

UNITING THE HEARTS  
THROUGH ILLUMINATION



CEYLON ELECTRICITY BOARD  
ANNUAL REPORT 2013



# UNITING THE HEARTS THROUGH ILLUMINATION

Great strides have been made by the country's energy provider in the year under review.

With the dawn of peace in the aftermath of a three decade long civil war in the North and East, energy supply to these two key regions of our country were finally connected to the national grid in a major consolidation of power supply to the nation.

As the country reunited as one following years of disruption, division and differences unleashed by the civil war, the Ceylon Electricity Board contributed to the post peace prosperity of the country with this milestone move in energy supply.

With this consolidation the CEB now provides electricity to 96% of the households in Sri Lanka. Together with Samurdhi Bank, CEB continued to provide financial assistance to the low income level consumers, across the country with "Viduli Athwela" programme.

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## OUR VISION

Enrich Life through Power

## OUR MISSION

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



## OUR VALUES

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



“ OUR AIM IS TO PROVIDE A CONTINUOUS SUPPLY OF ELECTRICITY AT AN AFFORDABLE COST TO ENHANCE LIFE AND TO ASSIST DEVELOPMENT PROJECTS IN THE RURAL REGIONS OF THE COUNTRY. ”

## UTHURU JANANI

The Ceylon Electricity Board (CEB) is a corporate body established in terms of Parliament No.17 of 1969 as the successor to the Department of Government Electrical Undertakings. It is a national institution charged with the responsibility of generating, transmitting and distributing electrical energy to reach all categories of consumers nationwide. As a national body serving a very vital function, revenue is collected according to a government approved tariff structure. To carry out its role, the CEB has acquired a large base of physical assets, including generating stations. Uthuru Janani power station located at chunnakkam was commissioned in February 2013.

“ OUR AIM IS TO PROVIDE A CONTINUOUS SUPPLY OF ELECTRICITY AT AN AFFORDABLE COST TO ENHANCE LIFE AND TO ASSIST DEVELOPMENT PROJECTS IN THE RURAL REGIONS OF THE COUNTRY. ”



# CEB ENVIRONMENTAL POLICY



## Free Flow Of Energy

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



# HIGHLIGHTS OF THE YEAR 2013



## Uturu Janani Begins Operation

The Uthuru Janani 24 MW Diesel Power Plant located at Chunnakam commissioned and ceremonially opened at Chunnakam on 12th February 2013. It has 3 x 8 MW diesel engine driven generating sets operating on heavy fuel of 1500Sec. viscosity, and included a power house and its associated ancillary systems, a tank farm with unloading facilities, a radiator bank, a 33kV gantry, a fuel treatment house, an incinerator, a workshop, administration buildings, bachelors' quarters etc. This is the very first generation project that the CEB implemented successfully strictly on schedule using its own in house expertise and playing the roles of both the Engineer and the Consultant. The estimated cost of the Project was Rs.3.5Billion

## Restoration of Vavunia to Chunnakam Power Transmission System

Vavuniya to Chunnakam 132kV Power Transmission System restored in year 2013 by interconnecting the South and North electrical power systems to one National Grid by his Excellency the President on September 14, 2013. This included the construction of a 132/33kV, 63 MVA Grid Substation at Chunnakam and the construction of 68km long, 132 kV transmission line from Kilinochchi grid substation to Chunnakam grid substation.

Two Hundred and Fifteen (215) transmission electricity pylons to carry 132kv transmission lines from Kilinochchi to Chunnakam was constructed along the most difficult terrains in the area of Elephant pass lagoon, Wadarawatta lagoon and Muhamale forward defence lines maintained during the war. The Grid substation was constructed within the CEB premises at Chunnakam. The work on the project commenced in July 2011 and completed on schedule.



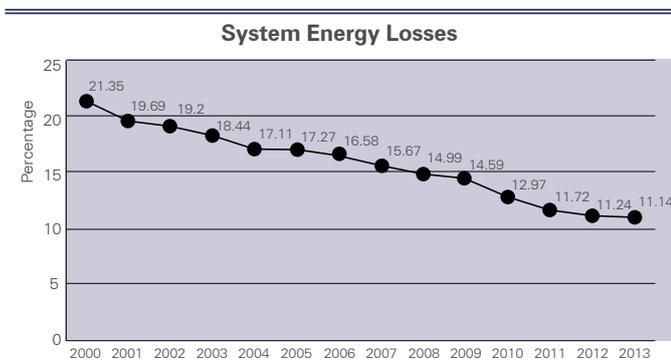
## HIGHLIGHTS OF THE YEAR 2013 Contd...

### Electrification of households

By the end of the year 2013, 96% of the households in the country were electrified. The average per capita electricity consumption increased to 519 units from 515 units (kWh/person) in the previous year thus recording an increase of 4 units.

### System Energy Losses

The system energy losses which have been gradually decreasing since 2000 stood at 11.1% by the end of the year 2013.



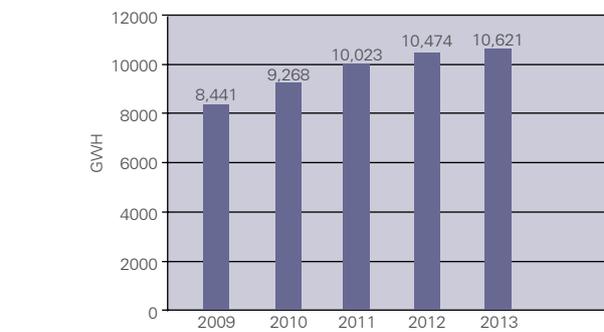
### Consumer Growth

The total number of consumers, the breakdown of which is given below was 5,210,761 by the end of the year, indicating an annual growth of 4.6%:

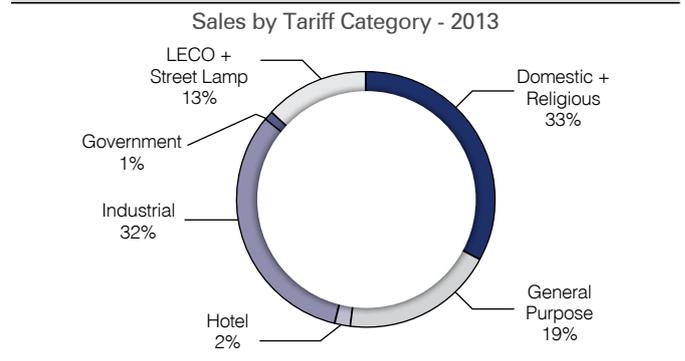
Customer Category	Number of Customers
Domestic	4,589,929
Religious	31,627
General Purpose	535,267
Industrial	53,162
Hotel	465
Government	309
LECO	1
Street Lamp	1
<b>Total</b>	<b>5,210,761</b>

During the year, 230,899 new electricity connections were provided resulting in an average addition of 19,242 new customers per month.

### Electricity Sales



The total electricity sales during the year increased from 10,474 GWh in the previous year to 10,621 GWh resulting in a percentage increase of 1.4%. The average daily consumption of electricity in the year was 29.1 GWh as against 28.7 GWh in the year 2012.



The highest energy consumption was by the consumers in the category 'Domestic sector with Religious Purpose' accounting for about 33.4% of the total consumption followed by the industrial sector which accounted for 31.5% of the total consumption. The electricity consumption by consumers in the General Purpose category was 19.4% of the total sales indicating an annual growth of 0.8%.

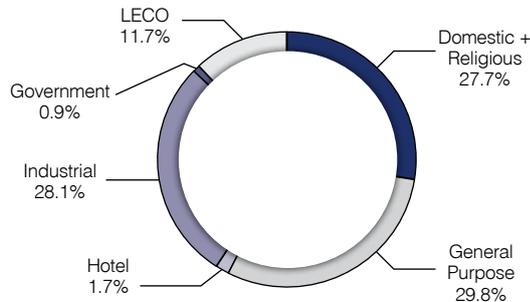
### Revenue

Under the new tariff rates which came in to effect from 1st April 2013, the total annual revenue from electricity sales which stood at Rs. 162,956 million in the year 2012 increased to Rs. 190,488 million in the year 2013 recording a growth of 16.9%. A fuel adjustment charge which was introduced in the previous year was continued in the year 2013.

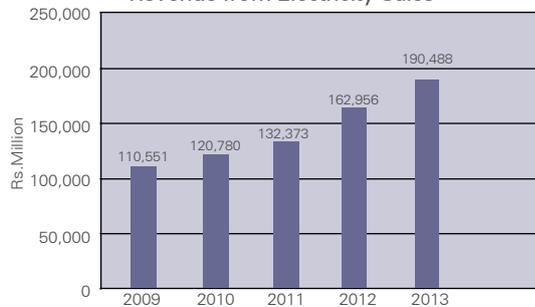


## HIGHLIGHTS OF THE YEAR 2013 Contd...

Revenue by Tariff Category - 2013



Revenue from Electricity Sales

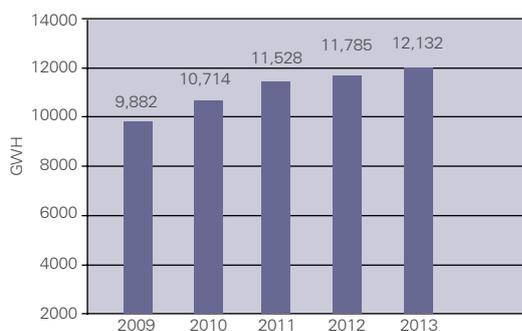


The highest revenue was from the general purpose customers followed by industrial purpose customers. The contribution to the total revenue from the customers coming under the category 'Domestic sector with Religious Purpose' was 27.7%.

### Total Energy Storage

There was an increased inflow to hydro reservoirs during the year 2013 as compared to the previous year as a result of which there was an increased hydro power generation. The recorded maximum storage was 1190.5 GWh on 27th June 2013.

### Gross Energy Generation

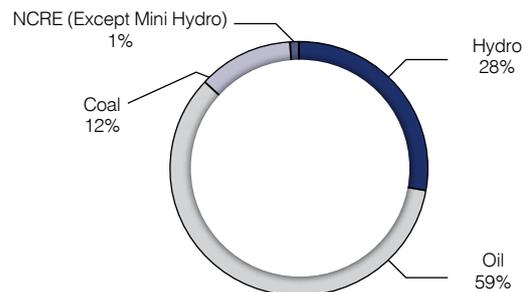


The total electricity generation increased by 2.9%, i.e. from 11,785 GWh in 2012 to 12,132 GWh in 2013.

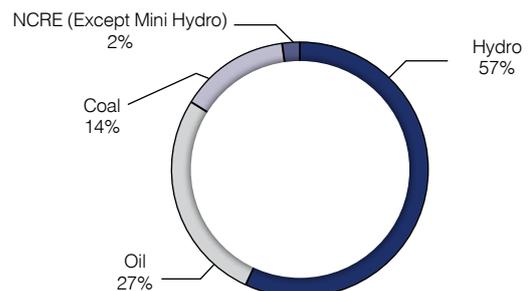
### Electricity Generation Sources

The hydro power stations including Non Conventional Renewable Energy (NCRE) plants contributed 59% to the total power generation in the year 2013. This was an increase of 109% over that of the preceding year.

2012



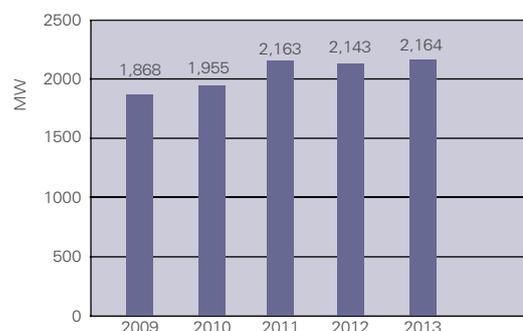
2013



High water levels in the reservoirs enabled hydro power stations of CEB together with the mini hydro power stations owned by IPPs to account for 57% of the total generated power during the year 2013. This was an increase of 31% over that of the preceding year.

Thermal power stations contributed 41% to the total generated power in 2013 as against 71% in the previous year.

### Maximum Demand



The Maximum Demand reached 2164.2 MW in the year 2013, a 17.8 MW increase from 2146.4 MW in the year 2012. The percentage increase was 0.83.



# CORPORATE INFORMATION

## LEGAL FORM

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

## MEMBERS OF THE BOARD FOR THE YEAR 2013

### CHAIRMAN

Prof. Wimaladharmas Abeyewickreme (Up to 31st January 2013)  
Mr. W. B. Ganegala (From 01st March 2013)

### VICE CHAIRMAN

Mr. W. D. A. S. Wijayapala (Up to 31st January 2013)  
Mr. T. M. Herath (From 1st March 2013)

### MEMBER / WORKING DIRECTOR

Mr. P. P. Gunasena (Up to 1st January 2013)  
Mr. K. I. D. P. Kularatne (From 1st March 2013)

### MEMBER REPRESENTING GENERAL TREASURY

Dr. B. M. S. Batagoda (Up to 9th May 2013)  
Ms. M. T. I. V. Amarasekera (From 10th May 2013)

### MEMBERS

Mr. W. D. Jayasinghe  
Mr. R. A. A. K. Ranawaka  
Mr. C. P. J. Siriwardena (Up to 22nd February 2013)  
Mr. S. Wirithamulla (From 1st March 2013)

### SECRETARY TO THE BOARD

Mrs. M. S. Senaratne

### GENERAL MANAGER

Mr. B. N. I. F. A. Wickramasuriya (Up to 29th June 2013)  
Mr. F. K. Mohideen (From 30th June 2013 to 9th October 2013)  
Mr. W. J. L. S. Fernando (From 10th October 2013)



## CORPORATE INFORMATION Contd...

### CORPORATE MANAGEMENT

#### ADDITIONAL GENERAL MANAGER

Mr. M. C. Wickramasekara

#### (GENERATION)

#### ADDITIONAL GENERAL MANAGER

Mrs. Y. M. Samarasinghe

#### (TRANSMISSION)

#### ADDITIONAL GENERAL MANAGER

Mr. L. A. S. Fernando

Mr. U. K. W. Silva

#### DISTRIBUTION DIVISION 1

(Up to 10th October 2013)

(From 11th October 2013)

#### ADDITIONAL GENERAL MANAGER

Mr. T. D. Handagama

Mr. J. A. S. Perera

#### DISTRIBUTION DIVISION 2

(Up to 19th August 2013)

(From 20th August 2013)

#### ADDITIONAL GENERAL MANAGER

Mr. F. K. Mohideen

Mrs. B. P. N. Mendis

#### DISTRIBUTION DIVISION 3

(Up to 29th June 2013)

(From 30th June 2013)

#### ADDITIONAL GENERAL MANAGER

Mr. M. G. Tillekeratne

#### DISTRIBUTION DIVISION 4

#### ADDITIONAL GENERAL MANAGER

Mr. K. W. L. Wijewardena

Mr. J. S. Vithanage

#### (ASSET MANAGEMENT & CENTRALIZED SERVICES)

(Up to 12th October 2013)

(From 13th October 2013)

#### ADDITIONAL GENERAL MANAGER

Mr D. K. B. S. Tilakasena

#### (CORPORATE STRATEGY)

#### ADDITIONAL GENERAL MANAGER

Mr. W. J. L. S. Fernando

Mr. L. A. S. Fernando

#### (PROJECTS)

(Up to 9th October 2013)

(From 29th October 2013)

#### FINANCE MANAGER

Mr. R. M. S. Tilakawardena (on contract)

#### HEAD OFFICE

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

#### AUDITORS

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

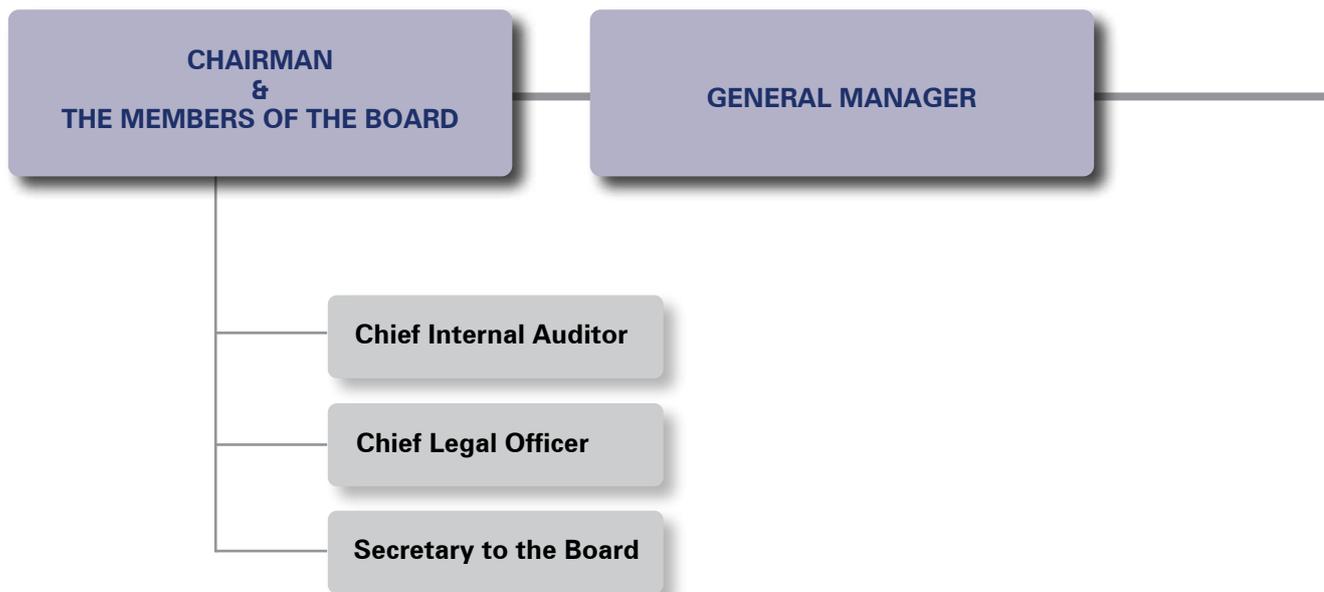
#### BANKERS

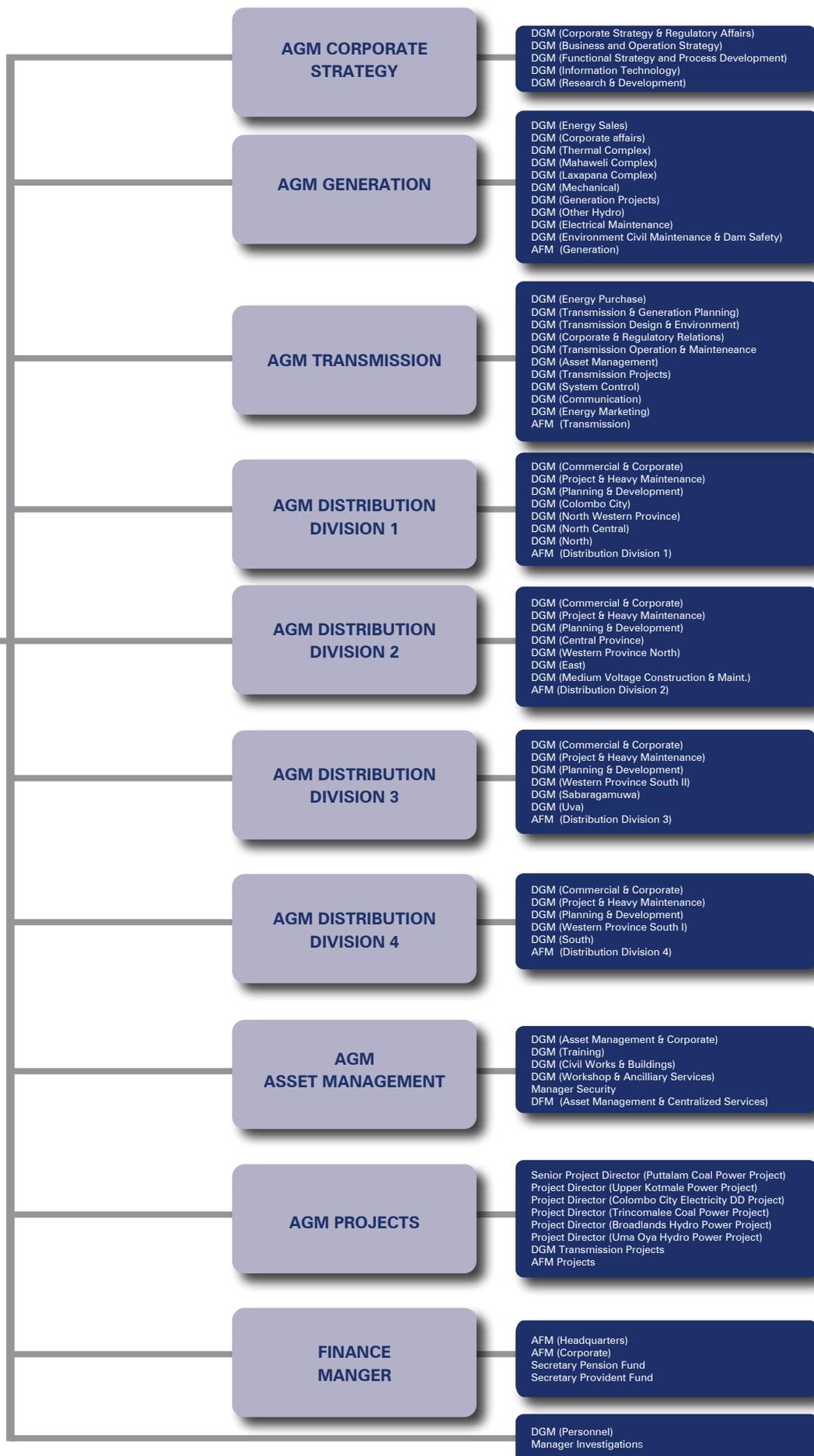
Peoples' Bank  
No. 75,  
Sir Chittampalam A Gardiner Mawatha,  
Colombo 2



# CEYLON ELECTRICITY BOARD

## ORGANIZATION CHART - 2013









# MANAGEMENT REVIEWS

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## CHAIRMAN'S REVIEW

“ IT IS DELIGHTED TO RECORD HERE THAT BY THE END OF YEAR 2013 CEB WAS ABLE TO PROVIDE ELECTRICITY FOR 96% OF THE HOUSEHOLD OF THE COUNTRY AS WELL, WHILE INCREASING THE PER CAPITA ELECTRICITY CONSUMPTION TO 519 UNITS FROM 515 UNITS (KWH/ PERSON). WE REACHED OUR CONSUMERS AT VERY REMOTE VILLAGES AND WERE ABLE TO PROVIDE 230,900 ADDITIONAL SERVICE CONNECTIONS AND APPROACHED THE TOTAL CONSUMER ACCOUNTS TO 5,210,761 AT THE YEAR END.”



It is with great pleasure that I review the progress of CEB achieved during year 2013, with the able guidance of Hon. Pavithra Wanniarachchi, the Minister of Power and Energy. As was done in the recent previous years, the CEB continued to implement the policy guidelines in “Mahinda Chinthana-Vision for the future”, during the year 2013 as well, and CEB thrived over the period to realize the theme “electricity for everybody everyday”, throughout the country.

It is delighted to record here that by the end of year 2013 CEB was able to provide electricity for 96% of the household of the country as well, while increasing the per capita electricity consumption to 519 units from 515 units (kWh/person). We reached our consumers at very remote villages and were able to provide 230,900 additional service connections and approached the total consumer accounts to 5,210,761 at the year end. Together with Samurdhi Bank, CEB continued to provide financial assistance to the low income level consumers, across the country with “Viduli Athwela” programme, where the loans extended during the year amounted to Rs.427Million, to 21,770 beneficiaries.

As regards to the power generation, the period from February to April was mildly unfavourable for CEB both financially and administratively for two main reasons. The drought continued from February to end of May, which compelled CEB to depend heavily on thermal generation of power affected our financial

position and the introduction of the tariff increase in April, mainly due to the increase of fuel prices in the same month, made somewhat unhappiness among our consumers.

However the latter situation was improved with the May Day announcement by HE the President to the effect that there should be no increase on consumers using electricity less than 60kWh per month. The situation began to become favourable after onset of monsoon rains by end May, continuing up to end September recording satisfactory rain falls during the period causing rather favourable impact on the hydropower generation thereby reducing the cost of fuel. CEB recorded the highest hydro power generation amounting to approximately 6,000 GWh contributing almost 50% of the generation mix, during the period.

Despite ups and downs, our financial performance in the year 2013 was considered impressive, resulting in a profit of Rs.13Billion after tax, the highest in CEB history, as against the losses of Rs.19Billion in year 2011 and Rs.78Billion in year 2012, thus transforming loss making CEB to a profit making commercial organization, for which the CEB was proud of. It is also important to mention here this amount of profit was gained while incurring approximately Rs.30 Billion in total as subsidies to consumers using electricity below 90 kWh units per month in the domestic sector. This favourable situation facilitated the CEB to cushion its financial hardships and to pay off all arrears of payments to Ceylon



## CHAIRMAN'S REVIEW Contd...

Petroleum Corporation (CPC), Peoples Bank, and Department of Inland Revenue and the Department of Customs. Settlement of arrears of payments to all Independent Power producers (IPP) were Rs.82Billion in total and dues payable to CPC were Rs.38 Billion during the year 2013.

By the end of 2013, installed capacity in the system stood at 3,362 MW giving a reserve margin of 54%, one of the highest reserve capacity margins the power system ever had. With the addition of 75MW in Upper Kothmale Power station in 2012 and scheduled commissioning of 600MW stage II and III of the Puttalam Coal Plant in 2014, our reserve capacity margins are going to be sound in the near future. During the year 2013 CEB was also able to commission the Uthuru Janani 24 MW diesel power plant constructed in Chunnakam, Jaffna which was ceremonially opened by His Excellency the President of Sri Lanka on 12th February 2013.

As per the generation expansion plan, the future initiative towards green energy in terms of major hydro and nonconventional renewable energy is 231MW and 714MW respectively. However, with no more economically viable sites for large scale hydropower available for development, a large number of thermal additions are earmarked for the future including the 500MW Trincomallee Coal plant for which agreements were signed on 07th October 2013 between CEB and NTPC-India.

Transmission division operates 220 kV and 132 kV grids, embracing all power stations and dispatch all electricity supplied to the grid through its system control center. During the year 2013, Vavuniya to Chunnakum 132 kV Power transmission system restored by interconnecting the South and North electrical power system to one national grid by his Excellency the President on 13th September 2013.

With the view of establishing an efficient and effective distribution system, the net System Energy Loss has further slashed down in 2013 to 11.14%. CEB is now a step closer to achieving internationally accepted norms in this regard. A fair share of such losses is non-technical due to theft and piracy. With the establishment of Law and Order in the North & East, and strengthening the investigation process, it is expected to bring theft and piracy further down, thus, favourably reducing the overall loss figure in the next two to three years to come.

Over and above all these remarkable achievements, it was most important that CEB was able to maintain industrial peace within the organization, throughout the year. All the trade unions operating within the CEB extended their corporation towards the management. On the other hand the board and the management of CEB initiated actions to address several issues affecting most of the employees such as resolving of salary anomaly issue, entering in to collective agreement, which were dragged on for several years.

Before I conclude I must make a special mention about the board which consisted of a retired Ministry Secretary, a serving Ministry Secretary, a retired AGM of CEB and all other members who extended their fullest corporation to me and worked with me hand

in hand , in discharging duties and responsibilities of the Board throughout the year. I also remember with great pleasure the cordial relationship between the Board and senior management headed by consecutive General Managers during the period.

**W.B. Ganegala**  
Chairman



## GENERAL MANAGER'S REVIEW

“ A MAJOR COMPONENT OF THE CEB'S OPERATIONAL COST IS THE DIRECT GENERATION COST AND THIS DEPENDS MAINLY ON THE GENERATION MIX WHICH IS A DECIDING FACTOR OF THE CEB'S PROFITABILITY. THE DIRECT GENERATION COST DECLINED BY 31% DURING 2013. AT THE END OF 2013, THE CEB RECORDED A PROFIT OF RS.12,888 MILLION AS AGAINST THE LOSS OF RS. 77,645 MILLION IT INCURRED AT THE END OF THE PREVIOUS YEAR. ”



The year 2013 will go down in the history of CEB as one of the most successful years it had in the recent past. The CEB's performance during the year was remarkable both technically and financially and by the end of the year it succeeded in connecting the entire island to one single common grid. It was certainly an year of multiple successes.

2013 was also an unusual year in that it had the privilege to witness three General Managers assuming office in succession during the year, the last being me.

In preparing its 2013 budget, the CEB anticipated only 4,000 GWh of hydro power. However due to heavy rainfall experienced during the latter part of 2013, the hydro power sources could generate up to 6,000 GWh. After the issues that arose at the coal power plant were resolved, the coal power generation also began to increase during the year significantly thereby reducing the generation cost. This enabled the CEB to make good the unbearable losses that it accrued because of the droughts that the country experienced at one time or the other in the past several years.

The other significant achievement of the year was the restoration of the 132 kV power supply to the Jaffna Peninsula on 13th September 2013 after the commissioning of the Chunnakam grid substation and the Chunnakam to Killinochchi transmission line.

Before I became the Chief Executive Officer of the CEB, I was working as the head of the Project division that handled the restoration of the power supply to the Peninsula. This power supply was popularly known as 'Laxapana Power' in Jaffna. It was my personal responsibility to steer the project forward assisted by the Deputy General Manager who was in charge of Transmission Projects and the Project Manager of the Killinochchi-Chunnakam Transmission Project. The efforts of these two officers made the Asian Development Bank to recognize this project as extraordinary. It was really pleasing to me to hear a Jaffna resident exclaiming "Oh! You have brought Laxapana power to Jaffna" when he recognized who I was as I stepped in to his shop.

Steered by the Government's policy to provide electricity to all, the CEB during the year vigorously continued with its efforts to reduce its losses and reach out to all its prospective customers achieving by the end of the year 96% electrification. The CEB made electricity available to its customers for 24 hours on all days of the year, an achievement that the CEB could truly be proud of and which no other utility of a developing country in the region could brag about.

The year saw the CEB taking several revolutionary initiatives to provide a better and enhanced service to all its valued customers. Information technology was introduced to day to day work. Towards providing an improved service to all the consumers,



## GENERAL MANAGER'S REVIEW Contd...

the operations of the distribution sector were controlled more effectively by means of enhanced data and information transfer.

A drive-through bill payment system and a 'Pay and Go' automated cash payment system were introduced as a pilot project at the Western Province South1 office. A Door-Step Service too was introduced so that prospective customers could obtain service connections by merely calling the Call Centre just once, without ever having to visit the office personally.

An Outage Management System (OMS) designed by in-house staff was introduced to the Call Centre in the Western Province. It won the gold award under the 'In-House' category in the 2013 National Best Quality Software Awards (NBQSA) competition organized by the British Computer Society. The system was also nominated for the Asia Pacific Information and Communication Technology Awards.

During the year, total length of the low Voltage lines increased by 8347 km. An additional 1,128 distribution substations were connected to the system and the total number of consumers increased by 230,899.

The total route length of 132 kV overhead Transmission Lines was 1885 km by the end of the year recording an increase of 94 km during the year. The construction of the Mahiyangana new grid substation and the Chunnakam grid substation connecting the North and the South to the national grid were completed during the year, and the work commenced on the new grid substations at Naula, Maho, and Pallekele. The augmentation of the existing grid substations at Rantambe, Rathnapura, Wimalasurendra, Seethawaka, Balangoda, Badulla, Nuwara Eliya, Ukuwela, Habarana, Panadura, Matara, Puttalam, Ampara, and Valachchenei continued with vigour.

The 132 kV Transmission Line from Kilinochchi to Chunnakam was energized during the year. The construction of 132 kV transmission lines from Galle to Matara, Puttalam to Maho, Ukuwela to Pallekele, Habarana to Valachchenei, and Rantabe to Mahiyangana were in progress and they will enhance the capacity of the national electricity grid once completed. Construction work on two new 132 kV transmission lines from Ambalangoda to Galle and from Mahiyangana to Vavunathiev through Ampara was also initiated during this period.

