented in the years of 2018, 2019, 2020 and 2021 respectively. However, out of the planned new addition capacity of 2032MW, power plants with aggregating capacity of 661.6MW had only been commissioned. Therefore, the progress of implementation of new generation plants was significantly lower, and the objective of the plan to produce least cost power supply was unable to achieve. As a result, a quantity of 267.17 Gwh valued at Rs. 6.54 billion had to be purchased as additional power during the year under review.**

CEB's Long Term Generation Expansion Plans (LTGEP)s 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.

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The procurement has gone through procurement process, including appointment of TEC, receiving SCAPC approval, submission for PUCSL approval etc. But the procurement has been cancelled at the end by Cabinet at its meeting held on 2020-11-02.

(1) අමාත්‍ය මණ්ඩල පත්‍රිකා - ප්‍රතිපත්තිමය කරුණු:

15. අමාත්‍ය මණ්ඩල පත්‍රිකා අංක 20/1660/318/024 වූ, “වර්තමාන විදුලි ජනන සැලසුම් සහ සිදුවිය හැකි අඩුපාඩු (Lapses) අවම කිරීම සඳහා යෝජනා” යන මූලධර්ම විදුලිබල ඇමතිතුමා ඉදිරිපත් කළ 2020-10-19 දිනැති සංදේශය - ඉහත සඳහන් සංදේශය, මුදල් ඇමතිතුමාගේ සහ ජලසම්පාදන ඇමතිතුමාගේ නිරීක්ෂණ සහ

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Proposals/ Requests : Approval of the Cabinet of Ministers is sought for the following proposal;

I. Proposal 5.1

To direct Ceylon Electricity Board (CEB) to initiate procurement to add medium term furnace oil fired power capacity up to 200 MW for a term of ten years with the approval of the Attorney General and the Public Utilities Commission of Sri Lanka (PUCSL).

II. Proposal 5.2

- a) To direct CEB to first obtain the approval of the PUCSL to negotiate to extend the period of the power purchase agreements of three furnace oil fired IPP plants (ACE Power Embilipitiya, ACE Power Matara, and Asia Power) till 2023.
- b) To instruct the Secretary to the Treasury to appoint a Project Committee and a Cabinet Appointed Negotiating Committee for the above purpose

Accordingly, CMT at its meeting held on 30th December 2020 had cancelled the procurement.

Observations by Hon Finance Minister.

Observations : I & II Proposal 5.1 and 5.2

I observe that the current policy of the Government on power generation reiterate the need for enhancement of renewable energy while minimizing use of thermal energy. Therefore Ceylon Electricity Board need to expedite implementation of the power plants that are highlighted in the Cabinet Memorandum without further delay. It is noted that some of these plants are almost ready to be installed into the national grid. At the same time, apart from its inconsistency with the county's power generation policy in terms of environmental implications, procuring of emergency power from diesel based independent power producers will add significant burden to the economy As a more feasible solution CEB may explore the possibility of acquiring some of these diesel power plants at a reasonable cost. Therefore, I am not in agreement with the proposals.

Cabinet Decision

- (ii) මුදල් ඇමතිතුමාගේ නිරීක්ෂණවල පළමු ඡේදයෙහි දක්වා ඇති කරුණු හේතු කොට, සංදේශයේ 5 ඡේදයෙහි සඳහන් (5.1) සහ (5.2) යෝජනා සම්බන්ධයෙන් ඉදිරි ක්‍රියාමාර්ග ගැනීම අවශ්‍ය නොවන බව.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (e) **Unit costs (Per kwh) of purchased energy from the three retired IPP power plants and from the additional power plant of 24MW during the year under review were Rs. 21.75, Rs. 25.26, Rs. 24.97 and Rs. 88.85 respectively, while average selling price was Rs. 16.37. Therefore, excessive cost of energy purchasing could have been reduced, if power plants were able to commission as per the Least Cost Long Term Generation Expansion Plan to cater the real time demand requirements instead of being used emergency power plants at excessive cost.**

During the first 04 months of a year, there is a dry weather condition, system demand increases and all the thermal power plants are operating at maximum Plant Factor during that period as hydropower generation is minimal. Therefore, the unit cost (considering both capacity and energy charges) of generating electricity in all thermal power plants during that period is comparatively low. Then, with the onset of the rainy season, system demand reduces and hydro power plants are operated at maximum plant factor and requirement for dispatching of thermal power plants will be reduced. In that case the cost of fuel will be less than the energy charge and the capacity charge will have to be paid. Also, these power plants have to be used even during the rainy season to meet the night peak demand. As a result of purchasing electricity at different times of the year, the unit cost of generating electricity in any of the generators mentioned above will go up or down.

Contract period of Ace Power Embilipitiya (Pvt) Ltd, Ace Power Generation Matara (Pvt) Ltd and Asia Power (Pvt) Ltd Power Plant expired during dry season and minimum unit cost under maximum Plant Factor (50% - 70%) (21.00 Rs./kWh - 25.00 Rs./kWh) is shown. However, the Valachchenai power plant was operated under a very low Plant Factor (5.4%) overall due to the reduction in power demand due to the effect of Covid 19 and the heavy rainfall that prevailed during the period of operation. Therefore, the unit cost of generating electricity at this thermal power plant is Rs. 88.00, indicating a higher unit cost.

In this case amount of capacity charge is considered for determination of the unit cost. However capacity charge is committed cost for the agreed term which has no relationship with energy delivery to CEB.

