ANNUAL REPORT 2022

CEYLON ELECTRICITY BOARD

CONTENTS

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

Samanalawewa Reservoir

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.

AT A GLANCE

FOUNDED IN
1969

BASED ISLANDWIDE
SRI LANKA

6,936,735 Nos.
ELECTRICITY CONNECTIONS

14,520 GWh
ELECTRICITY SALES

24,272 Nos.
EMPLOYEES ISLAND-WIDE

1,062,344 LKR million
TOTAL ASSETS

4,084 MW
TOTAL CAPACITY

2,260 MW
RENEWABLE CAPACITY

535 MW
ROOFTOP SOLAR PV CAPACITY

3,253 km TRANSMISSION LINES

188,648 km DISTRIBUTION LINES

33.65 LKR/kWh AVERAGE COST PER UNIT

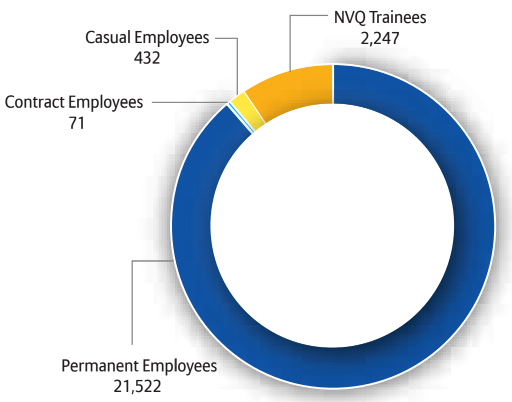
21.24 LKR/kWh AVERAGE SELLING PRICE PER UNIT

308,457 LKR million REVENUE

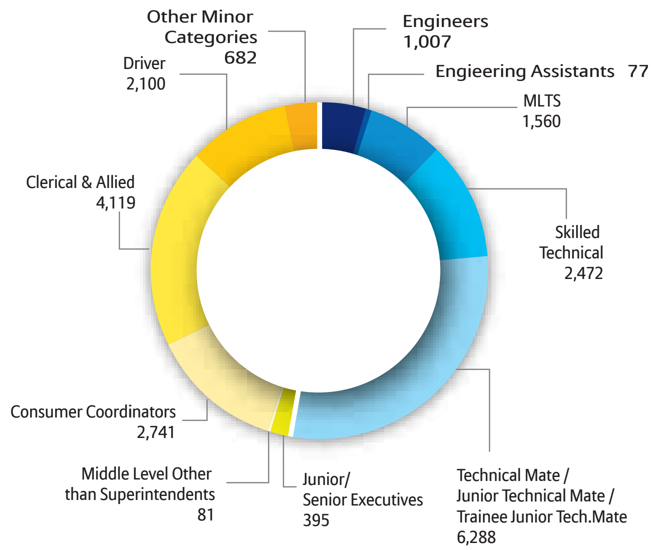
430,509 LKR million COST OF SALES

Our Work Force as at 2022-12-31

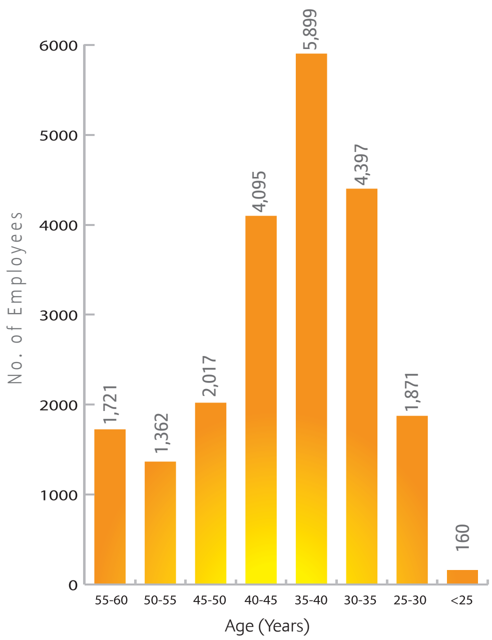
Work Force



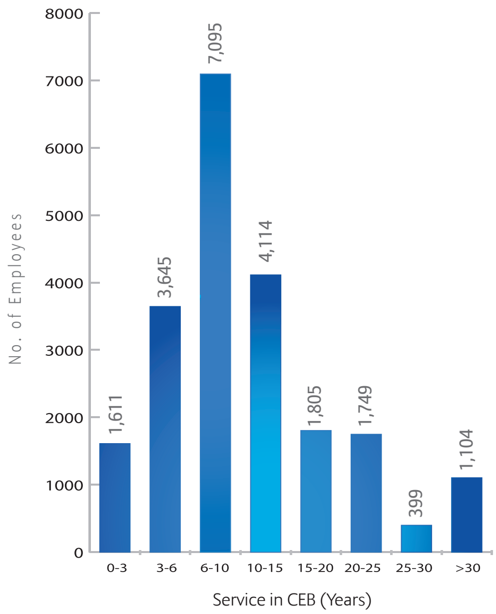
Service Category



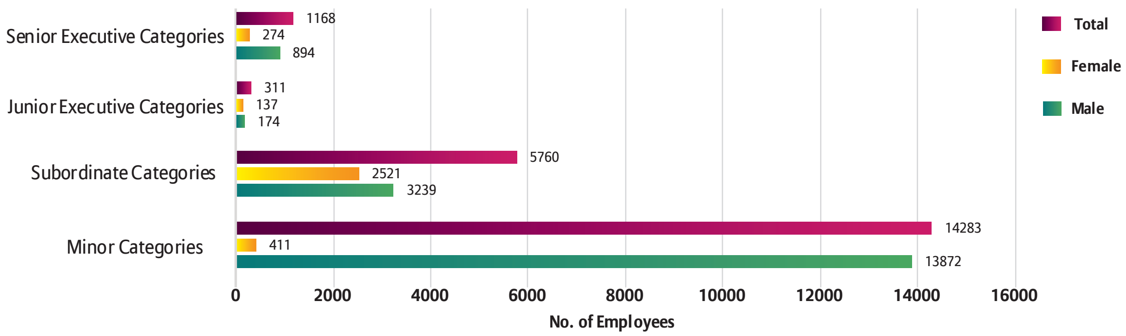
Age Analysis



Service Analysis



Category Analysis




Laxapana Reservoir

Past Performances

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Energy Generation (GWh)	11,962	12,423	13,154	14,249	14,773	15,985	16,556	16,392	17,378	16,576
NCRE Generation* (GWh)	1,179	1,217	1,467	1,160	1,464	1,832	1,761	1,866	2,922	2,937
Maximum Demand (MW)	2,164	2,152	2,283	2,453	2,523	2,616	2,669	2,717	2,802	2,708
Electricity Sales (GWh)	10,621	11,063	11,786	12,785	13,431	14,091	14,611	14,286	15,214	14,520
Consumer Accounts (Nos.)	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	6,936,735
System Energy Losses (%)	11.1	10.9	10.4	10.3	8.5	8.3	8.2	9.1	8.7	8.8
Revenue (LKR million)	194,147	202,645	188,684	206,811	218,450	229,571	242,950	238,911	248,776**	308,457
Average Selling Price (LKR/kWh) – (a)	17.93	18.50	16.00	16.18	16.26	16.29	16.63	16.72	16.37	21.24
Average Cost at selling point (LKR/kWh) – (a)	16.94	20.00	15.07	18.08	20.34	19.12	24.12	21.67	19.42	33.65
Household Electrified during the year (Nos.)	198,484	178,300	198,166	277,038	181,627	118,077	108,315	98,829	125,277	94,768

* - Mini Hydro, Wind, Solar, Dendro, Boimass and Municipal Waste Generation
** - Restated
(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

Mr. M. M. C. Ferdinando	Up to 2022-06-12
Mr. N. S. Ilangakoon	From 2022-06-13

Vice Chairman

Mr. N. S. Ilangakoon	Up to 2022-06-12

Member, Representing the General Treasury

Mr. S. D. Jude Nilukshan	Up to 2022-01-10
Mr. M. R. V. R. Meepura	From 2022-01-11

Members

Mr. M. M. Nayeemudeen	
Mr. R. Wickramarachchi	
Dr. B. Wijayarathne	
Mr. G. P. N. M. Abeysekara	
Mr. D. P. M. Chandana	From 2022-12-12

Board Secretary

Ms. H. R. P. Pathberiya

General Manager

Eng. M. R. Ranatunga	Up to 2022-01-12
Eng. (Dr.) D. C. R. Abeysekara	From 2022-01-13 to 2022-12-18
Eng. G. A. D. R. P. Seneviratne	From 2022-12-19

Corporate Management

Additional General Manager (Generation)

Eng. A. R. Nawamanni

Additional General Manager (Transmission)

Eng. P. W. Hendahewa	Up to 2022-05-30

Additional General Manager (Transmission - Non Wired Operations)

Eng. P. W. Hendahewa	From 2022-05-31

Additional General Manager (Transmission - Wired Operations)

Eng. S. C. Diddeniya	From 2022-05-31 to 2022-12-25
Eng. H. D. C. Jayaratne	From 2022-12-26

Additional General Manager (DD 01)

Eng. J. Meegoda

Additional General Manager (DD 02)

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

Additional General Manager (DD 03)

Eng. G. J. Aluthge

Additional General Manager (DD 04)

Eng. G. A. D. R. P. Seneviratne	Up to 2022-12-18
Eng. N. W. Kumarasinghe	from 2022-12-19

Additional General Manager (Assets Management)

Eng. K. K. S. Dasanayake

Additional General Manager (Corporate Strategy)

Eng. (Dr.) D. C. R. Abeysekara	Up to 2022-01-12
Eng. K. K. S. Dasanayake (Actg.)	From 2022-02-03 to 2022-12-18
Eng. (Mrs.) M. M. N. Munawwara	From 2022-12-19

Additional General Manager (Projects)

Eng. H. S. Somathilaka

Finance Manager

Mr. T. K. Liyanage

Organization Structure 2022

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

DGM (Corporate & Regulatory Relations)
DGM (Assets Management & Condition Monitoring)
DGM (Control & Protection)
DGM (Communication)
DGM (Transmission Operations & Maintenance - North)
DGM (Transmission Operations & Maintenance - South)

DGM (Energy Marketing)
DGM (Energy Purchase)
DGM (Private Power Development)
DGM (Renewable Energy Procurement & Performance Monitoring)
DGM (System Control)
DGM (Transmission Design & Environment)
DGM (Transmission & Generation Planning)
AFM (Transmission)

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

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

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

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

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

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

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

DGM (Corporate & Projects Coordination)
DGM (Engineering Advisory Services)
DGM (Transmission Construction Projects)
DGM (Transmission Projects)
PD (Broadlands Hydropower Project)
PD (Greater Colombo Transmission & Distribution Loss Reduction Project)
PD (Green Power Development & EEII Project-Tranch II)
PD (LNG)
PD (Mannar Wind Power Project - Phase I)
PD (Mannar Wind Power Project - Phase II)
PD (Moragolla Hydropower Project)
PD (National Transmission & DND & EI Project)
PD (Power System Reliability Strengthening Project)
PD (Trincomalee Coal Power Project)
PD (Uma Oya Hydro Power Project)
AFM (Projects)

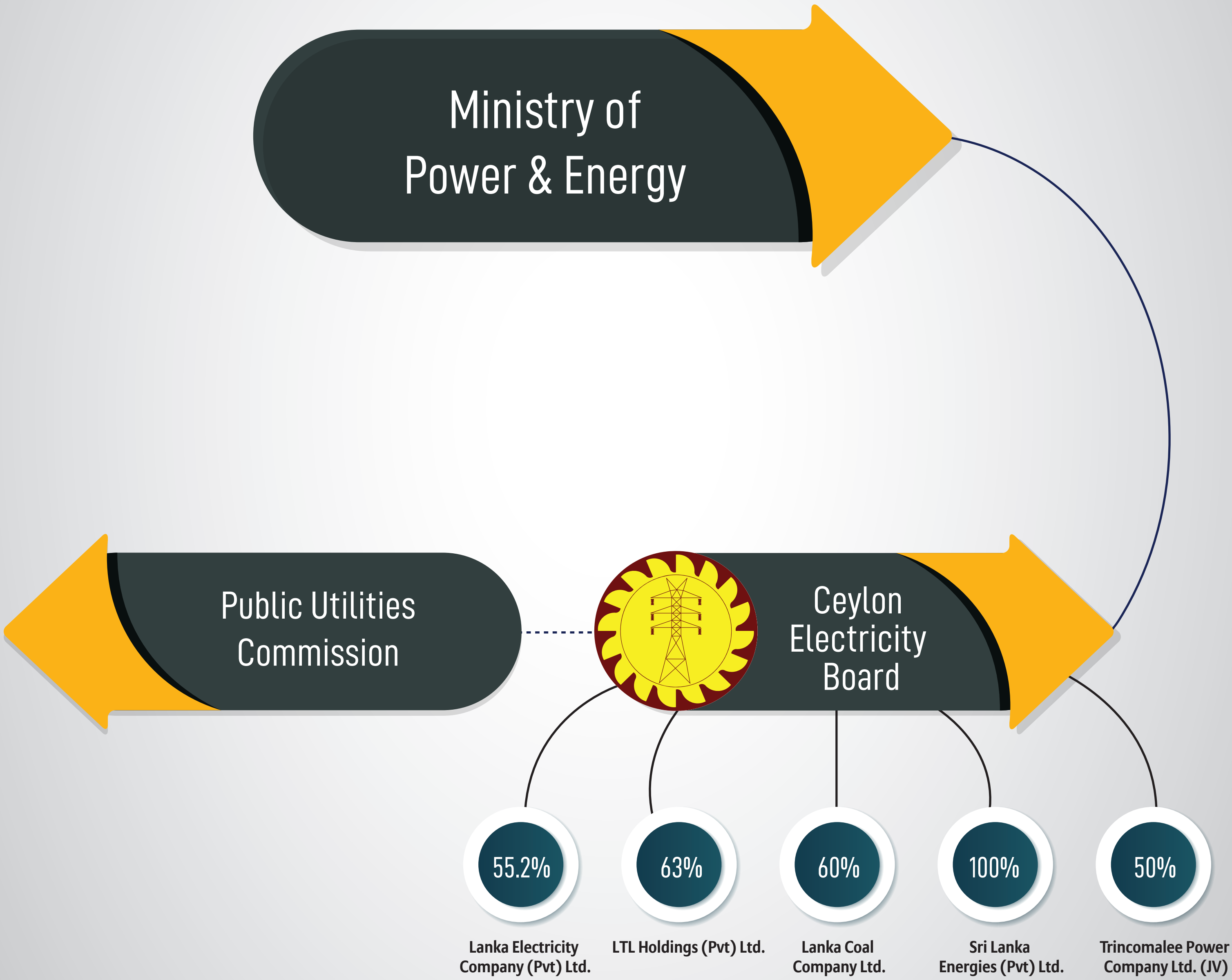
DGM (Coordination)
DGM (Personnel)
DGM (Engineering Audit)
Chief Internal Auditor

Chief Legal Officer

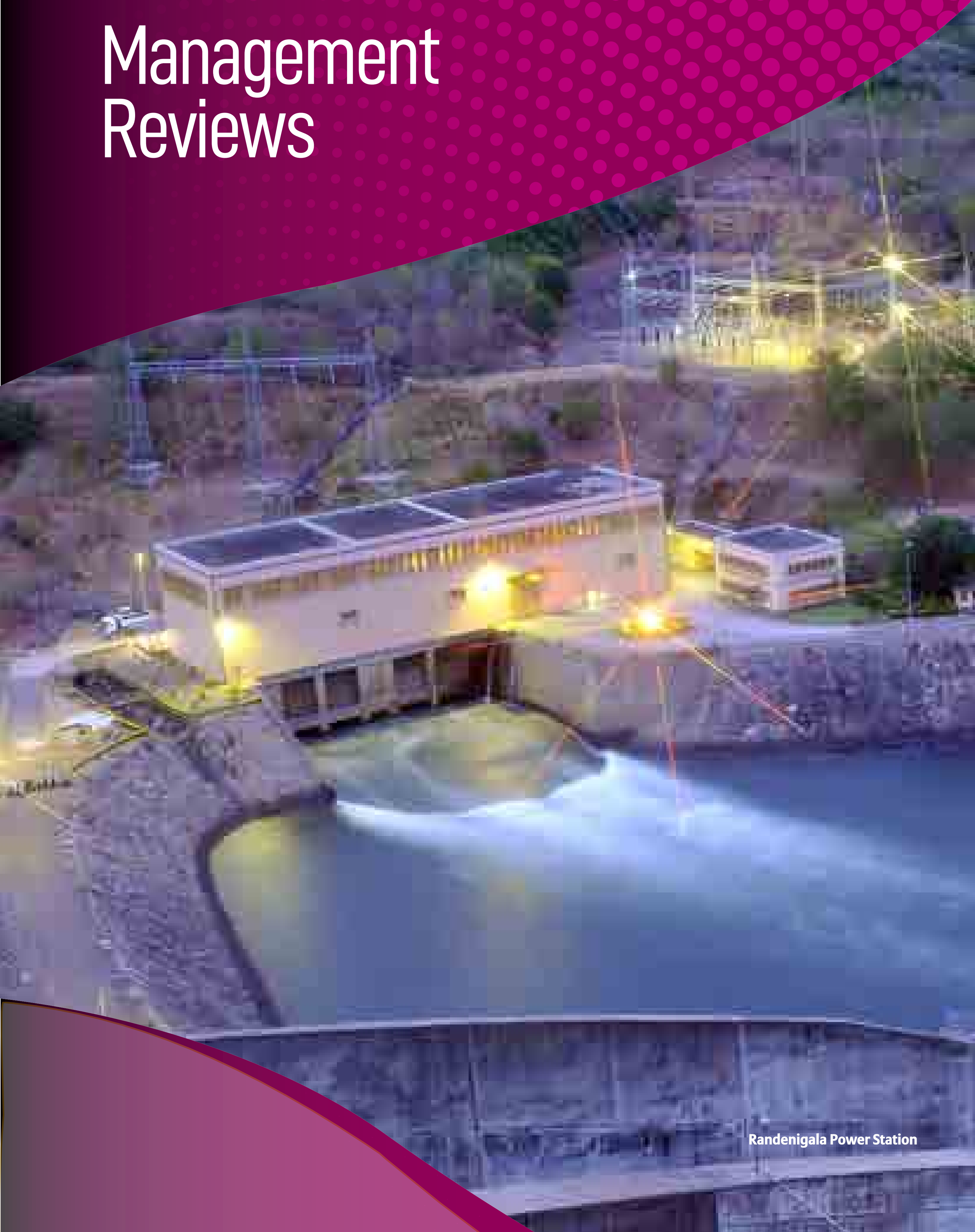
Manager Investigations

Secretary to the Board

Organization Structure of CEB with Subsidiaries - 2022



Management Reviews



Randenigala Power Station

Chairman's Review

"Our commitment to operational excellence has been a driving force behind our success. We have focused on optimizing our power generation capabilities, ensuring efficient transmission and distribution systems, and implementing advanced technologies to improve the reliability and quality of our services."

Dear valued stakeholders,

I am delighted to present the Chairman's Review for Ceylon Electricity Board, reflecting on our achievements, challenges, and the path forward in the dynamic energy landscape.

The year 2022 has been a momentous one for CEB. We have continued to demonstrate resilience and adaptability, successfully navigating through an ever-evolving industry landscape. Despite various challenges, I am pleased to announce that the Board has achieved significant milestones and maintained a strong performance.

Our commitment to operational excellence has been a driving force behind our success. We have focused on optimizing our power generation capabilities, ensuring efficient transmission and distribution systems, and implementing advanced technologies to improve the reliability and quality of our services. However, CEB couldn't isolate itself from the prevailing economic crisis of the country and had been grappling with an acute shortage of fuel supply, which has significantly impacted our ability to generate electricity. As a result, we have been faced with the difficult decision of implementing forced power outages all over the country, and the total un-served energy due to these power outages were 799.2 GWh for the year under review. These outages, although temporary, have unfortunately caused inconvenience and hardship for our valued consumers, for which we sincerely apologize.

Recognizing the increasing importance of sustainability, we have intensified our efforts to transition towards cleaner and greener energy sources. We have promoted and facilitated renewable energy projects, including solar and wind, reducing our carbon footprint and contributing to a more sustainable future. As a result, CEB was able to increase the rooftop solar capacity by 29% during the year under review, making the total rooftop solar capacity 535 MW. In addition, the grid-connected solar capacity also increased by 30%, and the renewable share of power generation for the year 2022 is recorded as 52%.

We have prioritized customer satisfaction by continuously enhancing our services and offering innovative solutions tailored to their evolving needs. We have implemented digital platforms and smart technologies to empower our customers with real-time information, and seamless interactions. The CEBAssist system, a platform agnostic solution developed to digitalize CEB services and processes was awarded twice during the year by Recognition of Excellence in the Public Sector Award from SLASSCOM and Best Digitalization Process Enabler Award from BCS Sri Lanka Chapter.

The year 2022 has been a challenging period for CEB from a financial perspective. Despite our diligent efforts and strategic measures, we have encountered several obstacles that have resulted in net losses for the organization. The rise in global commodity prices, viz. fuel, coal, and other material, exchange rate depreciation, and increase in interest rates whilst non-availability of cost reflective tariff has exerted pressure on net loss. The Tariff revision implemented since August 2022 was not adequate to cover up surged commodity prices of the period under review. We remain steadfast in our commitment to financial prudence, operational excellence, and customer satisfaction. By implementing our strategic initiatives and adapting to the evolving industry landscape, we are confident in our ability to restore profitability and create sustainable long-term value for the organization.

In conclusion, I would like to express my gratitude to Members of the Board, our shareholders, employees led by the General Manager, and customers for their unwavering support and dedication. With our robust foundation, talented workforce, and unwavering commitment to excellence, I am confident that CEB is well-positioned to navigate the challenges and seize the opportunities that lie ahead.

N. S. Ilangakoon
Chairman
Ceylon Electricity Board


Chunnakam Grid Substation

General Manager's Review

> To meet the evolving needs of our consumers, we focused on expanding our transmission infrastructure of our network. We successfully completed several key projects, including the construction of new grid substations and transmission lines in North Central Province, Western Province and Southern Province.

Dear valued stakeholders,

As General Manager, I wish to present the annual review of Ceylon Electricity Board for the fiscal year 2022. The past year has been eventful and very challenging for many power companies in the world and for us in Sri Lanka. Disruptions of LNG supply lines due to regional conflicts at a time when world demand for fossil fuels was bouncing back after Covid era, created a global energy crisis. Demand for coal reached an all-time high in the world market. Coal and oil were trading at decade high levels for most parts of the year. Its impact on us was enormous mainly due to two reasons. Firstly, our heavy dependence on oil and coal for power generation. Secondly, we had to face the situation with depleted foreign currency reserves of the country.

The crisis situation again highlighted the long-term need of reducing our dependency on imported fossil fuel for power generation and look for alternative sources such as renewables. During the year we took many significant steps to promote renewable power generation in the country. Rooftop solar customers can now install capacities beyond their contractual consumption demand. We continued our network enhancements at places where high concentration of rooftop solar customers were present. The process of giving rooftop connections was streamlined and made online. Our customers and investors taking advantage of such provisions added 150 MW of rooftop solar and 66 MW of ground solar to the network during the year. It is an increase of 23.3% in number of customers and 28.8% in terms of generating capacity.

The Broadlands Hydro Power Plant was commissioned during the year adding 35MW of clean energy capacity to our network. This marks an important event in our pursuit of developing sustainable energy solutions for greener future. The estimated annual generation from the plant is 126 GWh.

Over the years we have explored ways of increasing hydro power potential of the country. Flashboards built over Castlereigh reservoir to increase its water holding capacity, is one such innovative implementation. To make it more resilient, flashboards have now been replaced with a structure that is capable of controlled release of extra water if and when a situation demands. Our effort has paid off during the first year of operation itself. For more than 3 months of the year 2022, water level of Castlereigh reservoir was in the Flashboard region while its generators were running at full capacity.

I am happy to say that we have generated 52.1% of our energy using renewables during the financial year 2022.

Over the years, we have witnessed a steady increase of the number of customers connected to our grid. Our efforts to extend the services to underserved and rural areas have borne fruit. As a result, our customer base has grown by 1.9% during the year under review.

CEB's focus on operational excellence and commitment to reducing transmission and distribution losses have yielded noteworthy results. We are proud to report that CEB has achieved significantly lower losses compared to South Asian benchmarks during the past years.

The tariff methodology approved by the Public Utilities Commission, in line with the Electricity Act requires the cost of supply to be fully recovered while tariff among different user groups shall be on a cost reflective basis. However, this was not so for the past many years resulting heavy accumulated losses.

Year 2022 marks as a year that CEB was able to get the approval of the Public Utilities Commission (PUC) to revise its customer tariff marginally to survive under the challenging economic condition. Previous tariff revision was in 2014. We understand that any price adjustment under the prevailed critical economic condition can be challenging for our consumers and it is essential to present this development in a positive light, focusing on the benefits it brings to both our consumers and the sustainability of our operations.

Despite implementing the aforesaid tariff hike to mitigate some of these cost pressures, the magnitude of the commodity price increases surpassed our initial projections, resulting in higher operating expenses and a strain on our financial performance, resulting a net loss at the end of the year. Steep depreciation of LKR and high interest rates prevailed during the year act unfavorably for us resulting significant increase of our finance costs.

To meet the evolving needs of our consumers, we focused on expanding our transmission infrastructure of our network. We successfully completed several key projects, including the construction of new grid substations and transmission lines in North Central Province, Western Province and Southern Province. As a result, 19 km of 220 kV transmission lines, 11 km of 132kV transmission lines, two 132/33kV grid substations viz. Kesbewa and Kaluthara, two 220/132 grid substation viz. New Habarana, Hambanthota and a 220/33kV grid substation in Biyagama were added to the transmission network. In addition, distribution network developments were also done to facilitate the end user demands.

Throughout the year, we organized a series of comprehensive and targeted training programs across various Divisions and levels within the organization and as a result about 6000 of employees were trained during the year, enabling them to perform their roles effectively and adapt to changing industry trends.

Another area where we made significant progress was in automation and digitalization of our services. The" CEBAssist" application suite continues to expand with more and more functionalities added and offering more online services to our customers. Applications for new electricity connections and solar rooftop connections can now be submitted online and monitor their status as they progress. IT industry has recognized our efforts in developing the product and we were honored with several more awards during the year for its high quality and the impact that it had on customers.

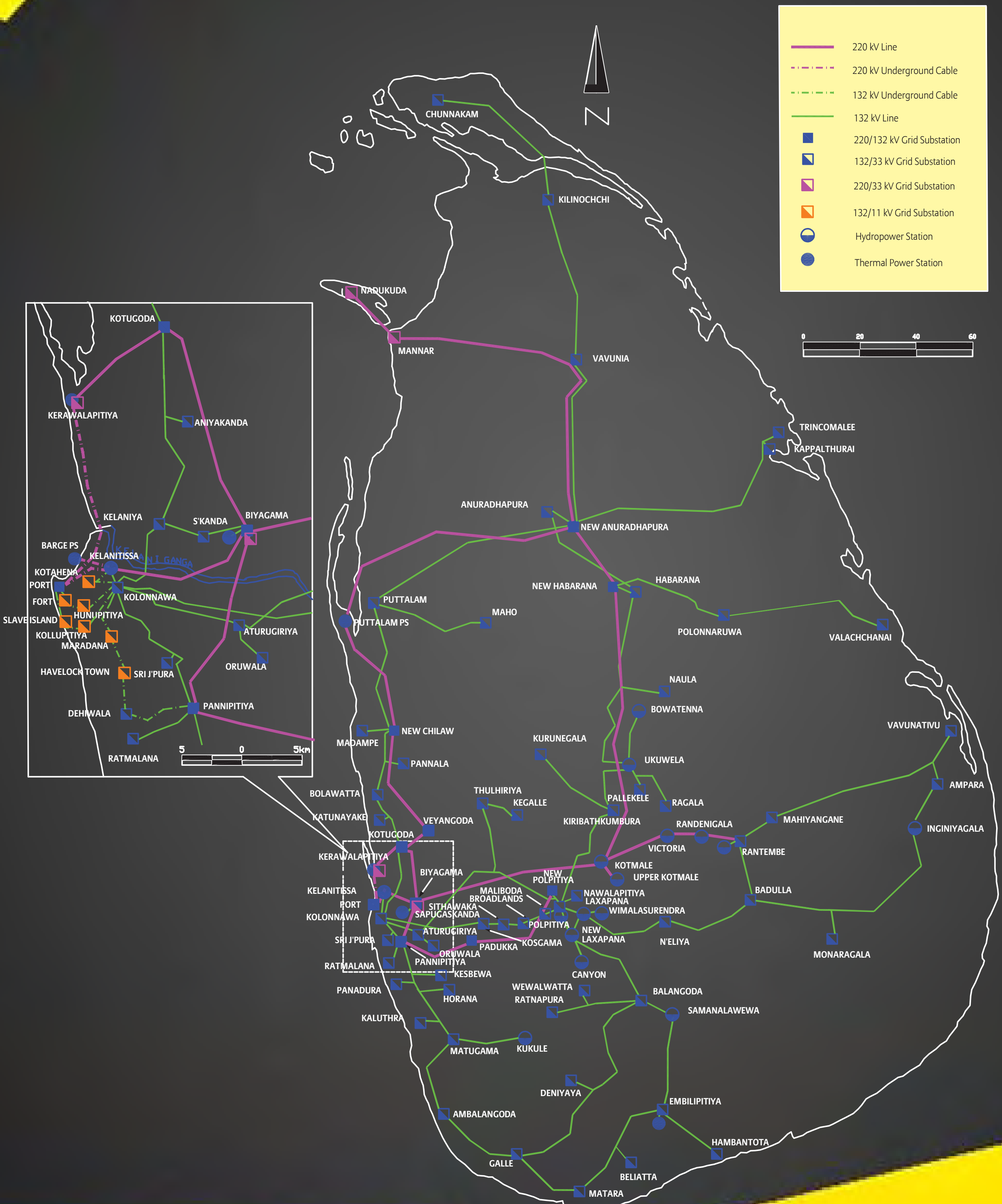
I would like to appreciate all employees of CEB who have contributed immensely to the success of the organization, despite many hardships like the fuel crisis affecting travel, the global pandemic and the curtailing of certain employee benefits during the year in order to cut down our costs. I thank all employees who extended their support to me even under the most difficult financial situation of the country.

It has been a year filled with accomplishments, challenges, and growth, and I am proud of what we have achieved together. I further extend my deepest appreciation to the chairman and each member of the Board for guiding and advising us during this challenging year.

The silver lining of this dark year is that our pursuit of renewable energy has been accelerated. Due to increasing public interest and the plans we have implemented in the last year, our dream will become a reality sooner rather than later.

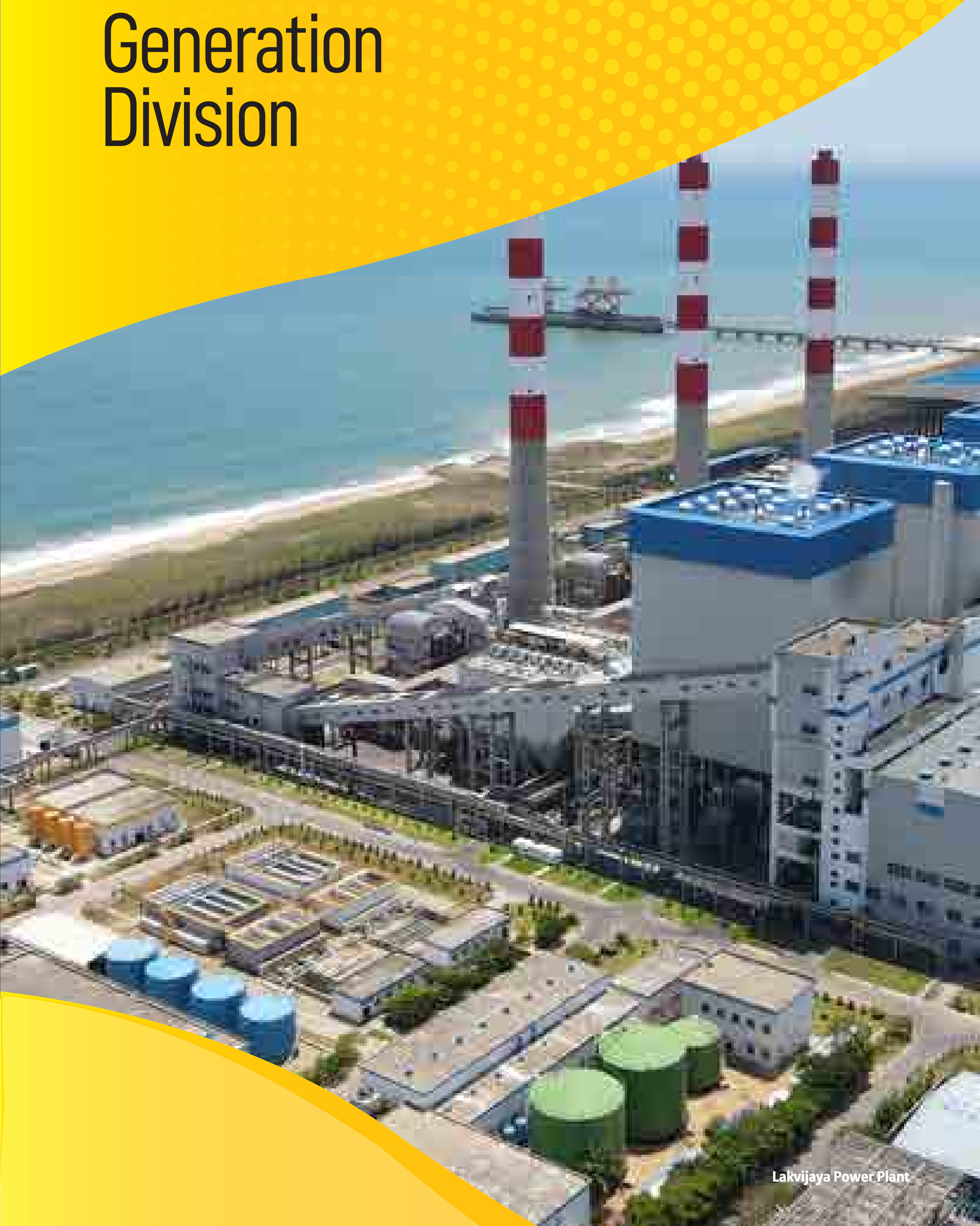
Eng. (Dr.) D. C. R. Abeysekara
General Manager

The Map of Sri Lanka Transmission System in Year 2022



OPERATIONAL REVIEW

Generation Division



Lakvijaya Power Plant

Generation Division

The Generation Division operates, maintains and rehabilitates all Power Stations owned by the Ceylon Electricity Board. The Division has seventeen Hydro Power Stations with installed capacity of 1,378.4 MW, seven Oil-fired Thermal Power Stations having installed capacity of 654 MW, one Coal-fired Thermal Power Station having installed capacity of 900 MW and one Wind Power Station with installed capacity of 103.5 MW. CEB also operates a few diesel power stations in the surrounding islands of Jaffna Peninsula. Total installed Capacity of CEB owned Power Stations by end 2022 was 3,036 MW.

Performance of Power Stations

Year 2022 was a satisfactory year in terms of Electricity Generation from all the Power Stations running on Mahaweli water (Mahaweli Complex) and Wind Power Station at Mannar. Power Stations in Mahaweli Complex have generated 2,797.7 GWh in the year 2022 and the complex was able to generate more than 98% of its planned generation for the year 2022.

The total annual generation of the group of Power Stations running on Kelani River water (Laxapana Complex) in year 2022 was recorded as 1,737.6 GWh, while total annual generation for Samanala Complex running on Walawe, Kalu and Gal Oya River water recorded as 730.5 GWh for the year under review. Samanala Complex was able to generate more than 97% of its planned generation for the year 2022.

Total annual generation of the Thermal Complex in 2022 was 1,339.4 GWh, while total generation for LVPP (Lakvijaya Power Plant) recorded as 5,173.8 GWh.

The CEB generation mix in year 2022 is given in the Figure G1 and Power Station wise electricity generation contribution and other related factors for the year 2022 are given in Table G1 to Table G3

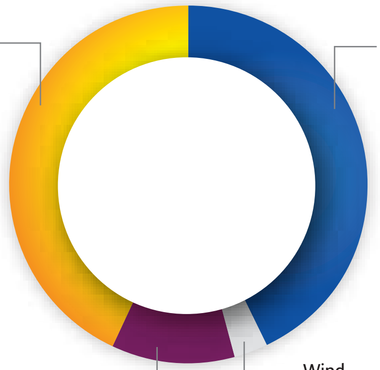


Figure G1: CEB Generation Mix -2022

Note: Hydropower generated from Broadlands Power Station not included as it was not in commercial operation as at 2022-12-31.

Table G1: Contribution of CEB Owned Hydro Power and Wind Power Stations

Power Station	Installed Capacity (MW)	Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Mahaweli Complex	**920.3**	**3144.9**		
Victoria	210	907.5	100.0	49.4
Kotmale	201	526.5	99.9	30.0
Upper Kotmale	150	505.3	100.0	38.6
Randenigala	122.6	419.8	99.8	39.4
Rantembe	50	197.2	99.8	46.4
Ukuwela	40	169.9	91.7	48.6
Bowatenna	40	59.2	99.8	17.0
Nillambe	3.2	12.3	99.3	42.4
Thambapavani	103.5	347.2	89.6	39.9
Laxapana Complex	**353.8**	**1,737.6**		
Laxapana	153.8	938.9	95.0	69.8
Polpitiya	90	513.3	97.4	65.2
Canyon	60	147.4	75.0	28.1
Wimalasurendra	50	138.0	86.0	31.6

Generation Division (Contd.)

Table G1: Contribution of CEB Owned Hydro Power and Wind Power Stations (Contd.)

Power Station	Installed Capacity (MW)	Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Samanala Complex	**207.8**	**730.5**		
Samanalawewa	120	325.1	97.8	31.2
Kukuleganga	75	372.1	94.2	60.9
Udawalawa	4	15.9	90.9	46.8
Inginiyagala	8.8	17.4	71.3	17.8
TOTAL	**1,481.9**	**5,613.0**		

Note : All except Thambapavani are hydropower stations

Table G2: Contribution of CEB Owned Thermal-Oil Power Stations

Power Station		Installed Capacity (MW)	Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Sapugaskanda	Station A	80	168.3	82.1	28.5
	Station B	80	295.2	96.0	48.7
Kelanitissa Combine Cycle	Gas Turbine (GT)	110	421.9	77.4	32.1
	Steam Turbine (ST)	55		74.7	26.1
Kelanitissa GT - 07		115	77.0	94.0	8.0
Kelanitissa Frame V GTs		80	10.3	37.1	2.0
Diesel Power Plants (50 x 1 MW)		50	44.1	75.0	93.0
Uthuru Janani		24	82.6	80.8	41.2
Barge		60	237.4	96.8	45.2
Stand Alone Generators (Jaffna Small Islands)			2.6		
TOTAL		**654**	**1,339.4**		

Table G3: Contribution of CEB Owned Coal Power Station

Lakvijaya Power Station	Installed Capacity (MW)	Gross Generation (GWh)	Net Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Unit 01	300	2,252.2	2,033.0	90.5	85.7
Unit 02	300	1,441.2	1,295.4	99.8	54.8
Unit 03	300	2,036.4	1,845.3	82.4	77.5

Highlights

Replacement of 800 kVA Dry - Type Auxiliary Transformer No.01 at Kotmale Power Station

Dry - Type Auxiliary Transformer - No.01 of Kotmale Power Station was 40 years old and the same was replaced with a new transformer, manufactured by ELKIMA - Italy in May 2022 in order to improve the reliability of the Kotmale Power Station.

Replacement of Electronic Governor of Unit 01 with a New Digital Governor at Kotmale Power Station

The existing electronic type Governor of Unit 01 was replaced with new Digital Governor due to obsoletion of spares and accessories, to improving the reliability and operational flexibility of the Governor unit. The new governor was installed, tested and commissioned by a technical team of Andritz, Austria and CEB staff within 03 weeks. The Governor controller system was fully commissioned on 2022-06-07.

Replacement of 220 V DC Battery Bank at Ukuwela Power Station

The battery bank in service for decades has been physically damaged due to deterioration and recording frequent failures. Therefore, a new battery bank was installed by the Ukuwela Power Station Staff in order to ensure a reliable back up power supply during power outages and to provide a reliable power supply during start-ups of the generator units.

Replacement of Turbine and Head-Cover of Unit 02 at Ukuwela Power Station

It was observed that there were water leakages from the head cover of Unit 02, due to sand erosion over a period of 6 years and as a result the unit was out of service. The repair was carried out by CEB staff without obtaining foreign supervisory services from the OEM. Accordingly, the repair work and replacement of turbine and head-cover is successfully progressing by the end of the year under review.

Figure G2: Replacement of Battery Bank at Ukuwela PS

Storage Capacity Enhancement of Castlereagh Reservoir

The Castlereagh dam had to maintained at a lower level to avoid the risk of creating flash floods in the downstream due to the existing limitations of the gate arrangement, and hence the maximum storage could not be achieved. As a solution, Self-Regulated Water Controlling Dam Gates were proposed by Japan International Corporation Agency (JICA), on which spilling water can flow similarly to a natural spillway with the facility of lowering the gate in order to prevent the reservoir level rising dangerously to a high level. Accordingly in the year 2022, Pneumatically Operated Self-Regulated Water Controlling Crest Gate System was erected and commissioned successfully increasing the effective capacity of the reservoir by 5.6 GWh.

Upgrading of Blade Lightening Protection System at Thambapavani Wind Power Station

Five turbine blades at Thambapavani Wind Power Station were severely damaged due to lightning strikes and had to be replaced. Further, originally installed Lightning Protection System was upgraded to cope with the existing environmental conditions by Vestas, the OEM together with CEB.

Figure G3: Upgrading the Blade Lightening Protection system at Thambapavani Wind Power Station.

Tunnel Inspections and Repairs of Canyon Power Station

Figure G4: Canyon Tunnel Inspection

The Canyon Power Station had to run at a derated load, after observing a colour change in the water of Canyon Pond and a tunnel inspection had to perform to figure out the causes. Accordingly, a tunnel inspection was commenced in January 2022, after 27 years of operation. The inspection was performed by a team comprising experts of CEB and the hired consultants. During the tunnel outage, repairing of concrete damages, painting of steel items, removal of mud, cleaning and painting of Unit no. 02 penstock line and servicing of guard valve and replacement of valve seal were performed to ensure the proper physical conditions of the tunnel. Total cost of this repair work was LKR 48.1 million excluding CEB overheads. The work was successfully completed on 2022-03-30.

"Level A" Overhaul in Unit 02 at LVPP

A "Level A" type overhaul is a large-scale overhaul done after six years of plants' operation which requires more than 300 experienced staff. Work scope was scheduled to be covered in 75 days with the participation of CEB own staff, local technical staff, and foreign expertise including OEMs. The overhaul work commenced on 2022-06-18 and successfully completed, amidst Covid-19 spreads among Chinees crew. The cost of overhaul was LKR 5.5 billion.

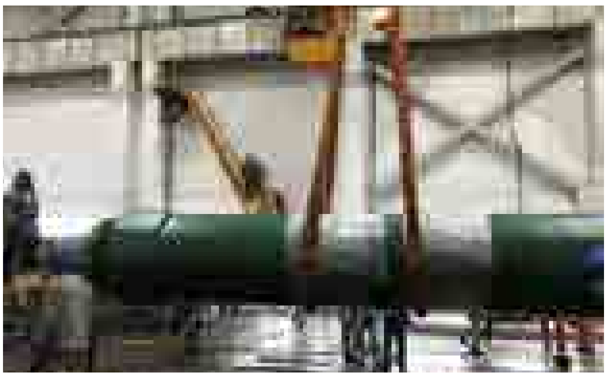


Figure G5: Generator Rotor Extraction

Re-instatement of Maximum Possible Dispatch of Station B at Sapugaskanda Power Station

The maximum dispatch of station B was restricted due to deterioration of its radiator bank module and hence replaced the same to re-instate the maximum possible dispatch even during the hottest weather conditions. The replacement completed successfully at a total cost of LKR 580 million.

Enhancing of Handling Capacity of Coal Yard, Lakvijaya Power Station

With the experience gained in operating the Lakvijaya 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 system, it was decided to enhance the coal storage and handling capacity of the existing coal yard to 1.21 MMT. Accordingly, this project was initiated and the construction of heavy maintenance building, accommodation building and coal yard extension recorded 42%, 64.8% and 70.1% progress respectively as at the end of the year 2022.

Capacity Enhancement of Kelanitissa Power Station

Long-Term Generation Expansion Plan (LTGEP) 2015-2034 proposed to install 3 x 35 MW Gas Turbines to facilitate the fast restoration of Colombo power in a total power failure situation, with following additional benefits.

- reduce the dependency on the availability of hydro power during peak hours.
- operate as the primary/secondary frequency controlling generator of the system when it requires.
- replace existing low efficiency CEB owned diesel generators.

Accordingly, this project was formulated under suppliers' credit funding arrangements. The awarding of the contract is expected in July 2023 and the project is scheduled to be completed by October 2024.

Cost of Generation

Cost of generation for the year 2022 is depicted in Table G4.

Table G4: Cost of Generation

Complex	Power Station	Actual Net Generation (GWh)	Actual Expenditure (LKR million)	Average Unit Cost (LKR/KWh)
Thermal	KPS - Gas Turbines	87.3	5,129.2	58.75
	KPS - Combined Cycle	421.9	16,787.1	39.79
	Sapugaskanda	463.5	30,887.8	66.64
	Stand Alone Generators (Jaffna Small Islands)	2.6	363.0	139.62
	Uthuru Janani	82.6	5,495.8	66.54
	Barge Mounted PS	237.4	14,925.6	62.87
	Diesel Power Plants (50 x 1 MW)	44.1	2,565.5	58.17
	Total Thermal - Fuel	**1,339.4**	**76,153.9**	**56.86**
Coal	**Coal**	**5,173.8**	**138,731.8**	**26.81**
Total Thermal		**6,513.2**	**214,885.7**	**32.99**
Mahaweli	Victoria	907.5	647.1	0.71
	Kotmale	526.5	1,135.0	2.16
	Ukuwela	169.9	353.0	2.08
	Bowatenna	59.2	209.6	3.54
	Randenigala/Rantambe	617.0	1,004.7	1.63
	Nilambe	12.3	103.8	8.44
	Upper Kotmale	505.3	1,459.1	2.89
	Thambapavani	347.2	1,746.0	5.03
	Total Mahaweli	**3,144.9**	**6,658.3**	**2.12**
Laxapana	Old & New Laxapana	938.9	1,317.2	1.40
	Polpitiya	513.3	867.3	1.69
	Wimalasurendra	138.0	500.2	3.62
	Canyon	147.4	619.0	4.20
	Total Laxapana	**1,737.6**	**3,303.7**	**1.90**
Samanala	Samanalawewa	325.1	1,378.4	4.24
	Kukule	372.1	519.5	1.40
	Inginiyagala	17.4	144.1	8.28
	Udawalawe	15.9	179.1	11.26
	Total Samanala	**730.5**	**2,221.1**	**3.04**
Total Hydro/Wind		**5,613**	**12,183.1**	**2.17**
Total CEB (at Generation Point)		**12,126.2**	**227,068.8**	**18.73**

Source : Energy Sales Branch

Notes :

1. Finance cost components such as CPC/Coal payment delay interest charges, short/long term interest charges have been excluded from the expenditure calculation.
2. Generation from the Broadlands Power Plant has not been considered as it was not in commercial operation during the year under review.
3. Energy charge includes both Fuel and Non-Fuel charges.
4. Auxiliary energy costs are considered when calculating the energy cost.

OPERATIONAL REVIEW

Transmission Division

Mannar Nadukuda Grid Substation

Transmission Division

CEB has a statutory responsibility for building, maintaining, and operating the transmission infrastructure and also, for managing the flow of electricity over the transmission grid and ensuring that the system remains reliable and secure. In addition, it is the duty of CEB to have adequate generation to meet the forecasted electricity demand of the country.

To ensure the proper execution of the above statutory obligations, the following operational objectives have been assigned to the Transmission Division:

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

In 2022, the Board decided to divide the Transmission Division into two Divisions viz. Transmission Wired Operations Division and Transmission Non-wired Operations Division to achieve the objectives entrusted to the Division more efficiently and effectively.

Performance of the Transmission Division

The reported electricity demand for the year 2022 was 15,942.2 GWh and recorded a 4.6% decrease compared with the last year, as a results of the demand side management carried out through planned power interruptions in 2022 due to lack of generation.

The energy purchased from CEB owned hydropower plants in 2022 was 5,364.3 GWh which was 33.6% of the total generation of the year and recorded a 4.9% reduction compared to the year 2021. The generation purchased from CEB owned Thambapavani Wind Power Plant was 347.2 GWh and recorded 11.8% of total Non- Conventional Renewable Energy (NCRE) generation.

The annual energy purchased from Lakvijaya Power Plant was 5,173.8 GWh and reported a 32.5% contribution to the total generation in the year under review. The generation purchased from IPP thermal (oil) power plants was 1,127.7 GWh and reported a 7.1% contribution to the total generation. The IPP plants namely ACE Power (Embilipitiya) and ACE Power (Matara) were operated for a six months contract period from 2022-03-28 to 2022-09-28 and 2022-04-20 to 2022-10-20 respectively. The IPP plant Sojitz (Kelanitissa) was transfered to CEB before the expiration of the contract period due to the termination of the Power Purchase Agreement (PPA) based on a plant decision.

Municipal solid waste, dendro and biomass are the power generation sources in Sri Lanka currently categorized under NCRE (Other). The total energy purchased from NCRE (Other) IPPs for the year 2022 was 2,589.8 GWh and total energy purchased from rooftop solar for the year was 530 GWh. The total renewable energy contribution in 2022 was 52.1% including CEB hydro and wind generation.

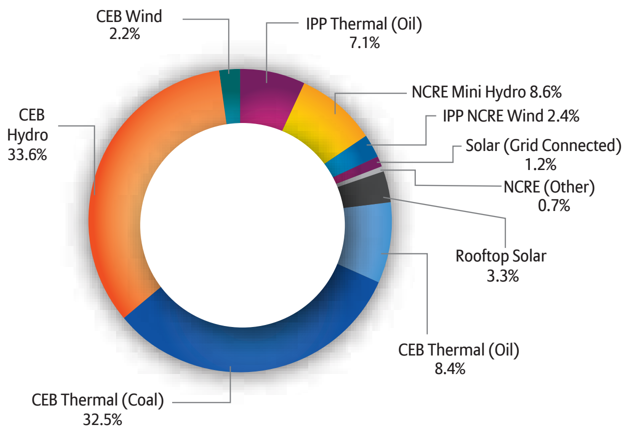


Figure T1: Energy generation mix for year 2022

Note : Including Broadlands Power Station Generation

The contribution of different energy sources for the annual electricity generation and the monthly electricity generation is depicted in Figures T2 and T3 respectively.

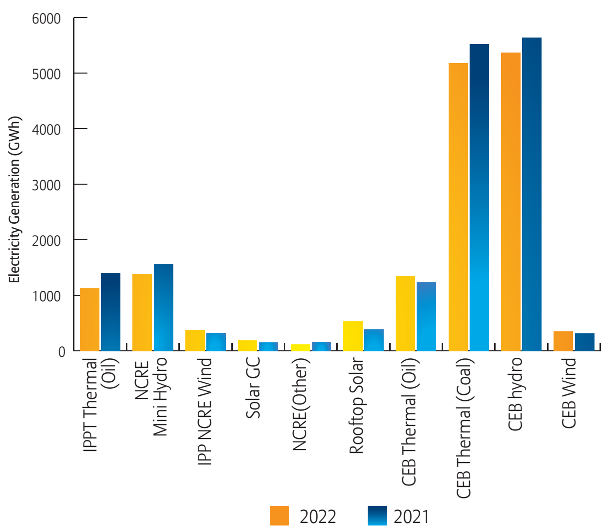


Figure T2: Contribution of different energy sources for the annual electricity generation- Year 2022 & 2021

The difference in monthly power generation over the year can be affected by the change in weather conditions and the number of days of the month. In addition, the planned power interruptions carried out throughout the year due to a lack of generation are also reflected in the average daily generation pattern.

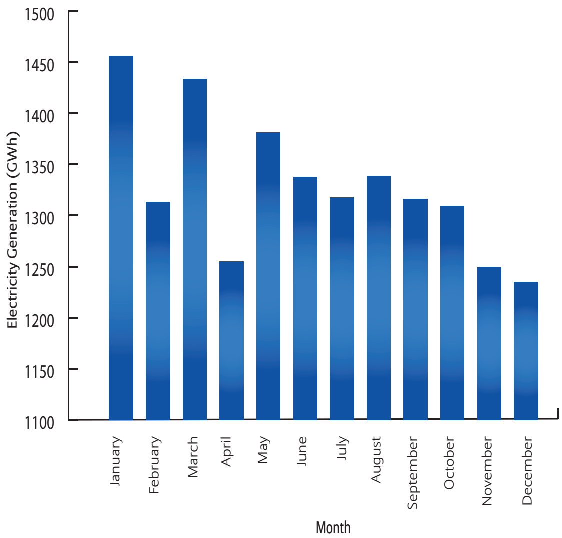


Figure T3: Monthly electricity generation (net)– Year 2022

The comparison of the variation of average daily generation in the years 2021 and 2022 is depicted in Figure T4. The effect of the planned power interruptions carried out throughout the year 2022 due to lack of generation is reflected in this comparison too.

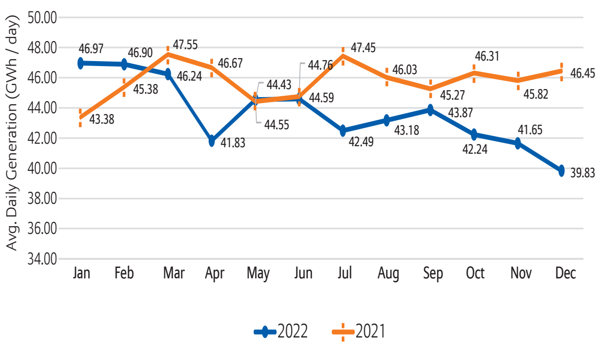


Figure T4: Variation of average daily energy generation (net) in GWh/day 2021/2022

The maximum daily generation of 48.2 GWh was recorded on 2022-03-23 and annual minimum daily generation was recorded as 28.7 GWh on 2022-11-07. Maximum and minimum daily generation values mentioned above are without NCRE(Other) generation.

The maximum night peak of the year 2022 was recorded on 2022-01-31 at 19:00hrs, the electricity demand reached 2,708.1 MW at that point. In general, the maximum night peak of the year is recorded in a month of a dry season. However, this normality is affected by the scheduled power interruptions carried out during the year 2022. Quarter hourly generation profile on the day of the maximum night peak of the year is depicted in the Figure T5.The maximum day peak of the year 2022 was recorded as 2,358.1 MW on 2022-02-22 at 16:00 hrs. The day peak also had the effect of scheduled power interruptions. The minimum system demand was recorded as 832.9 MW on 2022-12-26 at 03:00 hrs.

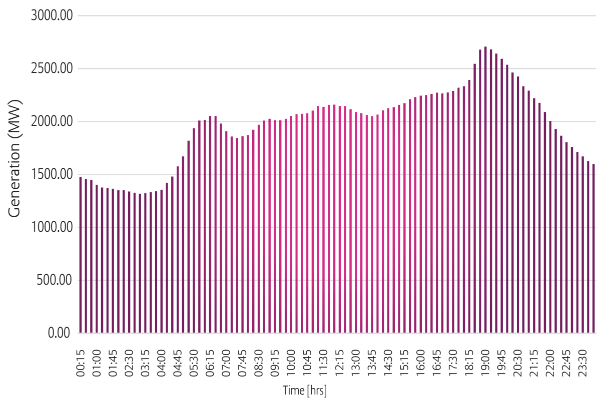


Figure T5: System generation profile on 2022-01-31

A comparison of the daily load curves of the days where the annual maximum night peaks recorded for the last three years is shown in Figure T6.

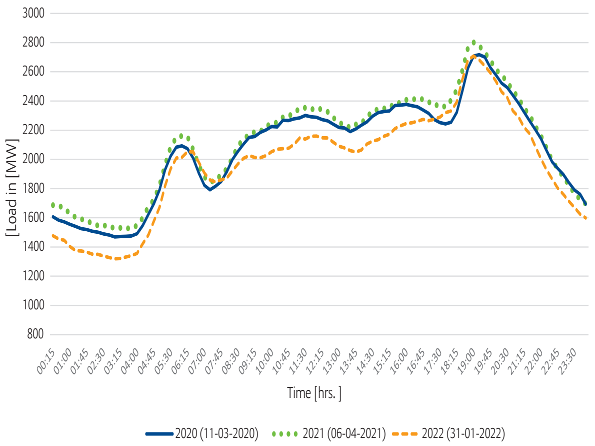


Figure T6: Load curves of annual maximum night peak days in the last 3 years (including island-wide scheduled power interruptions)

Planned Power Interruptions

The year 2022 was commenced with lack of generation due to fuel shortages that occurred as a consequence of the financial crisis prevailing in the country. As a results, CEB had to implement demand-side management by carrying out island-wide scheduled power interruptions. The total un-served energy due to scheduled power interruptions was 799.2 GWh. The monthly highest unserved energy recorded in March and April was estimated as 157.7 GWh and 117.6 GWh, respectively. The power interruptions had been carried out during day peak as well as night peak hours with pre-planned time slots. The lowest monthly un-served energy was 3.9 GWh in January, which only had six days of power interruptions.

Reservoir Performance

The year 2022 commenced with a total hydro storage of 880.2 GWh. This was 72.9% of the full storage viz. 1,207.3 GWh. The inflow received to reservoirs during the year was 5,418.2 GWh, which indicates a considerably wet and high inflow year. The lowest storage recorded was 315.5 GWh on 2022-04-02 and end of the year storage was 915.7 GWh, viz. 75.9% of the total system storage.

The maximum storage of 1,112.6 GWh was recorded on 2022-11-06, following high inflows received throughout the Southwest monsoon and second inter-monsoon (October – November) and it recorded 92.2% of the total storage. During the second half of the year 3,637.5 GWh of inflow received to the system.

The highest monthly inflow in the year was recorded in August (955.1 GWh) with an average daily inflow of 30.8 GWh.

The hydropower generation recorded in major hydropower stations (dispatchable) for the year was 5,364.3 GWh and mini-hydropower plants was 1,376.7 GWh. Consequently, hydro generation shows better average conditions due to high inflows. The hydro storage variation is given in Figure T7.

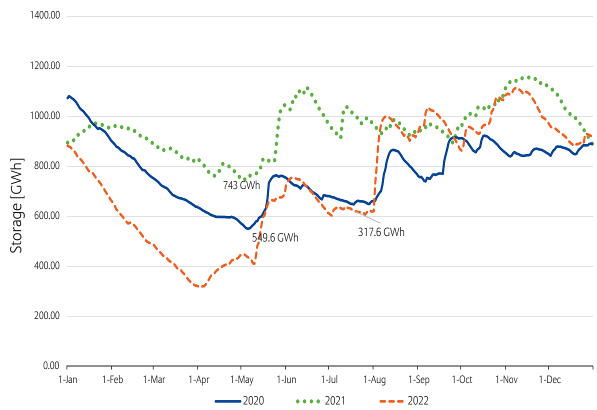


Figure T7: Hydro storage variation

Performance of NCRE Projects

In line with the goal of "Optimizing integration of green energy", CEB successfully commissioned 21 Nos. of ground mounted solar PV projects with a total capacity of 30 MW. In addition, 74 Nos. of NCRE projects are in progress under feed in tariff process and tender process and the details of completed solar PV projects and ongoing NCRE projects are depicted in Table T1 to Table T3.

Table T1: Details of commissioned ground mounted solar PV projects at 33 kV and above.

Grid Substation	No. of Projects	Commissioned Capacity (MW)
Anuradhapura	2	2
Habarana	1	1
Mahiyanganaya	6	6
Maho	3	3
Pallekele	5	5
Pannala	2	2
Horana	1	1
Vavunathivu	1	10
Total	**21**	**30**

Table T2: Details of ongoing NCRE projects under feeding tariff process

Type	No. of Projects	Total Capacity (MW)	Grid Substation/s	Status
Mini Hydro	7	8.04	Kegalle, Nawalapitiya, Maliboda, Rikillagaskada	SPPA signed under Feed-in Tariff & pending commissioning.
Solar	3	12.9	Embilipitiya, Beliatta, Vavunathivu	
Biomass (Dendro & Biogas)	1	5	Ampara	
Total	**11**	**25.94**		

Table T3: Details of NCRE projects under tendering process

Project	No. of Plants	Total Capacity (MW)	Grid Substation/s	Status
90 X 1 MW Solar PV	32	32	-	Construction in progress.
10 MW Polonnaruwa Solar PV	1	10	Valachchenai	
60 MW Wind (Varying capacities of 1-10 MW)	1	10	Trincomalee	LOI issued and project works initiated.
	2	15	Mannar	
	2	10	Madampe	
150 MW Solar PV (Varying capacities of 1-10 MW)	24	157	23 Grid substations	Bid evaluation in progress.
100 MW Siyambalanduwa Solar PV	1	100	Ethimale	
30 MW Solar PV (Varying capacities of 1-5 MW)	-	30	Beliatta, Matara, Pallekele, Nawalapitiya, Vavunathivu	
40 MW Solar PV (Capacity of 5 MW)	-	40	Galle, Kappalthurei	
20 MW Wind (Varying capacities of 2.5-10 MW)	-	20	Mannar	
70 MW Solar PV (Varying capacities of 1-5 MW)	-	70	11 Grid substations	
Total	**63**	**494**		

Highlights

Transmission Division has achieved significant milestones in 2022, playing a crucial role in ensuring reliable and efficient transmission of electricity across the country. The highlights of the Division for the year 2022 is presented below.

Planning for Future

The Long-Term Generation Expansion Plan (LTGEP) 2023-2042 was submitted to the Public Utilities Commission of Sri Lanka (PUCSL) for approval. A significant level of RE capacity additions (especially wind and solar PV) has been proposed in this plan throughout the planning horizon, with 5,646 MW of RE capacity additions envisaged during the 2023-2030 and 8,180 MW during the 2031-2042 to achieve the 70% renewable energy policy targets declared by the government.

Save the Planet

CEB is committed to meet 70% of the country's electricity demand using renewable energy sources by the year 2030 in line with the government policy declared to mitigate global climatic changes. To make this commitment a reality, the report "A Way Forward of Renewable Energy Resources to the National Grid from 2023-2026" was published on 2022-11-23. This report will provide a guide to optimize renewable integration to the national grid with minimum infrastructure developments and make the path to achieving a 70% renewable target by 2030.

System Developments

Following power stations, grid substations and transmission lines were connected to the transmission network during the year 2022.

Table T4: Transmission system developments - year 2022

Network Element	Capacity or Length
Broadlands Power Station	35 MW
Kalutara GS (132 kV / 33 kV)	63 MW
Kesbewa GS (132 kV / 33 kV)	63 MW
New Habarana SS (220 kV / 132 kV)	500 MW
Hambantota SS (220 kV / 132 kV)	500 MW
Biyagama SS (220 kV / 33 kV)	126 MW
Padukka – Pannipitiya 220 kV Line	19.2 km
Kalutara – Matugama 132 kV Line (In and out connection)	4.8 km
Kesbewa 132 kV (In and out connection)	6.5 km

OPERATIONAL REVIEW

Distribution Divisions

Distribution Divisions

Distribution Divisions play a vital role in the organization as they are accountable for delivering high-quality electricity supply and services to customers. CEB handles 89% of the total sales volume of the country, while the rest is taken care of by the Lanka Electricity Company Ltd. (LECO), a subsidiary of CEB.

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

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

Operational Structure

Distribution Divisions are divided into Provinces and the Provinces demarcated in this chapter may not exactly be the administrative provinces of the country. Province is divided into several areas depending on the number of consumers served and an area is further subdivided into several Consumer Service Centers (CSCs). The provinces and areas that come under each Division are depicted in Tables D1 to D4 below.

Area of Operation

Distribution Division 1 covers the whole of the North Western, Northern and North Central provinces and part of the Western Province through 19 Area Offices. Distribution Division 1 consists of five Provinces viz. North Western I, North Western II, North Central, Northern, and Colombo City. North Western I Province and North Western II Provinces are divided into four Areas. The North Central Province is divided into three Areas, and Northern and Colombo City Provinces are divided into four Areas as of year 2022 (Table D1) .

Table D1: Areas of Operation in Distribution Division 1

Division	Province	Area
Distribution Division 1	North Western I	Chilaw, Kuliyapitiya, Wennappuwa and Puttlam
	North Western II	Kurunegala, Wariyapola, Narammala and Maho
	North Central	Anuradapura, Kekirawa and Minneriya
	Northern	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 of 2022 (Table D2).

Table D2: Areas of Operation in Distribution Division 2

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

Distribution Divisions (Contd.)

Distribution Division 03 covers a part of Western Province (Western Province South II), Sabaragamuwa Province, and Uva Province. Wellawaya Area was introduced to the Uva province in the year under review. As of the end of year 2022, all above provinces are subdivided into five areas as given in Table D3.

Table D3: Areas of Operation in Distribution Division 3

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, Mahiyanganaya and Wellawaya

Distribution Division 4 covers a part of the Western Province (Western Province South I), the entire Southern Province, and some areas 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 of 2022(Table D4).

Table D4: Areas of Operation in Distribution Division 4

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 the 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

- Enhancing the operational & maintenance efficiency to cater the customer expectation.
- Maintaining effective and efficient Distribution Network Control Centers (DNCC) and other communication applications to meet customer expectations.
- Technical planning for Divisional Strategic Actions and required resources to meet the Corporate Plan.
- Ensure the development of the electricity distribution system to improve reliability, quality, safety, and efficiency to be on par with international standards while minimizing system losses.
- Ensure proper financial management through accurate budgeting, financing and monitoring.
- Ensure cash flow management by timely collection of revenue.
- Ensure proper material management process.
- Promoting energy conservation through the latest demand-side management concepts and customer awareness.
- Reviewing and updating standards, specifications, procedures, and management information for designs, constructions, operations, and maintenance that suites with the modern industry.
- Enhance research and development activities to develop state-of-the-art technologies.
- Produce a competent workforce and maximize their opportunities for success through learning and development programs.
- Dedicated to protecting and preserving the environment where it operates.
- Facilitate renewable absorptions as per the present government policies.

Distribution Divisions (Contd.)

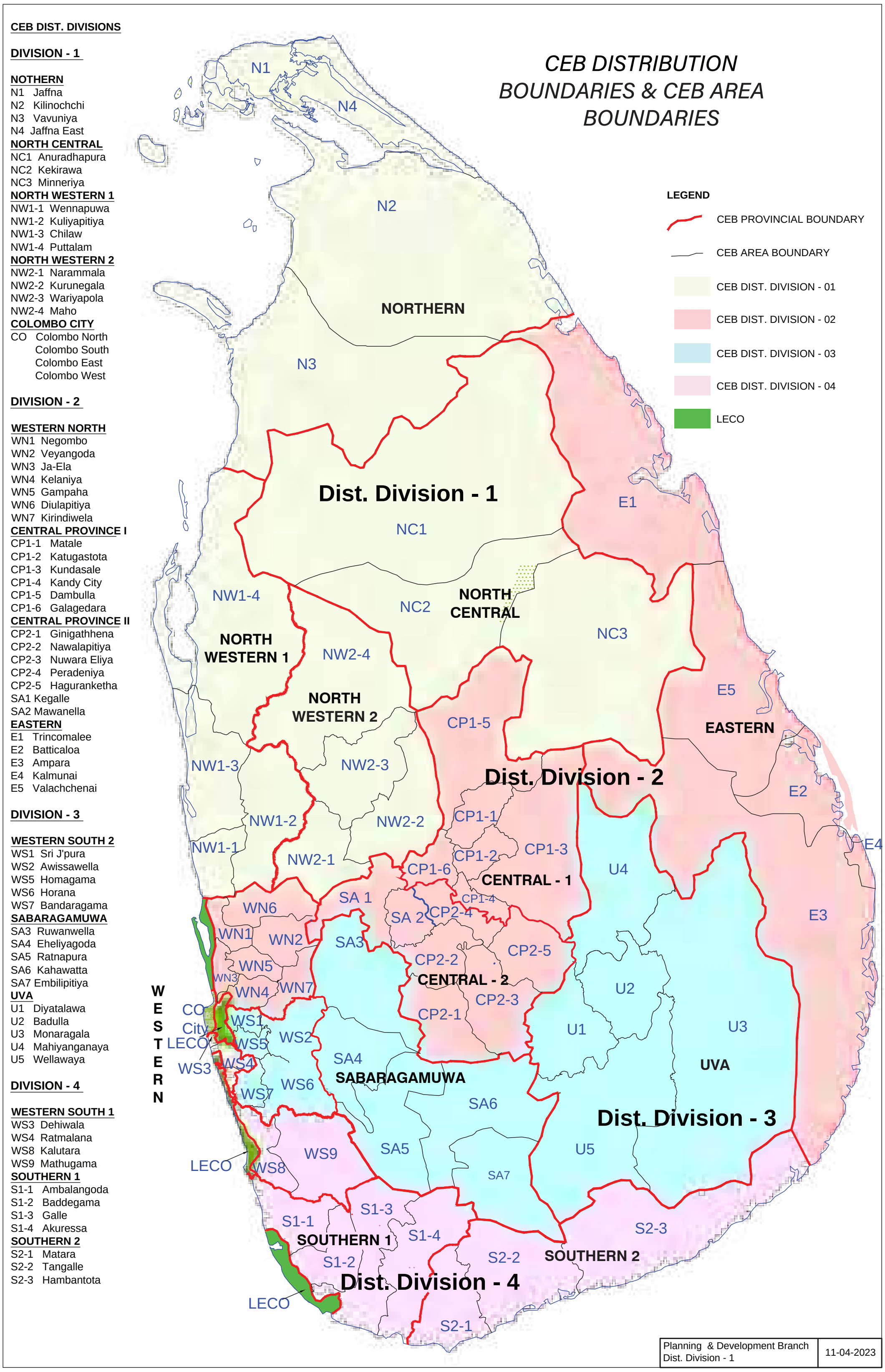


Figure D1: Distribution Map-2022

Outreach of Distribution Divisions

Key infrastructure and operational figures, distribution infrastructure additions and tariff wise consumer, sales and revenue analysis data for the year 2022 are given in Table D6 to Table D9. Further, increase of consumers of the organization during the last five years is shown in Figure D3.