Under the Laxapana Rehabilitation Project, the three 8.33 MW units installed at the old Laxapana Power Station during its first stage of implementation and which have been in operation since 30th October 1950 were refurbished to enhance their capacity to 9.5 MW per unit.

A major repair of the 115MW Fiat Gas Turbine and the Generator at the Kelanitissa Power Plant was undertaken in March 2013.

With the end of the thirty year long civil war, the dilapidated infrastructure facilities in the North especially those of the Jaffna peninsula had to be restored and this included the provision of a reliable electricity power supply as well. Jaffna at that time was not connected to the national grid but received instead somewhat

unreliable power from expensive and outdated diesel generating sets owned by independent power producers. A low cost reliable power supply was required as a short term measure and the power generation sources of the national grid being located far away, a power plant was required in the Jaffna peninsula itself in the long term to ensure voltage stability and power system reliability. The Uthuru Janani Power Station at Chunnakam that commenced commissioning tests and reliability runs in December 2012, was commissioned on 12th February 2013 by HE The President, had 3 x 8 MW diesel engine driven generating sets operating on heavy fuel of 1500 Sec. viscosity, and included a power house and its associated ancillary systems, a tank farm with unloading facilities, a radiator bank, a 33kV gantry, a fuel treatment house, an incinerator, a workshop, administration buildings, bachelors' quarters etc. This is the very first generation project that the CEB implemented successfully strictly on schedule using its own in house expertise and playing the roles of both the Engineer and the Consultant apart from being the client. The cost of the Project was Rs.3.5Billion.

A major component of the CEB's operational cost is the direct generation cost and this depends mainly on the Generation Mix which is a deciding factor of the CEB's profitability.

The direct generation cost declined by 31% during 2013.

At the end of 2013, the CEB recorded a profit of Rs.12,888 Million as against the loss of Rs. 77,645 Million it incurred at the end of the previous year. This favourable upturn of 116% was due to the decline in the direct generation cost which also made the average cost of generation per kWh to reduce from Rs16.18 in 2012 to Rs. 11.33 in 2013.

However, due to increased fuel prices, the cost of generating a kWh of oil based thermal power increased from Rs. 23.10 to Rs. 29.76 during the year.

Hydro power amounted to 50% of the total generation in the year with thermal power contributing only to 40%. In contrast, the contribution from hydro power was only 24% in the previous year while that of thermal power in the same year was 70%. Non-Conventional Renewable Energy (NCRE) sources contributed the balance 6% in 2012 while it increased its share to 10% in 2013. The 1,470GWh of power generated by the low cost Lakvijaya coal power plant helped to reduce the cost of sales by 25%.

Because of the favorable generation mix, the CEB could save Rs.20,006 Million against its budgeted direct generation cost of Rs 140,417 Million.

The fuel cost was rising at a rate of 19% and the existing tariff structure could not meet the 'cost pass through' approach of tariff setting principles to ensure financial viability of the CEB. In 2013, the CEB submitted a tariff proposal to the PUCSL with the intention of recovering the budgeted generation and operational costs and receiving an annual revenue of Rs.290,000 Million.

Although the PUCSL did not grant its approval to the tariff structure proposed by the CEB, it however allowed an acceptable



## GENERAL MANAGER'S REVIEW Contd...

tariff increase from 20th April 2013. With the introduction of this new tariff structure, the CEB's revenue began to increase bringing in additional revenue of Rs. 20,000 Million to the CEB by end of 2013.

Though there was 96% electrification by the end of the year, the sales units had only a marginal growth rate of 1.4%. This could be attributed to the fact most of the extensions of electricity schemes were in remote areas with relatively less affluent households whose consumption was very minimal. Further the extensive energy conservation measures introduced in the previous years due to the drought having reduced electricity consumption by all the CEB consumers. The corresponding rupee value of the sales was Rs.194,147 Million, which was an increase of only 18% from its value in 2012. The increase in the sales revenue was mostly due to the tariff revision which lessened the impact of increased fuel prices.

The monthly revenue of CEB is now in the order of Rs. 17,000 Million making it the public enterprise with the highest annual turnover. The collection in 2013 which was Rs.189,555 Million was 98% of the sales value .

The profit earned in 2013 was utilized to settle outstanding payments. At the beginning of the year 2013, CEB owed Rs. 18,227 Million to CPC . With a total payment of Rs.38,589 Million made during the year , the amount outstanding to CPC at the end of the year was only Rs.6,358 Million. The amount of Rs.33,076 Million , the CEB owed to Private Power Generators came down to Rs.17,592 Million by the end of the year. Rs.4,237 Million was paid as income tax. The over draft which remained at Rs.253 Million by the end of year was well within the approved limit of Rs.800Million.

The total long term borrowings of the CEB increased from Rs.304,515 Million in 2012 to Rs.366,858 Million in 2013 and these were used to finance its own development work .

86% of the CEB's total assets were fixed assets valued at Rs.674,828 Million. They had a significant annual depreciation of Rs. 20,491 Million and this was reflected in the Rs.12,888 Million profit reported in the 2013 .

Due to IFRS conversion of financial accounts in 2012, the revaluation reserves had to be transferred to retained earnings and this made the brought forward loss of Rs.138,778 Million in 2011 to be converted in to an earning of Rs.136,849 Million . By adjusting the financial loss of Rs.77,770 Million, the retained earnings were reduced to Rs.54,903 Million in 2012 but in 2013 they increased to a value of Rs.63,897 Million recording an operating profit of Rs.12,888 Million. This operating profit included the deferred taxation charge of Rs.5,747 Million.

The return on the net fixed assets was a positive 2% in 2013 whereas it was a negative 12.54% in 2012.

It is no doubt that it was the commitment and dedication shown by my predecessors, Additional General Managers, the Finance Manager and all of the other staff in their own capacities that

contributed to the resounding success of the CEB during the year. The support we received from the Chairman and the Board of Directors was very encouraging throughout the year. My tribute goes to all of them.

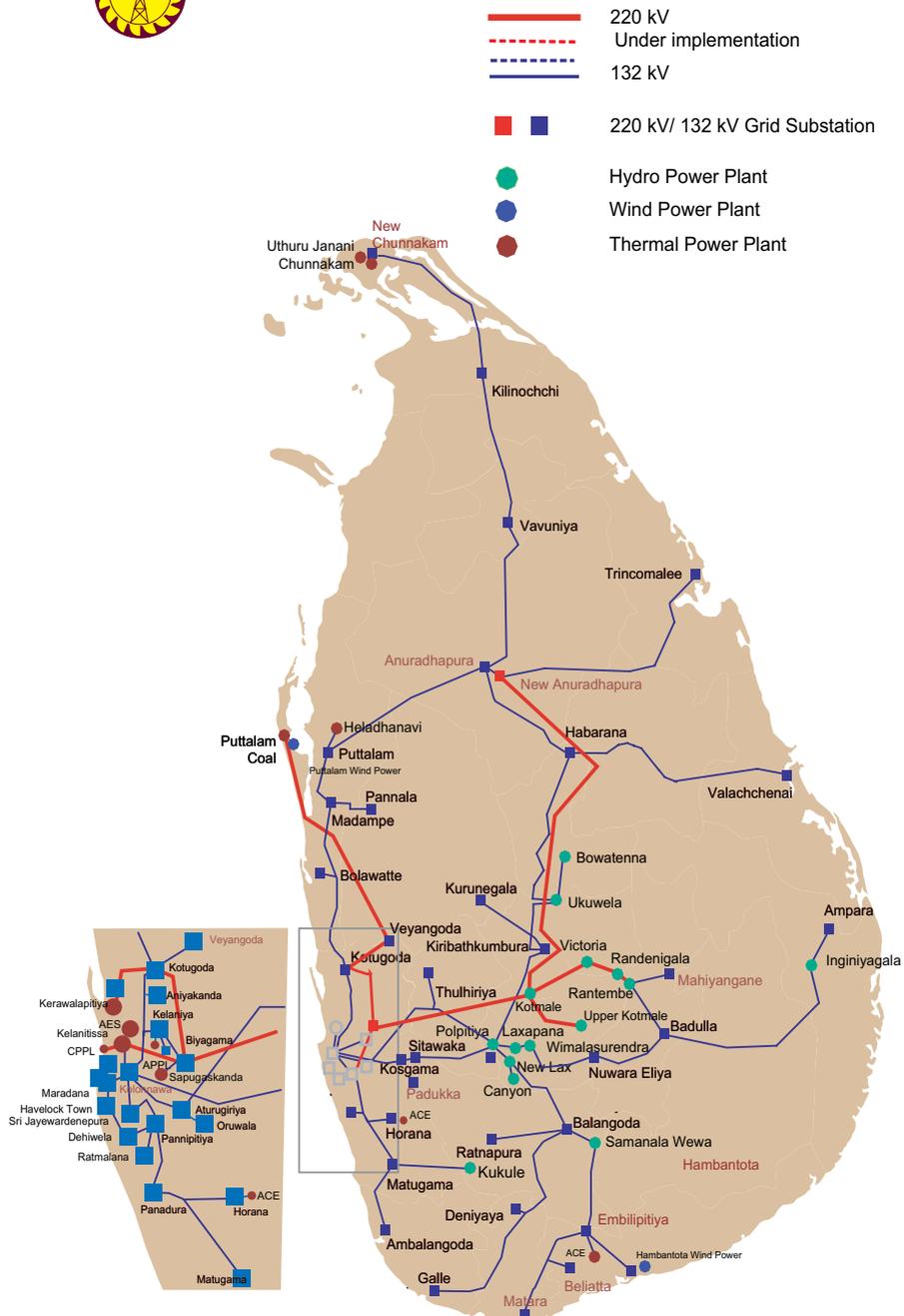
I sincerely hope that the progress we made and the positive outlook we had in 2013 will continue on to 2014 as well, although we may not be able to earn the same level of profit in that year as it is very unlikely for the weather to remain favourable for two consecutive years. If the second and the third units of the Lakvijaya power plant could also be commissioned in 2014 as scheduled, it will most certainly reduce the cost of electricity generation further. This will undoubtedly help the CEB to stabilize its cost of generation.

The year 2014 is to be named 'Year of customer excellence' and we would continue to endeavor to improve our customer service further during this year by providing enhanced services to our customers which will undoubtedly contribute to an increase in our revenue. The Outage Management System already in place in the Western Province will be introduced to other provinces as well in the year 2014. After meeting our immediate challenge of bringing electricity to all Sri Lankans by end of 2014, a systematic programme will be implemented to reduce the breakdowns in the distribution sector through proper planning and development. On this optimistic note I would end this review of mine.

**W J L S Fernando**  
General Manager



# CEB ISLAND WIDE NETWORK



Number of 220/132/33 kV Grid Substations	08
Number of 132/33 kV Grid Substations	49
Total length of 220 kV transmission lines	501 route-km
Total length of 132 kV transmission lines	1885 route-km
Total length of 132 kV UG Cables	50 km



## HYDRO POWER

1,361 MW

TOTAL INSTALLED CAPACITY

5,990 GWh

TOTAL ENERGY GENERATED  
DURING THE YEAR

## THERMAL POWER

864 MW

TOTAL INSTALLED CAPACITY

2,751 GWh

TOTAL ENERGY GENERATED  
DURING THE YEAR

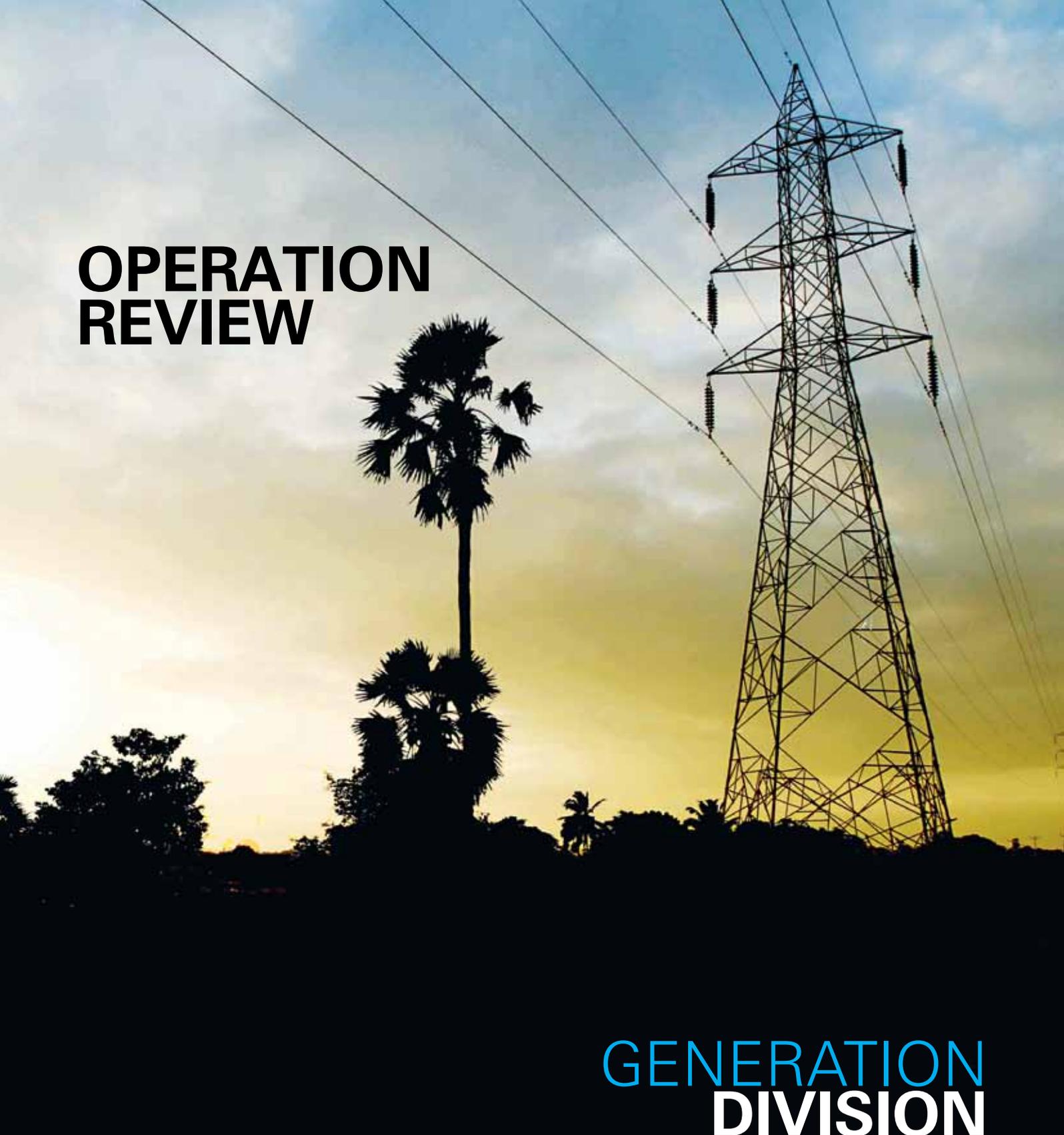
## WIND POWER

3 MW

TOTAL INSTALLED CAPACITY

2 GWh

TOTAL ENERGY GENERATED  
DURING THE YEAR



# OPERATION REVIEW

GENERATION  
DIVISION



# GENERATION DIVISION

The Generation Division is responsible for the operation and maintenance of the thermal and the hydro power plants and the wind power plant owned by the CEB. Its assets in the year 2013 consisted of 17 large hydro power plants which had a total installed capacity of 1361 MW, 6 large oil-fired thermal power plants with a total installed capacity of 564 MW, one 300 MW coal-fired power plant and one 3 MW wind power plant. There were also a few power plants operating in isolated networks in the Jaffna Peninsula and its surrounding islands and together with these, the total installed capacity of the power plants owned by CEB stood at 2,228 MW at the end of 2013.

The Division is managed by an Additional General Manager to whom reports thirteen Deputy General Managers each responsible for a different function. It has five Generation Complexes coming under its purview, viz: Mahaweli, Laxapana, Thermal, Samanala (formerly called Other Hydro) and Coal.

The Generation Projects Branch undertakes the rehabilitation of power plants which are of poor reliability and which due to aging have reached the end of their useful service life.

The specialized technical support required for the major repair work of these power plants is provided by the Hydro and Thermal Assets Management Branches of the Division. These Branches continuously monitor the conditions of the power plants and take corrective action to extend their operational lives.

The Dam Safety, Environment and Civil Structures Maintenance Branch is responsible for the maintenance and continuous monitoring of dams, reservoirs, power station tunnels and other related structures that facilitate the generation of electricity. The Branch continuously monitors the environmental emissions of the thermal power stations and ensures that they comply with National Standards.

Energy Sales Branch of the Generation Division is responsible for determining Capacity and Energy costs for CEB Power Plants based

on Annual Operation & Maintenance budget of the Generation Division and which has to submit this data to the Transmission Division and to the Public Utility Commission of Sri Lanka (PUCSL). The Branch also has to furnish monthly Transaction Notes to the Transmission Division for recovering its dues for delivering of electricity to the Transmission Division.

The human resources management and development and the identification of staff requirements of the Division are handled by the Corporate Affairs Branch. It conducts continuing professional development programs and workshops towards enhancing the knowledge, skills and attitudes and thereby the productivity of the staff. During the year under review, the Branch has arranged job specific training to 1088 employees of the Division.

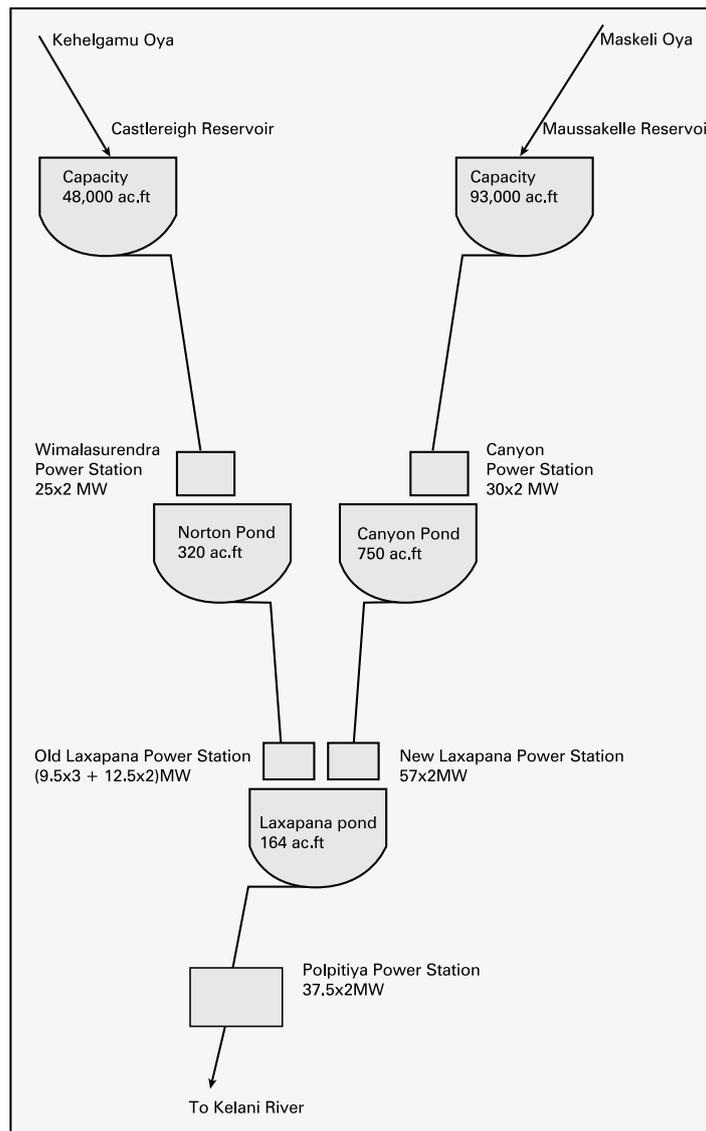
All maintenance activities of the Power Stations are carried out by the five Generation Complexes, while the plants are dispatched by the System Control Centre, under the Transmission Division.

All major Hydro and Thermal power plants owned by the CEB have achieved high levels of availability during the year, as seen below.

## Laxapana Complex

The total installed capacity of the Laxapana Power Complex is 346.3 MW. It comprises of five hydro power generating stations situated at four different locations and includes also the very first major hydro power station, i.e Old Laxapana Generating Station, constructed subsequent to a proposal made by the great engineering visionary, late Mr. D.J. Wimalasurendra. These five power stations are built in cascade in two contributory streams of the Kelani River, with the Wimalasurendra and Old Laxapana plants fed by Kehelgamu Oya and the Canyon and New Laxapana Plants by Maskeli Oya. The Samanala Power Station utilizes the waters of both streams.

The power plants of this Complex together contributed 1814.112 GWh to the total power generation in the year 2013, and this was about twice the generation of the previous year. These plants were under rehabilitation during the year 2012 and thus the generation





## GENERATION DIVISION Contd...

during that year was low. There was however a heavy rain falls in 2013 resulting in a higher generation. The breakdown of the power generated by the five power plants of the Complex is as given below:

Power Station	Capacity MW	Availability factor (%)	Plant factor (%)	Fault factor (%)	Units Generated GWh
Old Laxapana Stage 1	3x9.5	77.1	77.67	1.12	170.097
Old Laxapana Stage 2	2x12.5	93.28	77.28	0.375	169.233
New Laxapana	1x50+1x57.8	92.15	71.70	1.19	628.178
Samanala	2x37.5	91.31	70.79	1.29	465.113
Wimalasurendra	2x25	84.63	38.50	0.595	168.644
Canyon	2x30	94.08	40.50	0.045	212.847
Total	346.3				1,814.112

### Old Laxapana Power Station

This power station comprising two stages is fed from the Norton Regulating Pond. The 3 x 8.33 MW units of the first stage, which has been in operation since 30th October 1950 were replaced in 2013 with three new 9.5 MW Units. The second stage comprises of 2 x 12.5 MW units and all of these five units are powered by horizontal shaft Pelton wheel Turbines.

Stage 1: Under its Rehabilitation Project, the installation of three new machines each of capacity 9.5 MW at a power factor of 0.8 and manufactured by Voith Hydro of Austria were completed in April 2013. The total generation of Stage 1 in 2013 was 170.097 GWh while the availability and plant factors were 77.1% and 77.67% respectively. The three units of this plant have run for 20,240 hours during the year 2013 with a forced outage of 236.12 hrs. The fault factor was 1.12%.

Stage 2: The total generation of Stage 2, which was commissioned in 1958, was 169.233 GWh in the year 2013. Its availability and plant factors were 93.28% and 77.28% respectively. The two units of the plant have run for 16,329 hours with a forced outage of 61.02 hours resulting in a fault factor of 0.375%. The two generator transformer banks of the units 4 and 5 were replaced during the year with a new single 3 x 11 MVA transformer bank which had a capacity that was twice the combined capacity of the two transformers it replaced.

### New Laxapana Power Station.

The Capacity of Unit No. 01 which was rehabilitated in year 2012 is 57.8 MW. The rehabilitation of Unit No. 02 was postponed until year 2014. Both of these Units are powered by vertical shaft Pelton wheel turbines and are fed from Canyon Regulating Pond situated at tailrace of Canyon Power Station. This plant is also operated for frequency controlling and as a spinning reserve. The plant factor in 2013 was 71.70% whereas availability factor was 92.15%. This plant has generated 628.178GWh running for 15,530.66 hrs in 2013. The fault factor was 1.19% while forced outage period in 2013 was 182.21 hrs.

### Samanala Power Station.

Samanala Power Station, which was commissioned in 1969, is fed

from Laxapana Regulating Pond. This station has 2 x 37.5 MW generating units driven by vertical shaft Francis Type turbines. This plant has generated 465.113GWh in the year 2013, which is an increase of 88% from the previous year's generation of 246.98GWh, the main contributory factor for this being the rainy weather that prevailed during the year. The average plant factor was 70.79% while the availability factor was 91.31%. The 132kV Generator Transformers and the 12.5kV Generator Circuit Breaker of Unit No. 01 were replaced with new equipment during the year. The annual maintenance of Unit No. 01 and 02 were also carried out during 2013.

### Wimalasurendra Power Station.

This power station is situated at Norton and is fed from Castlereigh Storage Reservoir. This station comprises of 2 x 25 MW generators powered by vertical shaft Francis Turbines. Since this station runs mostly at peak hours, the average plant factor was as low as 38.50%. It had generated 168.644GWh with availability factor 84.63%. The annual maintenance of Unit No. 01 and 02, and the augmentation of both 132 kV switchyard bays were carried out during the year under review.

### Canyon Power Station.

Canyon Power Station has two Units each of 30 MW vertical-shafts Francis Turbine powered generators, which were commissioned in 1983 and 1989 respectively. These units are fed from Maussakelle Storage Reservoir. The Canyon Power Station generated 212.847GWh in 2013, which is a 147% increase compared to the power generated in the previous year, this again being due to the favourable rainy weather that prevailed during the year. Since this plant was mainly run during peak hours, the plant factor was as low as 40.50% whereas the plant availability factor has reached 94.08% during the year 2013. Annual overhaul of Unit No.02 was carried out during the year.

### Mahaweli Complex.

The Mahaweli Hydro power complex consists of seven major power stations with a total installed capacity of 810 MW. In 2013 Mahaweli Complex contributed 3507.56 GWh.(i.e. 29.30%) to the total energy generation. The major power stations coming under the Mahaweli complex are the Upper Kotmale, Kotmale, Victoria,

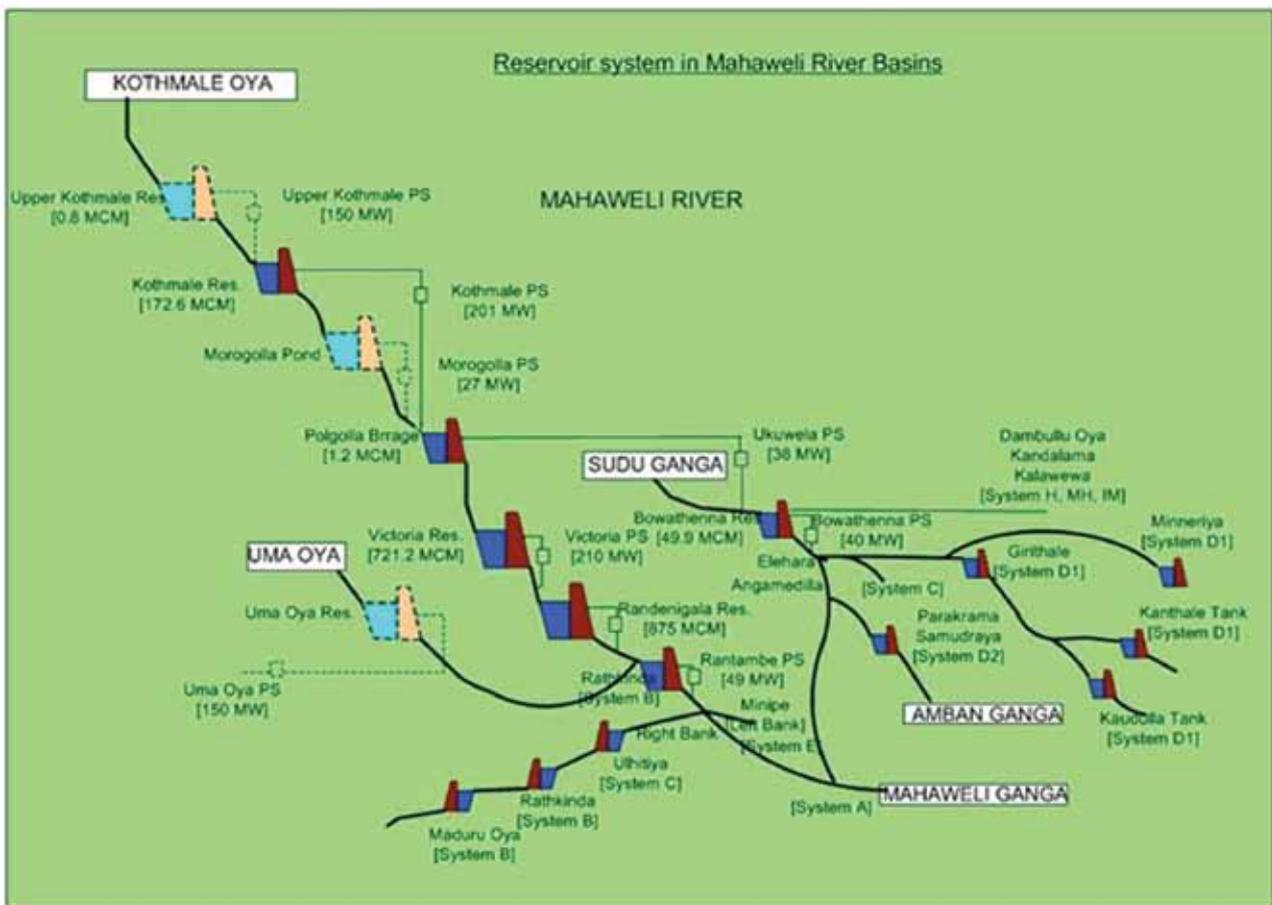


## GENERATION DIVISION Contd...

Randenigala, Rantambe, Ukuwela, Bowatenna and Nillambe stations covering 1268 sq km of the Mahaweli basin with each station having the following capacities:

- Kothmale (67 x 3 MW)
- Victoria (70 x 3 MW)
- Randenigala ( 61 x 2 MW)
- Rantambe ( 24.5 x 2 MW)
- Ukuwela ( 20 x 2 MW)
- Bowatenna ( 40 x 1 MW)
- Nillambe ( 1.66 x 2 MW)
- Upper Kothmale (75 x 2MW)

Mahaweli Complex hydro power system also consists of Upper Kothmale head pond, Kothmale, Victoria, Randenigala, Rantambe reservoirs and Polgolla barrage.



**Power Generation -Mahaweli Complex**

Power Station	Energy Generated in 2013-GWh.	Expected Annual Generation-GWh.	Remarks
Victoria	1185.78	726.00	Highest ever annual Generation
Kothmale	591.43	482.00	Highest ever annual Generation
Upper Kothmale	567.53	425.00	Highest ever annual Generation
Randenigala	642.18	378.00	Highest ever annual Generation
Rantambe	294.00	223.00	Highest ever annual Generation
Ukuwela	148.08	177.00	
Bowatenna	61.87	53.00	
Nillambe	16.69	14.70	Highest ever annual Generation
<b>Total</b>	<b>3507.60</b>	<b>2478.70</b>	

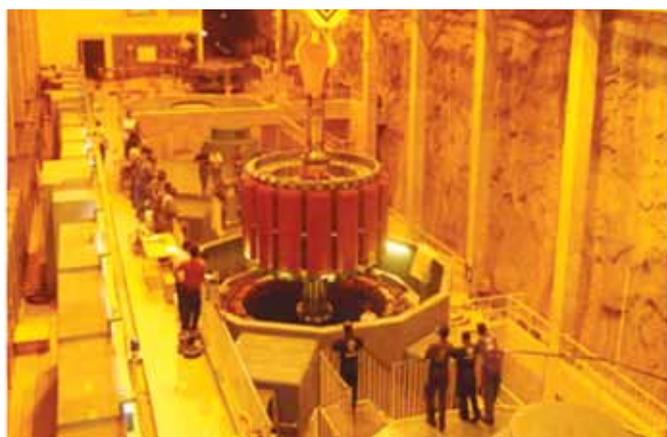


## GENERATION DIVISION Contd...

### Availability of Plants in 2013

Unit	Running hours	Outage hours		Availability %	Plant Factor
		Maintenance	Breakdown		
Victoria 1	7505.40	110.80	12.63	98.59	68.93
Victoria 2	7062.00	102.77	27.64	98.51	67.25
Victoria 3	6108.10	761.98	1.46	91.28	57.19
Kothmale 1	6914.40	120.24	33.81	98.24	48.16
Kothmale 2	3031.43	1834.43	195.13	76.83	22.85
Kothmale 3	4148.46	809.02	41.72	90.29	29.76
Upper Kothmale 1	4819.39	1363.36	400.52	79.86	43.36
Upper Kothmale 2	4598.55	1106.05	677.56	79.64	43.02
Randenigala 1	5871.81	112.94	50.21	98.14	60.04
Randenigala 2	5841.70	124.92	2.50	98.55	60.14
Rantambe 1	5955.69	156.46	1.76	98.19	59.22
Rantambe 2	6777.66	106.95	6.35	98.71	67.42
Ukuwela 1	4239.70	273.51	99.82	95.74	45.94
Ukuwela 2	3615.00	687.67	170.88	90.20	38.58
Bowatenna 1	3474.40	1337.27	48.54	84.18	17.66
Nillambe 1	5494.02	87.70	46.55	98.47	62.72
Nillambe 2	4934.65	90.83	66.01	98.21	56.35
<b>TOTAL</b>	<b>90392.36</b>	<b>9186.90</b>	<b>1883.10</b>		

### Special Activities - Kothmale Power Station.



Stator Winding Repair of Generator Unit 02 at Kothmale Power Station

### Special Activities - Ukuwela Power Station.



Winner of 5 S' systems competition conducted in 2013 receiving his award in the Category 'Generation Division' from the Hon. Minister of Power and Energy on 17th December 2013 at the BMICH in Colombo



## GENERATION DIVISION Contd...

### Samanala Complex

This complex was called Other Hydro Complex previously and with the concurrence of the Corporate Management Team of the CEB, its name was changed as Samanala Complex in 2013.