- (f) **According to the training documents submitted by CMEC, the level "A" maintenance interval which refers to the comprehensive disassembling inspection and repair for the unit, so as to maintain, recover or improve the equipment's performance, shall be between 4 to 6 years. However, it was observed that level "A" maintenance for units 02 and 03 of the Lakvijaya power plant had not been conducted even after 7 years from the commissioning date of the units. It was further observed that 14 numbers of breakdowns had been occurred relating to the unit 02 and 03 of the Lakvijaya power plant during the year under review with a loss of 663,510Mwh energy.**

Level A Overhaul of Unit 2 was initially planned in 2020. CEB requested to appoint a SCAPC for procurement of this service in February 2020. The procurement process to obtain expert service was commenced in 2020, by appointing a SCAPC a TEC. A bid was called from CMEC, the relevant Cabinet approval was received on 1st July 2021. The main service contact was awarded to CMEC on 16th July 2021.

- The procurement process was not able to perform due the worldwide Covid-19 pandemic situation in 2020. The lockdown situation in both countries effected for the procurement process.
- The overhaul was re-scheduled to September 2021 and the agreements was signed between CEB and CMEC but as per the request made by CMEC as they could not mobilize the Chinese experts. The Covid-19 restrictions imposed in both countries specially quarantine rule, restriction on traveling are the reasons. The work was postponed to 2022. The change of period was referred to the SCAPC, the SCAPC approved the change.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- SCAPC approved the CMEC's request and the work was re-schedule for 23rd April 2022. The Board of CEB decided to postpone the overhaul until June 2022.
- The unit 2 shoot down for level A overhaul on 18th Morning of June 2022

The audit statement mentioned there are 14 number of breakdowns. The number of breakdowns are counted by considering the breakdowns due to both internal and external faults. The Internal fault is the fault occurs in the machineries and equipment within the plant. The external fault is the fault occurs outside the plant due to the problems initiated through national grid.

Some breakdowns are occurred due to the internal faults which exists for very short time period and it can be rectified and the plant can be re-started within few hours. And this kind of breakdown will not affect the overall plant performance. The total net energy generated by unit 02 and unit 03 from the date of commissioning the plant are 15,482.01 GWh and 14,087.50 GWh respectively.

The plant performance on Unit 2 and Unit 3 are given below.

Availability Factor and Capacity Factor of Unit 02 and Unit 03

Year	Availability Factor and Capacity Factor of Unit 02 and Unit 03				Remarks
	capacity Factor (%)		Availability (%)		
	Unit 2	Unit 3	Unit 2	Unit 3	
2014	51.27	46.88	91.45	100.00	
2015	73.67	75.10	93.57	94.64	
2016	90.43	89.76	93.63	92.70	
2017	78.66	70.36	81.66	75.60	
2018	62.68	79.48	87.15	93.97	
2019	90.07	76.77	98.44	96.32	
2020	85.68	74.17	94.83	89.60	
2021	79.25	73.26	96.15	86.87	
2022	98.54	77.20	99.93	79.17	*up to May

Year	Unit 2		Unit 3		Total		Remark
	Gross Energy (GWH)	Net Energy (GWH)	Gross Energy (GWH)	Net Energy (GWH)	Gross Energy (GWH)	Net Energy (GWH)	
2014	1,347.44	1,204.17	516.38	459.86	1,863.82	1,664.03	
2015	1,936.09	1,741.18	973.67	1,790.07	3,909.76	3,531.25	
2016	2,383.01	2,158.52	2,365.48	2,158.08	4,748.49	4,316.60	
2017	2,067.17	1,864.45	1,849.13	1,687.72	3,916.30	3,552.17	
2018	1,647.30	1,480.34	2,088.85	1,889.06	3,736.15	3,369.40	
2019	2,366.91	2,150.18	2,017.45	1,829.95	4,384.36	3,980.13	
2020	2,257.82	2,036.50	1,954.65	1,769.97	4,212.47	3,806.47	
2021	2,082.59	1,876.56	1,925.31	1,740.55	4,007.90	3,617.11	
2022	1,071.34	970.12	839.27	762.24	1,910.61	1,732.36	*up to May
Total	17,159.67	15,482.02	15,530.19	14,087.50	32,689.86	29,569.52	

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (g) **The Board was unable to complete the remaining works of Tangalle Gantry to Nonagama Gantry line (from Tower 13 to 36) even after 15 years from the initiation of Lighting SriLanka Hambanthota Project due to unresolved objections.**

Several objections have been received. PHM branch started the process of proper wayleave clearance in accordance with the PUCSL guidelines. Recently met the AG - Tangalle and relevant GSs to aware the situation.

2.3 Other Matters

- (a) **Out of the trade debtor balance of Rs. 44,079 million as at 31 December 2021, a balance of Rs. 6,839 million relating to both ordinary and bulk supplies had been remained outstanding for over one year, and out of that amount a sum of Rs. 2,928 million had been remained unrecovered for more than five years.**

Division	Trade debtor balance more than 1 year	Reply
DD-01	2318.21 Mn	Out of Rs. 1,208 Million long outstanding (over 5 years) debtors balance have reduced to Rs.1,132 Million as at 30th April 2022. Further, AGMDD1 has instructed relevant officers to recover long outstanding dues, (Trade Debts) early as possible or to take suitable action to clear such long outstanding balances.
DD-02	3474.91 Mn	<p>Out of total outstanding of over 5 years bulk supply finalized account, DD2 has recovered, Rs 3,294,126.64 by May 2022 and Board approval has been obtained to write off Rs. 4,712,865.46 of irrecoverable finalized debtors.</p> <p>Further total outstanding of West Coast (Pvt) Ltd (A/C No. 27799003538) Rs 1,397,841,678.43(age Span over 1 year) has not been settled up to now due to a tariff dispute. Discussion are being conducted with the transmission licensee to bill under their division and to check the possibility to write off the outstanding since the energy purchase branch of CEB has already set off its import units from the energy purchase payments of West Coast (Pvt) Ltd.</p> <p>In respect of Valaichchenai Paper Company Ltd Board has given approval to write off an amount of Rs.361, 992,685.22 and the balance (122,004,390.45) should be recovered on instalment basis within six-month period after two years from the recommencement date. However still this agreement has not signed between Valaichchenai Paper Company Ltd with CEB in order to proceed with this Board decision.</p> <p>Regarding to the Kantale Sugar Corporation (A/C No 3470100217) amounting to Rs.76,331,246.03 and Board has agreed to waive off Rs.44,839,186.53, after settlement of the balance outstanding amount. However, Sugar Corporation has not yet responded on this settlement proposal made by CEB.</p> <p>Further, during the year of 2022 amount of Rs.4,253,487.47 has been removed from Heavy Supply balances which were charged additionally after finalization, with the approval of AGM(DD02) as per the circular No DGM(CS)2002-13 dated November 12, 2002.</p> <p>In addition to above process actions have been taken by the respective Area Engineers and details of monthly progress of collection of arrears are sent to the DGM of the Province as well as to the Accountant (Revenue) unit. Further, with regard to the finalized accounts, actions will be taken to set off outstanding balances against security deposits when the outstanding balance is less than the security deposit amount as per the instructions of the circular no: DCC/COH/ 03/ 2009.</p>