Table D5: Key Infrastructure and Operational Figures

Description	DD1	DD2	DD3	DD4
Service Area[1] (Sq. km)	26,931	17,935	11,036	6,694
Areas (Nos.)	19	25	15	11
Consumer Service Centers (Nos.)	61	91	53	42
Control Centers (Nos.)	4	3	3	-
Call Centers (Nos.)	4	3	3	1
Bulk Consumers (Nos.)	5,006	4,014	2,444	1,994
Retail Consumers (Nos.)	1,993,938	2,382,773	1,409,781	1,136,783
Total Consumers (Nos.)	1,998,944	2,386,787	1,412,225	1,138,777
SAIDI (Minutes/ Customer/ Year)	1,625	3,627	5,470	5,202
SAIFI (Interruptions/Customer/Year)	8	27	39	34
Electricity units purchased (GWh)	4,190	4,723	1,006	1,774
Electricity units sold to consumers (GWh)	4,021	4,499	2,552	1,897
Distribution loss (%)	5.5%	7.3%	5.6%	6.9%
Revenue earned from units sold (LKR million)	90,691.74	93,547.37	54,015.20	40,551.56
Average Selling price (LKR/kWh)	22.56	20.79	21.16	21.38
Receivable position (Months)	1.3	1.3	1.5	1.4
No. of New Connections (Nos.)	32,729	47,182	28,406	18,890

[1] Excludes forests and islands which have no electricity network

Table D6: Distribution Infrastructure Additions – Year 2022

Description	Unit	DD1	DD2	DD3	DD4
Distribution Lines (Overhead)					
33 kV (Route Length)	km	1,274.8	355.3	85.6	19
11 kV (Route Length)	km	17.9	-	-	0.4
LV (Circuit Length)	km	1009.8	106.4	537.1	-
Underground Cables					
33 kV (Route Length)	km	1.5	0.5	0.4	-
11 kV (Route Length)	km	37.2	3.8	0.4	0.4
LV (Circuit Length)	km	28.2	1.2	-	0.1
Substations					
No. of 33/11 kV Primary Substations	Nos.	1	-	-	2
No. of LV Distribution Substations	Nos.	-	349	178	93

Table D7: No of Consumer Accounts by Tariff

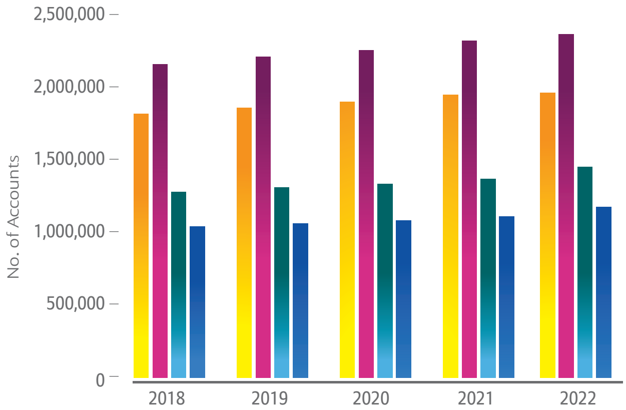
Description	DD1	DD2	DD3	DD4
Domestic	1,681,960	2,061,074	1,234,848	992,444
Religious	14,477	14,615	7,978	6,129
Industrial	37,360	15,417	9,236	6,802
Hotel	119	244	42	159
Government	2,157	2,870	2,785	1,503
General Purpose	260,796	292,016	157,196	131,739
Agricultural	2,075	551	140	1
Total	**1,998,944**	**2,386,787**	**1,412,225**	**1,138,777**

Table D8: Sales by Tariff in GWh

Description	**DD1**	**DD2**	**DD3**	**DD4**
Domestic	1,471.6	1,731.9	980.5	859.8
Religious	32.7	25.1	11.6	11.2
Industrial	1,003.8	1,818.5	1,013.3	495.9
Hotel	105.9	59.4	8.2	71.6
Government	79.8	59.6	24.8	43.1
General Purpose	1,285.0	767.5	514.1	395.8
Agricultural	1.4	0.6	0.1	0.002
Street Light	40.6	36.6	-	19.8
Total	**4,020.7**	**4,499.4**	**2,552.5**	**1,897.1**

Table D9: Revenue by Tariff in LKR million

Description	DD1	DD2	DD3	DD4
Domestic	29,564.3	32,216.8	18,057.8	16,541.8
Religious	541.6	418.6	182.7	176.5
Industrial	20,653.6	37,179.1	20,907.2	10,507.3
Hotel	2,208.3	1,338.7	199.1	1,500.4
Government	1,911.8	1,430.5	599.2	984.3
General Purpose	35,778.8	20,949.4	14,066.5	10,841.3
Agricultural	33.4	13.6	2.7	0.03
Street Light	-	0.6	-	-
Total	**90,691.7**	**93,547.4**	**54,015.2**	**40,551.6**



	2018	2019	2020	2021	2022
DD1	1,832,829	1,875,852	1,916,904	1,966,215	1,998,944
DD2	2,178,082	2,229,774	2,276,715	2,339,605	2,386,787
DD3	1,291,700	1,320,826	1,347,949	1,383,819	1,412,225
DD4	1,051,668	1,074,187	1,094,696	1,119,887	1,138,777

Figure D3: Development of Consumers

Access to Electricity

The percentages of people in a given Province that have relatively easy access to electricity varies depending on the development level of the Province. Out of the fifteen Provinces, five Provinces namely Colombo City, Western Province North, Western Province 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.

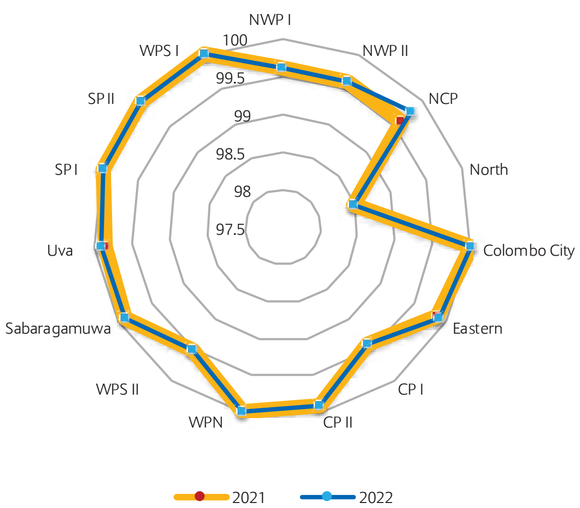


Figure D2: Access to Electricity 2021/2022

Rural Electrification Schemes and Extensions

Rural electrification schemes had been introduced to improve the quality of life of rural communities. During the year 2022, approximately 208 rural electrification schemes and more than 486 extension schemes were completed at a total cost of LKR 570 million.

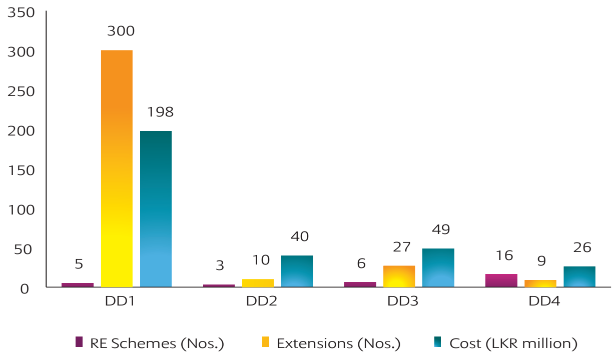


Figure D4: Rural Electrification -2022

Roof Top Solar Photovoltaic (PV)

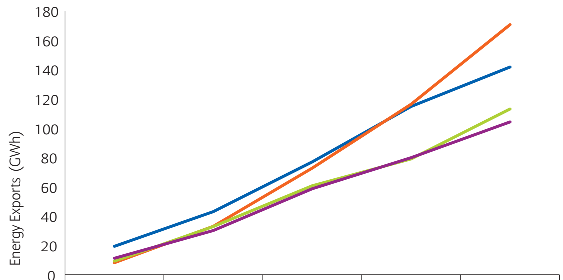
In line with the goal of "Optimizing Integration of Green Energy", consumers are allowed to generate electricity at rooftops within their premises and to synchronize generators with the CEB system, while consuming and exporting energy, under four schemes namely Net Metering, Net Accounting, Net + and Net ++. The details of rooftop solar PV connections as at the end of the year 2022 is depicted in the Table D10.

Table D10: Details of Rooftop Solar PV Connections as at end 2022.

Division	Item	Net Metering	Net Accounting	Net +
DD1	Consumers (Nos)	3,485	5,374	1,016
	Installed Capacity (MW)	29.1	50.7	62.5
	Energy Exported (GWh)	17.7	45.5	78.5
DD2	Consumers (Nos)	2,304	6,046	602
	Installed Capacity (MW)	19.6	54.0	96.7
	Energy Exported (GWh)	6.9	53.9	109.9
DD3	Consumers (Nos)	2,311	4,284	523
	Installed Capacity (MW)	13.8	35.2	66.7
	Energy Exported (GWh)	8.2	30.0	74.9
DD4	Consumers (Nos)	2,033	4,871	529
	Installed Capacity (MW)	14.9	45.0	46.5
	Energy Exported (GWh)	8.2	43.0	53.0

Note : No Net ++ Customers in 2022

The development of energy exports from rooftop solar PV connections for the last 5 year is depicted in Figure D5.



	2018	2019	2020	2021	2022
DD1	19	43	77	115	142
DD2	8	33	73	116	171
DD3	9	33	61	79	113
DD4	11	30	59	80	104

Figure D5: Development of Rooftop Solar PV Contribution in GWh. during the Last Five Years

Highlights

Customer Satisfaction through Star Rating Program

In line with the goal of "High Quality Electricity Supply and Services to Customers", CEB is focusing on the improvement of quality of service. Therefore, Corporate Strategy Division initiated the Star Rating Program for Consumer Service Centers (CSCs) to improve the quality of customer services. Accordingly Additional General Managers of the Distribution Divisions are entrusted to implement the star rating program and the final task is to obtain ISO 9001:2015 Quality Management System Certificate at the 7th Star level.

The Star Rating Program was continued in the year 2022 and the process to award 3rd Star to 47 CSCs of Distribution Division 2 was completed during the year. The best performed CSCs in the Star Rating Program were awarded. Accordingly, Lindula/ Thalawakele, Ja-ela and Kurunduwaththa CSCs were awarded 1st, 2nd and 3rd places respectively. In addition, enthusiastic CSCs that attend to improve services and CSCs that maintain a quality and reliable power supply to the consumers were also appreciated.

Figure D6: 1st Place – Best performed CSC in Star Rating Scheme

Implementation of Geographical Information System (GIS)

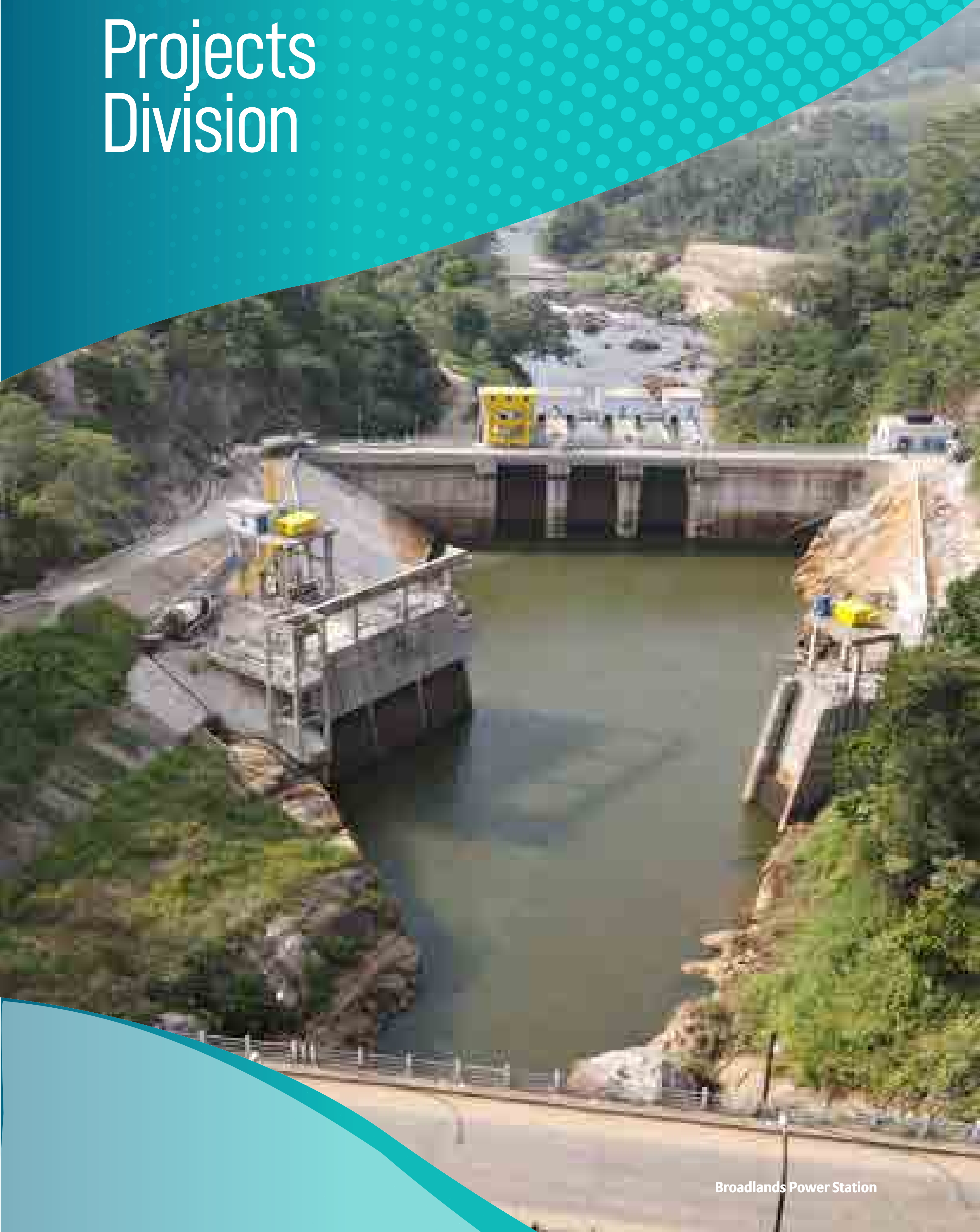
A detailed, user-friendly, Geographical Information System (GIS), has been developed by WPS II to have an accurate network map. This can also act as a comprehensive, geo-tagged asset database for both MV and LV networks. The platform has been developed using ArcGIS online services and several web applications. A mobile application has also been developed to cater to the different requirements of the Province and the Division. Further, it is expected to extend its platform to the entire CEB by incorporating the same features to "GEOAssist," a module developed under the award-winning in-house software the "CEBAssist."

Development of a Software Tool to Streamline the Distribution Maintenance Operations

In light of the Goal of "Operational Excellence with State of Art Technology" CEB always encourages digitalization of processes. Accordingly, a software tool has been developed to streamline the distribution maintenance activities. The tool was used as a pilot project in WPS I, and the tool has helped in streamlining maintenance operations, resulting in improved productivity, reduced downtime, and costs. The user-friendly interface, real-time updates, and planning and forecasting features have made this software an essential tool for distribution maintenance. It was decided to continue the use of this tool and introduce the same to the entire CEB due to inherent benefits such as ease of use, ability to get real-time updates, facilitate planning and forecasting, improved productivity and cost savings.

OPERATIONAL REVIEW

Projects Division



Broadlands Power Station

Projects Division

The Projects Division of the Ceylon Electricity Board was established in the year 2010 for the purpose of implementing major foreign, GOSL, and CEB funded Generation, Transmission & Distribution Projects. The implementation of these Projects in turn plays a major role in capacity enhancing and improving the reliability of the entire power system.

The year 2022 was another challenging year for the Projects Division as it handled and carried out project works above LKR 48.2 billion.

Description of the project activities carried out in 2022 is as follows:

Broadlands Hydropower Project

Broadlands Hydropower Project is a run-of-river type hydropower development built in the Kelani River. The key objective of the Project is to harness the hydro potential downstream of the existing Samanala (Polpitiya) Power Station. The main sites are located about 90 km North-East of Colombo, near the town Kithulgala.

The main construction works including the Main Dam, Main Tunnel, Diversion Tunnel, Power House, Switchyard, and Transmission Line have been completed, and connected to the National Grid in early 2022.

CEB has to maintain a firm water release to safeguard White Water Rafting sporting activity in Kithulgala area and as a result, there will be a reduction in the annual energy generation.

Broadlands Hydropower Project is the first large-scale hydropower station in Sri Lanka registered under the Clean Development Mechanism (CDM) of UNFCCC.

Figure P1: Broadlands Power Station Switch Yard

Moragolla Hydropower Project

The Moragolla Hydropower Project consists of four lots namely Lot A1 – Preparatory Works, Lot A2 – Main Civil Works, Lot B – Mechanical and Electrical Facilities, Lot 3 – Project Management & Supervisory Support. The project details and the progress of individual project components are depicted below:

Plant Capacity	30.5 MW	
Funding Arrangements	ADB Loan No. 3146 (SF)/3147-SRI)	
Estimated Project Cost	Foreign funds	USD 113.9 million
	GOSL Funds (CEB)	LKR 3,958 million
Expected date of Completion	May 2024	
Expected Annual Energy	100 GWh	
Project Component	Physical Progress	Contractor
Preparatory Works	76%	V. V. Karunaratne and Company
Main Civil Works	40%	China Gezhouba Group Co. Ltd.
Mechanical and Electrical Facilities	28%	Dongfang Electric International Corporation, China

The Uma Oya Multipurpose Development Project

Uma Oya Multipurpose Development Project (UOMDP) is implemented by the Ministry of Irrigation (MOI). The CEB technical staff is assigned to UOMDP Management Unit to provide technical consulting services for the Electro-Mechanical works of the project. The project details are depicted below.

Total Project Cost	USD 530 million
Contractor	FARAB Company (FC), Iran
Expected Date of Completion	August 2023
Physical Progress	98.5%

Figure P2: Randeniya Switchyard

Liquefied Natural Gas Project (LNGP)

The Projects Division took every possible measures to ensure that LNG would be supplied to the power plants at Kerawalapitiya and Kelanitissa through the deployment of a Floating Storage Regasification Unit (FSRU) and Mooring system.

A qualified Project Proponent was selected following the International Competitive Bidding process for the deployment of the FSRU on BOO basis and the Mooring System on BOOT basis at offshore Kerawalapitiya. In August 2022, the Cabinet Appointed Negotiating Committee (CANC) approved the Project Agreement and Cabinet approval for Contract Award is pending.

Meanwhile, the Ceylon Petroleum Corporation (CPC) has selected a qualified Project Proponent for the construction of Natural Gas pipelines system from the FSRU to the power plants located in Kerawalapitiya and Kelanitissa on BOOT basis. The Contract Agreement for the Deployment of Pipeline System was negotiated with the Project Proponent and the approval for the draft Project Agreement from the CANC is awaited.

CEB expects to ensure the availability of LNG for the use in power stations by 2025.

Transmission Development Projects

The progress of ongoing transmission developments as at 2022-12-31 is given in the Table P1 and the progress bar color legend depicted below indicates the deviation of the actual progress against the planned progress.

If deviation < 10 %	(green)
If 10%<deviation<25%	(yellow)
If 25%<deviation<50%	(orange)
If 50%<deviation<100%	(red)

Table P1: Physical Progress of Ongoing Projects

Project/ Branch	Package	Cost (LKR million)	Physical Progress as at 2022-12-31	Date of Completion
Transmission Project	PMU 01: Clean Energy Absorption Transmission Project Pre-Implementation Activities	405	68.4%	December 2025
	PMU 02: Clean Energy Absorption Transmission Project Pre Implementation Activities	462	50%	December 2025
	Mannar Nadukuda Embilipitiya Grid Sub station Augmentation Project	3,605	50%	December 2023
Trincomalee Coal Power Project	Construction of Habarana - Veyangoda 220 kV Transmission Line Project Lot A - Substation	6,958	99.5%	June 2023
	Construction of Habarana - Veyangoda 220 kV Transmission Line Project Lot B - Transmision Line	17,770	98.5%	September 2023

Project/ Branch	Package	Cost (LKR million)	Physical Progress as at 2022-12-31	Date of Completion
Transmission Contruction Projects	Reconstruction of Madagama - Ampara 132 kV Transmission Line	3,206	10.0%	January 2025
	Construction of Victoria - Rantembe 220 kV Transmission Line	1,400	5.0%	December 2024
	Augmentation of Athurugiriya - Kolonnawa 132 kV Transmission Line	170	13.0%	June 2024
	Construction of Poonaryn - Kilinochchi 220 kV D/C Transmission Line	3,400	9.0%	December 2025
	Reconstruction of Kolonnawa - Pannipitiya 132 kV Transmission Line	960	6.0%	June 2024
	Raising Heights of Kelanitissa - Kolonnawa 132 kV Transmission line	702	9.0%	April 2024
	Installation of 2x50 MVAr Reactor at New Anuradhapura GS and 1x50 MVAr Reactor at Mannar GS	1,463	100.0%	March 2023
	Construction of Wagawatta Grid Substation (2x45 MVA)	1,898	76.0%	December 2023
	Extension of Kelanitissa 132 kV GIS	464	80.0%	March 2024
	Construction of Two Nos. of 220 kV Double Busbars Transmission Line Bay at New Polpitiya Switching Station	291	98.0%	March 2023
	Kotugoda Augmantation Work	73	68.0%	June 2023
	Balangoda Augmantation Work	67	55.0%	July 2023
	Athurugiriya Augmantation Work	15	53.0%	May 2023
	Construction of Two 33 kV Feeder Bays at Rathmalana Grid Substation	148	100.0%	September 2023
	Construction of 220 kV GIS at Rantambe Switch Yard	2,809	6.0%	December 2025
	Construction of one nos of 220 kV 1 1/2 Breaker System at Victoria PP	229	8.0%	Deecember 2023
	Construction of 132 kV Switch Yard at Randeniya (Uma Oya Hydro Power Project)	350	85.0%	June 2023
	Construction of 132 kV single bus bar Transmission Line Bay at Ampara GS	85	5.0%	December 2023
Greater Colombo Trans & Loss reduction Project	Construction of Second 220 kV Cable from Kerawalapitiya to Colombo L	9,119	9.5%	October 2024
	Colombo City Transmission Network Development Project - Phase 2	30,295	0.0%	June 2025

Project/ Branch	Package	Cost (LKR million)	Physical Progress as at 2022-12-31	Date of Completion
Green Power Dev. & Energy Eff. Imp Project- Tranche II	Construction of Kesbewa and Kalutara GSS and Augmentation of New Anuradhapura Old Anuradhapura GSS	2,738	100.0%	February 2023
	Tranche 2 - Package 9 : 220 kV Switching Station at Kerawalapitiya	2,910	42.0%	September 2023
	PMU 2-Package 3/Lot A1 - Construction of Colombo B GSS, Single In & Out connection from Colombo C-Kolonnawa 132 kV 800 sqmm Cable & Augmentation of Colombo C & Kolonnawa GSS	1260.8	97.0%	May 2023
	PMU 2-Packge 3/Lot A2 - Augmentation of Kotugoda, Kolonnawa, Padukka, Horana, Dehiwala & Madampe GSS	2316.32	98.5%	December 2022
	PMU 2-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	1493.9	16.0%	January 2024
	SESRIP: Package 7-Lot A1: Installation of 100 Mvar BSC at Pannipitiya Grid Substations	1103.5	88.9%	February 2023
	SESRIP: Package 7-Lot A2: Installation of Static Var System (SVS) at Biyagama Grid Substation	1680.8	71.0%	May 2023
	SESRIP: Package 7-Lot A.3: Installation of 124 Mvar Breaker Switched Capacitor Banks in Colombo City Grid Substations and Replacing the detuned Breaker Switched Capacitor Banks at Thulhiriya Grid Substation	1704.8	0.0%	December 2023
	Packge 1/Lot B - New Polpitiya -Hambantota TL	5,794	93.8%	March 2023
	Package 2/Lot B2 A - Construction of Padukka-Horana 132 kV TL	592	41.3%	June 2023
National Trans. & Dist. Net. Dev. & EI Project	Package 1: Construction of 400 kV, 220 kV and 132 kV Transmission Lines	13,003	60.2%	*
	Package 2: Construction & Augmentation of Grid Substations	7,418	90.0%	April 2023
	Package 3: Construction of Transmission Lines (220 kV, 132 kV)	12,000	60.0%	**
	Package 4: Construction of Distribution Substations and Cables (33 kV, 11 kV, 0.4 kV)	4,594	40.0%	

* Contractor suspended the contract due to non payment.
** Contractor terminated the contract due to non payment.

Challenges Faced during the Year

The first challenge that the Division encountered during the project constructions was the disruption of the supply chain due to the prevailed economic crises of the country. The restrictions imposed by the government on fuel led to delays in the delivery of construction material and equipment. Further, the equipment supplied from abroad were also delayed due to shortage of foreign currencies. This has caused a considerable delay in project timelines.

Secondly, the price increment of construction material due to LKR depreciation had a significant impact on construction projects, as contractors demanded huge revision of Bill of Quantities (BOQ), that are beyond acceptance levels. The difficulty of approving the revised BOQs on time, led to a delay in construction works and affected the project time lines.

In addition, the suspension of foreign-funded loans also severely affected the project progress and completion during the year under review resulting in a funding shortfall for projects, making it difficult to cover project expenses.

OPERATIONAL REVIEW

Assets Management Division

Lakvijaya Power Plant

Assets Management Division

The Assets Management Division is responsible for overseeing and maintaining organizational assets to ensure that they are being utilized efficiently and effectively. The Division plays a vital role in CEB for its economic growth, social advancement, and environmental development and consists of five Branches as described below.

The responsibility of the Assets Management & Corporate Branch is to ensure the proper functioning of the Assets Management Division by optimum use of human resources. The key responsibilities of the Branch are better management of CEB lands and buildings and generating additional income by utilizing available resources and assets for purposes other than the core business, without affecting statutory functions.

The Civil Works and Buildings Branch (CW&B) involves in the construction of new buildings, renovation and extension of existing buildings, and maintenance of CEB headquarters and circuit bungalows. The Structural Design Unit established under CW&B is capable of carrying out structural designs and related drawings using the latest software.

The objective of the Occupational Health and Safety Branch is to improve the safety culture within the organization by ensuring a safe working environment and health and safety awareness among employees to reduce the number of accidents and injuries.

The Training Branch is responsible for developing and delivering training programs to employees to improve their skills, knowledge, and abilities. Training is an essential tool to keep abreast of the ever-changing requirements of technical skills and knowledge due to technical advancement and improve the attitude of our employees to satisfy the consumer expectations to the fullest level. The Piliyandala Training Centre established under this Branch was accredited to offer NVQ Level 4 certificates for electrician, linesman, machinist & welder trades.

The Workshop and Ancillary Services consist of four operational units viz. Power Plant Unit, Lifts Unit, Air Conditioning and Refrigeration Unit and Central Workshop and Garage Unit and involves in services, repairs, and maintenance of equipment on request.

In addition, the Security Section, established under this Division, is responsible for the security of the lives and properties of the organization.

Operational Performance

Training

Training Branch provided trainings for 5,917 trainees during the year 2022 as detailed in Table A1.

Table A1: No. of staff trained during the year 2022

Training Course/Category	No. of Participants	
	Piliyandala Training Centre	Castlereagh Training Centre
MLTS	297	-
Technical Grades	2,662	561
Clerical & Allied Service	1,258	-
Office Employee Service	156	-
CPD for Engineers	393	34
CPD for Clerical Service	180	129
CPD for Technical Grades	13	140
Outside Institutes	-	94
Total	**4,959**	**958**

CEB was able to send its employees for overseas technical training, inspections, and other official visits after the Pandemic in 2022. Accordingly, 21, 67, and 16 employees received overseas technical trainings, inspections, and official visits respectively.

The Training Branch was able to send 24 executives and seven MLTS for training in other local institutions during the year under review. In addition, the Branch facilitated 396 engineering undergraduates and diploma-level students in industrial training within the organization.

Moreover, the Branch conducted first aid, fire safety, and productivity trainings for 984, 206 and 86 employees respectively. In addition to the trainings 1,626 promotional exams and 371 recruitment exams were conducted during the year 2022.

Repair and Maintenance of Diesel Generators, AC Units, Lift Units and CEB Vehicles

The details of repairs and maintenance of diesel generators, AC units, lift units and CEB Vehicles carried out during the year 2022 are depicted in the Table A2.

Table A2: Details of the performance of workshops and ancillary services

Job Category	No. of Jobs	Estimated Cost (LKR million)
Hiring, maintenance and repair works of diesel generators	323	524
Annual maintenance services, new installations, repairs and rehabilitations of air conditioner units	628	376.5
Annual maintenance services, new installations, repairs, rehabilitations, testing and consultancy of lift units	52	46.8
Fabrications, productions, repairs and servicing of the vehicles	447	48.6

The in-house vehicle servicing facility has been enhanced by incorporating modern service technology and quality management systems. Accordingly, 302 vehicles were serviced during the year and recorded a 30% increase compared to previous years.

Figure A1: Vehicle service work

Building Constructions, Maintenance and Repairs

The performance of the building constructions, maintenance and repairs carried out by the Civil Works and Buildings Branch are depicted in the Table A3.

Table A3: Performance of building constructions, maintenance and repairs in Year 2022

Job Description	Value (LKR million)
Construction of two storied workshop building at Training Centre - Piliyandala	44
Renovation of electrical workshop and construction of entrance road at Kolonnawa	11.5
Enhancement of circuit bungalow at Kataragama	51.4
Interior works of Area Office at Polonnaruwa	11.7
Shifting works of the office of DGM (CRR) - Transmission	9.9
Total	**128.5**

Occupational Health and Safety Programs and Safety Inspections

The details of occupational health and safety programs and safety inspections performed to ensure a safe working environment during the year 2022 are depicted in Table A4

Table A4: Details of health and safety programs and inspections

Division	No. of Safety Inspections	Safety Programs	
		No. of Programs	No. of Participants
Generation	2	3	99
Transmission	-	1	60
Distribution	19	29	1,663
Other	1	9	338
Total	**22**	**42**	**2,160**

Accident Summary

Occupational Health and Safety Branch is entrusted to create an accident-free safe working environment and a healthy workforce. The organizational accident summary for the year 2022 is given in Figure A2 and the Branch is planning to expand safety inspections/site visits to inspect power plants, grid substations, and site work carried out by field employees to ensure a safer working environment.

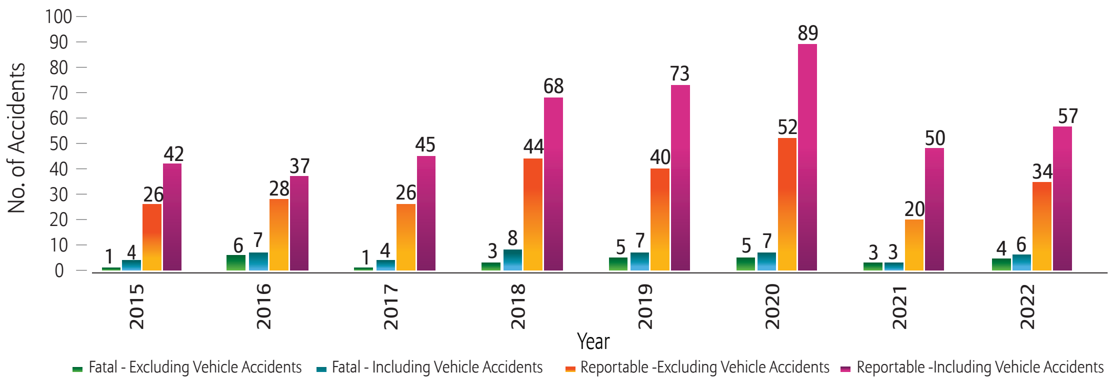


Figure A4: Fatal and reportable accidents including contractor's employees

Land and Building Details

Identification, surveying and valuation of lands and buildings as at the end of Year 2022 are given in Tables A5 and A6 respectively.

Table A5: Land details as at end of year 2022

Division	No. of Lands	Total Area of the Lands			Value (LKR million)
		A	R	P	
Distribution Division 1	206	157	0	31.6	8,206
Distribution Division 2	398	138	1	35.5	5,252
Distribution Division 3	128	66	2	0.9	3,420
Distribution Division 4	161	66	3	1.1	3,835
Assets Management	5	45	2	14.6	5,366
Transmission	123	409	2	6.3	15,413
Generation	3092	6274	2	19.1	689
Total	**4,113**	**7,158**	**2**	**29.2**	**42,181**

Table A6: Building details as at end of year 2022

Division	No. of Buildings	Area in 000' Square Feet
Distribution Division 1	271	2,701.3
Distribution Division 2	417	3,336.9
Distribution Division 3	215	2,083.1
Distribution Division 4	168	3,448.7
Assets Management	75	253.4
Transmission	110	477.8
Generation	1,044	2,966.7
Projects	30	103.0
Corporate Strategy	8	81.8
Total	**2,338**	**15,452.7**

Highlights

- Hydro reservoirs were leased for tourism and recreational activities viz. the operation of float planes and boat services on par with the organizational strategy of "Generating income from underutilized resources". Two agreements signed with MJF Holdings and Saffron Aviation for the operations of boat service and float planes in Castlereagh reservoir continued successfully during the year and a new agreement was signed with the Farm Resort Collection (Pvt) Ltd. for boating operation in Castlereagh reservoir.
- Established a dedicated access to authorized uses in CEB provinces to store the land related data directly in the "CEBAssist" data management system.
- Drafted and submitted a cabinet paper to obtain the ownership of lands utilize by CEB, which do not have proper ownership documents.
- Successfully continued the preparation of CEB Asset Register and 326 land lots identified from Generation Division and eight land lots identified from other divisions totaling to 3,092 in Generation Division and 1,021 in other divisions in the year 2022.
- Initiated a community survey in Maussakele reservoir premises to collect the details of unauthorized encroachments as shown in Figure A3.

Figure A3: Survey in Maussakele reservoir premises

OPERATIONAL REVIEW

Corporate Strategy Division

Star Ratings Awards Program – Kadawatha

Corporate Strategy Division

The Corporate Strategy Division consists of five Branches, namely the Business & Operational Strategy Branch (B&OS), Corporate Strategy & Regulatory Affairs (CS&RA) Branch, Functional Strategy & Process Development (FS&PD) Branch, Information Technology (IT) Branch and Research & Development (R&D) Branch.

B&OS Branch is entrusted with the crucial task of formulating strategies related to key business and operational activities of CEB. In addition, the Branch is responsible for enhancing the corporate image and monitoring the performance of the organization in executing strategies outlined in the Corporate Plan.

The CS&RA Branch handles all the matters arising from and related to Generation, Transmission, and Distribution Licenses issued to CEB, coordinates among the licensees as well as with the Public Utilities Commission of Sri Lanka (PUCSL). In addition to the above, this Branch is also responsible for implementing and handling end user electricity tariff related issues and tariff studies. The branch also coordinates the CEB's corporate strategy formulation.

The FS&PD Branch is engaged in the development of functional strategies, policy, and process development activities of CEB. The Branch is responsible to ensure that all systems and procedures are documented and incorporated in the relevant operating and functional manuals.

The IT Branch is responsible for understanding CEB's business processes and aligning them with appropriate technology to bring efficiency and customer satisfaction. In catering to digitalization needs, IT Branch uses four strategies as in-house development; off-the-shelf products customized for organizational needs; adopting developments, and innovation from outside IT Branch; and outsourcing.

The R&D Branch consists of three units viz. Demand Side Management Unit, Research & Development Unit, and Regional Centre for Lighting (RCL). The R&D Branch is responsible for demand-side management activities and related in-house and collaborative research and development activities. The branch has signed a memorandum of understanding (MoU) with the University of Moratuwa and the University of Peradeniya on research activities.

Highlights

Revision of end user electricity tariff.

The Division is strategically responsible for formulating and implementing cost-reflective electricity tariffs. However, the tariff remained unchanged since the year 2014, though all the cost factors related to the power business increased immensely. Meantime, the "Tariff Methodology" was revised in January 2021 and the responsibility of filling the "Uniform National Tariff (UNT)" has been transferred to CEB from the Public Utilities Commission of Sri Lanka (PUCSL). On the other hand, fuel prices were revised in several instances and the Government decided to float the local currency against USD in the year 2022. Accordingly, CEB requested a 229% tariff increase from PUCSL in June 2022. In response to the soaring expenditure, after eight silent years, PUCSL has approved an increase of end user electricity tariff by 75% with effect from 2022-08-10, with an approved scheduled power cut for 3 hours daily.

However, amidst the tariff revision and scheduled power cuts, CEB has made a total net loss of LKR 272.9 billion for the year 2022 depicting the insufficiency of the 75% approved tariff by PUCSL.

Recognitions received for the services

The "CEBAssist" System was awarded by two awards namely Recognition of Excellence in the Public Sector Award from SLASSCOM and Best Digitalization Process Enabler Award from BCS Sri Lanka Chapter. The Medium Voltage Maintenance Management System (MVMMS) received the Merit Award at NBQSA-2022 under in-house development category, while Energy Management System (EMS) received special award at CEB Innovation Competition held in 2022.

Figure C1: SLASSCOM Awards

The other highlights of the Division during the year 2022 are depicted below.

- A new module was added to "CEBAssist" namely Rooftop Solar PV Application Processing System, which allows the distribution staff to attend and process solar PV clearance requests, connection applications, internal workflows, field inspection tasks, etc.

- Designed rooftop solar PV systems for Lakvijaya Power Plant administration building, CEB headquarters canteen building and Transmission Construction Projects building and developed a "National Energy Forecasting Model" for solar PV systems to create a reliable and accurate energy forecasting system.

- The newly developed Automated IT Service Desk software was launched to CEB internal customers, to enhance the quality of services offered by the IT Branch.

- Implemented the Star Rating Program, to improve the services offered by Consumer Service Centers (CSC). The program had a positive impact on CEB's overall service quality and customer satisfaction. As of 2022-12-31, the Star Rating Scheme of CEB has made significant progress, with the majority of the CSCs achieving the 2nd Star status, and more than half of the CSCs in Distribution Division 2 (DD2) achieving the 3rd Star status.

- Successfully implemented several innovative cost-reduction strategies by adopting digital publication methods to reduce advertising and printing costs significantly. The interruption notices were redesigned, resulting in lower publication costs, and made early arrangements to replace detailed information currently published on paper with a QR code that will direct readers to the CEB website for detailed information.

- The "හරිත අනාගතයක්" discussion program was created for the CEB YouTube channel to educate the public on CEB and its subject areas.

- A comprehensive human resource audit across CEB was completed and new work norms were prepared to take into account the changing business environments, technological developments, infrastructure developments, increasing digitalization, etc.

- New performance appraisal procedures and formats written in all three languages were introduced making the appraisal process uniform, more effective and efficient.

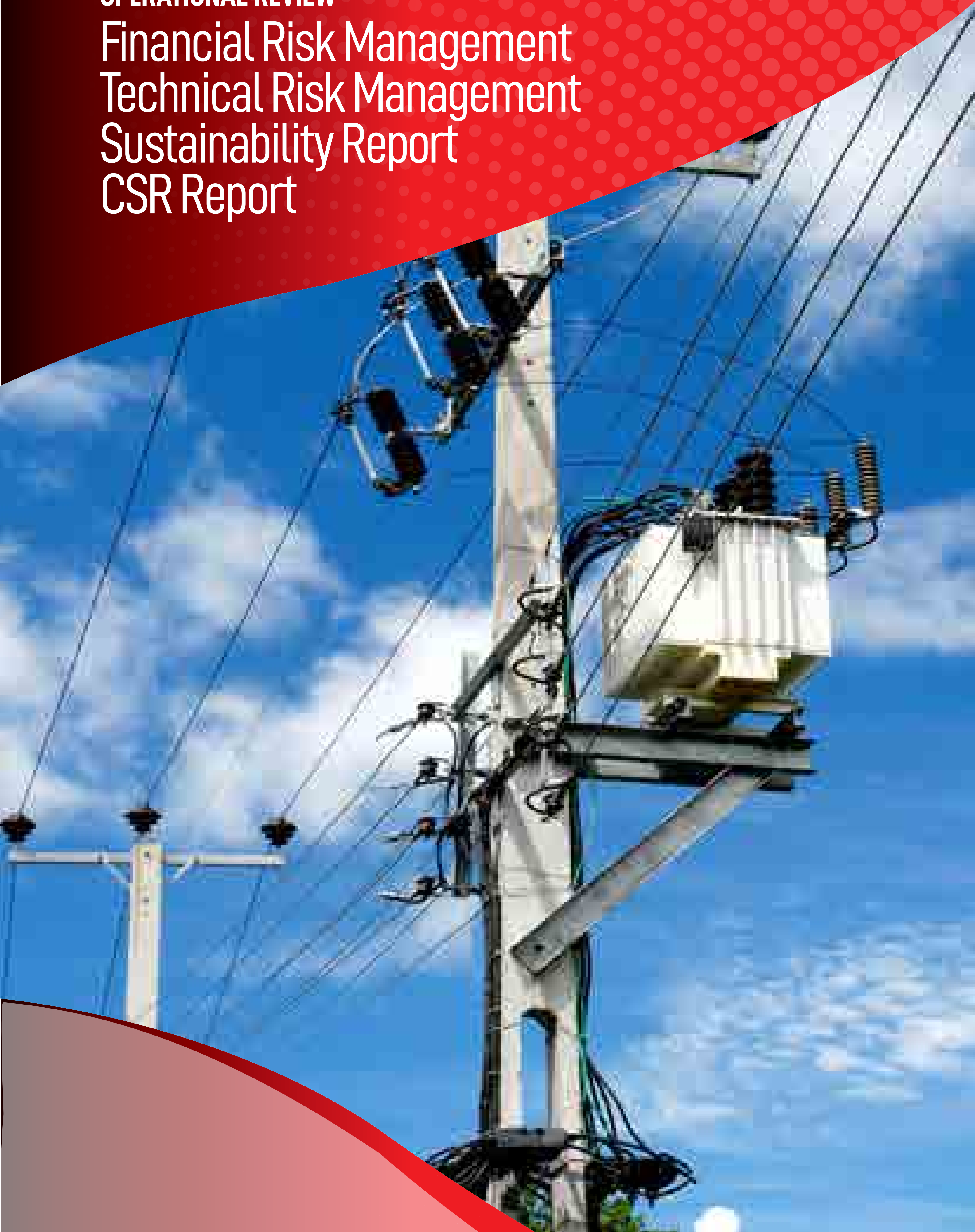
- The CEB leave regulations were revised and published (third edition). Further, the "Salaries and Wages Manual" and "Transfer Rules" were revised and submitted for Board approval.

- Circulars, Manuals and Documents System (CMDS) was remodeled with wider features and advanced search functions to give an appealing search experience for the users.

- Initiated the development of a demand response pilot project in the Katunayake Export Process Zone collaboratively with the USAID Sri Lanka Energy Program to reduce the use of fossil fuel during the peak demand hours and hence to reduce greenhouse gas emissions.

OPERATIONAL REVIEW

Financial Risk Management
Technical Risk Management
Sustainability Report
CSR Report



Financial Risk Management

In the dynamic operating environment of CEB, the managing of risk drivers become a critical element in the implementation of strategies to achieve the predominant objectives that make CEB financially viable. Therefore, fundamentals of strong risk management are mandatory to be in place to achieve the mission of CEB. In this respect, the Finance Division seeks to achieve the below specific objectives.

1. Identification of key risks.
2. Ensure adequate controls are in place.
3. Reprofiling of key risks in response to changes in the external and internal environment.
4. Measurement of risks.
5. Mitigation of key risks.

Accordingly, Finance Division is performing the risk approach as the first line of defense in the perspective of financial risk. The second and third lines of defense in the risk management approach are entrusted with the Corporate Management Team (CMT) and Board Audit Committee/External Auditor respectively. The ultimate responsibility is vested with the Board of Directors.

In the aforesaid risk governance model, the Division pursued the key risk factors enumerated below with its impact and mitigation strategies.

Risk	Impact	Risk Level	Mitigation Strategy
Interest Rate Risk	- CEB has borrowed up to the maximum credit limit. - All term loans are based on a Weighted Prime Lending Rate (WPLR). Therefore, all loan interest rates have been drastically increased resulting a high cash outflow.	High	- Negotiation with banks for reduction of the spread. - Persuasion for fixed interest rate financial instruments.
Exchange Rate Risk	- Increases in input prices such as coal, fuel, and spares. - Hindrance to the supply chain due to delays in LC.	High	- Persuasion of the forward contract. - Persuasion of billing in foreign currency. - Negotiation of payment terms. - Advance currency bookings.
Credit Risk	- Impact on liquidity by delaying payments from customers.	Low	- Mapping payments for suppliers against payments from customers.
Commodity Risk	- Increase in generation cost. - Cost over-run of the projects.	High	- Fixed price contracts - Negotiated contracts
Liquidity Risk	- High penal charges. - Issues in the supply chain. - Power shedding.	High	- Debt moratorium. - Negotiated settlements. - Restructuring the facility.

Technical Risk Management

Risk Identification

By the dangers of electricity and the nature of its activities, 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 Risk and its Effect on Technical Performance

Not having a cost reflective / recovery end user 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 carrying out of the authorized activities. That section is to ensure that CEB would be able to continue its authorized core activities in financially viable manner. However, not having a cost recovery tariff approved by PUCSL 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). As the government policy is for the entire country to have a "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, after the tariff reduction in 2014, a tariff increase was made only in August 2022 considering the increased financial burden on CEB due to not having a cost reflective tariff during the prevalent economic crisis situation in the country. It is expected that tariff increases will enable CEB to recover the costs in the future. Inability to construct low-cost power plants too had aggravated the financial loss. With the increased renewable energy targets and Liquified Natural Gas (LNG) Based generation, CEB expects reduction to cost of generation.

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 further lowers the available capacity to meet the demand. Lack of reserve capacity can lead to load shedding and in the worst case, system failure. Further, inadequate reserve generating capacity in the system causes CEB to procure short term supplementary power, during prolonged dry spells and/or to compensate outage of a large generating unit.

Network Expansion Risk - Delay in Network Expansions

To evacuate 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 obtaining interruptions to carry out such work amidst lack of redundancy in both generation and transmission networks is a severe challenge. Risks associated with network equipment are minimized to some extent by adopting Asset Management principles that enables to foresee failure events in advance, so that early rectification action could be initiated without down time delay or causing catastrophe.

Fuel Supply Risk

Fuel security is essential to ensure an uninterrupted power supply in CEB, as nearly 50% of electricity generation is based on coal and fuel oil. Fuel supply risk involves the possibility of disruptions or constraints in the delivery, storage, or availability of fuels required for electricity generation. It can arise due to various factors, such as supply chain disruptions, geopolitical tensions, natural disasters, regulatory changes, price fluctuations, or shifts in energy policies. We experienced the same situation in the year 2022 and were compelled to introduce planned power interruptions as a demand management measure. This caused a massive impact on the social and economic well-being of the country. Accordingly, managing this risk is crucial for ensuring a reliable and uninterrupted power supply to meet the demands of consumers. CEB emphasized diversification of fuel sources, entering into long-term fuel contracts, enhancing storage facilities, renewable transition, and continuous monitoring and contingency planning as fuel supply risk management strategies.

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. Though Covid-19 pandemic has impacted badly the continuity of this exercise, efforts were made to carry out extensive on-line programs for capacity development and worker motivation for maintaining this expertise. The prevailing policies of the country and the poor economic situation has made it challenging to retain the skilled workforce.

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 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 follow their own funding policies to cater to changing views of the world towards fossil fuels, government owned utility structures, etc. Insistence of conditions via loan covenants has compelled the CEB to utilize even the limited borrowing space to areas such lending organizations are willing to lend, then for priority areas.

Risk of Public Perception and Challenges to Utility Plans

Electricity accounts for only 14% 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 86%. Power system is a highly specialized area that needs in-depth experience and exposure to understand, that is often beyond the understanding of general public. 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 vested business interests to change plans and policies to support the business areas that they can engage in and to make way for technologies that they trade.

Risk of Changing Policies

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

Cyber Security Risk

CEB 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. 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

The CEB approach to the sustainability of the electricity industry is centered around the goal of providing reliable and affordable electricity to consumers, while also minimizing the environmental impact of electricity generation, transmission, and distribution. The approach involves balancing economic, social, and environmental considerations to ensure that the industry is sustainable over the long term.

Economic Sustainability

Economic sustainability is a principal aspect of the electricity industry, as it ensures that electricity services can be provided in a financially sustainable manner over the long term. One strategy to promote economic sustainability in the industry is the implementation of cost-reflective tariffs. CEB demanded a cost-reflective tariff over the past 14 years to ensure that the electricity industry is financially viable, as the prices charged to consumers accurately reflect the costs of providing electricity services. Cost-reflective tariff helps to ensure that the sector can attract investment and maintain its infrastructure over the long term and also will be a useful tool in promoting energy conservation and reducing energy usage, as well as helping to ensure a more stable and reliable supply of energy for all customers.

On the other hand, power utilities must invest in infrastructure to ensure that the systems are reliable, efficient, and up-to-date. CEB's Long-Term Generation Expansion Plan (LTGEP) is prepared on economic principles and 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 generating stations to the load centers.

Further, it is vital to carefully manage the operational costs to ensure that they are not spending more than they are earning and this requires effective management of operational and maintenance costs, as well as capital expenditures on infrastructure and equipment. Accordingly, CEB ensures optimum generation dispatch without disturbing the proper functioning of irrigation requirements and with the appropriate balancing of the generation mix to secure the economic sustainability of the organization as well as the country. As a result, CEB was able to maintain the average cost of production at a rate of LKR 33.65/kWh under high inflation experienced during the year 2022. However, it is noteworthy that even after the tariff revision imposed in August 2022, the non-implementation of cost reflective tariff adversely affected the financial sustainability as still CEB sold electricity at a rate low as LKR 21.24/ kWh.

Overall, CEB as the largest electricity utility in Sri Lanka committed to taking every measure to achieve economic sustainability through a long-term perspective, proactive management, and continuous improvement. We believe that we can remain a reliable and valuable service provider by balancing our costs and revenue, optimizing our operations, and adapting to changing market conditions.

Social Sustainability

As the pioneer in the electricity industry, CEB is committed to providing services that meet the demands of the community while supporting the well-being of its consumers and stakeholders. Accordingly, CEB achieved 100% access to electricity a few years back and laid the foundation for social sustainability. This achievement ensured that the lifestyles of the community improved dramatically and education and employment opportunities opened to the people.

Apart from the above key achievement, the organization is now focusing on providing quality and reliable service to its customers and achieving operational excellence through state-of-the-art technology. In par with this goal, CEB launched the Rooftop Solar PV Application Processing module under the award-winning "CEBAssist" application to streamline the rooftop solar PV application process.

Further, the organization focused on developing its staff through training sessions to promote employee well-being, fostering a positive workplace culture, and supporting the organization's commitment to social responsibility and sustainability. Accordingly, 4,959 employees were trained during the year 2022.

Environmental Sustainability

CEB remains committed to promoting environmental sustainability and reducing its environmental impacts by optimizing the integration of green energy and minimizing the adverse environmental effects of thermal power generation. Accordingly, the organization continued its effort to promote renewable development, and the renewable contribution for annual generation stood at 52% at the end of the year. This includes the energy contribution of the eighteenth hydropower station viz. Broadlands, which was successfully commissioned during the year under review. This hydropower project not only enhanced our renewable energy portfolio and increased our power generation capacity, but also strengthened our position as responsible corporate citizens, which advanced our core value of sustainable development.

Further, public awareness programs were conducted through different media to promote green energy integration as well as energy conservation.

On the other hand, CEB continued its efforts to manage the adverse environmental effects of fossil fuel-based generation as described below.

Dust Mitigation and Monitoring

Fine coal particles, defined as dust, were the major issue that arise during the Southwest monsoon period in and around Lakvijaya Coal Power Plant (LVPP) Suppression of dust using water and controlling the wind have been identified as two possible solutions available to LVPP. Accordingly, water spraying systems viz. dry coal shed sprinkler systems, wind barriers, mist blower operations attached to trucks (Figure S1) and reclaimers, wetting of access roads using spray bowsers and potable sprinkler systems to the wet top surface of the coal pile have been established at coal yard to control dust.

Figure S1: Mist blower operation at coal yard

Further, LVPP owns a wind barrier of 460 m along the Western boundary of the coal yard and 1,183 m along the Southern and Eastern boundaries of the coal yard. The year 2022 was a successful year where we could maintain our coal yard in "Wet" conditions and avoid dust dispersion to the residents.

Figure S2: Wind barriers

Continuous wetting process, leveling, and compaction, covering from sand, and facilitating vegetation growth are the main practices used to control the ash yard's dust generation. Competitive selling of fly ash, usage of bottom ash as a raw material for various productions, and utilization of the dumped ash in ash yards for brick manufacturing works (Figure S3) caused to control the open dumping of ash.

Figure S3: Bricks manufactured

The output of the fly ash management program for the past five years is depicted in the graph below.

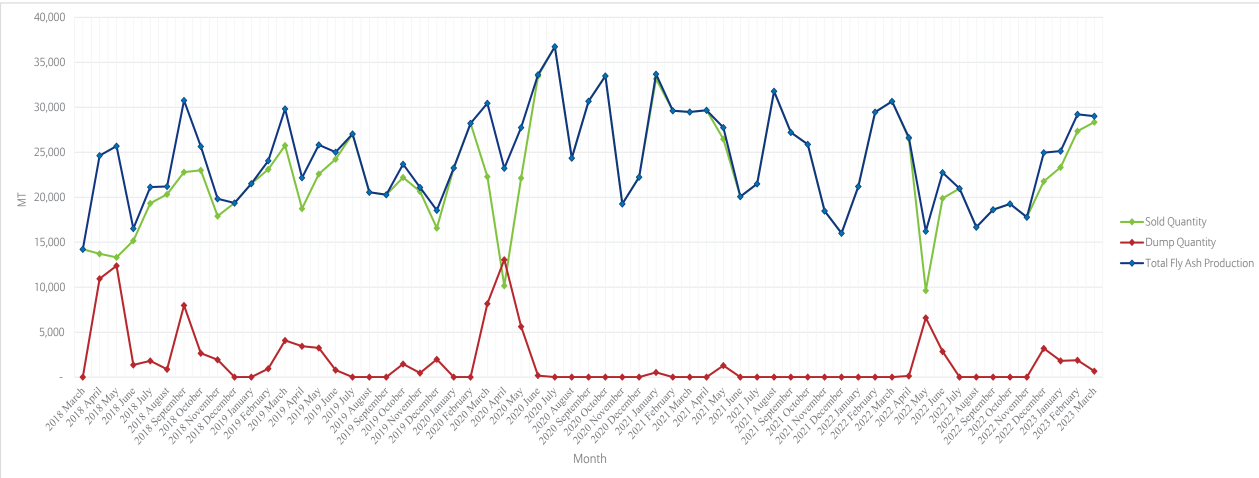


Figure S4: Fly ash management program

Further, continuous dust monitoring works at the surrounding village were conducted throughout the South West Monsoon period of the year 2022.

Water Treatment and Monitoring

Post-treatment and reuse are the modern trends for wastewater streams. Industrial Wastewater Treatment Plants, Sewage Treatment Plants, Coal, and Cinder Water Treatment Plants appropriately play their role and generate reusable treated water output for dust suppression activities. Water quality monitoring through Industrial Technology Institute (ITI) and water quality measuring through Environmental Monitoring Unit (EMU) continued throughout the year (Figure S5).

Further, the groundwater monitoring program is conducted by LVPP through the Water Resource Board (WRB) quarterly, to ensure sustainable utilization and conserve the longevity of the

Figure S5: ITI sampling

resource and this helps to monitor the real-time situation of the groundwater in and around the power plant premises. (Figure S6)

Apart from the water quality monitoring, LVPP has done the pumping test for every well used inside the power station premises through WRB. Accordingly, 51 shallow tube wells were approved to utilize, and pumping patterns, exploitation rates, and types of water pumps were given to LVPP to use in daily basis.

Figure S6: Groundwater sampling

The groundwater report for the year 2021 was released in 2022, revealing that there is no effect from the LVPP on the groundwater table concerning the heavy metals (As, Cd, Hg, Cr, Pb, and Ba) and the seawater intrusion. Further, it mentioned that water quality in LVPP was improved due to practicing the pumping pattern implemented in 2019.

Marine Environment Monitoring

Cooling water discharge and marine environment monitoring are conducted through the most reputed state institutions of Sri Lanka, Industrial Technology Institute (ITI), National Aquatic Resources Research and Development Agency (NARA) and the Marine Environmental Protection Authority (MEPA). These institutions carried out several studies and researches to assess the impact of the power plant on the marine environment. The expertise and knowledge of these institutions always assist in safeguarding living and non-living components of the marine environment. The diversity of fish was higher in the area surrounding the outfall of the power plant and acts as a non-gazette marine protected area and positively affects the enhancement of the resources.

Ambient Air Quality and Stack Emissions Monitoring

Monitoring ambient air quality, stack emissions, and fugitive dust are the consequences associated with atmospheric conditions, and observing the relevant atmospheric parameters was conducted through ITI on a quarterly and seasonal (meteorological monsoon seasons) basis. Results of the above observations revealed that all the ambient air quality parameters were below the maximum permissible levels in the year 2022.

In addition, weekly internal monitoring using a portable flue gas analyzer and continuous monitoring through Continuous Emission Monitoring Systems (CEMS) of each unit have also been conducted throughout the year to monitor stack emissions. The CEMS of unit 01 was recently replaced by an extraction type CEMS involving the latest technology, and it incorporates remote monitoring facilities.

Further, an ambient air quality monitoring program was initiated during the South West monsoon period in 2018 around the Jaya Sri Maha Bodhi premises. Ten test reports have already been released, and the results of the said monitoring program revealed that all monitoring parameters were below their maximum permissible levels. Table S1 shows the maximum permissible levels of the monitoring parameters and Figure S7 shows the air quality measurements taken from Jaya Sir Maha Bodhi premises.

Table S1: Maximum permissible levels

Parameter	Unit	Maximum Permissible Level
PM_{10}	$\mu g/m^3$	100
$PM_{2.5}$	$\mu g/m^3$	50
SO_2	ppb	30
NO_2	ppb	50
CO	ppb	26,000
O_3	ppb	100

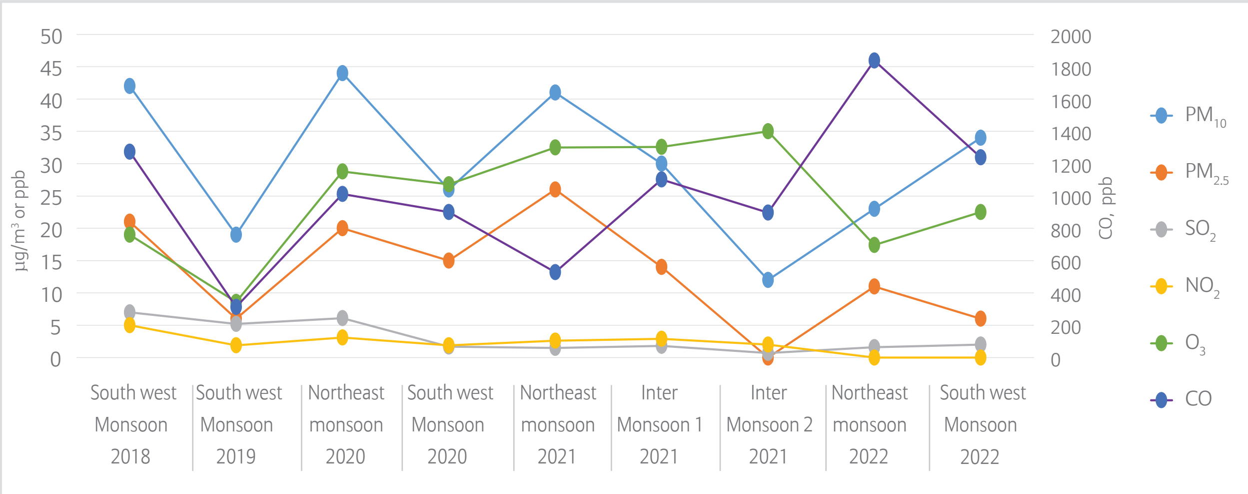


Figure S7: Air quality measurements in Jaya Sri Maha Bodhiya premises

Noise and Vibration Monitoring

As a practice, LVPP noise level monitoring is conducted every six months and vibration level monitoring is conducted every year to confirm noise and vibration levels of the power plant are within the allowable limits. Results for the year 2022 revealed that both noise and vibration levels were within the permissible limits during the power plant operations.

In conclusion, we have recognized the critical role we play in all three pillars of sustainability viz. economic, social, and environmental, and we are taking steps toward a cleaner, healthier, and more sustainable future, through our efforts to reduce greenhouse gas emissions, and air and water pollution, and to conserve biodiversity. We remain dedicated to improve our sustainability performance, both through our ongoing efforts and through innovation and collaboration with our stakeholders.

Corporate Social Responsibility Report

As the electricity utility of the country, we recognize our responsibility towards the environment and society. We are committed to conducting our business responsibly and sustainably while providing reliable and affordable energy to our consumers. This chapter provides an overview of our Corporate Social Responsibility (CSR) initiatives and their impact on the environment and society.

Environmental Initiatives

We are committed to promote the use of renewable energy sources. In 2022, we achieved a 32% increase in grid connected and rooftop solar generation compared to the previous year. This increase was mainly due to our commitment to absorb renewable energy sources.

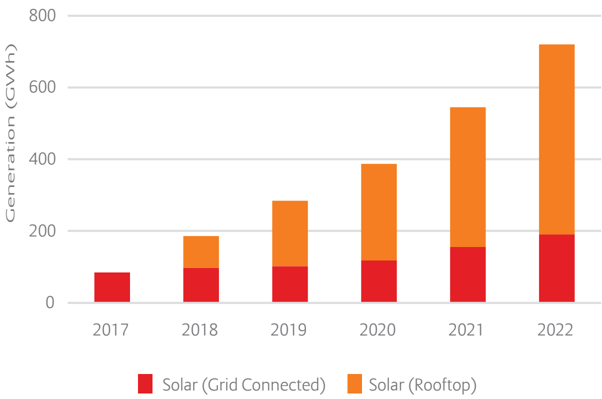


Figure CSR1: Contribution of Solar Power for Electricity Generation

In addition, we have initiated the development of a demand response pilot project in the Katunayake Export Process Zone to reduce the use of fossil fuel during the peak demand hours and hence to reduce greenhouse gas emissions.

Further, Lakvijaya Power Plant and Marine Environment Protection Authority (MEPA) have jointly launched a program to restore the Talawila Coral Reef. Accordingly, 40 no. of artificial reef balls were positioned near the Talawila Coral Reef before commencement of the rough season in 2022 (Figure CSR2 & CSR3). At the end of this rough season, live coral pieces will be planted on the reef balls, and an artificial coral reef will be made near the Talawila Reef to develop the fishery resources and biodiversity of the nearby sea area. The total estimated cost of this program is LKR 2.6 million.

Figure CSR2: Artificial Reef balls

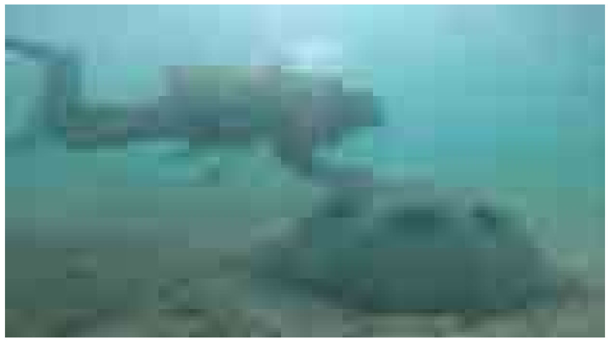


Figure CSR3: Positioning artificial reef balls

Environment effects could vary from loss of a part of a tree up to deforestation in implementing power generation, transmission and distribution projects. As a responsible state-owned institution, CEB strives to minimize these impacts by careful planning from the inception of development projects. In addition to compensatory reforestation in collaboration with Forest Department, CEB has planted over 32,500 trees in watershed areas of its hydropower reservoirs. In continuing this sublime social service, more than 2,500 plants were planted in the year 2022 to ensure environmental purification and beautification.

Social Initiatives

We recognize the importance of engaging with the communities in which we operate. Our social initiatives focus on promoting education, health, and well-being, and supporting local communities.

We have completed the following community development projects for the betterment of society during the year 2022.

Completed the construction of 10 bus shelters along Palavi-Kalpitiya and Palavi-Puttalam main roads at a total cost of LKR 4.3 million to promote the use of public transportation, by comforting passengers, which can have environmental and social benefits (Figure CSR4).

Figure CSR4: Bus Shelters along Palavi - Kalpitiya Road

Initiated the construction of the upper floor of a 25' x 80' size school building at Ilanthadiya Government Sinhala School at a total estimated cost of LKR 9.2 million to ensure access to quality education, to promote social equality and inclusivity and to improve the health and well-being of students and teachers (Figure CSR5).

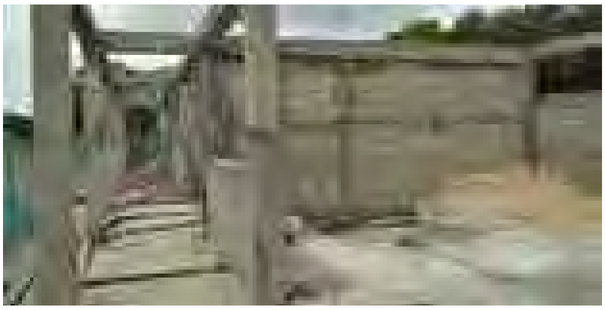


Figure CSR5: School building at Ilanthadiya Government Sinhala School.

Initiated the construction of two community halls in Mampuriya and Narakkalliya to uplift the sense of belonging and social connection of the society, which is crucial for a healthy and vibrant community.

The estimated cost of the construction is LKR 8.4 million.

Figure CSR6: Construction of Community hall

OPERATIONAL REVIEW

Finance Division

Finance Division

The Finance Division plays a key role in CEB to facilitate the long-term sustainability and growth of the business activities. Finance Division's Primary objective is to achieve cost efficiencies in the functions of the Ceylon Electricity Board by taking effective financial decisions based on sound criteria. Other objectives and functions of the Division includes providing accurate financial information for management decision-making, formulating cash flow and fund management strategies for the effective utilization of available funds, reporting on financial performance to identify the gaps in the key performance indicators, formulating strategies to mitigate financial risks, ensuring adequate financial controls are in place, make sure financial statements are prepared according to the stipulated accounting standards, sourcing funds from financially feasible sources and performing project finance related activities to ensure the financial progress of projects.

Year in Review

A brief description of the salient initiatives taken to enhance the operations of each function in the year 2022 is described below.

Finance Division was continuously challenged in achieving sufficient liquidity levels for the business operation. While tedious results arising from the domestic credit default and the global crisis heading toward recession together with the instability of the markets having interrupted the supply chain magnificently as repercussions of the war between Russia and Ukraine.

In the above context, the prices of coal importation had skyrocketed, and forex to import coal was hard to find in the local banking network due to the depletion of forex reserves. As a consequence of the above, the challenge was posed on Finance Division to oblige the contract of the suppliers. Despite the delays in the settlement of the contract commitments, Finance Division was able to manage the situation with the intervention of the Central Bank of Sri Lanka, which provided the required forex.

In addition, generation costs upsurged in line with the escalated coal prices, frequent upward revisions of fuel oil prices, and increased trends of foreign exchange. Meanwhile, the electricity tariff remains constant until the 3rd quarter of the year, resulting in a huge deficit of cash to procure fuel and equipment required for the daily electricity generation, which paved the way for mandatory extended hours of power cuts.

In this circumstance, the Finance Division had managed to narrow down the cash flow gap through the infusion of finances by enhancement of the credit facility from the financial institutions and restructuring of short terms and long-term borrowings from the banks. In addition, the deferment of payment for the suppliers was exercised in the interest of moving the national economy with the least hours of power cuts.

However, the Division had to tirelessly negotiate with the financial institutions to obtain facilities at competitive rates as the cost of finance had reached highest in the history as the rates of government securities also were at the highest. A relief in cash flow was entailed in the latter part of the year with the implementation of prolonged outstanding tariff revision, which was still not sufficient to match the cost of electricity. Therefore, the continuous pressure was on Finance Division to explore ways and means to bridge the cash flow gap to ensure continuous business operation.

The Finance Division functions as a coordinating unit for all foreign-funded projects of CEB by assisting in loan/credit-related matters raised between the Funding Agency, Project Management Units (PMUs), External Resources Department (ERD), and the General Treasury. The Finance Division was involved in adjusting the financial statements of CEB to convert the debt (project loans obtained through the Treasury) to equity with the collaboration of the Treasury during the year under review.

Fund allocation, processing payments, and handling disbursements are also some of the main functions of the Division. The year 2022 was a crucial year for CEB due to unfavorable cash flows. However, the Finance Division prioritized the payments and efficiently allocated the available funds by imposing daily payment limits for each Division. Further, arrangements were made to disburse coal, IPP, and NCRE payments as much as possible.

Although all installments of term loans that are based on the Average Weighted Prime Lending Rate (AWPLR) were increased due to interest rate hikes, CEB was able to pay all the loan installments applicable for the year 2022 without moving any loan to the non-performing category.

In technical aspects, the electronic banking facility was implemented in all Divisions with the coordination of Peoples Bank.

In the year 2022, the Division initiated the drafting of the Trade Debtor Recovery and Write-off Procedure to take timely action for the debt collection, which will improve the cash flow and reduce the bad debt write-off.

Further, the Finance Division is also responsible for managing the Provident Fund and the Pension Fund of CEB for the benefit of CEB employees. During the year, the return/yield on investment substantially improved in par with increases in fixed deposit interest rates and investment in high-yield bonds. The Division embarked on a decision of premature withdrawal of the substantial amount of fixed investment securities that were at a lower interest rate of 5% to 8% and reinvested at the rate range of 25% to 29% having an exorbitant return on investment by making a remarkable contribution for performance improvement of both funds. Accordingly, the amounts of LKR 845 million and LKR 568 million contributed to the high yield of the Pension Fund and Provident Fund respectively.

Treasury Management

Finance Division operates as the first line of defense in the risk management approach of CEB entrusting responsibility for the implementation of risk control procedures as well as for identified emerging risks in the Treasury Management purview. Key activities of treasury management functions are:

- Optimizing investment yields and returns to ensure CEB meets its return thresholds.
- Maintaining sufficient liquidity levels that are conducive to adapting to changes in the market, and operations of CEB whilst adhering to regulatory requirements.
- Providing a framework that is practical and well-defined to process investment decisions within certain clearly specified boundaries.
- Establishing a straightforward, transparent reporting process to enable the Corporate Management Team (CMT) to monitor the position and the performance of the CEB's investment assets/portfolios.
- Ensuring (in order of priority), the investment activity's safety, liquidity, and adequate yield.

CEB Provident Fund

Ceylon Electricity Board Provident Fund (CEBPF) operates as a Private Provident Fund under the provisions of the Employees' Provident Fund Act No.15 of 1958. The overall responsibility for affairs of the Fund is vested with a Committee of Management under the scrutiny of the Board of CEB as the custodian of the fund.