The Samanala Complex comprises of Samanalawewa (SWPS), Kukuleganga (KGPS), Udawalawa (UPS) and Inginiyagala (IPS)

hydro power stations and the Hambanthota wind power station (Wind).

The total installed capacity of the complex is 215 MW and its average annual energy generation is around 650 GWh. In 2013 the total energy generation from this complex amounted to 689.11 GWh.

Power Station	Capacity (MW)	Expected Annual Energy Generation(GWh)	Energy Generated (GWh) in 2013	Availability Factor in 2013 (%)	Plant Factor in 2013 (%)	Remarks
Samanalawewa	120	403	402.5	94.5	38.23	Energy generated is the highest recorded during the 20 years of its operation
Kukule Ganga	75	317	227.64	49.15	34.62	
Udawalawa	6	8	18.6	86.86	62	Energy generated is the highest recorded during the 44 years of its operation
Inginiyagala	11.3	28.7	38.07	94.41	0.39	
Hambanthota (Wind)	3	4	2.3	56.8	8.7	

### New Systems implemented within the Complex

All power stations and the office of the Samanala Complex implemented MITFIN software and HRIM system (with initial modules) in 2013. A CCTV camera system was also installed at each of the power stations and in the office of the Complex to enable the monitoring of important activities. All power stations were also equipped with Internet/VPN network facilities by the end of 2013.

The major activities other than routine maintenance work that were undertaken in the power stations of the Samanala complex during the year are as follows:

#### Samanalawewa Power Station

- Generation during the year which amounted to 402.5 GWh was the highest recorded since the commissioning of the power station in 1992.
- Recertification was obtained for the 'Environmental Management System' as per SLSI ISO 14001:2004.
- Samanalawewa Outbound Training Centre & Camping Site became a profit earning Centre for the first time since the commencement of its operations in December 2012.
- Station visited by around 5000 visitors, majority of whom were school children

#### Kukuleganga Power Station

- Head Race /Tail Race tunnel inspection carried out in January 2013
- Repair of generator unit-2 Main Inlet Valve
- Repair of the leak in generator unit-2 Draft Tube Flap Gate
- Temporary and miraculous repair of generator unit-2 which had a major breakdown on 8th June 2013
- Repair of generator unit -1, rotor to avoid a possible failure similar to that of unit-2
- Replacement of protection Relays
- Replacement of current transformers in the 10 MVA Transformer and re commissioning of same.

#### Udawalawe Power Station

- 18.6 GWh of power generated was the highest recorded since commissioning of the power station in 1969.
- Replacement of 33 kV Circuit Breaker
- Repairing Irrigation Valve No:03of the RB Plant

#### Inginiyagala Power Station

- Replacement of the 33 kV circuit breaker
- Replacement of protection relays



## GENERATION DIVISION Contd...

### Thermal Complex

Thermal Complex comprises of Sapugaskanda A and B Power Plants of diesel engine driven generating sets, Kelanitissa Combined Cycle Power Plant, Kelanitissa simple cycle gas turbines (Fiat Gas Turbines and Frame V Gas Turbines) and Uthuru Janani Power Plant of diesel engine driven generating sets. The total installed capacity of the complex was 564 MW and it generated 1325.90 GWh during the year 2013 which amounted to 11.09% of the total generation. The breakdown of the power generated by the Complex is given below:

Power Plant	Installed Capacity (MW)	Availability Factor (%)	Plant Factor (%)	Units Generated (GWh)
Sapugaskanda - A	80	49.33	28.77	181.98
Sapugaskanda - B	80	79.39	61.89	390.93
Kelanitissa CCGT - GT	110	92.58	44.22	406.7
Kelanitissa CCGT - ST	55	87.97	38.69	203.4
Kelanitissa Fiat GT	115	54.43	2.27	16.56
Kelanitissa Frame V GTT	100	54.65	0.16	1.01
Uthuru Janani Power Station	24	95.30	60.00	125.32
<b>Total</b>	<b>564</b>			<b>1325.90</b>

The Power Plants at Sapugaskanda were operated on base load throughout the year; the generating costs of these Power Plants are the lowest among all thermal power plants in the CEB. These Power Plants use heavy fuel of 3500Sec. viscosity obtained from the Ceylon Petroleum Corporation (CPC) in the adjoining premises.

165MW Combined Cycle Power Plant at Kelanitissa premises was operated either on base load or on intermediate load depending on the requirement of the System. This plant uses Diesel and Chemical Naphtha obtained from the CPC. The overall cost of generation of Combined Cycle Power Plant was substantially lower than the cost of generation of gas turbines on simple cycle mode.

Fiat gas turbine of 115 MW and GE Frame V small gas turbines each of 20MW capacity at Kelanitissa premises were operated during dry periods and in emergencies to fulfil the system requirement. The operating costs of these Plants were comparatively high, since the fuel used being diesel obtained from the CPC. GE Frame V small gas turbines were also operated on synchronous condenser mode to improve the voltage of the system.

Uthuru Janani Power Station of 24MW capacity was installed and commissioned in Jaffna peninsula in 2013. This Plant comprises

of 03 units of 8MW each diesel engine driven generating sets operating on heavy fuel of 1500Sec. viscosity obtained from CPC. This plant was taken over by the Thermal Complex for operations on 14 January 2013 after successful completion of commissioning work. The cost of generation of this Plant is almost same as that of the Sapugaskanda Power Station.

Major activities and achievements in the Thermal Complex during the year 2013 were as follows;

#### Sapugaskanda Power Plant

- Completion of Twelve (12) major overhauls on engines .
- Replacement work of AVR units on seven (07) generating units .
- Engine up-gradation (Midlife Re-fit) of Engine No. 4 leading to a load increase of 2MW.
- Completion of repair work of fuel storage Tank-G .

#### Kelanitissa Combined Cycle Power Plant

- Replacement of Low voltage switchgear panel which was damaged due to fire.

#### Kelanitissa Power Plant

- Major inspection and repair of 115MW Fiat Gas Turbine and Generator at a cost of Rs.985Million was completed in March 2013.
- Replacement of Human Machine Interface (HMI) system of 115MW Fiat Gas Turbine by reverse engineering was successfully completed by CEB engineers at a cost saving around Rs.40 Million.
- Modification of the control system of Frame V gas turbine No.5 for black start facility was carried out.

#### Uthuru Janani Power Plant

- Taking over of plant operations were taken after successful completion of commissioning works on 14th January 2013.
- 2000hrs, 4000hrs and 6000hrs engine maintenance works were carried out.

#### Lakvijaya Coal Fired Power Station at Puttalam

The first 300 MW unit of the coal fired Power Plant of Lakvijaya Power Station was handed over to Generation Division in July 2011. During the year 2013, this Power Plant transmitted 1,468.733 GWh to the power system which was about 12% of the total system demand. Coal consumption and diesel consumption of the Plant during this period was 677,633 tons and 1,507 tons respectively. Further, the Plant availability and the Plant factor was 76.59% and 62.53% respectively.

The costs of the coal and diesel oil that were consumed during the year was Rs. 2,602 million and Rs. 114.44 million respectively. The total amount of energy units delivered to the power system during last three years was 3,794 GWh. The cost of one unit generated from this power plant was around Rs.8.12. Therefore, total cost saving derived from this Power Plant during last three



## GENERATION DIVISION Contd...

years by reducing the operation of next best option for base load generation viz combined cycle Power Plants was around Rs. 60 billion.



Lakvijaya Coal Fired Power Station at Puttalam

### Cost of Generation

Complex	Fuel Rs. million	Spares & Other Maintenance Material Rs. million
Thermal	29,265	2,156
Hydro	-	405
Coal	10,888	205
<b>Total</b>	<b>40,153</b>	<b>2,766</b>

Average Cost of Generation CEB Power Plants	
	Unit Cost (Rs/kWh)
Hydro Plants	1.30
Thermal Plants	26.33
Coal Plant	9.41

### Generation Projects

The Generation Projects Branch in the Generation Division is responsible for the planning, implementation and management of plant rehabilitation projects coming under the purview of the Generation Division and handles the purchases of all foreign goods and services for the Generation Division.

#### Rehabilitation of New Laxapana and Wimalasurendra Power Stations

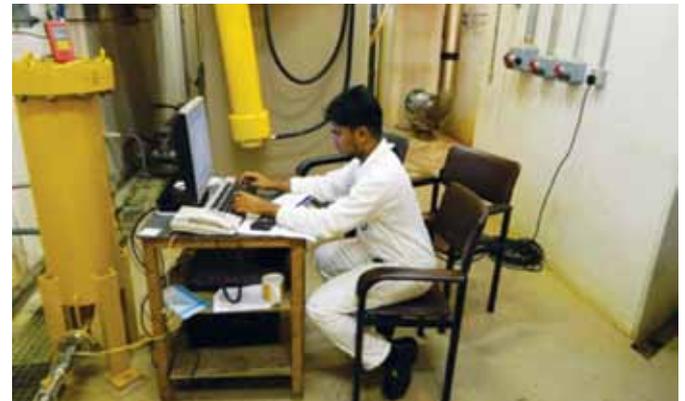
Under this Project, 2 x 50 MW New Laxapana and 2 x 25 MW Wimalasurendra Power Plants are refurbished and modernized. Generator, Turbine, Control and Auxiliaries are replaced and refurbished at a cost of Rs. 6660.0 million. Alstom Hydro, France is the contractor for the project and 85% of the contract value is provided by Credit Agricole CIB, France (formally CALYON Corporate Investment Bank) on Export Credit terms and balance 15% by Hatton National Bank. The Project which commenced in February 2008 is scheduled to be completed by July 2014.

Overall progress of the Project was 95% by the end of year 2013. Even though the rehabilitation of Unit 2 of New Laxapana (last of the four machines rehabilitated by this Project) was scheduled from January to April 2013, the plant outage was not allowed by the System Control Center due to the power crisis that prevailed in the country during that period. The works therefore had to be postponed to 2014. The defect Liability period of the rehabilitated two units of Wimalasurendra and one unit of New Laxapana have now expired.

The Capacity of the Unit 1 machine of New Laxapana power station was increased by 7MW after its rehabilitation and the efficiency of its new turbine raised to 89.3 %.



Kukuleganga Power Tunnel Inspection - January 2013



#### Rehabilitation of Old Laxapana Power Station

Scope of this Project involved the replacement of Generator, Turbine and all associated equipment of Old Laxapana Stage-1 and to improve reliability, efficiency of 3x 8.33 MW Plant. The contract was awarded to Voith Hydro, Austria at total cost of Rs. 4200.0 million. 85% of the Project cost is funded by Unicredit bank Austria AG on Export Credit terms and balance 15% by the Hatton National Bank. The Project commenced in May 2010 and completed in 2013. The unit 2 of Old Laxapana power plant (last of the three units rehabilitated under this project) was rehabilitated and handed over to CEB in April 2013, ahead of the scheduled time.

The Capacity of each machine is increased from 8.33MW to 9.5 MW. Turbine efficiency achieved was 90.18%, which satisfied the guaranteed value at rated net head.



## GENERATION DIVISION Contd...

### Rehabilitation of Samanala (Polpitiya) Power Station

The objective of this Project is to refurbish and modernize 2 x 37.5 MW Samanala Power Station towards improving its reliability, efficiency and the generation capacity. It has been proposed to replace the turbines with those with a new design to suit the new water levels expected from the operation of the Broadlands Power Station presently under construction. The Annual energy reduction at Samanala Power Station due to raised tail water level resulting from the emergence of Broadlands reservoir is estimated at 11 GWh, is expected to be compensated by the capacity and efficiency enhancement of the Plant. The Generator, Main Inlet Valves and other auxiliaries are also to be replaced with state of the art equipment to match the Turbine ratings.

The draft bidding document prepared by the Project Committee which comprised of experts from the CEB, was finalized during the year 2013.

After the Cabinet of Ministers authorized the CEB to proceed with International Competitive Bidding to select an EPC contractor for the rehabilitation of Samanala Power Station, a Technical Evaluation Committee was appointed by the Secretary of Ministry of Power and Energy during the year 2013.



Old Laxapana power station Rehabilitation Project-1



Old Laxapana power station Rehabilitation Project-2



Laxapana Power station Rehabilitation Project-Testing of Generator Core



Kukuleganga Power Station Generator Unit 2 after repair





# OPERATION REVIEW

TRANSMISSION  
**DIVISION**



# TRANSMISSION DIVISION

The Transmission Division plans, develops, operates and maintains all transmission assets of the CEB while at the same time providing relevant services to the other Divisions of CEB.

## Mission

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

## Objectives

The operational objectives of the Division are to:

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

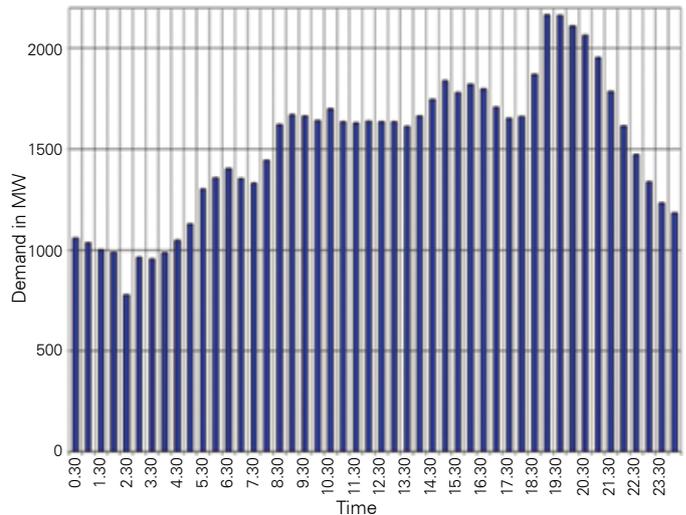
## Operational activities

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

## System Control Operations

The System Control Branch is responsible for the coordination and operation of the 220kV and 132kV transmission system covering all power stations. The operation of the generation and transmission system is planned and carried out by system control branch to maximize the reliability, quality and operational economy of the electricity supplied. This branch collects records and archives data pertaining to the CEB generation and transmission system and provides information to the management on a regular basis. The year 2013 commenced with a total hydro storage of 1062GWh, which amounted to 84.3% of the total storage, compared to 52.3% in 2012. The hydro reservoirs experienced a high inflow continuously during the first half of the year, with the month of June recording the highest. The recorded maximum storage was 1190.5 GWh (94.5% of total storage.) on 27th June 2013. CEB Hydro generation during the year was 6010GWh (50.3% of the total generation).

The recorded maximum peak demand during the year 2013 was 2,164.2 MW at 1900 hrs on 08th of April compared to the maximum peak of 2,146.4 MW in 2012. The total energy generated for the year was 11,955.3 GWh which is an increase of 1.3% over that of the year 2012.



Daily Generation Curve on 8th April 2013 which recorded the highest peak .

## Clean Energy & Access Improvement Project - System Control Centre Modernization Project

This project is carried out based on a Feasibility Study Report prepared in 2006 for a new system control centre in Sri Lanka. The project consists of two packages:

- Package A- Construction of the National System Control Centre and the installation of SCADA and Communication Systems
- Package B- Replacement of the existing Earth Wire with Optical Fiber Ground Wire (OPGW)

The Consultancy Contract for the System Control Modernization Project was awarded in May 2010.

**Package A** - The scope of work of Package includes the setting up of a National System Control Centre (NSCC) for managing the electricity transmission/generation system in Sri Lanka. This new System Control Centre with capability to monitor and control the switchgear at 132/220kV grid substations and Power stations in our power system is to be established under Lot 1 of Package A. . A key feature of the new System Control Centre will be an Energy Management System, integrated with the SCADA system that will help the operating staff to decide on the energy dispatching schedules dynamically. The Lot 1 of Package A is expected to be awarded in 2014.

An island wide communication system is to be installed under Lot 2 of Package A. The Contract awarded on 25th October 2013 is due to be completed by December 2015.



## TRANSMISSION DIVISION Contd...

### Package B

The scope of work of Package B includes the replacement of existing earth wire on 132 kV and 220 kV double circuit three phase transmission lines by composite fiber optic overhead ground wire (OPGW) of approximately 1038 km of length and the installation of an approach fiber optic cable for terminating OPGW conductors at each substation. The contract for Package B was awarded in April 2012 and the work under this contract was successfully completed in December 2013.

Approximately US\$ 25 million is funded by the Asian Development Bank (ADB) to cover the entire costs of Package A and Package B. About 200 km of OPGW installation is also being carried out under Package B2 with funds from the Government of Sri Lanka (GOSL). The work under Package B2 is due to be completed in March 2014.

### Transmission Asset Management Branch



132 kV outdoor switch yard at the Kilinochchi grid substation

The Asset Management Branch of the Division is responsible for achieving maximum commercial benefit of plants and equipment in the Transmission Network. Its main functions include setting of maintenance policies and procedures; and monitoring plant performance and maintenance work to ensure the operational effectiveness and maximizing the economic life of assets. The planning of the replacement of assets which have reached the end of their useful lives is another important asset management function carried out by the Branch.

The High Voltage Transmission Network comprises 1796 km of 132kV overhead lines, 50 km of 132kV underground cables, 502 km of 220kV overhead transmission lines and 2 km of 220kV underground cables. In addition, 60 grid substations were also in operation at the end of 2013.

As part of its asset management functions, Transmission Asset Management Branch procures spares and major equipment, including power transformers and transformer spares, medium and high voltage circuit breakers, current and voltage transformers, surge arresters, protection relays, as well as numerous special tools and test equipment for the Transmission Division.

The achievements

- Completion of 70% of facility development work at Kotugoda Stores.
- Procurement of spares worth Rs. 440 million.
- Setting up of a temporarily transformer for the Sri Jayewardenepura grid substation within 10 days
- Commencement of operation of the Condition Monitoring Unit.

### Operation and Maintenance of the Transmission Division

The main objective of the Operation & Maintenance branch is to operate and maintain the Transmission Network which comprises 51 GSs, 468 km of 220kV and 2039 km of 132kV Transmission lines in an efficient, reliable and effective manner.

Four separate regional offices, Protection & Centralized Service Unit and a Hot Line Maintenance Unit have been established under the Transmission Operation & Maintenance branch to achieve the above objective.

### Transmission Operation & Maintenance -Colombo Region

The Colombo Region Unit of the Transmission Operation & Maintenance branch successfully completed following special maintenance tasks in addition to carrying out the general routine/preventive maintenance work of 21 Grid Substations and way leaves clearing of 380km of 220 kV and 132kV transmission lines.

- Rectification of bus bar fault within the 33 kV GIS of the Sapugaskanda grid substation
- Replacement of the defective 132 KV current transformers and circuit breaker poles at the Kotugoda grid sub station
- Installation and commissioning of a 110 V DC battery bank at the Veyangoda grid substation, 110 V DC battery charger with battery bank at the Panadura grid substation and a 220 V DC battery charger at the Pannipitiya grid substation
- Replacement of one transformer bushing of 31.5 MVA, 132/33 KV transformer at the Veyangoda grid substation
- Installation and commissioning of two 132 KV SF6 circuit breakers at the Rathmalana grid substation and the replacement of one old pneumatic circuit breaker with a 132 KV SF6 circuit breaker
- Replacement of all gaskets of the 132/33 kV 31.5 MVA transformer and defective 33 KV breaker poles at the Seethawaka grid sub station
- Introduction of of 5S system in Dehiwala, Sri Jayawardanapura, Kelanitissa 132kV GIS and Katunayake, Aniyakanda, Kolonnawa, and Horana grid substations

### Transmission Operation and Maintenance - Galle Region

The Galle Region Unit of the Transmission Operation and Maintenance Branch successfully completed the annual routine maintenance work of all equipment installed in ten 132/33 kV grid substations in the region and successfully completed way leave maintenance of 358 km of 132 kV transmission lines, during the year.



## TRANSMISSION DIVISION Contd...

Several special items of work as indicated below were also planned and implemented successfully during the year.

- Providing assistance for design reviews, testing and commissioning and defects rectification work of several ongoing projects which are in different stages of progress at Balangoda, Ratnapura, Deniyaya and Matara grid substations.
- Further improvement of 5S system implemented during the previous year at the Ratnapura grid substation.
- Replacement of defective 132 kV circuit breaker poles in Embilipitiya - Hambantota 132 kV line.
- Servicing of the OLTC of 31.5 MVA 132 / 33 kV transformers No. 1 at the Embilipitiya grid substation.



Gasket replacing at Seethawaka Grid Substation



Sapugaskanda GIS work



Kotugoda Current Transformer replacement



Rathmalana Circuit Breaker replacement

### Transmission Operation and Maintenance -Kandy Region

The Kandy Region Unit of the Transmission Operation and Maintenance Branch successfully completed annual preventive maintenance of all equipment in six grid substations and way leave maintenance work of 670 km of 220 kV and 132 kV transmission lines.

Assistance was also provided for design reviews, testing and commissioning and defects rectification work of several ongoing projects which were at different stages of progress at Badulla, Ampara, Naula, Pallekele, Mahiyanganaya, Monaragala, Vavunative, Kegalle and New Polpitiya grid substations.



## TRANSMISSION DIVISION Contd...



Following special items of works were also planned and implemented successfully during the year.

- Replacement of all capacitor cans of the Kurunegala capacitor bank which had frequent oil leaks, after making slight modifications to their steel structures and the replacement of the defective Kiribathkumbura capacitor cans with capacitor cans removed from the Kurunegala grid substation.
- 10 MVAR of Capacitor banks installed at Thulhiriya grid substation were put back to the commercial operation with revised settings.
- Repair of hot spots at all substations identified from thermal images
- Online oil filtering of three 31.5 MVA, 132/33 kV power transformers at the Kiribathkumbura grid substation and two 31.5 MVA, 132/33 kV power transformers at the Badulla grid substation.

### Transmission Operation and Maintenance - Anuradhapura Region

The Anuradhapura Region Unit of the Transmission Operation and Maintenance Branch successfully completed annual preventive maintenance of all equipment in twelve grid substations and successfully completed way leave maintenance of around 1200 km of 220 kV and 132 kV Transmission lines.

The following special items of work were also planned and successfully implemented during the year.

- Commissioning of 220/132 kV grid substation at Chilaw, 132/33 kV grid substation at Valachchanai and the 132/33 kV grid substation at Chunnakam and taking them over for commercial operations.

- Testing of all the circuit breakers at Pannala, Vavuniya, old Anuradhapura grid substations
- Implementation of 5S system at the Valachchanai grid substation and winning the 2nd place at the competition held during the year.
- Replacement of two 33 kV oil type circuit breakers at the old Anuradhapura grid substation with new SF6 breakers.

### Hot Line Maintenance Unit

The Hotline Maintenance Unit of the Transmission Operation and Maintenance Branch undertakes Hot/Live line maintenance of 132kV and 220 kV Transmission lines. The transmission network consists of 2039 km of 132kV transmission lines and 468km of 220kV transmission lines. A well planned routine maintenance cycle is being carried out once in four years covering the inspection and maintenance work of all transmission lines.



Tension Insulator set replacement under Live Condition



Cross-Arm replacement of Kotmale-Biayagama, 220kV, Transmission Line



## TRANSMISSION DIVISION Contd...

In addition to the routine maintenance work, the Hot Line Maintenance Unit carried out the inspection of defects of following newly constructed transmission lines prior to taking over by the Transmission Division from Project branches.

- Puttalam-Maho line with 129 towers
- Kilinochchi-Chunnakam line with 215 towers
- New Habarana-Valachchenai line with 335 towers

Further, during in year 2013, breakdowns of following transmission lines were attended to within a very short of time;

- Old Anuradhapura -Habarana line conductors
- Old Habarana-Valachchenai line conductors
- Laxapana-Nuwaraeliya line conductors
- Ukuwela-Bowatenna line conductors

### Protection and Centralized Services Unit

At the beginning, only matters related to the protection in the transmission network were undertaken by this Unit but later on other technical work like transformer testing, current transformer testing was also undertaken, the details of which are as outlined below.

During the augmentation of the grid substations at Badulla, Ampara, Balangoda, Ratnapura, Vaunia and Habarana , the technical staff attached to the Protection and Centralized Services Unit played a key role by working with the Contractor towards integrating the new units in to the existing system.

#### Protection Section

- Routine checking of older mechanical and static relays which do not possess self-diagnostic capabilities
- Analysing of tripping due to faults in the transmission network together with the Protection Development Unit to ascertain as to whether the tripping occurred in the correct sequence and rectifying the same subsequently.
- Replacement of older electromechanical relays which do not possess fault recording and communication functions, with numerical relays.
- Verification of technical suitability of new current transformers by performing the ratio test, excitation curve, polarity test and insulation resistance test on them

#### Centralized Services Section

Centralized services unit has been expanding rapidly in order to improve and share the knowledge among others on transformer condition monitoring.

Following routine tests are carried out under condition monitoring.

- Tan Delta test
- Winding resistance test
- Dissolved gas analysis
- Tap changer testing

Whenever a transformer in the transmission network is isolated from the protection relays indicating a fault in the transformer, Centralized Services Unit perform several tests to determine the type of fault and locate the same.

Project related work has also been attended to by the Protection and Centralized Services Unit. For example, during the installation of a new transformer at the Deniyaya substation and the replacement of a cable and a current transformer at the Vavuniya transformer, it was the Protection and Centralized Services Unit that commissioned the relevant transformer bays.

### Transmission and Generation Planning

#### Generation Planning

- The Long Term Generation Expansion Plan of CEB is a rolling plan prepared every two years for a period of 20 years by the Transmission and Generation Planning Branch, using the State of the Art planning tools and techniques. As the first step of this exercise, National Demand Forecast is prepared. In the planning process, plants that are most suitable economically are selected from a set of prospective thermal and hydro generation plants, in order to meet the electricity demand within an acceptable level of reliability. According to the 20year Long Term Generation Expansion Plan 2013-2032, it is envisaged to add approximately 6,025MW of generation capacity to the system within the next 15 years, out of which 4,700MW to come from coal fired thermal power plants.

The Branch is also responsible for undertaking various studies on the proposed generation projects ranging from desk studies to detailed feasibility studies. The studies already that are still ongoing are as follows:

- The Environment Impact Assessment (EIA) Study for the Moragolla Hydro Power Project, funded by the Kuwait Fund for Arab Economic Development (KFAED) received the approval in 2013. The ADB financed the Review of the Feasibility Study and the preparation of Detailed Design & Tender Documents for the Moragolla Hydro Power Project
- Phase II of the Energy Diversification Enhancement Project (feasibility of introducing LNG to Sri Lanka) commenced in April 2013 and is scheduled to be completed in May 2014.
- With the assistance of the Japan International Cooperation Agency (JICA), a feasibility study on 'Development Planning on Optimal Power Generation for Peak Power Demand' is being carried out and the study is expected to be completed in September 2014
- A pre-feasibility study for High Efficiency and Eco-friendly Coal Power Plants in Sri Lanka commenced with the assistance of NEDO (New Energy and Industrial Technology Development Organization) Japan, in 2013 and the study is now nearing completion.
- With technical assistance received from the ADB, the preparation of the Renewable Energy Master Plan and Wind Development Master Plan for Mannar is under way. Action is also being taken to conduct a feasibility study for the development of a 100 MW wind park in Mannar.



## TRANSMISSION DIVISION Contd...

- With the technical cooperation of International Atomic Energy Agency (IAEA), a project titled 'Supporting Energy Planning and Pre-Feasibility Study for Nuclear Power and Human Resources Development' has been initiated.

### Transmission Planning

- Long term transmission development studies are carried out according to a 10 year rolling plan in order to accommodate new requirements and demands in the transmission system. The main objectives of the transmission planning process are the formulation of a set of transmission developments required to ensure a reliable and stable power system for the planning period concerned and the estimation of investment cost required to implement these transmission development work.
- The Long Term Transmission Development Plan 2013-2022, prepared in 2013, identifies fifty two transmission development projects for the period 2014-2022. Funds have been arranged for several projects of high priority with lending agencies such as JICA and ADB and Agence Francaise De Developpement (AFD).
- The Greater Colombo Transmission and Distribution Loss Reduction Project funded by JICA commenced in 2013. Under this Project, the capacity of the transmission and distribution network in Colombo area is to be enhanced with the addition of four numbers of 45x2 MVA, 132/11 kV grid substations, 31.5 MVA additional transformers for Sub A and Sub I and a 220/132 kV switching station of 2x250 MVA. The Project will improve the reliability of the electricity network in Colombo.
- Further, Agence Francaise De Developpement is considering the financing of the construction of four grid substations at Maliboda, Wewalwatta, Ragala and Nawalapitiya to absorb more renewable energy.
- Clean Energy and Network Efficiency Improvement Project, commenced in 2013 with the financial assistance from the ADB includes, Mannar 132/33kV Grid Substation, Vavuniya-Mannar 132kV transmission line, Kegalle Grid Substation, Thulhiriya-Kegalla 132kV Transmission line, New Polpitiya-Padukka-Pannipitiya 220kV Transmission Line and New Polpitiya and Padukka 220kV Switching Stations, Padukka-Athurugiriya-Kolonnawa 132kV transmission line.
- Further, Agence Francaise De Developpement is considering the financing of the construction of four grid substations at Maliboda, Wewalwatta, Ragala and Nawalapitiya to absorb more renewable energy.
- Six transmission projects viz; (i) construction of 220/33kV Grid Substation at Kerawalapitiya , (ii) construction of 132/33kV (220/33kV) Grid Substation at Kappalthurai , (iii) augmentation of Old-Anuradhapura 132/33kV Grid Substation, (iv) augmentation of Katunayake 132/33kV Grid Substation, (v) construction of 132/33kV Grid Substation at Kesbewa and (vi) construction of 132/33kV Grid Substation at Kalutara have been selected for development under Green Power Development and Energy Efficiency Improvement Project, funded by the ADB .

- Eight transmission projects; (i) construction of 220/132kV switching station & 220/33kV Grid Substation at Kirindiwela, (ii) Veyangoda-Kirindiwela-Padukka 220kV transmission line, (iii) New Polpitiya-Kotmale 220kV transmission line, (iv) Veyangoda-Thulhiriya 132kV transmission line, (v) Battaramulla 132/33kV Grid Substation and Reconstruction of several 132kV transmission lines namely (vi) Polpitiya-Habarana, (vii) Kolonnawa-Pannipitiya and (viii) Ratmalana-Pannipitiya. Are to be included in the 45th Yen Loan Package of JICA.
- Action has been taken to implement some of urgent transmission development projects such as the augmentation of Kiribathkumbura grid substation, addition of transformers to Maho, Naula, Valachchenai, Monaragala and Polonnaruwa grid substations, with funds saved under the ongoing ADB funded projects.

### Transmission Design & Environment

The Preliminary work required for implementing the planned transmission development work is carried out by the Transmission Design Unit of the Transmission Design and Environment Branch. This consist of identifying suitable transmission line corridors and land for substations, preparation of engineering designs and drafting tender documents for transmission projects. During the implementation stage, construction drawings will be reviewed and technical compliance of the materials and equipment will be verified. Transmission Design Unit plays the role of internal consultant to the Transmission division for its design work.