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Division	Trade debtor balance more than 1 year	Reply			
DD-03	572.95Mn	Out of the total outstanding of Trade Debtors of DD3 as at 31.12.2021, 80% has been recovered as at 30.04.2022 as depicted below.			
		Description	Balance as a 31.12.2021	Recovery as at 30.04.2022	Recovery (%)
		Bulk (including Finalized)			
		less than one year	2,528,598,322.51	2,318,398,753.43	92%
		1-5 Years	96,052,805.48	83,724,189.96	87%
		over 5 Years	85,133,802.96	1,463,366.80	2%
		Ordinary (including Finalized)			
		less than one year	2,932,638,336.34	2,365,999,305.16	81%
		1-5 Years	158,386,485.31	38,655,915.31	24%
		over 5 Years	233,373,071.62	33,360,632.10	14%
		suspense	(3,103,753.25)	-	92%
		Total debtors	6,031,079,070.97	4,841,602,162.76	80%
		Over 5 years - Bulk			
		Mainly reflected the finalized balance of Embilipitiya Paper Corporation balance of Rs. 64Mn. The Cabinet approval has been granted to write off 15 Mn and the balance to be recovered from 24 instalments once the connection is restored. It will complied after receiving the board decision			
		Less than one year			
		Further balances were recovered from Shanbe Jeans Corporation (Pvt) Ltd -Rs.2,203,813.95, Super Pack (Pvt) Ltd -Rs.3,875,593.79, Peak Clothing (Pvt) Ltd -Rs.629,623.56) during the period of 2022.01.01-2022.06.15.			
		There is an agreed recovery plan with project branch of CEB for the Uma Oya project bill outstanding balance as such settlement of bill over the each payments to Irrigation Department by the AGM (Project) branch. Accordingly during this period 104 Mn. Electricity receivable was settled from Uma Oya project bill outstanding balance by AGM (project) branch.			
		In addition to that following recovery actions are being taken by provinces			
		<ul style="list-style-type: none"> • The Ministry of Defense was communicated by way of letter to recover bill arrears from three Forces and 60 days credit period was granted to settle the bills whereas other bulk consumers given only 15days to settle their bills. • Action has been taken to settle from consumer security deposits. • Red notices were issued to the overdue consumers immediately to accelerate the disconnections. • Long Outstanding balances were forwarded to the Legal branch of CEB for taking legal action. • Transferring unsettled ordinary supply outstanding balances to their active bulk supply accounts in order to recover the ordinary supply defaulted amount. • Obtaining board approval to write-off from the accounts 			

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Division	Trade debtor balance more than 1 year	Reply
DD-04	473.41 Mn	<p>The balance over 1 year (Rs 473.41 Mn) represent only 8 %, and over 5-year balance of Rs. 179.81 Mn represent only 3% of the total Debtors. Continuous measures are being taken with the involvement of all relevant officers of the Division to reduce the outstanding balances and the receivable position.</p> <p>Further, Western Province South 1 has submitted a board paper to write off a balance of Rs. 30,186,122.06 from the ordinary customers (4,244) outstanding balances more than 10 years.</p> <p>In addition committees have been set up to effect the recovery process and relevant officials are negotiating with customers to to settle the dues to CEB promptly.</p>
Hq	10Mn	Action has been taken to recover possible balances.

(b) **Aggregating balances of Rs. 1.67 billion and Rs. 897 million in sundry debtors and other debtors respectively had remained uncollectible for more than one year as at 31 December 2021.**

Division	Trade debtor balance more than 1 year	Reply
Generation	14,816,859.00	<p>Rs 2.4 Mn advance payments on purchase of goods and service is included in the sundry debtor balance of the period of 1-2 years in the books of Lakvijaya power plant. This will be settled with the receipt of the relevant documents.</p> <p>In Mahaweli complex Sundry debtor balance for the over 1 year period is Rs 77,230.08. This balance represents 0.004% of Sundry debtors over 1 year period.</p>
Transmission	1,389,862,725.00	Refer below table
DD-01	203,722,181.00	Over five-years majority arrears consists of receivable from Government Institutions for Government Installation works (GI works). Relevant officers were instructed to take maximum possible efforts to recover the above balances early as possible.
DD-02	19,128,108.00	Majority of the above long outstanding balances of sundry debtors of DD 02 consisted with CFL Consumer Bulb loans granted in the year 2000 and the Stock shortage balances to be recovered from the employees.
DD-03	14,369,445.00	Major amount of the sundry debtor balance represent amount to be recovered for stock shortages / / Cash frauds in Uva and Sabaragamuwa provinces, of DD3 for more than 5 years. Since legal cases are pending necessary steps will be taken to clear from the books of account upon the court decision with the approval of the Board in future.
DD-04	11,112,638.00	Foresaid debtor balance mainly includes advances paid for imports on procuring materials which reflect 90% of the account balance. As import advances are recurring in nature the account balance cannot be cleared in full. Further sundry debtors include mobilization advances, rent advances, and other miscellaneous advances in nature which are monitored at the branch level.
HQ	22,889,143.00	Action has been taken to recover possible balances.
Total	1,675,901,099.00	