The Fund delivered the highest profits in its operating history during the year under review, demonstrating its ability to adapt and thrive in extraordinarily challenging circumstances. The year's success was underpinned by the Fund's foresight in identifying and proactively responding to emerging risks and opportunities through timely interventions.

Fund's profitability and return on equity (ROE) reported for the last five years are depicted in Figures F1 and F2 respectively .

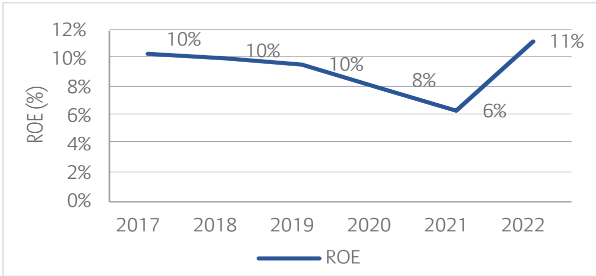


Figure F1: Return on Equity of the Fund

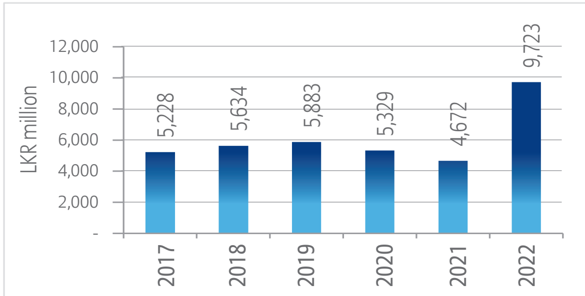


Figure F2: Profitability of the Provident Fund

As the pandemic related disruptions continued to impact the operating landscape in 2022, the CEB Provident Fund faced yet another year of volatility and uncertainty. Despite these challenging times, Fund has leveraged its strategic foresight and responsiveness to navigate external headwinds, delivering record profitability, with continued stability and value creation to all its stakeholders.

The Fund's performance was encapsulated by on-time and effective management of emerging risks. Strategic emphasis was given to optimizing the fund's liquidity and yield from the fixed deposit investments through timely mobilizing the portfolio on investment. Accordingly, the Fund recorded a revenue and profit growth of 95% and 108%, respectively. However, a 57% sharp increase in operating expenses emerged with an increase in inspections on granted loans to members and an increase in vehicle fuel oil and spare parts.

The Fund's tax expenses for the year 2022 have slightly inclined by 17.2%. However, the Department of Inland Revenue has issued a direction on funds that are liable for VAT on financial services under section 25A (1) of VAT Act No.14 of 2002 at the rate of 15%. The Fund has not paid any VAT on interest income, but the imposition of 15% VAT on interest income shall deteriorate the sustainability of the fund.

Fund's asset base grew by 17.9% to LKR 87.2 billion, during the year 2022. In optimizing the risk-return dynamics the Fund pursued only selective investment opportunities. The Fund's investment accounted for 75.7% of total assets (compared to 74.9% the previous year) under the prevailed operating conditions.

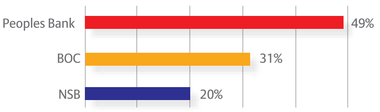
Total Liabilities declined by 22% while increasing the members balance by 5.2% to LKR 74.6 billion as of 31st December 2022. The Fund had about 25,162 member accounts out of which about 24,553 are active contributory members. The total contribution for the year 2022 was recorded as LKR 6.3 billion, while the Fund refunded LKR 2.6 billion to the members during the same period. The details of Provident Fund are depicted in Figure F3 & F4.

10 LKR billion **INCOME**

87.2 LKR billion **TOTAL ASSETS**

9.7 LKR billion **PROFIT AFTER TAX**

58.4 LKR billion **INVESTMENT IN FIXED DIPOSITS**



5.3 LKR billion **INVESTMENT IN DEBENTURES**

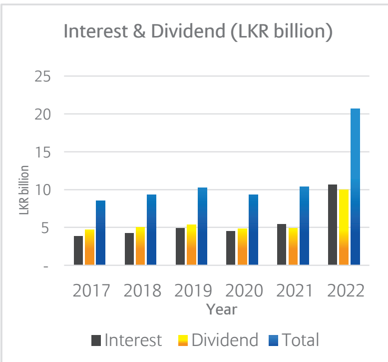
9.2 LKR million **OPERATING EXPENCES**

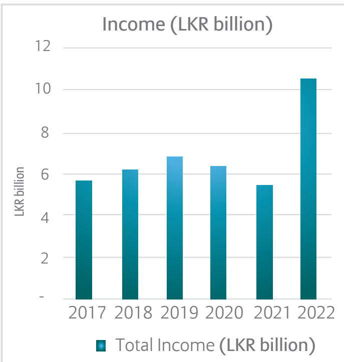
25,162 Nos. **MEMBERS**

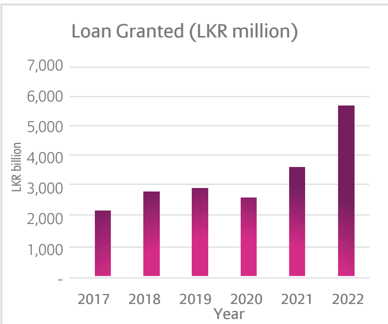
5.7 LKR billion **LOANS TO MEMBERS**

9.2 LKR million **TAX TO GOVERNMENT**

Figure F3: The Provident Fund in Numbers as at end 2022







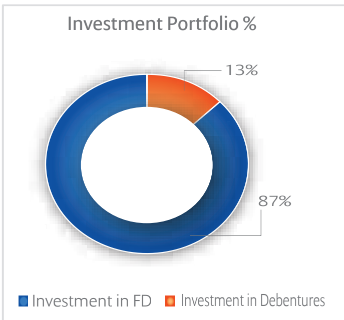
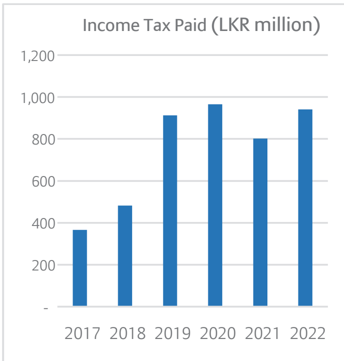
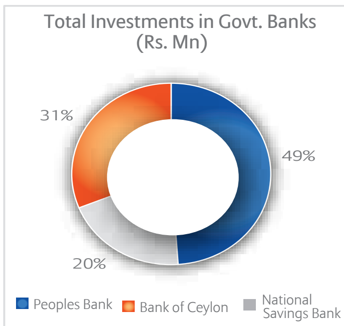


Figure F4: Value to Members

Economic Value Creation





CEB Pension Fund

Pension Fund was established, on 1994-01-01, under the provisions of Section 12(j) of the Ceylon Electricity Board Act No.17 of 1969, and the Fund is managed by the Committee of Management appointed by the Custodian, the Ceylon Electricity Board.

At the end of the year 2022, the number of pensioners was 8,105, and 7,654 were active pensioners who are claiming benefits from the Fund. The Table F1 summarize the movement of pensioners for the last five years and it is indicated that the percentage of the increase of pensioners from 2018 to 2022 had declined drastically alarming to the Fund a boom of the number of pensioners in the forthcoming year due to the government policy of extending the retirement age to 61 years as applicable to CEB.

Table F1: Movement of Pensioners during last 5 Years

Years	No. of Pensioners	Increase of Pensioners	
		Nos.	%
2018	7,061	439	6.6%
2019	7,533	472	6.7%
2020	7,839	306	4.0%
2021	8,057	218	2.8%
2022	8,105	48	0.6%

Further, the yield from the investment had not been adequate for the settlement of pension liabilities during the preceding four years, and the declining trend of contributions was indicated during the year 2022 as depicted in Figure F5. The circumstances explained above trigger the Treasury Management Branch to revisit the strategies adopted by the Fund and carve out the strategies aiming at the sustainability of the fund. The investment portfolio of the fund is shown in Figure F6.

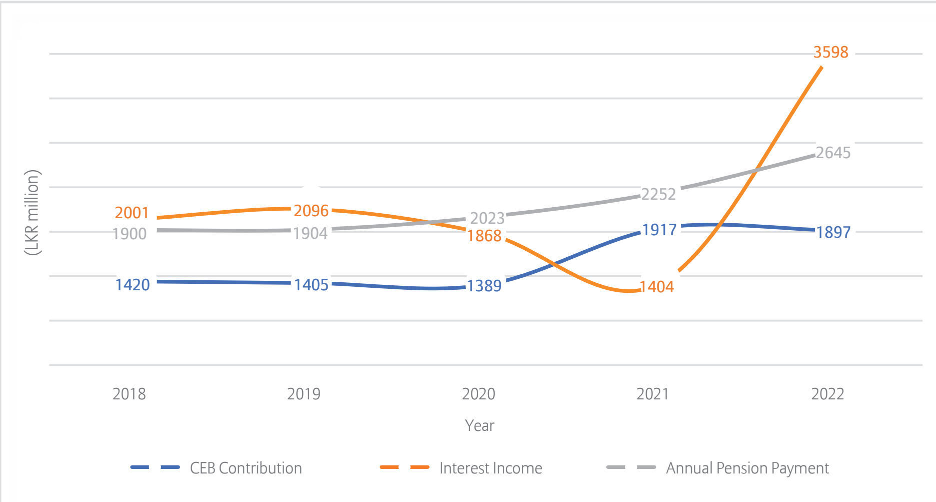


Figure F5: Movement of Pension Fund during Last 5 Years

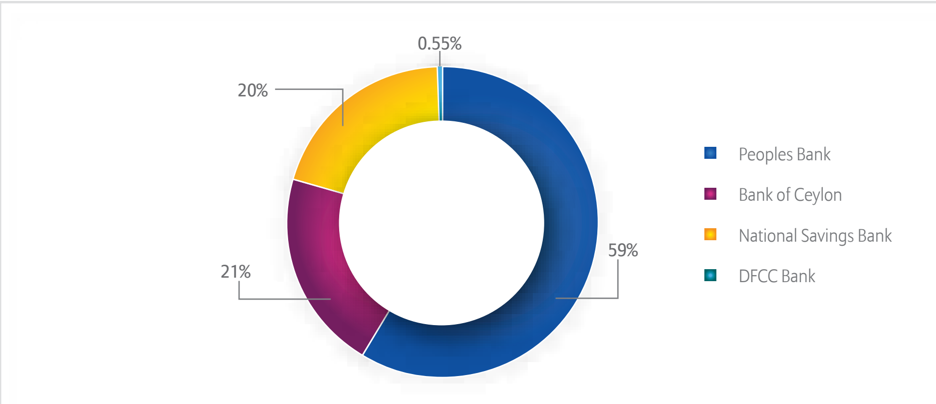


Figure F6: Investment Portfolio

Financial Review

The country's economic calamity and structural problems coupled with the broad-based impacts of the COVID-19 pandemic and global fluctuations have pushed the country into a socio-economic crisis, with several key macro-economic indicators weakening to record low. The foreign exchange crisis has led to shortages in essential items, mainly fuel, while the sharp depreciation of the LKR has resulted in escalated fuel and coal prices throughout the year 2022. During this challenging year, CEB struggled to deliver its role as the country's national electricity provider. Amidst continuous disturbances in supplying fuel for Thermal Power Plants in the absence of rain for hydropower generation, CEB was compelled to impose rotational manual load shedding in the year under review to manage the demand.

Financial Performance

Revenue

CEB recorded a Revenue growth of 24% to LKR 308.46 billion during the year delivering the highest revenue in its operating history. This revenue growth has been underpinned by the upward tariff revision implemented with effect from 2022-08-10, which was static since year 2014, whilst all the commodity prices and other cost factors related to the electricity business inflated continuously. The electricity demand in the country was dropped by 5%, driven by less consumption of retail and bulk customers owing to manual load shedding and the socio-economic crisis that prevailed in the country. The Variation of energy sold and revenue during the last Five years is depicted in the Figure FR1 below.

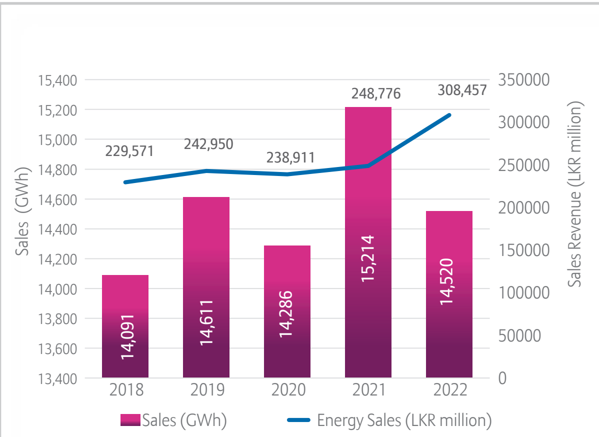


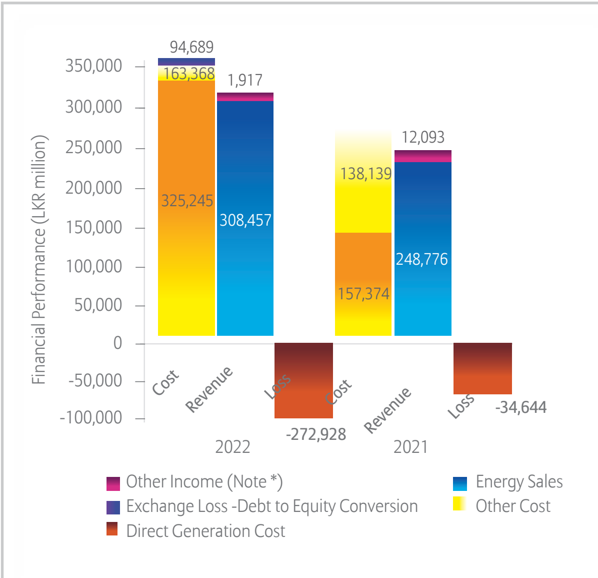
Figure FR1: Variation of Energy Sold & Revenue

Net Profit / (Loss)

Net loss for the year was recorded as LKR 272.9 billion displaying the highest loss in the operating history, surged by 688% increase of operational losses and exchange Loss resulting from Debt-to-Equity conversion from the Government amounting of LKR 94.7 billion. Exchange loss was incurred due to the decision the Ministry of Finance to transfer the CEB treasury loans amounting to LKR 372 billion as Government equity investments in CEB. Accordingly, the Government has transferred an Exchange Loss of LKR 144 billion, resulting from foreign currency revaluation as of 2022-12-31, with respect to the Puttalam Coal Power Project Loan outstanding balance to CEB from which LKR 94.7 billion has been charged to the current year's Income Statement.

Loss after Net Finance Cost was reported as LKR 167.2 billion, representing a year-on-year increase of 390% from LKR 34.1 billion a year ago. The rise in global commodity prices viz. fuel, coal and other material, exchange rate depreciation and increase in interest rates whilst non-availability of cost reflective tariff has exerted pressure on net loss. The end user tariff revision implemented since August 2022 was not adequate to cover up surged commodity prices of the period under review.

The electricity demand for the year 2022 has declined due to rotational manual load shedding and the contraction of the economy. Consequently, the generation of electricity was also turned down.



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

Figure FR2: Financial Performance 2022/2021

	2022 (LKR million)	2021 - Restated (LKR million)	Variance (%)
Electricity Sales	308,457	248,776	24%
Other Income	12,975	12,597	3%
Direct Generation Cost	(325,245)	(157,374)	107%
Exchange Loss resulting from Debt-to-Equity conversion from the Government	(94,689)	-	100%
Actuarial Loss on Defined Benefit Obligations	(11,059)	(505)	2,092%

Generation of the year under review was declined by 5% in contrast to year before followed by the decrease in electricity demand by 5%.

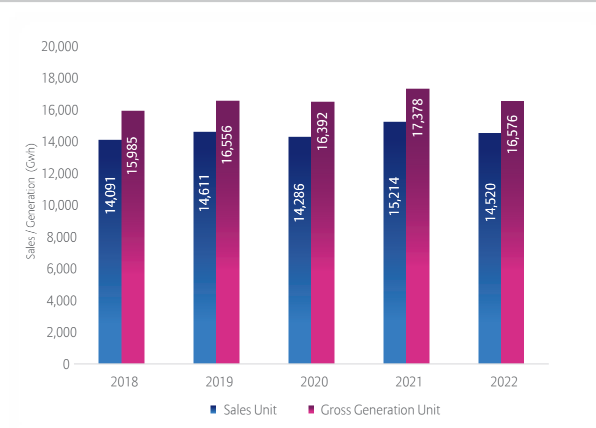


Figure FR3: Sales and Generation in GWh

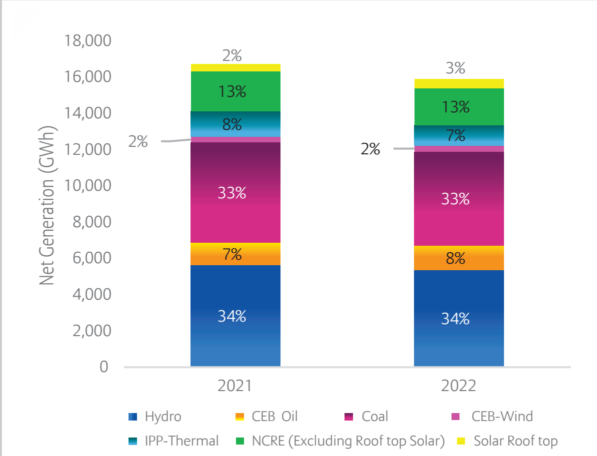


Figure FR4: Generation Mix

The generation mix was more likely to be the year before, and the contribution from mini-hydropower plants has weakened in contrast to the last year as given in Figure FR4. Since LVPP generators were taken out occasionally for unavoidable maintenance works, the gross generation of LVPP declined by 6%. Hence, the other CEB thermal power plants had to contribute more to fulfill energy demand in the year. The increased contribution of CEB-wind and Solar rooftops to the generation mix constructively affected the financial performance against the year before. The Demand for connection of solar rooftops was growing steadily, with Net Plus/ Net Accounting schemes, in comparison to the previous year.

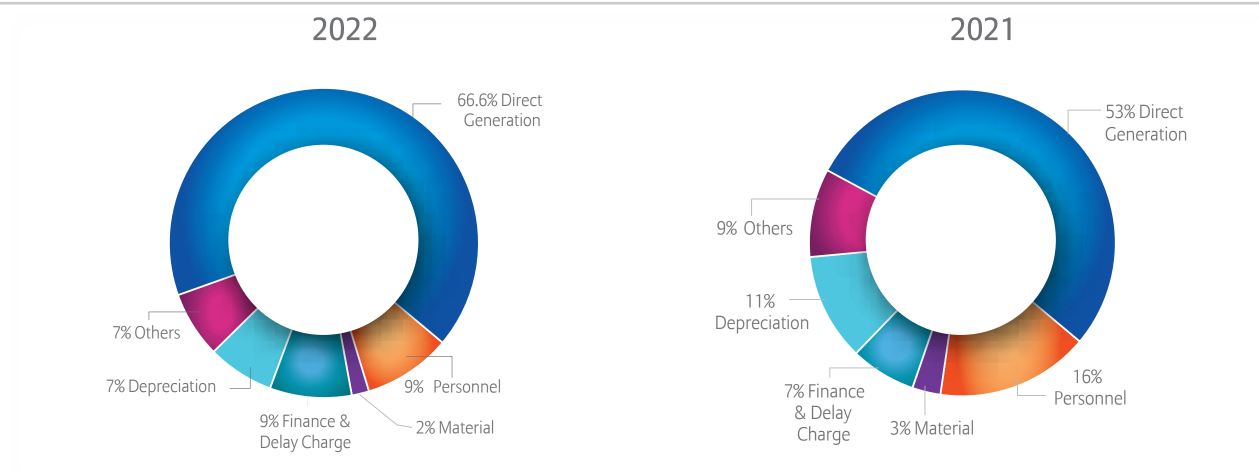


Figure FR5: Cost Structure 2021/2022

Cost Structure

The direct generation cost of CEB was recorded as 66.6% of total cost and reported a 107% increase compared to the last year, viz. from LKR 157 billion to LKR 325 billion, with the fuel and coal prices soaring to a recorded high during the year 2022. A cost escalation of 186% was reflected in coal expenses in the year 2022 against the previous year, despite a 6% drop in energy generation. Fuel cost was increased by 183% from LKR 24.4 billion to LKR 68.9 billion in contrast to the year 2021 with a 9% increase in energy generation. CEB's direct generation cost reached an all-time high figure, viz. LKR 325 billion due to the rise in commodity prices and the sharp exchange rate depreciation. The prevailing situation exerted pressure on margins and Net Loss after Finance Costs increased by LKR 133 billion against the previous year. Tariff revision implemented with effect from 2022-08-10 has slightly assisted CEB to withstand these difficulties.

CEB's overhead expenses increased by 3% during the year, reflecting exchange loss due to exchange rate depreciation and relatively high inflation. Meanwhile, CEB was able to lessen personnel costs by 6% with stringent control on personnel cost management.

The significant increase in direct generation cost led to an increase in the average cost per unit at the generation point compared to the last year, viz. from 12.38 LKR /kWh (restated) to 23.01 LKR /kWh.

At the point of sales to the end consumer, the cost per unit of electricity stood at 33.65 LKR /kWh for the year 2022 against 19.42 LKR/kWh in the year 2021 (restated). Accordingly, the operating cost, including the direct generation cost, has increased by 65% compared to the previous financial year.

Borrowings and Cost of Finance

CEB's finance expenses were increased by 104% from LKR 20 billion to LKR 41.8 billion during the year triggered by the rise in delayed interest on payments to Ceylon Petroleum Corporation (CPC) by 38%, viz. LKR 2.4 billion and to Independent Power Producers by 278%, viz. LRK 4.8 billion. Non-availability of cost-reflective end user tariff and disturbances in the collection process due to the Pandemic, severely affected on already hindered cash flows of CEB and obstructed the settlements to major suppliers inclusive of CPC, resulting in an increase in delayed interest.

Amidst new borrowings amounting to LKR 101.5 billion in the year 2022, the interest cost surged by 114% to LKR 26.3 billion, reflecting an increase in interest rates as well. The Central Bank raised interest rates by a recorded high level in the year under review causing an increase in finance costs. Enhanced overdraft facility to commit working capital requirements of CEB has adversely affected finance costs.

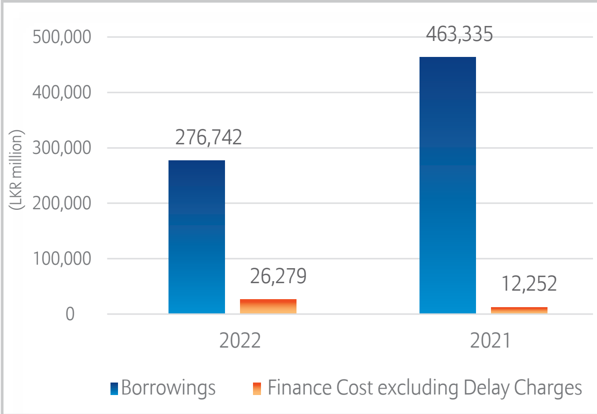


Figure FR6: Borrowings Vs Finance Cost

Financial Position

CEB assets grew by 6% to LKR 1,062 billion in 2022 reflecting ongoing expansion and developments in the generation, transmission, and distribution sectors and increased working capital. The non current assets and current assets grew by 5% and 11%, respectively, with the main contributors being property, plant & equipment, and trade & other receivables.

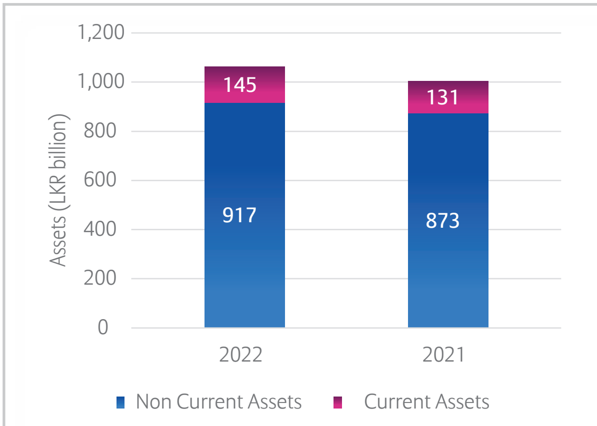


Figure FR7: Assets Growth 2021/2022

Property, plant & equipment has been increased by 5% compared to the year before, reflecting 84% of the total asset base, mainly due to the investments in transmission & distribution lines and civil works. Meanwhile, trade & other receivables increased by 35% amounting to LKR 80.2 billion, mainly driven by advance payment paid to Lanka Coal Company and advances & pre-payments made to purchase other materials. The current assets accounted for 14% of the total asset base, compared to 13%, of the previous year. Non-related electricity debtors grew by 11%, due to the upward end user tariff revision made and 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.

The continuous financial losses incurred due to the non-availability of cost-reflective end user tariff in recent years have deteriorated CEB's capital position and funding profile. Despite the net loss of LKR 272.9 billion in 2022 total equity has increased by 104% to LKR 354 billion, predominantly due to the transfer of treasury loans as government equity investments in CEB. At the same time, the government has transferred LKR 80 billion as an additional equity investment for CPC payments. Consequently, total equity has funded 33% of total assets whereas 17% of total assets in the previous year.

The percentage of CEB's total assets funded by debt during the year has relatively improved from 46% to 26% compared to previous year, due to debt-to-equity conversion. CEB has continued to adopt debt-funded project implementation, which has led to an increase in borrowings to finance Projects, and LKR 33.2 billion has been borrowed. Further LKR 44.9 billion borrowings were obtained to finance working capital. Enhanced overdraft facility and newly obtained term loans during the year have increased short-term loans by 39% to LKR 83.2 billion.

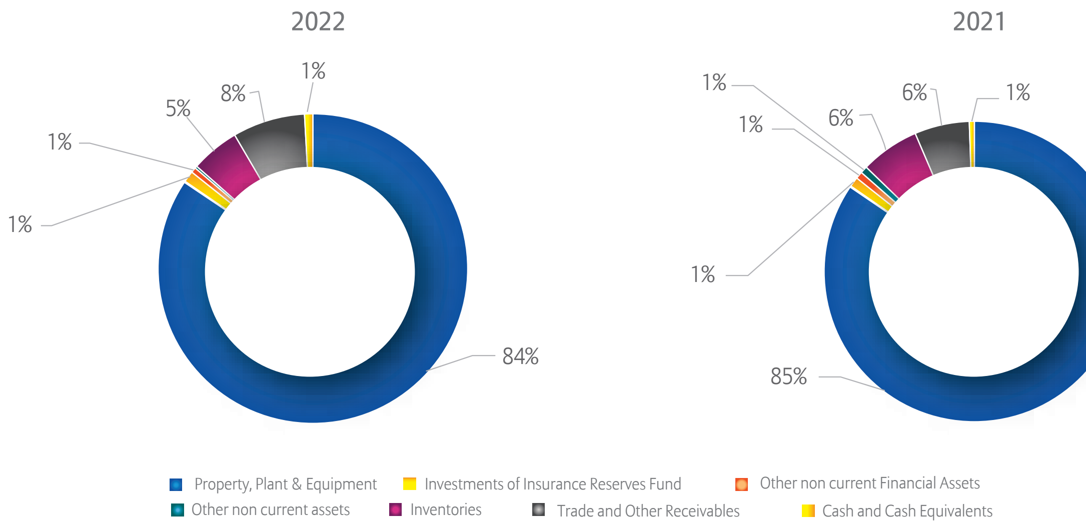


Figure FR8: Asset Composition 2021/2022

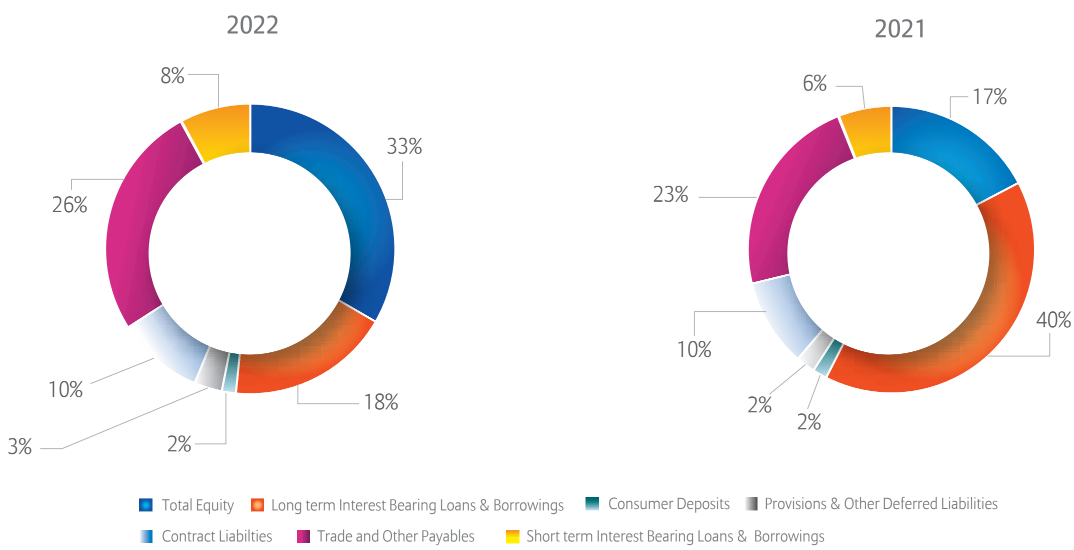


Figure FR9: Equity and Liability Composition 2021/2022

Ratio	2022	Restated 2021
Return on Assets	-25%	-3%
Return on Equity	-99%	-19%
Debt to Equity	78%	267%
Debt to Assets	26%	46%
Current Ratio	0.40:1	0.45:1
Quick Ratio	0.25:1	0.23:1
Interest Cover	-4.83	-1.21
DSCR	-3.00	0.49

Figure FR10: Financial Ratios

End User Tariff and Government Policy

CEB offers electricity tariffs at a price lower than the actual cost at the selling point, to consumers at lower consumption levels in the domestic category and other tariff categories as a government policy.

Hence, the high-end consumers in the domestic category have to bear a part of this cost in excess. As of 2022-12-31 total loss due to the above government subsidy policy was LKR 182.58 billion, where the surplus charged from high-end consumers amounted to LKR 2.4 billion. Hence the loss incurred by CEB was stated as LKR 180.16 billion, excluding other income.

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

	2022 (LKR million)	2021 (Restated) (LKR million)
Loss/Deficit (Subsidy required) due to Government Policy	(182,580)	(68,340)
Surplus Charged	2,424	21,603
Net Subsidy to be provided by the Government	**(180,156)**	**(46,736)**
Add/(Less):		
Other Income	12,975	12,597
Exchange Loss resulting from Debt-to-Equity conversion from the Government	(94,689)	-
Actuarial Loss on Defined Benefit Obligations	(11,059)	(505)
Net Loss as per the Financial Statements	**(272,928)**	**(34,644)**

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 31st December 2022	2022 (LKR million)	2021 (Restated) 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
Result of operation										
Revenue	308,457	248,776	238,911	242,950	229,571	218,450	206,811	188,684	202,645	194,147
Consession provided to Domestic Customers	(1)	(196)	(5,908)	-	-	-	-	-	-	-
Cost of sales	(430,509)	(266,596)	(276,938)	(322,521)	(251,964)	(260,273)	(222,097)	(168,781)	(213,646)	(165,509)
Gross Profit / (loss)	(122,053)	(18,016)	(43,935)	(79,571)	(22,393)	(41,823)	(15,286)	19,903	(11,001)	28,638
Other Income & Gain	11,581	11,466	8,817	10,307	9,450	8,143	10,323	8,292	5,871	5,107
Administrative Expenses	(16,354)	(8,290)	(7,131)	(7,280)	(5,832)	(5,110)	(4,965)	(4,086)	(3,146)	(2,556)
Finance Income	1,394	1,131	1,338	1,751	1,466	1,194	1,049	434	304	1,677
Finance Cost	(41,749)	(20,431)	(19,522)	(22,526)	(13,036)	(8,415)	(4,312)	(5,134)	(7,030)	(10,601)
Profit / (Loss) After Net Finance Cost	(167,180)	(34,139)	(60,433)	(97,319)	(30,345)	(46,011)	(13,191)	19,409	(15,002)	22,265
Exchange Loss resulting from Debt to Equity conversion Government	(94,689)	-	-	-	-	-	-	-	-	-
Profit / (Loss) Before Income tax	(261,869)	(34,139)	(60,433)	(97,319)	(30,345)	(46,011)	(13,191)	19,409	(15,002)	22,265
Income Tax Expenses	-	-	(53)	(39)	(50)	(232)	(263)	(61)	(95)	
Deffered Tax (Charge)/ Revesal -	-	-	-	-	-	-	-	-	995	(1,326)
Actuarial gain/(loss) on defined benefit obligations	(11,059)	(505)	(8,678)	(64)	(1,541)	(1,338)	(1,003)	952	(3,183)	(39)
Comprehensive Income	(272,928)	(34,644)	(69,164)	(97,422)	(31,936)	(47,581)	(14,457)	20,300	(17,285)	20,900

As at 31st December	2022 (LKR million)	2021 (Restated) 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
Assets										
Property Plant & Equipment	894,860	852,072	819,248	781,517	747,012	724,068	704,695	694,415	681,471	648,130
Investment in Subsidiaries	912	912	912	912	912	912	912	912	785	785
Investment in Joint Venture	349	329	329	329	329	329	329	329	150	150
Investment of Insurance reserve fund	12,460	10,658	9,981	8,997	8,070	7,246	6,496	6,036	5,653	5,250
Other financial Assets	5,783	7,700	8,859	9,951	10,204	8,912	8,983	3,848	2,291	-
Other non-current Assets	2,496	851	1,074	1,489	1,242	961	949	896	-	-
Non-current Assets held for sale	0.076	0.076	0.076	0.076	0.076	0.655	1,022	1,025	1,023	1,021
Current Assets	145,484	131,446	116,617	110,576	102,338	89,065	80,968	69,391	72,662	91,423
Total Assets	**1,062,344**	**1,003,967**	**957,020**	**913,771**	**870,107**	**831,494**	**804,354**	**776,852**	**764,035**	**746,759**
Liabilities										
Interest bearing loans and Borrowings	193,478	403,592	352,094	318,149	281,262	236,129	220,476	214,299	221,735	355,043
Consumer Deposits	16,720	16,300	15,641	15,014	14,311	13,557	12,753	11,484	10,458	9,722
Provision & other Differed Liabilities	33,001	21,615	20,121	10,482	10,038	8,622	7,262	6,116	6,572	3,236
Government Grants	173	188	200	213	228	243	211	-	-	-
Deferred Income	-	-	-	-	-	-	-	71,696	66,292	60,343
Contract liabilities	102,613	99,518	95,771	89,746	86,335	82,564	77,628	-	-	-
Deferred Taxation	-	-	-	-	-	-	-	-	-	22,182
Current liabilities	361,932	289,037	208,447	223,803	145,712	123,682	72,661	43,630	64,147	69,134
Total Liabilities	**707,917**	**830,250**	**692,274**	**657,407**	**537,886**	**464,797**	**390,991**	**347,225**	**369,204**	**519,660**
Equity										
Contributed Capital	865,159	413,055	391,731	323,194	302,695	302,695	302,695	302,228	289,038	121,708
Reserves	44,077	41,223	39,254	37,110	34,881	32,783	30,283	28,463	27,434	25,999
Retained Earnings	(554,810)	(280,560)	(166,239)	(103,940)	(5,355)	31,219	80,385	98,936	78,359	79,392
Total Equity	**354,427**	**173,717**	**264,746**	**256,364**	**332,221**	**366,697**	**413,363**	**429,627**	**394,831**	**227,099**
Total Equity & Liabilities	**1,062,344**	**1,003,967**	**957,020**	**913,771**	**870,107**	**831,494**	**804,354**	**776,852**	**764,035**	**746,759**

Value Added Statement

	2022 In Rs. LKR million	2021 In Rs. LKR million (Restated)
Value Created		
Revenue	**308,457**	248,776
Other Income	**11,581**	11,466
Finance Income	**1,394**	1,131
Cost of resources provided by outsiders	**(281,395)**	(143,792)
Total Value Created by the Entity	**40,037**	117,582
Value distributed		
To Employees as Remuneration and Other Benefits	**44,980**	47,863
To Government Revenue		
Income Tax	**-**	-
Other Taxes	**11,913**	3,504
To Lenders of Capital		
Interest on Borrowing	**41,749**	20,431
To the Community		
Corporate Social Responsibility	**172**	24
Concessions provided due to COVID	**1**	196
Electricity provided at subsidized tariff	**180,156**	46,736
Value Retained for Growth and Expansion		
Retained	**(272,928)**	(34,644)
Depreciation	**33,994**	33,471
Total Value Distributed by the Entity	**40,037**	117,582

Corporate Governance Report

As the largest electric power utility in Sri Lanka, we recognize the importance of sound corporate governance practices. We use best practices and processes that directs and controls the operations and the long-term sustainability of CEB. These practices and processes fundamentally facilitate the decision making and operational capability of the organization while maintaining a healthy balance of fairness, responsibility, transparency, and accountability. We strive to uphold the highest standards of corporate governance in all aspects of our business. This chapter outlines our governance framework and internal audit performance.

Governance Framework

Our governance framework is designed to ensure that the organization is managed in a fair, responsible, transparent, and accountable manner. The framework comprises the following key elements.

Board of Directors

Our Board comprises independent, non-executive directors who collectively oversee the CEB's affairs. The Board meets regularly to review the organization's performance, set strategic direction, and provide guidance to the management. The Board is directly accountable to the Government. The Government and its officials are therefore entrusted with the supervision, governance and management of CEB and have a duty to ensure that CEB is governed and operated in the best interest of the stakeholders and in full compliance within the regulatory framework.

Management

Our management team is responsible for implementing the Board decisions and managing the organization's operations in an effective, efficient and transparent manner. The team is accountable for the organization's performance and is incentivized to deliver sustainable growth.

Policies and Procedures

We have established policies and procedures that govern our operations and ensure compliance with laws and regulations. These policies cover areas such as fairness, accountability, responsibility and transparency. Established recruitment and promotion schemes, competitive procurement processes in line with the well-established national and international procurement guidelines, firm disciplinary procedures, etc. are in practice to ensure transparency and accountability. Continuous monitoring and reviewing through internal audits, Parliamentary Committee on Public Enterprises (COPE), and other parliamentary committees further ensures the organization's compliance with laws and regulations.

Stakeholder Engagement

We engage with our stakeholders, including customers, shareholders, employees, and the community, to understand their concerns and expectations. We strive to maintain transparent and open communication with all stakeholders. A good relationship is always maintained with the companies in the Group in which CEB has a stake.

Internal Audit Performance

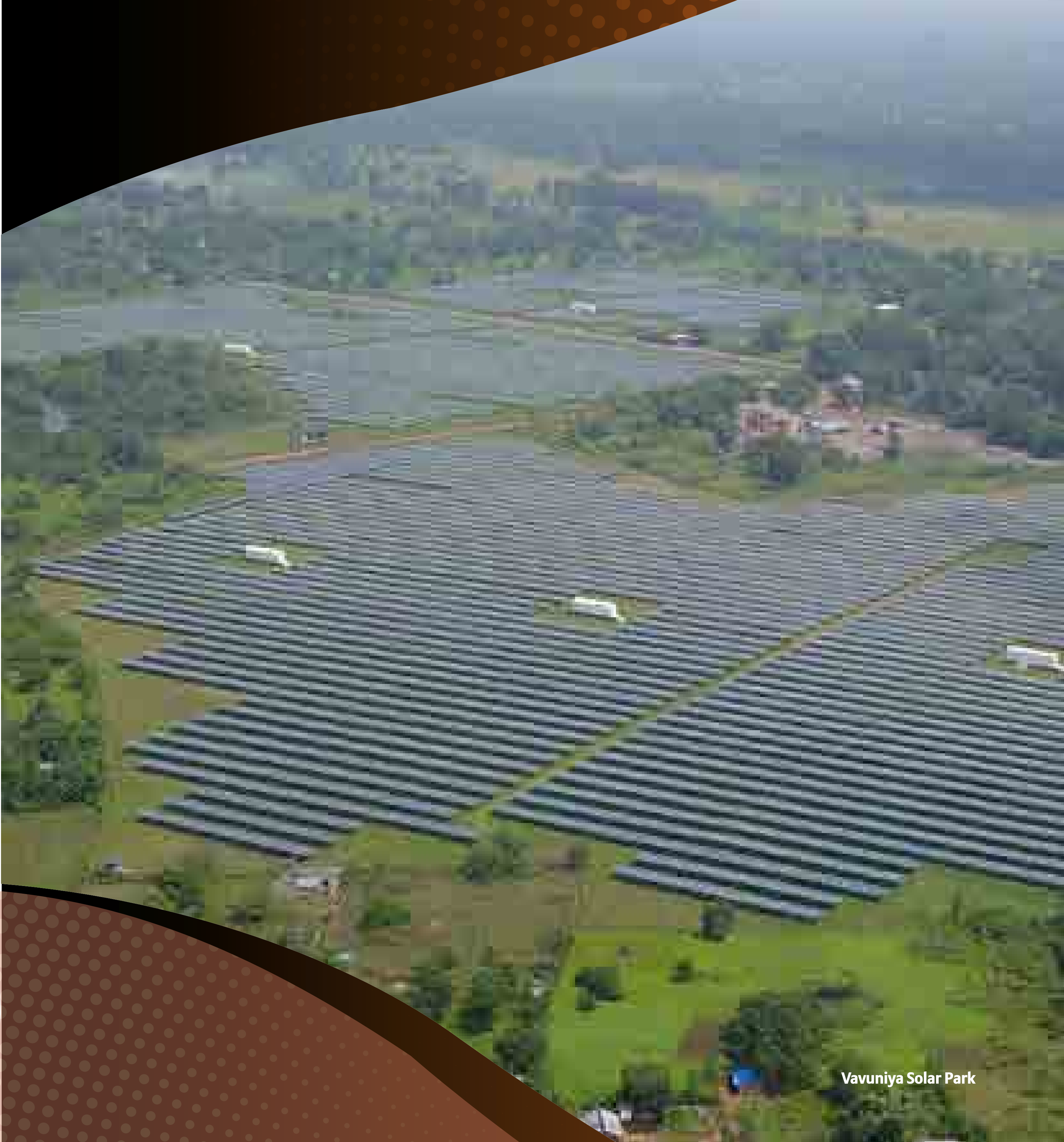
Internal auditing is a critical component of CEB in corporate governance. It provides an independent evaluation of CEB's internal controls, risk management, and governance processes, and the internal audit function is also responsible for monitoring the organization's compliance with laws, regulations, and internal policies. The internal Audit Branch of CEB, assists the Board and the Management in carrying out their corporate governance responsibilities, as well as enhancing and promoting effective and efficient business and operational processes inside the organization.

Accordingly, audits are performed on all Units and Branches, with the frequency dictated by the level of risk identified and staff availability. The following audits were completed by the Branch during the year under review.

Table CGR1: Details of Audits Performed during the Year 2022

Nature of Audit	Number of Audits
Revenue Audits	24
System Audits	30
Special Investigations	15
Audit Committee Reports	22
Board Information	4
Total	**95**

Audits were focused more on system audits to determine whether the specific systems implemented in the CEB are still in place, and being effectively administered by the officers involved. In addition, management controls, procurement processes, store management systems and debtor collection systems were thoroughly monitored and reviewed throughout the year.



Vavuniya Solar Park

Profile of the Board of Directors

N. S. ILANGAKOON

Designation	Chairman
Tenure	From 13th June 2022
Skills and Experience	A Qualified Commercial Pilot with instrument rating and seaplane rating in both Sri Lanka and the USA. He holds a Diploma in Human Resource Management from the National Institute of Business Management, Sri Lanka, and a Master's Degree from the UK. He has 16 years of experience in Business Management as Chairman, Director, and Senior Manager in both Government and Private Sector organizations, and established good corporate governance practices and procedures and works to promote the highest standards of integrity and probity.
Role in Other Entities	Chairman - Sri Lanka Energies (Pvt.) Ltd. Chairman - Trincomalee Power Company Ltd. Director - Lanka Electricity Company (Pvt.) Ltd. Director - LTL Holdings (Pvt.) Ltd. Director - LTL Transformers (Pvt.) Ltd. Director - LTL Galvanizers (Pvt.) Ltd.

M. M. NAYEEMUDEEN

Designation	Board Member
Tenure	From 17th January 2020
Skills and Experience	A Special Grade Officer of SLAS and a Fellow Member of Chartered Professional Managers. He has a Master's Degree in Public Management from SLIDA and a Degree in Economics from the University of Peradeniya. He also holds a Certificate in Public Administration and Certificate in General Management. 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.
Role in Other Entities	

M. R. V. R. MEEPURA

Designation	Board Member
Tenure	From 11th January 2022
Skills and Experience	He has a Master's Degree in Finance & Business Economics from the University of Adelaide and a Master of Business Studies from the University of Colombo. He also holds a Special Degree in Human Resources Management from the University of Sri Jayawardenapura. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Public Finance and Development Accountancy, a Member of the Institute of Certified Management Accountants of Sri Lanka, a Senior Member of Association of Accounting Technicians Sri Lanka and Member of Accountants Service Sri Lanka. He served as an Acting Additional Director General in the Department of Public Enterprises from 2021-01-18 to 2021 -07-21, Director (Policy Decision) in the Department of Public Enterprise from 2013-05-15 to 2019-01-20, Accountant (Revenue & Refund) of the Department of Inland Revenue from May 2012 to May 2013, Accountant(Supplies) in Department of Inland Revenue from 2009 to May 2012, Assistant Director of Department of Public Enterprises from 2008 to 2009, Accountant- Ministry of Vocational & Technical Training from 2007 to 2008, Accountant (ICASL Training Requirement) in Department of Auditor General from 2005 to 2007, Accountant – Divisional Secretary (Neluwa) from 2002 to 2005 and Audit Examiner- Department of Auditor General (Treasury Branch) from 1999 to 2002.
Role in Other Entities	Additional Director General for Department of Fiscal policy since 2021-07-21 to 2022-12-31.

(Dr.) B. WIJAYRATHNE

Designation	Board Member
Tenure	From 7th January 2021
Skills and Experience	He holds a Doctor of Philosophy (USA), Master of Public Administration, and PIM BSC Special Public Administration Degree from the University of Sri Jayawardenaapura. He has more than 35 years of experience in the Public Sector as a member of the Sri Lanka Administrative Service. He served as the Secretary of the Ministry of Agriculture before his 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, Director General of the Sri Lanka Institute of Development Administration, and Commissioner General of Motor Traffic.
Role in Other Entities	

RUBAN WICKRAMARACHCHI

Designation	Board Member
Tenure	From 24th April 2020
Skills and Experience	He is an Economics Graduate of the University of Kelaniya and holds a Post Graduate Diploma in Personal Management. He has 36 years of Experience in the CEB Internal Audit and Special Investigations Branches. Further, he is performing the duties as, Board of Director, Member of the Audit & Management Committee, Member of the Disciplinary Appeal Board, and Member of the Employee Grievances Committee in CEB. He was the founding chief of the Special Investigation Branch of CEB.
Role in Other Entities	

G. P. N. M. ABESEKARA

Designation	Board Member
Tenure	From 24th December 2021
Skills and Experience	He has a Master's Degree in Arts (Sociology), Post Graduate Diploma in Business Management, and Diploma in Monitoring & Evaluation, Certificate in General Management, and Certificate in Public Management. He has more than 22 years of experience in Public Service as a Member of the Sri Lanka Administrative Service (SLAS), and he has prior experience as an Additional Secretary in the Ministry of Justice and Ministry of Urban Development. In addition, he possessed posts of Senior Assistant Secretary and Director in a number of Ministries and Government Departments as well.
Role in Other Entities	Additional Secretary in the Ministry of Industries.

D. P. M. CHANDANA

Designation	Board Member
Tenure	From 12th December 2022
Skills and Experience	He is reading for a Doctor of Philosophy in Economics in the Department of Economics, University of Colombo, Sri Lanka. He holds a Master of Engineering in Structural Engineering Designs from the University of Moratuwa, a Master of Business Administration from the University of Moratuwa, and a BSc in Engineering (Hons.) in Civil Engineering from the University of Peradeniya. In addition, he has experience in several key managerial positions in both Government and Private Sector organizations as given below. - Asst. General Manager (MD&T) - National Water Supply & Drainage Board (NWSDB) - (from 2017-07-01 to 2020-01-06) - Chief Engineer/PM(Permanent) – NWSDB (O&M-Greater Colombo Sewerage)/Actg. PM (GPOBA Project) - (from 2010-06-23 to 2017-06-30) - Chief Engineer (Permanent) – NWSDB (O&M-Greater Colombo Sewerage) – (from 2010-04-05 to 2010-06-22) - Chief Engineer (Actg.) – NWSDB (P&D)/ NWSDB (O&M-Greater Colombo Sewerage) – (from 2009-10-01 to 2010-04-04) - Chief Engineer (Covering up) – NWSDB (P&D) – (from 2009-07-01 to 2009-09-30) - Senior Engineer – NWSDB (P&D) – (from 2006-01-10 to 2009-06-30) - Engineer (Class 1) – NWSDB (P&D) – (from 2005-07-01 to 2006-01-09) - Engineer (Class 11) – NWSDB (FFP) – (from 2001-07-01 to 2005-06-30) - Trainee Engineer – NWSDB (P&D) – (from 2001-01-01 to 2001-06-30) - Civil Engineer – Maga Eng. (Pvt.) Ltd. – (from 2000-06-26 to 2000-12-31) - Project Engineer – Carland Kandy (Pvt.) Ltd. – (from 1999-09-01 to 2000-06-25).
Role in Other Entities	Chairman – State Development & Construction Corporation (2020-01-07 to 2022-08-06)

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 a pleasure in presenting audited Consolidated Financial Statements for the year ended 31st December 2022.

Principal Activities

The principal 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 87. 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 116 to 117 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 69 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 GOSL to finance the specific capital development projects. Details of Contributed capital is given in note no 22 of the Financial Statements on page 122.

Issue and Utilization of Debentures

During the year in April 2022, 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.

The funds raised through the Debenture Issue (LKR 20 billion) was fully 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).

Debenture Trading Information

Debenture Trading Information for the year ended 31st December 2022 are given bellow.

Highest Price	88.61
Lowest Price	88.61
Last Traded Price	**88.61**
Traded Quantity	507,900
Last Traded Date	2022-01-20

Corporate Social Responsibility (CSR)

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

Our Approach for Sustainability of Electricity Industry

CEB has committed to perform its operations while maintaining a right balance of Social, Economic and Environmental sustainability. CEB's approach to achieve the same is stated in pages 53 to 57 of the Annual Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards 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 31st December 2022 is given on pages 154 to 193 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 87 to 104 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 31st December 2022 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 establish a Remuneration Committee as the remuneration of the Directors of the CEB is decided based on Public Enterprise Circular No: PED 3/ 2015 issued by the Ministry of Finance.

The following Sub Committees have been appointed by the Board.

1. Employee Grievances Committee
2. Disciplinary Appeals Board
3. Audit and Management Committee

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 committee comprises of two Board Members and several Senior Executives of CEB. The Board Member composition of the committee for the year 2022 is given below.

Name	Designation in CEB	Designation in Committee	Tenure
Mr. N. S. Ilangakoon	Vice Chairman	Chairman	From 2020-12-16 to 2022-06-13
Dr. B. Wijayaratne	Board Member	Chairman	From December 2022 to date
Mr. Ruban Wickramarachchi	Board Member	Member	From 2020 to date

Other members are as follows;

Name	Designation in CEB
Eng. H. M. K J. Weerasuriya	DGM (C&C), DD 02
Eng. R. K. P. S. Gunathilake	DGM (CA), Gen. Division
Eng. P. A. J. P. K. Perera	DGM (P)
Ms. W. P. G. C. S. Jayalath	Actg. AFM (Corporate)
Eng. M. I. M. Irshad	CE (Policy)
Ms. P. R. Handapangoda	HRM

The committee formally met twice during the year 2022 and reviewed 38 no. of individual grievances.

The minutes of the meetings were tabled at the Board meetings for approval and subsequently, the General Manager, CEB will take early action to implement the said decisions.

The Secretary to the Board is the convener of this sub-committee.

Disciplinary Appeals Board

The Disciplinary Appeals Board is another sub-committee in the Board. This committee was formed to handle disciplinary matters of CEB employees. The committee had formally met two times during the financial year 2022 and handled nine cases.

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

The composition of the committee for the year 2022 was as follows. The Board Secretary is the convener of this sub-committee.

Name	Designation in CEB	Designation in Committee	Tenure
Mr. N. S. Ilangakoon	Vice Chairman	Chairman	Upto February 2022
Dr. B. Wijayaratne	Board Member	Chairman	From 2022-10-28
Mr. Ruban Wickramarachchi	Board Member	Member	From 2019-03-27 to date
Mr. G. P. N. M. Abeysekera	Board Member	Member	2022-10-28
Mr. L. K. S. U. Dharmakeerthi	Observer to the board	Member	From 2021-10-06 to date
Mr. P. S. Pathirathna	Retd. Addl. Commissioner General of Labour	Member	From 2018-12-07 to date

Audit Committee

The Audit Committee is a sub-committee of the governing body that assists the Board in its oversight and monitoring of financial reporting, organizational risk management, revenue assurance functions, the internal controls process, and an overview of internal audit and statutory audit functions.

The committee meets at least four times a year as needed by Audit Committee Charter, and is chaired by a Board member representing the Ministry of Finance. The committee is comprised of Non-Executive Directors, the majority of whom are independent. The members of the committee for the year 2022 are given in the below table.

Name	Designation in CEB	Designation in Committee
Mr. M. R. V. R Meepura	Board Member	Chairman
Mr. M. M. Nayeemudeen	Board Member	Member
Mr. B. Wijeratne	Board Member	Member
Mr. R. Wickramaarachchi	Board Member	Member

The General Manager, CEB, the Finance Manager, CEB, a representative from the Auditor General's Department, and a representative from the Ministry of Power and Energy are invited to attend the meetings. The committee's convener is the head of the internal audit.

The committee reviews the organization's overall framework for internal control over financial reporting, risk management, and review of external and internal audit functions. The committee met four times in the year 2022 and reviewed the internal and external audit reports using their extensive experience and expertise, recommending additional controls and risk mitigation strategies that could be implemented where necessary to strengthen the existing internal control systems.

Attendance of committee meetings held throughout the year is given below.

Board Member	Attendance to Audit Committee Meeting
Mr. M. R. V. R. Meepura	4
Mr. M. M. Nayeemudeen	4
Mr. B. Wijeratne	2
Mr. R. Wickramaarachchi	4

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 arises 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.

Compliance to CSE Listing Requirements Related to Contents of Annual Report

Listing Rules 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	74 - 75
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	76, 116
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	-
7.6 (iv)	The public holding percentage.	Not applicable	-
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	-
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity.	Risk Management Report	50 - 52
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.	-	-
7.6 (ix)	Number of shares representing the entity's stated capital	Not Applicable	-
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	-
7.6 (xi)	Ratios and market price information:		
	Interest rate of comparable government securities, Debt / Equity Ratio, Interest cover, Quick asset ratio	Financial Review	69
	Market price and yield during the year (Highest price / Lowest price /Last traded price	Report of the Directors	76
	Any Changes in credit rating	No changes in the Credit rating	-
7.6 (xii)	Significant changes in the entities or its subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value.	Not Applicable	-
7.6 (xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement.	Not applicable	-
7.6 (xiv)	Information in respect of each employee share ownership or stock option scheme.	Not applicable	-
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	74 - 78
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	149 - 150

Audited Consolidated Financial Statement

Statement of Profit or Loss

Year Ended 31st December 2022

(All amounts in Sri Lanka Rupees Thousands)

Continuing Operation	Note	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Revenue	4	374,626,063	290,885,609	308,457,234	248,776,409
Concession Provided to Domestic Customers	5	(765)	(195,709)	(765)	(195,709)
Cost of Sales		(471,350,692)	(291,572,012)	(430,509,030)	(266,596,386)
Gross Profit / (Loss)		(96,725,394)	(882,112)	(122,052,561)	(18,015,686)
Other Operating Income and Gains	6	27,282,467	18,070,822	11,581,152	11,465,996
Distribution Cost		(288,296)	(205,209)	-	-
Other Expenses		(8,565,929)	(3,293,915)	-	-
Administrative Expenses		(22,806,333)	(13,172,097)	(16,353,884)	(8,290,064)
Operating Profit/(Loss)		(101,103,485)	517,489	(126,825,293)	(14,839,754)
Finance Income	7.1	4,228,389	3,286,672	1,394,312	1,131,379
Finance Cost	7.2	(46,689,936)	(22,517,712)	(41,749,028)	(20,430,641)
Finance Cost-Net		(42,461,547)	(19,231,040)	(40,354,716)	(19,299,262)
Share of loss of Joint Venture	13	(6,373)	(5,080)	-	-
Profit / (Loss) After Net Finance Cost		(143,571,405)	(18,718,631)	(167,180,009)	(34,139,016)
Exchange Loss resulting from Debt to Equity conversion from the Government	22.1	(94,688,683)	-	(94,688,683)	-
Profit / (Loss) Before Income tax	8	(238,260,088)	(18,718,631)	(261,868,692)	(34,139,016)
Income Tax Expense	9.1	(1,827,397)	(3,169,923)	-	-
Deferred Tax (Charge)/Reversal	9.2	756,684	(45,132)	-	-
Profit / (Loss) for the Period		(239,330,801)	(21,933,686)	(261,868,692)	(34,139,016)
Attributable to:					
Equity Holders of the Parent		(250,647,151)	(29,259,828)		
Non Controlling Interest		11,316,350	7,326,142		
		(239,330,801)	(21,933,686)		

The Notes on Pages 87 to 153 form an integral part of the Financial Statements

Audited Consolidated Financial Statement
Statement of Comprehensive Income

Year Ended 31st December 2022

(All amounts in Sri Lanka Rupees Thousands)

		Group		Board	
Continuing Operation	**Note**	**2022**	**2021 Restated**	**2022**	**2021 Restated**
Profit/ (Loss) for the Period		(239,330,801)	(21,933,686)	(261,868,692)	(34,139,016)
Other Comprehensive Income					
Actuarial loss on post employment benefit obligation		(10,948,707)	(377,986)	(11,058,850)	(504,579)
Deferred Tax Impact on Actuarial gain / loss		(34,876)	(33,122)	-	-
Exchange differences on translation of foreign subsidiary operations		8,307,720	935,845	-	-
Fair value gain on FVOCI financial assets		411,257	1,082,877	-	-
Deferred tax on net changes in fair value of FVOCI instruments		(93,831)	(92,688)	-	-
Differences on Cash Flow Hedge Reserve		(3,172,261)	-	-	-
Total Comprehensive Income for the year, net of tax		(244,861,499)	(20,418,760)	(272,927,542)	(34,643,595)

Attributable to:		
Equity Holders of the Parent	(259,628,280)	(28,862,085)
Non Controlling Interest	14,766,781	8,443,325
	(244,861,499)	(20,418,760)

The Notes on Pages 87 to 153 form an integral part of the Financial Statements

Audited Consolidated Financial Statement

Statement of Financial Position

As at 31st December 2022

(All amounts in Sri Lanka Rupees Thousands)

ASSETS	Note	Group 2022	Group 2021 Restated	Group As at 1st January 2021 Restated	Board 2022	Board 2021 Restated	Board As at 1st January 2021 Restated
Non-Current Assets							
Property, Plant & Equipment	10	928,252,264	872,461,307	837,407,716	894,718,428	851,937,543	818,473,484
Intangible assets	11	509,746	513,347	512,457	141,626	133,997	161,509
Investments in Subsidiaries	12	-	-	-	911,813	911,813	911,813
Investment in Joint Venture	13	39,304	25,677	30,757	348,606	328,606	328,606
Finance Lease Receivables	14	31,452,406	20,465,468	19,588,944	-	-	-
Other Non Current Financial Assets	15	28,870,304	28,054,665	24,418,096	5,782,582	7,700,399	8,859,225
Other Non-Current Assets	16	3,625,768	1,830,583	2,160,224	2,495,752	851,383	1,073,891
Investments of Insurance Reserve	17	12,460,350	10,657,598	9,980,730	12,460,350	10,657,598	9,980,730
Total Non-Current Assets		1,005,210,142	934,008,645	894,098,924	916,859,157	872,521,339	839,789,258
Non Current Assets held for sale	18	76	76	76	76	76	76
Current Assets							
Inventories	19	63,089,691	74,986,599	53,412,274	53,805,349	63,926,113	45,522,065
Trade and Other Receivables	20	123,364,557	83,903,022	74,069,309	66,868,889	55,865,351	59,052,954
Amounts Due from Related Parties	21	-	-	-	13,304,651	3,612,627	5,322,241
Finance Lease Receivables	14	688,914	825,121	1,015,236	-	-	-
Other Current Financial Assets	15	25,575,582	29,922,547	33,652,650	2,358,209	2,601,739	2,826,654
Cash and Bank Balances	32	22,122,521	15,309,470	9,719,896	9,147,367	5,439,757	3,604,157
Total Current Assets		234,841,265	204,946,759	171,869,365	145,484,465	131,445,587	116,328,071
Total Assets		1,240,051,483	1,138,955,480	1,065,968,365	1,062,343,698	1,003,967,002	956,117,405
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	22	865,159,371	413,054,569	391,730,584	865,159,371	413,054,569	391,730,584
Reserves	23	63,975,736	59,080,517	52,807,113	44,077,095	41,222,599	39,253,986
Retained Earnings / (Loss)		(525,009,550)	(261,521,211)	(227,074,122)	(554,809,643)	(280,560,300)	(244,636,490)
Equity Attributable to the Equity Holders of the Parent		404,125,557	210,613,875	217,463,575	354,426,823	173,716,868	186,348,080
Non Controlling Interest		52,515,406	39,335,587	34,649,119	-	-	-
Total Equity		456,640,963	249,949,462	252,112,694	354,426,823	173,716,868	186,348,080
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	24	220,994,937	421,649,216	406,099,931	193,477,785	403,592,008	405,017,867
Consumer Deposits	25	16,719,938	16,299,865	15,640,570	16,719,938	16,299,865	15,640,570
Provisions and Other Deferred Liabilities	26	34,529,132	23,289,438	21,798,853	33,001,021	21,615,200	20,120,599
Government Grant	27	650,456	491,359	278,934	172,663	188,347	200,334
Contract Liabilities	28	108,215,345	104,566,763	100,694,745	102,613,052	99,518,157	95,770,723
Deferred Taxation	29	84,699	712,684	541,752	-	-	-
		381,194,507	567,009,325	545,054,785	345,984,459	541,213,577	536,750,093
Current Liabilities							
Trade and Other Payables	30	290,627,593	245,367,541	211,909,197	271,129,209	221,808,101	201,048,104
Dividend Payables		1,373,813	1,618,538	905,034	-	-	-
Amounts Due to Related Parties	31	-	-	-	6,267,928	6,214,207	4,213,941
Interest Bearing Loans & Borrowings	24	106,994,467	71,042,881	52,999,459	83,264,513	59,743,483	26,486,421
Income Tax Payable		3,220,140	3,967,733	2,987,196	1,270,766	1,270,766	1,270,766
		402,216,013	321,996,693	268,800,886	361,932,416	289,036,557	233,019,232
Total Equity and Liabilities		1,240,051,483	1,138,955,480	1,065,968,365	1,062,343,698	1,003,967,002	956,117,405

The Notes on Pages 87 to 153 form an integral part of the Financial Statements

The Board of Directors and management are responsible for the preparation and presentation of these financial statements.
Signed and on behalf of the Board by:

……………………… Chairman

……………………… Vice-Chairman

……………………… General Manager

……………………… Finance Manager

Date: 2023-09-19
Colombo

Audited Consolidated Financial Statement
Statement of Cash Flows

Year Ended 31st December 2022

(All amounts in Sri Lanka Rupees Thousands)

	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	(238,260,088)	(18,718,631)	(261,868,690)	(34,139,016)
Adjustments for				
Depreciation -Charged for the year	35,862,446	34,809,316	33,948,035	33,095,688
Adjustments	12,536			
Amortization of Consumer Contribution	(4,281,308)	(4,487,145)	(4,281,308)	(4,058,249)
Amortization of Government Grant	(471,096)	(15,068)	(15,685)	(15,068)
Income from Investments	(1,519,355)	(1,359,813)	-	-
(Profit)/Loss on sales of Property, Plant & Equipment	58,394	149,507	25,654	135,046
Lease Interest	10,747	12,775	10,747	12,775
Finance Costs	46,679,189	22,634,864	41,738,280	20,417,868
Provision for Obsolete & Unserviceable Cost	(343,274)	337,770	(342,386)	331,159
Provision for price Variance	23,808	(2,037,510)	23,808	(2,037,510)
Provision for Impairment of Debtors	1,589,841	1,649,777	(1,578,762)	1,747,552
Bad Debt Write off	907,163	345,653	907,163	345,653
Electric vehicle Charging Revenue	(4,488)	(2,696)	(4,488)	(2,696)
Share of (Profit)/ loss of Joint Venture	6,373	5,080	-	
Amortization of Intangible Assets	78,818	60,832	45,616	48,442
Finance Income	(2,702,202)	(2,041,285)	(1,394,313)	(1,131,378)
Dividend Income	(516,129)	(6,908,775)	(274,221)	(2,519,496)
Foreign Currency Gain or Loss	98,324,112	(676,679)	94,632,401	676,368
Income adjustment on Finance Lease Receivable	1,853,641	1,600,538	-	
Defined Benefit Plans	1,655,664	1,301,341	1,380,133	1,067,140
Personnel Cost on Pension Fund	(110,953)	717,208	(110,953)	717,208
Prepaid Staff Cost	863,216	556,360	863,216	556,360
Operating Profit/(Loss) before Working Capital Changes	(60,282,945)	27,933,420	(96,295,753)	15,247,846
(Increase)/ Decrease in Inventories	12,615,938	(20,679,002)	10,844,322	(17,579,674)
(Increase)/ Decrease in Trade and Other Receivables	(40,494,677)	(4,578,392)	(19,323,187)	9,859,521
Increase/ (Decrease) in Trade and Other Payables	71,012,994	30,403,302	73,679,921	18,539,379
Cash Generated from Operations	(17,148,690)	33,079,327	(31,094,697)	26,067,072
Finance Cost paid	(45,408,340)	(19,928,688)	(40,467,431)	(17,685,265)
Retirement Benefit Obligation	(1,271,929)	(921,523)	(942,210)	(794,325)
Income Tax Paid	(2,367,502)	(2,190,520)	-	
Net Cash From/(Used in) Operating Activities	(66,196,461)	10,038,596	(72,504,338)	7,587,481
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(90,242,299)	(73,030,040)	(77,900,802)	(70,323,587)
Acquisition of Intangible Assets	(57,075)	(21,088)	(57,075)	(20,930)
Investment in Joint Ventures	(20,000)	-	(20,000)	-
Re- Investment in Insurance Reserves Fund	(1,802,752)	(676,868)	(1,802,752)	(676,868)
Interest Income on Insurance Escrow Fund	1,523,707	663,841	1,523,707	663,841
Investment in Financial Assets	1,425,188	(140,931)	-	-
Acquisition of Non-Controlling Interest	67,500	51,975	-	-
Dividend Received	957,041	6,908,775	715,133	3,119,790
Interest Received	3,417,261	2,746,863	531,097	575,018
Sale Proceeds of Fixed Assets Disposals	167,171	(131,759)	120,374	(135,046)
Dividend Paid	(5,990,343)	(2,660,377)	-	-
Net Cash Flows from/(Used in) Investing Activities	(90,554,601)	(66,289,609)	(76,890,318)	(66,797,782)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	80,000,000	-	80,000,000	-
Consumer Contribution	7,642,888	10,669,518	7,642,888	10,669,518
Electric Vehicle E-card Prepayments	4,488	2,796	4,488	2,796
Funds received for RHCP Project	8,986	24,558	8,986	24,558
Grant -Received	-	3,082	-	3,082
Consumer deposit - refund	(341,275)	(146,050)	(341,275)	(146,050)
Consumer deposit Received	761,348	805,345	761,348	805,345
Net Movement in Lease Creditors/(Lease Payment)	(147,740)	(172,675)	(44,776)	(64,099)
Proceeds From Interest Bearing Loans & Borrowings	103,686,181	91,263,883	78,997,829	80,269,493
Repayment of Interest Bearing Loans & Borrowings	(47,772,310)	(41,588,962)	(35,705,960)	(31,460,088)
Redemption of preference shares	(1,657,331)	(732,087)	-	-
Net Cash Flows from/(Used in) Financing Activities	142,185,235	60,129,408	131,323,528	60,104,556
Net Increase/(Decrease) in Cash and Cash Equivalents	(14,565,827)	3,878,395	(18,071,128)	894,255
Cash and Cash Equivalents at the beginning of the year	(3,037,807)	(6,916,202)	(8,701,967)	(9,596,222)
Cash and Cash Equivalents at the end of the year	(17,603,634)	(3,037,807)	(26,773,095)	(8,701,967)

The Notes on Pages 87 to 153 form an integral part of the Financial Statements

Audited Consolidated Financial Statement
Statement of Changes in Equity

Year Ended 31st December 2022

(All amounts in Sri Lanka Rupees Thousands)

The Group	Contributed Capital	Capital Reserve	Depreciation Reserve	Asset Replacement Reserve
Balance as at 31 December 2020	391,730,584	19,337,879	25,000	312,494
Prior Year Adjustment made during the Period	-	-	-	-
Balance as at 01st January 2021 (Restated)	391,730,584	19,337,879	25,000	312,494
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on Fair Value through OCI Investments	-	-	-	-
Exchange Equivalization 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	-	-	-	(223,968)
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	88,526
Balance as at 01 January 2022 (Restated)	413,054,569	19,669,107	26,000	88,526
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on Fair Value through OCI Investments	-	-	-	-
Exchange Equivalization Reserve	-	2,779,173	-	-
Cashflow hedge Reserve	-	-	-	-
Total Comprehensive income	-	2,779,173	-	-
Debt to equity conversion	251,629,768	-	-	-
Puttalam Coal Power Project	120,475,034	-	-	-
Interest income from Insurance Reserve Fund	-	-	-	-
Additional Equity Investment for CPC payments	80,000,000	-	-	-
Transfer to self insurance reserve	-	-	-	-
Transferred to Depreciation Reserve	-	-	1,000	-
Interest received from customers	-	8,986	-	-
Surcharge Tax	-	-	-	-
Development Reserve	-	-	-	-
LECO adjustments	-	-	-	-
Issue of shares of subsidiaries	-	-	-	-
Dividend Payment - LTL	-	-	-	-
	865,159,371	22,457,266	27,000	88,526

TThe Notes on Pages 87 to 153 form an integral part of the Financial Statements

Audited Consolidated Financial Statement

Statement of Changes in Equity

Year Ended 31st December 2022

Investment Reserve	Self Insurance Reserve	Fair Value Reserve	Development Reserve	Cashflow Hedge Reserve	Retained Earnings	Non Controlling Interest	Total
6,330,541	20,647,190	6,126,684	27,325	-	(148,673,699)	34,651,586	330,515,584
-	-	-	-	-	(78,400,423)	(2,467)	(78,402,890)
6,330,541	20,647,190	6,126,684	27,325	-	(227,074,122)	34,649,119	252,112,694
-	-	-	-	-	(29,259,828)	7,326,142	(21,933,686)
-	-	-	-	-	(449,693)	38,586	(411,107)
-	-	540,767	-	-	-	449,422	990,189
-	-	-	-	-	-	629,175	935,845
-	-	540,767	-	-	(29,709,521)	8,443,325	(20,418,759)
-	-	-	-	-	-	-	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	-	-
-	-	-	10,000	-	(10,000)	-	-
-	-	-	-	-	-	28,350	28,350
-	-	-	-	-	-	(3,285,207)	(3,285,207)
-	-	-	-	-	-	(500,000)	(500,000)
10,001,863	22,590,245	6,667,451	37,325	-	(261,521,211)	39,335,587	249,949,462
10,001,863	22,590,245	6,667,451	37,325	-	(261,521,211)	39,335,587	249,949,462
-	-	-	-	-	(250,647,151)	11,316,350	(239,330,801)
-	-	-	-	-	(11,019,462)	35,769	(10,983,693)
-	-	171,547	-	-	-	145,879	317,426
-	-	-	-	-	-	5,528,547	8,307,720
-	-	-	-	(912,497)	-	(2,259,764)	(3,172,261)
-	-	171,547	-	(912,497)	(261,666,613)	14,766,781	(244,861,609)
-	-	-	-	-	-	-	251,629,768
-	-	-	-	-	-	-	120,475,034
-	1,523,707	-	-	-	-	-	1,523,707
-	-	-	-	-	-	-	80,000,000
-	1,320,803	-	-	-	(1,320,803)	-	-
-	-	-	-	-	(1,000)	-	-
-	-	-	-	-	-	-	8,986
-	-	-	-	-	(511,782)	(461,498)	(973,280)
-	-	-	2,500	-	(2,500)	-	-
-	-	-	-	-	14,359	14,280	28,639
-	-	-	-	-	-	67,500	67,500
-	-	-	-	-	-	(1,207,244)	(1,207,244)
10,001,863	25,434,755	6,838,998	39,825	(912,497)	(525,009,550)	52,515,406	456,640,963

Audited Consolidated Financial Statement

Statement of Changes in Equity

Year Ended 31st December 2022

(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 31.12.2020	391,730,584	165,446	985,239	17,447,062	25,000	20,631,239	(166,239,106)	264,745,464
Prior year adjustment made during the period	-	-	-	-	-	-	(78,397,384)	(78,397,384)
Balance as at 1st January 2021 (restated)	391,730,584	165,446	985,239	17,447,062	25,000	20,631,239	(244,636,490)	186,348,080
Profit/(Loss) for the period	-	-	-	-	-	-	(34,643,596)	(34,643,596)
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 (Restated)	413,054,569	165,446	1,009,797	17,447,062	26,000	22,574,294	(280,560,300)	173,716,868
Balance as at 1st January 2022 (Restated)	413,054,569	165,446	1,009,797	17,447,062	26,000	22,574,294	(280,560,300)	173,716,868
Profit/(Loss) for the period	-	-	-	-	-	-	(272,927,540)	(272,927,540)
Interest income from Insurance Reserve Fund	-	-	-	-	-	1,523,707	-	1,523,707
Debt to Equity Conversion	251,629,768	-	-	-	-	-	-	251,629,768
Puttalam Coal Project	120,475,034	-	-	-	-	-	-	120,475,034
Transferred to depreciation reserve	-	-	-	-	1,000	-	(1,000)	-
Transfer to self insurance reserve	-	-	-	-	-	1,320,803	(1,320,803)	-
Interest received from customers	-	-	8,986	-	-	-	-	8,986
Additional Equity Investment for CPC payments	80,000,000	-	-	-	-	-	-	80,000,000
Balance as at 31 December 2022	865,159,371	165,446	1,018,783	17,447,062	27,000	25,418,804	(554,809,643)	354,426,823

The Notes on Pages 87 to 153 form an integral part of the Financial Statements

Notes to the Consolidated Financial Statements

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 2022 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 are to engage in the business of constructing transmission lines and grid stations, constructing, maintaining and operating renewable energy projects and the works necessary for generation electrical energy, engaging in the activities as are necessary for development of renewable energy and recruitment and supply of Manpower for the services of Ceylon Electricity Board.