### Transmission Design

The work undertaken by the Transmission Design Branch is as follows,

- Preparation of Tender Document of the following,
- CENEIP - Clean Energy Network Efficiency Improvement Project  
Package 1 Lot A & Lot B  
Package 2 Lot C, Lot C-1& Lot C-2  
Package 3 Lot A & Lot B
  - ECCFPP - East Coast Coal Fired Power Project Lot A & Lot B
  - Greater Colombo Transmission and Distribution Loss Reduction Project.

Reviewing of Construction designs of the following ,

- North East Power Transmission Development Project - Lot A, Lot B & Lot C,
- New Galle Transmission Development Project Lot A, Lot B,
- National System Control Centre Modernization Project - Package B

Preparation of Engineering Design reports of the following;

- Transmission Development Project, Grid Substations,
- Green Power Development and Energy Efficiency Improvement Investment Program Project



## TRANSMISSION DIVISION Contd...

### Protection Development

#### Reliability

The goal of the Protection Development Section of the Transmission Design and Environment Branch is to develop a coordinated and reliable protection system for the Transmission Network from the Power Stations to the Distribution system adhering to the highest international standards. The key tasks of the Section are defining and maintaining the required protection philosophy and identification of protection rehabilitation and development requirements of the system. This Section is also entrusted with managing protection development work under new transmission projects. The section also carries out modifications to existing Protection systems as a part of the network extensions under new projects.

#### Failure Analysis

This Section also carries out failure analysis of any total or partial failures in the transmission network, and remedial or preventive measures to improve the reliability of the system. During the there were no total failures. There were three major partial failures were occurred on 07th April 2013, 06th May 2013 and 31st December 2013 and several other minor partial failures was occurred during the year. These failures were analyzed and remedial measures were proposed. With the implementation of these remedial and preventive measures, improvement in the system performance has been observed.

#### Project work

The CEB has received funds from KfW Bank of Germany under the Rehabilitation of Electricity Supply Jaffna Region Transmission Line project, for rehabilitation of Protection Schemes of CEB's 220kV Transmission network. The consultancy service for the project is provided by Fitchner GmbH of Germany.

The scope of the project includes the replacement of the existing protection schemes of 220kV lines and Transformers in Biyagama Grid Sub Station (GSS) , Kothmale Power Station (PS), Victoria PS, Rantambe PS and New Anuradhapura GSS and installation of Fiber Optic Cables (OPGW) in the 220kV lines of Biyagama to Kelanithissa, Kothmale to Victoria line, from Victiria to Randenigala and from Randenigala to Rantambe.

The installation of Fiber Optic Cable (OPGW) was completed in June 2013 and the contract for protection panel replacement work was awarded in May 2012. The related work is expected to be completed in 2014.

During the year 2013, other project work carried out by the Protection Development Section included identification of scope of protection for the new and rehabilitation projects, preparation of technical specifications and observing of the projects related commissioning work and successful integration of new projects into existing system. Some of these projects are as follows:

1. Augmentation of Grid Substations for Absorption of Renewable Project - Phase II
2. North East power Transmission and Development Project

3. Transmission System Strengthening & Grid Substation
4. Norochcholai - Phase II
5. New Galle Power Transmission Development Project
6. Uma-Oya Project
7. Conflict Affected Region Emergency Project

#### Other activities:

The section was also engaged in checking of Designs, preparation of drawings and doing calculations for the replacement of Line Protection relays found to be defective in the grid substations at Pannipitiya , Kolonnawa , Kelaniya , Seethawaka , Kosgama and Habarana. It also carried out setting out coordinates of the Grid Substations at Seethawaka, Valachchena, Trincomalee, Pannipitiya, Sri Jayawardenapura and Balangoda.

#### Environment

The Environmental Policy of the CEB is as follows:

*"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"*

The key function of the Environment unit is to monitor and assists in the implementation of this Environmental Policy of CEB and is the focal point for most of the environmental activities carried out by the Board. This unit is mainly responsible for seeking environmental approval for Transmission / Generation Projects, preparation of Environmental Safeguard documents (EIA/IEE Reports) in accordance with the National Environment Act and/or the guidelines of funding agencies as applicable and and conducting environmental awareness programs for relevant stakeholders.

A brief overview of the EIA/IEE Processes carried out by Environment Unit in year 2013 is given below.

- Obtaining the environmental approval for the proposed 26.5 MW Moragolla hydro power Project
- Environmental screening of line routes
- Preparation of IEE reports of the following transmission projects in accordance with the National Environmental Act (NEA) and submission of same to the Central Environmental Authority (CEA) for approval
  - Proposed 220kV Transmission line Project from Polpitiya to Pannipitiya
  - Proposed 220kV Transmission line Project from Anuradhapura to Mannar via Vavunia
  - Proposed 220kV Transmission line Project from Thulhiriya to Kegalle

All the environmental safeguard documents required under ADB guidelines for the Clean Energy and Network Efficiency Improvement Project have been prepared and submitted to the ADB.



## TRANSMISSION DIVISION Contd...

Environmental screening of line routes, arrangement of site visits of the Environmental Scoping Committee and obtaining terms of reference for the IEE studies of the following transmission projects have been completed:

- Proposed 132 kV Transmission Line Project from Polpitiya to New Habarana
- Proposed 220 kV Transmission Line Project from Polpitiya to Kotmale
- Proposed 220 kV Transmission Line Project from Veyangoda to Padukkar via Kirindiwela
- Proposed 132 kV Transmission Line Project from Thulhiriya to Veyangoda

### Energy Purchases

The Energy Purchase Branch is responsible for purchase of electricity from Private Power Producers to meet the system demand at optimum cost. The Two main types of power plants administrated under this branch are given below;

- Independent Power Producers (IPPs)
- Non-Conventional Renewable Energy (NCRE) Plants

There are seven (7) independent Private Power Producers supplying a total of 771 MW thermal power to the CEB and there are 151 Non-Conventional Renewable Energy projects with total capacity of 386.26 MW .

### Independent Power Producers

The capacities of the power plants operated by the IPPs are as given below:

Power Plant	Capacity (MW)
AES (Kelanitissa)	163.15
Heladanavi	100.00
ACE Power (Embilipitiya)	100.00
Colombo Power (Pvt) Ltd.	60.00
Asia Power	51.00
Nothern Power	27.00
Kerawalapitiya	270.00
<b>Total</b>	<b>771.15</b>

Energy Purchases Branch arranges payments to Private Power Producers in commercial operation who have entered into Power Purchase Agreements with the Board.

### Non-Conventional Renewable Energy Plants

The Non-Conventional Renewable Energy Plants of capacity lower than 10 MW , are paid in two tariff categories such as;

- Cost Based Technology specific Three Tier Tariff
- Avoided Cost Based Tariff

### Mini Hydro Power Development

During the year 2013, Twenty Two mini hydro power projects of

total capacity 35 MW were connected to the grid which made the total installed capacity of 131 mini hydro power plants connected to the grid to reach 278 MW by the end of the year. The total generation was 908 GWh. By the end of the year, CEB has entered in to 52 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 129MW.



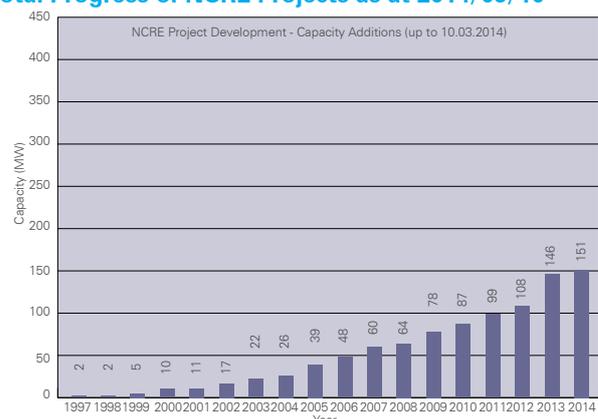
### Biomass Power Development

Biomass Power plants come under three main categories viz., Dendro, Municipal Waste and Agricultural & Industrial Waste. Under Biomass Power Projects, there are three(3) Agricultural & Industrial Waste Power Plants and two(2) Dendro Power Plants of total capacity of 18 MW have been connected to the grid. The total generation was 26GWh. By the end of the year, CEB has entered into 11 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 65MW.

### Wind Power Development

During the year , only one new wind power plant of total capacity 4.8 MW was connected to the grid. By the end of the year, 11 wind power plants had been connected to the grid with an aggregate capacity of 88MW. SPPA's have been signed in respect of another four (04 ) plants of total capacity 31MW. The construction of the above wind plants were in progress.

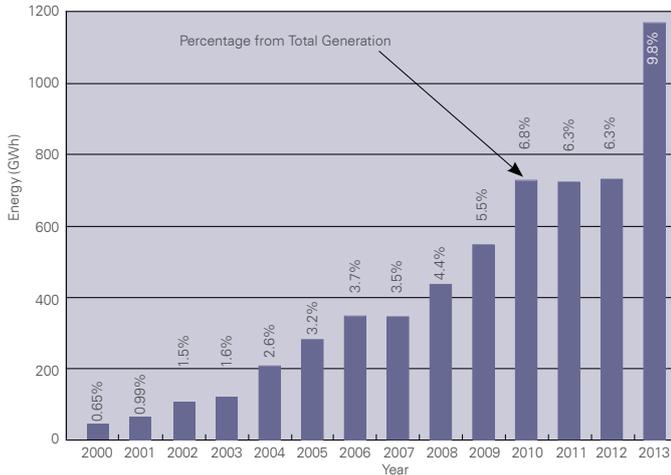
### Total Progress of NCRE Projects as at 2014/03/10





## TRANSMISSION DIVISION Contd...

### Annual Energy Contribution from NCRE Projects



Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Energy (GWh)	206	280	346	344	435	546	727	722	730	1169

### Energy Marketing

The Energy Marketing Branch was established in order to interact with the electricity transaction system between the Transmission Licensee and Distribution Licensees. The Energy Marketing Branch is actively cooperating with the Public Utilities Commission of Sri Lanka (PUCSL) on tariff preparation on behalf of the Transmission Division of CEB.

With the introduction of new Bulk Supply Tariff by the PUCSL in year 2011, Energy Marketing Branch is entrusted with the preparations of Bulk Supply Transaction Accounts for the Electricity Sales to the Distribution Licensees, Lanka Electricity Company Ltd., and the Transaction Notes to the four Distribution Licensees of CEB. In order to prepare Bulk Supply Transaction Note, Energy Meters with Accuracy Class 0.2 were procured and installed across the boundaries of the Transmission Licensee and the Distribution Licensees for recording the Electricity Transferred to the Distribution Licensees from the Transmission Licensee. Energy Marketing Branch has prepared the Transaction Accounts/ Notes for the year 2013 on monthly basis, based on the Electricity transferred to the Distribution Licensees from the Transmission Licensee in each and every month.



Meter Panel at Valachchenai GSS



Meter Lab at Aniyakanda

### Meter Testing Laboratory

A meter testing laboratory equipped with meter calibration and testing facilities was set up in March 2013 in the Transmission Division according to the guidelines set out by the PUCSL. The laboratory is yet to be equipped with current transformer testing facilities. Currently energy meters installed at each metering points are tested the Branch in this laboratory according to an annual schedule.

Action was taken to implement a new Software Programme with the assistance from the IT Branch to prepare the monthly invoice for bulk electricity sales to all four distribution licensees.

### Communications

The Communications branch provides Voice and Data communication facilities to the Generation, Transmission and Distribution and all other divisions of CEB and Supervisory Control & Data Acquisition (SCADA) facilities to System Control Center.

The following communications technologies are being used to provide these facilities.

- Power Line based communication Networks - Power Line Carrier (PLC) and Optical (Optical Fiber/OPGW)
- Microwave - Digital Communication Network (DCN)
- VHF/UHF - Mobile and Fixed Radio communication system

During the year 2013, the microwave communication system and the PLC/Fiber communication system were combined together to operate as a single network by replacing the old NEC NEAX 2400 type PABXs of the microwave communication system with SOPHO IS3030 type PABXs. This was initiated to overcome the outage of the main PABX of the microwave communication system which was beyond repairs. This combination of the two networks made the maintenance of the CEB telecommunication network easy and significantly enhanced its communication facilities.

The Communication Branch also was heavily involved in project specific work such as preparation of scopes of projects, preparation of technical specifications of communications equipment, observing and supporting commissioning work of communication systems and incorporation of new communication equipment installed under different projects in to the existing communication network.

Communication Systems Unit is responsible for the Voice and Data communications network over Power Line; PLC Network, Optical Fiber Network including the end equipment, the PLC and PLTS Telephone systems, Telephone exchanges and the auxiliary systems at Power Stations and Grid Substations throughout the country. This unit has six sub-units operating from Colombo, Kandy, Galle, Anuradapura, Samanalawewa and Laxapana.

The Communication Systems Unit carried out following special work during the year:

- Installation and commissioning of a new PABX at the Kotmale power station and incorporation of a new PABX at the Upper



## TRANSMISSION DIVISION Contd...

- Kotmale power station in to the existing communication network.
- Installation and commissioning of a Fiber Optic Multiplexer at the Kotmale power station and incorporating it to the fiber optic network via the Biyagama grid substation so as to eliminate the bottlenecks that existed with the old PLC links.
  - Integration of Fiber Optic Multiplexers installed at the Norochcholai wind power station, Laxapana power station, Rantambe power station, Mahiyangana grid substation and Wimalasurendra grid substation under different transmission projects, into the fiber optic network.
  - Installation and commissioning of a PABX that was removed from the Habarana grid substation at the Rantambe power station for improving communication facilities of the Rantambe power station (two subscriber units for the Habarana grid substation were provided from the PABX at the Ukuwela power station).
  - Installation and commissioning of a new PLC link between the new Anuradhapura grid substation and Kotmale grid substation to replace a defective PLC link which was beyond repairs.
  - Installation and commissioning of two PABXs at the Kurunegala grid substation and Ratmalana grid substation to replace two old mechanical TCS/PAX.
  - Installation and commissioning of a PLC link between Kurunegala and Kiribathkumbura grid substations to replace the old PLC link that existed between them and the restoration of the voice communication and tele-protection facilities at the two stations
  - Extension of LAN facilities to the KukuleGanga power station via FOX 515 at the Mathugama grid substation.
  - Shifting of the pilot cable between Randenigala power station and Rantambe power station carrying operational data between the two stations to a new route in order to provide space for the Rantambe grid expansion work.
  - Installation of new wave traps and line matching units in the second 132 kV circuit of the Badulla- Rantambe link thereby increasing the reliability of communications between the two grid substations.
  - Re-tuning of the frequencies of the Badulla-Laxapana, Badulla-Ampara and Habarana-Ukuwela PLC links in order to match the blocking bands of the existing wave traps and eliminating interference to other PLC links.

Communications Services Unit is responsible for the SCADA system (SCADA computers at the System Control Centre including their hardware and software and the auxiliary systems and the remote station SCADA equipment including RTUs and Gateways) and the operational communications (PLC, PLTS) of the System Control Centre.

The Communications Services Unit carried out the following work during the year :

- Configuration of Phase II of the Lakwijaya power station, New Laxapana power station, Wimalasurendra power station, and Norochcholai wind grid substation to suit the master station computers of the SCADA system at the System Control Centre and the integration of these stations into the SCADA system.
- Testing and commissioning of SCADA gateways at the Chunnakam grid substation, Kilinochchi grid substation, Laxapana power station, Phase II of the Lakwijaya power station and Norochcholai wind grid substation.

The Digital Bearer Unit is responsible for the Digital Communication Network (DCN) which provides operational and administrative communication services for the Generation, Transmission, Distribution and other ancillary units of the CEB. It is also responsible for providing Radio (VHF and UHF) communication facilities for the operation and maintenance work in the Generation, Transmission and especially in the Distribution Divisions and for the security services at the CEB.

The following special work was carried out by the Digital Bearer Unit during the year:

- Testing and commissioning of microwave links at the Upper Kotmale Power Project and taking over of same for operation and maintenance.
- Implementation of measures to improve system reliability at unmanned DCN remote sites.
- Field testing of mobile radio communication systems at the Upper Kotmale power station.
- Site surveying in the Northern Province and identification of new locations for the installation of a repeater station.
- Provision of mobile radio communication facilities to the Batticaloa grid substation by installing new fixed and mobile radio sets and carrying out field tests to extend the coverage of the Kirimatiyakanda repeater station.
- Shifting of the repeater station at Dotaluoya to Kirimatiyakanda to improve its coverage area in the Wayamba Province.

### Corporate and Regulatory Relations

The Corporate and Regulatory Relations Branch ensures proper functioning of the Division by staffing, performance appraisal and the promotion, training and development of both executive and non-executive grade employees. For this purpose, the Branch is expected to arrange or conduct local and foreign training programs with assistance from the Training Branch for the carrier development of both executive and non-executive grade staff members, prepare the Annual Personnel Plan for the Division to meet the future human resource requirements and assist the Division to prepare the CEB's Corporate Plan for the period 2014-2018

The Engineering Audit Section in the Corporate and Regulatory Relation Branch monitors the operating system voltage fluctuations, frequency variations and harmonics at grid substations/wind power plants. The data gathered is used for regulatory and planning purposes.



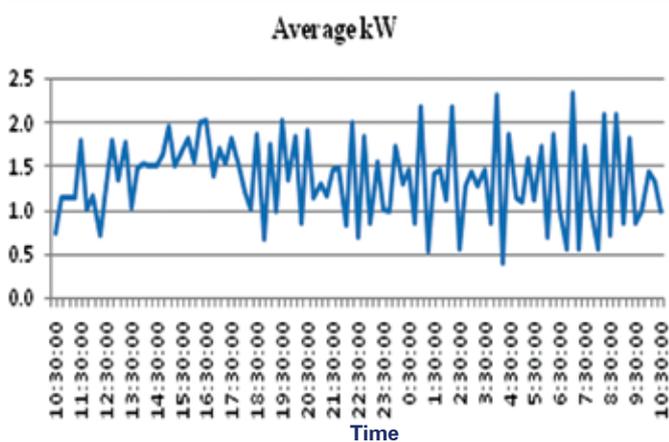
## TRANSMISSION DIVISION Contd...

### Engineering Audit

The Engineering Audit Unit in the Branch is responsible for the monitoring and maintaining of the standards and quality of the transmission system through site measurements. Data loggers and power quality analyzers are used to monitor the system parameters.

The Unit monitors the private wind power plants connected to the transmission network to ensure that they meet the required power quality standards.

Instantaneous power quality data and power generation profile data are captured by the Unit using data loggers. Power quality data is used by the Unit to check the harmonics added to the power system by wind power plants.



The figure above shows the load pattern on 23rd April 2013 monitored by the Control Centre, Colombo on a request received.

### Human Resources

The human resources management activities of the Transmission Division are handled by the Corporate and Regulatory Relations Branch. The Transmission Division has 1080 employees, of which 136 are executives and 944 are non-executives. 110 employees were recruited and assigned to this Division during the year and 156 employees were promoted to higher grades or placed on their respective higher salary scales in conformity with the recruitment and promotion procedure of the Board.

Local and overseas training were provided to staff, depending on their skills development requirements. The subjects covered in the overseas training programmes were planning, design, communication, automation of substations and the operation and maintenance of substations and transmission lines.

Knowledge transfer sessions were arranged every month to enable those who attended overseas training courses /workshops to share with others the knowledge they gained through these training programmes .

The Division has a vibrant Welfare Society with official patronage. During the year, this Welfare Society provided assistance to its members in various forms and promoted cordial relationships among different categories of staff.



# OPERATION REVIEW

DISTRIBUTION  
DIVISIONS



# DISTRIBUTION DIVISIONS

The CEB is responsible for over 88% of electricity distribution in the country while the rest is taken care by Lanka Electricity Company Ltd. (LECO), a subsidiary of the CEB.

Distribution System of CEB is handled by four Divisions. The main objectives of the formation of these four divisions are to achieve benchmark competition to improve efficiency and quality of electricity supplied to the customers.

The distribution network system consists of 33 kV and 11 kV medium voltage (MV) lines and 400 V low voltage (LV) lines taking power from the 132 kV and 220 kV transmission system through grid substations (GSS).

Each Division is headed by an Additional General Manager who reports directly to the General Manager. The areas that come under each of the four Divisions are as follows:

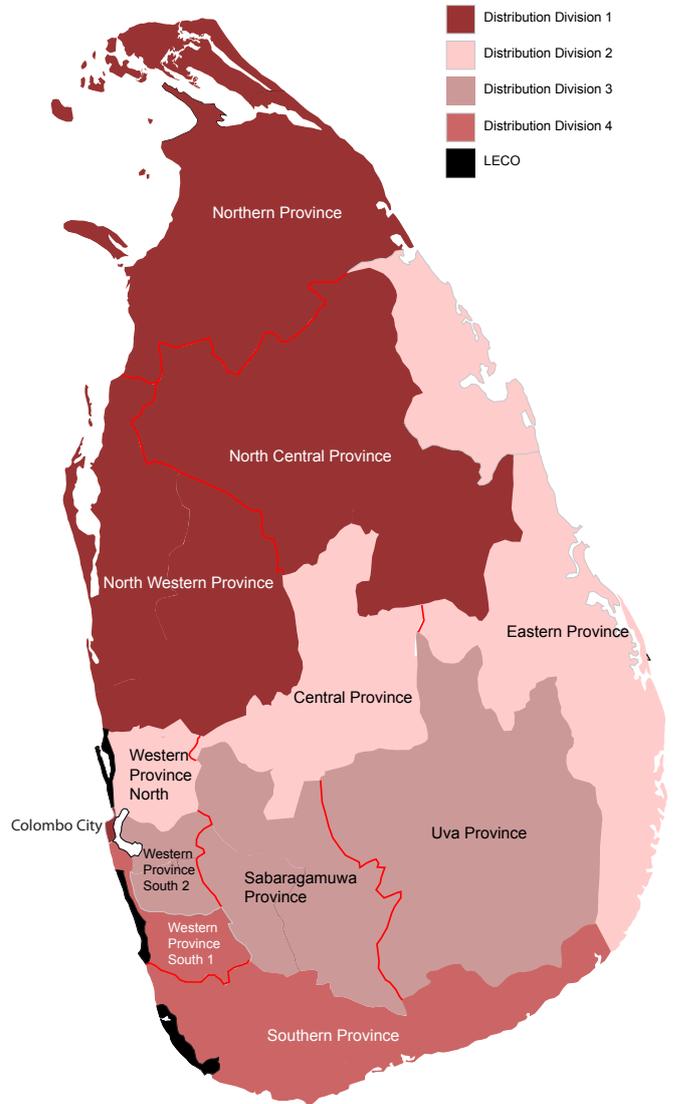
- Division 1 (DD1) : Colombo City, North Western Province, North Central Province and Northern Province
- Division 2 (DD2): Western Province North, Central Province and Eastern Province
- Division 3 (DD3): Western Province South II, Uva and Sabaragamuwa Provinces
- Division 4 (DD4): Western Province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

## Key Objectives

The key objectives of each of the Distribution Divisions are as follows:

1. Provision of a reliable electricity supply at statutory levels to the consumers within the Division
2. Selling electricity and achieving planned revenue to meet total expenditure
3. Achieving 100% electrification
4. Providing all services for the maximum satisfaction of the stakeholders
5. Ensuring rational development of the electricity distribution system to achieve distribution network reliability of international standards while minimizing system losses

## DISTRIBUTION DIVISIONS



Highlights of the Year 2013							
No	Description	Unit	DD1	DD2	DD3	DD4	Total
1	Units purchased from transmission during the Year	GWh	3,187	3,482	2,084	1,526	10,279
2	Units sold within the Division during the year	GWh	2,928	3,127	1,891	1,367	9,313
3	Revenue earned from Units sold	MLKR	60,289	52,626	31,362	23,835	168,112
4	Average selling price	LKR	20.59	16.83	16.58	17.43	17.93
5	Distribution loss	%	9.5	10.0	9.8	10.4	9.6
6	Receivable position	Months	1.10	0.94	0.93	0.93	0.98
7	No. of Bulk consumers within the Division at the end of the year	No	3,373	2,736	1,600	1,344	9,053
8	No. of retail consumers within the Division at the end of the year	No	1,428,651	1,805,234	1,061,261	906,573	5,201,719
9	No. of new connections provided during the year	No	80,257	63,247	50,748	31,329	225,581



## DISTRIBUTION DIVISIONS Contd...

### Operating Structure

The Distribution Divisions are divided province-wise and each unit handling a province is headed by a Deputy General Manager. These provincial units are again sub-divided into sub units area-wise which are managed by Area Electrical Engineers. An area unit is further subdivided into Consumer Service Centres (CSC) each headed by an Electrical Superintendent.

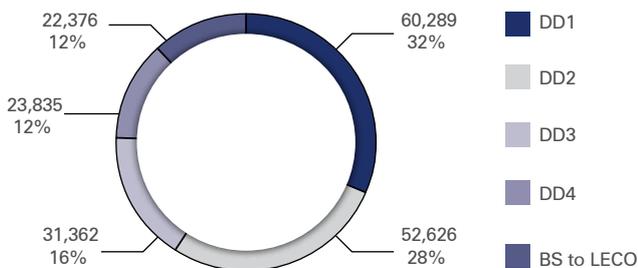
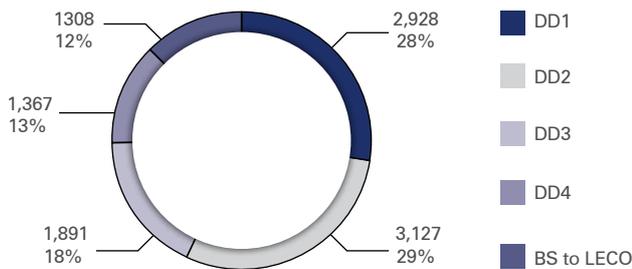
In addition to the Deputy General Managers in charge of the provinces, there are three other Deputy General Managers who oversee Projects, Heavy Maintenance, Planning and Development, Commercial and Corporate Functions of each Division. Division 1 has also a special branch for Rural Electrification (RE) and Projects, headed by a Deputy General Manager.

### Distribution Infrastructure

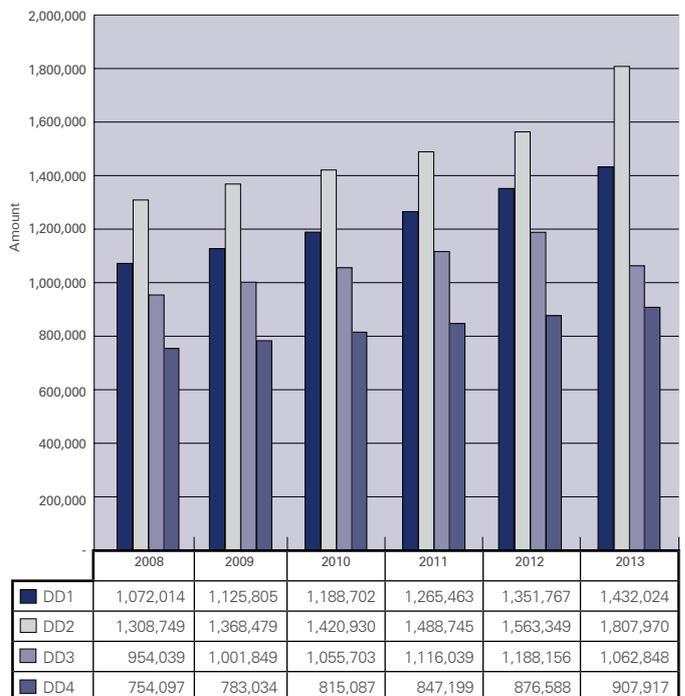
Description	Unit	DD1	DD2	DD3	DD4	Total
33kV Distribution Lines	km	8,390	8,489	6,447	4,529	27,855
11kV Distribution Lines	km	762	650	40	293	1,745
11kV Underground Cables	km	620	112	4	22	758
No. of 33/11kV Primary Substations/	No	31	42	14	33	120
LV Distribution Lines	km	31,734	34,162	26,824	23,117	115,837
LV Underground Cables	km	562	63	0	3	628
No. of LV Distribution Substations	No	8,345	7,950	4,889	4,268	25,452
Total No. of	No	1,428,651	1,805,234	1,061,261	906,573	5,201,719
Consumers	No	1,432,024	1,807,970	1,062,848	907,917	5,210,772

### Operational Data in Year 2013

#### Sales in GWh( In Million Units)



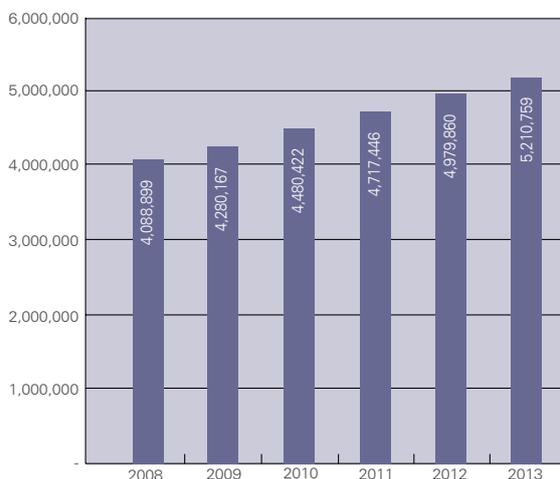
### Division-wise Consumer Accounts





## DISTRIBUTION DIVISIONS Contd...

### Total Consumer Accounts in CEB



### Number of Accounts in Tariff Category

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,229,768	1,596,936	948,508	814,717	4,589,929
Religious	10,683	10,797	5,647	4,500	31,627
Industrial	25,276	13,913	8,063	5,910	53,162
Hotel	122	179	61	103	465
Government	111	99	50	49	309
General Purpose	166,064	186,046	100,519	82,638	535,267
<b>Total</b>	<b>1,432,024</b>	<b>1,807,970</b>	<b>1,062,848</b>	<b>907,917</b>	<b>5,210,759</b>

### Electrification Levels in 2013

Division	Province	Electrification level (%)	
		2012	2013
DD1	Northern	76.0	82.0
	North Western	91.0	95.0
	North Central	89.0	93.0
	Colombo City	100.0	100.0
DD2	Western North	100.0	100.0
	Central	92.5	94.0
	Eastern	79.0	84.0
DD3	Western South II	99.0	99.0
	Uva	84.0	89.0
	Sabaragamuwa	92.0	94.3
DD4	Western South I	99.5	99.6
	Southern	99.0	99.5



## DISTRIBUTION DIVISIONS Contd...

### Rural Electrification

The GOSL and the CEB provide funds for the Rural Electrification Projects which have been introduced mainly to achieve 100% electrification.

The details of the related work during the year are as given below

Division	Province	Schemes		Extensions	
		No of jobs Completed	Cost in MLKR	No of jobs Completed	Cost in MLKR
DD1	Northern	94	992.52	96	261.6
	North Western	124	1119.68	367	392.54
	North Central	73	497.2	672	478.3
	Colombo City	Achieved 100% Electrification			
DD2	Western North	0	0	284	74
	Central	12	182	792	227.08
	Eastern	83	899	534	459.45
DD3	Western South II	1	12.79	61	32.1
	Uva	83	1,037	438	562
	Sabaragamuwa	46	580.3	623	308.2
DD4	Western South I	4	25.48	174	89.33
	Southern	0	0	681	288.18

### Social Events

In order to create a better working environment that will promote team work and develop the skills of the employees, many events such as sport meets, art festivals etc. were organized during the year for the benefit of the employees. Several other social service activities such as blood donation campaigns, religious and cultural activities etc., were also organized to assist the general public.



Blood donation Campaign in CEB



# DISTRIBUTION DIVISION 1

## Area of Operations

Distribution Division 1(DD1) consists of four Administrative Provinces namely North Western, North Central, Northern and Colombo City Area.

Northern Province is divided into three Areas which are Jaffna, Kilinochchi and Vavniya. North Central Province is divided into three Areas and those are Anuradapura, Kekirawa and Minneriya. The North Western Province is divided into seven Areas which are Chilaw, Kurunegala, Kuliyaipitiya, Wariyapola, Wennappuwa, Puttlam and Narammala. Colombo city is divided into Colombo North, Colombo South, Colombo West and Colombo East.