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Transmission Sundry Debtor Receivable more than 5 Years

Name of the Debtor	Amount in Rs.	Current status
Wood Group Gas Turbine Ltd	8,264,352/-	<p>This company "Wood Group Gas Turbine Ltd" is no longer operating in Sri Lanka and hence, this issue was directed to the Chief legal officer of CEB for an opinion in 2012.</p> <p>As per the Chief Legal Officer, she stated that. "According to the Prescription Ordinance, no action shall be maintainable upon any contract/agreement unless such action shall be brought within 6 years from the date of the termination of such contract/agreement or from the date of such cause of action shall have arisen".</p> <p>As there is no company in such name exist in Sri Lanka at present and with the answer of Legal officer referred above it was decided to write- off this balance from the books of accounts.</p> <p>Board paper for the Write-off is being prepared.</p>
Ministry of Power and Renewable Energy	6,142,277/-	<p>CEB has borne the expenses in connection with the Opening Ceremony of Dual Fuel Combined Cycle Power Plant at Kerawalapitiya based on the letter received from Ministry of Power energy dated 09-09-2008. In the mentioned letter it was stated to forward the bills subsequently relevant to the expenditures of the opening ceremony to the Ministry in order to reimburse it. Therefore CEB has forwarded the bills and requested the Ministry to reimburse the expenditure through the letters dated 03-01-2011,01-10-2013 , 08-10-2015 and 25-07-2017.</p> <p>Additional Secretary (Admin & Prc.) to the Ministry of Power & Energy has requested from the West Coast Power (Pvt) Ltd, by his letter dated August 2017 and 2018-01-04 to take necessary measures to reimburse the outstanding payment related to the Opening ceremony of Kerawalapitiya Combined Power Plant to CEB.</p> <p>The Chief Executive Officer of West Coast Power (Pvt) Ltd, by his letter dated 30.01.2018 has replied to the above request stating that, As the beneficiary of the Power Plant, this expenditure needs to be borne by CEB. Further he has stated that "There is no room to seek the advice from the Board to meet this expenditure by the company as the propriety of the transaction cannot be established."</p> <p>As per the above response. The company has refused to accept the responsibility of the payment.</p> <p>However CEB has again requested West Coast Power Ltd to reimburse this expenditure through the letter dated 22nd August 2022, referring to the letters sent by Ministry of Power and Renewable energy on 16th August 2017 and 04th January 2018 to West Cost power Ltd in this regard.</p>

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Name of the Debtor	Amount in Rs.	Current status
AES Kelanitissa (Pvt) Ltd	1,368,964,445/-	<p>A cabinet appointed subcommittee had informed CPC to issue fuel under low price to AES Kelanitissa (Pvt) Ltd. However, CPC had not lowered the price and invoiced under same original price.</p> <p>This amount will be recovered from AES Kelanitissa (Pvt) Ltd only once the CPC adjust the fuel price difference and offer the credit to the company.</p> <p>DGM – Energy Purchase by his letter dated 24.11.2011 has requested from Ceylon Petroleum Corporation to take necessary actions to adjust the previous bills accordingly.</p> <p>Reminders to the above letter has been sent on 21.12.2011 and 20.01.2012 and 18.08.2022 to CPC and has not received any response up to date.</p>
Northern Power (Pvt) Ltd	358,739/-	This Amount is a receivable for an Augmentation job completed for the Northern Power (Pvt) Ltd in 2011. As there is a long outstanding payable balance to the company in CEB books, this balance is held unsettled.

- c) A sum of Rs. 83.68 million shown under the receivables from Government Institutions for supplying of lifts, air conditioners and power generators by the Asset Management Division of the Board had remained unrecoverable for more than five years.**

Most of the receivables consist of Government Hospitals, Ministry of Power & Energy and Other government institutions. Even though, follow up action has been taken to recover by sending letters and using other steps recoverability of those receivable is questionable. Steps have been taken to write off those unrecoverable balances.

- (d) A sum of Rs. 714.96 million due from Lanka Coal Company for coal shortage had been remained outstanding for more than five years without being taken proper actions to get recovered.**

This balance comprises of Rs. 478,179,795.00 related to Taurian Iron and Steel Company and Rs 236,785,639.43 related to Liberty Commodities Ltd.

A cabinet committee was appointed with regard to Taurian Iron and Steel Company dues and the final report was handed over to the Secretary to the Ministry of Ports & Shipping for a settlement.

In the case of Liberty commodities, Lanka Coal Company has commenced an arbitration process. This will be cleared based on the decision of the arbitration process taken by Lanka Coal Company against Liberty Commodities Ltd .