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 2022 were authorized for issue by the Board of Directors on 10.10.2023.

2. BASIS OF PREPARATION AND SIGINIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the group have been prepared on an accrual basis under the historical cost convention except for financial instruments -fair value through profit or loss and financial instruments measured at fair value through comprehensive income. The consolidated financial statements are presented in Sri Lanka Rupees and all values are rounded to the nearest thousand (Rs.000), except where indicated otherwise.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement in financial statements. An additional statement of financial position as at 1 January 2021 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 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

  Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The details of the subsidiaries are given below.

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

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 (Pte) Ltd	Singapore
Raj Lanka Power Company Limited	Bangladesh
Lakdhanavi Bangla Power Company Ltd	Bangladesh
Makarigad Hydro Power (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 Company 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 losses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.

- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss
- Reclassified the parent share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses 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 losses 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 recognize in profit or loss. Any investment retained is recognised at fair value.

2.6 Summary of Significant Accounting Policies

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

2.6.1 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- 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 acquire. For each business combination, the Group elects whether to measure the non-controlling interest in the acquire at fair value or at the proportionate share of the acquire'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 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.

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

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 acquire 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.

2.6.4 Foreign Currency Translation, Foreign Currency transactions and Balances

a). Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (LKR), which is the Group's Functional and presentation currency.

b). Transactions and balances

Foreign currency transactions are initially recorded at the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the Statement of Profit or Loss.

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

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

c). Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

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

2.6.5 Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

a) Current Taxes

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

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

b). Deferred Taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences except,

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

(ii) In respect of taxable temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business

Combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of deductible temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax on Dividend income

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

Sales Tax

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

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

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

2.6.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and condition is accounted as follows.

Board

Inventory which are mostly used and listed in the Annual Price List are valued at Standard Price in the Distribution Divisions and others (Generation and Transmission Divisions) such as consumables and spares at First in First out valuation method.

However, the Board made provision for unrealized profit of the inventory which is valued at Standard Price to enable to bring down the value to cost.

Lanka Electricity Co. Limited

The Operational & Maintenance good-at actual cost on weighted average basis.

Goods in transits and other stocks	-	at actual cost
Raw materials	-	at actual cost on weighted average basis
Finished Goods and Work in Progress	-	at the cost of direct materials, direct labour and appropriate proportion of fixed and variable overheads based on normal operating capacity in producing the products.

LTL Holdings (Pvt) Ltd

Raw Materials are valued	-	at actual cost on first-in-first-out basis
Finished goods & Work- In-Progress	-	at the cost of direct materials, direct labour and appropriate proportion of fixed production overhead on specific identification basis
Consumables & Spares	-	at actual cost on first-in-first-out basis
Goods in Transit	-	at actual cost

2.6.7 Property, Plant and Equipment

a) Basis of recognition

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

b) Basis of measurement

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/ or accumulated impairment losses, if any.

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

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

c) Capital Work in Progress

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

d) De-recognition

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

e) Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets. The depreciation of the asset ceases at the earlier of the date that the asset is classified as held for sale as described under 2.6.7 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) 20 Years	
Transmission Lines at 220Kv, 132Kv, and 66Kv	35 Years
Distribution Lines:	
HT Underground-33	50 Years
HT Underground-132	50 Years
HT Underground-11	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	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
LTL Holdings (Pvt) Ltd	
Buildings	over 25 - 50 years
Plant &Machinery	over 8 - 20 years
Power Plants	over 10 -20 years
Factory Equipment	over 10 years
Intercom Equipment	over 10 years
Fire Fighting Equipment	over 10 years
Office Equipment	over 03-10 years
Furniture and Fittings	over 03- 10 years
Motor Vehicles including Bowsers	over 04 years
Operation and maintenance spares	Actual Usage
Solar PV Plant	over 15 years
Lanka Electricity Co. (Pvt) Ltd.	
Buildings	40 years
Supply of Infrastructure	
Substations, Overhead lines & Service Lines taken Over from Local Authorities & CEB	10 years
Substations, Overhead lines & Service Lines Constructed by LECO	20 - 25 years
Motor Vehicles	05-20 years
Computers	03- 05 years
Office Equipment	03- 07 years
Plant & Machinery	03- 04years
Lanka Coal Co. (Pvt) Ltd.	
Furniture & Fittings	5 years
Equipment	4 years
Motor Vehicles	4 years
Computers	4 years
Leasehold Improvements	2 years
Network System	2 years
Sri Lanka Energies (Pvt) Ltd	
Buildings	20 years
Furniture, Equipment and Tools	5 years
Motor Vehicles	5 years
Office and Other Equipment	5 years
Computer Equipment	5 years
Injection Moulding Machines	5 years
Trincomalee Power Company Limited	
Land and Development	20 years
Furniture and fittings	5 years
Equipment	5 years
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 one year from the date of the classification. The management must be committed to the sale expected within six months of the date of classification.

The Deprecation 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 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 re measurement 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 re measured 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.

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. 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.

De-recognition

Gains or losses arising from de-recognition 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 de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees, loans to related parties and other investments included under other financial assets.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, 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.

De-recognition

A financial asset is derecognised when:

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

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

or

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

When the Group has transferred its rights to receives cash flows from an asset or has entered a pass-through arrangement, it revaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

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

2.6.12.2 Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in 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 Company 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.

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.

De-recognition

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.

For the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic, benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the passage of time is recognised as finance cost.

2.6.14 Retirement Benefit Obligations

Defined Benefit Plan -Pension Obligation

An employee will receive the pension benefit on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The liability recognised in the statement of Financial Position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past -service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds in the absence of high quality deep corporate bond market in Sri Lanka. The government bonds are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

Past service cost is recognised immediately in statement of profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost are amortised on a straight line basis over the vesting period.

Defined Benefit Plan - Gratuity

Defined benefit plan - gratuity defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and remuneration. The defined benefit plan comprises the gratuity provided under the Act, No 12 of 1983.

The gratuity liability recognised in the statement of financial position, is the present value of the defined benefit obligation at the date of the statement of financial position measured using the projected unit credit method by independent actuaries.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

The gratuity liability is not externally funded.

Defined Contribution Plans -Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees 'Provident Fund and Employees' Trust Fund respectively. The Board contributes 15% and 3% of gross emoluments of employees to Ceylon Electricity Board Provident Fund and Employees' Trust Fund respectively.

2.6.15 Self Insurance Reserve

Board transfers to a self-Insurance Reserve each year, at the rate of 0.1% of the gross re-valued fixed assets at the end of the year. Losses and damages to Property, Plant and Equipment of the Board are charged to this Insurance reserve. The funds for this purpose are met from the monies invested in a separate account at a Bank.

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.

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.

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 indies, 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.

(All amounts in Sri Lanka Rupees Thousands)

4. REVENUE	Group 2022	Group 2021	Board 2022	Board 2021
Sales	374,626,063	290,885,609	308,457,234	248,776,409
	374,626,063	290,885,609	308,457,234	248,776,409

4.1 Segmental Revenue	Group 2022	Group 2021	Board 2022	Board 2021
Sale of Electricity	317,421,016	257,693,960	308,457,234	248,776,409
Sale of Goods	7,669,372	6,889,127	-	-
Galvanizing Operations	1,911,510	1,661,318	-	-
Income on Hiring of Power Plants	36,830,225	16,920,361	-	-
Finance Lease & Power Generation	5,725,037	4,098,395	-	-
Operational & Maintenance Services for Power Plants	5,068,702	3,530,556	-	-
Other Operations	201	91,892	-	-
	374,626,063	290,885,609	308,457,234	248,776,409

5. CONSESSION PROVIDED TO DOMESTIC CUSTOMERS

The amount of Rs. 764,928/- (2022) and Rs. 195,708,670/- (2021) represent the rebate given to the domestic consumers based on the cabinet dicision Ref. No. 20/1063/226/062 dated 15th July 2020 for the payment of electrcity bills during the period from March to May 2020 due to Covid- 19 penadamic situation.

6. OTHER OPERATING INCOME AND GAIN	Group 2022	Group 2021	Board 2022	Board 2021
Dividend Income	516,129	6,908,775	274,221	2,519,496
Penalty on Electricity Consumption	35,073	4,704	35,073	4,704
Recoveries from Consumers	643,575	169,496	-	-
Profit on Disposal of Property Plant and Equipment	607,304	686,309	640,044	700,770
Amortization of Consumer Contribution	4,730,906	4,481,332	4,281,308	4,058,249
Amortization of Government Grants	21,498	20,882	15,685	15,068
Miscellaneous Income	1,883,225	964,956	1,769,206	898,231
Government Grant related Income	84	7,850	84	7,850
Government Department Income	527,969	204,145	527,969	204,145
Liquidated Damages	1,291,086	199,570	1,291,086	199,570
Sale of Ash	669,461	787,226	669,461	787,226
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	291,747	72,140	291,747	72,140
Income on Cost Recovery jobs	1,353,176	1,425,993	1,353,176	1,425,993
Service Main Application Fee	6,337	9,467	6,337	9,467
Surcharge on Electricity Bills	425,755	563,085	425,755	563,085
Electric Vehicle Energy Card Sale	-	2	-	2
Gain/(loss) on exchange of currencies	14,279,142	1,564,890	-	-
	27,282,467	18,070,822	11,581,152	11,465,996

(All amounts in Sri Lanka Rupees Thousands)

7.1 FINANCE INCOME	Group 2022	Group 2021	Board 2022	Board 2021
Interest on Deposits	2,169,875	1,517,556	-	-
Interest on Borrowings	25,649	85,702	-	-
Interest on Government Securities	700,317	312,332	-	-
Interest Income from Investments	221	21,313	221	21,313
Gain/(Loss) from Financial Assets at Fair Value through Profit & Loss	(58,920)	97,874	-	-
Interest Income from Staff Loans	1,305,878	1,113,238	1,308,722	971,409
Interest on Samurdhi Loans	57,714	117,799	57,714	117,799
Interest Income on Related Party Loans	22,202	1,950	22,202	1,950
Interest on Other Consumer Loans	5,453	18,908	5,453	18,908
	4,228,389	3,286,672	1,394,312	1,131,379

7.2 FINANCE COST	Group 2022	Group 2021 Restated	Board 2022	Board 2021
Interest Expense on Overdrafts	5,061,951	823,074	4,399,216	586,294
Interest Expense on Long Term/Short term Borrowings	22,701,601	9,228,252	18,579,030	7,415,826
Interest Expense on Project Loans	1,419,582	2,878,855	1,419,582	2,878,855
Debenture Interest Account	1,870,266	1,354,504	1,870,266	1,354,504
Lease Interest	51,293	9,529	10,747	12,775
Delayed Interest on IPP Payments	6,547,727	1,730,595	6,547,727	1,730,595
Delayed Interest on CPC Payments	8,922,460	6,448,291	8,922,460	6,448,291
Interest on Loans obtained to finance consumer loans	84,748	5,037	-	3,501
Interest Expense on Consumer Deposit	30,308	39,575	-	-
	46,689,936	22,517,712	41,749,028	20,430,641

8. PROFIT/(LOSS) BEFORE TAX Stated after Charging /(Crediting)	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Auditors' Remuneration - Current Year Fees and Expenses	23,471	28,933	9,038	17,040
Director's Emoluments	9,136	129,906	3,580	4,061
Depreciation	35,850,511	34,542,913	33,993,651	33,095,689
Personnel Costs includes				
- Defined Benefit Plan Costs -Gratuity	1,655,664	1,301,341	1,380,133	1,067,140
- Defined Contribution Plan Costs - EPF & ETF	4,884,690	4,795,792	4,404,433	4,371,493
- Other Staff Costs	45,672,648	46,059,399	39,130,466	42,379,538
(Profit)/Loss on Disposal of Property, Plant and Equipment	58,394	149,507	25,654	135,046
Amortization of Intangible Assets	78,818	60,831	45,616	48,442
Public Relation and Advertising	16,771	12,810	-	-
Donations	363	-	-	-
Government Grant	471,096	15,068	15,685	15,068
Impairment of obsolete and slow moving inventories	(343,274)	337,770	(342,386)	331,159
Provision for Impairment of Debtors	1,589,841	1,649,777	(1,578,762)	1,747,552

(All amounts in Sri Lanka Rupees Thousands)

		Group		Board	
9.	**INCOME TAX EXPENSE**	**2022**	**2021**	**2022**	**2021**
9.1	**Current Income Tax**				
	Current Tax Expense on Ordinary Activities for the Year	2,084,757	2,486,388	-	-
	Under/(Over) Provision of Current Taxes in respect of Prior Years	(257,360)	(30,939)	-	-
	Provision for Surcharge Tax Bill - 25% of taxable income of 2020/21	-	714,474	-	-
		1,827,397	3,169,923	-	-
9.2	**Deferred Income Tax**				
	Deferred Taxation Charge/(Reversal) (Note 29)	(756,684)	45,132	-	-
	Income Tax Expense reported in the Income Statement	1,070,713	3,215,055	-	-

		Group		Board	
9.3	**Reconciliation between current tax expenses and Accounting Profit**	**2022**	**2021**	**2022**	**2021**
	Profit before tax	(238,261,579)	(3,498,430)	(261,868,692)	(21,450,369)
	Disallowable Expenses / (Income) for Taxation	133,501,835	35,634,075	128,938,436	33,799,786
	Net impact of Pension Fund	(110,953)	717,208	(110,953)	717,208
	Allowable Expenses / (Income) for Taxation	(81,162,844)	(45,765,389)	(78,772,407)	(43,389,025)
	Non business income/Exempted income	(5,216,579)	(8,337,331)	(359,812)	(2,675,965)
	Consolidation adjustments	-	(18,403)	-	-
	Business loss for the year	(212,173,426)	(32,998,365)	(212,173,428)	(32,998,365)
	Taxable Business Profit for the year	20,923,307	11,730,095	-	-
	Other sources of Income	3,651,297	3,459,735	1,013,401	1,245,099
	Total Statutory Income	24,574,605	15,189,830	1,013,401	1,245,099
	Tax loss utilized during the year	(1,013,401)	(1,245,099)	(1,013,401)	(1,245,099)
	Taxable Income	23,561,204	13,944,731	-	-
	Income tax expense at				
	Corporate Tax rate at (24% & 30%during the year)	1,681,743	2,088,932	-	-
	Concessionary Tax rates	57,430	44,065	-	-
	Dividend Tax at 14%	88,223	233,626	-	-
	Current Tax charge	1,827,396	2,366,623	-	-

Group tax expense is based on the taxable profit of individual companies within the Group

9.3.2 Applicable rates of Income Tax

The tax liability of resident companies are computed at the standard rate of 24% for the first nine months and 30% for the next three months for 2022 (24% - 2021) except for the following businesses of the subsidiaries which enjoy full or partial exemptions and concessions.

Subsidiary/sub-subsidary	Business operation	Tax rate
Nividu (Pvt) Ltd	Electricity Generation	14%
Nividu Assupiniella (Pvt) Ltd	Electricity Generation	14%
Infra & Engineering (Pvt) Ltd	Overseas Construction and Infrastructure Projects	Exempt
Overseas Sub-subsidiaries		
Raj Lanka Power Company Ltd	Electricity Generation - Bangaldesh	Exempt
Lakdhanavi Bangla Power Company Ltd	Electricity Generation - Bangaldesh	Exempt
Feni Lanka Power Limited	Electricity Generation - Bangaldesh	Exempt
Asiatic Electrical & Switchgear (Pvt) Ltd	Sale of Switchgears - India	33%
Bright International Power (Pvt) Ltd	Power plant Operation and supply of Power generation ancillaries - Singapore	17.5%

As at 31st December 2022

(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 01.01.2022 Restated	Additions / Transfers / Acquisitions	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2022
Freehold Land	11,274,125	14,267	569,686	(7,010)	-	11,851,068
Building	24,911,841	1,372,637	125,682	(1,972,731)	-	24,437,429
Civil Works	234,333,313	-	52,086	-	-	234,385,399
Plant & Machinery	1,807,816	526,269	145,845	(8,474)	-	2,471,456
Generation Power Plant	323,509,208	7,337,503	1,536	-	(46,580)	330,801,667
Solar Systems	213,841	-	27,984	(428)	-	241,397
Transmission & Distribution Lines	670,662,056	28,714,472	118,158	(1,150,393)	(4,526)	698,339,767
Motor Vehicles	14,179,440	614,963	230,433	(275,183)	-	14,749,653
Other Supply Infrastructure	24,952,209	1,304,416	-	(130,285)	-	26,126,340
Office & Other Equipment	7,979,722	670,755	97,328	(97,959)	(28,614)	8,621,232
Furniture and Fittings	672,195	27,630	-	(6,506)	(1,439)	691,880
Machinery and Tools	6,777,375	641,840	-	(8,337)	(582)	7,410,296
Container Accommodation	6,744	-	-	-	-	6,744
	1,321,279,885	41,224,752	1,368,738	(3,657,306)	(81,741)	1,360,134,328

10.1.2 Project Assets Gross Carrying Amount At Cost or Valuation

	Balance As At 01.01.2022 Restated	Additions / Transfers / Acquisitions	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2022
Freehold Land	238,287	-	-	-	-	238,287
Building	194,030	-	-	-	-	194,030
Motor Vehicles	2,218,040	547,625	178,188	(218,982)	-	2,724,871
Office & Other Equipment	115,601	10,062	-	(8,120)	(224)	117,319
Furniture and Fittings	9,344	673	-	(2,062)	-	7,955
Machinery and Tools	60,009	469	1,290	-	-	61,768
	2,835,311	558,829	179,478	(229,164)	(224)	3,344,230

10.1.3 Capital Work in Progress

	Balance As At 01.01.2022 Restated	Incurred During the Year	Adjustments	Transfer to PPE	Reclassified/ Transferred	Balance As at 31.12.2022
Capital Work in Progress (Refer 10.3)	164,908,467	87,494,875	1,820,849	(30,013,988)	(7,318,216)	216,891,987
Total Gross Carrying Amount	164,908,467	87,494,875	1,820,849	(30,013,988)	(7,318,216)	216,891,987

(All amounts in Sri Lanka Rupees Thousands)

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

10.1.4 Depreciation

Freehold Assets	Balance As At 01.01.2022 Restated	Charge for the year	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2022
Building	8,315,241	627,506	16,105	(288)	-	8,958,564
Civil Works	86,661,203	3,575,678	5,599	-	-	90,242,480
Plant & Machinery	1,410,026	271,123	90,234	(6,799)	-	1,764,584
Generation Power Plant	193,240,882	11,233,669	(5,001)	-	-	204,469,550
Solar Systems	49,661	9,405	-	-	-	59,066
Transmission & Distribution Lines	290,401,455	17,163,872	(565)	(589,095)	(27)	306,975,640
Motor Vehicles	8,356,612	1,082,809	100,912	(186,224)	-	9,354,109
Other Supply Infrastructure	16,486,646	684,519	-	(73,479)	-	17,097,686
Office & Other Equipment	5,523,152	712,632	20,839	(41,676)	167	6,215,114
Furniture and Fittings	483,954	73,785	6,475	(3,524)	-	560,690
Machinery and Tools	5,186,492	609,377	-	(4,337)	(174)	5,791,358
Container Accommodation	6,744	-	-	-	-	6,744
	616,122,068	36,044,375	234,598	(905,422)	(34)	651,495,585

10.1.5 Depreciation

Freehold Assets	Balance As At 01.01.2022 Restated	Charge to WIP / Transfers	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2022
Building	97	4,851	-	-	-	4,948
Motor Vehicles	991,960	135,486	178,188	(114,699)	-	1,190,935
Office & Other Equipment	83,268	13,798	28	(8,076)	(224)	88,794
Furniture and Fittings	6,945	555	-	(1,966)	-	5,534
Machinery and Tools	51,128	5,875	1,290	-	-	58,293
	1,133,398	160,565	179,506	(124,741)	(224)	1,348,504

10.1.6 Net Book Values

At Cost or Valuation	2022
Freehold Land	12,089,355
Building	15,667,947
Civil Works	144,142,919
Plant & Machinery	706,872
Generation Power Plant	126,332,117
Solar Plant	182,331
Transmission & Distribution Lines	391,364,127
Motor Vehicles	6,929,480
Other Supply Infrastructure	9,028,654
Office & Other Equipment	2,434,643
Furniture and Fittings	133,611
Machinery and Tools	1,622,413
	710,634,469

As at 31st December 2022

(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 01.01.2022	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2022
Land & Building	912,568	158,982	-	1,071,550
Motor Vehicles	256,138	17,592	(17,592)	256,138
	1,168,706	176,574	(17,592)	1,327,688

Depreciation	Balance As At 01.01.2022	Charge for the year	Adjustments	Balance as at 31.12.2022
Land & Building	441,685	95,032	12,363	549,080
Motor Vehicles	33,911	22,500	(3,611)	52,800
	475,596	117,532	8,752	601,880

Net Book Values	2022	2021
Land & Building	522,470	470,883
Motor Vehicles	203,338	222,227
	725,808	693,110

10.1.8 Property, Plant & Equipment including Right of Use Assets

	2022	2021
Net Book Values		
Property, Plant & Equipment (note 10.1.6)	710,634,469	706,859,730
Capital Work in Progress (note 10.3)	216,891,987	164,908,467
Right of Use Assets (Note 10.1.7)	725,808	693,110
Total Value of Property Plant & Equipment including Right-of-use Assets	928,252,264	872,461,307

10.1.9 Carrying amount of fully depreciated Property, plant and equipment of the Group as at 31.12.2022 Rs. 222,050 Mn (31.12.2021 Rs 207,710 Mn)

(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 01.01.2022 Restated	Additions / Transfers / Acquisitions	Additions Adjustment	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2022
Freehold Land	9,575,295	4,209	-	-	-	9,579,504
Building	23,494,871	1,350,576	-	(1,972,731)	-	22,872,716
Civil Works	234,333,313	-	52,086	-	-	234,385,399
Plant & Machinery	785,687	1,564	-	(7,819)	-	779,432
Generation Power Plant	319,788,027	7,202,948	1,536	-	(46,580)	326,945,931
Solar Systems	96,985	-	27,984	-	-	124,969
Transmission & Distribution Lines	670,662,056	28,714,472	118,158	(1,150,393)	(4,526)	698,339,767
Motor Vehicles	12,328,058	506,939	69,650	(239,443)	-	12,665,204
Office & Other Equipment	3,640,231	228,338	-	(72,823)	(28,614)	3,767,132
Furniture and Fittings	576,085	20,738	-	(6,506)	(1,439)	588,878
Machinery and Tools	6,777,375	641,840	-	(8,337)	(582)	7,410,296
	1,282,057,983	38,671,624	269,414	(3,458,052)	(81,741)	1,317,459,228

10.2.2 Project Assets
Gross Carrying Amounts

At Cost or Valuation	Balance As At 01.01.2022	Additions / Transfers / Acquisitions	Additions Adjustment	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2022
Freehold Land	238,287	-	-	-	-	238,287
Building	194,030	-	-	-	-	194,030
Motor Vehicles	2,218,040	547,625	178,188	(218,982)	-	2,724,871
Office & Other Equipment	115,601	10,062	-	(8,120)	(224)	117,319
Furniture and Fittings	9,344	673	-	(2,062)	-	7,955
Machinery and Tools	60,009	469	1,290	-	-	61,768
	2,835,311	558,829	179,478	(229,164)	(224)	3,344,230
Total value of depreciable assets	1,284,893,294	39,230,453	448,892	(3,687,216)	(81,965)	1,320,803,458

10.2.3 Capital work in Progress

	Balance As At 01.01.2022	Prior year adjustment made during the period	Incurred During the Year	Transfer to PPE	Reclassified / Transferred	Balance As at 31.12.2022
Capital Work in Progress	166,458,857	(5,961,686)	76,448,996	(28,706,056)	(7,151,041)	201,089,070
Total Gross Carrying Amount	166,458,857	(5,961,686)	76,448,996	(28,706,056)	(7,151,041)	201,089,070

(All amounts in Sri Lanka Rupees Thousands)

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

10.2.4 Depreciation
At Cost or Valuation

	Balance As At 01.01.2022 Restated	Charge for the year	Adjustments	Disposals / Transfers / Discontinued	Disposals Adjustments	Balance As at 31.12.2022
Building	8,037,420	581,043	-	(288)	-	8,618,175
Civil Works	86,668,089	3,575,678	5,599	-	-	90,249,366
Plant & Machinery	649,635	34,452	-	(6,372)	-	677,715
Generation Power Plant	191,614,211	10,988,190	(5,001)	-	-	202,597,400
Solar Systems	19,221	2,431	-	-	-	21,652
Transmission & Distribution Lines	290,401,455	17,163,872	(565)	(589,095)	(27)	306,975,640
Motor Vehicles	6,699,347	896,536	69,585	(165,749)	-	7,499,719
Office & Other Equipment	2,856,460	329,713	-	(41,271)	167	3,145,069
Furniture and Fittings	442,026	46,947	-	(3,524)	-	485,449
Machinery and Tools	5,186,492	609,377	-	(4,337)	(174)	5,791,358
	592,574,356	34,228,239	69,618	(810,636)	(34)	626,061,543

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 Adjust-ments	Balance As at 31.12.2022
Building	97	4,851	-	-	-	4,948
Motor Vehicles	991,960	135,486	178,188	(114,699)	-	1,190,935
Office & Other Equipment	83,268	13,798	28	(8,076)	(224)	88,794
Furniture and Fittings	6,945	555	-	(1,966)	-	5,534
Machinery and Tools	51,128	5,875	1,290	-	-	58,293
	1,133,398	160,565	179,506	(124,741)	(224)	1,348,504
Total value of Depreciation	593,707,754	34,388,804	249,123	(935,377)	(258)	627,410,047

10.2.6 Net Book Values
At Cost or Valuation

	2022	2021 Restated
Freehold Land	9,817,791	9,813,581
Building	14,443,623	15,651,383
Civil Works	144,136,033	147,665,223
Plant & Machinery	101,717	136,052
Generation Power Plant	124,348,531	128,173,816
Solar Systems	103,317	77,764
Transmission & Distribution Lines	391,364,127	380,260,601
Motor Vehicles	6,699,421	6,854,792
Office & Other Equipment	650,588	816,104
Furniture and Fittings	105,850	136,457
Machinery and Tools	1,622,413	1,599,763
	693,393,411	691,185,536

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.2 Board

10.2.7 Right of Use Assets

Cost	Balance As At 01.01.2022	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2022
Land & Building	32,609	-	-	32,609
Motor Vehicles	256,138	17,592	(17,592)	256,138
	288,747	17,592	(17,592)	288,747

Depreciation	Balance As At 01.01.2022	Charge for the year	Adjustments	Balance as at 31.12.2022
Land & Building	-	-	-	-
Motor Vehicles	33,911	22,500	(3,611)	52,800
	33,911	22,500	(3,611)	52,800

Net Book Values	2022	2021
Land & Building	32,609	32,609
Motor Vehicles	203,338	222,226
	235,947	254,835

10.2.8 Property, Plant & Equipment including Right of Use Assets

	2022	2021 Restated
Net Book Values		
Property, Plant & Equipment (Note 10.2.6)	693,393,411	691,185,536
Capital Work in Progress (Note10.3)	201,089,070	160,497,172
Right of use Assets (Notes 10.6.1 and 10.6.2)	235,947	254,835
Total Value of Property Plant & Equipment including Right-of-use Assets	894,718,428	851,937,543

10.2.9 Carrying amount of fully depreciated Property, plant and equipment of the Board as at 31.12.2022 Rs. 211,811 Mn (31.12.2021 Rs. 197,211 Mn)

As at 31st December 2022

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.3 Capital Work in Progress represents the following.

Projects	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Generation Projects	5,037,469	6,388,599	5,037,469	6,388,599
Transmission projects	202,949	209,494	202,949	209,494
Distribution Projects	42,395,464	40,984,893	42,395,464	40,984,893
Upper Kothmale Hydro power project	-	2,302	-	2,302
Colombo City Electricity Distribution Development Project	-	24,081	-	24,081
Renewable Energy Absorption Transmission Development Project	19,574	6,158,899	19,574	6,158,899
Green Power Development and Energy Efficiency Improvement Project-TII	33,778,351	24,233,919	33,778,351	24,233,919
Puttalam Coal Power Project PII	124,303	124,303	124,303	124,303
Habarana Veyangoda Transmission Line Project	16,948,983	15,645,409	16,948,983	15,645,409
Uma Oya Hydro Power Project	599,296	547,301	599,296	547,301
Clean Enegy and Network Efficiency Improvement Project - Mannar Transmission Infrastructure Projects - P1	15,483	12,020	15,483	12,020
Clean Enegy and Network Efficiency Improvement Project - 132 KV Transmission Infrastructure Project - P2	1,879,956	1,855,379	1,879,956	1,855,379
Clean Enegy and Network Efficiency Improvement Project - 220KV Transmission Infrastructure Project - P3	9,033,564	9,077,084	9,033,564	9,077,084
Green Power Development and Energy Efficiency Improvement Project TI	7,345,230	6,917,781	7,345,230	6,917,781
Seethawaka Ganga Hydro Power Project	301,192	301,191	301,192	301,191
National Transmission & Distribution Network Development Energy Efficiency Improvement Project	43,123,274	16,013,156	43,123,274	16,013,156
Mannar Wind Power Project	1,335,951	1,058,864	1,335,951	1,058,864
Liquid Natural Gas (LNG) Project	96,218	66,383	96,218	66,383
Mannar wind power project phase 111	138,113	9,018	138,113	9,018
Mannar Nadukuda and Embilipitiya Grid Sub Aug Project	67,248	21,198	67,248	21,198
Transmission Construction Projects	6,184,639	4,639,200	6,184,639	4,639,200
Moragolla Hydro Power Project	8,205,772	4,436,390	8,205,772	4,436,390
Broadland Hydro Power Project	22,521,401	20,181,453	22,521,401	20,181,453
Power System Reliability Strengthening Project	741,525	398,590	741,525	398,590
New Coal Power Plant Project	167,618	167,313	167,618	167,313
Greater Colombo Transmission and Distribution loss reduction Project	474,462	525,870	474,462	525,870
Clean Enegy Absorption Transmission Project- PMU 1	69,583	2,283	69,583	2,283
Clean Enegy Absorption Transmission Project- PMU 2	25,511	15,412	25,511	15,412
Enterprise Resource Planning System	155,159	147,033	155,159	147,033
Projects in Asset Management Division	95,497	332,354	95,497	332,354
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 1	1,803	-	1,803	-
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 2	1,210	-	1,210	-
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 3	2,272	-	2,272	-
Work in progress-LECO	1,711,302	1,327,754	-	-
Work in progress-LTL	14,058,697	3,076,288	-	-
Work in progress-SLE	32,916	7,253	-	-
Total Value of Capital Work-In-Progress	216,891,985	164,908,467	201,089,070	160,497,172

(All amounts in Sri Lanka Rupees Thousands)

11. INTANGIBLE ASSETS

	Group		Board	
At cost	**2022**	**2021 Restated**	**2022**	**2021 Restated**
As at I January	520,842	477,018	307,042	286,112
Acquired / incurred during the period	71,979	43,366	53,245	20,930
Exchange translation difference	8,963	460	-	-
As at 31 December	601,784	520,844	360,287	307,042
Amortisation				
As at I January	289,102	227,884	173,045	124,603
Amortized during the period	78,818	60,832	45,616	48,442
Exchange translation difference	5,724	387	-	-
As at 31 December	373,644	289,103	218,661	173,045
Goodwill				
As at I January	281,606	263,322	-	-
Acquired / incurred during the period	-	18,284	-	-
Impairment	-	-	-	-
As at 31 December	281,606	281,604	-	-
Net Book Value	509,746	513,347	141,626	133,997

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 computer software which is amortised over 04 years from the date of acquisition or development

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

The balance of the goodwill represnts the goodwill resulted from acquisition of Asiatic Electrical & Switchgear (Pvt) Ltd after providing for the impairment and the goodwill resulted from acquisition of LD Heavy Engineering (Pvt) Ltd

Goodwill on acquisition of Asiatic Electrical & Switchgear (Pvt) Ltd

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 15.8% (2021-13.2%). As a result of the analysis, the management identify an impairment for this CGU. The carrying value of goodwill after impairment adjustment is Rs. 263,321,569.

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 SriLanka. This acquisition has been accounted for using Business Combination. The carrying value of the resulted goodwill is Rs. 18,284,110.

(All amounts in Sri Lanka Rupees Thousands)

12. INVESTMENTS IN SUBSIDIARIES Non-Quoted- At Cost	Holding Percentage	Group 2022	Group 2021	Board 2022	Board 2021
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

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 Group	Percentage of Share holding Board	Description of business
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 Maintenace Services to Power Plants
LTL Energy (Pvt) Ltd	35		Offshore Investments in the Power & Energy sector especially Renewable Energy
Lanka Industrial Products Engineering(Pvt)Ltd	63		Production of Industrial Products
LTL Transformers (Pvt) Ltd	63		Manufacturing & Repair of transformers, manufacturing of Feeder Pillars
LTL Galvanizers (Pvt) Ltd	63		Steel fabrication & Galvanizing Operations
Pawan Danavi (Pvt) Ltd	32		Power Generation using wind energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Nividu (Pvt) Ltd	41		Power Generation using hydro energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Asiatic Electrical & Switchgear (Pvt) Ltd	62		Manufacture and sale (Export & Local) of electrical switchgears and accessories
Bright International Power (Pte) Ltd	52		Power plant Operation and supply of Power generastion ancillaries
Infra & Engineering (Pvt) Ltd	52		Heavy engineering service for the power plants and other operation and maintenance of power plants
Heladanavi Ltd	52		Non operating Company
Nividu Assupinella (Pvt) Ltd	41		Power Generation using hydro energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)

(All amounts in Sri Lanka Rupees Thousands)

Raj Lanka Power Company Ltd	39		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Lakdhanavi Bangla Power Company Ltd	26		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Feni Lanka Power Limited	29		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Makarigad Hydro Power (Pvt) Ltd	34		Power Generation using hydro energy abd feed the same to the National Grid of Nepal (Commercail Operations are yet to commence)
LD Heavy Engineering (Pvt) Ltd	63		Carryout Engineering Projects of technical nature in power industry
Sobadhanavi Limited	63		Power generation using thermal enegy 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	38.64		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

13. INVESTMENT IN JOINT VENTURE (Trincomalee Power Company Ltd)

	Group		Board	
	2022	2021	2022	2021
Balance at the beginning of the year	25,677	30,757	328,606	328,606
Investment Made During The Year	20,000	-	20,000	-
Share of pre-operating loss	(6,373)	(5,080)	-	-
Balance at the end of the year	39,304	25,677	348,606	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 it 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.

(All amounts in Sri Lanka Rupees Thousands)

14. FINANCE LEASE RECEIVABLE

The Raj Lanka Power Company Limited (RLPCL), sub-subsidiary of the group has the legal ownership of the Power Plant at Rajshahi, Natore. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and RLPCL, the arrangement between the two parties treated as a finance lease which is accounted for in accordance with SLFRS 16 - Leases.

The Lakdhanavi Bangla Power Limited (LBPL), sub-subsidiary of the group has the legal ownership of the Power Plant at Jangalia, Comilla. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and LBPL, the arrangement between the two parties treated as a finance lease which is accounted for in accordance with SLFRS 16 Leases.

The Feni Lanka Power Limited (FLPL), sub-subsidiary of the group has the legal ownership of the Power Plant at Feni. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and FLPL, the arrangement between the two parties 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.

	Group		Board	
	2022	2021	2022	2021
Gross Investment in finance leases receivables				
Current				
Less than one year	7,288,086	5,170,771	-	-
Non Current				
Between one and five years	23,666,166	16,689,808	-	-
More than five years	51,538,531	38,102,076	-	-
	75,204,697	54,791,884	-	-
	82,492,783	59,962,655	-	-
Unearned Finance Income	(50,351,463)	(38,672,066)	-	-
Net investment in finance leases	32,141,320	21,290,589	-	-

14.3.1 Unearned Finance Income

	Group		Board	
Less than one year	6,599,172	4,345,650	-	-
Between one and five years	21,543,074	15,601,390	-	-
More than five years	22,209,217	18,725,026	-	-
	50,351,463	38,672,066	-	-

14.3.2 Net Investment in finance leases receivables

	Group		Board	
	2022	2021	2022	2021
Current				
Less than one year	688,914	825,121	-	-
Non Current				
Between one and five years	2,123,092	1,088,418	-	-
More than five years	29,329,314	19,377,050	-	-
	31,452,406	20,465,468	-	-
	32,141,320	21,290,589	-	-

(All amounts in Sri Lanka Rupees Thousands)

15. OTHER FINANCIAL ASSETS	Group 2022	Group 2021	Board 2022	Board 2021
Total Other Financial Assets				
Other Financial Assets - Non Current	28,870,304	28,054,665	5,782,582	7,700,399
Other Financial Assets - Current	25,575,582	29,922,547	2,358,209	2,601,739
	54,445,886	57,977,212	8,140,791	10,302,138

15.1 Financial Assets at amortized cost

	Group 2022	Group 2021	Board 2022	Board 2021
Refundable Deposits	127,828	82,646	-	-
Investment in Fixed Deposits	17,798,879	23,500,045	-	-
Investment in Repurchase Agreements	5,616,938	3,350,369	-	-
Investment in Government Securities	5,994,094	3,828,262	-	-
Investment in Other Deposits	71,399	125,945	-	-
Loans to Company Officers	9,077,306	10,519,701	7,890,783	9,126,961
Loans to Consumers	283,404	1,237,538	250,008	1,175,177
Investments in Debentures	55,034	62,406	-	-
	39,024,882	42,706,912	8,140,791	10,302,138

15.2 Financial Assets at Fair value through Profit or Loss		Group 2022	Group 2021	Board 2022	Board 2021
Investment in Equity Securities	(15.2.1)	77,994	338,548	-	-
		77,994	338,548	-	-

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

Share Name	No. of Ordinary Shares (000') 2022	No. of Ordinary Shares (000') 2021	Carrying Value 2022	Carrying Value 2021
Investment in JB Ventage Money Market (Units)	-	3,163	-	92,932
Investment in JB Ventage Equity Market (Units)	-	4,686	-	128,070
	-	7,849	-	221,002
Aitken Spence Hotel Holdings PLC	37	37	1,858	1,547
Aitken Spence PLC	-	50	-	4,120
Chevron Lubricants Lanka PLC	38	38	3,667	4,294
Citizens Development Business Finance PLC	103	103	5,519	9,178
Commercial Bank of Ceylon PLC	5	5	272	415
Hatton National Bank PLC	57	56	4,229	7,172
Hayleys PLC	473	473	32,159	61,480
Hemas Holdings PLC	-	5	-	335
Janashakthi Insurance PLC	-	2	-	61
John Keells Holdings PLC	40	40	5,388	5,975
Lanka IOC PLC	96	150	19,385	10,988
National Development Bank PLC	71	67	2,268	4,589
People's Leasing & Finance PLC	388	342	1,939	3,663
Seylan Bank PLC	81	74	1,310	2,463
Sri Lanka Telecom PLC	-	33	-	1,266
	1,389	1,474	77,994	117,546
	1,389	9,324	77,994	338,548

(All amounts in Sri Lanka Rupees Thousands)

15.3 Financial Assets at Other Comprehensive Income
Investments in Unquoted Equity Shares

		Group		Board	
		2022	2021	2022	2021
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	15,000,524	14,931,752	-	-
Lanka Energy International (Pvt) Ltd	Preference Shares	342,486	-		
Less: Impairment of Investments		(20,000)	(20,000)	-	-
Investments in joint Venture (Amtrad Holdings)		-	-	-	-
Investment in Subsidiary-Kumbal-gamuwa Mini Hydro (Pvt) Ltd		-	-	-	-
Investments in Joint Venture (Heladhanavi Ltd)		-	-	-	-
		15,343,010	14,931,752	-	-

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 and the Preference Share investment in Lanka Energy International (Pvt) Ltd.

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.

16. OTHER NON-CURRENT ASSETS

	Group		Board	
	2022	2021	2022	2021
Other receivables*	826,759	775,978	-	-
Prepaid Staff Cost (16.1)	2,796,349	1,051,945	2,495,752	851,383
Investment in Ash Bricks Project**	2,660	2,660	-	-
	3,625,768	1,830,583	2,495,752	851,383

Other receivables*

Other Receivables balance is from Lanka Coal Company (Pvt) Ltd that consist of a receivable from Taurian Iron and Steel Company (Pvt) Ltd for the coal supplied through Ceylon Shipping Corporation by Lanka Coal Company Limited and the amount receivable from Liberty Commodities Ltd.

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 bu signing a withdrawal of MOU.

(All amounts in Sri Lanka Rupees Thousands)

16.1 Prepaid Staff Cost	Group 2022	Group 2021	Board 2022	Board 2021
Balance as at the beginning of the year	1,051,945	1,381,587	851,383	1,073,891
Fair value adjustment on loans granted/terminated	2,856,251	148,339	2,536,428	273,539
Amortization of staff cost	(1,111,847)	(477,981)	(892,059)	(496,047)
Balance as at the end of the year	2,796,349	1,051,945	2,495,752	851,383

17. INVESTMENT OF INSURANCE RESERVE	Group 2022	Group 2021	Board 2022	Board 2021
At the beginning of the year	10,657,598	9,980,730	10,657,598	9,980,730
Investments made during the year	1,802,752	676,868	1,802,752	676,868
Withdrawals During the year	-	-	-	-
At the end of the year	12,460,350	10,657,598	12,460,350	10,657,598

18. NON CURRENTS ASSET HELD FOR SALE	Group 2022	Group 2021	Board 2022	Board 2021
Balance at the beginning of the period	76	76	76	76
Disposal during the period	-	-	-	-
Balance at the end of the period	76	76	76	76

19. INVENTORIES	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Raw Materials	2,818,324	4,653,620	-	-
Finished Goods	488,240	537,619	-	-
Consumables & Spares	47,794,875	41,220,925	42,507,795	36,345,674
Work in Progress	422,173	765,244	-	-
Fuel	11,737,586	23,750,404	11,737,586	23,750,404
Goods in Transit	1,659,588	6,554,377	1,161,553	6,094,045
Less: Provision for Obsolete & Unserviceable Stock	(1,831,095)	(2,217,593)	(1,601,585)	(1,986,013)
Provision for price Variance	-	(277,997)	-	(277,997)
	63,089,691	74,986,599	53,805,349	63,926,113

20. TRADE AND OTHER RECEIVABLES	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Trade Debtors	80,763,275	58,962,080	43,496,362	39,313,278
Less: Provision for impairment	(6,814,398)	(8,294,208)	(4,611,698)	(6,609,564)
	73,948,877	50,667,872	38,884,664	32,703,714
Other Debtors	21,598,606	29,872,153	14,369,890	22,335,124
Advances and Prepayments	28,014,063	3,511,443	13,811,324	974,959
Less: Provision for impairment	(196,989)	(164,891)	(196,989)	(164,891)
Transit Account	-	16,445	-	16,445
	123,364,557	83,903,022	66,868,889	55,865,351

(All amounts in Sri Lanka Rupees Thousands)

21. AMOUNTS DUE FROM RELATED PARTIES

		Group		Board	
	Relationship	2022	2021	2022	2021
Lanka Electricity Company (Pvt) Ltd	Subsidiary Company	-	-	2,912,677	2,488,483
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	10,248,093	891,880
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	143,881	232,264
Ceylon Electricity Board		-	-	-	-
		-	-	13,304,651	3,612,627

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.

	2022	2021
Balance at the Beginning of the Period	413,054,569	391,730,584
Puttalam Coal Power Project (Note 22.1)	120,475,034	3,408,971
Debt to equity conversion (Note 22.1)	251,629,768	17,915,014
Additional Equity Investments for CPC Payments	80,000,000	-
Balance as at the end of the Period	865,159,371	413,054,569

22.1 Debt to Equity Conversion

As per the Letter Nos. PED/I/CEB/02/11/(i) dated 18.07.2022 and PED/I/CEB/02/11(i) dated 17.02.2023 sent by the Director General, Department of the Public Enterprise, Ministry of Finance, it has been decided to transfer the CEB treasury loans amounting to Rs. 372,104,802,709.25 as Government equity investments in CEB. In this transaction, the exchange loss resulted from foreign currency revaluation with respect to the Puttalam Coal Power Project Loan outstanding balance as of 31.12.2022 has been transferred to the CEB by the Government. Hence, the total exchange loss amounts to Rs. 144,353,249,453.56 from which Rs. 94,688,683044.68 is charged to the current year (2022) profit or loss. (Rs. 49,664,566,408.88 is being considered as a prior year adjustment)

23. Reserves

	Group		Board	
	2022	2021 Restated	2022	2021 Restated
Summary				
Capital Reserves (23.1)	22,457,266	19,669,107	18,631,291	18,622,305
Fair Value Reserve (23.2)	6,838,998	6,667,451	-	-
Depreciation Reserve (23.3)	27,000	26,000	27,000	26,000
Self Insurance Reserve (23.4)	25,434,755	22,590,245	25,418,804	22,574,294
Asset Replacement Reserve (23.5)	88,526	88,526	-	-
Investment Reserve (23.6)	10,001,863	10,001,863	-	-
Development Reserve (23.7)	39,825	37,325	-	-
Cashflow Hedge Reserve (23.8)	(912,497)	-	-	-
	63,975,736	59,080,517	44,077,095	41,222,599

(All amounts in Sri Lanka Rupees Thousands)

23.1 Capital Reserve	Group 2022	Group 2021	Board 2022	Board 2021
Balance as at the Beginning of the Year	19,669,107	19,337,879	18,622,305	18,597,747
Movement during the period				
Foreign Exchange Reserve	-	-	-	-
Exchange Equalization Reserve	2,779,173	306,670	-	-
RHCP Loan Reserve	8,986	24,558	8,986	24,558
Balance as at the end of the Year	22,457,266	19,669,107	18,631,291	18,622,305

The Capital Reserve Balance include Loan Redemption Reserve, RHCP Loan Reserve, Exchange Equalization Reserve and Other Capital Reserves.

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 2022	Group 2021	Board 2022	Board 2021
Balance as at the beginning of the year	6,667,451	6,126,684	-	-
Net Gain / (Loss) on available for sale assets	171,547	540,767	-	-
Balance as at the end of the year	6,838,998	6,667,451	-	-

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 2022	Group 2021	Board 2022	Board 2021
At the beginning of the year	26,000	25,000	26,000	25,000
Transfers during the period	1,000	1,000	1,000	1,000
At the end of the year	27,000	26,000	27,000	26,000

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.

(All amounts in Sri Lanka Rupees Thousands)

23.4 Self Insurance Reserve

	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Balance at the beginning of the period	22,590,245	20,647,190	22,574,294	20,631,239
Transfers from the retained earnings	1,320,803	1,279,214	1,320,803	1,279,214
Income received from investment	1,523,707	663,841	1,523,707	663,841
Balance at end of the period	25,434,755	22,590,245	25,418,804	22,574,294

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 2022	Group 2021	Board 2022	Board 2021
Balance at the beginning of the period	88,526	312,494	-	-
Transfer to the retained earnings	-	(223,968)	-	-
Income received from investment	-	-	-	-
Balance at end of the period	88,526	88,526	-	-

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 2022	Group 2021	Board 2022	Board 2021
Balance at the beginning of the period	10,001,863	6,330,541	-	-
Transfers from the retained earnings	-	3,671,322	-	-
Balance at end of the period	10,001,863	10,001,863	-	-

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 2022	Group 2021	Board 2022	Board 2021
Balance at the beginning of the period	37,325	27,325	-	-
Transfers from the retained earnings	2,500	10,000	-	-
Balance at end of the period	39,825	37,325	-	-

23.8 Cashflow Hedge Reserve

	Group 2022	Group 2021	Board 2022	Board 2021
Balance at the beginning of the period	-	-	-	-
Transfers during the year	(912,497)	-	-	-
Balance at end of the period	(912,497)	-	-	-

(All amounts in Sri Lanka Rupees Thousands)

24. INTEREST BEARING LOANS & BORROWINGS

Group

	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total
Bank Loans (24.1)	61,569,108	87,616,619	149,185,727	24,246,593	90,381,773	114,628,366
Projects Loans (24.2)	5,537,639	113,193,716	118,731,355	27,907,219	310,975,607	338,882,826
Debentures (24.3)	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Lease Creditors (24.5.1)	161,565	184,602	346,167	173,041	291,836	464,877
Redeemable Preference Shares	-	-	-	368,751	-	368,751
Bank Overdrafts	39,726,155	-	39,726,155	18,347,277	-	18,347,277
	106,994,467	220,994,937	327,989,404	71,042,881	421,649,216	492,692,097

The Board

	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total
Bank Loans (24.1.1)	41,769,763	60,241,833	102,011,596	16,880,143	72,537,342	89,417,485
Projects Loans (24.2)	5,537,639	113,193,716	118,731,355	27,907,219	310,975,607	338,882,826
Debetures (24.3)	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Loans from Related Party (24.4)	-	-	-	780,541	-	780,541
Lease Creditors (24.5.2)	36,649	42,236	78,885	33,856	79,059	112,914
Bank Overdrafts	35,920,462	-	35,920,462	14,141,724	-	14,141,724
	83,264,513	193,477,785	276,742,298	59,743,483	403,592,008	463,335,491

24.1 Bank Loans

24.1.1 The Board

Term Loans

		Interest rate	As At 01.01.2022	Loans Obtained	Repayment	As At 31.12.2022	Repayable Within 1 Year	Repayable After 1 Year
NSB (Rs 10 000 Mn)	2014.12.30	13.70%	1,250,000	-	625,000	625,000	625,000	-
People's Bank (Euro 2087 Mn)	2015.04.30	29.19%	1,274,419	-	1,274,419	-	-	-
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.01.24	29.44%	3,420,000	-	1,540,000	1,880,000	1,680,000	200,000
People's Bank - OD Settlement	2018.02.01	29.19%	2,285,000	-	957,000	1,328,000	1,044,000	284,000
National Savings Bank+Sampath+Seylan (Rs 10 000 Mn)	2019.02.25	28.51%	6,920,000	-	3,360,000	3,560,000	3,360,000	200,000
Bank of Ceylon (15B)	2019.06.30	31.17%	14,075,000	-	2,365,000	11,710,000	2,713,000	8,997,000
Seylan Bank (2Bn)	2019.10.04	23.18%	1,949,894	-	301,894	1,648,000	388,000	1,260,000
People's Bank (Rs. 35B)	2019.05.30	29.19%	32,200,000	-	4,000,000	28,200,000	5,400,000	22,800,000
Bank of Ceylon (Rs. 5000 Mn)	2020.03.03	28.96%	5,000,000	-	180,000	4,820,000	240,000	4,580,000
Peoples Bank (Rs. 10000 Mn)	2020.04.01	29.69%	10,000,000	-	866,667	9,133,333	1,275,000	7,858,333
NTB Loan (1000 Mn)	2020.11.09	29.35%	608,000	-	336,000	272,000	272,000	-
NSB Loan (5000 Mn)	2020.12.19	12.95%	5,000,000	-	-	5,000,000	1,000,000	4,000,000
People's Bank - Coal Loan 5	2021.09.28	26.95%	5,435,171	24,975,584	15,887,992	14,522,763	14,522,763	-
NTB Loan (3Bn)	2022.01.31	29.50%	-	3,000,000	687,500	2,312,500	750,000	1,562,500
People's Bank (Rs. 17B)	2022.02.03	30.19%		17,000,000	-	17,000,000	8,500,000	8,500,000
			89,417,484	44,975,584	32,381,472	102,011,596	41,769,763	60,241,833

(All amounts in Sri Lanka Rupees Thousands)

24.1.2 The Group

Company	Lending Institution	Interest Rate	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total
Pawan Danavi (Pvt) Ltd	Sampath Bank	AWPLR +1.25%	116,926	26,679	143,605	95,679	107,866	203,545
Lakdanavi Ltd	Hatton National Bank	AWPLR + 0.25%	3,000,000	-	3,000,000	2,000,000	-	2,000,000
Lakdanavi Ltd	NDB Bank	AWPLR + 1%	-	3,000,000	3,000,000	-	3,000,000	3,000,000
Lakdanavi Ltd	Seylan Bank	8.75% for 1st two years	-	1,800,000	1,800,000	-	1,800,000	1,800,000
Lakdanavi Ltd	Secured Loan - LBPL	3Month LIBOR+4.5%	981,497	1,474,824	2,456,321	814,494	1,061,367	1,875,861
Lakdanavi Ltd	Raj Lanka	9% p.a./3 month LIBOR+4.5%	6,301,428	1,077	6,302,505	1,185,436	36,577	1,222,013
Lakdanavi Ltd	Secured/Working Capital Loan	10% p.a./3 month LIBOR+4.5%	6,027,703	16,561,840	22,589,543	1,540,245	10,300,210	11,840,455
Lakdhanavi Bangala Power Ltd	Working Capital Loan	9% p.a	2,217,043	-	2,217,043	-	-	-
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	MCPLR+Applicable Margin	49,289	-	49,289	85,495	-	85,495
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	6.80%	65,791	-	65,791	26,900	-	26,900
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	LIBOR+Margin	14,114	-	14,114	101,578	-	101,578
Asiatic Electrical & Switchgear Pvt Ltd	Standard Chartered Bank	MCPLR+Applicable Margin	131,583	-	131,583	80,700	-	80,700
LTL Transformers (Pvt) Ltd	Sampath Bank	AWPLR+1.%	5,004	16,223	21,227	5,004	21,227	26,231
LTL Transformers (Pvt) Ltd	Hatton National Bank	3M LIBOR +3.25%	-	-	-	8,727	-	8,727
LTL Transformers (Pvt) Ltd	Bank of Ceylon	AWPLR + 1.1%	66,667	206,267	272,934	272,686	66,914	339,600
LTL Transformers (Pvt) Ltd	People's Bank	AWPLR+0.5%	269,945	-	269,945	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	5,625	9,750	4,125	10,500	14,625
Makari Gad Hydropower Pvt. Ltd.	Term Loans	Weighted Average Base Rate (WABR) + 1.5% not less than base rate of any member bank	478,143	3,934,874	4,413,017	814,742	1,050,817	1,865,559
Sri Lanka Energies (Pvt) Ltd	Sampath Bank		70,087	347,377	417,464	-	388,953	388,953
			19,799,345	27,374,786	47,174,131	7,366,450	17,844,431	25,210,881
The Board (Note 24.1.1)			41,769,763	60,241,833	102,011,595	16,880,143	72,537,342	89,417,485
Total Bank Loans of the Group			61,569,108	87,616,619	149,185,727	24,246,593	90,381,773	114,628,366

(All amounts in Sri Lanka Rupees Thousands)

24.2 Project Loans

24.2.1 Loans From Treasury

The Board/Group

The Board/Group	Provider of funds	Interest Per Annum (%)	As At 01.01.2022	Loans Obtained	Transferred to Equity	As At 31.12.2022	Repayable Within 1 Year	Repayable After 1 Year
Puttalam Coal Power project - 155Mn	EXIM BANK	06 months LIBOR + Margin 100 b.p	18,829,347	-	18,829,347	-	-	-
Puttalam Coal Power project - 300Mn	EXIM BANK	2%	40,571,358	-	40,571,358	-	-	-
Puttalam Coal Power project -phase 11	EXIM BANK	2%	131,265,435	-	131,265,435	-	-	-
New Laxapana & Wimalasurendra Rehabilitation project	CAYLON OF FRENCH	10%	39,395	-	39,395	-	-	-
Clean Energy Access Impro. Project (SLA I)	ADB	10%	3,970,201	-	3,970,201	-	-	-
Clean Energy Access Impro. Project (SLA II)	ADB	10%	615,223	-	615,223	-	-	-
Sustainable Power Support Project	ADB	10%	3,712,370	-	3,712,370	-	-	-
Habarana Veyangoda Transmission Line project	JICA	Not Finalized	12,599,493	1,129,797	13,729,290	-	-	-
Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Finalized	22,003,633	-	22,003,633	-	-	-
Clean Energy Net Work Efficiency Improvement Project	ADB	10%	16,893,518	-	16,893,518	-	-	-
National Transmission & Distribution Network Development	JICA	Not Finalized	12,857,331	15,965,214	-	28,822,545	-	28,822,545
Green Power Development & Energy Efficiency Improvement Project	ADB	Not Finalized	7,629,970	4,476,143	-	12,106,113	-	12,106,113
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%	3,502,339	1,777,242	-	5,279,581	-	5,279,581
Construction of four grid Substation	AFD	Not Finalized	4,450,099	-	-	4,450,099	-	4,450,099
			282,733,350	23,348,396	251,629,770	54,451,976	-	54,451,976

24.2.2 Loans From Bank

	Date	Interest Rate	As At 01.01.2022	Loans Obtained	Repayment	As At 31.12.2022	Repayable Within 1 Year	Repayable After 1 Year
Broadland Hydro Power Project (HNB)	2013.07.19	06 months LIBOR + 6.3%	770,964	-	96,371	674,593	289,112	385,481
Broadland Hydro Power Project (ICB)	2013.06.06	06 months LIBOR + 3.2%	4,295,074	-	-	4,295,074	1,431,664	2,863,410
Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2017.07.10	06 months LIBOR+0.6%-0.1%+Premium0.1%	12,599,184	1,761,641	671,846	13,688,979	696,312	12,992,667
Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2016.12.06	2% (Fixed)	4,795,419	1,479,728	532,770	5,742,377	558,776	5,183,601
Supporting Elec.supply reliability improvement project	2016.12.19	06 months LIBOR+0.6%-0.1%+Premium0.1%	7,158,377	3,622,115	425,912	10,354,580	475,594	9,878,986
Mannar Wind Power Generation Project (ADB)	2017.11.22	06 months LIBOR+0.6%-0.1%	23,245,949	2,046,764	-	25,292,713	1,686,181	23,606,532
Broadland Hydro Power Project (PB)	2021.03.10	AWPLR+1.5%	3,284,511	946,552	-	4,231,063	400,000	3,831,063
			56,149,478	9,856,800	1,726,899	64,279,379	5,537,639	58,741,740
Total Project Loans			338,882,828	33,205,196	253,356,669	118,731,355	5,537,639	113,193,716

(All amounts in Sri Lanka Rupees Thousands)

24.3 Debentures

The Board/Group			As At 01.01.2022	Debenture Issued	Repayment	As At 31.12.2022	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 01.01.2022	Loans Obtained	Repayment	As At 31.12.2022	Repayable Within 1 Year	Repayable After 1 Year
Lanka Electricity Company (Pvt)Ltd	780,541	-	780,541	-	-	-
Lanka Electricity Company (Pvt)Ltd- Short Term Loan	-	817,049	817,049	-	-	
	780,541	817,049	1,597,590	-	-	-

24.5 Lease Creditor

24.5.1 The Group

	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total
Lease Creditor	161,565	184,602	346,167	173,041	291,836	464,877
	161,565	184,602	346,167	173,041	291,836	464,877

24.5.2 The Board

	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total	2021 Repayable Within 1 year	2021 Repayable After 1 year	2021 Total
Lease Creditor	36,649	42,236	78,885	33,856	79,059	112,915
	36,649	42,236	78,885	33,856	79,059	112,915

25. CONSUMER DEPOSITS

	Group		Board	
	2022	2021 Restated	2022	2021 Restated
Balance as at Beginning of the year	16,299,865	15,640,570	16,299,865	15,640,570
Deposit Received during the year	761,348	805,345	761,348	805,345
Refunds Made during the year	(341,275)	(146,050)	(341,275)	(146,050)
Balance as at the end of the year	16,719,938	16,299,865	16,719,938	16,299,865

(All amounts in Sri Lanka Rupees Thousands)

26. PROVISIONS AND OTHER DEFERRED LIABILITIES	Group 2022	Group 2021	Board 2022	Board 2021
Retirement Benefits Obligation- Gratuity (26.1)	8,415,191	9,033,124	6,887,079	7,358,886
Pension Benefits (26.2)	26,083,941	14,226,314	26,083,942	14,226,314
Commuted Pension Fund Liability-Non Funded	30,000	30,000	30,000	30,000
	34,529,132	23,289,438	33,001,021	21,615,200

26.1 Retirement Benefits Obligation- Gratuity	Group 2022	Group 2021	Board 2022	Board 2021
Balance at the beginning of the year	9,033,125	8,961,915	7,358,886	7,283,661
Transferred during the year	-	14,143	-	-
Charge for the year (26.1.1)	1,656,531	1,300,443	1,380,133	1,064,811
Payments made during the year	(1,272,796)	(867,379)	(942,210)	(791,997)
Acturial (Gain)/Loss	(1,019,873)	(375,998)	(909,730)	(197,589)
Effect of Exchange Rate Movement	18,204	-	-	-
Balance at the end of the year	8,415,191	9,033,124	6,887,079	7,358,886

26.1.1 Charge for the year	Group 2022	Group 2021	Board 2022	Board 2021
Interest Cost	927,470	557,917	846,272	482,119
Current service Cost	721,550	742,526	533,861	582,692
Actuarial (gain)/ loss	-	-	-	-
	1,649,020	1,300,443	1,380,133	1,064,811

26.1.2 Retirement Benefits Obligation- Gratuity

The Board

Messrs.Acturial 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

	2022	2021
Discount rate	18%	8%
Future salary increase	36%	24%
Retirement age	60	62

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

		2022	2021
Discount rate assumed (%) (per Annum)		18%	11.5%
Salary Increase Rate (%) (per Annum)		9%	9%
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 54	3.00%	1.00%
	- 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 2022 and 31 December 2021 for the respective plan years.

Principal Assumptions	2022	2021
Discount rate assumed (%) (per Annum)	18.0%	11.23%
Salary Increase Rate (%) (per Annum)	15%	7%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	60 Years	60 Years

(All amounts in Sri Lanka Rupees Thousands)

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.