## Distribution Loss Reduction

The Distribution Division 1 successfully maintained a distribution energy loss of only 9.5% during the year. The breakdown of the provincial level losses in the year 2013 is given below.

Province	Energy input Gwh/ year	Losses (%)
Colombo City	1,324	6.1
North Western Province	1,159	9.7
North Central Province	458	13.3
Northern Province	293	18
Overall DD 1	3,234	9.5

Of this 9.5 % loss, technical losses were about 8.5% with the remaining 1% accounting to non-technical losses caused by billing errors, metering errors, unmetered street lamps, thefts, illicit supplies etc.

The overall distribution loss of the Division was 9.3% as at the end of year 2012 which increased to 9.5% in the year 2013, due mainly to the implementation of rural electrification programs in the North Western Province, North Central Province and in the Northern Province.

## Non Technical Loss Reduction Program

Under Stage I of the Non-Technical Loss Reduction Programme-, remote meter reading processes of heavy supply locations in all the provinces coming under DD1 were tested by the meter lab, continuously monitored and assistance was given to Area Engineers as and when needed.

The annual testing of meters, their regular inspections, recording of reported cases of meter tampering for the purpose of investigating them and automated meter reading of heavy supplies have attributed to drastically bring down the commercial losses of heavy supplies. , i.e almost to zero level.

Meanwhile, Stage II of the Non Technical Loss Reduction Program continued during this year too. Under this Project, metres of

all 3-phase 60 A installations were replaced with PPM meters (with kVA recording facility) together with tamper proof meter enclosures having padlock type tamper proof seals. This has enabled to identify 60 A consumers whose demand is above 42 kVA. Tampering of meters too was recorded to facilitate investigations.

## Technical Loss Reduction

The MV Distribution System Development Plan for 2013-2021 was finalized in October 2013. This plan includes proposals for technical loss reduction and measures to increase supply reliability of the system. DD1 was able to complete the construction of 48 km of MV lines which were proposed under this Plan.

## Key Events in 2013

### Deyata Kirula



Installation of Load Break Switch at Dayata kirula exhibition site

The cost of providing electricity to the venue of the 2014 Deyata Kirula exhibition was estimated at Rs 170 million. The construction of a dedicated 33 kV Lynx line to Deyata Kirula exhibition venue and the construction of twenty 33 kV substations commenced at the end of year 2013. There were also several other programmes connected with the Deyata Kirula Exhibition some of which are listed below:

## Summary of jobs completed under Deyata Kirula Program

District	Schemes		Extensions	
	No of jobs Completed	Cost in MLKR	No of jobs Completed	Cost in MLKR
Kurunegala	40	467.88	60	26.55
Puttlam	6	65.59	50	19.01
Total	46	533.47	110	45.56



## DISTRIBUTION DIVISION 1 Contd...

### Work Extent of Deyata Kirula site

Dedicated 33 kV Lynx line length	km	2
33 kV line length in the site	km	4.106
No. of Sub stations	No	20
LT line length	km	30

### CHOGM - 2013 Program

Since most of the key events of the Commonwealth Heads of Government Meeting - 2013 (CHOGM - 2013 ) were held in Colombo, the Colombo City Branch had to carry out several improvements to the electricity distribution network in the Colombo city so as to ensure an uninterrupted power supply to the venue of the event. The total cost incurred in carrying out these improvements was Rs 17 Million.

All activities pertaining to CHOGM were successfully completed and the service rendered by the CEB was commended by His Excellency the President on 17th November 2013 at the BMICH.

### Implementation of the New Consumer Relationship Management Project in Colombo City

It is realized that customers intend to know exactly when rather than how long the CEB takes to attend to their requirements once requests are made by them. The following procedure was adopted in Colombo City to provide such information to the customers.

When it is required to carry out a field investigation subsequent to a request made by a customer, the scheduled date of the investigation is conveyed to the customer at the time of registering his/her request. This procedure is usually adopted when customers request for new ordinary supply service connections, meter/equipment shifting, reconnections for finalized accounts etc.

The estimates for such requests are prepared on MITFIN software which is maintained by IT division of CEB. Once the estimate is prepared on MITFIN and ready for issuance, a SMS message is automatically generated and sent to the customer's mobile phone instantly by this software. At present this facility is provided only for the Colombo city customers as a pilot scheme. The amount to be paid by the customers and other related details are sent over the SMS message.

The execution dates of the jobs are given to the customers at the time of making payment for the furnished estimates. Some of such type of jobs are new Ordinary Supply / Bulk Supply connections, Net Energy Metering related electricity connections, Meter/Equipment testing, reconnections etc.

### Vehicle Tracking System implementation

Steps were taken to manage the vehicles in the Colombo City more efficiently using GPS/GSM technology so that the vehicles concerned are deployed effectively to carry out only the tasks assigned to them.

The locations of the field vehicles are monitored on a single computer console by using this technology so that new jobs could be assigned to the nearest vehicle in the relevant zone. This method ensures that the vehicles operated more efficiently with minimum mileage and that the customer requests are attended without undue delays.

Facilities were also available to view the movement history of the vehicles connected to the system. In the initial stage, this vehicle tracking system was implemented as a pilot project with the LV operation vehicle used in the Colombo (West) area.

### Construction Job Performance for the Year 2013

Province	HT (km)	LT (km)	S/S	Cost (MLKR)
North Central	85.5	548.3	109	1,131.6
Northern	161.8	621.64	77	1254.2
North Western	102.0	738.7	172	1,540.2

### Implementation of Colombo City In-House Projects

The Colombo City Projects Unit was set up under the Colombo City Office to handle the construction of the new primary substation 'J', augmentation of the primary substation 'D', refurbishment of the primary substation 'F' and rehabilitation of the primary substation 'B' as In-House Projects instead of executing them on turnkey basis.



PSS - "F" Old System

PSS - "F" New System

### Achievements in 2013



North Central Province team at the 5S award ceremony



## DISTRIBUTION DIVISION 1 Contd...



North western Province after winning a bronze award in National Quality conducted by SLSI

1. North Central Province Office won the first place in the 5S competition held in 2013.
2. North Western Province Office received the Bronze award (under large scale category ) of the National Quality Awards presented by SLSI.
3. Additional Finance Manager (DD1) office won the first place at the 5S championship conducted by CEB.
4. Chilaw and Puttalam Area Offices obtained ISO 9001:2008 QMS Certifications.
5. Wariyapola Area Office won the first place at the "5S competition".
6. Lunuwila Primary Substation won the second place in GS/PS category in the "5S competition" conducted by CEB.



# DISTRIBUTION DIVISION 2

## Area of Operations

Twenty two(22) Area Offices and seventy six (76) Consumer Service Centres have been placed under the purview of this Distribution Division for ease of operation. The area of operation of this Division covers the whole of Eastern and Central Provinces and parts of the Western and Sabaragamuwa Provinces. The Eastern Province has been subdivided into four areas, i.e Ampara, Batticaloa, Trincomalee and Kalmunai. The twelve areas, i.e Kegalle, Mawanella, Kandy City, Peradeniya, Kundasale, Katugastota, Galagedara, Matale, Dambulla, Nuwaraeliya, Ginigathena and Nawalapitiya come under the purview of the Central Province Office. Nuwaraeliya and Ginigathena also come under this Division and till the latter part of 2013 these areas were under Distribution Division 3. The Western Province North has been subdivided into six areas, i.e Gampaha, Kelaniya, Negombo, Ja-ela, Divulapitiya and Veyangoda. The Division caters to 1,807,970 consumers.

## Loss Reduction Program

Under the Loss Reduction Programme of the Division, a concerted effort has been made to reduce non-technical losses. Major non-technical losses have been identified and new methods introduced to minimize them.

The Commercial and Corporate Branch of the Division has taken steps to collect arrears of payments of electricity bills of finalized electricity accounts as a part of this programme. It is aimed at recovering completely the arrears in finalized accounts of previous years while aiming at recovering fully the arrears at the time of finalizing the accounts of the current year.

## Embedded Generators in the Province

Approximately 38% of the Non-Conventional Renewable Energy (NCRE) projects that have been already commissioned come under the purview of the Distribution Division 2 including several small mini hydro plants and bio-mass plants together with one Dendron plant. The NCRE plants handled by the Division had a capacity of around 115.475 MW by the end of the year. 97% of these NCRE plants are located in the Central Province with the remaining plants located in the Eastern Province.

## CEB Headquarters Call Centre

All the administrative and functional activities of the Call Centre at the Head office are handled by the Deputy General Manager (Commercial & Corporate) of the Distribution Division 2. A web based Break down Management System was installed in 2013 to replace the isolated application which was being used until then. This brought in an improvement to the service provided by the Call Centre as it allowed parallel working with other provincial control/call centres. The communication infrastructure of the Call Centre is to be upgraded in 2014.

## Line construction work completed within 2013

The Projects & Heavy Maintenance-DD2 Branch is responsible for the construction and maintenance of the 33 kV tower lines, primary substations, gantries, auto-reclosers, Load Break Switches (LBS) and CT/PT units of the Distribution Division 2.

	Details	Length/km	No	Cost/Rs. million
1	33kV DC Lynx	22.7	2	279.2
2	33kV SC Lynx	12.3	2	188.0
3	DC Lynx Tower	28.6	4	405.5
4	SC Lynx Tower	1.3	2	18.0
5	DC Lynx Pole	24.3	1	201.0



Stringing of Eriyagama-Meewathura D/C tower line



Repairing of tower top of Inginiyagala-Pothuvil tower line



Opening of Trincomalee-Kinniya Double Circuit Tower



Reinstating of fallen tower due to flooding at Mangalagama



## DISTRIBUTION DIVISION 2 Contd...

### Construction Progress -2013

#### Progress of Construction work

Fund Type	No. of Jobs	Work Content					Cost Rs Million
		HT (km)	LT (km)	S/S	1-3 Ph / (km)	2-3Ph / (km)	
DCB	265	8.87	40.33	4			69.32
PCB	175		30.50				37.66
Cost Paid	43	12.83	19.86	7			87.36
System Augmentation	316	32.96	85.09	58	13.46	3.10	362.82
Bulk Supply	35	15.10		33			104.76
LSE	6		6.54				8.33
ADB	196	51.19	426.56	30	19.52	0.70	728.77
NN	402	73.10	554.59	48	34.99	1.14	1009.96
UU	11		11.78		0.36		16.46
BSF	36	8.27	30.10	19			88.46
Cost Recovery	Bulk Supply	38	11.73		33		95.30
	Distribution	90	26.18	163.64	17		221.94
Accelerated Rural Electrification Project	4	9.75	4.23	3			30.53
Lighting Sri Lanka CP	22	0.03	3.21	1			10.72
Lighting Sri Lanka Kegalle District	7	3.13	3.74	2			8.83
Rural Electrification Project 8	839	23.74	383.67	35			600.34
SIDA	3	8.30	15.13	3			38.81
Ran Aruna	284		31.00				85.00
Maintenance of Lines	657	23.87	1696.70	36			343.55
<b>TOTAL</b>	<b>3429</b>	<b>309.05</b>	<b>3506.66</b>	<b>329</b>	<b>68.33</b>	<b>4.94</b>	<b>3948.94</b>

#### MV/LV Network Development Work (Completed)-2013

Province	New Distribution Substation (Nos.)	Aug. Distribution S/S (Nos.)	New MV line (km)	New LV line (km)	LV line conversion (km)
WPN	64	16	13.312	10.395	29.007
CP	68	11	86.31	594.41	212.58
EP	119	12	180.14	1,063.63	73.27



## DISTRIBUTION DIVISION 2 Contd...

### Achievements-2013

#### CEB 5S Award Ceremony

The Office of the Additional Finance Manager, Distribution Division 02 won the first place under Category G in CEB 5S competition held in 2013.



Staff of the office of the Additional Finance Manager (DD2) at the 5S awards ceremony

#### Control Centre-Western Province North

Considering the need for increased network reliability and system efficiency, a Supervisory Control and Data Acquisition (SCADA) System was commissioned at the Distribution Control Center of Western Province North.

SCADA development work was carried out in house by CEB engineers without relying on foreign expertise.

#### New POS Counters

Two new POS Counters were opened at area offices in Veyangoda and Divulapitiya.



POS Counter at Veyangoda

POS Counter at Divulapitiya

The Energy Management Branch of the Central Province conducted several Consumer Awareness Programs on Energy Conservation to educate school children and the general public on the need for energy conservation and management.



# DISTRIBUTION DIVISION 3

## Area of operations

The Distribution Division 3 covers Sabaragamuwa Province, Uva Province and a part of the Western Province identified as Western Province South II. Western Province South II covers area of Homagama, Sri Jayawardenapura, Avissawella and Horana while Sabaragamuwa Province covers the Ratnapura District and a part of the Kegalle District. Uva Province covers Badulla and Monaragala Districts. Nuwaraeliya area which was under the Uva Province previously was handed over to the Central Province in June 2013 and Ginigathena area which was earlier under the office in the Sabaragamuwa Province was handed over to the Central Province in August 2013. There are thirteen (13) Area offices and 42 Consumer Service Centres coming under the purview of the Division.

## Uva Udanaya

The Government is making a genuine effort to provide electricity to the whole of Sri Lanka while establishing small and medium scale industries in the rural areas. The proposed Uva Udanaya

## Development of Electricity Distribution System

Project/Scheme	LT (km)	HT (km)	New Subs/ Gantries	Augmented Subs	Subs/ gantries Maintained	LBS	Fault Indicators	Total Cost Rs Million
DCB	1.1							1.3
PCB	2.1							2.5
Sys. Augmentation	262.2	125.5	26	10	8	4	17	428.3
Uva Udanaya	857.2	137.5	83					1,599.0
Lighting Ratnapura	529.9	35.5	26					463.0
Other – RE Schemes(including RE8)	273.4	36	21					470.4
<b>Total</b>	<b>1925.9</b>	<b>334.5</b>	<b>156</b>	<b>10</b>	<b>8</b>	<b>4</b>	<b>17</b>	<b>2964.5</b>

## Distribution Loss Reduction

The Divisional distribution loss which was at 10.67% in the year 2012 was brought down to 9.8% by 2013. This reduction of distribution losses had been due to vigorous monitoring and implementation of distribution loss reduction programmes (both technical and commercial) launched by the Distribution Division 3 during the past few years.

This loss of 9.8% consists of technical losses and non-technical losses such as theft, illicit supply, billing errors, metering errors, unmetered street lamps etc. Furthermore the loss levels in Sabaragamuwa and Uva provinces are high compared with Western Province South II due to long line length of feeders. New grid substation, backbone lines and gantries have been proposed to reduce these losses. To reduce non-technical loss, Distribution Division 3 Energy Management Unit carries out programs to improve the metering connections of Bulk Transformers. Western Province South II Energy Management Unit investigates theft and illicit tapping cases. Further frequent meter testing is done for finding out the defective meters and theft cases.

Rural Electrification Project, that focuses on Rural Electrification Expansion and Access Improvement, will provide electricity to about 800 remote villages at an estimated cost of about US\$ 45 million. The Project will extend the existing medium voltage distribution lines by 625 km with 250 distribution substations that would feed 80,000 new households through a low voltage network of 2,250 km meeting at the same time the requirements of small, medium and large scale industries.

## Lighting Ratnapura

This Project aims at providing 100% electrification of the Ratnapura District. The work of the Project managed by a Project Director commenced in the year 2008. The scope of the Project includes the following:

1. Augmentation of the Ratnapura grid substation.
2. Construction of 71 km of 33 kV express lines and 3 switching gantries.
3. Construction of 1000 km of MV lines, 2100 km of LT lines and 550 distribution substations.

## Energy Management

The Energy Management Unit of the Distribution Division 3 functions under the Deputy General Manager (Commercial & Corporate). The Unit focuses on substation improvement, low voltage surge protection, energy auditing and medium voltage capacitor installations. Several energy conservation programmes have been organized for government institutions and schools in order to promote efficient energy utilization. The importance of energy conservation is also stressed through posters, hand bills etc. A medium voltage capacitor installation programme is carried out towards voltage improvement, local injection of reactive energy (VAr), loss reduction etc. The Unit is fully focused on loss reduction, energy conservation, demand side management etc., within the Division.

Job	No of Locations
Substation improvement	60
Low voltage surge arrestor installation	101
Medium Voltage capacitor installation	2



## DISTRIBUTION DIVISION 3 Contd...



MV Capacitor installation



Substation improvement



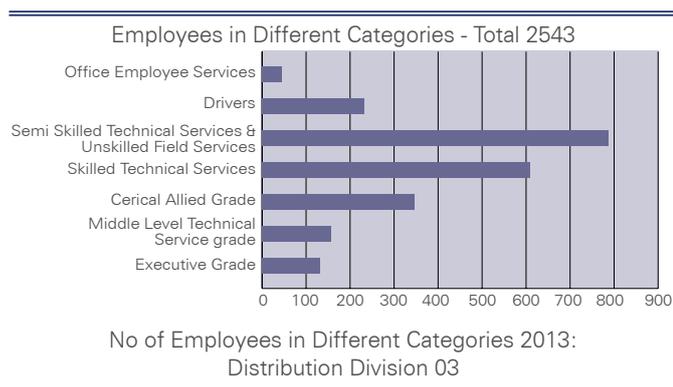
Low voltage surge protection



Energy conservation programmes

### Human Resources

The Human Resource Unit provides a supporting service to the division by taking steps to create a pleasant and efficient working environment to the employees. The total number of employees in the Division at the end of 2013 was 2,543. Wherever there was a shortage of staff, services of man power agencies were obtained to ensure the non interruption of essential services. The employee distribution in the Division is given below.



### Technical Bulletins

A Technical Publication Committee has been established in the Division for publication of technical bulletins. Technical Bulletins are prepared by the Engineers in the Division and reviewed by the Technical Publication Committee, published and distributed among the Electrical Superintendents, Linesman and other technical staff of Division. In 2013, twenty five (25) technical bulletins were published. Through these publications it is expected to improve and refresh the knowledge of staff and educate them on the proper use of tools, equipment and material.

### Call Centre Western Province South II

The Call Centre of the Western Province South II commenced its official operations in 2013 by acquiring the breakdown operations of Thalagama CSC and Padukka CSC. Currently breakdown operations of Sri Jayawardhanapura area (Thalangama, Malabe and Welivita CSCs), Homagama Area (Homagama and Pannipitiya CSCs), Avissawella Area (Padukka, Hanwella and Avissawella CSCs), Millaniya CSC and Bulathsinghala CSC are done by this Call Centre contactable on the Hotline 011-2146464





# DISTRIBUTION DIVISION 4

## Area of operations

The Distribution Division 4 covers a part of the Western Province (Western Province South I), the entire Southern Province and a few parts of the Sabaragamuwa and Uva Provinces. Western Province South I covers the Areas of Ratmalana, Kalutara and Dehiwala and Southern Province covers the Areas of Ambalangoda, Galle, Hambantota, Matara, Tangalle, Weligama and Baddegama. The Distribution network of Division 4 extends from Dehiwala to Kataragama.

## Key Events

1. The Baddegama Area office was opened in 2013 with a view to improving the service to consumers in Thalgaswala, Wanduramba and Baddegama areas.
2. A Door Step Service that enables consumers to obtain new service connections without making visits to the Area Office was commenced in the Dehiwala Area. This is the first such service initiated by the CEB.
3. A 'Drive through Bill Paying Counter' was established at the premises of the office of the Deputy General Manager in Ratmalana, to facilitate consumers who travel in and drive their own vehicle to pay their bills at the counter while still being seated in the vehicle.
4. A Self Payment Kiosk was introduced on a trial basis for the convenience of customers in the Western Province South I.
5. The Round-the-Clock Call Centre in the Western Province South I was upgraded to provide enhanced facilities to its consumers using latest communication technologies to enable them to clarify any matter connected to their electricity supplies (account balances, procedures on new service connection, name change etc.)
6. A service to remind customers through SMS about their outstanding bills and scheduled interruptions was initiated in the Western Province South I.



Door step Service at WPS I

"Drive through Bill Paying Counter" at WPS

## Lighting Sri Lanka Hambantota Project

The Lighting Sri Lanka Hambantota Project is the very first Rural Electrification project which aimed at providing 100% electrification of a district in Sri Lanka.

The scope of the Project includes the construction of 230 Nos. of distribution substations, 350 km of medium voltage lines, 1250 km of low voltage lines; 108 km of 33kV Express double

circuit tower lines and 06 Nos. of 33kV Switching Gantries. 96% of the construction works of the 33kV tower lines and 95% of the construction work of gantries have been completed by the end of 2013.

More than 75% of the low voltage lines have been constructed using Aerial Bundle Conductors (ABC) to avoid felling of trees. In the distribution network, an environmentally - friendly partially insulated medium voltage line of about 5km have been drawn for the first time in Sri Lanka to preserve vegetation in the forest reserves. At present, other regions of CEB have also commenced rural electrification work using this technology in the terrains where clearing of way leaves is restricted.

## Electricity Distribution Development Project Dehiwala - Mt.Lavinia

A proposal has been submitted to Japan International Cooperation Agency (JICA) to obtain necessary funds to carry out the project

## Development of Electricity Distribution System

The details of rural electrification schemes and other construction works carried out and completed during the year 2013 are given below.

Job Category	Extent of work				Cost (Rs million)
	HT (Km)	S/S (Nos.)	LT (km)	Line conv. (km)	
Decentralized Budget + Provincial Council Budget	-	-	3.08	0.80	4.25
Cost Paid and Bulk Supply	28.60	76.00	17.90	0.80	211.60
Rural Electrification -8	3.83	5.00	79.97	1.50	119.49
Property Developments	2.20	6.00	19.60	0.60	36.50
System Augmentataion	63.63	42.00	35.77	177.40	281.50
Lighting Sri Lanka (Galle-Matara)	-	-	226.50	42.10	283.60
Lighting Sri Lanka(Kalutara)	-	-	0.99	0.00	1.14
Uva Udanaya	-	-	7.30	0.80	10.80
<b>Total</b>	<b>98.26</b>	<b>129.00</b>	<b>391.11</b>	<b>224.00</b>	<b>948.88</b>

In addition to the above mentioned network development works, the Southern Province has undertaken line shifting work of Road widening projects, especially in the Hambantota and Southern Railway Project.

The following major activities were also carried out during the year 2013.

1. Construction of 33kV double circuit tower line from Ambalangoda grid substation to Elpitiya at a total cost of Rs 110 Million.
2. Rehabilitation of selected existing 33kV tower lines of 230km in length in Southern and Western Province South-1 at a total cost of 92 Million.



## DISTRIBUTION DIVISION 4 Contd...

- Capacity Enhancement of Dickela and Yala primary substations at a total cost of 33 Million.
- Construction of 1MVA primary substation at Hambantota at a total cost of 6 Million.
- Installation of auto reclosers, load break switches and metering transformers at a total cost 60 Million.
- Hot line maintenance of 33kV tower lines of 281km length.
- Routine maintenance of 20 manned primary substations, 15 unmanned primary substations, 29 switching gantries, 83 Auto reclosers, 132 load break switches and 51 metering transformers.

### Asset Management

Some of the asset management activities undertaken by the Division are mentioned below:

- Introduction of the use of GPS coordinates in Western Province South 1 for location/ identification of all major assets and the introduction of a low cost GPS data collecting system using a mobile phone application.
- Fitting all the Switches in the Western Province South 1 with identification number plates for ease of monitoring.
- Implementation of a Document Recording Management (DRM) System and a Computer Network Based Document Handling System that reduce paper usage and to ensure safety of information documented .
- Introduction of a Customer Relationship Management (CRM) System in Western Province South 1 to follow up on customer inquiries.
- Introduction of a sticker printed with required guidelines (eg: recommended fuse ratings) in the breakdown vehicles to improve the quality of repair work.

### Computerization Activities

A Human Resource Information System (HRIS) with 13 modules was introduced in the Division with its first three modules which handle leave, performance appraisal of staff and medical already in operation running in parallel to the manual systems.

The MITFIN System for computerized accounting is fully operational in the region with the cash book, general ledger, inventory and job costing estimation being done online. In addition to this Budgetary Control Reports and Current Account Reconciliation using this software was also implemented in year 2013.

All the Offices and Consumer Service Centres in both Western Province South I and Southern Province including Projects and Heavy Maintenance and Lighting Sri Lanka Hambantota Project Offices are connected online and Consumer Service Cost Centre-wise accounting has been completed.

### Distribution Loss Reduction Programme

The following activities were undertaken with regard to the above:

- Provision of remote meter reading facility to all the bulk supply consumers facilitating the identification of unauthorized activities at these installations
- Carrying out energy conservation and energy auditing programs by the Energy Management Unit to educate ordinary and bulk supply consumers and school children in the Southern Province.
- Testing and correction where necessary of all the bulk supply meter installations in Western Province South I and the installation of enclosures to minimize technical and non-technical losses in bulk power supplies.
- Rehabilitation of all three phase supplies in the Ratmalana area and enclosing the respective meters to ensure zero breakdowns and unauthorized connections.
- Introduction of a seal management system in Western Province South I to prevent unauthorized tapping.

### Human Resources: Distribution Division 4

Continuing training programmes were held for all employees, hired manpower and contractors to enable them all to get their promotions on time.

At the end of the year, the total staff strength of the Division stood at 1975.

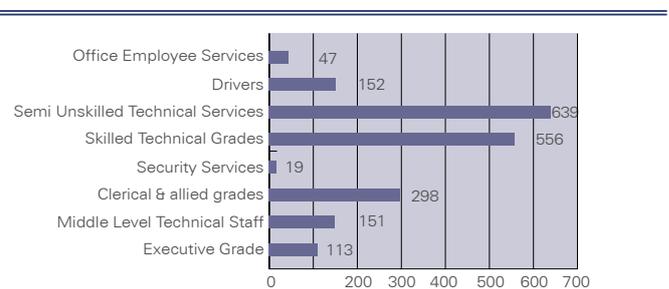


Figure: Staff Categories: Distribution Division 4



## DISTRIBUTION DIVISION 4 Contd...

### Achievements

The following are the achievements of the Division at the 5S competition- 2013 conducted by the CEB:

- 1 Matara primary substation won the second place
- 2 Area office - Hambantota, Consumer Service Center - Matara, and Circuit Bungalow - Kataragama were awarded third place

The Consumer Service Center- Dikwella won a Merit Award in the Taiki Akimoto 5S Awards competition -2013 conducted by Japan Sri Lanka Technical and Cultural Association



Matara Primary Substation team and Hambantota Area office team at the 5S award ceremony

### Abbreviations

- |          |   |                            |         |   |                           |
|----------|---|----------------------------|---------|---|---------------------------|
| 1. AGM   | - | Additional General Manager | 16. UU  | - | UvaUdanaya                |
| 2. DGM   | - | Deputy General Manager     | 17. ADB | - | Asian Development Bank    |
| 3. CE    | - | Chief Engineer             | 18. NN  | - | Negenahira Nawodaya       |
| 4. DD1   | - | Distribution Division 1    | 19. BSF | - | Board Special fund        |
| 5. DD2   | - | Distribution Division 2    | 20. SC  | - | Single Circuit            |
| 6. DD3   | - | Distribution Division 3    | 21. DC  | - | Double Circuit            |
| 7. DD4   | - | Distribution Division 4    | 22. WPN | - | Western Province North    |
| 8. MV    | - | Medium Voltage             | 23. CP  | - | Central Province          |
| 9. LV    | - | Low Voltage                | 24. EP  | - | Eastern Province          |
| 10. GSS  | - | Grid Substation            | 25. POS | - | Point of Sales            |
| 11. MLKR | - | Million Sri Lankan Rupees  | 26. CT  | - | Current Transformer       |
| 12. SC   | - | Consumer Service Center    | 27. PT  | - | Potential Transformer     |
| 13. RE   | - | Rural Electrification      | 28. DCB | - | Decentralized Budget      |
| 14. PSS  | - | Primary Substations        | 29. PCB | - | Provincial Council Budget |
| 15. LSE  | - | Lighting Sri Lanka East    |         |   |                           |





# OPERATION REVIEW

PROJECTS  
**DIVISION**



# PROJECTS DIVISION

The Division handled the following Projects during 2013:

## 2x300 MW Puttalam Coal Power Project - Phase II

The Phase II of the 2x300 MW Puttalam Coal Power Project commenced its construction work in May 2010. The Project is funded by a US\$ 891 million loan provided by the EXIM Bank of China. The construction work of the Project has been entrusted to China Machinery Engineering Corporation (CMEC) on EPC basis. The scope of the project includes installation of two 300MW steam turbine-generator units (Unit No.2&3), extensions of 220kV Gas Insulated Switchgear at Norochcholai, construction of 220/132kV, 2x240MVA grid substation at Dummalasooriya and construction of 105km long 220kV double circuit transmission line between Norochcholai and Anuradhapura.

The commissioning work of the Unit No 2 is expected to be carried out during the first quarter of the year 2014 and its operations to commence in April 2014. It is expected to complete the installation of Unit No.3 by May 2014 and to commence its commercial operations by August 2014. Each plant is expected to generate 1800 GWh annually.

It is expected to complete the construction of Dummalasooriya substation by March 2014. Part of the energy generated under Phase II will be transmitted to Anuradhapura through 220kV double circuit transmission line, helping the electrification of North-central and Northern provinces as well as increasing the overall reliability of the system.

## Upper Kotmale Hydropower Project

The Upper Kotmale Hydropower Project is a run of river type hydropower project with an installed capacity of 150MW (consisting of two 75MW units). It is expected to produce an annual generation of 409GWh. Some of the salient features of the project are given below.

- A dam located close to the town of Talawakelle with a height of 35.5m and a crest length of 180m. It will have a gross storage of 2.5 MCM with an effective capacity of 0.8 MCM with a surface area of 0.25square km (60 acres).
- A headrace tunnel 4.5m/5+.2m in diameter lined/unlined and 12.89km in length, running north from the dam towards the Pundal Oya Falls before turning northwest towards the existing Kotmale dam and reservoir. (The maximum gross head between the reservoir and the powerhouse will be 491m).
- An upstream surge tank 12m in diameter and 98m high with a restricted opening, located on the crest of the power house.
- A penstock formed by an underground inclined shaft starting with a diameter of 4.5m and gradually reducing to 1.45m. It will be 793m in length, consisting of one lane of 745m and two lanes of 48m.
- An underground powerhouse located at Niyamgamdora, (2km upstream of the confluence of Puna Oya and Kotmale Oya) to house two units of 77000kW turbines, two vertical axis three phase 88,000kVA generators, two 3-phase transformers and a 220kV Gas Insulator Switchgear (GIS) substation.

- An outdoor switchyard, 36.5m wide and 130m long, located at Niyamgamdora, to connect the Power House to a 220kV double circuit transmission line.
- 220kV double circuit transmission line of 15.5km length to transmit power generated to the existing Kotmale Substation and the associated switch yard extensions.

Japan International Corporation Agency (JICA) has provided financial assistance through a loan facility amounting to Yen 37,817 million for the project. The 150MW underground power plant was successfully commissioned by His Excellency the President of Sri Lanka on July 14, 2012.

By the end of year 2013 the plant has generated 827 GWh. The annual production for the year 2013 itself had reached 567 GWh, surpassing the expected annual generation of 409GWh.

Due to social and political reasons some of the resettlement works of the project had to be time adjusted. Around 60 houses, 50 commercial establishments, a rest house, and some school buildings to be constructed under the project are now under construction in the reclamation area. This work is scheduled to be completed by April 2014.



Hydro turbines are in operation and generating electricity



Scenic view of the Upper Kothmale dam and its water releases



## PROJECTS DIVISION Contd...

### 500 MW Trincomalee Coal Power Project

#### 1. Project Features

Ceylon Electricity Board (CEB) and NTPC Ltd. of India have incorporated the Joint Venture Company in September 2011 as Trincomalee Power Company Limited (TPCL) for setting up a 500 MW coal based power plant in Trincomalee on Build, Own and Operate (BOO) basis. The joint venture company TPCL has entered into following agreements in relation to the above project in October 7, 2013.

- Power Purchase Agreement between CEB & TPCL
- Implementation Agreement between GOSL & TPCL
- BOI agreement between BOI & TPCL
- Coal Supply Agreement between Lanka Coal Company & TPCL
- Deed of Adherence between TPCL, CEB & NTPC
- Amendment to MOA between GOSL, CEB & NTPC
- Amendment to JVA between CEB & NTPC

TPCL is in the process of finalising the Consultancy Agreement with NTPC Ltd. India, who has been identified as the Owner's Engineer for the project under the MOA.