- (e) Credit balances aggregating Rs. 4.01 billion had been remained unsettled for a longer period as at 31 December 2021. Details are as follows.**

Name of Creditor	Amount in Rs.	Current status
China Machinery Engineering Corporation	2,820,562,372	CEB has paid Operation & Maintenance Fee for the year 2014, 2015, 2016 & 2017 by instalments based on approval of Standing Cabinet Appointed Procurement Committee (SCAPC), during subsequent years. The mentioned amount includes Operation & Maintenance Fee payable for the year 2017,2018,2019,2020 &2021. CEB has paid USD 1.25 Mn during month of May 2022.
Deemed dividend tax Payable	1,270,766,413	The Deemed Dividend Tax (DDT) payable amount of Rs.1,270,766,413 represents the unsettled liability of (DDT) for the Y/A 2013/2014 which is due to set off against the DDT 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. However, CEB is not in agreement to settle this amount as there is a dispute in interpretation of the respective law. CEB has taken continuous follow up action in this regard.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (f) **A sum of Rs. 2.9 billion payable to the Northern Power Company (Pvt) Ltd had been included under the trade creditors of Transmission Division in the financial statements, and that amount had been remained unsettled for over three years.**

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) **Coal stock shortage revealed in stock verification amounting to Rs. 571.34 million (27,049.71MT) had been recognized as a loss in the income statement as at 31 December 2021. However, the accuracy of that amount could not be ascertained in audit due to the following reasons.**

The current practice of LVPP for the verification of the coal yard is done by scraping the usable coal in the yard to a certain level by using re-claimer and dozers. Once the yard is scrapped to a certain level, the coal yard is levelled evenly and the verification is commenced. This preparation is done to avoid feeding the dead coal and aggregates which are the bottom layers in the coal yard. This is the accurate way of surveying to get the accurate result with minimum error. Basically, it is more erroneous, when the survey is done with huge stock piles. Therefore, in order to minimize the measuring errors, the above method is followed as per the board approval.

- (i) **Only about 35kgs of coal excavated from the pits were weighted to measure the field density of coal per cubic meter ton verify a large quantity of coal.**

The surface of the measured coal yard area was almost even, similarly compacted and homogeneous. Further to that, the method carried out to measure the field density was highly accurate. Therefore, excavated amount was considered sufficient for the measurement of density of the location.

- (ii) **There were differences in field density of coal per cubic meter in the excavated pits.**

The locations of the density sample points are spread over a large area. Difference of Maximum/Minimum (1193.33/1380.95 kg/m³) measured field densities to average Field density (1294.88 kg/m³) can be considered as the maximum error percentage. Therefore maximum error percentage can be calculated as 7.8%. Since physical stock considered for survey was only 114,290MT, the maximum error can be considered as 114,290 x 7.8%. Which is 8963MT. Although the occurrence of this kind of error is highly unlikely, considering the fact total amount of coal which is handled at the coal yard exceeds 2 million MT, the above error percentage is considered to be within an acceptable limit.

- (iii) **The average coal surface for bay "B" had not been measured as there were coal piles.**

The coal surface of Bay B could not be measured since Bay B could not be leveled like Bay A and Bay C due to continuous operations of the coal yard.

- (iv) **Loaded quantity and discharged quantity had been measured from the draft survey.**

This measurement is the internationally accepted appropriate method for measuring this kind of cargo. According to Archimedes' principle that the upward buoyant force that is exerted on a body immersed in a fluid, whether fully or partially, is equal to weight of weight of the fluid that the body displaces. Therefore, weight of the sea water displaced is equal to the weight of the coal.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

(v) Zero belt scale used to measure discharged coal had not given an exact figure.

We are continuously monitoring this zero-belt scale. LVPP coal handling maintenance unit is calibrating this scale after each shipment completion. However, there may be very small percentage of weight changes can be happened due to discharging at raining occasions and small changing of moisture levels of coal at zero belt.

(vi) Belt scale used to measure the consumption of coal by three units had not given an exact figure.

These coal mills, belt scales are also frequently undergone its calibrations in the recommended time periods to get the most accurate reading of coal consumed at the coal mills.

(vii) Density of coal might be different at the moment of discharging and consuming the coal, and not adjusting the impact of density on the coal stock.

There may be very small percentage of weight loss can be happened due to self-ignition of the coal, vaporization of volatile matters and the changes of the moisture levels of coal after discharging at the coal yard. Adjusted at the annual verification as per the Board Approval

(h) Even though the Board had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there were no sales and purchase agreements entered into with those two parties in order to ensure the smooth operations between these two Institutions.

1. A committee with the participation of High-ranking officers of both CEB and LECO has prepared a draft agreement and has sought Attorney General's (AG) opinion on the same.
2. This committee has made required amendments as per AG's opinion and has submitted "Final Power Sales Agreement (PSA)" to AGM (Transmission).
3. But the LECO officers/representatives have denied signing that finalized PSA, quoting some concerns as endorsed by LECO on the draft PSA as given below.

"This should address the issue of LECO supply points owned by Distribution Licensees (DLs)"
4. GM CEB has written to GM LECO (26-03-2015) regarding above endorsement made by 3 officers/representatives of LECO on the report which was collectively furnished by the committee. On the same letter, GM CEB has suggested to take this matter at a Board meeting of LECO.
5. Distribution Coordination committee (DCC), CEB has appointed a committee (including a representative from LECO) to prepare a roadmap for the handing over 33 kV injection points to LECO after receiving the principal agreement of GM CEB.
6. LECO agreement for signing the PSA is a mandatory pre-condition for implementing the proposed roadmap presented by the final report of said committee and same has been agreed by LECO via its representative to the committee.
7. The proposed road map by the said committee has been principally accepted by DCC at the meeting held on 2022-06-06.
8. With the completion of this task, long awaited issue of "addressing the issue of LECO supply points owned by Distribution Licensees (DLs)" as minuted on the report of March 2015 by LECO officers/representatives will be resolved and will make way for signing the sales agreement.
9. In parallel to the said roadmap implementation, GM-CEB has appointed a committee to review and upgrade the Power Sales Agreements between Transmission Licensee and Distribution Licensees (GM-CEB Letter dated 2022-06-27). Therein the committee has been assigned to review and upgrade the draft power sales agreement between CEB and LECO is being prepared accordingly.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (i) **A sum of Rs. 61.39 million had been deducted by the lending agency in 2020 as commitment charges from the foreign funded loans given to the Board to implement projects. Many projects implemented by t-he Board had not been completed in due dates, and it had led to additional commitment charges. Further, the details of computation of commitment charges were not made available to audit, and accordingly, the occurrence and accuracy of the commitment charges could not be verified satisfactorily.**

Commitment charge is common to all projects and it cannot be avoided even if the project is on schedule due to stringent loan covenants in the loan agreements.