	2022	2021
Present Value of Obligations (26.2.1)	53,968,380	39,247,514
Fair Value of plan assets (26.2.2)	27,884,439	25,021,200
Deficit of funded plans	26,083,941	14,226,314
Liability / Assets in the Statement of Financial Position	26,083,941	14,226,314

26.2.1 The movement in the pension fund liability over the year is as follows,

	2022	2021
At beginning of the year	39,247,514	36,749,620
Current Service Cost	1,851,757	1,465,449
Interest Cost	3,532,276	2,572,473
Actuarial Gain/ (Losses)	11,981,754	711,977
Benefit Paid	(2,644,921)	(2,252,005)
At end of the year	53,968,380	39,247,514

26.2.2 The movement in the fair value of plan assets of the year is as follows

	2022	2021
At beginning of the year	25,021,200	23,942,683
Expected Return on Plan Assets	3,597,628	1,404,075
Actuarial Losses	13,174	9,809
Contribution Paid (Employee + Employer)	1,897,358	1,916,638
Benefit Paid	(2,644,921)	(2,252,005)
At end of the year	27,884,439	25,021,200
The amounts recognized in the income statement are as follows		
Current service cost	1,851,757	1,465,449
Interest Cost	3,532,276	2,572,473
Expected return on plan assets	(3,597,628)	(1,404,075)
Recognized in income statement	1,786,405	2,633,847
The principal actuarial assumptions were as follows		
Discount Rates	9%	8%
Expected return on plan assets	14%	6%
Future Salary Increases	24%	24%
Future Pension Increases	0%	0%
Retirement Age	60	62
Plan assets are comprised as follows		
Fixed Deposits	22,802,318	20,860,576
Debentures at amortized cost	5,026,663	4,161,392
Cash at bank less Tax Payable	55,458	-
Other	-	(768)
Total	27,884,439	25,021,200

(All amounts in Sri Lanka Rupees Thousands)

27. GOVERNMENT GRANT	Group 2022	2021	2022	2021
Balance at the beginning of the year	491,358	278,934	188,348	200,334
Received During the year	180,596	233,307	-	3,082
Amount Amortised during the year	(21,498)	(20,882)	(15,685)	(15,068)
Balance at the end of the year	650,456	491,359	172,663	188,348

28. CONTRACT LAIBILITIES	Group 2022	2021	2022	2021
Consumer Contribution (28.1)	107,728,944	104,530,969	102,611,895	99,517,000
Prepaid Electric Vehicle charging Revenue (28.2)	1,157	1,157	1,157	1,157
Contractor Payments	485,244	34,637	-	-
	108,215,345	104,566,763	102,613,052	99,518,157

28.1 Consumer Contribution	Group 2022	2021	2022	2021
Balance at the beginning of the year	104,530,971	100,561,790	99,517,000	95,769,665
Consumer Contribution received During the year	7,928,879	8,450,511	7,376,203	7,805,584
Amount Amortised During the year	(4,730,906)	(4,481,332)	(4,281,308)	(4,058,249)
Balance at the end of the year	107,728,944	104,530,969	102,611,895	99,517,000

28.2 Prepaid Electric Vehicle Charging Revenue	Group 2022	2021	2022	2021
Balance at the beginning of the Period	1,157	1,058	1,157	1,058
Cash received for prepaid e-Cards	3,812	1,748	3,812	1,748
Utilization for the year	(4,488)	(2,696)	(4,488)	(2,696)
Refunds made during the period	676	1,048	676	1,048
Balance at the end of the Period	1,157	1,157	1,157	1,157

29. DEFERRED TAXATION	Group 2022	2021	Board 2022	2021
Balance at the beginning of the year	712,684	541,751	-	-
Deferred Tax Charged to Income Statement	(756,684)	45,132	-	-
Deferred Tax Adjusted to Other Comprehensive Income	128,699	125,801	-	
Balance at the end of the year	84,699	712,684	-	-

Deferred Tax Liability	Group 2022	2021	Board 2022	2021
Depreciation Allowances for Tax Purposes	1,214,409	1,536,570	-	-
Revaluation Reserve	872,930	-	-	-
Net change in fair value of FVOCI investments	93,831	92,688		
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(327,672)	(53,722)	-	-
Employment Retirement Benefits	(434,521)	(380,668)	-	-
Other provisions	(1,287,926)	(428,221)	-	-
Unutilized tax losses	(46,352)	(53,963)	-	-
	84,699	712,684	-	-

(All amounts in Sri Lanka Rupees Thousands)

30. TRADE AND OTHER PAYABLES	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Trade Payables	211,465,787	159,610,373	195,397,931	147,028,243
Other Payables	19,833,422	20,979,624	17,741,977	11,519,729
Sundry Creditors Including Accrued Expenses	32,790,269	38,537,155	31,458,249	37,026,855
Deposits(30.1)	26,677,595	26,336,527	26,670,532	26,329,412
Stock Adjustment	(139,480)	(96,138)	(139,480)	(96,138)
	290,627,593	245,367,541	271,129,209	221,808,101

30.1 Deposits	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
Deposits against Capital Jobs	18,698,920	18,432,236	18,698,920	18,432,236
Tender Deposits	628,569	574,999	628,569	574,999
Security Deposits	136	104	136	104
Other Deposits	7,349,970	7,329,188	7,342,907	7,322,073
	26,677,595	26,336,527	26,670,532	26,329,412

31. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group 2022	Group 2021	Board 2022	Board 2021
LTL Holdings (Pvt) Ltd	Subsidiary Company	-	-	611,601	641,962
LTL Transformers (Pvt) Ltd	Sub-subsidiary Company	-	-	457,505	238,820
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary Company	-	-	140,952	271,043
Ante Leco Metering Co.(Pvt) Ltd	Sub-subsidiary Company	-	-	221,495	207,974
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	4,569,971	4,793,983
Kumbalgamuwa Mini Hydro (Pvt) Ltd	Sub-subsidiary Company	-	-	238,194	47,565
Sri Lanka Energies (Pvt) Ltd	Subsidiary Company	-	-	28,210	12,860
		-	-	6,267,928	6,214,207

32 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	Group 2022	Group 2021 Restated	Board 2022	Board 2021 Restated
32.1 Favourable Cash & Cash Equivalents balance				
Cash & Bank Balances	18,221,963	14,812,572	8,617,537	5,137,477
Cash in Transit	3,370,728	194,618	-	-
Call Deposits	529,830	302,280	529,830	302,280
	22,122,521	15,309,470	9,147,367	5,439,757
32.2 Unfavourable Cash & Cash Equivalent Balances				
Bank Overdraft (Note 24)	(39,726,155)	(18,347,277)	(35,920,462)	(14,141,724)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(17,603,634)	(3,037,807)	(26,773,096)	(8,701,967)

(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	2022	2021
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

	2022	2021
LTL Holding (Pvt) Ltd	10,504,165	5,835,605
Lanka Electricity Company (Pvt) Ltd	812,184	1,490,538
Lanka Coal Company (Pvt) Ltd	-	-

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 2022	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Revenue	39,715,935	56,686,014	117,406,287
Cost of sales	(30,720,758)	(40,629,059)	(117,337,279)
Gross Profit	8,995,178	16,056,955	69,008
Other Income & Gains	1,210,592	14,481,487	8,222
Distribution Expenses	-	(288,296)	
Administrative Expenses	(3,949,432)	(2,323,386)	(78,525)
Other Operating Expenses	(5,459,640)	(3,215,936)	-
Finance Income	1,306,528	1,519,326	1,361
Finance Cost	(194,382)	(4,596,224)	(66)
Profit before Tax	1,908,843	21,633,926	-
Income tax	(56,681)	(998,963)	-
Profit for the year from continuing operations	1,852,162	20,634,963	-
Total Comprehensive Income			
Attributable to non-controlling interest	812,184	10,504,165	-
Dividends paid to non-controlling interests	-	1,207,244	-

33.4 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	(2,960,432)	(339,391)	-
Finance Income	905,443	1,359,813	4,462
Finance Cost	(189,502)	(1,964,937)	-
Profit before Tax	5,107,695	12,710,596	-
Income tax	(1,803,243)	(1,390,599)	-
Profit for the year from continuing operations	3,304,452	11,319,997	-
Total Comprehensive Income			
Attributable to non-controlling interest	1,490,538	5,835,605	-
Dividends paid to non-controlling interests	500,000	3,285,207	-

(All amounts in Sri Lanka Rupees Thousands)

33.5 Summarised statements of financial position as at 31st December 2022

	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Inventories and Cash and bank balances (current)	3,884,189	14,830,599	45,302
Property, Plant and equipment and other non-current assets	16,045,585	52,008,034	832,110
Financial assets (non-current)	18,999,406	4,088,316	-
Trade & other Payables (current)	4,607,000	9,347,025	7,952,558
Interest-bearing loans and borrowings and deferred tax	639,116	51,187,801	-
Liabilities (non-current)	6,912,584	676,702	8,079
Total Equity			
Attributable to :			
Equity holders of parent	22,687,068	40,384,592	64,181
Non- controlling interest	18,412,692	23,717,935	42,788

33.6 Summarised statements of financial position as at 31st December 2021

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	29,421,353	-
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

33.7 Summarised cash flow information for the year ending 31 December 2022

Operating	1,455,903	1,650,612	6,187
Investing	(1,377,124)	(10,070,668)	(20,163)
Financing	1,661	5,008,510	-
Net increase/(decrease) in cash and cash equivalents	80,440	(3,411,546)	(13,976)

33.8 Summarised cash flow information for the year ending 31 December 2021

Operating	3,177,036	1,658,971	47,104
Investing	(2,672,463)	5,534,828	3,669
Financing	(150,396)	(6,422,870)	-
Net increase/(decrease) in cash and cash equivalents	354,177	770,929	50,773

(All amounts in Sri Lanka Rupees Thousands)

34 PRIOR YEAR ADJUSTMENTS

34.1 Prior Year Adjustments - Ceylon Electricity Board

Following adjustments were made in the Board's financial statements which are relevant to the prior periods.

01) Being recording the cost of Polpitiya Rehabilitation Project

	Dr Rs	Cr Rs
Property, Plant & Equipment - Before 2021	5,215,795,819	
Capital Work In Progress		5,215,795,819

(02) Being recording the depreciation expense of Polpitiya Rehabilitation Project

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	648,547,755	
Retained Earnings - In 2021	277,949,036	
Accumulated Depreciation - Before 2021		648,547,755
Accumulated Depreciation - In 2021		277,949,036

03) Being recording the cost of Rantambe Inter Bus Transformer

	Dr Rs	Cr Rs
Property, Plant & Equipment - Before 2021	733,082,547	
Capital Work In Progress - Before 2021		733,082,547

04) Being recording the depreciation expense of Rantambe Inter Bus Transformer

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	31,954,702	
Retained Earnings - In 2021	40,024,071	
Accumulated Depreciation - Before 2021		31,954,702
Accumulated Depreciation - In 2021		40,024,071

(05) Being correcting the erroneous recognition of allowances for trainees

	Dr Rs	Cr Rs
Accrued Expenses - 2021	5,336,770	
Retained Earnings - In 2021		5,336,770

06) Being correcting the over provision for depreciation on motor vehicles of Distribution Division 03

	Dr Rs	Cr Rs
Accumulated Depreciation - Before 2021	38,559,989	
Retained Earnings - In 2021	3,767,500	
Retained Earnings - Before 2021		38,559,989
Accumulated Depreciation - In 2021		3,767,500

07) Being correcting the error in recognising the cost of Head Office Building improvements

	Dr Rs	Cr Rs
Capital Working Progress - Before 2021	20,202,852	
Retained Earnings - Before 2021		20,202,852

08) Being correcting the erroneous recognition of sales to West Coast (Pvt) Ltd

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	1,737,612,007	
Retained Earnings - In 2021	539,720,477	
Trade Debtors - Before 2021		1,737,612,007
Trade Debtors - In 2021		539,720,477

(All amounts in Sri Lanka Rupees Thousands)

09) Being recording the reversal for the bad debts provision on receivables from West Coast (Pvt) Ltd

	Dr Rs	Cr Rs
Provision for Bad Debts - Before 2021	1,448,274,848	
Provision for Bad Debts - In 2021	353,520,680	
Retained Earnings - Before 2021		1,448,274,848
Retained Earnings - In 2021		353,520,680

10) Being correcting the initial cost of acquiring DC Fast charges for Electric Vehicles

	Dr Rs	Cr Rs
Property, Plant & Equipment - Before 2021	19,118,790	
Retained Earnings - Before 2021		19,118,790

11) Being correcting the depreciation expense on DC Fast charges for Electric Vehicles

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	10,275,584	
Retained Earnings - In 2021	5,302,166	
Accumulated Depreciation - Before 2021		10,275,584
Accumulated Depreciation - In 2021		5,302,166

12) Being correcting the error of recognising depreciation expense based on motor vehicles useful life

	Dr Rs	Cr Rs
Accumulated Depreciation - Before 2021	17,031,548	
Accumulated Depreciation - In 2021	15,978,571	
Capital Work In Progress - Before 2021		17,031,548
Capital Work In Progress - In 2021		15,978,571

13) Being recording the exchange loss on Puttalam Coal Power Project Loan installment paid by Treasury in 2022

	Dr Rs	Cr Rs
Retained Earnings - In 2021	4,008,140,790	
Interest Bearing Loans and Borrowings - In 2021		4,008,140,790

14) Being recording the interest expense on Puttalam Coal Power Project Loan installment paid by Treasury before 2021

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	24,571,783,962	
Accrued Expenses - Before 2021		24,571,783,962

15) Being recording the exchange loss on Puttalam Coal Power Project Loan installment paid by Treasury before 2021

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	11,431,402,386	
Interest Bearing Loans and Borrowings - Before 2021		11,431,402,386

16) Being recording the exchange loss on revaluing the Puttalam Coal Power Project loan balance

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	41,491,964,381	
Retained Earnings - In 2021	8,172,602,028	
Interest Bearing Loans and Borrowings - Before 2021		41,491,964,381
Interest Bearing Loans and Borrowings - In 2021		8,172,602,028

(All amounts in Sri Lanka Rupees Thousands)

34.1.1 Impact of the prior year adjustment for the Board as at 31 December 2021

Statement of Financial Position	2021 Before Restatement	Adjustments	2021 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	852,877,482	(939,939)	851,937,543
Intangible Assets	133,997	-	133,997
Investment in Subsidiaries	911,813	-	911,813
Investment in Joint Venture	328,606	-	328,606
Investments of Insurance Reserves Fund	10,657,598	-	10,657,598
Other Financial Assets	7,700,399	-	7,700,399
Other Non current Assets	851,383	-	851,383
	873,461,278	(939,939)	872,521,339
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	63,926,113	-	63,926,113
Trade and Other Receivables	59,953,515	(475,537)	59,477,978
Other Financial Assets	2,601,739	-	2,601,739
Cash and Cash Equivalents	5,439,757	-	5,439,757
	131,921,124	(475,537)	131,445,587
Total Assets	1,005,382,478	(1,415,476)	1,003,967,002
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	413,054,569	-	413,054,569
Reserves	41,222,599	-	41,222,599
Accumulated Profit	(189,474,267)	(91,086,033)	(280,560,300)
Total Equity	264,802,901	(91,086,033)	173,716,868
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	353,927,442	49,664,566	403,592,008
Consumer Deposits	16,299,863	-	16,299,863
Provisions & Other Deferred Liabilities	21,615,200	-	21,615,200
Government Grants	188,347	-	188,347
Contract Liabilities	99,518,157	-	99,518,157
	491,549,009	49,664,566	541,213,575
Current Liabilities			
Trade and Other Payables	203,455,863	24,566,447	228,022,310
Income Tax Liabilities	1,270,766	-	1,270,766
Interest Bearing Loans & Borrowings	44,303,940	15,439,543	59,743,483
	249,030,569	40,005,990	289,036,559
Total Equity and Liabilities	1,005,382,478	(1,415,477)	1,003,967,002

(All amounts in Sri Lanka Rupees Thousands)

34.1.2 Impact of the prior year adjustment for the Board as at 31 December 2021

Statement of Comprehensive Income	2021 Before Restatement	Adjustments	2021 After Restatement
Revenue	249,089,187	(312,778)	248,776,409
Consession provided to Domestic Customers	(195,709)	-	(195,709)
Cost of Sales	(254,452,760)	(12,143,626)	(266,596,386)
Gross Profit / (Loss)	(5,559,282)	(12,456,404)	(18,015,686)
Other Income	11,692,938	(226,942)	11,465,996
Administrative Expenses	(8,284,762)	(5,302)	(8,290,064)
Operating Profit / (Loss)	(2,151,106)	(12,688,648)	(14,839,754)
Finance Income	1,131,379	-	1,131,379
Finance Costs	(20,430,641)	-	(20,430,641)
Finance Cost-Net	(19,299,262)	-	(19,299,262)
Profit / (Loss) Before Income tax	(21,450,368)	(12,688,648)	(34,139,016)
Income & Deferred Tax Expense	-	-	-
Profit/(Loss) for the period	(21,450,368)	(12,688,648)	(34,139,016)
Other comprehensive income			
Actuarial gain/(loss) on Defined benefit obligations	(504,579)	-	(504,579)
Other comprehensive income for the period, net of tax	(504,579)	-	(504,579)
Total comprehensive income for the period	(21,954,947)	(12,688,648)	(34,643,595)

(All amounts in Sri Lanka Rupees Thousands)

34.1.3 Impact of the prior year adjustment for the Board as at 31 December 2020

Statement of Financial Position	2020 Before Restatement	Adjustments	2020 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	819,086,380	(612,896)	818,473,484
Intangible Assets	161,509	-	161,509
Investment in Subsidiaries	911,813	-	911,813
Investment in Joint Venture	328,606	-	328,606
Investments of Insurance Reserves Fund	9,980,730	-	9,980,730
Other Financial Assets	8,859,225	-	8,859,225
Other Non current Assets	1,073,891	-	1,073,891
	840,402,154	(612,896)	839,789,258
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	45,522,065	-	45,522,065
Trade and Other Receivables	64,664,532	(289,337)	64,375,195
Other Financial Assets	2,826,654	-	2,826,654
Cash and Cash Equivalents	3,604,157	-	3,604,157
	116,617,408	(289,337)	116,328,071
Total Assets	957,019,638	(902,233)	956,117,405
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	391,730,584	-	391,730,584
Reserves	39,253,987	-	39,253,987
Accumulated Profit	(166,239,106)	(78,397,384)	(244,636,490)
Total Equity	264,745,465	(78,397,384)	186,348,081
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	352,094,500	52,923,367	405,017,867
Consumer Deposits	15,640,570	-	15,640,570
Provisions & Other Deferred Liabilities	20,120,599	-	20,120,599
Government Grants	200,334	-	200,334
Contract Liabilities	95,770,723	-	95,770,723
	483,826,726	52,923,367	536,750,093
Current Liabilities			
Trade and Other Payables	180,690,260	24,571,784	205,262,044
Income Tax Liabilities	1,270,766	-	1,270,766
Interest Bearing Loans & Borrowings	26,486,421	-	26,486,421
	208,447,447	24,571,784	233,019,231
Total Equity and Liabilities	957,019,638	(902,233)	956,117,405

(All amounts in Sri Lanka Rupees Thousands)

34 PRIOR YEAR ADJUSTMENTS

34.2 Prior Year Adjustments - Group Financial Statements

The details of the group prior year adjustments are as follows;

34.2.1 Prior Year Adjustments - Ceylon Electricity Board

01) Being recording the cost of Polpitiya Rehabilitation Project

	Dr Rs	Cr Rs
Property, Plant & Equipment - Before 2021	5,215,795,819	
Capital Work In Progress		5,215,795,819

(02) Being recording the depreciation expense of Polpitiya Rehabilitation Project

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	648,547,755	
Retained Earnings - In 2021	277,949,036	
Accumulated Depreciation - Before 2021		648,547,755
Accumulated Depreciation - In 2021		277,949,036

03) Being recording the cost of Rantambe Inter Bus Transformer

	Dr Rs	Cr Rs
Property, Plant & Equipment - Before 2021	733,082,547	
Capital Work In Progress - Before 2021		733,082,547

04) Being recording the depreciation expense of Rantambe Inter Bus Transformer

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	31,954,702	
Retained Earnings - In 2021	40,024,071	
Accumulated Depreciation - Before 2021		31,954,702
Accumulated Depreciation - In 2021		40,024,071

(05) Being correcting the erroneous recognition of allowances for trainees

	Dr Rs	Cr Rs
Accrued Expenses - 2021	5,336,770	
Retained Earnings - In 2021		5,336,770

06) Being correcting the over provision for depreciation on motor vehicles of Distribution Division 03

	Dr Rs	Cr Rs
Accumulated Depreciation - Before 2021	38,559,989	
Retained Earnings - In 2021	3,767,500	
Retained Earnings - Before 2021		38,559,989
Accumulated Depreciation - In 2021		3,767,500

07) Being correcting the error in recognising the cost of Head Office Building improvements

	Dr Rs	Cr Rs
Capital Working Progress - Before 2021	20,202,852	
Retained Earnings - Before 2021		20,202,852

08) Being correcting the erroneous recognistion of sales to West Coast (Pvt) Ltd

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	1,737,612,007	
Retained Earnings - In 2021	539,720,477	
Trade Debtors - Before 2021		1,737,612,007
Trade Debtors - In 2021		539,720,477

(All amounts in Sri Lanka Rupees Thousands)

09) Being recording the reversal for the bad debts provision on receivables from West Coast (Pvt) Ltd

	Dr Rs	Cr Rs
Provision for Bad Debts - Before 2021	1,448,274,848	
Provision for Bad Debts - In 2021	353,520,680	
Retained Earnings - Before 2021		1,448,274,848
Retained Earnings - In 2021		353,520,680

10) Being correcting the initial cost of acquiring DC Fast charges for Electric Vehicles

	Dr Rs	Cr Rs
Property, Plant & Equipment - Before 2021	19,118,790	
Retained Earnings - Before 2021		19,118,790

11) Being correcting the depreciation expense on DC Fast charges for Electric Vehicles

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	10,275,584	
Retained Earnings - In 2021	5,302,166	
Accumulated Depreciation - Before 2021		10,275,584
Accumulated Depreciation - In 2021		5,302,166

12) Being correcting the error of recognising depreciation expense based on motor vehicles useful life

	Dr Rs	Cr Rs
Accumulated Depreciation - Before 2021	17,031,548	
Accumulated Depreciation - In 2021	15,978,571	
Capital Work In Progress - Before 2021		17,031,548
Capital Work In Progress - In 2021		15,978,571

13) Being recording the exchange loss on Puttalam Coal Power Project Loan installment paid by Treasury in 2022

	Dr Rs	Cr Rs
Retained Earnings - In 2021	4,008,140,790	
Interest Bearing Loans and Borrowings - In 2021		4,008,140,790

14) Being recording the interest expense on Puttalam Coal Power Project Loan installment paid by Treasury before 2021

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	24,571,783,962	
Accrued Expenses - Before 2021		24,571,783,962

15) Being recording the exchange loss on Puttalam Coal Power Project Loan installment paid by Treasury before 2021

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	11,431,402,386	
Interest Bearing Loans and Borrowings - Before 2021		11,431,402,386

16) Being recording the exchange loss on revaluing the Puttalam Coal Power Project loan balance

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	41,491,964,381	
Retained Earnings - In 2021	8,172,602,028	
Interest Bearing Loans and Borrowings - Before 2021		41,491,964,381
Interest Bearing Loans and Borrowings - In 2021		8,172,602,028

(All amounts in Sri Lanka Rupees Thousands)

34.2.2 Prior Year Adjustments - Ceylon Electricity Board

Following prior year adjustments were made as of 1st January 2021

01) Being correcting amortisation on Right of Use Asset and the lease liability

	Dr Rs	Cr Rs
Retained Earnings - Before 2021	5,506,434	
Interest Bearing Loans and Borrowings - Before 2021	39,237,904	
Property, Plant & Equipment - Before 2021		44,744,338

Following adjustments we made for the year 2021

Statement of Financial Position	**Rs**
Constructions relating to ADB grant shown as capital working progress	230,224,610
Error on Right of Use Assets depreciation	(77,452,857)
Restatement to Retained Earnings	9,906,380
Change in lease liability relating to Right of Use Assets	(16,357,871)
Changes to the deferred tax liability due to RoU assets adjustment	(2,582,754)
Changes to the ADB grant	230,224,610
Income tax over provision adjustment	(19,111,912)
Change in lease liability relating to Right of Use Assets	(49,306,696)
Profit/loss Statement	
Error on Right of Use Assets depreciation	(32,708,519)
Overstated Lease liability interest adjustment	26,426,667
Income Tax Expenses for the year	5,523,210
Over provision in respect of previous years	14,647,203
Deferred Tax Reversal for the year	1,524,000

34.2.3 Prior Year Adjustments - Sri Lanka Energies (Pvt) Ltd

Following prior year entries were made to correct the recognition of meter enclosure factory and the related expenses.

	Dr Rs	Cr Rs
Retained Earnings - In 2021	7,580,037	
Property, Plant & Equipment		5,423,681
Trade and Other Receivables		2,156,356

(All amounts in Sri Lanka Rupees Thousands)

34.2.4 Impact of the prior year adjustments for the Group as at 31 December 2021

Statement of Financial Position	2021 Before Restatement	Adjustments	2021 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	873,253,898	(792,591)	872,461,307
Intangible Assets	513,347	-	513,347
Investment in Joint Venture	25,677	-	25,677
Finance Lease Receivables	20,465,468	-	20,465,468
Other Non Current Financial Assets	28,054,665	-	28,054,665
Other Non-Current Assets	1,830,583	-	1,830,583
Investments of Insurance Reserves Fund	10,657,598	-	10,657,598
	934,801,236	(792,591)	934,008,645
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	74,986,599	-	74,986,599
Trade and Other Receivables	84,380,714	(477,692)	83,903,022
Finance Lease Receivables	825,121	-	825,121
Other Current Financial Assets	29,922,547	-	29,922,547
Cash and Cash Equivalents	15,309,470	-	15,309,470
	205,424,451	(477,692)	204,946,759
Total Assets	1,140,225,763	(1,270,283)	1,138,955,480
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	413,054,569	-	413,054,569
Reserves	59,080,517	-	59,080,517
Accumulated Profit	(170,433,066)	(91,088,145)	(261,521,211)
Equity Attributable to the Equity Holders of the Parent	301,702,019	(91,088,145)	210,613,875
Non Controlling Interest	39,331,149	4,438	39,335,587
Total Equity	341,033,169	(91,083,707)	249,949,462
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	372,001,007	49,648,209	421,649,216
Consumer Deposits	16,299,865	-	16,299,865
Provisions & Other Deferred Liabilities	23,289,438	-	23,289,438
Government Grants	261,134	230,225	491,358
Contract Liabilities	104,566,763	-	104,566,763
Deferred Taxation	715,267	(2,583)	712,684
	517,133,474	49,875,851	567,009,325
Current Liabilities			
Trade and Other Payables	220,801,094	24,566,447	245,367,541
Dividend Payables	1,618,538	-	1,618,538
Interest Bearing Loans & Borrowings	55,652,644	15,390,236	71,042,881
Income Tax Liabilities	3,986,845	(19,112)	3,967,733
	282,059,121	39,937,571	321,996,693
Total Equity and Liabilities	1,140,225,763	(1,270,283)	1,138,955,480

(All amounts in Sri Lanka Rupees Thousands)

34.2.5 Impact of the prior year adjustment for the Group as at 31 December 2021

Statement of Comprehensive Income	2021 Before Restatement	Adjustments	2021 After Restatement
Revenue	291,198,388	(312,778)	290,885,610
Consession provided to Domestic Customers	(195,709)	-	(195,709)
Cost of Sales	(279,421,532)	(12,150,481)	(291,572,013)
Gross Profit / (Loss)	11,581,148	(12,463,259)	(882,111)
Other Income	18,297,764	(226,942)	18,070,822
Distribution Cost	(205,209)	-	(205,209)
Other Expenses	(3,260,481)	(33,434)	(3,293,915)
Administrative Expenses	(13,166,794)	(5,302)	(13,172,097)
Operating Profit / (Loss)	13,246,427	(12,728,937)	517,490
Finance Income	3,286,672	-	3,286,672
Finance Costs	(22,544,140)	26,427	(22,517,713)
Finance Cost-Net	(19,257,467)	26,427	(19,231,041)
Share of loss of Joint Venture	(5,080)	-	(5,080)
Profit / (Loss) Before Income tax	(6,016,120)	(12,702,510)	(18,718,631)
Income Tax Expense	(3,190,093)	20,170	(3,169,923)
Deferred Tax (Charge)/Reversal	(46,656)	1,524	(45,132)
Profit/(Loss) for the period	(9,252,869)	(12,680,816)	(21,933,685)

(All amounts in Sri Lanka Rupees Thousands)

34.2.6 Impact of the prior year adjustment for the Group as at 01 January 2021

Statement of Financial Position	1st January 2021 Before Restatement	Adjustments	1st January 2021 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	838,065,357	(657,641)	837,407,716
Intangible Assets	512,457	-	512,457
Investment in Joint Venture	30,757	-	30,757
Finance Lease Receivables	19,588,944	-	19,588,944
Other Non Current Financial Assets	24,418,096	-	24,418,096
Other Non-Current Assets	2,160,224	-	2,160,224
Investments of Insurance Reserves Fund	9,980,730	-	9,980,730
	894,756,565	(657,641)	894,098,924
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	53,412,274	-	53,412,274
Trade and Other Receivables	74,358,646	(289,337)	74,069,309
Finance Lease Receivables	1,015,236	-	1,015,236
Other Current Financial Assets	33,652,650	-	33,652,650
Cash and Cash Equivalents	9,719,896	-	9,719,896
	172,158,702	(289,337)	171,869,364
Total Assets	1,066,915,343	(946,978)	1,065,968,365
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	391,730,584	-	391,730,584
Reserves	52,807,113	-	52,807,113
Accumulated Profit	(148,673,698)	(78,400,424)	(227,074,120)
Equity Attributable to the Equity Holders of the Parent	295,863,999	(78,400,424)	217,463,575
Non Controlling Interest	34,651,586	(2,467)	34,649,119
Total Equity	330,515,585	(78,402,891)	252,112,694
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	353,176,564	52,923,367	406,099,931
Consumer Deposits	15,640,570	-	15,640,570
Provisions & Other Deferred Liabilities	21,798,853	-	21,798,853
Government Grants	278,934	-	278,934
Contract Liabilities	100,694,745	-	100,694,745
Deferred Taxation	541,752	-	541,752
	492,131,418	52,923,367	545,054,785
Current Liabilities			
Trade and Other Payables	187,337,413	24,571,784	211,909,197
Dividend Payables	905,034	-	905,034
Interest Bearing Loans & Borrowings	53,038,697	(39,238)	52,999,460
Income Tax Liabilities	2,987,196	-	2,987,196
	244,268,340	24,532,546	268,800,886
Total Equity and Liabilities	1,066,915,343	(946,978)	1,065,968,365

(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 2022	2021	Included under
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	86,000	Non-current Financial Assets
Fixed Deposits	SMI Loan Schemes of People's Bank	225,097	213,982	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	1,199,166	1,066,533	
Fixed Deposits	NSB Solar Loan	1,406,480	1,332,525	

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 2022	2021	Included under
Lakdhanavi Ltd				
Investment in Fixed Deposits	Bank Guarantees	1,028,545	702,625	Non-current Financial Assets
	Other Current Financial Liabilities	693,570	688,076	
	Letter of Credit Facilities	14,124,432	2,010,160	
	Letter of Credit, Guarentees, Overdraft, Loans & import bill Facilities	293,870	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 Equipmets 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 circumstancse 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 31.12.2022, the Board is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs 59,475 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 14th February 2023.

(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 with 3% annual interest plus the Arbitration cost of 10 million rupees. This Case will be called on 22.05.2023 in the Commicial High Cort No .4.

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 32,774,636.19 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.

38. COMMITMENTS

38.1 The Board

The Board does not have material capital commitments as at 31st December 2022 that require adjustments or disclosures in the financial statements.(2021 - Nil).

38.2 Lanka Electricity Company (Pvt) Limited

There were no material capital commitments as at the reporting date, 31st December 2022 that require adjustments to or disclosure in the financial statements (2021 - 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	2022	2021
Hatton National Bank PLC	7,465,624	5,053,148
Nations Trust Bank PLC	-	1,828,870
Commercial Bank PLC	3,558,736	4,339,713
Bank of Ceylon	37,291	-
Standard Chartered Bank	408,947	204,350
	11,470,598	11,426,081

Bank Guarantees/Shipping Guarantees

Bank	2022	2021
Hatton National Bank PLC	2,104,115	225,658
Standard Chartered Bank	180,507	159,616
National Development Bank	600,000	-
	2,884,622	385,274

(All amounts in Sri Lanka Rupees Thousands)

Airway Bill Endorsement / Bills Discounting

Bank	2022	2021
Standard Chartered Bank	49,289	85,495
	49,289	85,495

Corporate Guarantees

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

Bank	Subsidiary	2022	2021
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	2,928,000	1,606,000

Lakdanavi Limited

The Company has a commitment towards Hatton National Bank of Rs. NIL (2021 - Rs. 6,148,509,763/-) as Performance Guarantees and Rs. 900,000,000/- (2021-Rs.NIL) as performance obligation bond and USD 1,000,000/- (2001-USD NIL) as site reinstatement bond. The Company has a commitment towards Sampath Bank PLC of Rs. NIL (2021- Rs. 5,863,097,020/-) as Performance Guarantees. The Company has a commitment towards National Development Bank PLC of Rs.600,000,000/- (2021- 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 Kerawalapitiya 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.

(All amounts in Sri Lanka Rupees Thousands)

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 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.

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.

		Group		Board	
	Nature of Transaction	2022	2021	2022	2021
Ceylon Petroleum Corporation	Purchase of Fuel	71,852,617	21,759,060	71,852,617	21,759,060
Department of Public Enterprises	Obtain Project Loans	23,348,396	12,129,337	23,348,396	12,129,337
Peoples Bank	Obtain Bank Loans	41,975,584	18,620,253	41,975,584	18,620,253
Peoples Bank	Investments	3,354,206	7,620,953	-	-
National Savings Bank	Obtain Bank Loans	1,250	1,250	1,250	1,250
Bank of Ceylon	Obtain Bank Loans	-	339,600	-	-
Bank of Ceylon	Investments	55,653	2,939,193	-	-
State Mortgage & Investment Bank	Deposits	43,183	46,504	-	-
HDFC Bank	Deposits	1,157,662	1,020,029	-	-

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 obtaining bank loans from Peoples Bank
Payments of statutory rates, taxes.
Payment for employment retirement benefits - ETF
Payment for utilities mainly comprising of telephone, electricity and water
Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation

(All amounts in Sri Lanka Rupees Thousands)

39.2 Related Party Transactions with the related companies of CEB

Related party transactions carried out by the Board with its related entities during the course of the business is listed below.

	Relationship	Nature of the Transaction	2022	2021
Lanka Electricity Company	Subsidiary		29,651,359	22,917,476
			274,221	-
			817,049	-
			(1,597,590)	1,219,459
LTL Holdings (Pvt) Ltd	Subsidiary		-	2,519,496
			(440,912)	(3,119,790)
Lanka Coal Company (Pvt) Ltd	Subsidiary		117,337,279	58,990,573
			69,008	55,464
LTL Transformers Ltd	Sub-subsidiary	Purchase of Goods	1,035,050	831,252
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary	Receipt of Services	333,397	333,424
Nividu (Pvt) Ltd	Sub-subsidiary		166,940	86,056
Nividu Assupinella (Pvt) Ltd	Sub-subsidiary		174,919	115,986
Pawan Danavi Limited	Sub-subsidiary		396,904	157,398
ANTE LECO Metering Co (Pvt) Ltd	Sub-subsidiary	Purchase of Goods	263,294	1,195,641
Sri Lanka Energies (Pvt) Ltd	Sub-subsidiary	Reimbursement of SLE GM salaries	3,838	10,333
Kumbalgamuwa Minihydro (Pvt) Ltd	Sub-subsidiary		109,203	116,108
Daduru Oya Mini Hydro (Pvt) Ltd	Sub-subsidiary		106,153	94,781

39.3 Related Party Transactions among the group companies

Nature of the transaction	LTL Holding and subsidiaries	Lanka Electricity Company and subsidiaries	2022	2021
Sale of transformers to Lanka Electricity Company (Pvt) Ltd	387,412	-	387,412	254,939
Operation and Maintenance Services	4,844,749	-	4,844,749	3,812,889

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.

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.

	Group		Board	
a) Key Management personnel Compensation	**2022**	**2021**	**2022**	**2021**
Short- term employee benefits	137,434	132,017	3,580	4,061
Post - Employment benefits	12,960	13,941	-	-
	150,394	145,958	3,580	4,061

(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.

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 arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the operations while impairing investor, customer, and supplier confidence thereby weakening its competitive position.

It has being 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.

(All amounts in Sri Lanka Rupees Thousands)

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 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 exposue to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages interest rate risk on its borrowings by maintaining a mix of fixed rate and floating rate facilities as well as maintaining deposits, which would cover against market fluctuations. Ceylon Electricity Board, being a government organization negotiates with the bank for favourable interest rates to minimise the exposure in interest rates.

41 FAIR VALUE

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

a) The Management assess 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 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, 2022, 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	
	2022	2021	2022	2021
Refundable Deposits	127,828	82,646	127,828	82,646
Investment in Fixed Deposits	17,798,879	23,500,045	17,798,879	23,500,045
Investment in Repurchase Agreements	5,616,938	3,350,369	5,616,938	3,350,369
Investment in Other Deposits	71,399	125,945	71,399	125,945
Loans to Company Officers	9,077,306	10,519,701	9,077,306	10,519,701
Loans to Consumers	283,404	1,237,538	283,404	1,237,538
Investments in Debentures	55,034	62,406	55,034	54,828
	33,030,788	38,878,650	33,030,788	38,871,072

(All amounts in Sri Lanka Rupees Thousands)

41.3 Fair value hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a trade price may not be possible. In these circumstances, the group use alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.
Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 : Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2022, 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	2022	Level 1	Level 2	Level 3
Financial Assets at Fair Value through OCI					
Unquoted Equity Shares	31-Dec-22	15,343,010	-	-	15,343,010
Financial Assets at Fair Value through Profit or Loss					
Investment in Equity Securities	31-Dec-22	77,994	77,994	-	-
Assets for which fair value is disclosed					
Investment in Debentures	31-Dec-22	55,034	-	55,034	-

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, 2022. 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. (Level 3)

Auditor General's Report on Group Financial Statements

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

My No. PWR/A/CEB/C/1/1/2023 | Your No. | Date: December 2023

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 2022 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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, and of their financial performance and the cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Comments on Consolidated Financial Statements

1.2.1.1 A Qualified Opinion on the financial statements of the following companies for the year ended 31 December 2022 had been expressed by me based on the following observations.

(a) **Lanka Coal Company (Pvt.) Ltd**

(i) As per the details obtained from the Department of Inland Revenue, the balance of VAT Payable as at 31 December 2022 was Rs.1,436.33 million and the penalty payable thereon for the years of assessment 2017/2018, 2018/2019 and 2019/2020 was Rs.1,436.33 million. However, the said amount of penalty payable had not been disclosed in the financial statements as per the paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12). Further, the Company had not recognized the aforesaid tax payable in the Financial Statements.

(ii) As per the Paragraph 5.5.15 (a) of SLFRS 9 - Financial Instruments, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for, trade receivables or contract assets that result from transactions that are within the scope of SLFRS 15. However, the Company had not made provision according to the Standard for the long outstanding trade receivables amounting to Rs.1,095.6 million as at 31 December 2022.

(iii) When importation of coal, a mark-up of 10 per cent had been added to the value at the point of the Customs as a notional adjustment in ascertainment of the value for the Custom purpose which had not been actually incurred. However, the Company had added a 10 per cent mark-up amounting to Rs.9,419.6 million to the revenue for the year under review, 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 for the year under review had been overstated by similar amount.

(iv) According to the information made available, it was observed that the Company had paid a sum of Rs. 205 million 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 under the Sri Lanka Custom VAT account, VAT control account and CSCL liability account instead of being accounted for as expenditure in the respective year. As a result, the retained earnings had overstated by Rs.205 million and the Sri Lanka Custom VAT account, VAT control account and CSCL liability account had understated by Rs.158.2 million, Rs.39.97 million and Rs.6.8 million respectively at the end of the year under review.

(v) The Company had paid a sum of Rs.136.2 million in 2016 as Custom VAT for the Shipment No.123. However, according to the Custom Declaration Certificate, the actual VAT amount was only a sum of Rs.106.97 million. Accordingly, it was observed that the Company had overpaid a sum of Rs. 29.2 million and action had not been taken to set off that amount against the outstanding due balance.

(vi) Four receivable balances due from CEB as at the end of the year under review was Rs.273.3 million and the corresponding payable balances had not been recorded in the financial statements of CEB as at 31 December 2022. As such, the audit was unable to ascertain the accuracy and the existence of said receivable balances.

(vii) As per financial statements of the Company, the balance payable to Ceylon Shipping Corporation Ltd as at 31 December 2022 amounted to Rs.547.7 million and as per the confirmation submitted by the Ceylon Shipping Corporation Ltd, it was Rs.1,271.9 million. Accordingly, a difference of Rs.724.2 million was observed.

(viii) Relevant documentary evidences relating to the receivable balances of SGS Charges 50 per cent receivable from Liberty Commodities Ltd and Miscellaneous Debtors amounting to Rs.8 million and Rs.9.8 million respectively and the payable balances of Trade Creditors and SGS Lanka (Pvt) Ltd amounting to Rs.87.9 million and Rs.12.2 million respectively as at the end of the year under review were not made available to audit.

(b) Sri Lanka Energies (Pvt) Ltd

(i) Some administrative and direct expenses amounting to Rs.7.39 million related to the previous periods had been recognized in the year under review without making prior year adjustments in the financial statements in terms of the provisions of the paragraph 42 of LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors. As a result, the profit for the year under review had been understated by the same amount.

(ii) The fully depreciated assets amounting to Rs.100.08 million including the Injection Molding Machinery of Rs.79.5 million were being used by the Company as at the end of the year under review without taking action to review the residual value and the useful life of those assets in terms of the paragraph 51 of LKAS 16 - Property Plant and Equipment.

(iii) The Company had entered into lease agreement for Galigamuwa land for 35 years from 07 July 2017. However, the right of use assets and lease liability in relation to the said lease had not been recognized in the financial statements by the Company as per the SLFRS – 16- Leases.

(iv) According to the financial statements of the Company, the balance of trade receivables due from ultimate parent - Ceylon Electricity Board (CEB) as at 31 December 2022 was Rs.165.31 million. However, as per the financial statements of the CEB, the corresponding receivable balance was only Rs.28.21 million and a difference of Rs.137.1 million had been observed.

(v) The Company had not claimed the long outstanding WHT receivable balance amounting to Rs.2.12 million against the income tax payable even as at the end of the year under review. Further, the WHT certificates were not made available to audit.

(vi) As per the financial statements of the Company, the total balance of 06 Term loans obtained from a private commercial bank as at 31 December 2022 was

Rs.80.86 million and as per the balance confirmation, the loan balance was Rs.87.65 million. Accordingly, a difference of Rs.6.78 million was observed between the financial statements and the balance confirmation.

(vii) The Company had not taken proper action to recognize unidentified deposits totalling Rs.7.06 million which had been accumulated since 2019 and shown under trade and other payables in the financial statements.

(viii) Income tax payable as at 31 December 2020 was Rs.30.77 million and as per the income tax returns submitted to the Department of Inland Revenue (up to the year of assessment 2020/2021), income tax payable related to that period was Rs.15.2 million. Accordingly, a difference of Rs.15.57 million was observed and relevant adjustment had not been made in the financial statements as at 31 December 2022. Further, according to the financial statements, balance of Income Tax Payable as at 31 December 2022 was Rs.43.88 million and the Company had not paid income tax since the year of assessment 2015/2016.

(ix) According to the financial statements of the Company, the inventory as at 31 December 2022 was Rs.39.22 million. This balance had been arrived using the weighted average cost at the rates given by the system as at a date after the year end. Accordingly, audit was unable to ascertain the accuracy of the inventory balance shown in the financial statements as at 31 December 2022.

(c) Lanka Electricity Company (Private) Ltd

(i) According to the paragraph 5.5 of Conceptual Framework for Financial Reporting, the initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses. The simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income. However, the Company had not identified solar energy purchased cost (Net Accounting and Net Plus) for the period of 2017, 2018, 2019, 2020 and 2022 amounting to Rs.2,819.6 million as cost of sales in respective years (instead, Company had recognized as receivable from Ceylon Electricity Board) even though the sales revenue of solar energy purchased had been recognized as sales in respective years. As a result of this retained earnings, profit for the year and receivable balance had being overstated Rs.1,336.9 million, Rs.1,482.7 million and Rs.2,819.6 million respectively as at 31 December 2022.

(ii) According to the section 51 of LKAS – 16 Property, Plant and Equipment, The residual value and the useful life of an assets shall be reviewed at least each financial year end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with LKAS 8. Fully depreciated asset which are being used by the Company amounted to Rs.9,554.6 million had not been reviewed accordingly as at 31 December 2022.

(iii) The balance due from Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2022 was Rs.2,826.6 million This balance was comprised of Rs.2,819.6 million which was due from CEB for the cost of purchasing energy using net accounting and net plus methods for the years 2017, 2018, 2019, 2020 and 2022. According to balance confirmation from CEB, there were no payable amounts to the Company and there was no formal agreement between two parties for purchasing Electricity using net accounting and net plus methods. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit. Further, the Company had made provision for impairment of Rs.2,449.3 million for the above receivable balance.

(iv) The Company had incurred a cost of Rs.206.9 million to purchase the lands and buildings to be used for construction of the CEB primary substations and that amount had been recorded as a balance receivable from the CEB as at 31 December 2022. 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) The receivable balances of Rs.3.9 million due from CEB for self-generation had been remained unrecovered for more than five years. There was no formal agreement between the Company and CEB regarding self-generation, and the balance confirmation of that amount was not made available to audit. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit.

(vi) The difference between value of purchasing order and actual payment had been identified in the purchasing variance account. Accordingly, an amount of Rs.149.2 million had been charged as operating expenses in profit or loss instead of recognizing it as inventory, assets or profit or loss as relevantly. Accordingly, the audit cannot rule out the impact on profit or loss, inventory or assets due to the above adjustment for the year under review.

(vii) Unidentified deposits amounting to Rs.6.7 million had been included in sundry creditors as at 31 December 2022.

(viii) According to the financial statements, the balances of Capital Work in Progress of Kelaniya, Moratuwa, Nugegoda and Negombo branches as at 31 December 2022 were Rs.45.7 million, Rs.56 million Rs.183.5 million and Rs.41.3 million respectively. However, as per the report of capital jobs in progress, the aforesaid balances were Rs.43.8 million, Rs.55.3 million Rs.181.7 and Rs.46.7 million respectively. Accordingly, there were differences amounting to Rs.1.9 million Rs.0.7 million Rs.1.8 million and Rs.5.4 million between the balances shown in the financial statements and the report of capital jobs in progress.

(ix) The amortization of Treasury bond purchase discount amounting to Rs.3.3 million relating to the Treasury bond of Rs.1.9 billion for the period of 15 September 2022 to 31 December 2022 had been erroneously recorded. As a result of this, interest income had been understated by Rs.6.6 million and investment in the Treasury bond amount had been understated by same amount as at 31 December 2022.

(x) The Company had not made provision for Uniform National Tariff adjustment for the year 2022. However, the impact to the financial result of the year under review could not be ascertained by audit due to lack of information.

(xi) Share certificates or any other sufficient appropriate documentary evidence in respect of the investment amounting to Rs.5 million made in ordinary shares of the Lanka Broad Band Network (Private) Limited as at 31 December 2022 were not made available to audit.

(xii) The balance payable to CEB for Electricity purchases as at 31 December 2022 was Rs.1,799.3 million However, as per the balance confirmation of CEB, respective receivable balance was Rs.2,912.7 million. A difference of Rs.1,113.4 million had been observed between financial statements and balance confirmation as at 31 December 2022.

(xiii) The Company had not taken prompt action to clear unidentified bank deposits amounting to Rs. 16.2 million and unidentified debit amounts to the bank amounting to Rs. 6.2 million as per the bank reconciliations as at 31 December 2022. Out of those, Rs.14.3 million and Rs. 5 million are over 06 months respectively. Further, those unidentified bank deposits and debits had not been included in financial statements.

(xiv) Un-reconciled debit balance of Rs. 5.9 million had been included in Trade and Other Receivable balance as at 31 December 2022.

(xv) According to the financial statements of the Company, the balance payable to Ante LECO Metering Company (Pvt) Ltd as at 31 December 2022 was Rs. 38.6 million. The corresponding balance due from LECO recorded in the financial statements of the Ante LECO Metering Company (Pvt) Ltd was Rs. 22.8 million and a difference of Rs. 15.8 million had been observed between the two Companies as at 31 December 2022.

(xvi) According to the financial statements of the Company, advances made to Ante LECO Metering Company (Pvt) Ltd as at 31 December 2022 was Rs. 136.3 million. However, as per the financial statements of the Ante LECO Metering Company (Pvt) Ltd, corresponding balance was Rs. 113.3 million and there was a difference of Rs. 23 million between the two Companies as at 31 December 2022.

1.2.2 Comments on Financial Statements of the CEB

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

(a) Conceptual Framework for Financial Reporting

(i) Operating Expenses of the Employee Provident Fund (EPF) which is operated under the Board as a separate entity, amounting to Rs. 51.82 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) Fifty nine items of fixed assets relating to four assets categories owned by the Board amounting to Rs.7.06 million had been utilized by the above mentioned Employee Provident Fund Unit in contrary to the paragraph 4.3 of the Framework.

(b) LKAS 1 – Presentation of Financial Statements

(i) Contrary to the paragraph 69 of the standard, the debit balance of stock adjustment account amounting to Rs.139.48 million had been set off against the balance of other payables under the current liabilities instead of showing under the balance of Inventory.

(ii) As per the test check carried out, an abnormal credit balance of Rs.41.58 million arisen due to overpayment etc. in respect of Colombo City region under DD 01 remained in finalized ordinary debtors and an abnormal credit balance of Rs.13.16 million remained in finalized bulk debtors of the Distribution divisions had been set off against receivables contrary to the paragraph 32 of the standard instead of being taken actions to investigate and settle or taken in to Income of the Board.

(c) 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, it was revealed that there were favorable overhead rate and material price variances aggregating to Rs.2.93 billion and Rs.6.54 billion respectively. And also, there was an unfavorable stores price variance aggregating Rs. 6.57 billion.

Accordingly, the impact occurred thereon to the operating results, and assets and equity in the financial statements could not be properly ascertained due to required information relating to those jobs were not made available to audit.

(d) **LKAS 8 – Accounting Policies, Changes in Accounting Estimates and errors**

(i) As per paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful lives of the fully depreciated assets amounting to Rs.211.81 billion as at end of the year under review which are still in use had not been reviewed and accounted accordingly.

(ii) Contrary to the paragraph 41 and 42 of the standard, a sum of Rs.1.47 billion of net exchange losses which had been identified as work in progress in relation to 12 projects during previous years had been rectified during the year under review by charging to the loss of the year under review instead of being adjusted them retrospectively. Hence loss for the year under review had been overstated by similar amount.

(iii) The cost of electrical energy amounting to Rs.1.83 billion supplied by the Board to the West Coast Power (Pvt) Ltd at 220kv during the period from 2020 to 2022 had been deducted from each monthly invoices received to the Board for the purchase of electrical energy from the Company by the Board and net invoice value had been accounted as the cost of electrical energy purchased. However, in the year under review, the total amount of 1.83 billion had been debited to the Purchased Power Thermal account (cost of sales) and credited to the Trade Payable account as payable to the Western Province North under the Distribution Division 2 of the Board instead of being adjusted the cost of electrical energy amounting to Rs.530.95 million supplied during the years 2020 and 2021 as retrospectively in terms of the section 41 and 42 of the standard. However, the said amount had not been shown as receivable in the Distribution Division 2 of the Board as at 31 December 2022.

(e) **LKAS 16 – Property, Plant and Equipment**

Items of office equipment valued at Rs.4.92 million in the Asset Management Division and assets worth of Rs.12.34 million in the finance division had been identified as physically not existed, damaged, unserviceable and inactive during the board of survey of 2021 and 2022 respectively. However, action had not been taken to adjust the books of accounts at the end of the year under review.

(f) **LKAS 20- Accounting for Government Grants and Disclosure of Government Assistance**

A sum of Rs.40.9 billion received to the Board as at the end of the year under review for the implementation of two projects under the foreign loan agreements entered into by the Sri Lanka Government and two foreign lending agencies of which the liability for the repayment is vested to the Sri Lanka Government (no sub loan agreements with the Board) had been accounted as interest bearing loans and borrowings of the Board instead of being accounted as Government Grants in terms of the paragraph 3 of the standard. Apart from that in relation to another two projects a sum of Rs.8.2 billion obtained under the foreign loan agreements entered into by the Sri Lanka Government and two foreign lending agencies for which the Government had agreed to make available the proceeds of the Loan as equity to the Board as per the subsidiary loan agreements had also been shown as interest bearing loans and borrowings of the Board.

(g) **LKAS 21 - The effects of changes in Foreign Exchange Rates**

In terms of Section 23 (a) of the standard, foreign currency monetary items shall be translated using the closing rate at the end of the reporting period. However, the Board had not translated the value of six foreign currency denominated loans in relation to four projects obtained directly by the Board using the closing exchange rates and no foreign exchange gain/loss had been recognized accordingly in the financial statements in terms of the section 28 of the standard. However, as per the balance confirmations received for two loans out of six above, it was observed that interest bearing loan balance at the end of the year under review and loss for the year had been understated by Rs.6,485 million approximately.

(b) **SLFRS 09 - Financial Instruments**

(i) According to the Policy No. 2.4.5.4 of the accounting policies to the financial statements and Accounts Circular No.610 dated 02 February 2023 issued with respect of making provision for impairment of trade debtors, 100 percent provision should be made for trade debtors outstanding for more than 1 year. However, it was observed that an under provision of Rs.10.28 million and an overprovision of Rs.56.59 million had been made for the balance of trade debtors outstanding over one year relating to 4 provinces in three Distribution Divisions. Hence, the loss for the year under review had been overstated by Rs.46.31 million.

(ii) Provision for impairment had not been made for loans given to consumers amounting to Rs.250 million at the end of the year under review by considering the expected credit loss. Further, it was observed that a sum of Rs.196.87 million or 79 percent of total consumer loans had remained outstanding for over 5 years period.

(iii) According to the Policy No. 2.4.5.2 of the accounting policies to the financial statements, the Board's Financial Assets which are subsequently measured at amortized cost comprise of trade and other receivables, loans to customers and loans to employees. Even though the Board had introduced a specific approach and methodology to recognize the expected credit loss of trade debtors, no specific procedure had been introduced for other debtors which includes sundry debtors, dues from sacred places etc. Accordingly, an amount equivalent to Rs.33.95 million and Rs.3.1 million had only been provided for impairment of other debtors remained outstanding over one year in Distribution Division 01 and Distribution Division 04 amounting to Rs.208.06 million and 49.24 million respectively. However, no provision had been made for balance outstanding over one year in Distribution Division 02 and Distribution Division 03 amounting to Rs.148.47 million and Rs.66.6 million respectively.

Similarly, for other receivables outstanding over five years amounting to Rs.300.24 million, an amount equivalent to Rs.64.31 million had only been provided for impairment without recognizing the expected credit loss properly. Due to these observations, the accuracy of carrying value of financial assets in the financial statement cannot be ascertained in audit.

(iv) A sum of Rs.1.38 billion remained more than five years as sundry debtors in Transmission division of the Board and out of that a sum of Rs.1.37 billion remained outstanding from AES Kelanithissa (Pvt) Ltd since the year 2011. However, without recognising the expected credit loss of them properly in terms of the above standard, a sum of Rs.563,330 had only been provided for impairment at the end of the year under review.

1.2.2.2 Accounting Deficiencies

(a) A debit balance relating to stock shortage amounting to Rs.162.5 million and a credit balance relating to stock excess amounting to Rs.78.3 million had been remained in the Stock Adjustment Account for more than one year without being cleared.

(b) The Economic Service Charges (ESC) paid from the year of assessment 2016/17 to 2019/20 which had exceeded the claimable period amounting to Rs. 3.91 billion had not been recognised as expenses in the statements of comprehensive income. As a result, retained loss at the beginning of the year and loss for the year under review had understated by Rs.2.7 billion and Rs.1.21 billion respectively.

(c) A number of 11,429 of completed jobs valued at Rs.16.9 billion were remained in work in progress account for more than two years without being transferred into relevant assets account in Distribution Divisions. Further, action had not been taken to capitalized three number of completed jobs valued at 6.2 million which had been included in the work in progress account of Asset Management division more than 5 years. However, impact to the loss for the year under review due to not making provision for depreciation could not been ascertained due to lack of information.

(d) Work in progress balance in distribution divisions had been understated by Rs.12.82 million due to offsetting of abnormal credit balances.

(e) A sum of Rs.107.47 million incurred on the construction of Gampaha Area Engineer Office, which had been completed in 2018, had been included in work in progress account without being taken action to capitalize even by the end of the year under review. Further, as per the calculations made by audit, retained loss and loss for the year under review had been understated by Rs.9.12 million and Rs.2.69 million respectively due to not making provisions for depreciation from the year of completion.

(f) Four vehicles worth of Rs.124.30 million purchased for the Puttalam Coal Power Project (ii) had not been capitalized even after the completion of the Project in 2014, and instead that amount had been included in work in progress account. Further, depreciation of those vehicles had not been recognized since the Project completion date. In addition to that no actions had been taken to get the ownership of these vehicles transferred to the Board even up to the end of the year.

(g) It was observed that the Board had made prior year adjustments in the financial statements of the year 2021 and 2022 pertaining to years 2019, 2020 and 2021. As a result, the retained loss as at the end of the year 2021 was distorted by Rs.89.6 billion. Hence, the possibility for making adjustments to the profit for the year under review in the forthcoming years could not be ruled out in audit.

(h) Loans to customer balance in Distribution Division 01 had been understated by Rs.23.97 million due to offsetting of abnormal credit balances in North Western Province 2.

(i) Goods in transit balance amounting to Rs.89.57 million had remained in the books of accounts for over one year without being taken proper action to settle. Out of the goods in transit balance of Rs.65.26 million in Distribution Division 01, a sum of Rs.60.38 million represents transformers that had been sent to Lanka Transformers Limited for galvanizing 5 years ago but had not been received again even at the end of the year under review.

(j) Abnormal credit balance of Rs.26.97 million was observed in the balance of goods in transit in Corporate Office and Sabaragamuwa (Deputy General Manager Office) under the Distribution Division 03.

(k) A debit balance of Rs.557.94 million and a credit balance of Rs.556.81 million in inter divisions' current accounts remained unsettled in Distribution Division 01 and Distribution Division 02 since 2002 had been transferred to debtors control account in 2004 without being investigated and settled.

(l) The Board had established a Project Management Unit for the Lakwijaya 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 the Project on 26 October 2021 based on the Government policy taken on 26 July 2021 by the Cabinet of Ministers. However, a sum of 167.62 million remained under the Capital Work in Progress even as at 31 December 2022 without obtaining any action to write-off or make any provisions in the financial statements.

(m) Value of 23 vehicles and accumulated depreciations thereon had not been recorded in the assets register of Lakvijaya Power Station, and as a result, it had not been included in the financial statements due to lack of information.

(n) As per the invoices submitted by Public Utility Commission of Srī Lanka in terms of the Gazette Notification No.2267/13 Published on 15 February 2022, the Annual Regulatory Levy for the year 2022 relating to the Distribution Divisions, Generation Division and Transmission Division was Rs. 209.68 million. However, a sum of Rs.167.25 million had only been accounted in the financial statements for the year under review for the same and thus indicating an understatement of Rs.42.43 million.

(o) Dam Works, Tunnel Works, Tailrace Works and Intake Canal valued at Rs.63.54 billion had been shown under the civil works of Property Plant and Equipment of Mahaweli Complex. However, the accuracy of the said amount and the ownership of the respective assets to the Board could not be verified in the Audit due to lack of information.

(p) Direct bank credits amounting to Rs.7.29 million relating to Peoples Bank account No. 85135 remained from the year 2018 had been transferred temporarily to cash in transit account without being taken action to investigate and accounted to the proper accounts.

(q) As per the paragraph 5.2 (b) of the Standardized Power Purchase agreement, CEB shall pay the seller on or before the due date which means thirty days after the date on which CEB reads its meter installed at the Power Plant and any undisputed amounts unpaid after the due date shall bear interest at the Prime Rate compounded on a monthly basis. However, it was observed that an amount of Rs.26.9 billion was due to the 310 power producers as at 31 August 2023 as a result of non-settlement of invoices by the due dates. Further, it was observed that interests for unpaid balnces after the due dates had been requested by the power producers in time to time submitting the invoices to the CEB and according to the invoices received to the audit which have been submitted by the power producers to the CEB, an amount of Rs. 2.6 billion had been requested as interests for unpaid balances by the 109 power producers relating the period from April 2019 to April 2023. Nevertheless, it was observed in audit that any amount of the interests requested by the power producers had not been paid by the CEB and any provision for the interest payable had not been provided in the books of accounts of the CEB even at the end of the year under review.

1.2.2.3 Un-reconciled Differences

(a) It was observed a difference of Rs.4.62 billion between the balance shown as payable to the Ceylon Petroleum Corporation (CPC) in the financial statements of the Board as at 31 December 2022 and the corresponding balance shown as receivable in the financial statements of the CPC as at that date. Further, in the above-mentioned difference, there was a disputed amount of Rs.753.61 million as at 31 December 2022, and it had been reiterated in audit reports since 2013 continuously. However, at the meeting held on 22 December 2022 at the Department of Public Enterprises, the Director General had recommended bearing the interest component of Rs.330 million (approximately) after 19 April 2013 by the Board subject to the approval of the Board of Directors. However, no action had been taken to get the approval of the Board of Directors and act accordingly even at the end of March 2023.

(b) As per the audit test check carried out, an aggregate difference of Rs.4.49 billion was observed between the work- in- progress balance of the project of Supporting Electricity Supply Reliability Improvement Project shown in the financial statements of the Board and the corresponding balances shown in the financial statements of the project.

(c) An unidentified debtor balance of Rs.423.76 million remained outstanding since 2012 in Distribution division 1. However, out of that, a sum of Rs.185.41 million had been transferred to debtor control accounts, other liability account etc. of Distribution Divisions from 2015 to 2022 without investigating and adjusting the individual debtors account affected.

(d) Some differences were observed between the balances of Bulk Debtors and Ordinary Debtors as per the billing system and the amounts taken to the reconcilintion statement as billing debtors relating to some cost centres. Accordingly, it was observed that there were differences amounting to Rs.5.28 million and Rs. 423.85 million with regard to the Bulk Debtors and Ordinary Debtors respectively for the year under review. Accordingly the accuracy of trade debtors could not be reasonably ascertained in audit.

(e) Collection Control Account had a debit balance of Rs.278.54 million and a credit balance of Rs.1.52 billion as at 31 December 2022. However, reconciliation of unsettled debit balance of Rs.273.32 million and credit balance of Rs.913.25 million was not made available for audit. Hence, the accuracy of the Collection Control Account balances could not be satisfactorily verified in audit. It was further observed that an unidentified opening credit balance of Rs.38.05 million(except unidentified opening credit balance) and a debit balance and a credit balance remained over one year amounting to Rs.3.14 million and Rs.3.44 million respectively had also been included in the Collection Control Account without being taken proper action to settle.

(f) A sum of Rs.68.99 million collected during the period from 1998 to 2021 from debtors had been included in the suspense account without being taken proper action to clear it.

(g) A sum of Rs.38.76 million receivable from Sojitz Kelanithissa (Pvt) Ltd for the supply of electricity remained outstanding from the year 2019 in relation to WPS II-(Distribution Division 03) without being taken action to investigate and recover. However, as per the records of them, it had not been recorded as payable to the Board.

(h) As per the financial statements of the Board, an amount equivalent to Rs.752.22 million remained as work in progress of Kelanithissa Frame V Refurbishment Project (860.25) as at 31 December 2022. However, as per the records maintained at the Generation Project Branch, it was Rs.992.77 million and hence, an un reconciled difference of Rs.240.55 million was observed.

(i) An aggregate difference of Rs.22.24 million was observed with regard to the balance receivables from two government institutions in respect of the jobs carried out by the Asset Management Division of the Board between the records of the Board and the books of accounts of the respective government institutions.

(j) As per the books of accounts of the Board, a sum of Rs.865.16 billion had been shown as contributed capital from the General Treasury at the end of the year under review. However, as per the records of the General Treasury, an amount equivalent to Rs.864.14 billion had been identified as capital contribution to the Board. Hence, an aggregate difference of Rs.1.01 billion was observed at the end of the year under review.

(k) Un- reconciled differences aggregating to Rs.1,126.29 million and Rs.447.78 million in receivable from related parties and payable to related parties respectively were observed between the books of accounts of the Board and the corresponding figures shown in the financial statements of the respective companies.

1.2.2.4 Lack of Evidence for Audit

Loan balance confirmations of four foreign funded loans directly obtained by the Board had not been furnished to audit. The total outstanding of these loans as per the financial statements is Rs.55,078.65 million.

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 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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board an 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.
- 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 Qualified 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 the paragraphs 1.2.2.1(a), (c),(d)(i),(e) ,1.2.2.2 (a), (b), (c), (d), (f), (k), (l), (m), (o), 1.2.2.3 (a), (c), (d), (e), (f), (g) 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 course of business as per the requirement of section 12(d) of the National Audit Act, No. 19 of 2018;

2.2.2 to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12(f) of the National Audit Act, No. 19 of 2018 except;

Reference to Law/ Direction	Description
(a) Sri Lanka Electricity Act, No. 20 of 2009 as amended.	
(i) Section 7(1) and 43(1)	Without obtaining the authorization from the regulator, 60.33 Gwh of energy valued at Rs.5.07 billion had been purchased during the year under review from 3 retired Independent Power Producers (IPPs) whose generation license had been expired.
(ii) Section 28(3)	The Board had not paid or made provision in the books of accounts for interest on consumer deposits as specified in the Act. According to the computation made in audit based on the rate reported by the Public Utilities Commission of Sri Lanka for the year 2022, the interest to be paid thereon was Rs.976 million, and accordingly, the unpaid accumulated interest as at 31 December 2022 was Rs.9.06 billion.

(b) Sub- Section 10 of condition 30 of Electricity Transmission and Bulk Supply License granted by Public Utilities Commission of Sri Lanka under section 13(1)(c) (i) (b) of the Sri Lanka Electricity Act No.20 of 2009.	Without obtaining prior approval of the commission, interruption to the electricity supply was taken by the Board for 9 hours and 30 minutes in 11 days from 6 January to 04 April during the year under review.
(c) Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 17 November 2021.	
(i) Section 3.5	The Board had paid a sum of Rs.51.91 million during the year under review as salaries and allowances of thirty-three employees who had been released to the Line Ministry by 31 December 2022. Accordingly, the Ministry of Power and Energy should reimburse an amount of Rs.236.26 million to the Board for the employees released only from the year 2020 to 2022.
(ii) Section 6.6	Draft annual report of the Board for the year 2022 had not been submitted along with the financial statements.
(iii)Section 7.7	A Subsidiary Reviewing Policy had not been established by the Board of Directors even at the end of April 2023 even though Board of Directors has a fiduciary duty to discuss the performance of the subsidiaries at least quarterly.

(d)	Section 47 of Employee Provident Act, No. 15 of 1958 and the Clarification made by the Commissioner General Of Labour in his letter 2015 September 12 addressing to the Auditor General.	In contrary to the provision, the Board had decided to use the highest of the exodus allowance, postgraduate degree allowance and professional allowance/ semi-professional allowance when computing the earnings.
(e)	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 be 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.
(f)	Circular No. 03/2018 of 18 July 2018 of Management Services Department, and Section 9.1 of Chapter II of Establishment Code.	Two retired employees had been appointed as consultants of the Board without being obtained the approval of the Cabinet of Ministers and a sum of Rs.1.2 million had been paid for them as consultancy charges for the year under review.
(g)	Section 17 of the Part V of the Social Security Contribution Levy Act, No.25 of 2022.	The Social Security Contribution Levy (SSCL) amounting to Rs.223.31 million charged on the supply of electricity to the Lanka Electricity Company Limited for the fourth quarter of the year under review had not been remitted to the Department of Inland Revenue even at the end of April 2023.
(h)	DGM(CS)/Circular No.1998-4 dated 31 March 1998 issued by Deputy General Manager (Consumer Service).	Within three months after the disconnection, legal action should be taken to recover outstanding debtor balance by the legal section. However, as per random audit check, it was observed that legal actions had not been taken to recover the outstanding debtor (finalized)

		balance aggregating to Rs.272.15 million Colombo City region.
(l)	Public Enterprises Circular No. 130 dated 08 March 1998.	Vehicle loans should be granted at the ranging from 10 per cent to 14 per cent. Board had granted vehicle loans to its em interest rate of 4.2 per cent without bei the liquidity difficulties of the Board.

2.2.3 to state that the Board has not performed according to its powers, functions duties as per the requirement of section 12 (g) of the National Audit Act, No. 2018 except for;

(a) Cabinet Memorandum No. 07/1955/332/045 dated 31 October 2007 subm by the Minister of Power and Energy on "Payment of Allowance Employees of the Ceylon Electricity Board" was considered along wit Report of the National Salaries and Cadres Commission dated 31 March by the Cabinet of Ministers on 09 April 2008 and approval was grant implement the recommendations of the Committee appointed for the pur subject to the conditions stipulated by the National Salaries and C Commission in its report dated 31 March 2008. The following observation made in this regard.

(i) Contrary to the said Cabinet decision, the allowances such as Engi Allowance, Incentive Allowance, Temporary Allowance, Qualific Based Incentive Allowance, OH & S Incentive Allowance, Allowance, Transmission & Generation Planning Allowance, Sy Control Allowance, Tamil Language Allowance and Other Allowa which were not included in the approved allowances list by the Cabin Ministers had been paid to the respective employees of CEB. Accordi the audit test check carried out, it was revealed that a sum of Rs. 41 million had been paid as above allowances for the year 2022 wi obtaining the recommendation of the Salaries and Cadres Commission approval of the Department of Management Services as per Management Services Circular No. 39 of 26 May 2009 and Management Services Circular No. 3/2018 of 18 July 2018.

(ii) Contrary to the said Cabinet decision, the Exodus Allowance is paid to the officers who are entitled to the Professional Allowance. Accordingly, the both allowances, the Exodus Allowance and Professional Allowance are paid to the particular officer. Audit tests revealed that a sum of Rs. 11.99 million had been paid to the 487 number of officers as the Exodus Allowance who is entitled to the Professional Allowance only for the month of June 2022.

(iii) Audit tests revealed that a sum of Rs. 3.65 million had been paid to 136 numbers of officers as allowances only for the month of June 2022 exceeding 65 per cent of their salaries and it was contrary to the said Cabinet decision. Further, the several allowances which are related to the duties carrying out by a particular post are paid contrary to the said Cabinet Decision. Accordingly, it was revealed that the total amount of Rs. 21.67 million had been paid for these kinds of allowances only for the month of June 2022.

(iv) Contrary to the said Cabinet decision, 25 number of approved allowances are paid to the employees who are recruited after 01 April 2008 instead of introducing a performance-based incentive scheme for them.

(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) has 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. However, no action had been taken to recover the loss incurred by the Board due to this payment from respective employees even by the end of the year under review.

(c) 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. Accordingly, as per the Least Cost 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 additional capacity of 2,032 MW, power plants with aggregating capacity of 661.6 MW had only been commissioned. Also, the Public Utilities Commission had given the conditional approval for the Least Cost Long Term Generation Expansion Plan of 2022 – 2041 on 05 October 2021 based on the Government policy in respect of electricity industry approved by the Cabinet of Ministers. According to the conditionally approved Least Cost Long Term Generation Expansion Plan of 2022 – 2041, renewable energy capacity additions of 544MW was planned to be implemented in the year 2022. However, new renewable energy power plants with aggregating capacity of 211 MW had only been commissioned. Therefore, the progress of implementation of new generation plan was significantly lower, and the objective of the plans to produce least cost power supply was unable to achieve. As a result, a quantity of 60.33 Gwh valued at Rs.5.07 billion had to be purchased as additional power during the year under review.

2.2.4 to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

(a) As per the Long Term Generation Plan 2018-2037, Seethawa Ganga Hydropower Project was scheduled to be commissioned by 2022 and a sum of Rs. 301.19 million had been incurred for preliminary activities by the end of the year 2020. However, the Board of Directors had decided to windup the project activities on 20 December 2020 due to funding issues and to develop it through the Sri Lanka Energies (Pvt) Ltd. However no action had been taken to negotiate with the respective company and settle the matter even by the end of April 2023. Hence, it was observed that the expenditure incurred on the above project had become uneconomical.

(b) A sum of Rs.6.55 billion and a sum of Rs.8.92 billion had been incurred during the year under review as delay interest on power purchases and fuel purchase (CPC) respectively due to delay in making payments on time.

Further, an amount equivalent to Rs.11.17 million had also been incurred as default interest due to delay in repayment of loan installments by the Board in respect of local bank loans.

(c) 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. However, 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. As approved by the Cabinet, Rs.13.10 per kWh out of total tariff of Rs.36.20 has to be reimbursed from General Treasury. 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 for the energy purchased. However, Rs. 13.10 per Kwh had not been reimbursed by the General Treasury. Therefore, total receivable from General Treasury was Rs.1.85 billion as at 31 December 2022.

(d) As mentioned above, only 7 procurements for NCRE projects with aggregating capacity of 390 MW had been initiated up to 31 December 2021. However, out of the above-mentioned power plants, power plants with aggregating capacity of 81 MW had only been commissioned up to 31 December 2022.

(e) The contract for the Piling works of Proposed Headquarters Building Complex had been awarded on 22 October 2012 for the contract sum of Rs. 304.6 million. The contract for the construction and remedying defects of the construction of Headquarters Building Complex was awarded on 02 August 2021 for the contract sum of Rs.4,774.6 million (excluding VAT) and Commencement date was 16 August 2021. The construction shall be completed on 15 August 2023 (from 730 calendar days from the commencement date). The initial estimated cost of the Proposed Headquarters Building Complex was computed as Rs. 1,000 million in 2011 and it was increased up to Rs.5,079.2 million (Total contract sum of two contracts) as at 02 August 2021 mainly due to major time gap between two contracts. However, at the end of the year under review, an amount of

Rs.1.19 billion had been incurred for the construction activities and the physical progress of the construction at the end of the year under review was only 12.7 percent. It was further observed that without taking action to expedite the construction activities, a sum of Rs.319.19 million had been spent by the Board during the period from 2017 to 2022 for renovation of the existing head office building, even when a new building had been planned to be completed in the year 2023.

(f) Unit costs (Per kwh) of purchased energy from the three retired IPP power plants during the year under review were Rs. 63.51, Rs.78.20 and Rs.122.50 respectively, while average cost of unit was Rs.33.65. 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.