#### 2. Power Plant

Implementation Agency: Trincomalee Power Company Limited (Joint Venture Company between CEB & NTPC India)

Location: Sampoor in Trincomalee District  
 Plant Capacity: 500 MW  
 Plant Cost: Power Plant: Approx. US\$ 500 million  
 Financing: Debt: approx. US\$ 350 Million by International Lenders:  
 {To be decided by the JVC; independent of the balance sheets of the share holders.}  
**Equity:** Equal subscriptions by CEB (funded by the GOSL) and NTPC approx. US\$ 75 million each.

#### 3. Peripheral Developments

This project requires main peripheral development namely the transmission line from power station at Sampoor to Veyangoda and the coal unloading jetty. The details of the each component are described below.

##### 3.1 Transmission Lines and substations

Implementation Agency: CEB  
 Line route" Part I 400 kV from Sampoor to Habarana  
 Part II 220 kV from Habarana to Veyangoda

Line length: Part I - 98 km  
 Part II - 148 km  
 Line cost: Part I - Sampoor to Habarana: approx US\$ 106 million  
 Part II - Habarana to Veyangoda: approx US\$ 100 million  
 Financing: Part I - Funding is expected from Indian credit line  
 Part II - Financing is already secured through JICA  
 Status: Part I - Line Route Survey is in progress  
 Part II - Tendering is in progress

##### 3.2 Port Facilities for coal unloading

Implementation Agency: Sri Lanka Gateway Industries (Pvt) Ltd.(SLGI), a BOI company  
 Location: at Koddia bay near Sampoor power plant site  
 Capacity: 1.3 million tons coal unloading per annum in the first phase  
 Status: The Terminal Services Agreement between Lanka Coal Company & SLGI has been signed in September 2013

##### Broadlands Hydropower Project

The Broadlands Hydropower Project is a run-of-river type project planned to build on the Kelani River, with the object of harnessing the hydro potential downstream of the existing Polpitiya power station. The project with an installed capacity of 35 MW is expected to generate 126 GWh of electrical energy annually. The main work sites of the project are located about 90km north-east of Colombo, near Kithulgala. The main components of the project are Main dam, Diversion dam, Headrace tunnel, Diversion Tunnel, Surface Power Station, Switch Yard and transmission Line.

The approval of the Cabinet for the project implementation on Design Build Basis was granted in 2006 by securing funds arranged by the successful contractor. After the successful evaluation of the bids received, China National Electric Equipment Corporation (CNEEC) was selected as the successful bidder and contract agreement with them signed towards the end of 2010.

The total project cost is USD 82 million. The main component of funding is provided by Industrial & Commercial Bank of China (ICBC) and the balance to be obtained from Hatton National Bank of Sri Lanka. The Financial Agreements with Both Banks were signed in 2013. The preliminary construction work of the project has already commenced and the project is expected to be completed in four years.



## PROJECTS DIVISION Contd...

The Environment clearance for the project has been already received. Land acquisition and preparations for resettlement of people are in progress. Socio Economic Survey has been completed and preparation of Resettlement Action Plan has been completed.

The project obtained CDM registration and PDD preparation has been completed. The project is now undergoing the validation process.

### Jaffna Power Project- 24MW Diesel Power Plant at Chunnakam

With end of thirty (30) years old civil war in the country, it became important to restore infrastructure facilities in the Northern area and in particular in the Jaffna peninsula. As the power supply network in the areas concerned was in a dilapidated position, the CEB commenced implementing a program to provide a reliable electricity power supply to Jaffna peninsula in parallel with the other development activities undertaken to normalize the civil life in Northern area. In 2010, power network in Jaffna was isolated from the national grid and electricity demand there was met by old diesel generating sets own by independent power producers which were expensive and unreliable. It became therefore necessary to provide a low cost and reliable power supply as a short term measure. Therefore, it is important to provide low cost, reliable means of power generation at Jaffna peninsula as a short term measure. Considering the distance from the power generation sources of the national grid, a power plant was required in the Jaffna peninsula as a long term measure to maintain voltage stability and power system reliability. Hence it was decided to put up a plant at Chunnakam, Jaffna to cater to the electricity needs of the Jaffna Peninsula.

The scope of the project was to design, manufacture, supply, install and commission, a 24MW diesel engine driven power plant at Chunnakam in Jaffna Peninsula by December 31, 2012 as an EPC turnkey contract. The power plant comprises with 3 Nos of 8MW Diesel operated generator sets along with all the infrastructure facilities including power house, associated ancillary systems, tank farm with unloading facilities, radiator bank, 33kv gantry, fuel treatment house, incinerator, workshop building, administration building and a building for bachelor quarters etc which are essential for smooth operation of a diesel power plant. This is the first Generation project which CEB implemented without seeking the services of expatriate consultants and CEB has played dual roles, i.e. as the Engineer as well as the consultant. This project is another milestone in the Engineering history of the country as a power generation project that was successfully completed within scheduled period of eight months solely by local engineers. The cost of the Project cost was approximately Rs.3.5Billion.

His Excellency the President ceremonially opened the power plant on 12th February 2013.



Uthuru Janani 24MW Diesel power plant at Chunnakam

### Uma Oya Hydropower Project

The Uma Oya Multipurpose Development Project is implemented by the Ministry of Irrigation and Water Resources Management in association with the Ministry of Power and Energy.

This multipurpose Project is a water transfer, hydro power generation and irrigation project in the south-eastern part of the central highland regions of Sri Lanka. The main part of the scheme is situated in the south-western part of the Badulla district in the Uva Province.

The project will transfer annually in the long term, average water quantity of 145 MCM for irrigation purposes and will develop a head of 722 m for the production of electricity in a power plant with a rated capacity of 120 MW with an expected annual energy output of 290GWh.

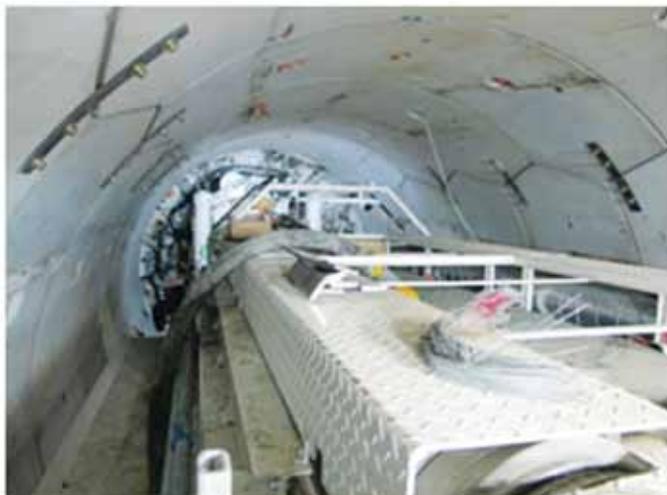
The project consists of two small reservoirs near Puhulpola and Dyrabaa, and approximately 4.0km long link tunnel connecting the two reservoirs, and a headrace tunnel of around 15.6 km length to divert water from Uma Oya to Kirindi Oya via an underground power station located in Randeniya in Wellawaya. The power plant will connect to the national grid through the Badulla Grid Substation.

The cost of the project is US\$ 529 million and 85% of this cost is provided as a loan by the Government of Iran through Export and Development Bank. In addition to that Rs 6 billion has been allocated by the GOSL for the other project work.

The contract between Ministry of Irrigations & Water Resources Management and FARAB Energy and Water Project Company, the nominated contractor from Iran was signed in 28th April 2008 and the contract became effective in March 2010. The project is expected to be completed by March 2015.



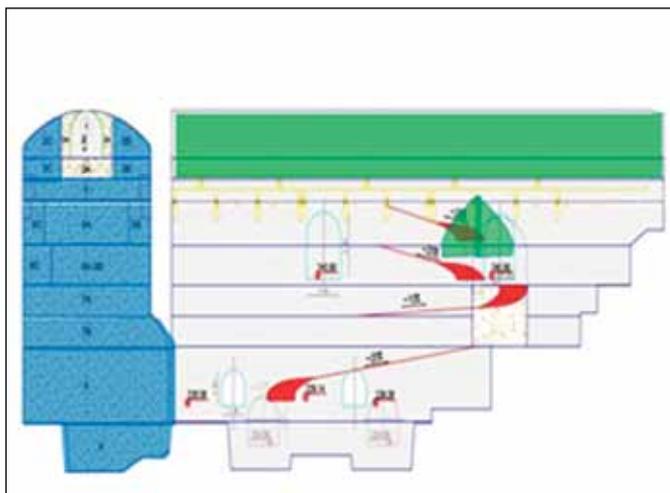
## PROJECTS DIVISION Contd...



Excavation of Headrace tunnel adit



Construction of Dyraaba Dam started



Excavation of Powerhouse



Tailrace tunnel excavation

### Transmission Development Projects

Project Management Units were established under the Transmission Projects Branch of the Projects Division in year 2013. The construction work of the Chunnakam and Mahiyangana new grid substations were completed during the year. The construction work of new grid substation at Naula, Maho, and Pallekele, were in progress. The Augmentation of existing grid substations at Rantambe, Rathnapura, Wimalasurendra, Seethawaka, Balangoda, Badulla, Nuwara Eliya, Ukuwela, Habarana, Panadura, Matara, Puttalam, Ampara, and Valachchenei were also in progress during this period.

The Construction of 132 kV Transmission Lines from Kilinochchi to Chunnakam was completed in the year 2013 and lines were energized. Another set of 132 kV transmission lines were also being constructed during this period from Galle to Matara, Puttalam to Maho, Ukuwela to Pallekele, Habarana to Valachchenei, and Rantabe to Mahiyangana, to strengthen the electricity handling

capability of the national electricity grid. Further, the construction work on two new 132 transmission lines from Ambalangoda to Galle, Mahiyangana to Vavunathiev through Ampara, also commenced during this period with a loan provided by the ADB. A brief description of the projects handled by the Transmission Projects Branch during the year 2012 is given below.

#### (i) Kilinochchi - Chunnakam Transmission Project

This Project was a part of the waddakin wasantham (uthuru wasanthaya) program launched by the government to develop the Northern Province.

The Asian Development Bank and Government of Sri Lanka financed this project at total cost of US\$ 15.7 million. The Scope of the project included the construction of a 132/33kV, 63 MVA grid Substation at Chunnakam and the construction of 68km long , 132 kV transmission line from Kilinochchi grid substation to Chunnakam grid substation.



## PROJECTS DIVISION Contd...

Two Hundred and Fifteen (215) transmission electricity pylons to carry 132kv transmission lines from Kilinochchi to Chunnakam was constructed along the most difficult terrains in the area of Elephant pass lagoon, Wadarawatta lagoon and Muhamale forward defence lines maintained during the war. The Grid substation was constructed within the CEB premises at Chunnakam with considerable difficulty due to non availability of required equipment and materials in the area.

The work on the project commenced in July 2011 with the signing of Contract. Despite difficulties, the Project was completed on schedule and was ceremonially inaugurated by His Excellency the President on September 14, 2013. With completion of this project, the entire country was connected to the national grid network.

### (ii) Augmentation of Grid Substations for Absorption of Renewable Energy Project

The project was formulated to enhance the capacities at eight grid substations and for constructing a new 132/33kv grid substation in order to absorb the power generated through renewable energy sources. Part of the project was funded by Asian Development Bank (ADB) under the loan scheme of 2518/2519 - SRI(SF) named as "Clean Energy and Access Improvement Project". The balance was financed by Government of Sri Lanka (GOSL).

The ADB provided financing of Rs3,011 Million for augmentation of 132/33kv existing grid substations at Baulla, Balangoda, Nuwara Eliya, Seethawaka, Ukuwela and construction of new 132/33kv grid substation at Mahiyanganaya.

The GOSL provided financing of Rs 1,421. Million for augmentation of 132/33kv existing grid substations at Rantambe, Rathnapura, Wimalasurendra Power Station and construction of new 21.0km long 132kv double circuit transmission line from Rantambe to Mahiyanganaya.

The project component funded by GOSL was carried out in two Lots. The augmentation of grid substation part which was the Lot A was executed through a turn-key contract. This contract was effective from November 2010 and completed in July 2013. The construction of 132kv transmission line which was the Lot B was executed by the CEB project staff obtaining the services of labour contracts. This construction was completed and energized the transmission line in July 2013.

The capacity of each of the existing grid substation was increased to 94.5MVA. Additional 33kv distribution feeders were constructed at existing grid substations at Badulla, Balangoda, Nuwara Eliya, Rathnapura, Ukuwela and Wimalasurendra. The new grid substation at Mahiyanganaya has the capacity of 63.0MVA and has 08 new 33kv feeders. These 33kv feeders contribute for providing quality power, system power distribution flexibility and as well as absorbing renewable energy



Mahiyanganaya Grid Substation



Badulla Grid Substation Augmentation

### (iii) Transmission System Strengthening Transmission Lines Project

The Asian Development Bank provides financing of US\$ 20.4 million for the Transmission System Strengthening Transmission Lines project under their Loans 2518-SRI/2519-SRI (SF) - Clean Energy and Access Improvement Project - Part 2.

Construction of 132kv transmission lines from Galle to Matara (36km), Puttalam to Maho (42km), Ukuwela to Pallekale (17km) & Naula Inter connection are completed was completed in end 2013.



Puttalam - Maho 132kv Transmission Line was energized on November 25, 2013



## PROJECTS DIVISION Contd...

### (iv) Transmission System Strengthening Grid Substations Project

This project was funded by Asian Development Bank with US\$ 20.40 million under titts Loan 2518-SRI - Clean Energy and Access Improvement Project.

Project was divided to four components based on the technical requirement, namely Lot A\_1, Lot A\_2, Lot A\_3-Package A and Lot A\_3-Package B.

Lot A\_1 is the augmentation of existing Kurunegala Grid Substation. The Contract was signed and Effective date was achieved on November 2015 and the contract is expected to be completed by May 2015.

Lot A\_2 is the augmentation of existing Grid Substations at Habarana, Puttalam, Panadura & Matara and Construction of new Grid Substations at Maho, Naula & Pallekele. The works at Habarana, Puttalam, Panadura , Matara Grid Substations and new Maho Grid Substation are almost completed and all the work is expected to be completed by May 2014.

Lot A\_3 Package A is the augmentation of Horana Grid Substation. The Contract was signed and Effective date was achieved on October 2015 and the contract is expected to be completed by October 2015.

Lot A\_3 Package B is the augmentation of Veyangoda Grid Substation. The Contract was signed and Effective date was achieved on November 2015 and the contract is expected to be completed by November 2015.

Once the above components are completed, the capacity and the reliability of existing Substations would be improved and three new Grid Substations will be added to the network.



Naula Grid Substation



Pallekele Grid Substation



Matara Grid Substation Augmentation



Maho Grid Substation



Habarana Grid Substation Augmentation



## PROJECTS DIVISION Contd...

### (v) Transmission System Strengthening Eastern Province Project

The Scope of Work of this project consist of construction of 132kV transmission line from Habarana to Valachchenai, 31.5MVA, 132/33kV grid substation at Valachchenai and augmentation of 132/33kV grid substation at Ampara with capacity improvement from 63 MVA to 94.5 MVA. The transmission line and the grid substations were commissioned and energized in September 2013 and are now in commercial operation .

The ADB provided USD 18.2 million for this project under their loan 2519- SRI (SF) Clean Energy and Access Improvement Project.



132kV Transmission Line From Habarana toValachchenai

Lot A: Construction of three new grid substations at Polonnaruwa, Monaragala and Vavunativu, and augmentation of existing Ampara grid substation

1. Lot B: construction of 132 kV transmission lines from Mahiyangana to Vavunativu (via Ampara) and Medagama to Monaragala
2. Lot C: Stringing of the second circuit of Kotmale - New Anuradhapura 220 kV line

All three contracts were signed in year 2012 and construction work pertaining to all three of them is in progress. It is expected to complete all three componenets of the project in the year 2014.



Vavunativu Grid Substaion under Construction



Valachchenei Grid Substation Augmentation



Stringing work in progress: Kotmale to New Anuradhapura 220 kV Transmission line

### (vi) North East Power Transmission Development Project

The Asian Development bank provided US\$ 55.2 million to this Project under its loan no. 2733 to improve the electricity supply in Eastern and North Central Provinces.The project has three Lots, namely;

### (vii) New Galle Power Transmission Development Project

The ADB provided US\$ 21.6 million for the identified scope of the New Galle Power Transmission Development Project.



## PROJECTS DIVISION Contd...



Tower erection in progress – Mahiyangana –Vavunativu  
132 kV line

A New Galle Grid Substation is to be constructed under the Lot A contract of the project. Lot B contractor will construct 132kV Transmission line from Ambalangoda Grid Substation to new grid substation at Galle. Contract Agreements for Lot A & Lot B were signed in August 2012 with the selected contractors .

The work of both components of the project is in progress and is expected to be completed by the end of 2014.

### (viii) Kelaniya Vavuniya Augmentation Project

This project consists of three components namely;

#### 1. Augmentation of Kelaniya Grid Substation

It has been identified that since the Kelaniya Grid Substation has to meet a heavy demand, it has a difficulty in providing reliable, uninterrupted power supply to Kelaniya and its suburbs and therefore there is an urgent need to augment it to improve its transmission and distribution systems.

Accordingly, Asian Development Bank has arranged to use for this assignment unutilized funds from loans already pledged under Clean Energy & Access Improvement Project and it will add one 31.5MVA 132/33kV Power Transformer, Additional ten 33kV bays and 20MVAR BSC Banks including all necessary control & protection schemes to the existing grid substation.

#### 2. Procurement of essential spares to Northern transmission network.

The importance of both Vavuniya & Kilinochchi Grid substations has been identified considering the vital role played by the Vavuniya Grid Substation as the main transmission hub connecting the electrical transmission system to Vavuniya, Kilinochchi, Jaffna & Mannar districts. Hence, the dependability of both Vavuniya and Kilinochchi Grid Substations has to be improved along with the Vavuniya-Kilinochchi Transmission Line by providing all necessary spares.

Accordingly, Japan International Cooperation Agency (JICA) has agreed to provide unutilized funds saved from Vavuniya Kilinochchi Transmission Project for this procurement activity.

#### 3. Augmentation of Kilinochchi Grid Substation

In view of the rising demand for electricity in the Kilinochchi and in the south of Jaffna peninsula it is now being planned to upgrade the Kilinochchi Grid substation by adding another 31.5 MVA, 132/33 kV Transformer and additional 33kV feeders including required Control/Protection/Monitoring / Substation Automation Systems. This additional power would cater not only to Kilinochchi district but also to Jaffna peninsula to support Chunnakam Grid substation.

Japan International Cooperation Agency (JICA) has agreed the augmentation works of Kilinochchi Grid Substation to be carried out using unutilized funds of the Vavuniya Kilinochchi Transmission Project.

### (viii) Clean Energy & Network Efficiency Improvement Package 1 - Mannar Transmission Infrastructure Project

The Project Management Unit of Mannar Transmission Infrastructure Project was set up in December 2012. The project consists of two lots:

**Lot A** - Augmentation of Vavuniya 132/33kV Grid Substation and construction of Mannar 132/33kV Grid Station.- [Loan Amount in equivalent Rs 828.09 Million.]

**Lot B** - Construction of New Anuradhapura to Vavuniya 55km, double circuit, 2xZebra, 132kV transmission line and Vavuniya to Mannar 70km, double circuit, single Zebra, 132kV transmission line (Designed for 220kV operation). [ Loan Amount in equivalent to Rs 4418.21 Million.]

The scrutinizing of bid documents was completed by September 2013. The bids for Lot A was called on 10th October 2013 and opened on 22nd January 2014. The Bids are presently being evaluated.

The bids for Lot B was called on 19th September 2013 and were opened on 2nd April 2014. The Bids are also presently being evaluated.

The acquisition of land for Mannar Grid Substation is in progress. Surveying the line route and clearing the same for explosives are also in progress.

### (ix) Clean Energy & Network Efficiency Improvement Package 3 - 220kV Infrastructure Project

The objective of this Project is to increase the clean power supply and improve the efficiency and reliability of the electricity delivery in Sri Lanka.



## PROJECTS DIVISION Contd...

Project is funded jointly by the Asian Development Bank and the Government of Sri Lanka, costing US\$ 77 million.

This Project has been divided into two Lots as follows.

**Lot A** - Construction of New Polpitiya 220/132 kV grid substation, Padukka 220/132/33 kV grid substation, and augmentation of Pannipitiya grid substation .

**Lot B** - Construction of New Polpitiya to Pannipitiya, 58.5 km, double circuit, 2xZebra, 220 kV transmission line through Padukka

At the moment, Project is in the bidding stage for the selection of the most suitable contractors for the lots.

### **(x) Clean Energy and Network Efficiency Improvement Project Package 2 - 132 kV Transmission Infrastructure Project**

The Clean Energy and Network Efficiency Improvement Project - Package 2 is being implemented using funds provided by Asian Development Bank under loan 2892-SRI amounting to US\$ 28.85Million.

This package has three lots;

(i). Lot A : Construction of New Grid Substation at Kegalle with 15 MVar (3x5MVar) Capacitor Banks at 33 kV and Augmentation of Existing 132/33 kV Grid Substation at Thulhiriya.

(ii). Lot B : Installation of Breaker Switched Capacitor Banks;

- (a). 30MVar at Biyagama GS.
- (b). 20MVar at Bolawatta GS.
- (c). 15MVar at Horana GS.
- (d). 20MVar at Kolonnawa New GS.
- (e). 20MVar at Kolonnawa Old GS.
- (f). 20MVar at Pannala GS.
- (g). 35 MVar at Sapugaskanda GS.

(iii). Lot C: Construction of 132 kV transmission lines;

Lot C1: (a). Thulhiriya to Kegalle - 22.5 km, double circuit, single Zebra line.  
(b). Polpitiya to New Polpitiya -1.5 km, double circuit, twin Zebra line.  
(c). Athurugiriya to Padukka - 10 km, double circuit, twin Zebra line.

Lot C2: (a). Re-construction of Athurugiriya to Kolonnawa - 15 km, double circuit, single GTACSR/ZTACIR line.

The preliminary works commenced in December 2012 with the tendering process commencing in the latter part of year 2013.

The project is planned to be completed in December 2016 and then the system capacity will be enhanced and the efficiency and reliability of the system will be improved.

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### **(xi) Greater Colombo Transmission & Distribution and Loss Reduction Project**

The Greater Colombo Transmission and Distribution Loss Reduction Project is planned to strengthen the transmission and Distribution network in the Greater Colombo area in order to improve the system reliability, reduce system losses and to cater to the growing electricity demand in line with mega development activities taking place in the Colombo City. Under this project, the capacity of the greater Colombo Power network will be doubled through new 220kV & 132kV underground Transmission cable network. The project would also improve the existing power network by construction of four new grid substations, augmentation of five existing grid substations, laying of 37.7 km long underground transmission cables, laying of 97 km long underground distribution cables and installation of 88nos of new 11kV distribution panels. In addition to that, the project will supply specialized vehicles required for maintenance work of distribution networks. The estimated project cost is approximately Rs. 25 billion while the Japan International Corporation Agency (JICA) has provided financial assistance through a loan facility amounting to Yen 15.941 billion. It is scheduled to commence the construction work in February 2015 and is expected to be completed by early 2017. The consultancy service of the above project has already been awarded to Joint venture of M/s Tokyo Electric Power Services Company Limited (TEPSCO), M/s Nippon Koei Company Limited and M/s Electric Power Development Company Limited (J-Power) of Japan. The Joint Venture Consultant is presently working with the Project Management unit of CEB in preparing bidding documents together with pre - qualification documents for inviting bids for construction works through International competitive bidding process.

# OPERATION REVIEW

ASSET MANAGEMENT  
**DIVISION**

CORPORATE STRATEGY  
**DIVISION**



# ASSET MANAGEMENT DIVISION

Since asset Management is a part of infrastructure development, this division plays a vital role in enabling the economic growth, social advancement & environmental development of the CEB.

Assets Management division has branches to handle following work;

- Assets Management & Corporate
- Training
- Project Management (Vidulakpaya)
- Workshop & Ancillary Services
- Civil works & Buildings
- Security Services

## Assets Management & Corporate Branch

The Assets Management and Corporate Branch handles Assets Management related functions of the CEB. The core activity is the management of Lands and Buildings of the CEB and generating an additional income by utilizing its available resources and assets for purposes other than the core statutory activities of the CEB, without adversely affecting the regular activities.

## Asset Management Unit

Asset Management Unit attends to the following functions:

- 1 Surveying of land and buildings belonging to CEB and the preparation of survey plans, deeds, and other relevant documents required to prove their ownership.
- 2 Maintenance of Asset Register of lands and buildings and updating same annually.
- 3 Preparation of ownership documents for the land acquired, vested and outright purchased by CEB.
- 4 Identification & preparation of survey plans of Land used by CEB which do not have any Title Deeds or Survey Plans.
- 5 Re-demarcation of boundaries of CEB land where there are disputes on + boundaries due to encroachments.
- 6 Development & maintenance of the Master Plan data base to CEB Assets (Land & Buildings).
- 7 Development & maintenance of the Vehicle Database to manage the details of Vehicles of CEB.
- 8 Preparation of Annual Budget, monthly progress reports Corporate Plans, Action Plans, Annual Reports of the Asset Management Division.
- 9 Leasing of CEB Hydro Reservoirs for tourism and recreational activities such as for the operation of float planes and boat services.
- 10 Providing Technical Supports to other units on tender matters and corresponding Evaluations.
- 11 Leasing of CEB premises and boundary walls for advertising.
- 12 Macro development of CEB owned Buildings to cater to future extensions and modifications

## Corporate Unit

The Corporate Unit attends to the following functions:

- Handling of leave records, performance appraisals, promotions, transfers, training, medical leave payments and retirements of staff attached to the Office of the Additional General Manager and the Training, Civil works & Building, Workshop & Ancillary Services Branches, Vidulakpaya Project and Security services Unit using the HRIS System.
- Disciplinary matters of the Asset Management Division
- Handling of procurement activities of the Branch
- Succession planning and preparation of quarterly progress reports on employees of the Asset Management Division to be submitted to the Deputy General Manager (Personnel).

## Training Branch

Over the years Training Branch has taken steps to build up a competent work force through education, training, skills development of the employees so that they become capable of carrying out their work effectively in line with a modern integrated industry.

Training Branch has the following main Units.

1. CEB Training Centre, Piliyandala
2. Training Centre, Castlereagh
3. External Training Unit at CEB Head Quarters, Colombo
4. Examination Unit
5. Occupational Health & Safety Unit
6. EE (Technical Training -1) Unit
7. EE (Technical Training -2) Unit
8. EE (Technical Training -3) Unit

## CEB Training Centre, Piliyandala

CEB Training Centre, Piliyandala secured the second place in the category 'H' in the 5 S competition conducted in 2013.

## Vision

To Become the Best Training Institute in the Utility Sector in Sri Lanka

## Mission

To provide Career Guidance to Enrich Knowledge, Skills and Attitudes towards National Growth of Sri Lanka

The functions of the different Units of the Training Branch are as follows;



## ASSET MANAGEMENT DIVISION Contd...

Unit	Responsibility
1 CEB Training Centre – Piliyandala	
i. Training Centre – Piliyandala	Technical Training and training for Field Service and Skilled Grades employees for their promotions as per CEB Recruitment & Promotion Scheme 2002.
ii. Internal Training Unit	Computer Training, Training of non-Technical Staff, for their promotions as per CEB Recruitment & Promotion Scheme 2002, in- plant Training for under graduates and Diplomates in Engineering and Technology.
2 Training Centre Castlereagh	Technical Training for employees in Generation Division, Training of Field Service & Skilled Grades for their promotional requirements of CEB as per CEB Recruitment & Promotion Scheme 2002
3 External Training Unit	Overseas Training of all CEB Employees
4 Examination Unit	All internal Examinations. Providing Facilities for employees for their Professional Studies
5 Occupational Health and Safety Unit	Conducting Safety Awareness Programmes for the employees and collecting data on accidents and compiling them for analysis.
6 Technical Training Unit-1	Conducting Training Programmes for MLTS Officers for their promotions as per CEB Recruitment & Promotion Scheme 2002. Conducting Induction Training and CPD Courses for Engineers, MLTS Officers and Accountants
7 Technical Training Unit -2	Training on Quality improvement, Productivity implementation of 5S concept in CEB.
8 Technical Training Unit -3	Conducting Training Programmes for External Organizations .Hiring Resources of CEB TC-Piliyandala for External Organizations .

### Performance during the Year 2013

Details of Training provided for engineers, accountants, middle level technical service officers, clerical & allied service employees and field service employees in 2013 are given below.

Programmes	No. of Programmes	Participants
Training Provided for Engineers		
01. Technical Workshops for Engineers	01	38
02. Procurement Procedures Workshops	02	60
03. Induction Training	01	60
04. Computer Training	01	18
Training Provided for Accountants		
05. Procurement Procedures Workshops	02	30
06. Induction Training	01	12
Training Provided for MLTS Officers		
07. Training for Compulsory Training requirement for promotion to next Grade	08	177
Training Provided for Clerical & Allied Services		
08. Training for Compulsory Training requirement for promotion to next Grade	20	341
09. Computer Training	01	15
10. Induction Training	07	305
Training Provided for Field Service Employees		
11. Training for Compulsory Training requirement for promotion to next Grade	50	1847
12. Modular Technical Training, Hands-on Training	09	104
13. Induction Training (N5, N6)	11	584
Training Provided for Employees of Outside Organizations		
14. Health Department	01	32
15. Sri Lanka Navy	01	10
16. Public Sector Craft Level Practice	16	489
Productivity & QMS Training Programme		
17. Internal Auditing as per ISO 9001 :QMS	01	40
18. 5S Concept	01	60



## ASSET MANAGEMENT DIVISION Contd...

### Apprenticeship (NVQ 4) Training Programme

Considering the difficulties faced in recruiting skilled employees to the CEB, a committee comprising officers from the Ministry of Power and Energy and Ministry of Youth Affairs and Skilled Development was appointed to give their recommendations to rectify the situation. Based on the recommendations made by the committee, following actions have been taken.

1. Conducting a special one year technical training course at Technical Colleges coming under purview of Department of Technical Education & Training which qualify the participants for NVQ-4.
2. Providing apprenticeship training for a period of three (03) years for students who successfully complete the above one year technical training course with the guidance of the Ministry of Power and Energy and continuously assess their training.
3. Absorbing the best trained Apprentices to the CEB to fill the available vacancies in N5 grade.

In this regard Ministry of Power and Energy, Ministry of Youth Affairs and Skills Development and the CEB have entered in to a Memorandum of understanding (MOU).

According to the MOU, the CEB has an obligation to arrange three year apprenticeship training to those students who have completed the one year special training course at the Technical Colleges; conduct continuous assessment of their training and to pay an allowance for each Apprentice during their apprenticeship training.

The department of Technical Education and Training has sent the details of 431 students who have successfully completed the special one year Electrician Course. In November 2013, all of them were deployed for On the Job Training (OJT) in the Generation, Transmission and Distribution Divisions.

A Training Plan was prepared for the first year of Apprenticeship Training at Thermal Power Stations, Hydro Power Stations and Lakvijaya Coal Power Station.

This apprenticeship is of the sandwich type where the trainees attend further classroom learning & practical work at CEB Training Centers, while undergoing On the Job Training on Occupational Health & Safety First Aid, Distribution Line Construction, Operation & Maintenance of Protective Devices, Operation & Maintenance of Small and Medium Diesel Generators, Energy Conservation etc. Classroom Training Courses for the above Apprentices were already started and are in the progress.

### Occupational Health and Safety Unit

During 2013, the following programmes and workshops were conducted by this Unit covering employees in the Distribution and Generation Divisions.