- (j) **Even after the completion of the formal investigation, 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 occurred during the period from 20 November 2006 to 20 February 2012 in Asset Management Division (Power Plant). Further, the same employee was liable for another fraud occurred in other office of the Board, and his duty had been terminated after recovering only Rs. 99,155 as the value of this fraud without being considered the prior fraud.**

In order to recover the losses from Mr. R.B. Wedagedara, the CEB Officers have been summoned several times to the Attorney General's Department with the required files to file a case.

A pre-legal discussion was held with the Attorney General's Department on 2021-11-01 to recover the shortage of the stock from Mr. R.B. Wedagedara. However, the recommendations made by the Attorney General's Department after that discussion have not yet been received.

A meeting has been held on 2022-09-12 with Actg. General Manager (CEB) to discuss the report of the three member committee on the stock shortage and the action is being processed.

- (k) **An officer, who had been 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, that amount was remained unsettled in the books of accounts. The Board was in the process of writing-off that amount and offering the retirement to him without being taken any disciplinary actions against him.**

The shortage of the stock to be recovered from Mr. N.P.L. Samarasinghe was referred to a three member committee on how to recover from his pension and its recommendations were given on 2021-04-16. Action is being taken to bring the recommendations contained therein to the approval of the General Manager (CEB).

A three-member committee has been appointed to prepare a report on the above (k) and (l) stock shortages.

- (l) **There were non-moving items amounting to Rs. 22.88 million in capital work in progress account in the Generation Division since 31 December 2018**

Rs. 26,315.65 paid for UDA approval for proposed circuit bungalow for LVPP and Rs. 6,211,035 paid for procurement of CEMS spares and installation of air quality assurance device for FGD during year 2019 are the non-moving items in the capital work in progress account in LVPP.

The amount of funds approved by the Board of CEB is not sufficient for construction of circuit bungalow and request has been made to increase funds. Due to the prevailing situation the additional funds were not approved.

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

- (m) **The Board had not acquired the right of dams valued at Rs. 62.95 billion as at 31 December 2021 shown in the financial statements.**

Cost Center	Power Station	Asset Value
831.00	Victoria Power Station	14,412,751,075.25
832.00	Kothmale Power Station	22,087,081,294.30
833.00	Ukuwela Power Station	2,581,412,890.05
834.00	Bowathenna Power Station	1,968,826,674.74
835.00 & 836.00	Randenigala & Rantambe Power Stations	21,901,386,018.15
	Total	62,951,457,952.49

All the 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.

- (n) **A sum of Rs. 2.46 billion, representing 8.5 per cent of the total consumable stocks amounting to Rs. 28.79 billion, had been shown in financial statements as slow moving, non-moving and damaged stocks as at 31 December 2021. Accordingly, it was observed that maintaining of such types of consumable stocks might cause for stock damages, increase in holding costs and creating opportunities for frauds.**

Division	Actions taken regarding , non moving , slow moving , Damage and Obsolete Stocks
Generation	Some of the consumables in the Lakvijaya power plant is slow moving since they are used very rarely based on necessity. Action is being taken to clear the damage and obsolete stocks in Mahaweli complex and Thermal complex and four member committee have been appointed on 13/10/2021 to dispose the obsolete and damage items in the Laxapana complex. With the recommendation of a committee appointed, approval has already been obtained from the AGM (Generation) to dispose some identified items from obsolete and non-moving items. Balance will be cleared before the end of the year in the samanala complex
Assets Management	There are 3 types (Item no 1: power plant unit, Item no 2: Air conditioning and Refrigerator unit and Item no 3: Lift unit) of non-moving slow moving obsolete and damage stocks. In Item no 1 Non-moving & Slow-moving stocks represent the spare part items essential for generator maintenance which are required to be stored for urgent situations and cannot be procured readily and timely undergoing normal procedure. The damaged & obsolete stock values represent the items which shall be disposed action will be taken to proceed with disposal , In item no 2 : Non-moving stock represent the spare part items essential for Chiller, AHU, Packaged, Cool Room & Mortuary Cooler maintenance which are required to be stored for urgent situations and cannot be procured readily and timely undergoing normal procedure. In item no 3 Non-moving & Slow-moving stocks represent the spare part items essential for Lift maintenance which are required to be stored for urgent situations and cannot be procured readily and timely undergoing normal procedure. and The damaged & obsolete stock values represent the items which shall be disposed and action will be taken to proceed with disposal
Distribution Division -1	Total Number of Non-Moving, Slow Moving and Obsolete Stocks item of DD1 accounts of Rs. 824.14 Million, as of 2021-12-31. This includes major spare parts amounts to Rs. 30.28 Million, continuous actions have been taken to minimize stocks levels. Presently due to the shortage of materials, slow moving items have been issued for jobs whenever suitable.
Distribution Division-2	In Eastern province, After the annual verification of 2021, the approval of the Board has been obtained on March 22, 2022, in order to remove the Obsolete & Damaged Stocks value of Rs . 26.85 Million from the stores.
Distribution Division 3	In Sabaragamuwa Rs. 6,167,272.83 worth of damage items (Board Approved) have been sold during the period of 2022

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Division	Actions taken regarding , non moving , slow moving , Damage and Obsolete Stocks
Distribution Division -4	<p>Parallel to the annual verification process, a Board of Verification/ Survey was appointed to identify and recommend the items which were obsolete/ idle. Out of the damaged and unserviceable stock items, the BOS identified Rs. 3,081,087.50 which can be sold out and stock items worth Rs. 683,669.00 to be destroyed and disposed. Based on the observations, board paper was submitted on 15th March 2022 to obtain approval to write-off obsolete, idle and damaged stock from the accounts and sell or dispose those items according to the GM's Circular No.2021/GM/39/FM and board papers are in the review stage of the audit committee. Therefore, necessary actions were taken to mitigate the risk of stock theft and mismanagement.</p> <p>In southern Province 1 as per the GM circular no. 2021/GM/39/FM dated 2021.09.07, the relevant board paper is being processed in accordance with the report of board of survey done.</p> <p>In southern Province 2 for the slow-moving, nonmoving, and damaged stock items , board papers were prepared and forwarded to the board approval and board papers are in the review stage of the audit committee.</p>