(g) Avoided cost based tariff was introduced before the year 2000 for Non-Conventional Renewable Energy (NCRE) Projects (Especially for mini hydro plants). Such tariff is now applicable only for the NCRE Projects that had been approved before 2007 and at present, 28 nos. of such projects are operated. The avoided cost method was based on the thermal plant dispatch, and it had varied from fuel cost. As per the letter No. DGM/SYC/TCH/41of DGM (system control) dated 16 January 2020 , the actual unit cost of hydro plants should have been less than Rs. 10.00 even with new plants. However, the rate determined on the avoided cost method for the mini hydro plants for the year 2022 was Rs. 18.19 for the wet season and Rs. 18.67 for the dry season. Further, as per the Plant wise cost published by the PUCSL for June 2022, the hydro cost per unit for the Board was Rs.4.85. However, actions had not been taken to apply reasonable ceiling price for mini hydro plants which are based on the avoided cost method even at the end of the year under review even though Board decision had been given on 16 August 2022 on the same matter.

(h) The contract to construct a monument in Kelanithissa Power Station by using Turbines disposed from Lakshapana Hydropower station had been awarded in 2017 after a delay of 04 years from the commencement of its procurement activities. The contract had been awarded for Rs.25.12 million and scheduled to be completed on 05 January 2018 with a contract period of 180 days. However, it had been failed to complete the construction activities even by the end of the year under review and the physical progress of the construction activities was only 43 percent as at that date. Further, it was observed that no any time extensions had been given to the contractor and a delay of 1746 days was observed even after incurring Rs.19.65 million (including consultancy fee) at the end of the year under review. In addition to that, during the physical inspection conducted by the audit, it was observed that the premise where the uncompleted monument was located was overgrown with weeds and the construction activities were abandoned. Accordingly, the Board had failed to achieve the stipulated objectives of the construction and the money incurred had become uneconomical.

(i) As per the information received from the Board it was observed that, seven vehicles owned by the Board had been released to the Line Ministry at the end of the year under review. However, as per the information received from the Ministry, only one vehicle is being used by the ministry at the end of the year under review.

(j) Rehabilitation of four numbers of V Gas Turbine Generators in Kelanithissa Power Station had been commenced on 07 July 2017 and scheduled to be completed on 11 August 2018. However, at the end of the year under review only 3 generators had been rehabilitated after lapse of 5 years and 5 months from the date of commencement. Nevertheless, only one Gas Turbine had been used for the operational activities out of 3 generators rehabilitated even after incurring Rs. 752.22 million for all Turbines at the end of the year.

(k) With respect of three foreign funded projects, a considerable delay ranging from 14 months to 39 months was observed from the scheduled completion date to 31 December 2022. It was further observed that the said projects had not been completed even within the first extension granted to the contractors.

(l) It was observed that 18 lands purchased at a cost of Rs.188.38 million for project activities, for the construction of regional engineer offices, consumer service centers and Grid Substations during the period from 2000 had not being utilized for the expected purposes for a period ranging from 1 year to 22 years by the end of the year under review. Out of those lands 8 lands valued at Rs.86.52 million had not been included in the fixed asset registers of the distribution divisions and project divisions. Further as per the random audit it was observed that the Board had failed to complete the acquisition activities of four lands acquired for the following projects even though relevant Gazette Notifications had been published more than 5 years ago.

(m) It was observed that there was 1,898 days or 5 year and two months from the date of the notification for seeking way leave clearance for the constructing towers and string the cable over the land, Carney Estate at Siripagama in Ratnapura (31 May 2018) to the date of way leave clearance received (11 August 2023). Therefore, the completion of the construction of Polpitiya – Hambanthota 220 kV, 150km Transmission Line which had been recognized as a critical infrastructure for the reliable power supply to the Southern Province of Sri Lanka had been delayed for a considerable time period and delay of the construction has caused to the power supply scarcity. Further, it was observed that if this dispute had been referred to the PUCSL by the Management of the board in early as per provision of the Electricity (Dispute Resolution Procedure) Rules dated 25 January 2016 made by the PUCSL, the construction of transmission line which was a critical infrastructure for the reliable power supply to the Southern Province of Sri Lanka could have been completed in early and difficulties faced by the all stakeholders due to the delay of construction could have been minimized. Further, it was observed that the sum of Rs.1.7 million and Rs.7.9 million deposited in Divisional Secretary –Rathnapura and District Secretary –Rathnapura respectively for the compensation payable to land owner had not been recovered even by the end of October 2023 even though the land owner had agreed to offer the land without any compensation.

2.3 Other Matters

(a) Out of the trade debtor balance of Rs.46.41 billion as at 31 December 2022, a balance of Rs.4,003 million relating to both ordinary and bulk supplies remained outstanding for over one year, and out of that amount, a sum of Rs.2,210 million had not been recovered for more than five years. Following further observations are made in this regard.

(i) Out of the above total debtor balance, Rs.2.4 billion or 4.9 percent had been categorized as finalized due to not recovering outstanding for long period of time and out of which Rs.984 million or 43 percent was related to the Distribution Division 01.

(ii) Out of finalized ordinary supply debtors of Rs.872.39 million in DD 01, the highest amount of Rs.230.58 million represents Colombo City region and it was observed that in that balance a sum of Rs.41.58 million relating to 13,710 consumer accounts remained as credit balances without taking any actions to settle in terms of the Circular DCC/COM/03/2009 of the Board. Apart from that, credit balances of Rs.13.15 million relating to 216 consumer accounts in bulk debtors (finalized) also remained without taking any actions to settle.

(iii) As per the random audit check it was observed that out of the finalized bulk supply connections of 413, electricity supply connections had been given to 137 consumers without obtaining any deposits and the total outstanding balance of those accounts was Rs.266.84 million. It was further observed that out of the above finalized bulk supply connections of 413, the total outstanding balance of 147 consumers was exceeded by Rs.203.15 million with the total deposit amount of those accounts.

(iv) As per the random test check carried out it was observed that a sum of Rs.16.52 million in respect of 74 electricity supply connections given to quarters of parliamentary representatives remained without being recovered as at the end of the year under review. Out of that a sum of Rs.5.31 million relating to 29 connections remained outstanding over six years without being recovered and another Rs.3.13 million relating to the

30 connections remained outstanding without being recovered more than one year.

(b) Out of other debtor balance of Rs.38.38 billion, a sum of Rs.14.59 billion or 38 percent remained outstanding for more than 2 years as at the end of the year under review. Following observations were made further in this regard.

(i) Out of other debtor balance, an amount equivalent to Rs.12.67 million had outstanding from government institutions in relation to Distribution Division 04 for more than 5 years period without being recovered.

(ii) A sum of Rs.346.95 million remained outstanding from 93 government institutions for the supply of Lifts, air conditioners and power generators by the Asset Management Division of the Board as at 31 December 2022. Out of that a sum of Rs.114.04 million and a sum of Rs.82.84 million had remained outstanding for more than one year and five years respectively without taking any action to recover. Further, provision for impairment had only been done for the outstanding balance of more than five years without assessing the recoverable value of others.

(iii) A sum of Rs.714.96 million due from Lanka Coal Company through Taurian Iron and Steel Company (Rs. 478.18 million) and Liberty Commodities Ltd (Rs 236.78 million) remained outstanding for more than five years without being taken proper action to recover.

(iv) A sum of Rs.253.7 million remained outstanding from sacred places on the supply of electricity at the end of the year under review and out of that a sum of Rs.81.58 million remained outstanding for more than five years period without taking any action to recover.

(c) Out of tender deposit, security and other deposit payable balance of Rs.26.67 billion, a sum of Rs.2.79 billion remained outstanding for over 5 years without taking any action to settle. Further out of above more than 5 years balance a sum of Rs.1,312.94 million and Rs.2.57 million or 47 percent represents consumer deposits received for capital jobs in Distribution Division 01 and Head Quarters respectively. However no evidence was received to ascertain whether respective capital jobs had been completed or not.

(d) An abnormal credit balance of Rs.12.34 million remained in the Savings Account of Distribution Division 01 without being taken any action to investigate. However, the respective bank confirmation had not been submitted to audit.

(e) A sum of Rs.1.27 billion in relation to Deemed Dividend Tax for the year of assessment 2013/14 had not been settled to the Department of Inland Revenue even by the end of the year under review.

(f) Coal stock shortage of Rs.230.63 million (2,161.98 MT) had been charged to the income statement as at 31 December 2022. As per the coal stock survey carried out on 19 November 2022, there was a surplus coal stock of 1,046.32 MT due to the heavy rainfall occurred during the period in which the coal stock survey had carried out. the water content of the coal yard was considerably high. Accordingly, there was a slight increase of the average coal density. Therefore, the survey committee had decided to calculate the physical coal stock using the average coal density in last year instead of the average coal density in this year. Accordingly, there was a coal stock shortage of 2,161.98 MT as at 31 December 2022. However, it was unable to verify the accuracy of the average coal density in last year due to only about 35 kg of coal excavated from the pits was weighted to measure the average coal density per cubic meter for verifying a large quantity of coal.

(g) As per the records of the Board, the total amount of loan disbursement during the year under review in respect of Green Power Dev. & Energy Efficiency Improvement Project (Tranche 01) and Green Power Dev. & Energy Efficiency Improvement Project (Tranche 02) was Rs.6,253.39 million. However, as per the records of External Resource Department, it had been shown as Rs.4,488.06 million. Hence, an aggregate difference of Rs.1,765.33 million was observed.

(h) As per the Cabinet decision No. 3/0154/504/014 dated 01 February 2023 and as per the letter of Department of Public Enterprise No. PED/1/CEB/02/11(i) dated 17 February 2023, loan disbursements of seven projects amounting to Rs.60.97 billion had to be transferred to the government equity. Out of the above loans, disbursements of Rs.13,736.28 million as at 31 December 2022 relating to Habarana Veyangoda Transmission Line Project had been transferred to equity by the Treasury. However, as per the records of the Board, only an amount of Rs.13,729.29 million had been transferred to government equity. Hence, a difference of Rs.6.99 million was observed.

(i) Even though the Board sells electricity to LECO and purchases 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.

(j) A special investigation had been carried out by the Internal Audit Branch of the Board in respect of stock shortage of Rs.37.27 million identified in 2014 under the project of Uthuruwasanthaya. Later, as per the investigation conducted by a special committee, it had been revealed that the shortage would be 46.33 million and it had been accounted as receivable from relevant store keeper. However, the amount had been written off to Rs. 8.29 million during the period from 2019 to 2020 only on the approval of Deputy General Manager (Northern) and Additional General Manager without obtaining any board approval. Nevertheless, it had been failed to recover the aforementioned stock shortage of Rs.46.33 million even at the end of the year from the responsible officers.

(k) As per the special investigation carried out by the Internal Audit division of the Board, it was observed that with regard to the stock shortage of Rs.12.65 million identified during stock verification in Heiyanthuduwa Warehouse in 2020, the storekeeper and two other electrical superintendents are liable for a sum of Rs.6.47 million and Rs.2.49 million respectively. However, no action had been taken to recover the loss from them even at the end of the February 2023 after conducting a formal inquiry.

(l) Prompt action had not been taken by the Board even by the end of the year against the person who had been liable for stock shortages of Rs. 3.67 million, which had been occurred during the period from 20 November 2006 to 20 February 2012, in Asset Management Division (Power Plant), even after the completion of the formal investigation.

(m) An officer, who had been liable for the stock shortage of Rs. 3.79 million in Asset Management Division had been allowed to retire on 15 October 2011 without being recovered the loss, as recommended by the committee appointed for investigation. Further, at a committee meeting held on 12 September 2022 it was decided that the shortage should be Rs.2,537,695 and the acting General Manager of the Board had instructed to recover from his gratuity and pension fund. However, it was observed that the amount remained unsettled in the books of accounts without being taken any remedial actions to recover from the responsible officer even by the end of the year under review.

(n) It was observed that the formal investigation conducted had not been completed even by the end of the year under review in respect of the store keeper who had been responsible for the stock shortage of Rs.1.15 million identified during September 2014 in the regional warehouse of Chief Engineer (Commercial) under the Deputy General Manager (Western North Province).

(o) A sum of Rs.14.98 million and Rs.60.44 million that had been charged to stock adjustment account as stock shortages relating to Distribution 02 and 03 respectively remained in the books of accounts since 2004 without been taken any action to investigate and settle. However, details relating to these stock shortages had not been provided to audit.

(p) It was observed that there were non-moving items more than two years amounting to Rs. 22.42 million in capital work in progress account in the Generation Division as at 31 December 2022.

(q) A sum of Rs. 2.12 billion, representing 6.5 per cent of the total consumable stock of Rs.32.54 billion, had been shown in financial statements as slow moving, non-moving and damaged stocks as at 31 December 2022 which may result to stock damages, increasing of holding cost and creating an opportunity for frauds. Further, as per the random audit check, it was observed that despite the matter that Board approvals had been granted in several occasions from 2019 to 2022 for the disposal of damaged and obsolete stocks valued at Rs.217.7 million remained in four distribution divisions and asset management division, no action had been taken to dispose them even by the end of the year under review.

(r) As per the special investigation carried out by the Internal Audit Division of the Board, it had been revealed that the Board had deprived 160,000 Kwh and 35,000 Kwh of electricity units that could have been produced by using the water released by Randenigala & Rantambe reservoirs respectively due to the union actions taken by the Unions of the Board on 09 June 2022. Hence, it was observed that the Board had to incur an additional cost of Rs.262.6 million for private power purchases on that day. However, action had not been taken to recover the loss from the responsible officers even at the end of February 2023 after conducting a formal investigation as specified in the Board decision taken on 08 December 2022.

(s) Trade payable balance amounting to Rs.3.15 billion remained in books of accounts for more than 3 years period even at the end of the year under review without taking action to settle. Out of above a sum of Rs.2.9 billion had been accounted as payable to a Thermal Power Supplier named Northern Power Company (Pvt) Ltd more than 4 years ago relating to the Transmission Division. However, it was observed that as per the clarifications received from Attorney General followed by the Supreme Court decision, it had been decided that the Board does not have a liability to settle these invoices. Nevertheless, action had not been taken to make necessary adjustments to this payable balance even by the end of the year under review.

(t) Out of distress and transport loan balance of Rs.10.36 billion remained at the end of the year under review, a sum of Rs. 446 million represents outstanding loans of the Headquarters division and out of which loan balance amounting to Rs.41.88 million remained outstanding for over 4 years period. Nevertheless, as per random audit check, it was observed that the possibility of recovering loans amounting to 2.32 million is in doubt since the respective employees had already resigned and obtained no pay leave for more than 2 years period.

(u) Action had not been taken to investigate and settle the outstanding balance of Nation Building Tax amounting to Rs.30.95 million which had been identified in the books of accounts as Payable 3 years ago. However as per the final annual return filed with Department of Inland Revenue, it was observed that no any Nation Building Tax payable by the Board.

(v) The following observations are included in the Special Audit Report on the Purchase of Electricity from ACE Power Embilipitiya (Pvt) Ltd by the Board which had been issued on 20 January 2023.

(i) The Board had entered into an agreement on 09 May 2003 with the ACE Power Embilipitiya (Pvt) Ltd to purchase electricity for a period of 10 years. The validity period of the agreement was effective from 06 April 2005 to 06 April 2015, and after the termination of the agreement on 06 April 2015, it had been decided by the Cabinet of Ministers (Cabinet) on 23 March 2016 to consider the said power plant being purchased by the Board. Following the request of the Board, the Government Valuer had assessed the value of this power plant to be Rs.2,370 million. The audit observed that the value of the plant should be approximately Rs.4,176 million when assessing that value by substituting the capacity value of 66.9 per cent and the other operating cost from the gross profit of 55 per cent. Therefore, it was observed that the value of the plant had depreciated by Rs.1,806 million as compared to the assessed value of Rs.2,370 million. In other hand, the audit observed that the value of the plant is nearly 4,192 million when the value is estimated by discounting the average of the net profit brought to account during the initial contract period of 10 years at a discount factor of 9.5 per cent for the next 8 years and therefore, it was observed that value of the power plant had depreciated by Rs. 1,822 million as compared to the assessed value.

(ii) Accordingly, the assessed value was less than the bid value of Rs. 2,446 million presented by the owners of the power plant for selling it to the Board. Hence, it had been decided to extend the validity period of the initial agreement for a period of 05 years and 06 months in 04 instances from 06 April 2016 to 08 September 2022 without purchasing the power plant. As such, the possibility of maintaining the power plant in a manner favourable to the Government after being acquired by the Board, had been lost due to the fact that the value assessed by the Government Valuer had been less than the bid value of the owners of the Company.

(iii) The initial agreement entered into in the year 2003 had expired after 10 years, but the said expiration had not been included in the agreement relating to "Buy out Events" under Condition No. 11 of the initial agreement. As such, the Board had been deprived of the rights to purchase this power plant under "Buy out Events" (even though the Company had not proposed to sell the power plant to the Board). Further, for an asset with a useful life of 20 years, the total value of that asset had been paid by the Board to Ace Power Embilipitiya (Pvt) Ltd within a period of 10 years.

(iv) A sum of US $ 29,085,134 had been paid as the capacity charges relating to the extended period of five years. Out of that, US $ 21,701,362 (Rs. 3,650 million) had been paid only for the Non- Escalable portion of the capacity charges paid for the return on equity capital. It was observed as 127.7 per cent of the bid of US $ 17,000,000 (Rs.2,446 million) submitted by the owners of the power plant to sell it to the Board.

(v) The Ace Power Embilipitiya (Pvt) Ltd had earned a net profit of Rs. 8,572 million during the initial period of the agreement and it was 511 per cent compared to the initial capital investment of Rs. 1,676 million made by the Company in the year 2003. Further, after extending the agreement, a net profit of Rs. 6,270 million had been earned for the period of five years and it was 406 per cent as a percentage of the initial investment. Accordingly, the total net profit earned by the Ace Power Embilipitiya (Pvt) Ltd was Rs. 14,841 million as at 31 March 2021 and it was 885 per cent as compared to the initial investment.

(vi) Although the Cabinet approval had been obtained in purchasing electricity by extending the agreements of the Ace Power Embilipitiya private power plant, it was not observed that adequate attention had been drawn to the terms to be followed in terms of Section 43 of the Sri Lanka Electricity (Amendment) Act, No.31 of 2013 in the purchase of electricity from private power plants.

(vii) In terms of the provisions of the Sri Lanka Electricity Act No. 20 of 2009 as amended, licenses for power generation should be obtained from the Public Utilities Commission of Sri Lanka. Accordingly, in accordance with Section 43 (1) of the above Act, the generation and supply of the electricity should only be done by licensed companies. Nevertheless, Cabinet approval had been obtained to purchase electricity from the year 2016 to 2022 from the Ace Power Embilipitiya (Pvt) Ltd that had not obtained the generation license.

(viii) In terms of the provisions of the Sri Lanka Electricity Act No. 20 of 2009 as amended, there is no provision for private companies with 100 per cent ownership to operate power plants with a capacity of more than 25 MW. However, the agreement for the purchase of electricity on a short-term basis had been signed on 06 April 2016 with the Ace Power Embilipitiya (Pvt) Ltd for the capacity of 100 MW which holds 100 per cent private ownership.

W.P.C.Wickramaratne
Auditor General

Replies to the Report of the Auditor General

'Replies to the Report of the Auditor General on the Financial Statements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

Informative

1.2 Basis for Opinion

Informative

1.2.1 Comments on Consolidated Financial Statements

Informative

1.2.1.1

(a) Lanka Coal Company (Pvt.) Ltd

(i) As per the details obtained from the Department of Inland Revenue, the balance of VAT Payable as at 31 December 2022 was Rs.1,436.33 million and the penalty payable thereon for the years of assessment 2017/2018, 2018/2019 and 2019/2020 was Rs.1,436.33 million. However, the said amount of penalty payable had not been disclosed in the financial statements as per the paragraph 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12). Further, the Company had not recognized the aforesaid tax payable in the Financial Statements.

LCC has submitted amended VAT returns to IRD, together with the appeal for value-added tax assessments received since LCC did not agree with IRD's output VAT calculation. The same matter is being negotiated. If necessary as per the Sri Lanka Accounting Standards, disclosure will be made in next financial year. Also, with the Board's permission, LCC have totally waived off the recorded penalties based on the IRD's schedule dated 8/11/2021, as it indicated appropriate penalties have been waived off.

(ii) As per the Paragraph 5.5.15 (a) of SLFRS 9 – Financial Instruments, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for, trade receivables or contract assets that result from transactions that are within the scope of SLFRS 15. However, the Company had not made provision according to the Standard for the long outstanding trade receivables amounting to Rs. 1,095.6 million as at 31 December 2022.

CEB will instruct LCC to reassess the impairment indicators of long term receivables and make necessary provisions in the future Financial Statements based on the impairment indicators.

(iii) When importation of coal, a mark-up of 10 per cent had been added to the value at the point of the Customs as a notional adjustment in ascertainment of the value for the Custom purpose which had not been actually incurred. However, the Company had added a 10 per cent mark-up amounting to Rs.9,419.6 million to the revenue for the year under review, and later, that amount had been recognised as discounts to the debtors and adjusted to the cost of sales. As a result, the cost of sales and revenue for the year under review had been overstated by similar amount.

LCC was given a directive by Inland Revenue Department (IRD) to include the 10% 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 an official from the Inland Revenue Department (IRD) in attendance. According to IRD officials, the base amount 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 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. Moreover, on April 4, 2022, General Manager of Ceylon Electricity Board wrote a letter to the secretary of the Ministry of Finance requesting for a VAT exemption for the import and supply of coal.

Further CEB has directed LCC via letter dated January 17th 2023 to do necessary adjustment to the Financial Statements in compliance to the accounting standards in order to resolve the issue of overstating the revenue and cost of sales

(iv) According to the information made available, it was observed that the Company had paid a sum of Rs. 205 million 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 under the Sri Lanka Custom VAT account, VAT control account and CSCL liability account instead of being accounted for as expenditure in the respective year. As a result, the retained earnings had overstated by Rs. 205 million and the Sri Lanka Custom VAT account, VAT control account and CSCL liability account had understated by Rs. 158.2 million, Rs. 39.97 million and Rs.6.8 million respectively at the end of the year under review.

CEB directed LCC via letter dated January 17th 2023 to rectify the accounting entry according to the auditor's recommendations.

(v) The Company had paid a sum of Rs.136.2 million in 2016 as Custom VAT for the Shipment No.123. However, according to the Custom Declaration Certificate, the actual VAT amount was only a sum of Rs.106.97 million. Accordingly, it was observed that the Company had overpaid a sum of Rs. 29.2 million and action had not been taken to set off that amount against the outstanding due balance.

LCC found that IRD has recorded this overpayment of VAT Rs.29,266,965.00 & LCC will initiate the appropriate formalities to set off this overpaid VAT against LCC's outstanding Customs due balances.

(vi) Four receivable balances due from CEB as at the end of the year under review was Rs.273.3 million and the corresponding payable balances had not been recorded in the financial statements of CEB as at 31 December 2022. As such, the audit was unable to ascertain the accuracy and the existence of said receivable balances.

CEB has informed LCC there is no such payable balances in the Financial Statements of CEB via letter dated January 17th 2023.

(vii) As per financial statements of the Company, the balance payable to Ceylon Shipping Corporation Ltd as at 31 December 2022 amounted to Rs.547.7 million and as per the confirmation submitted by the Ceylon Shipping Corporation Ltd, it was Rs. 1,271.9 million. Accordingly, a difference of Rs.724.2 million was observed.

LCC prepared a reconciliation statement by identifying items for the difference in the balance payable to Ceylon Shipping Corporation as of December 31, 2022. 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 in the year end balances, as of 31st December 2022 and as at now, the following differences were resolved.

i. There was a payable balance of Rs. 256,153,519/- for discharge port DISPATCH as per CSC balance confirmation as at 31/12/2022 but LCC did not record that as relevant since yet to be agreed for the laytime calculations as of 31/12/2022. Based on the management conversations, LCC has settled an advance payment of Rs.107 million from the funds received from CEB on 4th January 2023.

ii. CSC has provided invoices totaling LKR.187 million for exchange gains and losses for the coal season 2021–2022. Only LKR 155 million has been agreed by CEB, and 75 million of that amount has already been paid as at 26/5/2023.

(viii) Relevant documentary evidences relating to the receivable balances of SGS Charges 50 per cent receivable from Liberty Commodities Ltd and Miscellaneous Debtors amounting to Rs.8 million and Rs.9.8 million respectively and the payable balances of Trade Creditors and SGS Lanka (Pvt) Ltd amounting to Rs.87.9 million and Rs.12.2 million respectively as at the end of the year under review were not made available to audit.

SGS Charges 50% receivable from Liberty Commodities Ltd. – Rs. 8,048,531.00

Draft Survey Charges at discharge port for 17 numbers of vessels in the season 2015/16 are included in this balance. An email has been sent in 2019 informing M/s Liberty Commodities Pvt Ltd to make this payment based on the signed agreement. Arbitration process regarding going on this matter.

ii. Miscellaneous Debtors – Rs. 9,808,968.00
Initial investigations revealed that the amount comprises of irrecoverable NBT & PAL .

iii. Trade Creditors :
a. Accounts Payable – Rs. 3,193,886.36

2,362,129.03 - According to the Internal Audit report issued by the CEB Internal Audit branch, this Payable were caused by incorrect accounting entries made in the years 2018 and prior. LCC was instructed by CEB to pass the corrected entries in accordance with the recommendations made by the CEB Internal Audit branch.

831,757.33 - Accrued expenses related to the year 2022 which are subsequently settled.

b. Rs. 84,771,789.21- Payable to Noble Resources International
The balance consists primarily of an underdrawn amount to Nobel Recourses Intl. Pvt. Ltd as a result of expiry of the LC validity period. The funds were used to settle other payables based on operational exigencies due to certain claims by us for coal-related payments and management fees, among other things, that was outstanding with CEB for some time.

iv. SGS Lanka (Pvt) Ltd – Rs.12,161,313.00
This payable balance to SGS Lanka (Pvt) Ltd was confirmed by the company & detail schedule is available for audit review.

(b) Sri Lanka Energies (Pvt) Ltd

(i) Some administrative and direct expenses amounting to Rs. 7.39 million related to the previous periods had been recognized in the year under review without making prior year adjustments in the financial statements in terms of the provisions of the paragraph 42 of LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors. As a result, the profit for the year under review had been understated by the same amount.

As detailed to the audit already adjustment was made only to the direct expenses and there was no any adjustment had been made to the administration expenses. Under the direct expenses, adjustment was done as detailed in note no.22 where the opening balances of year 2021 also corrected in the note for PPE and the second adjustment was a classification change of project expenses for Recycling of Aluminum.

(ii) The fully depreciated assets amounting to Rs.100.08 million including the Injection Moulding Machinery of Rs.79.5 million were being used by the Company as at the end of the year under review without taking action to review the residual value and the useful life of those assets in terms of the paragraph 51 of LKAS 16 - Property Plant and Equipment.

Action is being taken to proceed with revaluation.

(iii) The Company had entered into lease agreement for Galigamuwa land for 35 years from 07 July 2017. However, the right of use assets and lease liability in relation to the said lease had not been recognized in the financial statements by the Company as per the SLFRS – 16- Leases.

This error was identified and will be rectified in compliance with SLFRS-16 in the future Financial Statements.

(iv) According to the financial statements of the Company, the balance of trade receivables due from ultimate parent - Ceylon Electricity Board (CEB) as at 31 December 2022 was Rs.165.31 million. However, as per the financial statements of the CEB, the corresponding receivable balance was only Rs. 28.21 million and a difference of Rs. 137.1 million had been observed.

Reconciliation will be prepared to identify the differences and rectify the differences in the future financial statements.

(v) The Company had not claimed the long outstanding WHT receivable balance amounting to Rs. 2.12 million against the income tax payable even as at the end of the year under review. Further, the WHT certificates were not made available to audit.

WHT certificate was handed over to the audit. Action will be taken to inform Sri Lanka Energies to set off the WHT receivable balance against the income tax for the Y/A 2022/2023.

(vi) As per the financial statements of the Company, the total balance of 06 Term loans obtained from a private commercial bank as at 31 December 2022 was Rs. 80.86 million and as per the balance confirmation, the loan balance was Rs. 87.65 million. Accordingly, a difference of Rs. 6.78 million was observed between the financial statements and the balance confirmation.

This difference was identified and reconciliation process is under way.

(vii) The Company had not taken proper action to recognize unidentified deposits totaling Rs. 7.06 million which had been accumulated since 2019 and shown under trade and other payables in the financial statements.

Major part of this balance is already been cleared. ERP system will be updated accordingly.

(viii) Income tax payable as at 31 December 2020 was Rs. 30.77 million and as per the income tax returns submitted to the Department of Inland Revenue (up to the year of assessment 2020/2021), income tax payable related to that period was Rs. 15.2 million. Accordingly, a difference of Rs. 15.57 million was observed and relevant adjustment had not been made in the financial statements as at 31 December 2022. Further, according to the financial statements, balance of Income Tax Payable as at 31 December 2022 was Rs. 43.88 million and the Company had not paid income tax since the year of assessment 2015/2016.

Back log of Income Tax return filling was completed in April 2023 and previously only the provision was made in the financial statements and now the financial statements will be adjusted according to the Income tax Returns.

(ix) According to the financial statements of the Company, the inventory as at 31 December 2022 was Rs.39.22 million. This balance had been arrived using the weighted average cost at the rates given by the system as at a date after the year end. Accordingly, audit was unable to ascertain the accuracy of the inventory balance shown in the financial statements as at 31 December 2022.

Inventory valuation under ERP Cloud system is followed by the Weighted Average Cost. Accordingly, the unit Price of an inventory item changes accordingly with the inventory movements. If auditors request quantity of each inventory item as per the Independent Report of Physical Valuation and System Report as at 31 Dec 2022 can be provided and there is no any deviation is identified in the quantity.

(c) Lanka Electricity Company (Private) Ltd

(i) According to the paragraph 5.5 of Conceptual Framework for Financial Reporting, the initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses. The simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income. However, the Company had not identified solar energy purchased cost (Net Accounting and Net Plus) for the period of 2017, 2018, 2019, 2020 and 2022 amounting to Rs.2,819.6 million as cost of sales in respective years (instead, Company had recognized as receivable from Ceylon Electricity Board) even though the sales revenue of solar energy purchased had been recognized as sales in respective years. As a result of this retained earnings, profit for the year and receivable balance had being overstated Rs. 1,336.9 million, Rs. 1,482.7 million and Rs. 2,819.6 million respectively as at 31 December 2022.

This solar generation payment cost is not considered as purchasing cost separately, Total export of solar might be considered as revenue if it is consumed within the territory. Sometimes it might be exported to the national grid. Hence it cannot say P&L is overstated by the same value. This issue will be overcome by the Uniform National Tariff

(UNT) Adjustment. Once UNT is approved by the PUCSL this will be considered as an adjustment for the cost of sales.

(ii) According to the section 51 of LKAS – 16 Property, Plant and Equipment, The residual value and the useful life of an assets shall be reviewed at least each financial year end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with LKAS 8. Fully depreciated asset which are being used by the Company amounted to Rs. 9,554.6 million had not been reviewed accordingly as at 31 December 2022.

Agreed with the auditors' comment, however, please note that the applicable depreciation rates are in par with industry rates. Further, it is not practicable to review the usable lifetime of entire asset classes which spread over the vast geographical area. (Infrastructure system is the highest value asset in LECO).

(iii) The balance due from Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2022 was Rs. 2,826.6 million This balance was comprised of Rs. 2,819.6 million which was due from CEB for the cost of purchasing energy using net accounting and net plus methods for the years 2017, 2018, 2019, 2020 and 2022. According to balance confirmation from CEB, there were no payable amounts to the Company and there was no formal agreement between two parties for purchasing Electricity using net accounting and net plus methods. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit. Further, the Company had made provision for impairment of Rs. 2,449.3 million for the above receivable balance.

This amount was taken into the accounts as per the regulator's (PUCSL) and Ministry instructions. However, comparing the risk factor of the receivable balance, the relevant Provision were already made in LECO accounts. There is no formal agreement and Confirmation has not yet been submitted by CEB.

(iv) The Company had incurred a cost of Rs. 206.9 million to purchase the lands and buildings to be used for construction of the CEB primary substations and that amount had been recorded as a balance receivable from the CEB as at 31 December 2022. 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.

LECO has constructed five primary substations jointly with CEB. Those are at Kiribathgoda, Katunayaka , Kotikawatha , Nawala and Hikkaduwa. In this case, five lands were purchased by LECO and primary substations were constructed by CEB using ADB funds. CEB has not yet acquired the above Lands and have not paid the cost of these lands to LECO. In LECO financial statements this was recognized as receivable. The discussion is ongoing between CEB and LECO and the issue is not yet finalized. Relevant actions will be taken after reaching to an amicable solution

(v) The receivable balances of Rs. 3.9 million due from CEB for self-generation had been remained unrecovered for more than five years. There was no formal agreement between the Company and CEB regarding self-generation, and the balance confirmation of that amount was not made available to audit. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit.

This balance is remaining without being cleared due to a dispute with CEB and LECO (As these were instructions from the line ministry that overlooks both CEB and LECO). However, the relevant provisions were already made in LECO accounts although there is no formal agreement.

(vi) The difference between value of purchasing order and actual payment had been identified in the purchasing variance account. Accordingly, an amount of Rs.149.2 million had been charged as operating expenses in profit or loss instead of recognizing it as inventory, assets or profit or loss as relevantly. Accordingly, the audit cannot rule out the impact on profit or loss, inventory or assets due to the above adjustment for the year under review.

This is an inherent issue of the ERP system. Any excess amount paid over the PO value (price variation changes / new tax implementations SSCL etc) cannot be transferred to the relevant GRN value. So the balance is charged to the Income Statement.

(vii) Unidentified deposits amounting to Rs. 6.7 million had been included in sundry creditors as at 31 December 2022.

These outstanding balances were appearing in the accounts due to transferring of rejected transaction Accounts balance to the sundry creditors account in 2021. Subsequently, these balances were checked and cleared with CEB. LKR 10 million was identified and cleared with CEB. A further 6 million balance is remaining at this account for clearing.

This is an ongoing activity and cannot be cleared entirely as new balances will be adding and clearing time to time.

(viii) According to the financial statements, the balances of Capital Work in Progress of Kelaniya, Moratuwa, Nugegoda and Negombo branches as at 31 December 2022 were Rs. 45.7 million, Rs. 56 million Rs. 183.5 million and Rs 41.3 million respectively. However, as per the report of capital jobs in progress, the aforesaid balances were Rs. 43.8 million, Rs 55.3 million Rs. 181.7 and Rs. 46.7 million respectively. Accordingly, there were differences amounting to Rs. 1.9 million Rs 0.7 million Rs. 1.8 million and Rs. 5.4 million between the balances shown in the financial statements and the report of capital jobs in progress.

These differences were occurred due to the time gaps between the two systems (Job costing and General Ledger), and the relevant actions were taken to clear them with the assistance of the LECO IT division.

(ix) The amortization of Treasury bond purchase discount amounting to Rs. 3.3 million relating to the Treasury bond of Rs. 1.9 billion for the period of 15 September 2022 to 31 December 2022 had been erroneously recorded. As a result of this interest income had been understated by Rs. 6.6 million and investment in the Treasury bond amount had been understated by same amount as at 31 December 2022.

Agreed with the Auditor's observation. Adjustments will be made in the year 2023.

(x) The Company had not made provision for Uniform National Tariff adjustment for the year 2022. However, the impact to the financial result of the year under review could not be ascertained by audit due to lack of information.

The final confirmation has not yet been received from Regulator (PUCSL), hence no Journal entry adjustment was made.

(xi) Share certificates or any other sufficient appropriate documentary evidence in respect of the investment amounting to Rs. 5 million made in ordinary shares of the Lanka Broad Band Network (Private) Limited as at 31 December 2022 were not made available to audit.

This matter was referred to the Attorney General. All relevant legal actions will be taken by the legal division to settle the issue once instructions are received from the Attorney General.

(xii) The balance payable to CEB for Electricity purchases as at 31 December 2022 was Rs. 1,799.3 million However, as per the balance confirmation of CEB, respective receivable balance was Rs.2,912.7 million. A difference of Rs. 1,113.4 million had been observed between financial statements and balance confirmation as at 31 December 2022.

The difference of Rs 1,113,389,481 is reconciled as follows. There are three reasons for this difference.

1. As per the PUCSL UNT adjustment report issued for 2021, they have deducted Rs 1,112,404,347 from UNT which is relating to Solar Net plus / Net Accounting amount needs to be reimbursed by CEB to LECO. CEB has not accounted it as a payable amount to LECO in their books of account.
2. Estimated UNT 2022 calculated by CEB amounting to Rs 3,163,131 has bee accounted by CEB as payable to LECO. However, LECO not taken it to accounts as it is not officially published by PUCSL.
3. UNT adjustment relating to Q4-2020 is Rs 84,941,899.79 payable to CEB. This amount invoiced in December 2022. However, it was not included the SSCL amount of Rs 2,177,997.43. Therefore, LECO not accounted it.

Balance as of 31 Dec 2022 -As per the CEB A/C	2,912,676,629.00
Net Accounting/Plus -Q1,2021	(266,668,917.50)
Net Accounting/Plus -Q2,2021	(278,529,555.00)
Net Accounting/Plus -Q3,2021	(277,006,208.00)
Net Accounting/Plus -Q4,2021	(290,199,667.00)
Estimated for the UNT -2022	(3,163,131.00)
SSCL for UNT Q4,2020	177,997.43
Balance at 31 Dec 2022- As per the LECO A/C	1,799,287,147.93

(xiii) The Company had not taken prompt action to clear unidentified bank deposits amounting to Rs. 16.2 million and unidentified debit amounts to the bank amounting to Rs. 6.2 million as per the bank reconciliations as at 31 December 2022. Out of those, Rs.14.3 million and Rs. 5 million are over 06 months respectively. Further, those unidentified bank deposits and debits had not been included in financial statements.

The Treasury department is liaising with relevant banks and time to time identify these transactions and do necessary adjustments accordingly.

(xiv) Un-reconciled debit balance of Rs. 5.9 million had been included in Trade and Other Receivable balance as at 31 December 2022.

This is relating to the unreconciled transaction balances between inter branch accounts. LECO will do the needful to reconcile them in due course.

(xv) According to the financial statement of the Company, the balance payable to Ante LECO Metering Company (Pvt) Ltd as at 31 December 2022 was Rs. 38.6 million. The corresponding balance due from LECO recorded in the financial statements of the Ante LECO Metering Company (Pvt) Ltd was Rs. 22.8 million and a difference of Rs. 15.8 million had been observed between the two Companies as at 31 December 2022.

NO:12(a)			
Payable Amount in LECO Accounts as on 31.12.2022			38,614,045.41
Add:			
Invoice No: LECO/T029		9,093.60	
Invoice No: 2022/LECO/DN/01(3 phase test benches)		659,509.20	
Invoice No: LECO/GIS/01 (Pole survey Galle)		1,019,807.22	
Invoice No: LECO/GIS/02 (Pole survey Moratuwa)		3,546,241.82	
			5,234,651.84
Less:			
PO No: 459505AA		(17,573,305.10)	
PO No: 459505AB (Unsetteled Amount)		(3,461,814.15)	
			(21,035,119.25)
Receivable Amount in ALMC Accountsas on 31.12.2022			22,813,578.00

The reconciliation is as follows.

These invoices were settled in year 2023, hence it is not required to adjust the accounts.

(xvi) According to the financial statement of the Company, advances made to Ante LECO Metering Company (Pvt) Ltd as at 31 December 2022 was Rs. 136.3 million. However, as per the financial statements of the Ante LECO Metering Company (Pvt) Ltd, corresponding balance was Rs. 113.3 million and there was a difference of Rs.

23 million between the two Companies as at 31 December 2022.
The reasons for this issue is an advance payment to ANTE- LECO Company as follows, and the advance settlement is also highlighted below.

NO:12(b)	
Advance Payment in LECO Accounts as on 31.12.2022	136,278,265.26
Less:	
PO No: 458596	(22,891,404.36)
PO No: 457519 & GIS Advance	(97,128.23)
Advance Payment in ALMC Accounts as on 31.12.2022	113,289,732.67

1.2.2 Comments on Financial Statements of the CEB

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

(a) Conceptual Framework for Financial Reporting

(i) Operating Expenses of the Employee Provident Fund (EPF) which is operated under the Board as a separate entity, amounting to Rs. 51.82 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, gazette on 31 December 2003, the funds 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 1' November 1969). However, the reporting of the matter with in the conceptual framework of financial reporting will be implemented in the ensuing financial year onwards.

(ii) Fifty nine items of fixed assets relating to four assets categories owned by the Board amounting to Rs.7.06 million had been utilized by the above mentioned Employee Provident Fund Unit 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, gazette on 31 December 2003, the funds 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 1' November 1969). However, the reporting of the matter with in the conceptual framework of financial reporting will be implemented in the ensuing financial year onwards.

(b) LKAS 1 – Presentation of Financial Statements

(i) Contrary to the paragraph 69 of the standard, the debit balance of stock adjustment account amounting to Rs.139.48 million had been set off against the balance of other payables under the current liabilities instead of showing under the balance of Inventory.

The stock adjustment account represents a temporary balance relevant to the excess in stocks or any shortage in stocks identified during the annual stocks verification, ideally that should be cleared before the end of the accounting year. However, the stock adjustment has been significantly reduced to Rs. 78 Million as of September 2023 financial statements and presentation changes also had been made in the September 2023 financial statements showing stock shortages as other receivables and stock surpluses as other payables.

(ii) As per the test check carried out, an abnormal credit balance of Rs.41.58 million arisen due to overpayment etc. in respect of Colombo City region under DD 01 remained in finalized ordinary debtors and an abnormal credit balance of Rs.13.16 million remained in finalized bulk debtors of the Distribution divisions had been set off against receivables contrary to the paragraph 32 of the standard instead of being taken actions to investigate and settle or taken in to income of the Board.

As per the Circular No.DCC/COM/03/2009, with the approval of AGM(DD1) necessary action has been taken to remove credit balances of debtors from the Database. Further actions are being taken to remove finalized credit balances of Bulk consumers.

Regarding the DD2 credit balance of 4.75 million instructions have been given to clear the credit balances referring to the DCC Circular DDC/COM/03/2009. Out of the 08 accounts of Credit balances, 03 accounts (value Rs. 157,288.32) representing from central province -2 was already cleared (Recognized as income) and others will be cleared during this year. 07 accounts of credit balances worth Rs.898,751.84 has already cleared in 2023 up to date.

The DD3 balance include finalized debtors balance of WPS 2. Such credit balances of the WPS2 as at 31 December 2022 was Rs. 124,616.25 out of which Rs. 108,092.00 is from account No.4270003545. An action has been taken to contact the consumer to verify the excess payment. There is no response from the consumer. Further action will be taken to clear the credit balances. As per the records available in Sabaragamuwa and Uva province, there are no any credit balances in bulk supply finalized debtors.

(c) 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, it was revealed that there were favorable overhead rate and material price variances aggregating to Rs.2.93 billion and Rs.6.54 billion respectively. And also, there was an unfavorable stores price variance aggregating Rs. 6.57 billion. Accordingly, the impact occurred thereon to the operating results, and assets and equity in the financial statements could not be properly ascertained due to required information relating to those jobs were not made available to audit.

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 79% of the Work In Progress, 63% of the Property Plant & Equipment and 47% of the inventories of CEB as at 31 December 2022. 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 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

(d) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and errors

(i) **As per paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful lives of the fully depreciated assets amounting to Rs.211.81 billion as at end of the year under review which are still in use had not been reviewed and accounted accordingly.**

According to the LKAS -16 requirement of paragraph 51, Useful life of the asset should be reviewed at least at each financial year end and if expectations differ from previous estimates the changes should be accounted. CEB had reviewed the revised the estimated useful life of Motor vehicles in the year 2021, and accordingly, it had been adjusted in the financial statements In CEB the useful life of the major fully depreciated assets such as power plants and Generators are mostly determined based on the Original Equipment Manufacturer's recommendations. As CEB has well maintained the power plants and Generators they are operated beyond the OEM's expected life span. On the other hand, after the estimated useful life is over CEB uses the assets with a higher cost of maintenance which compensates for the depreciation. Further CEB being an organization with an asset base of 900Bn and considering the uniqueness and complexity of the major asset components such as power plants it is not easy and practicable to annually review the useful life of the assets. **However CEB separately discloses the gross carrying amount of fully depreciated assets as per the LKAS-16 paragraph 79 requirement in the note no 13.11 of the financial statements.**

(ii) Contrary to the paragraph 41 and 42 of the standard, a sum of Rs.1.47 billion of net exchange losses which had been identified as work in progress in relation to 12 projects during previous years had been rectified during the year under review by charging to the loss of the year under review instead of being adjusted them retrospectively. Hence loss for the year under review had been overstated by similar amount.

The above mentioned error was discovered in November 2022 and due to the limited time it was unable to determine

Ledger Code	Name of the Project	Exchange Gain/(Loss) charged against current year loss Rs.
980.30	Habarana Veyangoda Transmission Line Project	106,255,486.57
980.45	Broadland Hydro Power Project	(1,018,906,434.26)
980.62	Morogolla Hydropower Project	45,850,099.35
980.63	Green Power Dev. & Energy efficiency improvement Project (Tranche 1-Part 2)	(147,988,708.47)
980.70	Green Power Dev. & Energy efficiency improvement Project –Tranche 2	(143,264,745.37)
980.71	SPMU 1- Mannar, Valaichenai and Hambantoda line and Grid	(124,541,824.50)
980.72	SPMU 2- Substations- Colombo, Kotugoda, Kolannawa and Biyagama	(3,837,239.87)
980.73	SPMU 3 - Substations- Biyagama, Pannipitiya line and Gird	9,480,927.04
980.74	PM-SPMU 4 - 220kv Switching Station at Kerawelapitiya	(16,831,368.69)
980.75	PM-PACKAGE 7 SESRIP Project	19,760,879.37
980.80	National Transmission & Distribution Network Development	(264,903,382.66)
980.85	Mannar Wind Power Project	65,466,710.39
		(1,473,459,601.10)

the period specific effects of the error on comparative information for prior periods presented. Therefore, it was adjusted in the year under review (2022 financial statements). Action is being taken to make necessary adjustments to correct the effects of the error retrospectively in the prior periods.

(iii) The cost of electrical energy amounting to Rs.1.83 billion supplied by the Board to the West Coast Power (Pvt) Ltd at 220kv during the period from 2020 to 2022 had been deducted from each monthly invoices received to the Board for the purchase of electrical energy from the Company by the Board and net invoice value had been accounted as the cost of electrical energy purchased. However, in the year under review, the total amount of 1.83 billion had been debited to the Purchased Power Thermal account (cost of sales) and credited to the Trade Payable account as payable to the Western Province North under the Distribution Division 2 of the Board instead of being adjusted the cost of electrical energy amounting to Rs.530.95 million supplied during the years 2020 and 2021 as retrospectively in terms of the section 41 and 42 of the standard. Moreover, the said amount had not been shown as receivable in the Distribution Division 2 of the Board as at 31 December 2022.

According to the Supply Services Code no. 3.1.1 of DD – 2 under the distribution license, service connections which are equal or above 132kV, are not covered under the distribution service code. The power plant of West Coast (Pvt) Limited is connected to the Transmission Network at 220kV at the Kerawalapitiya 220kV GIS Substation. All energy exports and imports of this power plant are measured at the 220kV interconnection point using the same set of meters. Therefore, the distribution division 2 is not legally allowed to issue bills under the distribution licensee. Therefore, West Coast (Pvt) Limited is no longer a customer of Distribution Division 02 and in accordance with the transmission license and the clause no. 6.1.3 of the Power Purchase Agreement. Therefore distribution division 2 cannot record this as trade receivable balance. Necessary adjustment and presentation changes will be made by the Transmission Energy Purchase division without presenting it as Trade payable to Distribution Division -2 in future financial statements.

(e) LKAS 16 – Property, Plant and Equipment

Items of office equipment valued at Rs.4.92 million in the Asset Management Division and assets worth of Rs.12.34 million in the finance division had been identified as physically not existed, damaged, unserviceable and inactive during the board of survey of 2021 and 2022 respectively. However, action had not been taken to adjust the books of accounts at the end of the year under review.

Addl. General Manager of Assets Management Division has already informed the relevant branch heads to carry out the disposal process for the items identified from the Fixed Assets Verification by the letter No: AGM(AM)/AFM(AM)/ Acct (L, P&I)/PPE Verification of 2021 Disposal of Damaged & Unserviceable Fixed Assets – Physical Verification 2021. Respective branch had been advised to start disposal procedures immediately and necessary adjustments will be made in the 2023 financial statements accordingly. The fixed assets disposal process of 960.10 branch was completed on 2023.07.20. Disposal processes of other branches will be carried out in branch level based on the latest Fixed Assets Verification results.

According to the Property, Plant & Equipment register maintain at AFM (HQ) the total value of assets base is Rs. 2,197,464,491/- and in an annual verification for the year 2022, the respective branches have confirmed the value of Rs. 2,184,961,820/- as assets been existing and using by them. However, Rs.12,502,671 value of assets has not been confirmed by the respective branches as pointed out by the Auditors and action has been initiated to reconcile and to rectify the records accordingly.

(f) LKAS 20- Accounting for Government Grants and Disclosure of Government Assistance

A sum of Rs.40.9 billion received to the Board as at the end of the year under review for the implementation of two projects under the foreign loan agreements entered into by the Sri Lanka Government and two foreign lending agencies of which the liability for the repayment is vested to the Sri Lanka Government (no sub loan agreements with the Board) had been accounted as interest bearing loans and borrowings of the Board instead of being accounted as Government Grants in terms of the paragraph 3 of the standard. Apart from that in relation to another two projects a sum of Rs.8.2 billion obtained under the foreign loan agreements entered into by the Sri Lanka Government and two foreign lending agencies for which the Government had agreed to make available the proceeds of the Loan as equity to the Board as per the subsidiary loan agreements had also been shown as interest bearing loans and borrowings of the Board.

According to the paragraph 3 of the LKAS 20 Government grants are assistance by government in the form of transfers of resources to an entity **in return for past or future compliance with certain conditions relating to the operating activities of the entity.** In relation to the mentioned loan agreements, there are sub loan agreements entered with the Department of Treasury on behalf of the Government of Sri Lanka for the two loans amounting to 9.1 billion and according to the sub loan agreements CEB has to consider the loan disbursements as equity and after receiving the instructions from Treasury it will be accounted as Equity. Therefore, these two loans cannot be considered as Government grants. Further, a direction has not been received from Treasury to account the other two loans amounting to Rs 40.9 Bn as Government Grants. A letter requesting Treasury to consider converting the remaining loans in to equity is sent on September 21st 2023. Therefore, the above mentioned 50 billion received to the board through the foreign loan agreements entered between Sri Lankan Government and foreign lending agencies cannot be considered as government grant.

(g) LKAS 21 - The effects of changes in Foreign Exchange Rates

In terms of Section 23 (a) of the standard, foreign currency monetary items shall be translated using the closing rate at the end of the reporting period. However, the board had not translated the value of six foreign currency denominated loans in relation to four projects obtained directly by the board using the closing exchange rates and no foreign exchange gain/loss had been recognized accordingly in the financial statements in terms of the section 28 of the standard. However, as per the balance confirmations received for two loans out of six above, it was observed that interest bearing loan balance at the end of the year under review and loss for the year had been understated by Rs.6,485 million approximately.

Foreign lending agency confirmation for the loans are available for perusal and copies of same are submitted with the CEB Audit Report Replies and the forex impact of conversions of loans as at the end of the financial year has been measured and will be accounted subsequently.

Action will be taken to translate to foreign currency nominated loans and Necessary adjustments related to exchange rate gain or losses in financial statements will be made in year-end financial statements of 2023.

(h) SLFRS 09 - Financial Instruments

(i) According to the Policy No. 2.4.5.4 of the accounting policies to the financial statements and Accounts Circular No.610 dated 02 February 2023 issued with respect of making provision for impairment of trade debtors, 100 percent provision should be made for trade debtors outstanding for more than 1 year. However, it was observed that an under provision of Rs.10.28 million and an overprovision of Rs.56.59 million had been made for the balance of trade debtors outstanding over one year relating to 4 provinces in Distribution three Divisions. Hence, the loss for the year under review had been overstated by Rs.46.31 million.

Under / over provision adjustment is already made in relevant schedules of 2022 and these errors will be omitted in the future financial statements.

(ii) Provision for impairment had not been made for loans given to consumers amounting to Rs.250 million at the end of the year under review by considering the expected credit loss. Further, it was observed that a sum of Rs.196.87 million or 79 percent of total consumer loans had remained outstanding for over 5 years period.

Action will be taken to review the impairment process and provision for impairment for consumer loans will be made in the subsequent financial statements. Distribution division 4 has included the provision for impairment for consumer loans also in the trade debtor impairment schedule. Further necessary action will be taken to clear the over 5 Years outstanding balances of consumer loans.

(iii) According to the Policy No. 2.4.5.2 of the accounting policies to the financial statements, the Board's Financial Assets which are subsequently measured at amortized cost comprise of trade and other receivables, loans to customers and loans to employees. Even though the Board had introduced a specific approach and methodology to recognize the expected credit loss of trade debtors, no specific procedure had been introduced for other debtors which includes sundry debtors, dues from sacred places etc. Accordingly, an amount equivalent to Rs.33.95 million and Rs.3.1 million had only been provided for impairment of other debtors remained outstanding over one year in Distribution Division 01 and Distribution Division 04 amounting to Rs.208.06 million and 49.24 million respectively. However, no provision had been made for balance outstanding over one year in Distribution Division 02 and Distribution Division 03 amounting to Rs.148.47 million and Rs.66.6 million respectively. Similarly for other receivables outstanding over five years amounting to Rs.300.24 million, an amount equivalent to Rs.64.31 million had only been provided for impairment without recognizing the expected credit loss properly. Due to these observations, the accuracy of carrying value of financial assets in the financial statement cannot be ascertained in audit.

Specific approach or methodology to recognize credit loss of other debtors is being drafted. Further to these following actions are being taken to recover or write off the long term unrecoverable balances

Other debtors mainly consist of Free service connections, due from sacred places and sundry debtors

Free Service Connections

These are connections given through the government scheme "Electricity for All" to which funds have not been received from the Ministry of Power. Actions will be taken to write off the same in future.

Dues from Sacred Places

This is the energy cost incurred for the sacred places settled by CEB which is to be recovered from the Government. A board paper has already been submitted to the Board for approval to write off the outstanding balance as at 31 December 2022 since no funds were received from the government. However, CEB has discontinued the settlement of energy cost with the introduction of the new tariff rates.

Sundry Debtors

Actions will be taken to examine each balance and make provisions appropriately.

(iv) A sum of Rs.1.38 billion remained more than five years as sundry debtors in Transmission division of the Board and out of that a sum of Rs.1.37 billion remained outstanding from AES Kelanithissa (Pvt) Ltd since the year 2011. However, without recognising the expected credit loss of them properly in terms of the above standard, a sum of Rs.563,330 had only been provided for impairment at the end of the year under review.

Until 2022 CEB was certain this amount will be received to CEB after CPC pay the fuel price difference to AES kelanitissa (Pvt) Ltd. After evaluating the impairment indicators provision was not made. However in 2023 as per the board decision No.23.08. 228. G the amount of Rs.1,368,964,445 was already written-off from the financial statements in 2023 since it was certain following amount will be not be received to CEB.

1.2.2.2 Accounting Deficiencies

(a) A debit balance relating to stock shortage amounting to Rs.162.5 million and a credit balance relating to stock excess amounting to Rs.70.3 million had been accounted in the Stock Adjustment Account for more than one year without being cleared.

Division	Stock Shortage Amount (Net) Excess/ (Shortage) as of 31st December 2022	Reply
DD01	(13.96) Mn net	DD1 Stock adjustment accounts balance as at 30.09.2023 is amounting to Rs 15.16 Mn out of which over 1 year balance is Rs. 12.43(shortage) which belongs to P&HM Heyiyanthuduwa stores. Regarding the stock shortage of Heiyanthuduwa stores under PHM, there is an investigation done by the Internal audit branch and based on that report further action would be taken.
DD02	Net : (9.00) Mn Surplus : 8.4Mn shortage : (17.54) Mn	The balance related to the DD2 mainly consists of the EP and WPN. In respect of WPN, balances of 2-3 years and the 3-4 years have already been identified and will be cleared during the year with the assistance of IT officers and 4-5 years stock excess balance of Rs 8,417,459.03 is still under inquiry stage and not yet finalized. Further, over 5-year shortage balance of Rs (14,984,464) consist with the two cases. Accordingly, Rs.(14,033,469.83) to be received from H.P. Karunarathna who was interdicted, and the case is being handled by the Criminal Investigation Department. (CID). The rest of Rs (950,995) related to the D.P. Ananda Kumara who is Retired in 2022 November and this amount had been recovered and the relevant entries will be passed to the leger in the year 2023.
DD03	Net: (51.69) Mn Surplus :11.3mn Shortage :63 mn	DD3 has an Rs.11.3Mn Stock surplus balance and Rs.63Mn of Stock Shortage Balance (A net balance of Rs. 51Mn). Out of the net stock adjustment balance of Rs. 51Mn, 3.3Mn relates to Uva Province is an unreconciled balance which is in the process of being cleared. Rs.1.7Mn balance related to Sabaragamuwa Province has already been cleared. and committees have been appointed to clear the remaining balance of Rs 0.5Mn. The remaining balance is related to WPS 2 and a committee will be appointed to examine and to make recommendations to clear the outstanding balances of Rs.60Mn remaining in stock adjustment account over 5 years with necessary approvals.

DD04	Net: (0.04) Mn	There is a balance of Rs. 35,400/- of the stock adjustment account which is relevant to SP1 for the year 2021. This shortage has occurred from the item - LED FLOOD LIGHT 100W 10 Nos. These stock items were given to the Ministry. Letter was forwarded to the Secretary of Ministry of Power & Energy on 2023.09.04 by CE (Commercial)-SP1 mentioning to return these lamps and until to date these items are not returned by the Ministry.
Generation	Net : (12.58) Mn surplus 50.46 Mn shortage -63Mn	Lakvijaya PP Rs. 57,497,143 surplus balance and Rs. 52,212,611 shortage balance were in the stock adjustment account as of 31st December 2022. Committees have been appointed to study the reasons for surplus and shortage. Once the committee decisions are received a Board paper will be submitted to the Board and this balance will be cleared in 2023 with the approval of the Board. Thermal Complex Action will be taken to clear the outstanding balances pertaining to Thermal Complex during the year 2023. Samanala Complex Explanations have been called from Store keepers and are pending for the shortages and surpluses in the years 2021 & 2022. The committee has been appointed for the shortages & surpluses for the Kukule Ganga Power Plant for the year 2021.
Asset Management	Net : (4.93)	This balance mainly consists of the stock shortage recoverable from R.B. Wedagedara and N.P.L. Samarasinghe with regards to R.B Wedagedara CEB legal unit with the consultation of the Attorney General's Department will take legal action to recover the stock shortage. Also, with regards to the balance recoverable from N.P.L. Samarasinghe CEB pension fund has been informed to recover the shortage from gratuity and pension fund
Total	**(92.20)**	

(b) The Economic Service Charges (ESC) paid from the year of assessment 2016/17 to 2019/20 which had exceeded the claimable period amounting to Rs. 3.91 billion had not been recognized as expenses in the statements of comprehensive income. As a result, retained loss at the beginning of the year and loss for the year under review had understated by Rs.2.7 billion and Rs.1.21 billion respectively.

ESC cannot be claimed as a tax credit for the computation of income tax liabilities since the claimable period has been exceeded and within the claimable period CEB has incurred taxable losses. Accordingly, the amount referred would be charged to comprehensive income as expenditure after getting board approval in subsequent financial statements for the year 2023. Board paper has been already forwarded to the board to be considered for the next board meeting that will be held on 20th November 2023.

(c) A number of 11,429 of completed jobs valued at Rs.16.9 billion were remained in work in progress account for more than two years without being transferred into relevant assets account in Distribution Divisions. Further, action had not been taken to capitalized three number of completed jobs valued at 6.2 million which had been included in the work in progress account of Asset Management division more than 5 years. However, impact to the loss for the year under review due to not making provision for depreciation could not been ascertained due to lack of information.

<table>
<tr><th>Division</th><th>No of Jobs</th><th>Over 2 years Amount (Rs) Mn</th><th>Reply</th></tr>
<tr><td>DD-01</td><td>1816</td><td>1,800</td><td>
<table>
<tr><th>Province</th><th>No of jobs as at 31.12.2022</th><th>Value as at 31.12.2022 Rs. Mn</th><th>No of jobs as at 31.03.2023</th><th>Value as at 31.03.2023 Rs. Mn</th></tr>
<tr><td>CC</td><td>14</td><td>95.79</td><td>114</td><td>741.81</td></tr>
<tr><td>NWP 1</td><td>1049</td><td>986.92</td><td>6657</td><td>1830.70</td></tr>
<tr><td>NWP 2</td><td>15</td><td>42.16</td><td>3694</td><td>567.02</td></tr>
<tr><td>NCP</td><td>643</td><td>135.09</td><td>7904</td><td>1027.23</td></tr>
<tr><td>NP</td><td>85</td><td>373.67</td><td>1340</td><td>1066.11</td></tr>
<tr><td>PHM</td><td>10</td><td>170.85</td><td>42</td><td>415.55</td></tr>
<tr><td>SESRIP</td><td>1</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>TOTAL</td><td>1816</td><td>1804.48</td><td>19751</td><td>5648.42</td></tr>
</table>
The WIP amount of SESRIP Project was transferred to Project division in the month of May 2023 financial statements. Further to the above, a continuous process has been taken to transfer the completed jobs into assets on a regular basis.</td></tr>
<tr><td>DD-02</td><td>3240</td><td>5,510</td><td>As per the Report, the WIP balances shown under "4-5 Years" and "Over 5 Years" of DD 02, amounting to 904 jobs with a cost of Rs. 1,596,732,204.60 has been considered as the value of the completed jobs and not transferred to assets. It has been noted that, though the WIP jobs categorized under the above aging categories, there are jobs which are not completed and to be shown under WIP as they are not really completed due to various reasons such as objections by the third parties, not receiving the way clearances, changing the requirements of the consumer etc.
Out of 3240 jobs more than 02 years as at 31.12.2022, 1656 jobs worth of Rs.2,490,295,105 were currently been transferred to Fixed assets.</td></tr>
<tr><td>DD-03</td><td>5200</td><td>4,170</td><td>Out of the Jobs over two years, 3,946 no of jobs to a value of Rs. 1,562mn has been cleared by September 2023 and actions have been already initiated to clear the remaining balance.</td></tr>
<tr><td>DD-04</td><td>1171</td><td>4,419</td><td>Most of the jobs in WIP as at 31.12.2022 cleared in 2023 and progressive action has been taken to to transfer the cost of completed jobs to assets from WIP account with continuous collaborative efforts among the construction unit / commercial unit and Accounts section Therefore, a considerable reduction (26.4%) could be seen in the outstanding WIP of the division.</td></tr>
<tr><td>AM</td><td></td><td>6.2</td><td>DGM -DD3 had requested to install the Generator & accordingly CE (PP) had purchased the Generator on behalf of DD3. Subsequently DGM - DD3 had not taken the Generator. Due to this issue, 6.1Mn capital WIP was reflected in CE (PP) Unit. However currently CE (PP) is coordinating with DGM- DD3 to finalize this issue</td></tr>
</table>

(d) Work in progress balance in distribution divisions had been understated by Rs.12.82 million due to offsetting of abnormal credit balances.

Divisions	Credit entries WIP Mn	Reply
DD-01	2.03	This has mainly due to accounting of material returns and favorable price variance in the year 2022. Colombo City balance was already cleared while, Provincial Expenditure Accountants of NCP province was also instructed to clear the balance and these balances were cleared during 2023.
DD-02	9.16	Most of the credit entries made to the WIP Account represents the value of Returning balance materials of the Jobs or the cost of the materials returned due to cancellation of the jobs due to various reasons.
DD-03	1.63	The Total balance relates to Sabaragamuwa Province and during the financial period of year 2023, necessary steps have been taken to clear abnormal credit balances of work in progress and further necessary steps were taken to clear the credit balances reported in the WIP accounts of Lighting Rathnapura Project (cost center 710.00) from the ledger, through the process of transferring WIP balance to the assets accounts which were identified as completed.
	12.82	

(e) A sum of Rs.107.47 million incurred on the construction of Gampaha Area Engineer Office, which had been completed in 2018, had been included in work in progress account without being taken action to capitalize even by the end of the year under review. Further, as per the calculations made by audit, retained loss and loss for the year under review had been understated by Rs.9.12 million and Rs.2.69 million respectively due to not making provisions for depreciation from the year of completion.

Action has been taken to capitalize and transfer this balance to assets in the Financial Statements of 2023

(f) Four vehicles worth of Rs.124.30 million purchased for the Puttalam Coal Power Project (ii) had not been capitalized even after the completion of the Project in 2014, and instead that amount had been included in work in progress account. Further, depreciation of those vehicles had not been recognized since the Project completion date. In addition to that no actions had been taken to get the ownership of these vehicles transferred to the Board even up to the end of the year.

These vehicles have not yet been handed over to CEB by CMEC (the contractor) and ownership of the vehicles were not transferred to CEB yet. Therefore it is not possible to capitalize nor depreciate it while they are not under CEBs' legal ownership. After transferring of ownership to CEB the above vehicles will be capitalized and depreciation will be charged accordingly. Chief Internal auditor has already taken action to follow up regarding this issue with CMEC and CMEC has replied referring to the MOU agreement condition that vehicles will be handed over after termination of the operation and maintenance agreement signed between CEB and CMEC.

(g) It was observed that the Board had made prior year adjustments in the financial statements of the year 2021 and 2022 pertaining to years 2019, 2020 and 2021. As a result, the retained loss as at the end of the year 2021 was distorted by Rs.89.6 billion. Hence, the possibility for making adjustments to the profit for the year under review in the forthcoming years could not be ruled out in audit.

	2021 Rs.000	2022 Rs.000
Prior year adjustments as at 31 December 2019	8,088,753	-

Prior year adjustments as at 31 December 2020	(6,602,605)	(78,397,384)
Prior year adjustments as at 31 December 2021	-	(12,688,648)
Total	**1,486,148**	**(91,086,032)**

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.

Further the prior year adjustments made related to the Puttalam Coal power Loan is unavoidable and beyond our control as the Department of Public Enterprises based on the Cabinet Decision dated 2023-02-01 directed CEB by their letter dated 2023-02-17 instructing to make adjustments in the financial statement of the year 2022 for Loan payments made prior to 2018 and the equity conversion of total loan outstanding as at 2022.12.31 at the closing exchange rate.

In addition, by Letter no PED/I/CEB/02/11(i) dated 2022-07-18 the Department of Public Enterprises directed CEB to convert the 1st loan Instalment of the Year 2022 into equity. Accordingly a total of Rs. 12.18 Bn was adjusted in 2021 and Rs 77.4 Bn as prior to 2021 in the year 2022 under the above Loan.

(h) Loans to customer balance in Distribution Division 01 had been understated by Rs.23.97 million due to offsetting of abnormal credit balances in North Western Province 2.

Loans to customers in general having debit balances whereas due to over payments, adjustments, etc, some customer loans accounts carries credit balances. The accounting standards permits to offset debit balances with credit balances. Further to this, CEB circular no: 2010/GM/23/FM dated 23.12.2010 para no: 5 provides offsetting of loan receivables accounts with loan credit balances.

(i) Goods in transit balance amounting to Rs.89.57 million had remained in the books of accounts for over one year without being taken proper action to settle. Out of the goods in transit balance of Rs.65.26 million in Distribution Division 01, a sum of Rs.60.38 million represents transformers that had been sent to Lanka Transformers Limited for galvanizing 5 years ago but had not been received again even at the end of the year under review.

Division	Over 1 year GIT Amount (Rs) Mn	Reply
DD01	65.3Mn	It is agreed that the balance of Rs 65.26 million is related to DD1 & out of that value of Rs. 60.38 million regarding transformers which had been sent to Lanka Transformers Ltd. Documentary evidence were difficult to trace in this regard once the documentary evidence is available such balances will be cleared.
DD02	17.8Mn	Goods in transit accounts represent the goods purchased and delivered to LTL galvanizers for galvanizing. Those stock items are accounted in the goods in transit account until they are returned to CEB. The detailed list of goods in transit account according to each tender is attached with the final accounts for the year ended December 2022. Follow up actions are being done by P&D branch of DD2 to clear these balances. Goods-In-Transit more than 05 years balance as at 31.12.2022, worth of Rs.1, 298,448.25 has been cleared in 2023.
DD03	2.1Mn	Rs 2Mn relates to Sabaragamuwa Province of DD3 and actions have been taken to clear the balance.
DD04	4.3Mn	Action are being taken to Clear GIT balances of More than 1 Year
Total	89.5Mn	

(j) Abnormal credit balance of Rs.26.97 million was observed in the balance of goods in transit in Corporate Office and Sabaragamuwa (Deputy General Manager Office) under the Distribution Division 03.

The Balance of Rs. 24Mn in the corporate office was due to an accounting error which was already been rectified. The remaining balance of Rs 2Mn which relates to Sabaragamuwa province will be cleared.

(k) A debit balance of Rs.557.94 million and a credit balance of Rs.556.81 million remained unsettled in Distribution Division 01 and Distribution Division 02 since 2002 as inter divisions' current account balances had been transferred to debtors control account in 2004 without being investigated and settled.

There were transits credit balance of Rs. 556.81 million and debit balance of Rs.557.94 million with respect to DD1 to DD2 at the time of decentralization of Distribution Divisions was taken place in 2004. Further to this, documentary evidences are not available to verify the nature and details of the debit and credit balance. Therefore, for the purpose of better presentation in Financial Statements it has been transferred to Trade debtors Account.

However, to comply with auditor's recommendation the above balances has been reclassified and shown in the Mitfin System without setting off with each other in order to make it transparent

(l) The Board had established a Project Management Unit for the Lakwijaya 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 the Project on 26 October 2021 based on the Government policy taken on 26 July 2021 by the Cabinet of Ministers. However, a sum of 167.62 million remained under the Capital Work in Progress even as at 31 December 2022 without obtaining any action to write-off or make any provisions in the financial statements.

Board paper has been submitted to audit committee to write off the expenditure and the audit committee has reviewed it. After receiving the decision from the Audit committee appropriate action will be taken

(m) Value of 23 vehicles and accumulated depreciations thereon had not been recorded in the assets register of Lakvijaya Power Station, and as a result, it had not been included in the financial statements due to lack of information.

A committee was appointed to recommend suitable accounting treatment for the 23 nos. of vehicles since the cost of these vehicles was not available to record in the asset registry and the committee submit its report recently. The committee was able to find the cost of 21 Nos. vehicles out of 23 Nos and recommendations of the committee which are outlined below will be adjusted in the subsequent financial statements of 2023 accordingly.