	Programmes	No. of Programmes	Participants
01	Workshop on First Aid (01 Day)	28	1162
02	Work Shop on Fire Safety (01 Day)	06	260
03	Occupational Health & Safety for Engineers (05 Days)	01	50
04	Occupational Health & Safety for MLTS officers (06 Days)	01	51
05	Occupational Health & Safety for Drivers (03 Days)	04	279
06	Workshop on Safety (mobile) 01 Day	25	1616

### Examinations Unit

The Examinations unit organized and conducted 40 recruitment, Promotion and qualifying examinations for the recruitment and promotion for CEB staff, with the assistance of Examination Department, SLIDA, Institute of Personnel Management, Maradana&Godagama Technical Colleges and University of Moratuwa at minimal cost while ensuring the quality and confidentiality of the of the examinations.

### External Training Unit

During 2013, the External Training Unit provided facilities to employees of different categories to go abroad for various assignment as indicated below:

Programme	No. of Participants
Pre-shipment inspection of goods to be procured	154
Scholarships, Training & Study Tours	244
Workshops, Seminars, Conferences & Meetings	69
Sports Activities	42

### Environmental Development

In order fall in line with the policy of the government and the 5-S concept on environment, a programme was launched to protect and maintain healthy & peaceful environment within the premises of Training Centre, Piliyandala. Under this programme solid waste management Induction Training Induction Training along with the cultivation of vegetables, fruits and other crops were under taken. As a part of solid waste management, a Green Gas Bio-Gas Unit of 5000 litre capacity was installed at the Training Centre. Waste from food cooked in the canteen and raw organic vegetables and fruits is used as the input for this unit. The Bio-Gas so generated is used for cooking in the canteen. The output of the unit is used as manure for vegetable cultivation at the premises .A Solar Thermal Water Heater has been installed in the canteen to obtain hot water. Project Management Unit (Vidulakpaya)



## ASSET MANAGEMENT DIVISION Contd...

A Project Management Unit has been established for construction activities of proposed CEB Head Office Building in a land owned by CEB located at Narahenpita. Under this project, a ten storied building having total floor area of 27,800 sq.m is expected to be constructed at a total estimated cost of Rs. 2.6 Billion which includes the consultancy fee as well. The project fully funded by CEB is expected to be completed by December 2015. The work on the building has already commenced and 400 pilings have already been completed. The work on the pile hacking, testing & checking the coordinates is in progress.

### Workshop & Ancillary Services Branch

The Workshops & Ancillary Services branch has four operational units to provide various types of services.

#### (A). Power Plant Unit

##### Summary of the performance during 2013

Sr. No	Category of the Job	Nos of Job	Estimated Cost /Rs.
1	Annual Maintenance	126	80,686,315
2	Repair/Rehabilitation	43	11,216,180
3	Generator hiring -CEB	35	44,665,879
4	Generator hiring - PVT, PSD, PMSD	342	100,612,048
5	Generator Installation	01	31,297,567
6	Other Jobs	69	7,985,841

#### (B) Air Conditioning & Refrigeration Unit

The main functions of the Air Conditioning and Refrigeration Unit are to:

- To undertake supply, installation and commissioning of mortuary coolers in the government hospitals and all types of new air conditioning plants in government institutions.
- To carry out all types of major repairs of air conditioning plants installed in government hospitals and other government institutions.
- To carry out preventive maintenance of all types of air conditioning plants installed in government hospitals and other government institutions.

- To provide consultancy services in respect of breakdown, repairs, new installation etc., of air conditioners.

#### Performance in the Year 2013

- Maintenance of 1695 air conditioners at 51 work stations of Health Department and other Government Departments at a estimated cost of Rs. 167 million and 810 air conditioners at 160 locations in CEB including the Head Quarters and branches was undertaken at a total estimated cost of Rs. 18 million.

	Type of Unit	Total Number of units in Other Offices	No of Units in CEB locations
1	Window Type Units	155	34
2	Split type units (Single phase )	755	652
3	Split type units (Three phase )	263	113
4	Air Cooled Packages	25	-
5	Water Cooled Packages	50	-
6	Air Cooled Chillers	8	1
7	Water Cooled Chillers	35	8
8	Air Handling Units	102	1
9	Fan Coil Units	245	1
10	Mortuary Coolers	54	-
11	Cold Rooms	08	-

- Installation of new Air conditioners

37 new air conditioners at CEB locations and 02 new air conditioners at Health Department and other Government Departments were installed at a Cost of Rs. 9.6 million.

- Repairs

Repairs were done to air conditioning plants at various Hospitals of Health Department and CEB Offices at a cost of Rs. 8.6 million.

#### (C) Lift Unit

The details of the work undertaken by this unit are as given below;

Job Category	No of Jobs	Cost of works by CEB ( Rs)	Cost of Works by Contractors (Rs)	Progress
Service & Maintenance	132 Lifts	24,283,0310	24,134,388	Completed
	01 operation 01 Inspection			
Repairs	17/3	2,123,094	302,896	Completed
	2/2	829,850	321,9759	In progress



## ASSET MANAGEMENT DIVISION Contd...

Job Category	No of Jobs	Cost of works by CEB ( Rs)	Cost of Works by Contractors (Rs)	Progress
New Installations	01	1,067,032	-	commenced
	01		5,900,000	Calling bids
	01		8,800,000	completed
	01		8,500,000	In progress
Consultancy Service	01	65,000	Min of Public admin	In progress
	01		Min of Defense	In progress
	02	CEB		In progress

### Servicing & Maintenance

The unit has maintained 48 elevators and supervised maintenance of 82 elevators installed by 05 Private contractors/local agents.

One Bed lift at General Hospital-Kegalle and One Dumb Waiter at the Government Press were rehabilitated and taken over for maintenance by CEB.

The details of major maintenance/ repair/rehabilitation work undertaken by the Unit during the year are as follows:

- Rehabilitation of the outdated control board at Temples Trees, Kollupitiya
- Replacement of worn out wire ropes with new ones at the Teaching Hospital at Peradeniya along with the replacement of the worn out door hanger rollers
- Replacement of hoisting ropes of the Head office OTIS Passenger Lift
- Painting and cabin interior uplifting of the CEB Head office Lift
- Rehabilitation of Block B Old Lift-N H S L
- Rehabilitation and modernization of one of the 2 outdated OTIS Bed lifts of the General Hospital, Karapitiya along with the installation of a microprocessor controller to enhance their operations and reduce the frequency of breakdowns
- Rehabilitation of the outdated 'Marriot and Scott' Bed Lift at the De Soysa maternity Ward- Colombo 10
- Replacement of bearings at Boiler No 01 Lift of the Coal Power Plant
- Rehabilitation and restoration of control boards at the Government Press
- Rehabilitation of the Bed Lift at the Kegalle Hospital



Repair to traction Motor - Coal power plant



Complete rehabilitation to Dumb waiter-Government press

### New Installations

The following new installations were handled by the Unit during the year:

- Removal and re-installation of two Bed Lifts at the Teaching Hospital, Jaffna
- Replacement of the outdated Bed Lift at the General Hospital , Ratnapura

### Consultancy Services

Consultancy services were provided to the following :

- Ministry of Public Administration and Home Affairs -Revision of bid documents for the replacement of two passenger lifts for submitting to the Procurement Committee.
- Inspection of the defects of the Nelum Pokuna VIP lift.

### Central Workshops & Garage Unit Electrical Section

The key activities of this Unit are given below:

- Repair and maintenance of electrical machines, generators and motors
- Repair, servicing and installation of control panels including rewinding of electrical motors and switch gear
- Repair and maintenance of electrical appliances
- Electrical wiring and illumination work
- Provision of field training to electrical and mechanical trainees
- Any other special work related to electrical work based on samples, plans/drawings provided by the client

Major work undertaken by the unit during the year are as follows:.

- Rewinding of 110 kW, 55 kW, 30 kW, 22 kW and 18.5 kW three phase motors of the Sapugaskanda Power Station
- Rewinding of 800 kVA alternator exciter rotor and starter and 10 kVA/ 28 kVA alternator starters at power plants
- Rewinding of lift motor relays , brake coils and exhaust fan motors

### Automobile Section

The key operating activities of this Section are given below:



## ASSET MANAGEMENT DIVISION Contd...

- Vehicle repairs (engine overhauling, body tinkering, painting and other mechanical repairs) and body part replacements
- Providing reports (accident/valuation/repair estimates etc.,) of vehicles, fuel testing and conducting Board of Surveys for the disposal of vehicles
- Vehicle servicing

### Mechanical fabrication and Installation Section

The key activities of this Section are as given below:

- Carrying out of all types of machine work, casting, galvanizing, and welding work
- Fabrication of LT/HT hardware components for the HT & LT distribution systems
- Fabrication of danger boards, spray painting ,erection of security fences, huts, barriers etc., required for security operations
- Any other special work in the mechanical and civil engineering fields based on samples, plans/drawings provided by the client

Some of the major jobs done during the year 2013 are as given below:

- Erection of three TDL towers for the ' Deyata Kirula - 2013 ' in Ampara
- Fabrication of a Drum Jack for the CE(DM) , Kiribathgoda
- Casting and finishing of an AI injection pipe cover for the Sapugaskanda power station
- Casting and fabrication of T clamps and PG clamp
- Casting of various types of clamps for grid substations
- Repair of rear trays of CEB Lorries
- Repair of the generator canopy at the Kandy General Hospital
- Dismantling of the old Chunnakam power station
- Filling and machining of motor rotor shafts of the Sapugaskanda power station
- Fabrication of a new open type lift door for the Jaffna General Hospital
- Repair of AC condenser at the Presidential Secretariat

### Civil Works and Building Branch

The civil works and building branch undertakes construction of new buildings and modification / renovation of the existing building in CEB. In addition, this branch provides consultancy service related to construction /renovation of CEB buildings on contract basis. The maintenance unit of the branch located at the CEB Head Office is responsible for repair and maintenance of the Head Office building.

### Construction Work

The following construction work was handled by the Branch during the year:

- Design and construction of the three storied DGM (EP ) office and seven Quarters at Trincomalee

- Design and construction of the five storied DGM(NP) office at Jaffna
- Extension of DGM (CP ) office - four storied building in Kandy
- Renovation of the Canteen and the construction of the New Toilet Complex in TTC - Piliyandala
- Refurbishment of Colombo City stores building at Kolonnawa
- Renovation of the second and third floor of the DGM(WPN)'s Office at Kiribathgoda
- Renovation of the ground and first floor of the DGM(WPN)'s Office at Kiribathgoda
- Renovation and improvement of the System Control Center Building, Kent Road, Dematagoda
- Construction of the New Toilet Block for the Castlereagh Training Centre
- Renovation of security huts ,toilets and painting of the Non executive Hostel at TTC -Piliyandala
- Construction of a stores complex at DGM (WPN ) office at Kiribathgoda
- Renovation work of the Consumer Service Center at Divlapitiya
- Establishment of the DGM (AM &C) office in the 3rd GCSU building in Colombo 2
- Improvements to interior work of the DGM(R&D) office at BMICH
- Improvements to the front area of the DGM (WPN ) office at Kiribathgoda
- Improvements to interior work of the Working Director's office at CEB Head Office
- Cleaning & earth filling of old power plant premises at Chunnakam
- Renovation of the lunch room & repairing of Eave roof at Communication Control Center

The Civil Maintenance Unit is responsible for carrying out urgent maintenance work at various branches in CEB Head Office, Ministry building and at quarters of the Ministry. Repair work is attended to by the Civil Works & Buildings branch directly utilizing the services of its maintenance staff.



Automobile section at Central Workshops & Garage



## ASSET MANAGEMENT DIVISION Contd...

### Security Section

The Security Section is responsible for ensuring safety of all vulnerable locations and CEB premises including power stations, reservoirs and the office of the Ministry of Power & Energy.

Four Security Units are deployed for the security of the main Divisions of CEB namely Generation, Transmission, Distribution and Projects. Total of 98 sub-security units are functioning under the above four main units. Private Security Service's deployed island wide at some premises of CEB are also supervised and observed by the Security Section.

The section has 741 Security Personnel, including a Deputy Manager Security, three Senior Security Officers and 23 Security Officers under the Manager Security who is the Head of the Security section.

### Training for Security Personnel

Special Training was e provided to Security Personnel during the Year 2013 on weapon handling firing, fire protection, cash escort & VIP escort duties, first-aid, disaster evacuation drill , leadership and management training & 5-S Concepts.



Annual Training on Firing



# CORPORATE STRATEGY DIVISION

## Corporate Strategy and Regulatory Affairs Branch

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

The PUCSL revised retail electricity tariffs with effect from April 2013 based on proposals made by this Branch. The Electricity Tariffs so announced by the PUCSL imposes a gap of Rs.11 billion between the revenue requirements of CEB for year 2013 and the revenues realized under the announced tariff.

Bi-annual Bulk Supply Tariff filing and submission of Allowed Charges for 2014 were done as a requirement specified under the above Tariff Methodology.

The following corporate documents were published by the branch during the year 2013:

- Corporate Plan 2014 - 2018
- Annual Report - 2012
- Statistical Digest - 2012
- Sales and Generation Data Book - 2012

The Branch worked very closely with PUCSL and its Consultants and finalized the following documents during year 2013:

- Distribution Performance Regulation
- Electricity Safety, Quality and Continuity Regulation
- Survey on Industrial Tariff Category Consumers
- Grid Code
- Supply Services Code

During the same year, Upper Kotmale Hydro Power Plant (150MW) was added to schedule of generating plant of CEB's Generation License. A request was also made to PUCSL to include Uthuru Janani Power Plant (24MW) in the same schedule. The approval of the PUCSL was granted to the re-demarcation of boundaries of Distribution Divisions 2 and 3.

## Business & Operational Strategy Branch

The main function of Business & Operational Strategy (B&OS) Branch is to facilitate the improvement of CEB's organizational performance and monitoring of the same. Improving corporate image and corporate culture of CEB and the standardization of CEB's different branches also come under the purview of this branch.

After the adoption of the Strategy Management Tool "Balanced Score Card (BSC)" at + corporate level, the functions of the Office

of Strategy Management (OSM) were assigned to the B&OS. This branch submits quarterly BSC reports to the Corporate Management Team (CMT). In addition, the Branch analyses the KPI scores, and brings issues that it considers as important to the attention of CMT at the operation review meeting. One such important issue that was highlighted was safety aspect of employees, which according to BSC results showed had to be improved considerably. This was brought to the attention of CMT and action was taken to carry out important and vital measures to improve the safety requirement of the organization.

Additionally, this Branch has been empowered by the management to act as a facilitator and coordinator to find and recommend solutions, to topics / areas that are of vital importance to CEB strategically after discussion and consultation with subject experts both within CEB and outside. Several such Strategy Discussion Forums (SDF) were held in 2013. The requirement to improve the customer focused corporate culture in CEB was identified at one such SDF and as a result, a strategy was formulated to transform the CEB to be the most customer friendly utility in Sri Lanka. To launch this drive, CEB has already named 2014 as the "Year of Customer Service Excellence".

The innovation competition which is aimed at improving the innovative culture in the organization and the 5S competition to improve the productivity of the branches / units was held in 2013 as well. The winners of both 5S and Innovation competitions were honoured during the "Didulana Vidula"- the CEB Annual Performance Ceremony.

## Publicity Unit

Press releases issued by CEB to the electronic and prints media and live media programs organised by CEB are coordinated by this unit. The unit also publishes bimonthly the CEB's official newspaper "LANVIMA", which enables CEB employees to show their literary skills. Publishing of the Board Bulletin and other internal publications, organizing of media programs in connection with special ceremonies of CEB are the other functions carried out by this unit.

The activities carried out by the unit during the year 2013 are listed below;

- Publishing of various advertisements, paper supplements and press releases through the National Newspapers
- Organizing of CEB Press Conferences and various Media Programmes
- Organizing of National-Level Exhibitions
- Coordinating activities of special CEB Ceremonies
- Organizing of the CEB section of the 'DeyataKirula' exhibition

## Functional Strategy & Process Development Branch

With establishment of Corporate Strategy Division in later part of 2010, approval of the Board was granted to set up the Functional Strategy & Process Development (FS&PD) Branch. The Branch



## CORPORATE STRATEGY DIVISION Contd...

officially commenced its functions in late 2012 after the Board granted its approval to the Organization Structure of the Branch.

The main objective of this Branch is to engage in the development of functional strategies, and in the policy and process development activities. Moreover, the Branch is also responsible to ensure that all systems and procedures are documented and incorporated in the relevant operating and functional manuals.

Accordingly, FS&PD Branch has initiated following activities since August 2012.

- Collection of Functional & Operational Manuals in the CEB in order to study, revise and upgrade for future use.
- In 2013, FS&PD Branch has initiated revising of Operating Manual for Area Electrical Engineers as a first step. A committee has been appointed and the initial draft has now been completed.
- Collection and Digitization of Circulars to make them available on the Web Searchable Circulars Database in the CEB intranet using the Circular Management System (CMS). CMS was fully implemented during 2013.
- Commencement of the Study of the CEB structure with the structure of Distribution Divisions first being studied and necessary proposals have been forwarded to management.
- Development of Job Descriptions has also commenced in 2013.

### Research & Development Branch

The Research & Development (R&D) Branch was formed in CEB in January 2013 with three major units under it, i.e. Demand Side Management Unit, Research & Development Unit and the Regional Centre for Lighting. The activities in the Branch commenced with a skeleton staff, and at the end of the year, the Branch consisted of only nine staff members, out of whom five were engineers.

### Demand Side Management Unit

The load profile of Electricity system in Sri Lanka has a high evening peak, and recently, some steps have been taken to mitigate this, one such step being the introduction of the new tariff structure. However, the annual load factor, which is the ratio between Peak demand and average Demand, continue to show a clear increasing trend. Therefore, it has become a timely requirement to study the system load profile and finding options to flatten the system load curve. Demand side Management Unit has been established in 2013 in order to address these issues.

Some of the activities handled by the Demand Side Management unit are:

- Promotion of electrical energy efficiency among bulk & retail consumers
- Training and capacity building in energy auditing among CEB engineers

- Formulating, and managing DSM programmes in order to enhance the CEB load profile.
- Implementing energy efficiency measures at CEB installation
- Ensure competent human resources on DSM at distribution & transmission energy management units.
- Formulate and implement DSM projects identified such as Load Research Programme (LRP), efficient lighting etc.
- Implementation of DSM regulations
- Coordinating and monitoring of DSM activities in energy management unit of the respective DGM provinces.

Action has been taken to study the electricity demand of CEB bulk consumers, whose load profile data is available, to find out DSM measures that can be implemented and it is expected to implement the findings of the study in the coming year.

### Research and Development Unit

With the idea of promoting the research and developmental activities of the CEB, the research and developmental (R&D) unit coordinates research on several identified research topics. Marine environmental pollution in the costal distribution areas is one such topic. A team of researchers is involved in developing a pollution map for a selected costal area so that the pollution map could be as a planning criterion for selecting suitable insulators.

The effect of lightning on electricity distribution network has been identified as one topic to be researched to find remedies so as to ensure a quality supply and to protect valuable assets from lightning. The Absorption of wind power to the national grid was effected recently and the power quality studies related to the wind power connected grid substations has also been initiated by a group of researchers with the support of R&D unit.

Major and valuable assets available in generation and transmission needs to be monitored for their condition in order to ensure the proper operation. A Group of researchers from generation division is involved in developing mechanisms and methods to monitor the condition of major assets. Some of the other identified research topics are "study on protection in MV and LV distribution systems" and "Study on Implementing a Fully Fledged SCADA System for Distribution Network" also under taken by few groups of researchers under the guidance of R&D unit.

The R&D unit also makes use of the award winning developments identified in annual innovation competition. In the first innovation competition conducted in the year 2012, a team of employees was awarded Gold Prize for their innovation under Grass Root Team Category. The equipment concerned was further developed by another team of developers. The equipment so developed was decided to put in to trial, in order to assess the feasibility of operations in different geographical conditions in Sri Lanka. In the light of the above thinking, CEB Central Workshop was entrusted to fabricate twelve such equipment. The picture illustrates the award winning equipment in operation.



## CORPORATE STRATEGY DIVISION Contd...



### Regional Centre for Lighting (RCL)

The RCL was established under a grant from U.S. Agency for International Development (USAID) in 2009 with the primary objective of lighting South Asia cleanly and efficiently. Until the end of 2012, the management of RCL was undertaken by Sri Lanka Sustainable Energy Authority (SLSEA). RCL management was transferred to Ceylon Electricity Board (CEB) from 1st of January 2013 and RCL is operating under the Research and Development Branch.

The objectives of RCL are:

- Increase the awareness and affordability of energy efficient, reliable and clean lighting technologies and their applications to reduce electricity demand for lighting
- Catalyze regional manufacturing of energy efficient lighting products to improve the economy of the region and to make lighting affordable to many under-privileged citizens
- Training and educating the necessary workforce in the region to create sustainable lighting in South Asia

In order to meet above mentioned objectives, activities are planned under six broader areas, namely Training and education, Library and information center, Research and demonstration, Product testing and labeling, Promoting regional manufacture of state of the art lighting products and technology, and Innovation, showcase & exhibition centre.

### Lighting Training & Education

The RCL has been conducting several training and educational programmes since January 2013. In May 2013, RCL jointly with the University of Moratuwa conducted a two day training programme for professionals: engineers, and architects in the lighting industry on Lighting Design with computer aided design tools. In July 2013, RCL jointly with the Training Branch of CEB

conducted a two-day training course on lighting design for CEB engineers. In August 2013, RCL conducted a seminar on LED technology for local LED manufacturers, dealers and assemblers. The library and information centre of the RCL has a collection of books and publications on lighting. This is in the development phase and will play a major role in knowledge sharing and facilitating research.

### Lighting Research & Demonstration

The RCL engages in research related to lighting. At present there is an ongoing research on the Impact of power quality on CFLs. The latest developments in the field of lighting is planned to be demonstrated in RCL.

### Product Testing

The RCL has a fully equipped photometry laboratory which was initially set up by USAID funds and which was later upgraded with the financial assistance received from Asian Development Bank (ADB). This laboratory houses two integrating spheres with diameters 1m and 2m and a goniometer as major equipment. This is the first ever goniometer in Sri Lanka and is capable of capturing intensity distribution of luminaires. Moreover, bigger integrating sphere will enable us to measure the photometric parameters of lengthy linear light sources in addition to those of normal light sources.

The RCL performs testing of photometric and electrical parameters of conventional lighting products and solid state lighting (SSL) products. At present, minimum performance criteria has been enforced on all imported CFL products by Sri Lanka Standards Institution. All CFLs have to meet the requirements of SLS 1231 and SLS 1225. RCL performs the role of testing of the imported CFL samples for their compliance with abovementioned SLS standards. Moreover RCL conducts testing of LED products as per LM 79.



### Promoting State of the art Lighting Products and Technologies

The RCL possesses the right kind of expertise and capacity to undertake lighting designing tasks of interior spaces such as offices, garment factories, industry facilities etc; and exterior spaces such as parking lots, roadways, facade lighting for architectural building etc . These lighting designs are carried out under the theme of 'architecture and energy efficiency'. The RCL has already completed two exterior lighting design projects, one for the most sacred Dalada Maligawa, Kandy and the other one for the Saman Devalaya at Ratnapura.



## CORPORATE STRATEGY DIVISION Contd...

### Information Technology Branch

The Information Technology Branch develops information systems, manages information system operations and provides electronic data processing and network services to the entire CEB. IT solutions are mainly made on billing, accounting, cash collection, material management, human resource management, outage management, e-mail communications and maintaining CEB website. In the year 2013 "Customer Service Excellence" was introduced which was a new drive focusing on the customer and aiming to convert the CEB the most customer friendly utility in Sri Lanka. In that respect Information Technology Branch has to play a vital role.

In the year 2013, the system development was further focused on applications of leave and appraisal modules in human resource management applications, online updating of payments, introducing master invoices, expanded the finance application in provinces, digital record management system and legal cases management system. Providing training to in house staff is also a major part of this Branch.

The electronic data processing and network services were mainly focused on infrastructure development to support exchanging information. Server applications, e-mail applications, web applications, maintaining dedicated links, data storage in the system are in routine nature. Establishing a disaster recovery site apart from the main data center was arranged. Fiber cables were applied for local area networks strengthening the network against lightning. Storage Area Network was introduced for securing the data in CEB system. The data centers at the head office and provincial offices were strengthened introducing security applications.

A door step service was introduced through information system operations which provide the issuing of service connection estimates and collection of payments in respect of service connections without customer visiting the CEB office. This makes possible of providing the service connection within a day. A drive-through payment counter was also introduced at the Ratmalana office. The payments made here are credited to the customer account on the same day. This facility is now limited to WPS -1 and it shall be extended to other divisions as well. Operational activities and staff training are major part of this Branch.



Personnel Branch

Legal Section

Special Investigation Section

Internal Audit Branch



## PERSONNEL BRANCH

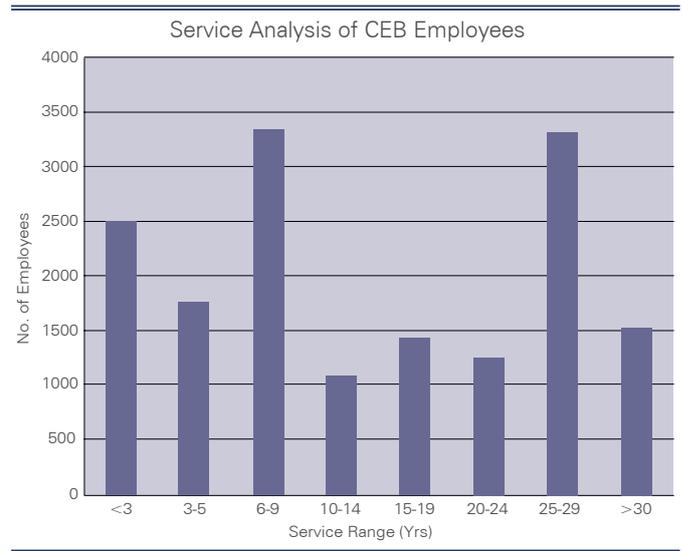
The CEB during the year under review continued to provide a conducive working environment for all its employees and encouraged them autonomy, creativity and responsibility in their work. It is also proud of the achievements of its employees, in the light of the limited resources have at their disposal and the many constraints under which they work. The following functions continued to be carried out by the Personnel Branch of the CEB while other Human Resources (HR) functions were carried out by the HR units of the respective Divisions.

- Recruitment of employees to the permanent cadre.
- Promotions and disciplinary matters of employees
- Formulations of HR policies
- HR administration of all employees of Branches coming under the purview of the Chairman and the General Manager.

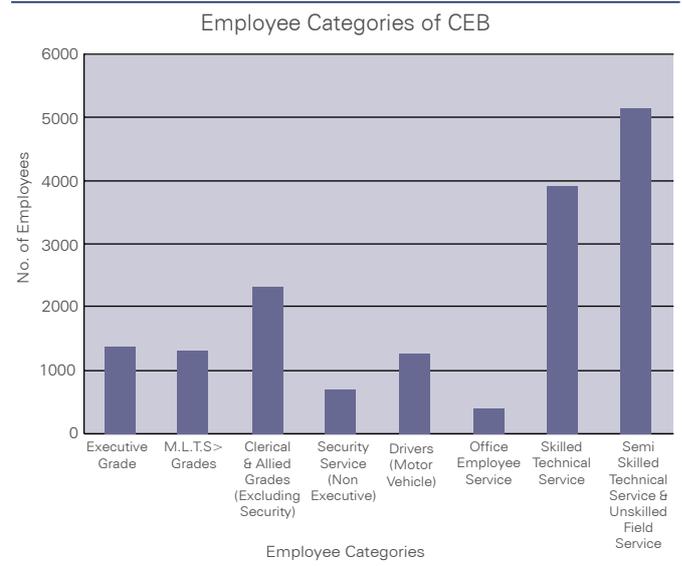
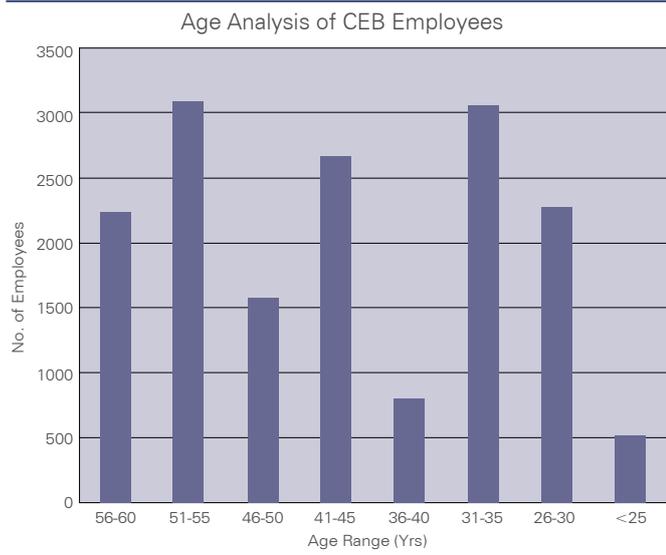
The total number of employees in CEB as at the end of 2013 was 16,326 and 412 personnel were recruited during the year 2013, while 795 Employees left employment due to retirement, resignation, etc. The consumer to employee ratio increased from 298 in 2012 to 319 at the end of 2013.

The Age Analysis of the employees indicates that about 2,252 employees are to retire from service during the next 5 years. 13.79% employees are above 55 years of age and 19.01% within the age group of 51-55 years. This is a clear indication that CEB is an aging organization and needs careful career succession plan to meet the anticipated future shortage of skilled and professionally qualified staff.

The service analysis graph given below shows that there is a group of well experienced staff with long years of service and about 37.61% employees have more than 20 years experience.



Employees categories of CEB shows that 8.3% of employees are in the Executive Grades while 55.4% employees are in Skilled and Semi Skilled categories.





## PERSONNEL BRANCH Contd...

### Appointments

Major changes were made in the higher management structure of the CEB, when Mr.B.N.I.F.A.Wickramasooriya, General Manager retired from service and Mr.F.K.Mohideen was appointed as the General Manager with effect from 30th June, 2013.

With Mr.F.K.Mohideen's appointment as the General Manager, Mrs.B.P.N.Mendis was appointed as AGM (DD 03) with effect from 30th June, 2013. Mr.T.D.Handagama, AGM (DD 02) retired from service on 20th August 2013 and Mr.J.A.S.Perera was appointed in his place. When Mr.F.K.Mohideen, General Manager retired from service on 9th October, 2013 Mr.W.J.L.S.Fernando was appointed as the General Manager with effect from 10th October, 2013.

Mr.B.A.N.Fernando who was appointed as AGM on October 10, 2013; retired When Mr.B.A.N.Fernando was retired from service Mr.U.K.W.Silva was appointed as AGM (DD 1) w.e.f. October 11, 2013. Mr.K.W.L.Wijewardena, AGM (AM & CS) was retired from service and Mr.J.S.Vithanage was appointed as AGM (AM & CS) with effect from 13th October, 2013.

### H.R. Policies

The formulation of new policies and revision of existing policies of CEB are being continuously administered through the HR Policy Committee which has its members all Deputy General Managers in charge of HR administration of all the Divisions of the CEB.

In order to create an environment which motivates employees towards achieving goals of the Board, the CEB has implemented during the year 2013 several schemes for the benefit of the employees. These include payment of bonus, payment of incentive in respect un-availed sick/vacation leave and payment of various special monetary advances.

### Payment of Bonus

The bonus for the year 2013 was paid to the CEB employees on the same basis as it was paid in previous years. The total expenditure incurred in this connection was Rs. 664,126,518.

### Payment of incentive against un-availed sick/vacation Leave

A scheme of payment of an incentive for un-availed sick/vacation leave has been in force in the Board since 1984 in order to reduce absenteeism and thereby increasing their productivity. The benefit of this scheme was granted in the year 2013 as well. In this connection, a payment amounting to Rs. 587,431,251 was made in the year 2013.

### Payment of special Advances for Sinhala/Hindu New Year

A Special Advance and a Salary Advance were both made available to CEB Employees in April 2013 for the Sinhala/Hindu New Year.

### Payment of Special Advances to CEB Employees for Ramazan Festival

A Special Advance and a Salary Advance were both made available to Muslim Employees in the year 2013 too as was done in the previous years.