- (o) **Even though the rate for mini hydro plants should have been decided on actual costs method, that rate had been decided on avoided cost method relating to the some power plants, which had no any relation with the actual cost of the mini hydro power plants. The avoided cost method was based on the thermal plants dispatched, and it had varied from fuel costs. As per the letter No. DGM/SYC/TCH/41 of DGM (system control), the unit cost of mini hydro plants should have been less than Rs. 10.00. However, the rate determined on the avoided cost method for the mini hydro plants for the year 2021 was Rs. 19.11 for the wet season and Rs. 20.59 for the dry season. Further, as per the statistics reports, the hydro cost per unit for the Board was Rs. 2.49 in 2020.**

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

- (p) **The progress of the programmes of identification, surveying and valuation of lands belonged to the Board commenced from 01 June 2020 was remained at very lower level, i.e. surveying was 34 per cent and valuation was 0.4 per cent only.**

Progress of surveying and valuation of CEB lands as at 2022-05-31 is attached in below table. The current (%) progress of surveying and valuation of lands are 70% and 16% respectively. Presently 88 Nos. of valuation of CEB lands are in progress. Valuation of lands belong to Generation Division are delayed due to following reasons,

1. Boundary re-opening and valuation issues due to unauthorized encroachments.
2. Issues due to the valuation of lands inside the reservoir.
3. Difficulties of coordinating works with Government officers during Covid-19 pandemic

Replies to the Report of the Auditor General on Group Financial Statements (Contd...)

Summary of CEB Land

Identification surveying and Valuation of CEB Lands (received up to 31.05.2022)

Summary of Major Lands (Lan Extent Greater than 5 perch)

Division	No of identified lands(Nos)	No of lands with survey plans	No of valuation report Received	Total valuation amount
Distribution Division 01	206	176	153	7,276,141,300.00
Distribution Division 02	398	346	275	4,701,083,600.00
Distribution Division 03	128	124	107	2,172,974,000.00
Distribution Division 04	161	151	127	3,324,137,400.00
Asset management division	5	5	5	5,366,450,000.00
Transmission division	123	107	62	5,758,928,500.00
Generation division	3086	2259	8	688,700,000.00
Total as at 2022.05.31	4107	3168	737	29,288,414,800.00
Assumed total No. of Lands	4500	4500	4500	-
Progress as at 2022.05.31	91%	70%	16%	-

- (q) **Some inventories in Lakvijaya Power Station had not been recorded in the books of accounts, and those inventories had not been verified at the end of each year.**

Some spare parts were handed over to CEB under phase I of Lakvijaya Power Plant at free of charge without details of part numbers of relevant spare parts. It was received as a lot. Most are remains of the project constructions. The process of issuing code numbers for these spare parts is ongoing and will be recorded in the accounts accordingly.

- (r) **Records of the receipt and consumption of fuel in Lakvijaya Power Station had not been updated from 04 December 2021 to 11 January 2022 in the inventory books. The monthly average receipts and consumption of fuel during the period from 04 December 2021 to 11 January 2022 were 442,200 liters and 725,521 liters respectively.**

Material requisitions on diesel used for start-up, shutdown and auxiliary boiler testing are issued at the each month end. Then, stock keeper used to cross check receipts and consumption of diesel, with records of Accountant ledger at the each moth end before entering the same into inventory books. All details of receipts and consumption of diesel have been recorded in the inventory books at the each month end with the completion of aforesaid tasks.

- (s) **The Board had not taken actions to write-off the surcharges and interests amounting to Rs. 361,992,685 as per the Cabinet decision and the Board decision related to Valachchena Paper Corporation.**

Board has given approval to write off an amount of Rs.361, 992,685.22 and the balance should be recovered on installment basis within six-month period after two years from the recommencement date. However still this agreement was not signed between Valaichchenai Paper Company Ltd with CEB in order to proceed with this Board decision.