- The cost of 21 nos. of vehicles shall be recorded at the original point on which ownership of the vehicles was transferred to CEB and depreciation shall be recorded from the inception.
- Presuming that the cost of these vehicles were included in the asset cost already recorded in the Property Plant and Equipment (PPE) in LVPP books of accounts and effect relevant entries to PPE to recognize the vehicles separately.
- A committee will be appointed to ascertain the value and the useful life of two vehicles for which cost could not be found.

These vehicles were not included in the books of accounts in the year 2022 due to the absence of cost. However, the value of these vehicles was determined by a committee and accordingly taken into books of accounts in August 2023.

(n) As per the invoices submitted by Public Utility Commission of Sri Lanka in terms of the Gazette Notification No.2267/13 Published on 15 February 2022, the Annual Regulatory Levy for the year 2022 relating to the Distribution Divisions, Generation Division and Transmission Division was Rs. 209.68 million. However, a sum of Rs.167.25 million had only been accounted in the financial statements for the year under review for the same and thus indicating an understatement of Rs.42.43 million.

In accordance with Section 46(2) of Sri Lanka Electricity Act No. 20 of 2009 as well as Section 33 of Public Utilities Commission of Sri Lanka Act, No. 35 of 2002 Commission has to consider following in deciding the annual levy for any year.

- Unrecovered expenditure from the previous year if any:
- Excess of the revenue of the Commission in any year over its expenditure for that year to meet its expenditure in subsequent years.

Thus, CEB has requested PUCSL to provide relevant information in order to verify the "Annual Levy Calculation". In response, PUCSL has submitted the requested information via letter PUC/LIC/CEB/2022/74 dated 2022-10-03. According to the submitted information, it has been noticed that PUCSL has spent 212.5 MLKR for the regulatory activities of electricity sector in year 2021. However, the levy paid by CEB for year 2021 was 159.9 MLKR which is less than the amount spent by PUCSL.

Moreover, "Statement for Financial Position" shows that there is an accumulated fund of Rs. 784,517,162.00 and an operational surplus of Rs. 109,578,047 as at 31 December 2021. Hence, it was noted that PUCSL has been accumulating a fund over the years without carrying forward excess revenue in contrary to the Section 33(1) of PUCSL Act No. 35 of 2002, **"Any excess of the revenue of the Commission in any year over its expenditure for that year shall be carried forwards to meet its expenditure in subsequent years".**

In addition to the above, PUCSL has increased the rates for Capacity, Demand and Energy for year 2022 by around 25% than the rates for year 2021.

Under the above circumstances, the board decided to pay the "Annual Levy" for the year 2022 after recalculating the same for the rates published in Gazette notification for year 2021 (2224/47 dated 2021.04.23). Accordingly, the total annual regulatory levy payment for year 2022, to PUCSL approved by the Board and regulatory levy claimed by PUCSL for year 2022 are as follows:

Total Levy Payment worked out by CEB for year 2022	= Rs.	167,252,510.00
Total Levy invoiced by PUCSL for year 2022	= Rs.	209,676,300.00
Difference	= Rs.	42,423,790.00

Accordingly, Levy Payment worked out for six licences by CEB for year 2022 which is Rs. 167,252,510.00 as follows.

	Division	License No.	Amount (Rs)
1	Generation	EL/GB/09-001	41,869,000 .00
2	Transmission	ELfr/09-002	25,778,400.00
3	DD - 1	EL/D/09-003	30,088,400.00
4	DD - 2	EL/D/09-004	35,003,110.00
5	DD - 3	EL/D/09-005	19,772,800.00
6	DD - 4	EL/D/09-006	14,740,800.00
		Total	**167,252,510.00**

Board approval also received for the above at the Board meeting held on 2022-12-08.

(o) Dam Works, Tunnel Works, Tailrace Works and Intake Canal valued at Rs.63.54 billion had been shown under the civil works of Property Plant and Equipment of Mahaweli Complex. However, the accuracy of the said amount and acquisition or right of the respective assets to the Board could not be verified in the Audit due to lack of information.

Cost Centre	Power Station	Description	Asset Value Rs.
831.00	Victoria Power Station	Tunnel Works	9,287,094,251.25
		Dam Works	5,125,656,824.00
		Total	**14,412,751,075.25**
832.00	Kothmale Power Station	Tunnel Works	11,712,155,418.43
		Dam Works	10,374,925,875.87
		Total	**22,087,081,294.30**
833.00	Ukuwela Power Station	Tailrace Works	65,534,014.42
		Tunnel Works	1,965,525,213.05
		Dam Works	550,353,662.58
		Total	**2,581,412,890.05**
834.00	Bowathenna Power Station	Tunnel Works	1,867,251,703.63
		Tailrace Works	101,574,971.11
		Total	**1,968,826,674.74**
835.00	Randenigala Power Stations	Tunnel Works	1,735,715,967.72
		Dam Works	11,011,007,493.48
		Total	**12,746,723,461.20**
836.00	Rantambe Power Stations	Tailrace Works	2,075,133,740.94
		Dam Works	7,075,885,264.60
		Total	**9,151,019,005.54**
837.00	Nillambe Power Station	Intake Canal	347,258,744.71
		Dam Works	248,957,723.10
		Total	**596,216,467.81**
Grant Total			**63,544,030,868.89**

The Board has already acquired the Nillambe dam and is operating, maintaining, and managed fully by the CEB. However, all other dams relating to the above-mentioned power stations are operated, maintained, and managed by the Mahaweli Authority of Sri Lanka by its act. But the Board has acquired only the waterways up to the power intake at the reservoirs which were fully operated, maintained, and managed by the relevant Power Stations.

The hydropower asset value has been transferred to the CEB by MASL in the year 1991 as per the documentary evidence and action will be taken to solve disputes related to the asset transfer after discussion with MASL officials during the year 2023.

(p) Direct bank credits amounting to Rs.7.29 million relating to Peoples Bank account No. 85135 remained from the year 2018 had been transferred temporarily to cash in transit account without being taken action to investigate and accounted to the proper accounts.

This has been recognized as an income in 2022

(q) As per the paragraph 5.2 (b) of the Standardized Power Purchase agreement, CEB shall pay the seller on or before the due date which means thirty days after the date on which CEB reads its meter installed at the Power Plant and any undisputed amounts unpaid after the due date shall bear interest at the Prime Rate compounded on a monthly basis. However, it was observed that an amount of Rs.26.9 billion was due to the 310 power producers as at 31 August 2023 as a result of non-settlement of invoices by the due dates. Further, it was observed that interests for unpaid balances after the due dates had been requested by the power producers in time to time submitting the invoices to the CEB and according to the invoices received to the audit which have been submitted by the power producers to the CEB, an amount of Rs. 2.6 billion had been requested as interests for unpaid balances by the 109 power producers relating the period from April 2019 to April 2023. Nevertheless, it was observed in audit that any amount of the interests requested by the power producers had not been paid by the CEB and any provision for the interest payable had not been provided in the books of accounts of the CEB even at the end of the year under review.

Due to the bad financial position of CEB since year 2021, there was a considerable delay in settling Renewable Energy invoices. The delay reached nearly 15 months by the mid of year 2022. However now the delay has been brought down.

Prior to year 2022, the delayed interest was invoiced by very few developers. But since the accumulated delay by settling invoices together with higher bank interest rates, the no. of developers who claimed delayed interest was increased. As at August 2023, total amount of 2.6Bn Rupees had been claimed by the developers. CEB is now evaluating the eligibility of such claims and preparing necessary accounting work of such interest claims in order to make necessary provisions in the financial statements

1.2.2.3 Un-reconciled Differences

(a) It was observed a difference of Rs.4.62 billion between the balance shown as payable to the Ceylon Petroleum Corporation (CPC) in the financial statements of the Board as at 31 December 2022 and the corresponding balance shown as receivable in the financial statements of the CPC as at that date. Further, in the above-mentioned difference, there was a disputed amount of Rs.753.61 million as at 31 December 2022, and it had been reiterated in audit reports since 2013 continuously. However, at the meeting held on 22 December 2022 at the Department of Public Enterprises, the Director General had recommended bearing the interest component of Rs.330 million (approximately) after 19 April 2013 by the Board subject to the approval of the Board of Directors. However, no action had been taken to get the approval of the Board of Directors and act accordingly even at the end of March 2023.

The payable balance to the CPC and the corresponding receivable balance in the accounts of CPC was reconciled up to 31st December 2020.

Reasons for the difference after 2020.12.31.

- CPC started to recover delayed interest from regular payments made by CEB from 2021 onwards based on a unilateral decision approved by the CPC board.
- However, CEB has not agreed with the CPC's decision and requested in several times to CPC withdraw the decision.
- In CEB's accounts, the regular payments made to the CPC have been settled from the outstanding value, and delayed interest is calculated and paid on the balance amount.
- CPC has unanimously reduced the credit period from time to time.

However, all payment-related documents coupled with the breakdown of the CPC balance are available. Board submission will be forwarded seeking further instructions on this matter.

Dispute amount of Rs.753.61 million.
The Cabinet has decided by its meeting held on 2023.06.26 to undertake CEB dues to CPC as of 30.04.2023 to the

Treasury. As per the Cabinet Decision, the due amount from CEB as of 30th April 2023 amounting to Rs. 84.3 billion arrived from CPC financial statement will be set off by equity investment to CEB. This disputed amount is also included in the above sum and therefore no need to bear Rs. 330 million (approximately) by CEB further.

However the 330mn will be recognized in the financial statements as expenditure and after receiving the directions from treasury this amount will be converted to government equity in the financial statements of CEB.

(b) As per the audit test check carried out, an aggregate difference of Rs.4.49 billion was observed between the work- in- progress balance of the project of Supporting Electricity Supply Reliability Improvement Project shown in the financial statements of the Board and the corresponding balances shown in the financial statements of the project.

In CEB's statutory financial statements, we record transactions as per the administrative directions and consolidate the WIP balances project wise. However, the Project Financial Statements are prepared loan wise based on the donor's requirements. Hence, The Project Financial Statements have consolidated the WIP of all divisions utilizing the funds from a specific Loan. Therefore, it is obvious to have differences.

Supporting Electricity Supply and Reliability Improvement Project is implemented by Distribution Division 01, Distribution Division 02 and Project Division.

SESRIP - 3409	WIP (Rs)
DD1	4,700,485,723.53
DD2	4,244,417,042.18
Project	5,219,744,391.04
Total	14,164,647,156.75

Therefore, the WIP of the said projects was stated under each division (not by loan wise) in the CEB financial statements.

Further DD2 part of the SESRIP project is for the material procurement (Rs 4.24 billion) which is for CEB distribution jobs therefore the balance cannot be separately identifiable in the CEB financial statements since it is procured and issued for different jobs.

(c) An unidentified debtor balance of Rs.423.76 million remained outstanding since 2012 in Distribution division 1. However, out of that, a sum of Rs.185.41 million had been transferred to debtor control accounts, other liability account etc. of Distribution Divisions from 2015 to 2022 without investigating and adjusting the individual debtors account affected.

Out of original value of Rs. 423.76 million debtor balances and amount of Rs.185.41 million had been transferred based on letter no. AFM(DD1)/Acct(A&MI)/ Revenue Debtors /2018 dated 17 August 2018 to AFM DD3 branch with ledger balance after reconciling their own billing & ledger system. This amount originally would have been transferred during the process of decentralization in 2002.

Further to above, it is also recommunicated to all Divisional AFMMs to check whether any balance belongs to their divisions to effect balance transferring.

(d) Some differences were observed between the balances of Bulk Debtors and Ordinary Debtors as per the billing system and the amounts taken to the reconciliation statement as billing debtors relating to some cost centers. Accordingly, it was observed that there were differences amounting to Rs.5.28 million and Rs. 423.85 million with regard to the Bulk Debtors and Ordinary Debtors respectively for the year under review. Accordingly the accuracy of trade debtors could not be reasonably ascertained in audit.

<table>
<tr><th>Division</th><th>Reply</th></tr>
<tr><td>DD01</td><td>It was noted that there were some differences in the billing system and bulk and ordinary leger balances. However, such differences vary with the audit findings which have been elaborated below in province wise.
<table>
<tr><td>Colombo City</td><td>The audit query related to Colombo City seems to be factually incorrect. Therefore, difference of the audit query and actual balances can be analyzed as given below.

Balance as per Billing System was Rs.:2,905.77 Mn and the Difference in HS and ordinary supply balances have been analyzed as follows.
<u>Bulk Supply Debtor balance difference with system</u>
<table>
<tr><td>Balance as per Ledger HS Active</td><td>Rs. 2,872,030,520.28</td></tr>
<tr><td>Balance as per IT System HS Active</td><td>Rs. 2,872,029,106.32</td></tr>
<tr><td>Difference</td><td>Rs. 1,413.96</td></tr>
<tr><td>Balance as per Ledger HS Finalized</td><td>Rs. 33,997,534.69</td></tr>
<tr><td>Balance as per IT System HS Finalized</td><td>Rs. 33,737,372.48</td></tr>
<tr><td>Difference</td><td>Rs. 260,162.21</td></tr>
</table>
(The unreconciled difference is shown in annex-5 in 2022 final accounts).</td></tr>
<tr><td>NWP 2</td><td>Ordinary debtors balance as at 31.12.2022 in the billing system was Rs.5,521,883/- which includes Suspense account balance which is not included in the debtor ledger balance but accounted separately as suspense. Subsequently, on the request of the customer suspense account balance will be cleared.</td></tr>
<tr><td>NCP</td><td>
<table>
<tr><td>Ordinary supply</td><td>Rs. Mn</td></tr>
<tr><td>Balance as per the reconciliation</td><td>1,562.03</td></tr>
<tr><td>Balance as per the billing</td><td>1,569.87</td></tr>
<tr><td>Difference</td><td>(7.83)</td></tr>
<tr><td>This difference is the suspense balance</td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td>Bulk supply</td><td>Rs. Mn</td></tr>
<tr><td>Balance as per the reconciliation</td><td>775.78</td></tr>
<tr><td>Balance as per the billing system as at 31-12-2022</td><td>747.53</td></tr>
<tr><td>Difference</td><td>28.25</td></tr>
</table>
According to this report, the system balance is 745.58. But as per the report we obtained from the system as at 31-12-2022 (report generated on 12-01-2023) the balance is 747.53. The above difference is due to the finalized account balance which is not included in the billing balance but included in the ledger balance.</td></tr>
</table>
</td></tr>
</table>

DD02	All the Ordinary and Bulk Supply Debtor balances as per Ledger and the Billing System has been reconciled and attached with the Financial Statements The ordinary supply billing system balance included finalized debtors balance whereas the bulk supply debtors billing summary only included the active debtors. Since the ledger balance of ordinary debtors is consisted of both active and bulk supply balances, the main difference of the bulk supply debtors as per ledger and the billing summary is only the finalized bulk supply balance. The differences between the balances as per ledger and the actual billing summary reflects the finalized debtors balance and suspense account balance. (Since suspense accounts balance are not recorded in the ledger).
DD03	The difference is mainly due to the Area Suspense balance arisen due to collections made through Agents. Hence, it is recorded in Head office ledger.
DD04	The difference between the ledger balance and the system balance is the suspense balance recorded in the billing summaries but not recorded in ledger of divisions instead recorded in the HQ suspense ledger account.

(e) Collection Control Account had a debit balance of Rs.278.54 million and a credit balance of Rs.1.52 billion as at 31 December 2022. However, reconciliation of unsettled debit balances of Rs.273.32 million and credit balance of Rs.913.25 million was not made available for audit. Hence, the accuracy of the Collection Control Account balances could not be satisfactorily verified in audit. It was further observed that an unidentified opening credit balance of Rs.38.05 million and a debit balance and a credit balance (except unidentified opening credit balance) remained over one year amounting to Rs.3.14 million and Rs.3.44 million respectively had also been included in the Collection Control Account without being taken proper action to settle.

<table>
<tr><th>Division</th><th>Unreconciled Balance (Rs) Mn</th><th>Reply</th></tr>
<tr><td>DD01</td><td>(227)</td><td>
Reconciliation statements of collection control accounts is a routine activity and Provincial Revenue Accountants were instructed to prepare monthly reconciliation statements of collection control accounts.
Regarding DGM Colombo City the difference has been arisen due to cash collection cycle of Ordinary supply consumers and Bulk Consumers in calendar month. Accordingly, the balance of collection control accounts was Rs. 3,727,977.37 which include collection amount on 30-12-2022 and 31-12-2022. In this regard, action has already been taken to develop the IT System as per the guidelines of Revenue steering Committee.
In the case of DGM NWP 2 Reconciliation statement of Collection Control account has been prepared which is shown in below.
<table>
<tr><td colspan="3">Reconciliation of Collection Control Account as at 31st December, 2022</td></tr>
<tr><td>L5105 - NWP 2</td><td>Rs.</td><td>Rs.</td></tr>
<tr><td>Balance As at 31.12.2022</td><td></td><td>(192,860,964.18)</td></tr>
<tr><td>Over transferred Balance from Head office</td><td>(247,414,941.72)</td><td></td></tr>
<tr><td>Less taken over balance by other provinces</td><td>8,804,696.27</td><td></td></tr>
<tr><td>Unidentified balance to be cleared</td><td>45,749,281.27</td><td>(192,860,964.18)</td></tr>
<tr><td>Difference</td><td></td><td>-</td></tr>
</table>
Accountant Revenue NWP 1 was instructed to commence to prepare monthly reconciliation statements regularly.
In the case of DGM (NCP) reconciliation statements have been prepared and there were differences of Rs.160.9 Mn in the collection control account which has occurred due to following reasons.

Unidentified system adjustment amounts to Rs. 196.5 on 2011-12-31
Differences between the ordinary collections from other provinces on behalf of NCP and the transferred balances in each month using the billing summary.
Difference in the dates in each cycle (billing cycle and the collection cycle). collection cycle equals to a calendar month (1-30/31) and the ordinary supply billing cycle date is in the middle of a calendar month (ex. Collection cycle ends at 31st month and the billing cycle for the same month ends on 15th April)

</td></tr>
<tr><td>DD02</td><td>(193)</td><td>
With the purpose of reconciling the Collection Control Account balances, the billing period of both Ordinary and Bulk Supply debtors has been converted to the Calendar month.
To successfully complete this task, all the CEB POS collection for the month is to be extracted to the billing system and this extraction process is to be ensured before running the day – end process, by the Provincial Revenue Accountants.
To verify this process through the system itself, there should be a facility of extracting the customer payments at the same time of making the payment and this system modification is in progress.
</td></tr>
</table>

<table>
<tr>
<td>DD03</td>
<td>(230)</td>
<td>
The reconciliation prepared for WPS 2 and Sabaragamuwa Provinces are as follows.

<u>WPS 2 – Reconciliation for Collection Control Account as of 31 December 2022</u>

<table>
<tr><td>Opening balance as of 1 January 2022</td><td>98,757,289.26</td></tr>
<tr><td>Prior year impact on the accounts</td><td><u>5,100,726.90</u></td></tr>
<tr><td>Adjusted Opening balance</td><td>93,656,562.36</td></tr>
<tr><td>December Collection by HQ POS counters but not updated in the billing summery</td><td>120,907,424.58</td></tr>
<tr><td>Collections from Provincial POS counters but not up-dated in the Billing summery</td><td>20,985,689.46</td></tr>
<tr><td>Balance as of 31 December 2022</td><td>235,549,676.40</td></tr>
</table>

RECONCILATION OF COLLECTION CONTROL ACCOUNT -Sabaragamuwa Province

<table>
<tr><td></td><td>RS</td><td>RS</td></tr>
<tr><td>LEDJER BALANCE 2022.12.31-DR</td><td></td><td>5,217,355.80</td></tr>
<tr><td><u>ADD</u></td><td></td><td></td></tr>
<tr><td>31.10.22 NWP 11 Ordinary Collection Collected by Sabaragamuwa</td><td>3,000.00</td><td></td></tr>
<tr><td>31/12/2021 Ordinary Supply Collection Collected by Head Office - Ratnapura</td><td>16,156,670.74</td><td></td></tr>
<tr><td>31/12/2021 Ordinary Supply Collection Collected by Head Office - Kahawatta</td><td>15,705,242.87</td><td></td></tr>
<tr><td>31/12/2021 Ordinary Supply Collection Collected by Head Office - Ruwanwella</td><td>15,586,907.81</td><td></td></tr>
<tr><td>31/12/2021 Ordinary Supply Collection Collected by Head Office - Eheliyagoda</td><td>13,569,214.51</td><td></td></tr>
<tr><td>31/12/2021 Ordinary Supply Collection Collected by Head Office - Embilipitiya</td><td>15,371,083.32</td><td></td></tr>
<tr><td>31.12.2022 Monthly Collection of December</td><td>2,638,731.89</td><td></td></tr>
<tr><td>Security deposit Finalized Accounts</td><td>1,004,700.00</td><td></td></tr>
<tr><td>Suspense -Bulk Supply 2019/2020/2021/2022</td><td>230,081.18</td><td></td></tr>
<tr><td>Difference Between Tabulation & HQ TV</td><td>6,713,082.95</td><td></td></tr>
<tr><td>Tab Error</td><td>53,626.47</td><td>87,032,341.74</td></tr>
<tr><td></td><td></td><td>92,249,697.54</td></tr>
<tr><td>LESS
Difference for O/S Payment - March 2020 Sabaragamuwa (System Error)</td><td>1,320,503.30</td><td></td></tr>
</table>
</td>
</tr>
</table>

		<table><tr><td></td><td>**RS**</td><td>**RS**</td></tr><tr><td>LESS Difference for O/S Payment - March 2020 Sabaragamuwa (System Error)</td><td>1,320,503.30</td><td></td></tr><tr><td>Not Related for Sabaragamuwa Province - Southern Province 520.70/ TVB/20/0088 (System Error)</td><td>789,885.90</td><td></td></tr><tr><td>Not Related for Sabaragamuwa Province - North Central Province 420.70/ TVB/20/0038 (System Error)</td><td>2,845,883.80</td><td></td></tr><tr><td>Transfer Cash Amount Balance</td><td>33,523.89</td><td></td></tr><tr><td>Tv for Security Deposit of 570/ SD/20/12/16 - kahawatta</td><td>67,812.07</td><td></td></tr><tr><td>SSCL</td><td>86,565,310.12</td><td></td></tr><tr><td>Over transferred for tvb/22/0395- WPS 2</td><td>10,478.00</td><td></td></tr><tr><td>Finalized A/c cover security deposit</td><td>142,739.00</td><td></td></tr><tr><td>To be correction (Nov,May)</td><td>246,781.76</td><td></td></tr><tr><td>Under Accounted PIV 554.20/ P58/22/0087</td><td>8,279.70</td><td></td></tr><tr><td>Difference Between Tabulation & HQ TV</td><td>218,500.00</td><td>92,249,697.54</td></tr><tr><td>POS Collection, Head Office & Bank Collection balance as at 31.12.2022</td><td></td><td>0.00</td></tr></table>
DD04	(315)	WPS 1 There is an opening balance that is not possible to reconcile due to the non-availability of data and volume. However, a proper reconciliation is being done starting from 01/05/2022. For SP 1 & SP 2 Reconciliation of collection control account is in progress.
HQ	(38)	The collection control account balance as end of financial year LKR 38.05Mn was related to the unidentified balance created in the system prior to 2016. Reconciliation was done for the above mentioned balance and all the transaction history was reviewed and identified the errors made and will be corrected with Final Accounts 2023.

<table>
<tr><td rowspan="2">Generation</td><td rowspan="2">(21)</td><td>The collection control account balance as of 31.12.2022 pertaining to Generation Division was Rs. 21,024,590.11.</td></tr>
<tr><td>
<table>
<tr><td>Generation Head Quarters</td><td>A balance of Rs.8,601,448.62 in the collection control account represents GHQ and Rs.6,156,120 represents an amount received from an employee. This balance was cleared by the end of 2023.</td></tr>
<tr><td>Samanala Complex</td><td>A balance of Rs.97,000 in the collection control account represented Samanala complex and Rs. 67,000 has been cleared in 2023. The remaining balance of Rs 30,000 is in the process of clearing out.</td></tr>
<tr><td>Mahaweli Complex.</td><td>The Collection Control Account as of 31.12.2022 of Mahaweli Complex is shown as below,
<table>
<tr><td>Opening Balance as at 01.01.2022</td><td>(329,019.00)</td></tr>
<tr><td>Bank Deposit (2022.01.01 to 2022.12.31)</td><td>(25,605,365.01)</td></tr>
<tr><td>Identified & cleared (2022.01.01 to 2022.12.31)</td><td>24,219,532.15</td></tr>
<tr><td>Closing Balance as at 31.12.2022</td><td>(1,714,851.86)</td></tr>
</table>
Rs.90,408.00 has been cleared as at 30.04.2023 and the balance will be cleared in 2023.</td></tr>
<tr><td>Thermal Complex</td><td>Total balance Rs. 23,359
This balance is created due to the deposits made in the bank for tender documents and the depositors not presenting their deposit slips for raising PIVs. Rs. 14,134.19 belongs to the period 01.01.2021 -31.12.2021 and Rs. 9,225 belongs to the period 01.1.2022 -31.12.2022 and action will be taken to clear those balances.</td></tr>
</table>
</td></tr>
</table>

(f) A sum of Rs.68.99 million collected during the period from 1998 to 2021 from debtors had been included in the suspense account without being taken proper action to clear it.

The mentioned amount of Rs. 68.99Mn in the suspense account reflect the amount for which CEB have no clue to recognize those transaction either as credit to customer or charge to income. 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, but collection agents also not in position to support in this respect until such time the particular consumer comes forward and request for rectification. 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.

However, during past period with the tireless effort, CEB has succeed to recognize and clear the following credits in suspense account based on the request from customers.

Year	No of Accounts	Ammount (Rs)
2014	285	13,402,956.51
2015	478	5,514,790.32
2016	2401	10,292,659.07
2017	2813	11,107,169.99
2018	3343	8,916,510.66
2019	2245	8,619,676.30
2020	3033	10,852,609.45
2021	4246	13,180,531.03
TOTAL	**18844**	**81,886,903.33**

(g) A sum of Rs.38.76 million receivable from Sojitz Kelanithissa (Pvt) Ltd for the supply of electricity remained outstanding from the year 2019 in relation to WPS II-(Distribution Division 03) without being taken action to investigate and recover. However, as per the records of them, it had not been recorded as payable to the Board.

In terms of the Electricity (Dispute Resolution Procedure) Rules, the DGM (WPS 2) has performed several Meeting with the Management of the Sojitz Kelanitissa (Pvt) Ltd (SKPL) However, matter was not settled. The Management of SKPL not agreed for a settlement. Non settlement of the dispute has been referred to the PUCSL on 22.02.2023. PUCSL has conducted a Mediation meeting on 28.03.2023 to resolve the dispute. However, parties were unable to come to an agreement. It was concluded CEB to find out whether CEB can internally settle the dispute amount with the underpayments by CEB (under the PPA with SKPL) and inform all parties of the final decision. Accordingly, DGM (WPS 2) has informed AGM (Transmission – Non wired operation) for a possible settlement option though dispute underpayments due by CEB for PPA.

Therefore, it is evident that the CEB has taken all the actions to resolve the dispute and recover the balance receivable from Sojitz Kelanithissa (Pvt) Ltd,

(h) As per the financial statements of the Board, an amount equivalent to Rs.752.22 million remained as work in progress of Kelanithissa Frame V Refurbishment Project (860.25) as at 31 December 2022. However, as per the records maintained at the Generation Project Branch, it was Rs.992.77 million and hence, an un reconciled difference of Rs.240.55 million was observed.

As per the Payments and Transfer vouchers approved by the DGM (GP) branch, Rs. 752.22 Mn has been recorded as the cost of this project up to 31.12.2022. The difference will be reconciled and accounting adjustments if any will be entered into 2023 accounts.

(i) An aggregate difference of Rs.22.24 million was observed with regard to the balance receivables from two government institutions in respect of the jobs carried out by the Asset Management Division of the Board between the records of the Board and the books of accounts of the respective government institutions.

Description Rs.	Balance as per the records of CEB Rs.	Balance as per the records of Institution Rs.	Difference Rs.
Presidential Secretariat	23,370,196	28,214,891	4,844,695
Prime Minister's Office	36,536,343	53,936,886	17,400,543
Total			**22,245,238**

As per the records of DGM (W&AS) the balance reflect in the CEB ledger is correct.

(j) As per the books of accounts of the Board, a sum of Rs.865.16 billion had been shown as contributed capital from the General Treasury at the end of the year under review. However, as per the records of the General Treasury, an amount equivalent to Rs.864.14 billion had been identified as capital contribution to the Board. Hence, an aggregate difference of Rs.1.01 billion was observed at the end of the year under review.

The reconciliation for the difference is as follows.

Closing balance as at 31-12-2022 as per the CEB accounts	:	865,159,371,359
Less amount not recorded by the treasury – CPC payment	:	(1,022,280,600)
Less Amount to be adjusted by the treasury in relating to HVPTL Project	:	6,938,206
Closing balance as at 31 -12-2022 as per treasury books	:	864,144,028,965

Treasury has informed in 2023 that amount not recorded by treasury in 2022 financial statements as investment in CEB (CPC payment 1,022,280,600) has been recorded in 2023. Therefore this difference is resoled now. Amount to be adjusted by the treasury in relation to the Habarana Veyangoda project has been informed to the General Treasury for the rectification of their books of accounts.

(k) Un- reconciled differences aggregating to Rs.1,126.29 million and Rs.447.78 million in receivable from related parties and payable to related parties respectively were observed between the books of accounts of the Board and the corresponding figures shown in the financial statements of the respective companies.

LECO Difference

A reconciliation pertaining to confirmation of balances as per records of Transmission Division relevant to Lanka Electricity Co. (Pvt.) Ltd. (LECO) as at 31/12/2022 was submitted to Audit with the audit replies. The receivable balance as per books of accounts of CEB amounting to Rs. 2,912.67 Mn. However the payable balances as per balance conformation letter received. from LECO highlighted that the amount was Rs. 1799.28 Mn. A difference of Rs. 1,113.38 Mn is due to non-accounting of estimated UNT adjustments by LECO for the year 2022 and amount recorded by LECO for payment made with regard to roof top solar purchases.

LCC difference

CEB has settled all the dues regarding the Management Fees for the years from 2016 to 2021. The remaining unpaid amount had not been agreed to be paid by the CEB as per the Contract Agreement Clause No 2.3 (Payment of LCC Management Fee). This has been already informed to LCC. However, there are some tax invoices not yet been finalized pertaining to the years 2019, 2020,2021.

1.2.2.4 Lack of Evidence for Audit

Loan balance confirmations of four foreign funded loans directly obtained by the Board had not been furnished to audit. The total outstanding of these loans as per the financial statements is Rs.55,078.65 million.

The loan balances of ADB is available at any date for download from the ADB LFIS system. Accordingly, as at 31st December 2022 the statements were submitted to audit branch. However, separate request letters also been sent to ADB, HNB and ICBC to confirm the balance directly to the Auditor. Funding agency ADB however responded to CEB that if auditors sent a request to ADB directly confirmations can be sent and it has been already communicated to the auditors as well

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

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) Sri Lanka Electricity Act, No. 20 of 2009 as amended. (i) Section 7(1) and 43(1)	Without obtaining the authorization from the regulator, 60.33 Gwh of energy valued at Rs.5.07 billion had been purchased during the year under review from 3 retired Independent Power Producers (IPPs) whose generation license had been expired.	Retired IPPs :ACE Power Em bilipitiya , ACE Power Generation Matara, Asia Power There are no 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 has requested the approval of PUCSL to extend the expired Power Purchase Agreements of these three retired IPP power plants and submitted the extended PPAs for their approval. CEB has to extend the PPAs of these power plants to comply with the duty of CEB(as the holder of the 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 economy due to unserved energy to industries / hotels and commercial building, if any power cut was imposed. CEB has done so with the approval of the cabinet.

Reference to Law/ Direction	Description	Reply
(ii) Section 28(3)	The Board had not paid or made provision in the books of accounts for interest on consumer deposits as specified in the Act. According to the computation made in audit based on the rate reported by the Public Utilities Commission of Sri Lanka for the year 2022, the interest to be paid thereon was Rs.976 million, and accordingly, the unpaid accumulated interest as at 31 December 2022 was Rs.9.06 billion.	As per the board decision no 23.09.251 take on board meeting held on June 20th 2023, For bulk customers and retail customers the payment of interest is made effective from February 15th 2023. The applicable monthly interest against the security deposit for the period from February 15th 2023 –June 30th 2023 was credited to the July 2023 electricity bill of bulk customers. For retail customers the interest shall be credited annually to the customer's verified electricity account from January 2024. Provision will be made for the interest due from 15th February 2023 – December 31st 2023.
(b) Sub- Section 10 of condition 30 of Electricity Transmission and Bulk Supply License granted by Public Utilities Commission of Sri Lanka under section 13(1)(c) (i) (b) of the Sri Lanka Electricity Act No.20 of 2009.	Without obtaining prior approval of the commission, interruption to the electricity supply was taken by the Board for 9 hours and 30 minutes in 11 days from 6 January to 04 April during the year under review.	CEB has identified the requirement of Demand Management from 3rd January 2022 due to the fuel shortage of CEB & IPP Thermal Power Plants, water restrictions and outages of Coal power plants. CEB has forwarded daily demand management schedules whenever needed in advance. CEB has performed demand management only after obtaining the necessary approvals from the PUCSL during that period. However, due to the unforeseen generator breakdowns and technical restrictions of the transmission, CEB has compelled to perform manual load shedding to maintain the overall system stability.

Reference to Law/ Direction	Description	Reply
(c) Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 17 November 2021.		
(i) Section 3.5	The Board had paid a sum of Rs.51.91 million during the year under review as salaries and allowances of thirty-three employees who had been released to the Line Ministry by 31 December 2022. Accordingly, the Ministry of Power and Energy should reimburse an amount of Rs.236.26 million to the Board for the employees released only from the year 2020 to 2022.	C.E.B. is not able 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 salaries & other benefits of employees released to the Ministry.
(ii) Section 6.6	Draft annual report of the Board for the year 2022 had not been submitted along with the financial statements.	A soft copy of the Draft Annual Report for the year 2022 was forwarded on 27th June 2023 to Superintend of Audit of Government Audit branch

Reference to Law/ Direction	Description	Reply
(iii) Section 7.7	A Subsidiary Reviewing Policy had not been established by the Board of Directors even at the end of April 2023 even though Board of Directors has a fiduciary duty to discuss the performance of the subsidiaries at least quarterly.	The Board noted that as per the above Guideline issued by the Department of Public Enterprise as per the section 2.2.5 (Managing the Relationship with the Subsidiary Companies of the Entity),it is mandatory to have a Board approved Subsidiary policy that addresses issues including dividends, changes in equity and shareholding and major transactions. Accordingly, the Board should take responsibility for reviewing the affairs of the subsidiary Companies within the regulatory and legal framework. The chairman informed the Board that the Auditor General has requested information on the subsidiary policy of the CEB but there is no such approved policy in existence. The board emphasized that as per the proposed Institutional Reforms of the power sector, unbundling of CEB will be commenced and new independent companies will be formed accordingly under the companies Act to take over the business of CEB. After the proposed reforms are achieved, a new Electricity Act will be enacted to deal with all aspects of the electricity sector. Hence, after discussion the Board decided that formulating a subsidiary policy as mentioned in para (I) above may not be required at this juncture as CEB is in the process of an organizational transformation.
(d) Section 47 of Employee Provident Act, No. 15 of 1958 and the Clarification made by the Commissioner General of Labor in his letter 2015 September 12 addressing to the Auditor General.	In contrary to the provision, the Board had decided to use the highest of the exodus allowance, postgraduate degree allowance and professional allowance/ semi-professional allowance when computing the 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.

Reference to Law/ Direction	Description	Reply
(e) 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 be 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.	Accordingly, this is not against the law. West Coast Power (Pvt) Ltd at Kerawalapitiya power plant is connected to CEB network at 220kV Voltage and Electrical metering system is installed at the same voltage level. By AGM (DD2) letter dated 2021-12-16 requested to take actions to consider West Coast Power (Pvt) Ltd as a Transmission Customer. AGM (Corporate Strategy) letter dated 2014-11-12, as per section 6.1.3 of the Power Purchase Agreement, the setting-off of the electrical energy consumed from CEB could 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 starting from the month of October 2014. According to the comparison, the amount charged to West Coast by CEB from the set off method is higher than the amount from 13 tariff method for the whole period concerned The Capacity Charge paid to the company under The PPA, is based on the cost of Debt services, Return on equity in connection to the Annual target availability of plant. The capacity charge can be curtailed only if the company failed to comply minimum functional specification described under the PPA. In the PPA provision is given to curtail the Capacity Charge by applying Liquidity Damages based on company default. Capacity Charge derived under the PPA is not based on the kVA, which charged under Bulk supply connections. In the case of deduction of capacity charge for import energy will result in dispute with the Company and leads to international arbitration. Weak arguments under arbitration will be adversely affected to CEB and may result to pay the default Capacity Charge payment with interest top of that cost of arbitration.
(f) Circular No. 03/2018 of 18 July 2018 of Management Services Department, and Section 9.1 of Chapter II of Establishment Code.	Two retired employees had been appointed as consultants of the Board without being obtained the approval of the Cabinet of Ministers and a sum of Rs.1.2 million had been paid for them as consultancy charges for the year under review.	As per the clause 13 of the CEB Act No. 17 of 1969, "The Board may from time to time appoint persons who are qualified as engineers to be or to act as consultants to the Board and pay them such remuneration as it thinks proper". Accordingly the Board has appointed two retired engineers as consultants to the Board.

Reference to Law/ Direction	Description	Reply
(g) Section 17 of the Part V of the Social Security Contribution Levy Act, No.25 of 2022.	The Social Security Contribution Levy (SSCL) amounting to Rs.223.31 million charged on the supply of electricity to the Lanka Electricity Company Limited for the fourth quarter of the year under review had not been remitted to the Department of Inland Revenue even at the end of April 2023.	Answer is attached in annexure-01
(h) DGM(CS)/Circular No.1998-4 dated 31 March 1998 issued by Deputy General Manager (Consumer Service).	Within three months after the disconnection, legal action should be taken to recover outstanding debtor balance by the legal section. However, as per random audit check, it was observed that legal actions had not been taken to recover the outstanding debtor (finalized) balance aggregating to Rs.272.15 million in respect of Colombo City region.	It is noted that legal actions need to be taken to recover outstanding finalized debtors after the electricity disconnections. However, due to some reasons, taking legal action has been delayed. Responsible officers were instructed to adhere to the DGM(CS)/Circular No.1998-4 dated 31 March 1998 issued by Deputy General Manager (Consumer Service)
(i) 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.

2.2.3 to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for;

(a) Cabinet Memorandum No. 07/1955/332/045 dated 31 October 2007 submitted by the Minister of Power and Energy on "Payment of Allowances to Employees of the Ceylon Electricity Board" was considered along with the Report of the National Salaries and Cadres Commission dated 31 March 2008 by the Cabinet of Ministers on 09 April 2008 and approval was granted to implement the recommendations of the Committee appointed for the purpose, subject to the conditions stipulated by the National Salaries and Cadres Commission in its report dated 31 March 2008. The following observations are made in this regard.

(i) Contrary to the said Cabinet decision, the allowances such as Engineers Allowance, Incentive Allowance, Temporary Allowance, Qualification Based Incentive Allowance, OH & S Incentive Allowance, Staff Allowance, Transmission & Generation Planning Allowance, System Control Allowance, Tamil Language Allowance and Other Allowances which were not included in the approved allowances list by the Cabinet of Ministers had been paid to the respective employees of CEB. According to the audit test check carried out, it was revealed that a sum of Rs. 417.65 million had been paid as above allowances for the year 2022 without obtaining the recommendation of the Salaries and Cadres Commission and approval of the Department of Management Services as per the Management Services Circular No. 39 of 26 May 2009 and the Management Services Circular No. 3/2018 of 18 July 2018.

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

(ii) Contrary to the said Cabinet decision, the Exodus Allowance is paid to the officers who are entitled to the Professional Allowance. Accordingly, the both allowances, the Exodus Allowance and Professional Allowance are paid to the particular officer. Audit tests revealed that a sum of Rs. 11.99 million had been paid to the 487 number of officers as the Exodus Allowance who are entitled to the Professional Allowance only for the month of June 2022.

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

(iii) Audit tests revealed that a sum of Rs. 3.65 million had been paid to 136 numbers of officers as allowances only for the month of June 2022 exceeding 65 per cent of their salaries and it was contrary to the said Cabinet decision. Further, the several allowances which are related to the duties carrying out by a particular post are paid contrary to the said Cabinet Decision. Accordingly, it was revealed that the total amount of Rs. 21.67 million had been paid for these kinds of allowances only for the month of June 2022.

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

(iv) Contrary to the said Cabinet decision, 25 number of approved allowances are paid to the employees who are recruited after 01 April 2008 instead of introducing a performance-based incentive scheme for them.

The Board has taken a Decision to limit the staff allowances 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) has 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. However, no action had been taken to recover the loss incurred by the Board due to this payment from respective employees even by the end of the year under review.

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

(c) 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. Accordingly, as per the Least Cost 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 additional capacity of 2,032 MW, power plants with aggregating capacity of 661.6 MW had only been commissioned. Also, the Public Utilities Commission had given the conditional approval for the Least Cost Long Term Generation Expansion Plan of 2022 – 2041 on 05 October 2021 based on the Government policy in respect of electricity industry

approved by the Cabinet of Ministers. According to the conditionally approved Least Cost Long Term Generation Expansion Plan of 2022 – 2041, renewable energy capacity additions of 544MW was planned to be implemented in the year 2022. However, new renewable energy power plants with aggregating capacity of 211 MW had only been commissioned. Therefore, the progress of implementation of new generation plan was significantly lower, and the objective of the plans to produce least cost power supply was unable to achieve. As a result, a quantity of 60.33 Gwh valued at Rs.5.07 billion had to be purchased as additional power during the year under review.

Within the year 2022, Renewable Energy Power Plants of aggregating capacity of 216MW have been commissioned.

The Long Term Generation Expansion Plan version has been updated to Long term Generation expansion plan of 2023-2042 envisaging a policy target of achieving 70% renewable energy by 2030. The LTGEP 2023-2042 has been approved by the Public Utilities Commission of Sri Lanka. As a summary 2x 350 MW Combined Cycle Power Plants, 230 MW Gas Turbine Power Plants and 200 MW Gas Engine Power Plant are expected to commissioned by year 2027. Large capacity addition of 3,335 MW from renewable energy sources such as Solar, Wind, Mini Hydro and Biomass plants are expected to be commissioned within the next 5 years. In addition Utility scale Battery storage projects are required to be commissioned and studies related to first pumped hydro project are to be conducted with in next five years.

2.2.4 to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

(a) As per the Long Term Generation Plan 2018-2037, Seethawa Ganga Hydropower Project was scheduled to be commissioned by 2022 and a sum of Rs. 301.19 million had been incurred for preliminary activities by the end of the year 2020. However, the Board of Directors had decided to windup the project activities on 20 December 2020 due to funding issues and to develop it through the Sri Lanka Energies (Pvt) Ltd. However no action had been taken to negotiate with the respective company and settle the matter even by the end of April 2023. Hence, it was observed that the expenditure incurred on the above project had become uneconomical.

Board paper has been submitted for the writing off of the expenditures incurred and it has been reviewed by the audit committee. Audit committee has recommended to negotiate with Sri Lanka Energies (Pvt) Ltd for a fair price considering the right to implement, provided the assets created in the project and increase the investment of CEB by that amount. However it was highlighted to the Audit committee significant changes in principles between the previous and current phases of the project and was emphasized that due to the fundamental differences in concepts between the projects, the transfer of costs incurred by CEB to Srilanka Energies is regard as not viable. Therefore audit committee directed to submit the board paper seek approval for the write off of the expenditures incurred. Board paper will be submitted regarding this by the CIA and after getting board approval this amount will be written off from the financial statements.

(b) A sum of Rs.6.55 billion and a sum of Rs.8.92 billion had been incurred during the year under review as delay interest on power purchases and fuel purchase (CPC) respectively due to delay in making payments on time. Further, an amount equivalent to Rs.11.17 million had also been incurred as default interest due to delay in repayment of loan installments by the Board in respect of local bank loans.

CEB has incurred heavy losses since 2016 due to the non-receipt of the cost- reflective tariff system over the years. Hence CEB was in a very difficult situation in terms of liquidity to meet all the cash outflows including payments for fuel. However, CEB has made due payments up to Feb. 2022 and the General Treasury has granted separate funds to meet this delayed interest component over the years. Moreover, the Cabinet has decided by its meeting held on 2023.06.26 to undertake CEB dues to CPC as of 30.04.2023 to the Treasury. As per the Cabinet Decision, the due amount (Invoice value and Delayed Interest) from CEB as of 30th April 2023 amounting to Rs. 84.3 billion arrived from the CPC financial statement will be set off by equity investment to CEB.

Further, CEB is running on overdraft at a higher interest rate which is extremely high compare to interest and delay interest included in the above default interest of 11.17 Mn for loan repayments

(c) 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. However, 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. As approved by the Cabinet, Rs.13.10 per kWh out of total tariff of Rs.36.20 has to be reimbursed from General Treasury. 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 for the energy purchased. However, Rs. 13.10 per Kwh had not been reimbursed by the General Treasury. Therefore, total receivable from General Treasury was Rs.1.85 billion as at 31 December 2022.

On 2017-02-21, Cabinet of Ministers had approved a feed-in tariff of Rs. 36.20/ kWh for electricity generated through processing of Municipal Solid Waste. Considering the National requirement of implementation of environmentally friendly waste processing facilities which effectively dispose or destroy the waste generated in the country, on 2017-07-24, CEB Board has approved to sign Standardized Power Purchase Agreements with following developers under Waste to Energy Technology.

- M/s KCHT Lanka Jang (Pvt) Ltd
- M/s Fairway Holdings (Pvt) Ltd
- M/s Western Power Company (Pvt) Ltd
- M/s Solventer Ltd, AC&RF(Pvt) Ltd and Recycle Energy (Pvt) Ltd

The above companies have been selected through a bidding process as the most substantially responsive bidder by the Ministry of Megapolis and Western Development. However, only Western Power Company (Pvt) Ltd was able to commence the commercial operation as at today and no other project is even in the construction stage. CEB has considered to facilitate this project only by considering the national importance and binding only to pay the tariff equal to the last approved feed in tariff relevant to the Waste to Energy Technology, which is Rs. 23.10/ kWh. The balance amount of Rs. 13.10/ kWh has to be reimbursed from General Treasury. As at today, total amount of Rs. 1,913,129,240.00 has been requested from the Treasury as reimbursement, but CEB has not received any amount. Several discussions/ meetings were also taken place as Western Power Company (Pvt) Ltd halted accepting of Solid waste from Colombo MC, due to CEBs non-payment. Several letters have been sent by Municipal Commissioner, Colombo MC addressed to Secretary Finance, to settle this issue, but on 2023-04-11, Director General-Department of Public Enterprises has informed while accepting the liability) due to the present financial crisis situation, there is no possibility to release above amount this year.

(d) As mentioned above, only 7 procurements for NCRE projects with aggregating capacity of 390 MW had been initiated up to 31 December 2021. However, out of the above-mentioned power plants, power plants with aggregating capacity of 81 MW had only been commissioned up to 31 December 2022.

By now commissioned 101MW of aggregated capacity.

With the new amendments to the Sri Lanka Electricity Act, 28 numbers of Standardized Power Purchase Agreements of total aggregate capacity of 86.8 MW (Solar PV, Wind, Biomass, Agri Waste, Municipal Waste, Mini hydro) have been signed under standardized power purchase tariff for renewable energy power plants.

(e) The contract for the Piling works of Proposed Headquarters Building Complex had been awarded on 22 October 2012 for the contract sum of Rs. 304.6 million. The contract for the construction and remedying defects of the construction of Headquarters Building Complex was awarded on 02 August 2021 for the contract sum of Rs.4,774.6 million (excluding VAT) and Commencement date was 16 August 2021. The construction shall be completed on 15 August 2023 (from 730 calendar days from the commencement date). The initial estimated cost of the Proposed Headquarters Building Complex was computed as Rs. 1,000 million in 2011 and it was increased up to Rs.5,079.2 million (Total contract sum of two contracts) as at 02 August 2021 mainly due to major time gap between two contracts. However, at the end of the year under review, an amount of Rs.1.19 billion had been incurred for the construction activities and the physical progress of the construction at the end of the year under review was only 12.7 percent. It was further observed that without taking action to expedite the construction activities, a sum of Rs.319.19 million had been spent by the Board during the period from 2017 to 2022 for renovation of the existing head office building, even when a new building had been planned to be completed in the year 2023.

The piling contract was awarded to Sierra Construction (Pvt) Limited on 2012-02-23 and the date of commencement was 2012-03-12. The Construction of the Headquarters Building was awarded to Sanken Construction (Pvt) Ltd. On 2021.08.02 and Commencement date was 2021.08.16. Hence these are two separate contract works awarded for different construction works.

The estimated cost of the building prepared by the previous consultant in 2015 was Rs. 2542 million. The estimate was revised by the same consultant in 2018 up to Rs. 3149 million for the same floor area of 27,750 sq. m. as informed to Cabinet by the Cabinet Memorandum dated 23rd May 2019.

The internal arrangement has been revised by the Consultant- State Engineering Corporation, to increase the office space for maximum usage to meet the requirements of the Head Office building. Therefore the floor area has been increased by 6068 sq. m., hence the total floor area now is 33,818 sq.m. The estimated cost has been increased due to additional space requirements, scope changes and price inflation happened. In addition, Car charging facilities, Cash counters, ATM facilities, internal partition arrangement, Auditorium furniture etc. were also added. The final estimate in March 2021 prepared by the Consultant- State Engineering Corporation was Rs. 4910 million (Excluding Consultancy fee, Contingencies & taxes). However, CEB managed to award the construction contract for evaluated amount of Rs. 4774 million (Excluding Consultancy fee, Contingencies & taxes).

The physical progress as at 2022.12.31 is 11% and total amount of Rs.947,330,534.19 excluding taxes has been paid up to 31st December 2022 including the Advance payment.

The existing Head Office building was constructed nearly five decades ago and still functioning. There were several repairs and maintenance works carried out within the existing building with the age of the building as per the recommendation of CECB consultant to withstand a further twenty years. Therefore, repair and maintenance of the existing building is a different activity, which is not relevant to the construction of the new building at Narahenpita.

(f) Unit costs (Per kwh) of purchased energy from the three retired IPP power plants during the year under review were Rs. 63.51, Rs.78.20 and Rs.122.50 respectively, while average cost of unit was Rs.33.65. 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.

Unit cost of 03 Retired Power Plants
During the first 4 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 hydro power generation is minimal. Therefore, the unit cost (considering Capacity Charge and Energy Charge) of generating electricity in all thermal power plants are comparatively low. Then onset of the rainy season, system demand reduces and Hydro power plants are operated at maximum plant factor and requirement of dispatching thermal power plants will be reduced. In that case the cost of fuel will be less than energy charge and capacity charge will have to be paid. Also these thermal power plants have to be used even during rainy season to meet night peak demand. As a result of purchasing electricity at different time of the year, the unit cost of generating electricity in any generators mentioned above will go up and down.

Contract period of ACE Power Embilipitiya (pvt)Ltd, ACE Power Generation Matara (pvt) Ltd and Asia power (Pvt) Ltd power plants 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, Valachchnai 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.

IPP retired power plants are low cost HFO operated, base load power plants. The unit cost of the Energy Charge is less than some of CEB HFO operated Power plants. These plants cannot be considered as emergency power plants.

(g) Avoided cost based tariff was introduced before the year 2000 for Non-Conventional Renewable Energy (NCRE) Projects (Especially for mini hydro plants). Such tariff is now applicable only for the NCRE Projects that had been approved before 2007 and at present, 28 nos. of such projects are operated. The avoided cost method was based on the thermal plant dispatch, and it had varied from fuel cost. As per the letter No. DGM/

SYC/TCH/41of DGM (system control) dated 16 January 2020 , the actual unit cost of hydro plants should have been less than Rs. 10.00 even with new plants. However, the rate determined on the avoided cost method for the mini hydro plants for the year 2022 was Rs. 18.19 for the wet season and Rs. 18.67 for the dry season. Further, as per the Plant wise cost published by the PUCSL for June 2022, the hydro cost per unit for the Board was Rs.4.85. However, actions had not been taken to apply reasonable ceiling price for mini hydro plants which are based on the avoided cost method even at the end of the year under review even though Board decision had been given on 16 August 2022 on the same matter.

Avoided Cost tariff is the first tariff category introduced with the development of Non-Conventional Renewable Energy Projects of the country thorough private sector investments. This tariff is calculated annually and published by CEB since 1997, which depends with several factors such as Fuel cost, Dispatch forecast of the year, Inflow forecast, Renewable energy forecast and Average exchange rates. Avoided Cost is calculated on the principle of allocating the unit cost of the marginal thermal plant replaced by NCRE plants at a given instance. Therefore, Avoided Cost does not have any direct relationship to the actual cost. However, since 2008, cost reflective Three-Tier tariff was introduced to all NCRE technologies. But there are 20 plants still in operation under the Avoided Cost category which have entered into Power Purchase Agreements. According to the present data, Avoided Cost tariff will be continued until 2028-09-23 with the expiry of the Term of Gonagamuwa Mini Hydro Power Plant by Aqua Jet (Pvt) Ltd which has commenced commercial operation from 2013-09-24.

CEB Board by their decision dated 2023-10-10, has directed to appoint a committee to investigate the avoided cost tariff to negotiate contractually or amicably with projects already in operation until year 2028.

(h) The contract to construct a monument in Kelanithissa Power Station by using Turbines disposed from Lakshapana Hydropower station had been awarded in 2017 after a delay of 04 years from the commencement of its procurement activities. The contract had been awarded for Rs.25.12 million and scheduled to be completed on 05 January 2018 with a contract period of 180 days. However, it had been failed to complete the construction activities even by the end of the year under review and the physical progress of the construction activities was only 43 percent as at that date. Further, it was observed that no any time extensions had been given to the contractor and a delay of 1746 days was observed even after incurring Rs.19.65 million (including consultancy fee) at the end of the year under review. In addition to that, during the physical inspection conducted by the audit, it was observed that the premise where the uncompleted monument was located was overgrown with weeds and the construction activities were abandoned. Accordingly, the Board had failed to achieve the stipulated objectives of the construction and the money incurred had become uneconomical.

Upon scrutinizing the present situation, it was identified that the Project cannot be completed as per the existing contract agreement. If the project works to be resumed, a substantial price escalation should be offered under the present situation. At the same time, the contractor has requested a mutual termination of the contract siting various reasons. Hence, the Procurement Entity requested the approval of DPC (Generation Division) to grant approval to mutually terminate the contract and release the performance bond without any claim. Accordingly, the DPC (Generation Division) appointed a technical committee to review the situation and recommend the way forward. Based on the committee recommendations, DPC (Generation Division) has granted approval for the following.

1) to mutually terminate the contract between Ceylon Electricity Board and the contractor
2) to stop payment of LKR 200,000.00 due to non-completion which has been reserved as the provisional sum for fair faced concrete surface
3) To deduct LKR 789,000.00 in lieu of defect rectification in fair-face surface, from the retention money
4) to release the Performance Bond without any claim
5) to release the balance retention money of LKR 529,148.37
6) to implement protective measures to safeguard the existing structure from sun and rain avoiding reinforcement decay until the rest of project works are completed.
7) to transfer the assets (completed by the project so far) to Kelanitissa Power Station after completion of protective measures.

(i) As per the information received from the Board it was observed that, seven vehicles owned by the Board had been released to the Line Ministry at the end of the year under review. However, as per the information received from the Ministry, only one vehicle is being used by the ministry at the end of the year under review.

Out of these 7 vehicles 3 vehicle cannot be traceable and are still under the name of CEB, and it has been informed to CID to investigate on that and send reminder on same on 2022-12-28. However, CID has responded the details regarding these vehicles are not yet found and investigation is ongoing.

SN	Vehicle No.	Remarks
1	32-1492	We have informed to investigate to CID
2	32-2761	We have informed to investigate to CID
3	32-5009	We have informed to investigate to CID

In addition an investigation was also conducted by Investigation Unit of CEB and Out of these 7 vehicles, they have reported followings regarding the 4 vehicles. These vehicles have been recorded in book of accounts at zero cost as such vehicles were not physically available at the time of physical verification conducted in 2011.

SN	Vehicle No.	Remarks
1	50-3665	The first registration was in the name of Secretary, Ministry of Power and Energy and subsequently it has been transferred to Sustainable Energy Authority.
2	32-3463	The vehicle is under the name of Central Engineering Consultancy Bureau.
3	32-2760	CEB has transferred this vehicle to Secretary, Ministry of Environment and Natural Resources.
4	32-4554	The registration of this vehicle was under name of Inspector General of Police.

Action will be taken to do necessary adjustments in the fixed asset register and in the financial statements regarding these four vehicles after getting the board approval regarding these vehicles

(j) Rehabilitation of four numbers of V Gas Turbine Generators in Kelanithissa Power Station had been commenced on 07 July 2017 and scheduled to be completed on 11 August 2018. However, at the end of the year under review only 3 generators had been rehabilitated after lapse of 5 years and 5 months from the date of commencement. Nevertheless, only one Gas Turbine had been used for the operational activities out of 3 generators rehabilitated even after incurring Rs. 752.22 million for all Turbines at the end of the year.

Rehabilitation project was started on July 2017 and initially it was scheduled to complete by August 2018. According to the initial technical study nearly four-month period was allocated to a single machine.

However, all four Gas Turbines (GTs) were in different operation conditions, hence their actual rehabilitation depth and scope could have been identified only after machine dismantling. Many condition assessment test were conducted to identify minimum rehabilitation requirement for next five-year operation.

Assessments were done by project engineers and expert engineers of relevant fields and they have identified the major rehabilitation requirements in inlet air filters, fined tube coolers, zero seal and exhaust duct of all four machines (GT1, GT2, GT4 and GT5). At the same time, they identified the requirements of new automatic voltage regulator systems, new electrical protection systems, replacement of old control cables and installation of new HMI control units etc.

This unexpected scope variation directly affected to project delay and it was superimposed with corona pandemic situation.

However, three gas turbines (GT1, GT2 and GT4) were totally rehabilitated and released to commercial operations. The subsequent failure of gas turbine is not related to the rehabilitation work and it is only an operational failure.

95% of rehabilitation works in GT 5 was completed. During the pre-commissioning process of the machine, a fault in a gear wheel of the accessory gear box was encountered. Several remedial actions taken for local repair were failed. Hence, finally it was decided to procure a new gear wheel as a replacement and the order was placed.

(k) **With respect of three foreign funded projects, a considerable delay ranging from 14 months to 39 months was observed from the scheduled completion date to 31 December 2022. It was further observed that the said projects had not been completed even within the first extension granted to the contractors.**

	Name of Projects	Name of Doner / Lender	Date of Commence	Date of Schedule Completion	Last Extension Date/No.of Extensions	Progress as at 31.12.2022	Period of Delays as at 31.12.2022
1	Green Power Dev. & Energy Efficiency Improvement Project Tranche 1 Part 1 (Morgolla Hydropower Project)	ADB	02.07.2014	31.03.2021	31.07.2024 (02)	44.4 %	21 months
2	Habarana - Veyangoda Transmission Line Project	JICA	20.06.2017	18.02.2018	30.06.2023 (02)	98.50 %	58 months
3	Supporting Electricity Supply Reliability Improvement Project Package 4	ADB	28.10.2019	27.10.2021	29.11.2023 (02)	45.10%	14 months

Although Moragolla Hydropower Project was commenced on 02.07.2014 physical construction work was commenced on January 2020 due to following reasons.

- Procurement delays mainly in Consultancy Services and Main Civil Works contracts
- Redesign of the dam due to request from the Project Approving Authority; Mahaweli Authority of Sri Lanka
- Additional environment studies due to new findings of the endangered fish Labeo Fisheri Even after commencing the construction work on January 2020 the project work got further delayed due to following reasons.
- Outbreak of Covid 19 pandemic from January 2020 in China. Since the main contractors are also from China it severely affects to the project work.
- Extended lockdown periods including curfew imposed in the island.
- Travel restrictions to foreigners and locals as well
- Delay in shipments of material and scarcity of construction material

HVTLP Lot B: The Transmission Line commencement was on 02/05/2017 and the scheduled completion was on 02/11/2020.

However, the double circuit scope of the original contract was completed except for the location at Mirigama due to pending litigation. (Up until the court case is resolved, the line cannot be operated)

A 4-circuit variation order was later given on 05/10/2020 after the contract was amended. For this variation scope, the completion date was extended to 30/06/2023 therefore it is not a 58-month delay. Since the contractors are not paid due to the suspension of disbursements by JICA on April 2022, this work is still incomplete and will need a further 6-month extension till 30th January 2024.

The delay in the physical performance of SESRIP Package 4 is due to several reasons.

- Due to the COVID pandemic condition in the country, it was unable to deploy the gangs and at the same time, it was compelled to halt the work of gangs due to the government regulations prevailing.
- The contractor was unable to deploy the staff from China as planned due to the travel restrictions due to COVID
- Adverse weather conditions in the country
- Fuel Shortage issue has affected the construction work in the year 2022
- Material shortage due to import restrictions prevailed during the year 2022
- A considerable time had been taken to obtain the approvals from the government authorities (i.e. Forest Department, Sri Lanka)
  These are unavoidable reasons for the delay and currently the financial progress of the project has increased up to 64.44 %

(l) It was observed that 18 lands purchased at a cost of Rs.188.38 million for project activities, for the construction of regional engineer offices, consumer service centers and Grid Substations during the period from 2000 had not being utilized for the expected purposes for a period ranging from 1 year to 22 years by the end of the year under review. Out of those lands 8 lands valued at Rs.86.52 million had not been included in the fixed asset registers of the distribution divisions and project divisions. Further as per the random audit it was observed that the Board had failed to complete the acquisition activities of four lands acquired for the following projects even though relevant Gazette Notifications had been published more than 5 years ago.

Purpose	Date of Gazette Notification	Amount Deposited Rs.	Year of Deposit
Broadband Hydro Power Project			
Construction of Main Dam, Tunnel, Kehelgamu Oya Dam & Tunnel and Executive Quarters		750,000	2007-2021
Renewable Energy Absorption Transmission Development Project			
Construction of Grid Substation in Ragala (Rahathungodawatta Land)	14-10-2016	825,000	29 -02-2016
Construction of Grid Substation in Maliboda (Udapolawatta Land)	15-05-2017	870,000	08-09-2016
National Transmission & Distribution Network Development and Efficiency Improvement Project			
Construction of Grid Substation in Malabe (Etaheraliyagahakumbura Land)		311,250	08-12-2015

out of these 18 lands, 3 lands are relevant to the projects division. Actions are being taken to transfer the cost of the lands to be included as fixed assets. Further relevant divisions will be instructed to complete the land acquisition process and acquire the ownership of the lands. Thereafter to update the fixed asset registers accordingly

(m) It was observed that there was 1,898 days or 5 year and two months from the date of the notification for seeking way leave clearance for the constructing towers and string the cable over the land, Carney Estate at Siripagama in Ratnapura (31 May 2018) to the date of way leave clearance received (11 August 2023). Therefore, the completion of the construction of Polpitiya – Hambanthota 220 kV, 150km Transmission Line which had been recognized as a critical infrastructure for the reliable power supply to the Southern Province of Sri Lanka had been delayed for a considerable time period and delay of the construction has caused to the power supply scarcity. Further, it was observed that if this dispute had been referred to the PUCSL by the Management of the board in early as per provision of the Electricity (Dispute Resolution Procedure) Rules dated 25 January 2016 made by the PUCSL, the construction of transmission line which was a critical infrastructure for the reliable power supply to the Southern Province of Sri Lanka could have been completed in early and difficulties faced by the all stakeholders due to the delay of construction could have been minimized. Further, it was observed that the sum of Rs.1.7 million and Rs.7.9 million deposited in Divisional Secretary –Rathnapura and District Secretary –Rathnapura respectively for the compensation payable to land owner had not been recovered even by the end of October 2023 even though the land owner had agreed to offer the land without any compensation.

This transmission line is the Sri Lanka's longest transmission line and it is 150km in length having a wayleave corridor of 35km width for safety and electrical clearance. Accordingly, more than 2,000 cases for payment of compensation were handled by the Project Management Unit and the only case that held up was this and issue of Carney Estate, Siripagama, Rathnapura which was finally ended up at the PUCSL on August 11, 2023 after taking series of steps. Further, this case reported to Asian Development Bank - ADB and they were also intervening the process under their pubic safe guard policy matrix as the funding agency. Therefore, CEB had to fulfill both country regulations and ADB public safeguard policy guidelines. According to the ADB public safeguard policy matrix, replacement cost needs to be paid to the affected party in case of a damage due to the transmission line. The government valuation for the damage was lower than this replacement cost that was claimed by the affected parties. With these constraints, it was dragged until August 11, 2023 to resolve this matter at the PUCSL. Further, the progress of the project was seriously affected by Easter bomb attack, Covid 19 pandemic and negative economic situation of the country during this period. Further, at the end of September 2023, these deposits had been recovered.

2.3 Other Matters

(a) Out of the trade debtor balance of Rs.46.41 billion as at 31 December 2022, a balance of Rs.4,003 million relating to both ordinary and bulk supplies remained outstanding for over one year, and out of that amount, a sum of Rs.2,210 million had not been recovered for more than five years. Following further observations are made in this regard.

(i) Out of the above total debtor balance, Rs.2.4 billion or 4.9 percent had been categorized as finalized due to not recovering outstanding for long period of time and out of which Rs.984 million or 43 percent was related to the Distribution Division 01.

In October 2023 finalized debtor balance has reduced from 4.9% of total debtors to 3.6% of total debtors.

Divisions	Reply - Recovery actions taken regarding the finalized debtors
DD-01	1. To recover the outstanding balance of finalized account by way of preceding mediation board, taking legal actions and recover from deposit in terms of Circular DCC/COM/03/2009. 2. Appointments of Provincial Revenue committees. 3. Reminder letters were sent to consumers requesting to settle the outstanding balances. 4. Disconnection programmes, consumers awareness programmes & etc are being implemented to recover outstanding balances without categorized as finalized accounts.
DD-02	**WPS -11.** 1. The bulk supply finalized debtors over 5 years were Rs 21,819,241.28 as at 31.12.2021 and that balance was reduced to Rs. 11,914,583.61 by 31.12. 2022. Further action will be taken continuously to recover and clear the outstanding balances. 2. Age analysis of ordinary supply debtors includes both active accounts as well as finalized accounts. In order to recover the outstanding balances of finalized accounts actions have already been taken by the respective Area Engineers and details of monthly progress of collection of arrears are sent to the DGM branch as well as to the Accountant (Revenue) unit. 3. Further, with regard to the finalized accounts, actions have already taken to set off outstanding debit balances against security deposits when the debit balances are lesser than the available security deposit amount as per the instructions of the circular no: DCC/ COH/ 03/ 2009. **Eastern** more than 90% of the balance of age span 5Years and over represents the following customer balances in the Bulk Supply Category. 1. Valaichchenai Paper Company Ltd 2. Kanthale Sugar Corporation Following decisions have been taken by the Board of CEB, regarding the outstanding balances of above two major Customers; 1. Valaichchenai Paper Company Ltd – to Write off the part of the Outstanding balance and get recovered the balance from the customer on instalment basis. Board has given approval to write off an amount of Rs.361,992,685.22 and the balance should be recovered in 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 this Board decision. Accordingly, 361,992,685.22 had been written off in December 2022, as per the Cabinet Decision approved by the Board Minute(BM/2023/05) dated 21.03.2023 as extending the deadline for payment of outstanding balance from 2023 to 2026 for arrears amount of 122Mn as follows. 2023- 1mn Per month 12mn 2024 - 2mn per month 24mn 2025 – 3mn per month 36mn 2026- 4.17mn per month 50mn 122mn Accordingly, as at 2023. April 2mn has been received and continuously been followed up.

	2. Kanthale Sugar Corporation – Recovery of the part of the Outstanding balance and then to write off the balance from the books of accounts There is a long outstanding debtor balance for 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. **Central Province 1 & 2** In order to recover the outstanding balances of Bulk supply and Ordinary supply finalized debtors, 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.
DD-03	**The following recovery action has been taken in relation to finalized debtors.** 1. To recover the balances in the finalized accounts from security deposits of both ordinary and bulk debtors 2. The action has been taken to send reminders for long outstanding balances and finalized accounts less than two years. 3. Action has been taken to identify the default consumer's active accounts and transfer the balances to the active accounts. 4. Continuous reminders have been sent to the government organization such as army camps to recover the due balances. Significant amount has been recovered through this process.
DD-04	WPS1 - all the necessary actions were taken to clear the balances. A board paper to write off and a letter to take the legal action were sent. SP1- A committee has been appointed to review the long outstanding balances of Ordinary Supply finalized accounts and the clearance is in progress. Actions have been taken to set off the finalized outstanding account balances against the security deposit balances. SP2- Actions have been taken to minimize the outstanding from finalized accounts. The overall receivable position has improved from 2.5 to 1.45 overall during the last year indicating significant improvement in the collection process.

(ii) Out of finalized ordinary supply debtors of Rs.872.39 million in DD 01, the highest amount of Rs.230.58 million represents Colombo City region and it was observed that in that balance a sum of Rs.41.58 million relating to 13,710 consumer accounts remained as credit balances without taking any actions to settle in terms of the Circular DCC/COM/03/2009 of the Board. Apart from that, credit balances of Rs.13.15 million relating to 216 consumer accounts in bulk debtors (finalized) also remained without taking any actions to settle.

Divisions	Reply
DD-01	The following actions have been taken to recover the long outstanding finalized trade debtor credit balances. 1. Schedules and Letters were prepared and communicated to consumers through provincial DGMs. 2. In compliance with the circular, actions were taken to remove the Ordinary Supply finalized credit balances. **Colombo City** 1. Schedules and Letter were prepared and forwarded to DGM CC for approval. Bulk supply credit balances relevant to Colombo city as at 30.06.2023 is only 1.63 million relating to 23 customer accounts. This shows a significant reduction in the credit balances. **NWP-1** As per the said circular, action was taken to remove the Ordinary Supply finalized credit balances up to the year 2019. Further 1815 accounts worth of Rs 1.09mn relevant to the year 2020 has been forwarded to the approval of AGM (DD1) on 10th April 2023. Bulk Supply 13 accounts value of Rs. 6990.58 has been forwarded to the approval of AGM (DD1) on 14th October, 2022 **(NWP-2)** Credit balances of Rs.2.89 million relating to 4679 consumer accounts have been cleared in terms of Circular DCC/COM/03/2009 during 2022.
DD-04	Steps have already been taken to absorb Credit balances to other income and to remove settled accounts from the system.

(iii) As per the random audit check it was observed that out of the finalized bulk supply connections of 413, electricity supply connections had been given to 137 consumers without obtaining any deposits and the total outstanding balance of those accounts was Rs.266.84 million. It was further observed that out of the above finalized bulk supply connections of 413, the total outstanding balance of 147 consumers was exceeded by Rs.203.15 million with the total deposit amount of those accounts.

Colombo City represents 409 numbers of connections and 4 numbers of connections belong to NWP 2. The total finalized debtor balance of Colombo City is Rs.33, 997,534.69 as per the ledger as of 31.12.2022 and the total security deposit was amounting to Rs 44.85 Mn.

With regard to NWP 2, it is noted that no security deposits have been obtained for 4 number of consumer accounts. Action have already been taken to obtain the security deposit as early as possible.

(iv) As per the random test check carried out it was observed that a sum of Rs.16.32 million in respect of 74 electricity supply connections given to quarters of parliamentary representatives remained without being recovered as at the end of the year under review. Out of that a sum of Rs.5.31 million relating to 29 connections remained outstanding over six years without being recovered and another Rs.3.13 million relating to the 30 connections remained outstanding without being recovered more than one year.

<table>
<tr><th>Division</th><th>Reply</th></tr>
<tr><td>DD01</td><td>It is agreed that there are outstanding balances from parliamentary representatives, remaining without being recovered. However, with the close supervision and instructions of Additional General Manager and DGM Colombo City, CEB was able to recover the balances of present parliamentary representatives amounting to Rs.32 Mn and continuous recovery actions are being taken which includes the following.

1. The list of persons details was obtained from the Ministry of Public Administration, Home Affairs, Provincial Council and local government authorities.
2. Checking/ verifying consumer files and identify present and previous occupancies of each and every Quarters of parliamentary representatives.
3. Appointing Revenue Committees to recover the long outstanding trade debtor's arrears.
Sending Reminder letters to consumers requesting to settle the outstanding balances.</td></tr>
<tr><td>DD04</td><td><table>
<tr><td>WPS I</td><td>These accounts also have been treated like normal accounts when it comes to bill recovery process.</td></tr>
<tr><td>SP2</td><td>CEB have sent reminders requesting the settlement of dues without attempting disconnection of supply due to the sensitive nature of the political culture in the SP2-Tangalle area. In the rest of the areas, we do not have such issues.</td></tr>
</table></td></tr>
</table>

(b) Out of other debtor balance of Rs.38.38 billion, a sum of Rs.14.59 billion or 38 percent remained outstanding for more than 2 years as at the end of the year under review. Following observations were made further in this regard.

(i) Out of other debtor balance, an amount equivalent to Rs.12.67 million had outstanding from government institutions in relation to Distribution Division 04 for more than 5 years period without being recovered.

Continuous reminders were sent to the Ministry of Buddhist Affairs regarding these outstanding balances but still these balances were not settled. Further Other debtors also include fuel deposits that are not settled, and actions are been initiated to clear the balance.

(ii) A sum of Rs.346.95 million remained outstanding from 93 government institutions for the supply of Lifts, air conditioners and power generators by the Asset Management Division of the Board as at 31 December 2022. Out of that a sum of Rs.114.04 million and a sum of Rs.82.84 million had remained outstanding for more than one year and five years respectively without taking any action to recover. Further, provision for impairment had only been done for the outstanding balance of more than five years without assessing the recoverable value of others.

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 receivables are questionable. Steps have been taken to write off those unrecoverable balances

(iii) A sum of Rs.714.96 million due from Lanka Coal Company through Taurian Iron and Steel Company (Rs. 478.18 million) and Liberty Commodities Ltd (Rs 236.78 million) remained outstanding for more than five years without being taken proper action to recover.

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 regarding Taurian Iron and Steel Company dues and the final report was handed over to the Secretary of the Ministry of Ports & Shipping for a settlement. In the case of Liberty Commodities, LCC 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.

(iv) A sum of Rs.253.7 million remained outstanding from sacred places on the supply of electricity at the end of the year under review and out of that a sum of Rs.81.58 million remained outstanding for more than five years period without taking any action to recover.

(v) D Division	Balance As at 31.12.2022 Rs Mn	Over 5 Years Balance Rs Mn	Reply
DD01	79	34	Dues from sacred places in DD 1 is Rs.79.81 Mn and out of the above Rs 34.07 Mn. was remaining over 5 years. In this regard, a board paper was submitted to write off the above receivables and the Board had referred the matter to Audit committee to its recommendations. The breakup of receivables from sacred places are given below.

S/NO	PLACE	BALANCE AS AT 31.03.2023 Rs. Mn
1	SRIMAHA BODDHI AWASA	13.87
2	ABAYAGIRI DAGABA	5.87
3	SANDAWASA BOMALUWA LIBRARY - SRIMAHA BODGI	0.01
4	JETHAWANARAMA	0.27
5	LOWAMAPAYA	0.01
6	ABHAYAGIRI VIHARA	0.09
7	ABAYAGIRIYA STHUPA	0.25
8	ABAYAGIRI VIHARA	0.71
9	LANKARAMA VIHARA	0.31
10	LANKARAMA VIHARA	1.21
11	MIRISAWETIYA OFFICE	2.63
12	MIRISAWETIYA SANGARAMAYA	1.68
13	THUPARAMA STHUPA	1.79
14	THUPARAMA TEMPALE	0.61
15	SINGHE KANUWA, SRI MAHA BODHI RD.	2.13
16	RUWANWELISAYA (STREET LAMP)	10.06
17	UDAMALUWA TEMPALE (PARITTA SQUARE)	0.18
18	RUWANWELISAYA TEMPALE	0.04
19	MIHINTALA TEMPALE	11.83
20	ISURUMUNI RAJA MAHA VIHARAYA	0.01
21	ISURUMUNI MAHA VIHARAYA	1.34
22	ISURUMUNI VIHARA SANGARAMAYA	0.07
23	DIMBULAGALA TEMPLE	7.43
24	JETHAWANA PROJECT	17.40
	TOTAL	**79.81**

DD02	67	17	A board paper has been submitted to the Board for write off the balances of sacred places and the charges for supply of electricity for re developing schools (Mahinda Chinthana). Awaiting for Board approval
DD03	49	14	Dues from sacred places includes the electricity consumption cost settled by CEB based on a board decision. This balance is supposed to be received from the government. Since the funds have not been received so far, a board paper has been submitted to write off the balance.
DD04	56	15	A Board paper has been submitted to write off the receivable balance from sacred places for the supply of electricity.
Total	**253**	**81**	

(c) Out of tender deposit, security and other deposit payable balance of Rs.26.67 billion, a sum of Rs.2.79 billion remained outstanding for over 5 years without taking any action to settle. Further out of above more than 5 years balance a sum of Rs.1,312.94 million and Rs.2.57 million or 47 percent represents consumer deposits received for capital jobs in Distribution Division 01 and Head Quarters respectively. However no evidence was received to ascertain whether respective capital jobs had been completed or not.

<table>
<tr><th>Division</th><th>Amount (Rs) Mn</th><th>Reply</th></tr>
<tr><td>DD01</td><td>1,469</td><td>Tender deposit, security, and other deposit payable outstanding over 5 years DD1 represents Rs.1.469 billion which consist of below balances.
<table>
<tr><th>Description</th><th>Total</th></tr>
<tr><td>Consumer Deposits Capital Job</td><td>1,312,944,129.41</td></tr>
<tr><td>Tender Deposits Refundable</td><td>14,360,860.92</td></tr>
<tr><td>Court Recoveries for Illicit Electricity consumption</td><td>36,236,584.97</td></tr>
<tr><td>Other Miscellaneous Deposits</td><td>59,124,355.19</td></tr>
<tr><td>G. D. Deposits</td><td>46,466,640.85</td></tr>
<tr><td></td><td>1,469,132,571.34</td></tr>
</table>
In general, above deposits are refunded based on the request of the consumer/depositor. Once the request is made, actions will be taken to refund such deposits. In addition to this, deposits against capital jobs are cleared, once the capital jobs are completed and transferred to the assets.</td></tr>
<tr><td>DD02</td><td>415</td><td>Most of the deposits over 5 years are reflected from the projects handled by (P&HM) branch and action will be taken to clear the balances in future.</td></tr>
<tr><td>DD03</td><td>798</td><td>Service Main Deposits: Once the remaining Cost Paid construction jobs are completed, the deposit will be transferred to Consumer Contribution.
Tender Deposits: Will be refunded to suppliers only upon supplier request.</td></tr>
<tr><td>DD04</td><td>0.032</td><td>These deposits represent the deposits with third parties and when the relevant 3rd party send request, these deposits will be refunded.</td></tr>
</table>

<table>
<tr><td>Transmission</td><td>57</td><td>Total deposits payable as at 31/12/2022 amounting to Rs. 67.24 Mn, a sum of Rs. 57.76 Mn is outstanding for over 5 years which includes Rs. 52.7 Mn representing a deposit transferred from Projects Division to the Transmission Division for any future rectifications of the defective battery bank system installed at Kelanitissa, 132 KV Grid Substation to be utilized as and when any repairs to the system is identified and required. Actions will be taken to clear deposit account in future after justifying the transactions and with regard to remaining balances of deposits which were more than 5 years.</td></tr>
<tr><td>Generation</td><td>3</td><td>Only Rs.3.6 Mn remained outstanding over 5 years in the books of accounts as Tender Deposits in the Generation Accounts. Action will be taken to clear those balances during the year 2023.</td></tr>
<tr><td>AM</td><td>16</td><td>Deposit payables over 5 years in AM Division amounting Rs 16,033,950.00 belongs to the DGM(W&AS) unit which has taken by Chief Engineer (A/C) unit from General Hospital to Install A/C unit. However, the General Hospital has not given the relevant building/ Space for the A/C installation.</td></tr>
<tr><td>Project</td><td>2</td><td>Most of these deposits have been transferred from the Transmission Division while establishing the AGM (Projects) Division and some of them are coding errors. Actions will be taken to clear those balances during the year 2023.</td></tr>
<tr><td>HQ</td><td>32</td><td>According to the breakup and the tenure of the deposit, nature of the transaction has been identified and treatment for same effected in the ensuing year.
<table>
<tr><th>Description</th><th>Amount Rs.</th><th>5 Yrs.& over</th></tr>
<tr><td>L 5610 Consumer Deposits - Capital Jobs</td><td>2,568,099</td><td>2,568,099</td></tr>
<tr><td>L5640 Tender Deposits - Refundable</td><td>1,978,194</td><td>468,694</td></tr>
<tr><td>L5660 Miscellaneous Deposits</td><td>273,626</td><td>273,626</td></tr>
<tr><td>L5650 Court Recoveries For Illicit Electricity</td><td>28,890,558</td><td>28,890,558</td></tr>
<tr><td>Total</td><td>33,710,477</td><td>32,200,977</td></tr>
</table>
<u>Consumer Deposit – Capital Jobs</u>
The amount of Rs. 3,426,522.75 received on 2017.01.18 from Central Cultural Fund for the second stage of underground cabling of Lighting of Polonnaruwa Project. Later on, Rs.768,423.60 was transferred to DGM(NCP) in 2017. The balance to be transferred after obtaining completion reports from DGM (R& D)
<u>Tender Deposit & Miscellaneous Deposit</u>
Out of this tender deposit and miscellaneous deposit, action will be taken to write back the over 5-year amount to the Income Statement.
<u>Court recoveries for illicit Electricity</u>
The investigation Manager has been informed to send the breakup to transfer the amount of Rs. 28,890,558 of Court recoveries for illicit Electricity to the relevant Provinces.</td></tr>
<tr><td>Total</td><td>2,794</td><td></td></tr>
</table>

(d) An abnormal credit balance of Rs.12.34 million remained in the Savings Account of Distribution Division 01 without being taken any action to investigate. However, the respective bank confirmation had not been submitted to audit.

This amount represents the refunding of commission charged on Telegraphic Transfers for a supplier of SESRIP Project by the People's bank. Bank confirmation has already been requested by us. Furthermore, action has been taken to clear the said amount from the books of accounts in the month of May 2023.

(e) A sum of Rs.1.27 billion in relation to Deemed Dividend Tax for the year of assessment 2013/14 had not been settled to the Department of Inland Revenue even by the end of the year under review.

As per the section 33 (1) (c) of the Inland revenue Act no 28 of 1979 as amended by the act no 56 of 1985 and the subsequent amendments thereto Public corporations are liable to pay amount equal to 25% of its balance profits after deduction there from the tax payable under the section 33 (1) a of the same act. Accordingly, CEB was assessed for deemed dividend tax based on the adjusted profits for tax purposes until year of assessment 2010/2011 disregarding the CEB's request that it has to be assessed based on the accounting profit. However, for the year of assessment 2013/2014 CEB recorded accounting profit of Rs.16,133,182,036 and taxable business loss of Rs. 8,913,400,992. For that year of assessment IRD has taken CEB tax file for an investigation and assessment no ITA 16300500067 V2 dated 30-05-2016 was issued proclaiming total taxable income of Rs 1,265,020,130 and tax on that taxable income amounting to Rs 354,208,156 which was agreed by CEB. However, in the same assessment DDT liability of Rs 3,585,289,319 was determined based on the Accounting Profit. And it was not agreed by CEB since DDT calculation basis was changed contrary to the previous years of assessments for deemed dividend tax which was based on accounting profit. IRD has assessed the deemed dividend tax based on the Sri Lanka Port Authority DDT Determination that was issued on 30-01-2013 and it was effected from Y/A 2007/2008. Several discussions were carried out by CEB officials and IRD officials in order to clear the legal grounds on the application of accounting profit for public corporations in determining Deemed dividend tax. Subsequent to several discussions CEB accepted the assessed DDT liability based on accounting profit subject to SLPA determination should be applied to CEB with effect from Y/A 2007/2008 and the deemed dividend tax paid based on adjusted profit for tax should be recomputed for the Y/A 2009/2010 and 2010/2011 based on accounting profit and the over-paid amount based on adjusted profit should be refunded to CEB. Accordingly, net settlement plan was agreed on the dues after setting off expected refunds for the Y/A 2009/2010 and Y/A 2010/2011as requested by Senior Deputy Commissioner – Investigation branch. As per our request tax refund notice for the Y/A 2009/2010 was generated but not finalized by IRD. Later in response to our inquiry regarding the refund the commissioner of unit 6B through his letter dated 31-10-2017 informed CEB that tax refunds for Y/A 2009/2010 and Y/A 2010/2011 have not been granted since those years were already time barred at the time of refund request was made. CEB is not in agreement with the IRD's decision of rejecting the refund request since the dispute was created by IRD itself by applying DDT calculation based on accounting profit as per SLPA determination with effect from 2007/2008 and the same determination applied to CEB from 2013/2014 and assessment for 2013/2014 was given by IRD on 30-05-2016 and at that time, the time period to submit the refund request for DDT overpayment for the Y/A 2009/2010 and Y/A 2010/2011 was lapsed which was not in the control of CEB since the dispute was arise due to DDT assessment issued for Y/A 2013/2014 in 30-05-2016. In March 2022 CEB have sent the letter to the commissioner General of Department of Inland revenue explaining this issue and requested to resolve the issue soon.

Further Regarding the Deemed dividend tax issue a meeting has been held in Department of public Enterprise, General Treasury with the participation of officials from CEB and Inland Revenue on 11.08.2023. According to the decision taken at the meeting Director general of Public Enterprises has sent a letter to Commissioner General of Inland revenue, recommending to use consistent basis of taxable profit for the assessment of deemed dividend tax of CEB for the applicable periods and reconsider the assessment of CEB for deemed dividend tax.

(f) Coal stock shortage of Rs.230.63 million (2,161.98 MT) had been charged to the income statement as at 31 December 2022. As per the coal stock survey carried out on 19 November 2022, there was a surplus coal stock of 1,046.32 MT due to the heavy rainfall occurred during the period in which the coal stock survey had carried out, the water content of the coal yard was considerably high. Accordingly, there was a slight increase of the average coal density. Therefore, the survey committee had decided to calculate the physical coal stock using the average coal density in last year instead of the average coal density in this year. Accordingly, there was a coal stock shortage of 2,161.98 MT as at 31 December 2022. However, it was unable to verify the accuracy of the average coal density in last year due to only about 35 kg of coal excavated from the pits was weighted to measure the average coal density per cubic meter for verifying a large quantity of coal.

In 2021 coal yard stock verification, the surface of the measured coal yard area was almost even, similarly compacted, and homogeneous. Further, the method carried out to measure the field density was highly accurate. Therefore, excavated amount (35 kg) was considered sufficient for the measurement of the density of the location. There was 114,290T quantity of coal spread over the whole area of the coal yard (including the deaf coal of 85,358T). Therefore, the average coal density of the year 2021 was taken for the calculation of the coal quantity in 2022 as Option 2.

(g) As per the records of the Board, the total amount of loan disbursement during the year under review in respect of Green Power Dev. & Energy Efficiency Improvement Project (Tranche 01) and Green Power Dev. & Energy Efficiency Improvement Project (Tranche 02) was Rs.6,253.39 million. However, as per the records of External Resource Department, it had been shown as Rs.4,488.06 million. Hence, an aggregate difference of Rs.1,765.33 million was observed.

This difference is due to 3 reasons.

1. Exchange rate difference for the disbursement in 2021 accounted in 2022
   CEB used to account for the loan disbursements based on the funding agency confirmations. In 2021 CEB has accounted for the AFD disbursement based on the Central bank exchange rate and that disbursement was updated in the ERD disbursement reports of 2021 after the finalization of accounts for 2021. Therefore exchange rate difference of 23,082,400 was accounted in CEB's financial statements in January 2022.
2. AFD disbursement of EURO 6,000,000 (LKR 1,754,160,00) in march 2022 was not updated in ERD disbursement reports of 2022 and CEB has accounted this disbursement based on central bank exchange rates in 2022 in order to ensure the fair and comprehensive presentation in the financial statements.
3. Disbursement handled by sustainable Energy authority LKR 11,915,158 is not recorded by CEB. Even though it has been disbursed from the same loan utilized by the CEB project CEB cannot account the transaction in the CEB Financial statements since it does not come under the purview of the CEB projects. CEB has not accounted this based on the LKAS-01 Conceptual framework that says transactions related to reporting entity's financial performance.

Reconciliation		**In Millions**
Disbursements as per CEB Financial Statements	**:**	**LKR 6,253.39**
Less Exchange difference recorded in 2022 in CEB Financial statements	:	(LKR 23.08)
Less Disbursement not recorded by ERD	:	(LKR 1,754.16)
Add sustainable energy authority related disbursement Not recorded by CEB	:	LKR 11.91
Disbursements as per ERD	**:**	**LKR 4,488.06**

(h) As per the Cabinet decision No. 3/0154/504/014 dated 01 February 2023 and as per the letter of Department of Public Enterprise No. PED/1/CEB/02/11(i) dated 17 February 2023, loan disbursements of seven projects amounting to Rs.60.97 billion had to be transferred to the government equity. Out of the above loans, disbursements of Rs.13,736.28 million as at 31 December 2022 relating to Habarana Veyangoda Transmission Line Project had been transferred to equity by the Treasury. However, as per the records of the Board, only an amount of Rs.13,729.29 million had been transferred to government equity. Hence, a difference of Rs.6.99 million was observed.

CEB records the direct loan disbursements of foreign currency based on ERD disbursement reports. However local currency contract Payments are recorded as per the local currency amount stated in the Interim Payment Certificate (IPC). CEB is not in a position to record any other value as the Central Bank remits the contractor the exact value stated in the IPC. Hence the ERD shall be informed to upload the correct local currency figure in the disbursement portal for the local currency payments. Hence, it should be enquired from the ERD for not uploading the disbursement as CEB has received the remittance advice for the disbursement.

Due to this a difference of 6.99 Mn has occurred between ERD and CEB. The treasury has transferred the ERD balances but CEB has transferred to equity the actual Loan balance recorded by CEB.

(i) Even though the Board sells electricity to LECO and purchases 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.

The Power Sales Agreement (PSA) was prepared by a committee in 2016, where a committee included a member from LECO and the member has not signed the draft agreement. Hence a new committee was appointed in 2022 and the draft PSA was submitted to General Manager, LECO for his comments. After receiving the comments from LECO, a joint meeting was held with PUCSL & LECO to discuss those comments. They are being reviewed by relevant parties and the final draft report will be sent to LECO as soon as they are received.

CPC agreement
In near future fuel will be procured using competitive bidding procedure. Therefore, agreement with CPC will not be required.

(j) **A special investigation had been carried out by the Internal Audit Branch of the Board in respect of stock shortage of Rs.37.27 million identified in 2014 under the project of Uthuruwasanthaya. Later, as per the investigation conducted by a special committee, it had been revealed that the shortage would be 46.33 million and it had been accounted as receivable from relevant store keeper. However, the amount had been written off to Rs. 8.29 million during the period from 2019 to 2020 only on the approval of Deputy General Manager (Northern) and Additional General Manager without obtaining any board approval. Nevertheless, it had been failed to recover the aforementioned stock shortage of Rs.46.33 million even at the end of the year from the responsible officers.**
A special investigation had been done in 2014 thereby stock shortage of Rs.46.33 million was identified under Uthuruwasanthaya project. In this regard legal action was taken against Mr. U.P. Gunarathne under case no: B/164/15 and later it was transferred to Vavuniya High court due to the amount involved (Case No HCV/2980/20). The judgment served to this case, Mr. U.P. Gunarathne pleaded guilty. Therefore, CEB legal branch need to take action to recover the balance losses by civil court case against Mr. U.P. Gunarathne (Ex Storekeeper of Uthuruwasanthaya project).

Further to this a Board paper was prepared and forwarded to inform the current status and the Board has taken it on 28-08-2023 and has requested some clarifications explanations from Additional General Manager (DD1), Chief Legal officer and Chief Internal Auditor.

(k) **As per the special investigation carried out by the Internal Audit division of the Board, it was observed that with regard to the stock shortage of Rs.12.65 million identified during stock verification in Heiyanthuduwa Warehouse in 2020, the storekeeper and two other electrical superintendents are liable for a sum of Rs.6.47 million and Rs.2.49 million respectively. However, no action had been taken to recover the loss from them even at the end of the February 2023 after conducting a formal inquiry.**
With regard to the stock shortage of Rs. 12.65 Mn in Heiyanthuduwa Warehouse, AGM (DD1) has directed the matter to the investigation committee. Based on the report recommendation, General Manager – CEB, has directed the matter to the Internal Audit Branch. Internal Audit Branch conducted an investigation and Report was submitted to General Manager CEB. (Ref. CEB/CIA/SI-02/2022-03 dated 2022.11.03).

(l) **Prompt action had not been taken by the Board even by the end of the year against the person who had been liable for stock shortages of Rs. 3.67 million, which had been occurred during the period from 20 November 2006 to 20 February 2012, in Asset Management Division (Power Plant), even after the completion of the formal investigation.**
CEB Audit Committee has directed General Manager to seek written clarification from the Attorney General regarding the potential for legal action in this matter, considering both the availability of evidence and any applicable time constraints.

(m) **An officer, who had been liable for the stock shortage of Rs. 3.79 million in Asset Management Division had been allowed to retire on 15 October 2011 without being recovered the loss, as recommended by the committee appointed for investigation. Further, at a committee meeting held on 12 September 2022 it was decided that the shortage should be Rs.2,537,695 and the acting General Manager of the Board had instructed to recover from his gratuity and pension fund. However, it was observed that the amount remained unsettled in the books of accounts without being taken any remedial actions to recover from the responsible officer even by the end of the year under review.**
CEB Pension Fund has been informed to recover the shortage from gratuity and pension fund. However in the audit committee meeting held on September 15th 2023 it was clarified that accordance to the pension fund regulations it is not feasible to recover the value of stock shortage from the accumulated pension fund balance. Therefore audit

committee has directed to obtain a written clarification regarding the provisions with in the pension fund rules and this matter will be included in the agenda of next audit committee meeting for further discussion.

(n) It was observed that the formal investigation conducted had not been completed even by the end of the year under review in respect of the store keeper who had been responsible for the stock shortage of Rs.1.15 million identified during September 2014 in the regional warehouse of Chief Engineer (Commercial) under the Deputy General Manager (Western North Province).

The Stock shortage amounting to Rs.1,595,450 at Kotugoda Central Stores was identified. The accused Storekeeper was dismissed in 2016 from CEB. Based on the formal investigations, CEB EPF unit was requested to recover dues from his provident fund Balance.

(o) A sum of Rs.14.98 million and Rs.60.44 million that had been charged to stock adjustment account as stock shortages relating to Distribution 02 and 03 respectively remained in the books of accounts since 2004 without been taken any action to investigate and settle. However, details relating to these stock shortages had not been provided to audit.

A committee will be appointed to examine and to make recommendations to clear the outstanding balances remaining in stock adjustment account over 5 years with necessary approvals.

(p) It was observed that there were non-moving items more than two years amounting to Rs. 22.42 million in capital work in progress account in the Generation Division as at 31 December 2022.

Action will be taken to clear those balances during the year 2023.

(q) A sum of Rs. 2.12 billion, representing 6.5 per cent of the total consumable stock of Rs.32.54 billion, had been shown in financial statements as slow moving, non-moving and damaged stocks as at 31 December 2022 which may result to stock damages, increasing of holding cost and creating an opportunity for frauds. Further, as per the random audit check, it was observed that despite the matter that Board approvals had been granted in several occasions from 2019 to 2022 for the disposal of damaged and obsolete stocks valued at Rs.217.7 million remained in four distribution divisions and asset management division, no action had been taken to dispose them even by the end of the year under review.

DD01	Total number of Non – moving, Slow Moving, Obsolete and damaged stocks items of DD-1 accounts of Rs. 486,203,073.73 as of 2022-12-31. In addition to this the continuous action has been taken to minimize stocks levels of DD-1 with the instruction of Additional General Manager (DD-1). Further Annual verification of stores for the year 2023 has been completed last week and Board of Surveys were already appointed to expedite the process of removing non moving and damaged stocks.

DD02	Board papers have been submitted by each province for damage and obsolete stocks and accordingly stock disposal process is being carried out as per the procedure of CEB. Below given table states the status of the approved board papers submitted on 2022/2021.

Division	Description	BoardPaperNo.	Status
EASTERN PROVINCE	Disposal/SellingofNM,SM& damage stock items of Kalmunai Stores, CSC Samanthurai CSC & Nintharur CSC in Eastern Province	EP/DGM/25/BP (Kalmunai area)	Completed
TRINCOMALEE	Disposal of NM, SM & Damage stock items at Trincomalee area stores & CSC stores	EP/DGM125/ BP(Trincomalee)	Completed
BATTICALOA	Disposal of NM, SM & Damage stock items at Batticaloa area stores, Erawur, Walachchinai, Kalawanchikudi, Kaththankudi CSC storesin EP	EP/DGM/25/ BP(Batticaloa)	Completed
AMPARA	Disposal of NM, SM & Damage stock items at Ampara & CSC stores	EP/DGM/25/ Boardpapers (AmparaArea)	Completed
DGM(EP)	Disposal of Damaged NM, SM stock items of Provincial storesTrincomalee & Provincial Sub stores of Batticoloa, Amparain Eastern Province	EP/DGM/25/ Boardpapers	Pending
AGM(DD-02)-DGM(EP)	To obtain approval of the board for selling of NM, SM & damaged single phase & three phase meters Provincial storesTrinco PS stores Ampara area office of EP	EP/DGM/25/ Boardpapers	Completed
AGM(DD-02)/ DGM(WPN)	Disposal of Damage & unserviceable stock items of provincial stores and CSC of WPN	WPN/GM(BP) /2021/08	Partly completed
AGM(DD02)/DGM (P&HM) -DD02	Disposal of Damage, obsolete and idle stock items in P &HM-DD 02 Siyabalape Stores	DGM(P&HM)-DD02 / Stores/Disposal	Pending
AGM(DD 02)/ DGM(CP 02)	Disposal & Selling of NM/SM & damaged stock items at Kegalle area/Mawanella/ Haguranketha / Nuwara Eliya/Nawalapitiya/Ginigathhena/ Peradeniya DGM(CP-02)AGM(DD02)	CP2/DGM/25/BP (Nawalapitiya)	Disposed March2023. Material issues pending for Balances writeoff is pending
AGM(DD02)/ DGM(CP02)	Disposal & Selling of NM/SM & damaged stock items at Thawalamthenna, LidulaCSCin Nuwara eliya Area	CP2/DGM/25/BP (Nuwaraeliya)	Disposed March2023. Material issues pending for Balances writeoff is pending
AGM(DD02)/ DGM(CP02)	Disposal & Selling of NM/SM & damaged stock items at Rikillagaskada & Walapane CSC in Haguranketha area	CP2/DGM/25/BP (Haguranketha)	Pending
AGM(DD02)/ DGM(CP02)	Disposal & Selling of NM/SM & damaged stock items at Mawanella Area office	CP2/DGM/25/ BP(Mawanell a)	Pending
AGM(DD 02)/ DGM(CP 02)	Disposal & Selling of NM/SM & damaged stock items at Kegalle,Thulhiriya, Rambukkana, & Moronthota CSC Eliya/ Nawalapitiya/Ginigathhena/ Peradeniya- DGM(CP- 02)AGM(DD02)	CP2/DGM/25/ BP(Kegalle)	Disposed March 2023. Material issues pending for Balances writeoffis pending
AGM(DD02)/ DGM(CP02)	Disposal & Selling of NM/SM & damaged stock items at Yatinuwara & Eriyagama CSC's in Peradeniya	CP2/DGM/25/ BP(Peradeniya)	Disposed March 2023. Material issues pending for Balances writeoffis pending
AGM(DD 02)/ DGM(CP 02)	Disposal & Selling of NM/SM & damaged stock items at Northern Bridge CSC in Ginigathhena area	CP2/DGM/25/BP (Ginigathhena)	Pending

Rs.101,453,029.45 worth of stocks has been disposed in the year 2023 up to date.
CP -02-2,494,120
CP-01-18,859,681.86
EP- 43,580,891.16
WPN- 36,518,336.43.

<table>
<tr><td>DD03</td><td>The above balance includes an Obsolete stock of WPS 2 amounting to Rs 25Mn to which the Board approval has been granted. As per the approval received for the Board paper No: DD3/DGM(WPSII)/BP/2021/03, two numbers of disposal tenders have been initiated (WP-SII/T/2022/084 & (WPSII/T/2022/107). Above mentioned tenders have been awarded to the highest quoted bidders and the total value of the disposal materials has already been paid to CEB. Removing the obsolete and unserviceable items of above-mentioned tenders were completed and necessary entries have been passed in the ledger.
Out of the balance in Sabaragamuwa Province, a value of Rs 8.8 Mn stocks have been disposed as per the given Board approvals (The Total Stock Book Value is 9.9 Mn) and Tender process has been completed to dispose the remaining stock balance.
The disposal process is in progress for Uva Province and Meter Lab.</td></tr>
<tr><td>DD04</td><td>PHM - A Board Paper is being processed to dispose of the non-moving and damaged stock in the PHM Branch. Some of the items in slow-moving stock are occasionally required by the branch and by other divisions. Therefore, they are kept in stock as slow-moving items.
WPS1 - Actions were taken and board approval was granted to clear the balances.
SP1 – The Board paper was forwarded based on the comments given by appointed committees and the audit committee decision was received. Once board approval is received action will be taken
SP2 - Received the approval for disposal based on 2021 stock verification and the disposal of several units has been completed. For items identified in 2022, now in the process of preparing the board paper based on the recommendation given by the board of survey</td></tr>
<tr><td>Generation</td><td>Only a sum of Rs. 39.3 million representing 2.6 percent of the total consumable stock of Rs1.51 billion, had been shown in financial statements as slow-moving, non-moving, and damaged stocks as of 31 December 2022 in the Generation Division.
<table>
<tr><td>Lakvijaya PP</td><td>Some of the consumables in LVPP are slow-moving. Because these items are used for either level “A” or level “B” overhaul maintenance, where these overhauls are carried out every 05 years and 02 years respectively.</td></tr>
<tr><td>Samanala Complex</td><td>Slow Moving –Action to be taken to clear the balances.
Non-moving– Action to be taken to clear the balances.
Obsolete – already appoint a four-member Board of Survey to get the recommendation</td></tr>
<tr><td>Mahaweli Complex</td><td>The reports of the Board of Survey (BOS) were collected, and the Board Paper will be prepared to dispose of damaged, obsolete, and idle stock. Then non-moving and slow-moving balance represents 1.95% of the consumable stock.</td></tr>
<tr><td>Thermal Complex.</td><td>Actions are being taken to clear the above stocks.</td></tr>
<tr><td>Laxapana Complex</td><td>Action has been taken to solve slow/non and damaged/obsolete stock items reported during annual stock verifications by appointing a three-member committee for each cost center.
Deputy General Manager (Laxapana Complex) called a meeting with power plant storekeepers and station engineers to get a solution for this and also instructed, if any balance required to be transferred to the other complexes of generation Division share the balance with them, and if there are any remaining spare items follow the disposal procedure of CEB to remove the damaged and obsolete stocks.</td></tr>
</table></td></tr>
</table>

Asset Management	As per the approval for board paper no: CW&B/CC/16/Verifi/2021, disposal process has already been completed for stocks valued Rs. 255,300.77 of DGM (Civil Works & Building) branch at the end of year 2022 based on year 2021 stock verification. Following is the status of the action taken for the remaining balances in the provision for obsolete & unserviceable stock account as at 2022-12-31 based on the latest results of stock verification. • DGM (CW&B) has forwarded the board paper to the board to get the approval for disposal. • DGM (W&AS) has appointed committees to dispose the damaged & Obsolete stocks identified in stock taking relevant to the DGM(W&AS) branch. • Action will be taken with in the earliest possible time with the latest stock verification results

(r) As per the special investigation carried out by the Internal Audit Division of the Board, it had been revealed that the Board had deprived 160,000 Kwh and 35,000 Kwh of electricity units that could have been produced by using the water released by Randenigala & Rantambe reservoirs respectively due to the union actions taken by the Unions of the Board on 09 June 2022. Hence, it was observed that the Board had to incur an additional cost of Rs.262.6 million for private power purchases on that day. However, action had not been taken to recover the loss from the responsible officers even at the end of February 2023 after conducting a formal investigation as specified in the Board decision taken on 08 December 2022.

Due to unavailability of the majority of CEB power plants on that day, System Control has compelled to dispatch, next available least cost generators to cater the system demand while minimizing the unserved loads.

(s) Trade payable balance amounting to Rs.3.15 billion remained in books of accounts for more than 3 years period even at the end of the year under review without taking action to settle. Out of above a sum of Rs.2.9 billion had been accounted as payable to a Thermal Power Supplier named Northern Power Company (Pvt) Ltd more than 4 years ago relating to the Transmission Division. However, it was observed that as per the clarifications received from Attorney General followed by the Supreme Court decision, it had been decided that the Board does not have a liability to settle these invoices. Nevertheless, action had not been taken to make necessary adjustments to this payable balance even by the end of the year under review.

Division	Reply
DD03	The balance relating to DD3 consists of a payable balance to related companies for Rs.14.6Mn. by WPS 2. CE (Commercial) of the province is making the necessary arrangements to clear the pending payables.
Transmission	In 2015-01-22 CEB suspended the operation of Northern Power Company (Pvt) Ltd (NPCPL) due to a matter of water contamination upon the decision taken in a meeting held with Hon. Minister of Power and Energy. On 2015-01-27, related to the court case no MC 2892/ PL/14, the Magistrate Court of Mallakam issued the order to cease the operation of NPCPL. Upon above court order, NPCPL declared Sri Lanka Force Majeure. On 2016-09-02 CEB obtained the legal opinion of the Attorney General's Department in respect to the declaration of the Sri Lanka Force Majeure made by NPCPL. The same was informed to NPCPL by CEB letter No. DGM (EPT) /Nor. Power -11 dated 2016-09-26. CEB emphasized to NPCPL by that letter that the court order on 2015-01-27 does not constitute a "Sri Lanka Force Majeure" event and therefore CEB is not liable to make payment of fixed charges to NPCPL. NPCPL has continuously sent the invoices monthly to CEB for the Capacity Charges until the year 2018 and CEB has provided for the same. Only the payment has been terminated until the receipt of the decision for the court case. Therefore, this creditor balance in the books of accounts as a long outstanding. Nevertheless, according to the Legal opinion received from Attorney General's Department by their letter dated 2016-09-02 , CEB has no liability to pay this amount to the company as the case does not constitute a "Sri Lanka Force Majeure" event. Board paper was prepared to write-off the payable balance of Rs. 2,886,675,795/- to NPCPL from the books of accounts of CEB, was recommended by the Audit Committee and Board approval is received to remove the payable balance and necessary entries will be effected when finalizing the financial statements for 2023

(t) Out of distress and transport loan balance of Rs.10.36 billion remained at the end of the year under review, a sum of Rs. 446 million represents outstanding loans of the Headquarters division and out of which loan balance amounting to Rs.41.88 million remained outstanding for over 4 years period. Nevertheless, as per random audit check, it was observed that the possibility of recovering loans amounting to 2.32 million is in doubt since the respective employees had already resigned and obtained no pay leave for more than 2 years period.

As per the regulations, employers have to provide a methodology to pay monthly installments of Loans, while they work abroad. If they are unable to pay, recovery process to be carryout as per laid down procedures. The status of the long outstanding loans have already been identified and necessary actions have already been taken to recover the same from their final dues.

(u) Action had not been taken to investigate and settle the outstanding balance of Nation Building Tax amounting to Rs.30.95 million which had been identified in the books of accounts as Payable 3 years ago. However as per the final annual return filed with Department of Inland Revenue, it was observed that no any Nation Building Tax payable by the Board.

As per the final annual returns filed with the Department of Inland Revenue, it was observed that no Nation Building Tax payable by the Board. This balance was occurred due to some posting errors and the difference is already reconciled.

(v) The following observations are included in the Special Audit Report on the Purchase of Electricity from ACE Power Embilipitiya (Pvt) Ltd by the Board which had been issued on 20 January 2023.

(i) **The Board had entered into an agreement on 09 May 2003 with the ACE Power Embilipitiya (Pvt) Ltd to purchase electricity for a period of 10 years. The validity period of the agreement was effective from 06 April 2005 to 06 April 2015, and after the termination of the agreement on 06 April 2015, it had been decided by the Cabinet of Ministers (Cabinet) on 23 March 2016 to consider the said power plant being purchased by the Board. Following the request of the Board, the Government Valuer had assessed the value of this power plant to be Rs.2,370 million. The audit observed that the value of the plant should be approximately Rs.4,176 million when assessing that value by substituting the capacity value of 66.9 per cent and the other operating cost from the gross profit of 55 per cent. Therefore, it was observed that the value of the plant had depreciated by Rs.1,806 million as compared to the assessed value of Rs.2,370 million. In other hand, the audit observed that the value of the plant is nearly 4,192 million when the value is estimated by discounting the average of the net profit brought to account during the initial contract period of 10 years at a discount factor of 9.5 per cent for the next 8 years and therefore, it was observed that value of the power plant had depreciated by Rs. 1,822 million as compared to the assessed value.**

Answer is given under the annexure no-2

(ii) **Accordingly, the assessed value was less than the bid value of Rs. 2,446 million presented by the owners of the power plant for selling it to the Board. Hence, it had been decided to extend the validity period of the initial agreement for a period of 05 years and 06 months in 04 instances from 06 April 2016 to 08 September 2022 without purchasing the power plant. As such, the possibility of maintaining the power plant in a manner favourable to the Government after being acquired by the Board, had been lost due to the fact that the value assessed by the Government Valuer had been less than the bid value of the owners of the Company.**

Answer is given under the annexure no-2

(iii) **The initial agreement entered into in the year 2003 had expired after 10 years, but the said expiration had not been included in the agreement relating to "Buy out Events" under Condition No. 11 of the initial agreement. As such, the Board had been deprived of the rights to purchase this power plant under "Buy out Events" (even though the Company had not proposed to sell the power plant to the Board). Further, for an asset with a useful life of 20 years, the total value of that asset had been paid by the Board to Ace Power Embilipitiya (Pvt) Ltd within a period of 10 years.**

Answer is given under the annexure no-2

(iv) **A sum of US $ 29,085,134 had been paid as the capacity charges relating to the extended period of five years. Out of that, US $ 21,701,362 (Rs. 3,650 million) had been paid only for the Non- Escalable portion of the capacity charges paid for the return on equity capital. It was observed as 127.7 per cent of the bid of US $ 17,000,000 (Rs.2,446 million) submitted by the owners of the power plant to sell it to the Board.**

Answer is given under the annexure no-2

(v) **The Ace Power Embilipitiya (Pvt) Ltd had earned a net profit of Rs. 8,572 million during the initial period of the agreement and it was 511 per cent compared to the initial capital investment of Rs. 1,676 million made by the Company in the year 2003. Further, after extending the agreement, a net profit of Rs. 6,270 million had been earned for the period of five years and it was 406 per cent as a percentage of the initial investment. Accordingly, the total net profit earned by the Ace Power Embilipitiya (Pvt) Ltd was Rs. 14,841 million as at 31 March 2021 and it was 885 per cent as compared to the initial investment.**
Answer is given under the annexure no-2

(vi) **Although the Cabinet approval had been obtained in purchasing electricity by extending the agreements of the Ace Power Embilipitiya private power plant, it was not observed that adequate attention had been drawn to the terms to be followed in terms of Section 43 of the Sri Lanka Electricity (Amendment) Act, No.31 of 2013 in the purchase of electricity from private power plants.**
Answer is given under the annexure no-2

(vii) **In terms of the provisions of the Sri Lanka Electricity Act No. 20 of 2009 as amended, licenses for power generation should be obtained from the Public Utilities Commission of Sri Lanka. Accordingly, in accordance with Section 43 (1) of the above Act, the generation and supply of the electricity should only be done by licensed companies. Nevertheless, Cabinet approval had been obtained to purchase electricity from the year 2016 to 2022 from the Ace Power Embilipitiya (Pvt) Ltd that had not obtained the generation license.**
Answer is given under the annexure no-2

(viii) **In terms of the provisions of the Sri Lanka Electricity Act No. 20 of 2009 as amended, there is no provision for private companies with 100 per cent ownership to operate power plants with a capacity of more than 25 MW. However, the agreement for the purchase of electricity on a short-term basis had been signed on 06 April 2016 with the Ace Power Embilipitiya (Pvt) Ltd for the capacity of 100 MW which holds 100 per cent private ownership.**
Answer is given under the annexure no-2

Annexure 01

Audit Query Ref 2.2.2 - g

SSCL amount was incorporated in the monthly invoices issued to LECO for the period mentioned in the audit report. However, respective SSCL amounts in the invoices were not settled by LECO. Accordingly due to financial difficulties, cash was not available with CEB to remit to the IRD.

Further, Actions were taken to inform the Commissioner General of Inland Revenue by the letter reference DGM/EMT/SSCL dated 10th January 2023 and 04th September 2023 regarding inability to settle the SSCL on LECO sales due to not receiving the SSCL amount from the LECO

In pursuant to the SSCL Act, CEB is liable for the SSCL Levy and charge it from the customers including LECO with effect from 2022-10-01. However, the LECO holding a Distribution Licensee to Supply Electricity to the customers are not liable for SSCL according to the SSCL act. Accordingly, CEB end user customers are liable to pay SSCL while end user Customers of Lanka Electricity Company is exempted creating a discrimination between electricity consumers of LECO and CEB. Hence it is important to bring both consumers on to fair field. This can be executed by making all distribution licensees liable for SSCL. Accordingly, CEB took all possible actions to inform policy makers regarding the disparity created for the electricity customers and to amend the electricity act. After persistent efforts taken by CEB to amend the act, Cabinet Paper no 23/0190/604/016 memorandum regarding the amendment of the SSCL Levy Act no 25 of 2022 is approved by the cabinet in the cabinet meeting held on 30.01.2023. Cabinet approved amendment to the SSCL act is as follows;

"the generation and supply of Electricity other than the supply of electricity by any person who hold the distribution licensee issued under section 13 of the Sri Lanka Electricity Act no 20 of 2009 is exempted from SSCL". And this amendment to the act is effective from September 2023 and from September 2023 Transmission licensee of CEB is not liable for SSCL. However in order to resolve the SSCL amount payable to IRD for the period before September 2023 CEB has requested treasury intervention via its letter ref FM(CEB)/AFM(HQ)/Tax Unit /SSCL dated October 24th 2023. Treasury intervention is requested since the SSCL liability payable to IRD is due the issue in the SSCL act which has created discrimination between the electricity customers

Annexure 02

Audit Query Ref no : 2.3 (v)

Purchase of Electricity from 100MW ACE Power Embilipitiya (Pvt) Ltd

ACE Power Embilipitiya (Pvt) Ltd has been incorporated for the purpose of constructing, owing, operating (BOO- Built-Own-Operate) and maintaining Heavy Fuel Oil (HFO) operated, reciprocating engine-driven generating sets (DG Sets) having guaranteed total capacity of 100 MW as based load power plant and not as an emergency purpose power plant in year 2003. ACE Power Embilipitiya Power Plant is connected to the Embilipitiya 132kV sub-station.

ACE Power Embilipitiya Power Plant has been selected for the purchase of electricity based on a tender procedure and the initial agreement has been signed on 09-05-2003 with the approval of the Cabinet. The power plant was connected to the grid and delivered power to CEB on 06-04-2005.
Electrical energy generated by the facility had been purchased by CEB, subjected to the terms and conditions stipulated in the Original Power Purchase Agreement (PPA) and Short-Term Power Purchase Agreements (Extensions) in five occasions as summarized in below Table .

Description	PPA Signed on	Term	Period (Years)
Original Contract	2003-05-09	2005-04-05 to 2015-04-04	10
First Extension	2016-04-06	2016-04-05 to 2017-04-04	1
Second Extension	2017-03-17	2017-04-06 to 2018-04-05	1
Third Extension	2018-04-05	2018-04-06 to 2021-04-05	3
Fourth Extension	2022-03-28	2022-03-28 to 2022-09-28	6 Months

As per the PPA, Minimum Guaranteed Energy Amount (MGEA) for an annum of the plant at the metering point (Embilipitiya Grid Substation) was 697.67 GWh.

Tariff Structure of the Power Purchases Agreement

The Tariff for the supply of electricity energy to CEB comprises of the Capacity Charge and the Energy Charge. Capacity Charge has two components; Escalable Component and Non Escalable Component. The Capacity Charge is based on the Minimum Guaranteed Energy Amount (MGEA) in accordance with the term and conditions of the Power Purchases Agreement (PPA). The Escalable component of Capacity Charge will be calculated according to the method and indexation US Consumer Price Index (USCPI) .Non-Escalable component of the Capacity Charge is fixed and shall not be subjected to escalation.

Energy Charge has three components; Non-Fuel Component, Fuel Oil Component and Fuel Transport Component. Non fuel component includes the variable Operation and Maintenance Costs. Fuel Oil Component represents energy costs based on the plant's Heat rate and fuel price. Heat rate is a specific factor that is determined by the plant capacity (MW), technology and fuel type of a thermal plant. Fuel Transport Component includes the expense incurred when transporting fuel to the power plant.

Start Stop Charge; number of free Stops per Contract period is stated on the PPA. When actual number of Stops exceeds the mentioned free stops in the PPA ; there will be a stop charge for each stop of each power generating set required by the dispatch.

Total Capacity Charge and Energy Charge for each billing period are determined based on the Article IV of the principal PPA and formulas comprised in the Fourth Schedule of the principal PPA.

The agreed Value such as Capacity Charge (Non-Escalable Component) in US$/kWh, Capacity Charge (Escalable Component) in US$/kWh, base Energy Charge (Non-fuel Component) in US$/kWh, Fuel Consumption Rate in kg/kWh, base lower heating value of Primary Fuel in kJ/kg shall be agreed on each the terms of the PPAs.

Variable parameters such as Fuel Prices for each delivery for billing period, Density of the Fuel for such deliveries, Lower heat values of the fuel shall be collected based on the CPC invoice and third-party fuel lab reports. Delivered electrical energy will be taken into account by using tariff energy meter reading signed by the representative of the both Parties with photographs of the readings of the meter.

Comment on difference between the CEB claimed unit price and the AG's claim unit price highlighted at meeting

Based on the PPA signed, formulas, agreed values and available parameters, CEB calculated the total charges for billing period (calculated by two engineers in separately for verification purpose) and check with invoice submitted by company.

Unit rate for a billing period can be determined by using above total charges calculated and energy delivers to CEB per that particular month. Capacity Charge is not considered by System Control Branch for dispatch the plant in merit order since the Capacity Charge is a committed cost for particular term for CEB for make available the plant by connected to Grid, which is calculated based on the MGEA.

Most economical dispatch order is prepared by considering Energy Charge Unit rate of power plants . Energy Charge Unit rate was calculated as LKR 95.73 per kWh by System Control Center considering the latest available Fuel Price LKR 369.00 per liter and the Exchange Rate 365.02 LKR/USD as at June 09, 2022 .

We don't find any discrepancy for Energy Charge unit price as highlighted in the meeting.

Explanation for impose Capacity Charge after expiry of the principal agreement

Capacity charge has 2 main components

i Escalable Capacity Charge -Administration costs , fixed Operation costs, Building & Vehicle Maintenance , Electricity and Water Bills
ii Non Escalable Capacity Change – it has 4 main components
iii Capital Repayment
iv Return on Equity
v Insurance
vi Interest paid on debt taken

Capital repayment component and Interest component become 0 after 7th year of the original Agreement.
Insurance component become zero (0) only for the 10th year of the Original Agreement.
Therefore, at the end of the original Agreement period, only return on equity component will be paid as Non Escalable capacity charge.

Accordingly, the capacity charge (USD/kWh) related to the first extension agreement (1st Extension) was agreed to be 95% of the capacity charge (USD/kWh) of the tenth year of the original agreement to extend the agreement for a period of one year (April 2016 to April 2017) . And both the components Escalable Capacity Charge (unit rate per kWh of Minimum Guaranteed Energy Amount (MGEA) & Non-Fuel Energy Charge(Unit Rate per kWh of Energy dispatched) which vary with the US Consumer Price Index (USCPI) were fixed at the beginning of the first extension . (Note: According to the Original Agreement, the payment values of Capital repayment, Loan interest and Insurance components have been equal to zero in the 10th year. Summary of Payments done during Original PPA Term is as follows;

Dispatched		Capacity Charge		Energy Charge	
Escalable Component		Non- Escalable Component	Non-Fuel Component	Fuel Oil Component	Fuel Transport Component
GWh	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
5,568.46	1,677.5	11,669.6	4,265.6	69,235.4	1,357
13,347.12			74,857.78		

Accordingly, payment done to the company for the fuel Oil component as per the PPA is Rs. 69,235.4 million during the original term of the PPA. However, it has been noted from the company invoices the payment done by the company to CPC for the Fuel supply during the original term of the PPA is Rs 65,332.8 million.

❖ This does not include Stop Charges, Delayed interest payments and Reimbursable tax payments.

And the rates for Escalable Capacity charge component , Non Escalable Capacity Charge Component and Non- Fuel Energy Charge components of second(April 2017-April 2018), third (April 2018- April 2021) and 4th (March 2022 to September 2022) extensions are fixed to the values at the beginning of the 1st extension Summary of Payments done during Extensions are as follows;

Dispatched		Capacity Charge		Energy Charge	
Escalable Component		Non- Escalable Component (Return of equity + Insurance)	**Non-Fuel Component**	**Fuel Oil Component**	**Fuel Transport Component**
GWh	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
2,285.6	1,243	3,653	3,312.8	46,760.6	879.8
4,896			50,953.2		

Accordingly, payment done to the company for the fuel Oil component as per the PPA is Rs. 46,760.6 million during the period of extension. However, it has been noted from the company invoices the payment done by the company to CPC for the Fuel supply during the period of extension is Rs 44,131.5 million.

This does not include Stop Charges, Delayed interest payments and Reimbursable tax payments.

Fuel Oil Component is a pass-through cost to the utility. The fuel Oil Component derived from Fuel Consumption Rate (FCR) given as 0.2217 expressed in kg/kWh at base lower heating value of the primary fuel (Heavy Fuel Oil) which is assumed as 42,677 kJ/kg as per PPA of the Ace Power Embilipitiya. As the Fuel Consumption Rate is determined by competitive bidding, the effect of the computation cannot be addressed as the original agreement has not provided the provision to reviewing the particular terms. In the future tenders, provision to review the Fuel Consumption Rate with in the Term has to be addressed in order to achieve maximum financial benefit to the Government.

Procedure of Purchasing Power from the ACE Power Embilipitiya

Plant has been selected for the purchase of electricity based on a tender procedure and the initial agreement has been signed on 09-05-2003 with the approval of the Cabinet. The power plant was connected to the grid and delivered power to CEB on 06-04-2005. The term of the principal agreement is 10 Years.

Cabinet Appointed Negotiation Committee (CANC) and a Technical Evaluation Committee (TEC) were appointed through the Department of Public Finance for the acquire ACE Power Embilipitiya

power plant by the Cabinet Memorandum put forward by the Ministry of Power and Renewable Energy on March 18, 2016. Proceedings have been sought for approval. Accordingly, the Cabinet recommendation was received in the Cabinet meeting held on March 23, 2016

The CANC decided to obtain an evaluation from the Government's Chief Evaluator to determine the value of this plant. Electricity crisis was arisen due to the inability to obtain electricity from the hydro power plants during the drought. As it will take time for Chief Evaluator to submit the report , to resolve the electricity crisis Ministry of Power and Renewable Energy instructed to CANC and the TEC to purchase Electricity from ACE Power Embilipitiya on Emergency basis.

Based on the Original Agreement and with revision of the prices, the Ministry of Power and Renewable Energy instructed the CANC to negotiate for the purchase of electricity from this company . Since the CANC has been empowered to purchase the power plant, it was decided to get the approval of the Cabinet to Purchase Power from ACE Power Embilipitiya.

Accordingly, a Cabinet Memorandum was submitted to the Cabinet on 29-03-2016 by the Ministry of Power and Renewable Energy to purchase power . In the Cabinet meeting held on 30-03-2016, the Cabinet approved the purchase of electricity from Ace Power Embilipitiya Power Plant

Letters dated 01-04-2016 and 06-04-2016 have been forwarded by the Electricity Board to the Public Utilities Commission requesting approval for the first extension agreement Subject to the approval of the Cabinet and pending the approval of the Commission, the first extension agreement was signed for the period starting from 06-04-2016 to 06-04-2017. The Public Utilities Commission, informed via its letter dated 07-04-2016 that there is no objection for purchase of electricity from this plant .

On the Tenth year of the Original Contract Period , Non Escalable Capacity Charge includes only the Return on equity component. 95% of the Non Escalable charge (USD/kWh) of the tenth year of the original agreement was fixed as the Non Escalable capacity charge of the extension period as 0.00627 USD/kWh. The signed Non Escalable Capacity Charge for the 1st Extension period has two components; Return on Equity and Insurance. Capital repayment and loan interest component payment have been set to zero for the 1st extension period.

On 09-12-2016 CEB has sent a letter to the Public Utilities Commission presenting reasons for purchasing electricity from Ace Power Embilipitiya plant

In March 2017, since there is a possibility of depletion of reservoirs and reduction of the generation capacity of the hydropower plants , it was discussed to purchase electricity from this company for one year again (as the second extension). Again, a Cabinet Memorandum was submitted to the Cabinet by the Ministry of Power and Renewable Energy on 29-12-2016. In the Cabinet meeting held on 10-01-2017, the Cabinet approved the purchase of Power from Ace Power Embilipitiya Power Plant. And the government's assessment reports have not yet been received by the Ministry.

Accordingly, the CEB has forwarded the letter dated 17-03-2017 to the Public Utilities Commission requesting approval for the second extension agreement. However, by letter dated 04-04-2017, the Public Utilities Commission asked for further information for approval. Since this power purchase was made according to a Cabinet decision, the Electricity Board has sent a letter on 05-18-2017 that it expects the advice and intervention of the Ministry Secretary to get the approval (Appendix 12).

The second extension agreement was also signed on 17-03-2017, for a period from 06-04-2017 to 06-04-2018, same as the first extension agreement of 2016. The signed Non Escalable Capacity Charge for the 2nd Extension period is same as the 1st Extension period which only includes Return on Equity and Insurance. Escalable Capacity Charge (0.002133339 USD/kWh) and Non-Fuel Component (0.008454097 USD/kWh) of the Energy Charge values of the 2nd extension period are equal to the values of the 1st extension period (95% of the 10th year of the Original Agreement period)

By the mid of 2017, the Government valuation report was received with a value of Rs. 2,370.00 million. As the value offered by the company (US$ 17 million) is higher than the Government valuation, negotiation have been held between CANC and the company to reduce the price offered and company has not been agreed for that . It is clear in the Cabinet Memorandum dated 2018-03 -15.

It has been noticed that adequate information to the preparation of the assessment was provided by the CEB to the Government Valuer and there is no indication that the assessment has decreased due to any lack of information.

Further, the extension of 100 MW Ace Power Embilipitiya (Pvt) Ltd based on the parameters as per the last expired PPA was analyzed by CEB.The report highlighted that the dispatch of the Ace Power Embilipitiya is restricted after 2023 if the planned major thermal power plants are commissioned as scheduled in the LTGEP 2018-2037. By studying the Net Present Value of Capacity Charges of the Non Escalable Component, it is recommended that the extension of the PPA for even three years is beneficial for CEB rather than its acquisition if the plant is considered to be dispatch for short term purposes only.

With the recommendations of the CANC report dated 22-02-2018, a Cabinet Memorandum was submitted to the Cabinet by the Ministry of Power and Renewable Energy on 15-03-2018. In the Cabinet meeting held on 27-03-2018, the Cabinet approved the purchase of electricity from Ace Power Embilipitiya Power Plant for 3 years.

By letters dated 2018-04-05 and 2018-05-01, CEB has sent letters to the Public Utilities Commission requesting approval for the third extension agreement.

Likewise, the third extension agreement was also signed on 04-05-2018 for a period of 03 years as the second extension agreement. The signed Non Escalable Capacity Charge for the 3rd Extension period is same as the 1st and 2nd Extension period . It also has two components; Return on Equity and Insurance. Escalable Capacity Charge and Non-Fuel Component of the Energy Charge values of the 3rd extension period as equivalent to the values of the 1st & 2nd extension period. This agreement was ended by 2021-04-06.

Accordingly, electricity purchases have been made for a period of 05 years through extension agreements and a summary of the payments made for the same is attached (Appendix 04). The payment for the energy charge shown here is a pass-through component or it is a reimbursement of the cost of electricity generation.

Thereafter negotiations continued for the purchase of electricity by Ace Power Embilipitiya Power Plant from late April 2021. The related Cabinet Memoranda and approvals are listed below.

I. 2021-04-07 Cabinet Memorandum and 2021-04-19 Cabinet Approval
II. 2021-10-22 Cabinet Memorandum
III. 2022-01-26 Cabinet Memorandum and 2022-01-31 Cabinet Approval
IV. 2022-03-07 Cabinet Memorandum and 2022-03-07 Cabinet Approval

It was discussed through the Cabinet Memorandum dated 2021-04-07, about the solutions to face power crisis that may come next year. Since no New large-scale power plant has been connected to the system since 2012, it has been stated that in the event of an unexpected power plant breakdown, there may be a power cut as a demand management from 2022 onwards and it will take another 03 years to build a new power plant. It has been approved by the Cabinet on 19-04-2021 to negotiate for the purchase of electricity from Ace Power Embilipitiya Power Plant for a period of 06 months and to investigate the possibility of purchasing the plant at the end of that period.

Construction of new power plants was delayed due to the COVID 19 crisis that has been going on since the beginning of 2020 and other reasons. . The Generation Capacity was not enough for the dry season of 2022 due to delay in construction of new power plants.

Therefore, due to the increased operation of hydro power plants, the reservoirs were drying up faster. By March 2022, electricity had to be cut off for more than 07 hours in the southern province.

Accordingly, for the purchase electricity, on 04-03-2022, the Secretary of the Ministry of Power informed the Director General, Department of Public Finance to appoint the Standard Cabinet Appointed Procurement Committee (SCAPC) and Technical Evaluation Committee (TEC). Accordingly, the TEC Committee was appointed via letter dated 08-03-2022.

Accordingly, limited quotations were made for the periods of 06, 12, 24 months from the power plants already available power plants in Sri Lanka and can make into operation in short time. Ace Power Embilipitiya (Pvt) Ltd submitted the same prices mentioned in the third extension agreement.

On 07-03-2022, from Cabinet Memorandum (24/2022/PE) and Cabinet Decision No. 22/0381/318/024 electricity supply shortage was considered as a state of emergency. Also,

Cabinet approval was granted to purchase of power from Ace Power Embilipitiya plant for a period of 06 months.

The Cabinet Decision numbered 22/-381/318/024 stated that the Ministry of Power and the Ceylon Electricity Board should take steps to ensure continuous supply of electricity throughout the island so that production and other economic activities in the country can be maintained without interruption. It has also been mentioned that if the Ceylon Electricity Board has to bear additional costs for an electricity unit or capacity charges while purchasing electricity, the Ministry of Finance will reimburse the said additional costs.

On 09-03-2022, the General Manager , CEB submitted the request for permission to purchase electricity from the power plant and the draft of the relevant agreement to the Director General of the Public Utilities Commission of Sri Lanka.

Fourth Power Purchase Extension Agreement signed on 28-03-2022 including following clauses.

All parameters used for computation of payment are mentioned in the PPA signed on 28-03-2022.

i) Since there is a shortage of fuel during this agreement period , the non-Escalable component of the Capacity Charge will not be paid during the shutdown of the Power plant due to unavailability of fuel.
ii) To Fix the exchange rate value on the date of signing the agreement (288.75 LKR/USD) when converting the non-Escalable component value to LKR .

The letters related to the Sri Lanka Public Utilities Commission related to the purchase of this short-term electricity in the year 2022 are as follows.

I. Letter dated 09-03-2022 from Chairman CEB , to PUCSL Chairman.
II. Letter dated 11-03-2022 from DGM (CS&RA), to Director General PUCSL.
III. Letter dated 12-03-2022 from Director General ,PUCSL to the General Manager.
IV. Letter dated 14-03-2022 from Chairman CEB to Director General, PUCSL.
V. Letter dated 14-03-2022 from Director General , PUCSL to Chairman ,CEB.
VI. Letter dated 28-03-2022 from Chairman CEB to PUCSL Director General.
VII. Letter dated 27-04-2022 from GM, CEB to Director General PUCSL.

General information

From 2016-04-06, no extension agreement has been Signed to pay the Capital Repayment of the project and its loan interest. From 2016-04-06 to 2021-04-06, during first three extensions the company's Return on Equity which has been paid (Present Value as at April 2016) to the company is USD 12.046 million. In 2016, Company agreed to sell plant at USD 17 million. This shows that there has been no loss due to buying electricity in the last 5 years (during first three extensions) instead of acquiring the power plant.

The Capacity Charge cost of an old Thermal plant is lower compared to the Capacity Charge Cost of a Similar (Capacity and Technology) 'new' thermal power plant. Therefore, purchasing electricity from old thermal power plant is financially beneficial to CEB. However, any further financial favorable position to Government can be ensured by enabling the Buy-Out option at the end of the term in the PPA with relevant Buy-Out Price whereas this feature does not exist in the original PPA of the Ace Power Embilipitiya (Pvt) Ltd (BOO type IPP model). Further, this provision has not been addressed in the Section 43 of the Sri Lanka Electricity Act which rules made to regulate procurement of electrical energy and electricity generating capacity and not the procurement of power plants which is beyond the mandate given to the Commission under the said provisions. Having considering the above, the Commission has decided to inform CEB that the proposals submitted by CEB for the procurement of electricity enabling the Buy-Out option at the expiry of the PPA (BOOT - Built-Own-Operate-Transfer type IPP models) does not comply with the provisions of Section 43 of the Sri Lanka Electricity Act.

BOOT type IPP models are designed to cover the investment and the capital costs incurred during the period of the initial term of agreement. This type of projects has terms and conditions to Buy-Out the facility including Buy-Out Price at each year in the case of termination and/or expiry of the PPA. In the case of financial model is designed the cover the investment and the capital costs incurred during the period of the initial term of agreement, the Buy-Out price of the Facility shall be nominal one US dollar at the expiry of the Term. However, this feature has not addressed in the case of Ace Power Embilipitiya.

The unit cost of a Thermal power plant is based on the Heat rate and fuel price of the power plant in addition to the Capacity Charge. Therefore, it cannot be said with certainty that the unit cost of a 'new' plant operating under the Long-Term Generation Expansion Plan (LTGEP) will be lower or higher than the unit cost of an old thermal plant.

The electrical energy of this Base load Thermal Power Plant had been procured in urgent base to overcome power deficit during drought season, it was decreased the negotiation power during the procurement process and loose the opportunity to enter in to agreement more favorable terms and conditions to the Government.

Present situation

Similar power Generation deficit situation has been occurred in 2023 due to reduction of power generation on major hydro power plant in drought period and it resulting to purchase 100MW supplementary power for Southern region in competitive bidding process. However, to overcome the situation CEB has taken steps to shift CEB owned diesel power plants which were installed at Thulhiriya, Kolonnnawa total capacity of 30 MW, to the Hambanthota GSS in a very short period to support Southern region Electricity demand .

Further, New Lakshapana to Hambantota Transmission line construction is almost completed, except 900m of the Transmission line. Non completion of this line is also a hinderance to cater the southern region effectively. The project has been delayed due to various issues related to legal aspect of acquiring lands and way leaves. The remaining segment of 900m is also a similar issue of land/wayleaves. The existing constraints will be overcome and final completion may be achieved by end of May 2023.

In accordance to the Long-Term Generation Plan 2023-2042 approved by PUCSL, which is focused on 70% electricity generation from renewable sources by 2030, and the Report of the Way Forward of Integration of Renewable Energy Resources to the National Grid from Year 2023-2026, power generation capacity of which is based on Long-Term Generation Plan 2023-2042, identified additional 320 MW of renewable power capacity in the southern region. Actions are being taken to construct 130MW ground mounted solar PV power plant by a consortium of developers, at present

Abbreviations

AC	-	Air Conditioner
ADB	-	Asian Development Bank
AFM	-	Additional Finance Manager
AGM	-	Additional General Manager
B&OS	-	Business & Operational Strategy
BOQ	-	Bill of Quantities
BSC	-	Breaker Switched Capacitors
CA	-	Corporate Affairs
CANC	-	Cabinet Appointed Negotiating Committee
C&C	-	Commercial & Corporate
CDM	-	Clean Development Mechanism
CE	-	Chief Engineer
CEA Act.	-	Central Environmental Authority Act.
CEB	-	Ceylon Electricity Board
CEBPF	-	Ceylon Electricity Board Provident Fund
CEMS	-	Continuous Emission Monitoring Systems
CMDS	-	Circulars, Manuals and Documents System
CMT	-	Corporate Management Team
CO	-	Carbon Monoxide
COPE	-	Parliamentary Committee on Public Enterprises
CP	-	Central Province
CPC	-	Ceylon Petroleum Corporation
CPD	-	Continuous Professional Development
CRR	-	Corporate & Regulatory Relations
CS&RA	-	Corporate Strategy and Regulatory Affairs
CSC	-	Consumer Service Center
CSE	-	Colombo Stock Exchange
CSR	-	Corporate Social Responsibility
CW&B	-	Civil Works and Buildings
DC	-	Direct Current
DD1	-	Distribution Division 1
DD2	-	Distribution Division 2
DD3	-	Distribution Division 3
DD4	-	Distribution Division 4
DFM	-	Deputy Finance Manager
DGM	-	Deputy General Manager
DGM(P)	-	Deputy General Manager (Personnel)
DGEU	-	Department of Government Electrical Undertakings
DNCC	-	Distribution Network Control Centers
DSCR	-	Debt - Service Coverage Ration
EGC	-	Employees Grievances Committee
EMS	-	Energy Management System
EMU	-	Environmental Monitoring Unit
ERD	-	External Resources Department
FD	-	Fix Deposit
FS&PD	-	Functional Strategy & Process Development
FSUR	-	Floating Storage and Regasification Unit
GC	-	Grid Connected
GIS	-	Gas Insulated Substation
GIS	-	Geographical Information System
GOSL	-	Government of Si Lanka
GS	-	Grid Substation
GT	-	Gas Turbine
HR	-	Human Resource
HRM	-	Human Resource Manager
ICASL	-	Institute of Chartered Accountants of Sri Lanka
IPP	-	Independent Power Producers
IT	-	Information Technology
ITI	-	Industrial Technology Institute
JICA	-	Japan International Cooperation Agency
KPS	-	Kelanitissa Power Station
LC	-	Letter of Credit
LECO	-	Lanka Electricity Company (Pvt.) Ltd.
LKAS	-	Lanka Accounting Standards
LKR	-	Lankan Rupees
LOI	-	Letter of Intents
LNG	-	Liquefied Natural Gas
LTGEP	-	Long Term Generation Expansion Plan
LTL	-	Lanka Transformer Limited
LV	-	Low Voltage
LVPP	-	Lakvijaya Power Plant
MEPA	-	Marine Environmental Protection Authority
MLKR	-	Million Sri Lankan Rupees
MLTS	-	Middle Level Technical Staff
MMT	-	Million Metric Tons
MOI	-	Ministry of Irrigation
MT	-	Metric Ton
MV	-	Medium Voltage
MVA	-	Mega Volt Amp
MVMMS	-	Medium Voltage Maintenance Management System
NARA	-	National Aquatic Resources Research and Development Agency
NBQSA	-	National Best Quality Software Award
NCP	-	North Central Province
NCRE	-	Non-Conventional Renewable Energy
NGO	-	Non-Governmental Organization
NO_2	-	Nitrogen Dioxide
NVQ	-	National Vocational Qualification
NWP	-	North Western Province
NWSDB	-	National Water Supply & Drainage Board

Abbreviations

O_3	-	Ozone
OEM	-	Original Equipment Manufacture
PD	-	Project Director
PM	-	Particulate Matter
PMU	-	Project Management Unit
PPA	-	Power Purchase Agreement
PP	-	Power Plant
PS	-	Power Station
PUCSL	-	Public Utilities Commission of Sri Lanka
PV	-	Photovoltaic
R&D	-	Research & Development
RCL	-	Regional Centre for Lighting
RE	-	Rural Electrification
ROE	-	Return on Equity
SAIDI	-	System Average Interruption Duration Index
SAIFI	-	System Average Interruption Frequency Index
SESRIP	-	Supporting Electricity Supply Reliability Improvement Project
SLAS	-	Sri Lanka Administrative Service
SLFRS	-	Sri Lanka Financial Reporting Standards
SLIDA	-	Sri Lanka Institute of Development Administration
SO_2	-	Sulphur Dioxide
SP	-	Southern Province
SPPA	-	Standardized Power Purchase Agreements
ST	-	Steam Turbine
SVS	-	Static Var System
TL	-	Transmission Line
UNT	-	Uniform National Tariff
UNFCCC	-	United Nations Framework Convention on Climate Change
UOMDP	-	Uma Oya Multipurpose Development Project
USA	-	United States of America
USAID	-	United States Agency for International Development
USD	-	United States Dollar
VAT	-	Value Added Tax
WPLR	-	Weighted Prime Lending Rate
WPN	-	Western Province North
WPS	-	Western Province South
WRB	-	Water Resource Board

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