Nalinda Ilangakoon RWP RSP
Chairman
Ceylon Electricity Board



Eng. (Dr.) D.C.R. Abeysekera
Actg. General Manager
Ceylon Electricity Board

Abbreviations

ABC	- Aggregate Base Course	CSC	- Consumer Service Center
ADB	- Asian Development Bank	CSR	- Corporate Social Responsibility
AFM	- Additional Finance Manager	CT	- Current Transformer
AGC	- Automatic Generation Control	CW	- Cooling Water
AGM	- Additional General Manager	CW&B	- Civil Works and Buildings
APH	- Air Pre Heater	DD1	- Distribution Division 1
ATS	- Automatic Transfer Switch	DD2	- Distribution Division 2
B&OS	- Business & Operational Strategy	DD3	- Distribution Division 3
BFP	- Boiler Feed water Pump	DD4	- Distribution Division 4
BOD	- Biochemical Oxygen Demand	DGM	- Deputy General Manager
BSC	- Breaker Switched Capacitors	DLMS	- Device Language Message Specification
BST	- Bulk Supply Tariff	DSM	- Demand Side Management
CCPP-GT	- Combined Cycle Power Plant – Gas Turbine	EMS	- Energy Management System
CCPP-ST	- Combined Cycle Power Plant - Steam Turbine	EMU	- Environmental Monitoring Unit
CDM	- Construction Design and Management	EPF	- Employees Provident Fund
CEA Act.	- Central Environmental Authority Act.	EPL	- Environment Protection License
CEB	- Ceylon Electricity Board	ERD	- External Resources Department
CEPSI	- Conference of the Electric Power Supply Industry	ERP	- Enterprise Resource Planning
CMEC	- China Machinery Engineering Corporation	ESP	- Electro Static Precipitator
CMMS	- Computerized Maintenance Management System	EV	- Electric Vehicle
CNEEC	- China National Electric Equipment Corporation	FAT	- Factory Acceptance Test
CO	- Carbon Monoxide	FD	- Forced Draft
COD	- Chemical Oxygen Demand	FGD	- Flue Gas Desulfurization
COSEM	- Companion Specification for Energy Metering	FS&PD	- Functional Strategy & Process Development
CPC	- Ceylon Petroleum Corporation	FSUR	- Floating Storage and Regasification Unit
CPD	- Continuous Professional Development	GPD&EEIPP	- Green Power Development and Energy Efficiency Improvement Program Project
CRH	- Cold Reheater	GPS	- Global Positioning System
CS&RA	- Corporate Strategy and Regulatory Affairs	GGH	- Gas to Gas Heater
		GIS	- Gas Insulated Substation
		GOSL	- Government of Si Lanka
		GSS	- Grid Substation
		GT	- Gas Turbine
		HES	- Head End System

Abbreviations (Contd...)

HP	- High Pressure	MLKR	- Million Sri Lankan Rupees
HR	- Human Resource	MLTS	- Middle Level Technical Staff
ICBC	- Industrial & Commercial Bank of China	MMT	- Million Metric Tons
ICT	- Computer Information Technology	MOI	- Ministry of Irrigation
ICTA	- Information and Communication Technology Agency	MOIWM	- Ministry of Irrigation and Water Management
ID	- Induced Draft	MOV	- Motor Operated Valve
IESL	- Institution of Engineers Sri Lanka	MT	- Main Transformer
IP	- Internet Protocol	MV	- Medium Voltage
IPP	- Independent Power Producers	MVA	- Mega Volt Amp
IT	- Information Technology	NARA	- National Aquatic Resources Research and Development Agency
ITI	- Industrial Technology Institute	NBQSA	- National Best Quality Software Award
KCCPS	- Kelanitissa Combined Cycle Power Station	NCP	- North Central Province
KPI	- Key Performance Indicators	NCRE	- Non-Conventional Renewable Energy
KPS	- Kelanitissa Power Station	NFC	- Near Field Technology
LCLTGEP	- Least Cost Long Term Generation Expansion Plan	NGO	- Non-Governmental Organization
LECO	- Lanka Electricity Company (Pvt.) Ltd.	NOX	- Nitrogen Oxides
LED	- Light-Emitting Diode	NRV	- Non Return Valve
LKR	- Lankan Rupees	NSCC	- National System Control Centre
LOI	- Letter of Intents	NSDI	- National Spatial Data Infrastructure
LNG	- Liquefied Natural Gas	NVQ	- National Vocational Qualification
LP	- Low Pressure	NWP	- North Western Province
LTGEP	- Long Term Generation Expansion Plan	OCCW	- Open Cycle Cooling Water
LTTDP	- Long Term Transmission Development Plan	ORE	- Other Renewable Energy
LTL	- Lanka Transformer Limited	PA	- Primary Air
LV	- Low Voltage	PD	- Project Director
LVPP	- Lakvijaya Power Plant	PDC	- Power Distribution Center
MASL	- Mahaweli Authority of Sri Lanka	PEA –NWP	- Provincial Environmental Authority – North Western Province
MDMS	- Meter Data Management System	PIV	- Pay In Voucher
MEPA	- Marine Environmental Protection Authority	PM	- Particulate Matter
MHPP	- Moragolla Hydropower Project	PMU	- Project Management Unit
MITFIN	- Millennium Information Technology and Financial Information Network	POS	- Point of Sales
		PPA	- Power Purchase Agreement
		PPP	- Public Private Partnership

Abbreviations (Contd...)

PS	- Power Station	SOX	- Sulfur Oxides
PSHPP	- Pumped Storage Hydropower Plant	SPPA	- Standardized Power Purchase Agreements
PSS/E	- Power System Simulator for Engineers	SSC	- Submerged Scraper Conveyor
PUCSL	- Public Utilities Commission of Sri Lanka	SSM	- Supply Side Management
PV	- Photovoltaic	SST	- Station Standby Transformer
RADAR	- Radio Detection and Ranging	SVS	- Static Var System
PFP	- Request for Proposal	T&D	- Transmission & Distribution
R&D	- Research & Development	TDS	- Total Dissolved Solids
RCL	- Regional Centre for Lighting	TEC	- Technical Evaluation Committees
RH	- Reheater	TL	- Transmission Line
SAIDI	- System Average Interruption Duration Index	TSS	- Total Suspended Solids
SAIFI	- System Average Interruption Frequency Index	UAT	- Unit Auxiliary Transformer
SCADA	- Supervisory Control and Data Acquisition	UFLS	- Under Frequency Load Shedding
SCC	- System Control Center	UG	- Under Ground
SCU	- Strategic Communication Unit	UNT	- Uniform National Tariff
SDDP	- Stochastic Dual Dynamic Programming	UOMDP	- Uma Oya Multipurpose Development Project
SEA Act.	- Sri Lanka Sustainable Energy Authority Act.	USD	- United States Dollar
SESRIIP	- Supporting Electricity Supply Reliability Improvement Project	UTS	- Unit Turbine Service
SH	- Superheater	VAT	- Value Added Tax
SLE Act.	- Sri Lanka Electricity Act.	WPN	- Western Province North
SMS	- Short Message Service	WPS	- Western Province South
		WRB	- Water Resource Board
		XLPE	- Cross Linked Polyethylene Cable



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