### Welfare Unit

A network of Circuit Bungalows is maintained by CEB, at important locations such as Hatton & Bandarawela in the cool climates and in religious/archaeological cities such as Anuradhapura, Minneriya, Kandy, Kataragama and Jaffna. This facility is one of the major benefits available to the employees which they can make use of when on holiday. Continuous improvements are being made to the facilities provided at these bungalows with a view to providing the best service to the occupants.

The CEB encourages its employees to take part in sports and recreation activities, by making an annual contribution of Rs.125,000/- towards the activities of its Sports & Recreation Club. As a means of encouraging the religious activities of its employees, CEB annually makes contributions for Vesak, Poson & Christmas festivals that are organized by the employees through various societies such as CEB Buddhist Society and the Christian Association. The Board also organizes annually activities at Dalada Maligawa, Kandy in the month of August; Saman Devalaya, Maussakele in the month of December; Mihintale in the month of June and Kirivehera at Kataragama in the month of December.



Award winner at the kala-Ulela- 2013

Vidulamu Lanka Kala Ulela is a significant event initiated in the year 2013. It provides an opportunity to all employees to showcase their skills and talents in singing, dancing and producing music documentaries etc.

The Welfare unit organized the Wimalasurendra day on 17th September as part of the activities organized to commemorate the 138th Birth anniversary of Mr.D.J.Wimalasurendra and ceremonies were also to commemorate the CEB day on 1st November 2013.



## PERSONNEL BRANCH Contd...

The Board as a service to its employees provides funds to maintain Montessori schools at all Power Stations of the Generation Group which are all located at remote locations.

### Long Service Award

CEB continues to appreciate its employees through Long Service Awards for their long years of service. This award is a means of expressing the gratitude of the Board to employees who have dedicated a major part of their lives towards the benefit of Sri Lankans and is an acknowledgement of the valuable service rendered by them to the progress of CEB.

The Long Service Awards Programme was initiated in the year 1984 by presenting awards to employees who have completed 35 years of service in the Department of Government Electrical Undertakings and in the CEB. From the year 1991 onwards, this award was granted to the employees who have a service period of 30 years or more. 292 Nos. of employees have been presented with awards under this programme during the year 2013. Altogether 5272 CEB employees have so far received awards under this programme.

## LEGAL SECTION

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

The first category covers;

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

The second category covers;

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

In the year 2013 following court works have been attended by the section.

Name of court	Number of cases
Supreme Court	25
Court of Appeal	49
Civil Appeal High Court & High Court	22
District Court	161
Labour Tribunal & Industrial Court	28
Magistrate Court	06

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

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

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

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

- Notarial work
  - Perusal of Lease Agreements
  - Deeds of Transfer in instances when CEB purchases properties from outside parties.
- Legal Opinion - Providing legal opinions in respect of all matters relevant to the CEB.
- Arbitrations- Disputes between the CEB and outside parties that are referred to Arbitration in terms of Arbitration Act No. 11 of 1995. Five Arbitration matters have been attended to by the Legal Section in the year 2013.
- Land Matters - Asset Management Branch is being advised/assisted in making regular the properties of CEB in various ways.

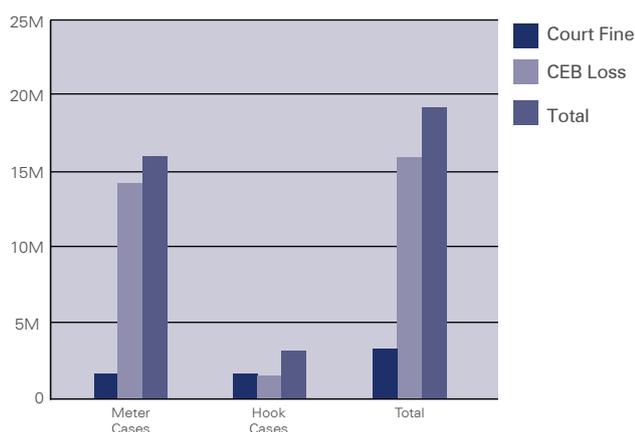


## SPECIAL INVESTIGATION SECTION

Special Investigation Branch headed by the Manager Investigations was established in 1995 to expedite the investigations on the illegal tapping of electricity and meter tampering. Sixteen flying squads have been deployed in the provinces to carry out investigations related to this work.

The progress made by the SIB, during the year 2013 is given below;

Cases	Successful Cases	Court Fine ( MLKR)	CEB Loss MLKR	Total MLKR
Meter Tampering	1587	16.9	142.7	159.70
Illicit tapping	1665	15.7	15.90	31.60
Total	3252	32,6	158.60	191.30



Quite apart from these activities, several investigations have been conducted into the irregularities, referred through various sources to the SIB and disciplinary action has been taken against the relevant officers and employees.

## INTERNAL AUDIT BRANCH

### Performance - 2013

The Internal Audit Branch is supervised by the Chief Internal Auditor who directly reports to the Chairman. Internal audits are aimed at assisting the CEB and the management in the discharge of their corporate governance responsibilities as well as improving and promoting effective and efficient business and operational processes within the CEB.

The Internal Audit Branch verifies the compliance of the internal control systems on an ongoing basis with the policies and procedures already in place and their effectiveness using samples and rotational procedures and in respect of any non compliance, highlights findings that are found to be significant. There are twenty five executives, twenty non-executives and nine other supportive staff members attached to the branch.

Audits are carried out on all units and branches, the frequency of them being dependent on the degree of the risks involved and on the availability of staff. During the year 2013, following audit tasks were accomplished by the branch;

Routine Audits	14
Revenue Audits	23
Systems Audits	38
Special Investigations	28
Total	103

### Audit committee

#### Composition

The audit committee comprises four independent directors from the Board who have a sound knowledge and extensive experience in financial and audit and related subjects. The following are the directors who served in the Committee during the year 2013.

- Mr. W.D. Jayasinghe,(Chairman) ,
- Mr. S. Wirithamulla (Member),
- Mr. R.A A.K. Ranawaka (Member),
- Ms. M.I.V. Amamrasekera (Member)

The head of Internal Audit was the convener of the committee.

#### Meeting and Attendance

The committee formally met five times during the year 2013. The General Manager who is also Chief Executive Officer of the Board, Finance Manager and a representative from Auditor General's Department attended the meetings on invitation and the Heads of the Operations/finance of the divisions whose internal audit reports were being reviewed were also invited to attend these meetings, whenever the committee deemed it necessary.

#### Role of the committee

The Audit Committee reviewed and discussed the reports submitted by the internal audit and External audit on operational and financial activities all the divisions of the Board. The Audit committee after reviewing these reports, made several recommendations to implement additional controls and risk mitigation strategies in order to strengthen the existing internal control systems, thereby reducing the occurrence of frauds, risks and errors faced by the entity. The committee also reviewed the functions of internal audit branch with particular emphasis placed on the planning, scope and quality of the audit carried out.

The minutes of the Audit Committee meetings are tabled for information at the subsequent meeting of the Board of directors.





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# FINANCE DIVISION

Finance Division plays a significant role in the CEB's overall operational work and is responsible for effective and efficient management of the financial operations.

In order to enable the effective management of finance, the Division is required to carry out proper financial planning and budgetary control, close monitoring and supervision of financial operations and attend to negotiations with the financial Institutions.

In the year 2013, the activities of the Finance Division were streamlined and various measures were taken to improve efficiency and effectiveness. In year 2012 IFRS convergence in financial statements was a huge challenge undertaken by CEB Finance Division. With the successful adoption and implementation of International Financial Reporting Standards in 2012, CEB was able to submit the financial statements of 2013 in par with Internationally Accepted Financial Reporting Standards and could list the name of the CEB in a prior place among few other IFRS implemented organizations. In this IFRS implementation process, comprehensive training arrangement was made for all Accountants with the purpose of capacity building where higher officials were offered with foreign training. Local training arrangements were made for all Accountants on continuous basis in collaboration with the appointed consultant for this task, Pricewaterhousecoopers. Revenue collection continued to be improved further in the current year. Several private sector organizations were appointed as collecting agents for CEB like Amana Bank and No. of new on line CEB counters in the People's bank increased up to 225 during the year under review.

## CEB Provident Fund

Ceylon Electricity Board Provident Fund operates as a private provident fund under the provisions of Provident Fund Act No. 15 of 1958. It is administered by a Committee of Management consisting of seven members. The Chairman of the CEB is the ex-officio Chairman and the General Manager CEB is the ex-officio Deputy Chairman. The Finance Manager CEB and Deputy General Manager (Personnel) are the other ex-officio members. The remaining three members are nominated are by the Board.

The total contribution to the fund during the year 2013 amounted to Rs. 2,063 Million, out of which, Rs. 825 Million has been contributed by the employees of the Board.

The total funds accumulated as at 31st December 2013 amounted Rs. 37,596 Million, which is an increase of 11.30% over the previous year. The fund earned an income of Rs. 4,896 Million during the year by its investments and a dividend of 13.20% has been declared for 2013. Loans granted to members for housing and other purposes amounted to Rs. 2,117 Million. During the year, a sum of Rs. 2,603 Million has been refunded from the fund to members who have retired from the service.

## Pension Fund

The beneficiaries of the fund are retired employees who have served the CEB for 20 years or more. They are paid 30% to 34% of their last drawn salary as pension commensuring with No. of years served for CEB and payments are continued until the death of the employee.

In the year 2013, the number of retired employees added to the fund was 484 and 130 were discontinued due to the death. The total beneficiaries of the fund as at end of the year 2013 were 5,981.

The net assets of the fund as at 31st December 2013 amounted to Rs. 14,775 Million. The income, derived from investment of the fund, during the year was Rs. 1,839 Million.



# FINANCIAL REVIEW

## Financial Performance

Year 2013 was financially successful year for the CEB. The main critical factor of CEB's profitability is the Power Generation Mix which is the determinant feature of its profitability and financial viability. The direct generation cost which encompasses the majority of the CEB cost structure is mainly dependent on the Generation Mix. During the year Rs.12,888 Million has been recorded as profit against the previous year (2012) loss of Rs. 77,645 Million which is a 116% upturn in the financial performance of CEB. This favorable result was induced by the decrease in direct generation cost which indicated 31% drop compared to year 2012. Further the revised tariff structure has eased out the impact of the fuel cost escalation which was imposed in April 2013.

The average cost of generation per Kwh was reduced from Rs16.18 in year 2012 to Rs. 11.33 in the year under review which caused by the declined generation cost. However, the thermal cost of generating a Kwh from CEB and IPP thermal sources has increased during the year from Rs. 22.92 to Rs. 29.76 as the fuel prices were escalated by CPC.

### 1.1 Contribution From The Favorable Generation Mix

Although the 2013 original budget was prepared with the expectation of 4,000 Gwh from hydro, due to extremely favorable weather pattern, the generation from hydro improved significantly to 6,000 Gwh which represents 50% of total generation of the year 2013. In the year 2012 hydro contribution was limited to 24% from the total generation and thermal generation rose sharply to 70% the balance 6% was contributed by the Non-Conventional Renewable Energy (NCRE). In the year 2013 Thermal generation recorded at 40% which indicates 30% reduction compared to the previous year 2012. The low cost Lakvijaya Coal Power Plant has also contributed for the favorable transformation of the generation mix by generating 1,470 Gwh during the year 2013. Consequently the cost of sales has been decreased by 25% due to the impact of these factors, where in 2012 cost of sales recorded at Rs. 222,419 Million and in 2013 it was confined to Rs.166,926 Million.

As the result of the favorable generation mix, CEB was able to save Rs. 20,006 Million against the budgeted direct generation cost of Rs. 140,417 Million for the year 2013.

To meet the electricity demand of the country without any interruption to the service, CEB had to continue the procurement of power from Independent Power Producers (IPP) during the peak demand and for the emergency. The IPP thermal component of the generation was 41% (4,904 Gwh) in year 2012 and it reduced to 17% (1,977 Gwh) in the year 2013. During the year 2013, ACE Power Matara, ACE Power Horana and Lakdhanavi (Pvt) Ltd were retired after completion of the agreement period and other seven plants are in operation.

### 1.2 Contribution From The Tariff Increase

In second quarter of 2013 CEB submitted a tariff proposal to PUCSL with the expectation of Rs. 290,000 Million as annual revenue requirement through a tariff increase with effect from 01st January 2013. This is in order to recover the planned generation and operation costs as the tariff structure in operation was not sufficed to meet the "cost pass through" approach in the tariff setting principle for a financial viability of a utility. Further necessity of a revised tariff was intensified with the rising fuel cost at 19% on average when compared to year 2012.

The proposed revenue requirement was not allowed by the PUCSL but a reasonable tariff increase has been granted with effect from 20th April 2013. During the year 2013, by implementing the new tariff CEB was able to make additional revenue of Rs. 20,000 Million for the eight months period.

Though the electrification level of the country has risen to 96% , by the end of the year 2013 sales units were increased to 10,628 GWh showing a marginal growth rate of 1.4% against last year figures of 10,474 GWh. The correspondent rupee value for the sales was recorded as Rs.194,147 Million for the year 2013 and it had been Rs.30,635Million and 18% increase compared to year 2012. The sales revenue increase was mostly due to the revision of tariff with effect from 20th April 2013 to recover the additional cost incur on increased fuel prices. The monthly revenue is in the order of Rs. 17,000 Million with the revised tariff structure, thus making CEB a public enterprise with the highest annual turnover in Sri Lanka. The collection in 2013 was 98% of the sales value during the year with a value of Rs.189,555 Million.

## Financial Position

### Strengthen the balance sheet of CEB in 2013

The additional cash benefit through the profit generated in the year was utilized to settle the outstanding payables for main creditors which have been contributed to further strengthen the CEB balance sheet at the end of year 2013. At the beginning of the year 2013, payable to CPC was Rs. 18,227 Million and during the year payments were made totals up to Rs. 38,589 Million which reduced the unsettled balance as at end of the year to Rs. 6,358 Million. Further in year 2013 payable to Private power generators for supply of power, stood at Rs. 33,076 Million and it was settled to Rs. 17,592 Million as at the end of the financial year with total settlements of Rs. 82,154 Million. In addition income tax liability of the year 2010 was settled by Rs. 4,237 Million, to the Department of Inland Revenue during the year. The Board could maintain a favorable bank overdraft balance of Rs. 253 Million as at the end of year under review where the approved over draft limit is Rs. 800 Million.



## FINANCIAL REVIEW Contd...

The total long term borrowings have increased from Rs. 304,515 Million in 2012 to Rs. 366,858 Million in year 2013.

Total fixed assets as at the balance sheet date stood at Rs. 674,828 Million. This represents 86% of total assets of CEB and a considerable amount of annual depreciation amounting to Rs. 20,491 Million too was included in the accounting profit before tax of Rs. 18,597 Million reported in 2013.

In 2012 due to IFRS convergence to financial accounts of CEB, the brought forward losses which stood at Rs.138,778 Million in year 2011, was converted to a earning of Rs.136,849 Million as the revaluation reserve was transferred to the retained earnings as required by IFRS guidelines. In 2012 the retained earnings reduces to Rs. 54,903 Million as the financial loss

of Rs. 77,770 Million is adjusted therein. In year 2013 the retained earnings improved to Rs. 63,897 Million with the operating profit of Rs. 12,888 Million in the same year. The operating profit includes the deferred taxation charge of Rs. 5,747 Million.

The return on net fixed assets was negative 12.54% in 2012 however, in year 2013 it was reported as 2% positive return.

### Group Accounts

The Board prepares Group accounts incorporating its subsidiaries, Lanka Electricity Company (Pvt) Ltd, LTL Holdings (Pvt) Ltd and Lanka Coal Company Ltd and Sri Lanka Energy (Pvt) Ltd, in addition to the Board Accounts.

### Highlights of Financial Performance

Profit & Loss	2013 Rs. Million	2012 Rs. Million	2011 Rs. Million	2010 Rs. Million	2009 Rs. Million
Turnover	194,147	163,513	132,460	121,862	110,518
Direct Cost	(166,926)	(222,419)	(151,448)	(116,168)	(118,186)
Gross Profit /(Loss)	27,221	(58,906)	(18,988)	5,694	(7,668)
Administration Expenses	(2,555)	(2,997)	(1,636)	(1,851)	(2,870)
Other Income	5,106	4,225	3,810	3,062	3,412
Operating Profit / (Loss)	29,772	(57,678)	(16,814)	6,905	(7,126)
Finance Cost- Net	(11,136)	(3,769)	(3,371)	(2,047)	(2,212)
Profit / (Loss) Before Taxation	18,636	(61,447)	(20,185)	4,858	(9,338)
Other Comprehensive Income	(39)	(124)	-	-	-
Accounting Profit / (Loss) Before Tax	18,597	(61,571)	-	-	-
Balance Sheet	2013 Rs. Million	2012 Rs. Million	2011 Rs. Million	2010 Rs. Million	2009 Rs. Million
Total Assets	785,717	735,131	661,333	605,422	516,021
Capital & Reserves	212,769	191,390	257,464	282,631	275,208
Non – Current Liabilities	480,076	406,385	281,842	229,128	141,883
Current Liabilities	92,872	137,356	122,026	93,663	98,930
Cash	(1,431)	(17,812)	(1,178)	(3,102)	(4,039)
Sales (GWh)	10,621	10,474	10,023	9,263	8,441
Generation (GWh)	11,962	11,801	11,528	10,689	9,882



# REPORT OF THE DIRECTORS

The Directors of the Ceylon Electricity Board present their Report and Consolidated Financial Statements for the Year ended 31st December 2013.

## Principal Activities and Business Reviews

The Principal activities of the Board were generation, procurement, transmission, effective distribution and sale of electricity.

## Financial Results

A turnover increase of 18.7% was registered for CEB for the year under review. The total comprehensive income for the year net of tax Rs. 12,849 million was recorded in the year under review.

## Investment

CEB has an investment of 55.2% of the shares of Lanka Electricity Company (Pvt) Ltd, 63% shares of LTL Holdings (Pvt) Ltd, 60% shares of Lanka Coal Company (Pvt) Ltd, 100% shares of Sri Lanka Energies (Pvt) Ltd. Further it has a 50% investment in Trincomalee Power Company Ltd which is a joint venture of CEB & NTPC India. LTL Holdings (Pvt) Ltd has declared dividends of Rs 2,000 million for the financial year 2012/13 and 2013/14 and Rs. 1,260 million was received as dividend income for the 2013 year of CEB. Lanka Electricity Company (Pvt) Ltd has declared a dividend of Rs. 172 million for the financial year 2012/13 and Rs. 94 million was received as dividend income for the 2013 year of CEB.

## Self-Insurance Reserve

Ceylon Electricity Board maintains its own insurance for its fixed assets and annually appropriate 0.1% of the gross fixed value at the end of the year. The total accumulated funds of this insurance as at balance Sheet data amounted to Rs.5,250 million.

## Addition to Property Plant & Equipment

During the year Property, Plant & Equipment Amounting to Rs. 33,009 million was added to the capital assets compared to Rs. 21,069 million added last year. The addition mainly related to the Transmission and Distribution assets.

## Borrowings

The interest bearing loans and borrowings by the Board stood at Rs. 387,371 million as against Rs. 346,900 million last year.

## Board members for the Year 2013

Prof. Wimaladharma Abeyewickrema was the Chairman up to 31st January 2013. He also served as a Director in the Boards of Directors of the Lanka Electricity Company (Pvt) Ltd and LTL Holdings (Pvt) Ltd, which are both subsidiaries of CEB.

Mr. W.B. Ganegala was serving as the Chairman, CEB from 1st March 2013. He also served as a Director in the Board of Directors of the Lanka Electricity Company (Pvt) Ltd., LTL Holdings (Pvt) Ltd., Lanka Coal Company (Pvt) Ltd., Sri Lanka Energies (Pvt) Ltd. which are subsidiaries of CEB and Trincomalee Power Co. Ltd, which is a joint venture of CEB.

Eng: W.D. Anura Senaka Wijayapala was the Vice Chairman of CEB upto 28th January 2013 and Mr. P. P. Gunasena served as Working Director of CEB upto 31st January 2013. Further they also served as directors in the Director Boards of Lanka Coal Company (Pvt) Ltd, Sri Lanka Energies (Pvt) Ltd and Trincomalee Power Company (Pvt) Limited.

Mr.T.M. Herath served as Vice Chairman of CEB from 1st March 2013 to 31st December 2013.

Mr. K.I.D.P Kularathne was appointed as Working Director of CEB on 1st March 2013.

Dr. B.M.S. Batagoda , board member representing the General Treasury resigned on 9th May 2013 and Ms. M. T. I .V. Amarasekera, Director Department of external resources of the Ministry of Finance & Planning was appointed in place of him on 10th May 2013.

Mr. C.J.P. Siriwardena served as member of the director board of CEB and resigned on 22nd February 2013 and Mr. S.Wirithamulla was appointed in place of him on 1st March 2013.

Mr. R.A.A.K. Ranawaka, Secretary Ministry of Local Government and Provincial Councils and Mr. W.D. Jayasinghe, Additional Secretary Ministry of Industry and Commerce served as members of the director board of CEB during the year ended 31st December 2013.

## Provident Fund & Pension Fund

Board maintains as independent fund in respect of Provident Fund and the Pension Fund of its employees.

The CEB Provident fund has earned an income of Rs. 4,896 million in 2013 on investment and declared a dividend of 13.2%.The Income derived from the investment of the pension Fund in 2013 was Rs. 2,117 million.

## Employees

The total number of employees as at end of the year was 16,326 and total number of Consumer/Employee ratio was 319 in 2013.

## Auditors

The Financial Statement of the Board was audited by the Auditor General in terms of the Finance Act No. 38 of 1971.



## REPORT OF THE DIRECTORS Contd...

### **Audit committee**

The committee formally met five times during the year under review. The Audit Committee reviewed and discussed the reports submitted by the internal audit and External audit carried out in the areas of operational and financial reviews. The Audit committee have reviewed these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented where necessary to strengthen the existing internal control systems, thus minimizing the possibility of occurrence and impact of fraud and errors, operational and financial risks faced by the entity. The committee also reviews the internal audit functions with particular emphasis on the planning of the audit, scope of the audit and quality of the audits.

The minutes of the Audit Committee meetings are tabled at the subsequent meeting of the Board of directors for their information.



# CONSOLIDATED INCOME STATEMENT

Year Ended 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

Continuing Operation	Note	Group		Board	
		2013	2012 Restated	2013	2012
Revenue	3	203,289,681	180,261,731	194,146,823	163,512,580
Cost of Sales		(173,084,741)	(231,201,468)	(166,925,615)	(222,419,279)
<b>Gross Profit / (Loss)</b>		<b>30,204,940</b>	<b>(50,939,737)</b>	<b>27,221,208</b>	<b>(58,906,699)</b>
Other Income and Gain	4	6,876,586	5,602,628	5,106,533	4,225,332
Distribution Cost		(60,362)	(53,247)	-	-
Others		(332,648)	(335,901)	-	-
Administrative Expenses		(4,429,155)	(5,061,609)	(2,555,589)	(2,997,357)
<b>Operating Profit/(Loss)</b>		<b>32,259,360</b>	<b>(50,787,866)</b>	<b>29,772,152</b>	<b>(57,678,724)</b>
Finance Income	5.1	2,406,799	2,574,594	1,676,958	2,428,969
Finance Cost	5.2	(13,157,111)	(6,356,504)	(12,813,127)	(6,197,562)
Finance Cost-Net		(10,750,312)	(3,781,911)	(11,136,169)	(3,768,593)
Share of loss of Joint Venture	11	(8,974)	(38,143)	-	-
<b>Profit/(Loss) before Income Tax</b>	<b>6</b>	<b>21,500,075</b>	<b>(54,607,920)</b>	<b>18,635,983</b>	<b>(61,447,317)</b>
Income Tax Expense	7.1	(590,409)	(1,480,294)	-	-
(Deferred Tax Charge)/ Reversal	7.2	(5,629,743)	(15,982,615)	(5,747,415)	(16,198,080)
<b>Profit/Loss for the year from continuing operation</b>		<b>15,279,923</b>	<b>(72,070,829)</b>	<b>12,888,568</b>	<b>(77,645,397)</b>
Non Controlling Interest		(1,937,847)	(3,597,205)	-	-
<b>Profit/(Loss) for the Year</b>		<b>13,342,076</b>	<b>(75,668,035)</b>	<b>12,888,568</b>	<b>(77,645,397)</b>

The notes on Pages 107 to 154 form an integral part of these Financial Statements



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2013	2012 Restated	2013	2012
<b>Continuing Operation</b>				
<b>Loss for the year from continuing operation</b>	<b>15,279,923</b>	<b>(72,070,829)</b>	<b>12,888,568</b>	<b>(77,645,397)</b>
<b>Other Comprehensive Income</b>				
Actuarial loss on post employment benefit obligation	(52,961)	(119,647)	(39,085)	(124,403)
Exchange differences on translation of foreign subsidiary operations	81,941	7,029	-	-
Fair value gain on available for sale financial assets	655,473	57,114	-	-
Net gain / (loss) on exchange conversion of foreign currency loans	18,243	(17,927)	-	-
<b>Total Comprehensive Income for the year, net of tax</b>	<b>15,982,618</b>	<b>(72,144,261)</b>	<b>12,849,483</b>	<b>(77,769,800)</b>
<b>Attributable to:</b>				
Equity Holders of the Parent	13,683,955	(75,765,798)		
Non Controlling Interest	2,298,664	3,621,537		
	<b>15,982,618</b>	<b>(72,144,261)</b>		

The notes on Pages 107 to 154 form an integral part of these Financial Statements



# STATEMENT OF FINANCIAL POSITION

Year Ended 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

Continuing Operation		Group		Board	
		2013	2012 Restated	2013	2012 Restated
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	8	695,377,910	637,656,973	674,828,602	622,349,721
Premium Paid on Leasehold Land		7,373	5,903	-	-
Intangible assets	9	19,256	22,025	-	-
Investments in Subsidiaries	10	-	-	784,813	761,902
Investment in Joint Venture	11	75,147	84,121	150,000	150,000
Other Non Current Financial Assets	12	3,900,111	4,864,344	-	-
Investments of Insurance Reserve	13	5,250,300	4,433,045	5,250,300	4,433,045
<b>Total Non-Current Assets</b>		<b>704,630,096</b>	<b>647,066,410</b>	<b>681,013,715</b>	<b>627,694,668</b>
<b>Current Assets</b>					
Inventories	14	39,256,107	32,597,217	36,548,953	29,949,063
Trade and Other Receivables	15	62,787,632	75,305,058	56,096,171	68,071,150
Amounts Due from Related Parties	16	-	-	4,981,501	1,810,852
Other Current Financial Assets	12	18,207,011	14,186,296	5,034,000	5,035,090
Tax Refund Due		366,257	261,569	-	-
Cash and Bank Balances	26	7,166,628	5,717,455	2,042,958	2,570,748
<b>Total Current Assets</b>		<b>127,783,635</b>	<b>128,067,596</b>	<b>104,703,583</b>	<b>107,436,903</b>
<b>Total Assets</b>		<b>832,413,731</b>	<b>775,134,006</b>	<b>785,717,298</b>	<b>735,131,571</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Equity</b>					
Contributed Capital	17	121,611,564	110,765,779	121,611,564	110,765,779
Reserves	18	34,517,901	32,259,936	27,260,061	25,721,510
Retained Earnings / (Loss)		74,339,017	65,424,008	63,897,166	54,903,129
<b>Equity Attributable to the Equity Holders of the Parent</b>		<b>230,468,482</b>	<b>208,449,722</b>	<b>212,768,791</b>	<b>191,390,418</b>
Non Controlling Interest		17,095,856	15,945,107	-	-
<b>Total Equity</b>		<b>247,564,338</b>	<b>224,394,829</b>	<b>212,768,791</b>	<b>191,390,418</b>
<b>Non-Current Liabilities and Deferred Income</b>					
Interest Bearing Loans & Borrowings	19	367,860,747	303,095,370	366,858,048	304,514,772
Consumer Deposits	20	9,721,662	8,899,445	9,721,662	8,899,445
Provisions and Other Deferred Liabilities	21	3,845,874	4,123,375	3,236,183	3,592,799
Deferred Income	22	63,598,002	58,285,116	60,343,184	55,208,276
Deferred Taxation	23	40,232,524	34,602,781	39,917,179	34,169,764
<b>Total Non-Current Liabilities and Deferred Income</b>		<b>485,258,809</b>	<b>409,006,086</b>	<b>480,076,257</b>	<b>406,385,056</b>
<b>Current Liabilities</b>					
Trade and Other Payables	24	78,248,057	91,914,118	66,341,951	86,959,044
Dividend Payables		491,648	19,322	-	-
Amounts Due to Related Parties	25	-	-	5,698,376	4,311,817
Interest Bearing Loans & Borrowings	19	19,737,766	42,993,281	20,512,973	41,185,236
Income Tax Payable		1,113,113	6,806,370	318,951	4,900,000
<b>Total Current Liabilities</b>		<b>99,590,584</b>	<b>141,733,090</b>	<b>92,872,250</b>	<b>137,356,097</b>
<b>Total Equity and Liabilities</b>		<b>832,413,731</b>	<b>775,134,006</b>	<b>785,717,298</b>	<b>735,131,571</b>

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

Chairman

General Manager

Finance Manager

The notes on Pages 107 to 154 form an integral part of these Financial Statements

11.02.2015  
Colombo



# GROUP-STATEMENT OF CHANGES IN EQUITY

Year Ended 31st December 2013

	Contributed Capital	Capital Reserve	Adjustment for Deemed Cost	Revaluation Reserve
<b>Balance as at 01st January 2012</b>	<b>96,090,405</b>	<b>17,800,051</b>	<b>4,529,883</b>	<b>587,475</b>
<b>Effects of Changes In Accounting Policies</b>				
<b>Restated Balance as at 01st January 2012</b>	<b>96,090,405</b>	<b>17,800,051</b>	<b>4,529,883</b>	<b>587,475</b>
IFRS Adjustment -Revaluation	-	-	-	-
Adjustment made during the year	-	-	-	-
Loss for the Year	-	-	-	-
Transfer to/from Insurance Reserve	-	-	-	-
Interest Income on Insurance Escrow Fund	-	-	-	-
Damaged Charge during the period	-	-	-	-
Pawan Danawi Share Issue	-	-	-	-
Heat Rate Reserve	-	2,093	-	-
Investment Reserve	-	-	-	-
Fixed Assets replacement Reserve	-	-	-	-
Overhaul Reserve	-	-	-	-
CAARP Project	105,769	-	-	-
AREP Projects	140,000	-	-	-
Rural Electrification Project-8 (Iran)	3,153,437	-	-	-
IDC Project Loan	8	-	-	-
Rural Electrification Project-4 (Extension)	3,064,325	-	-	-
Rural Electrification Project-4 (Old)	463,364	-	-	-
Vaunia Killinochchi Transmission Project	966,970	-	-	-
Killinochchi Chunnakaum Transmission Project	646,080	-	-	-
Batahira Ran Aruna Project	35,000	-	-	-
Nagenahira Navodaya Project	1,062,959	-	-	-
Ruhunu Udanaya Project	160,000	-	-	-
Uva Udanaya Project	1,396,516	-	-	-
Rajarata Navodaya Project	75,000	-	-	-
Jaffna Rehabilitation Electricity Supply Project	315,825	-	-	-
Suatable Power Sector Support Project	129,960	-	-	-
Uthuru wasanthaya	1,757,069	-	-	-
DSMSLP Project	5,178	-	-	-
Other Comprehensive income	-	-	-	-
Acturial gain or loss on defined benefit plan	-	-	-	-
Fair Value gain of quoted /unquoted shares	-	-	-	-
Exchange differences on translation of foreign subsidiary operation	-	3,618	-	-
Net gain / loss on exchange conversion of foreign currency loans	-	(9,227)	-	-
Final Dividends-Ordinary Shares-2011 / 12 (LTL)	-	-	-	-
Interim Dividends-Ordinary Shares-2012/13 (LTL)	-	-	-	-
Dividend Payment (LECO)	-	-	-	-
<b>Balance as at 01st January 2013</b>	<b>109,567,865</b>	<b>17,796,535</b>	<b>4,529,883</b>	<b>587,475</b>



(All amounts in Sri Lanka Rupees Thousands)

Overhaul Reserve	Depreciation Reserve	Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Available for Sale Reserve	Retained Earnings	Non Controlling Interest	Total
36,673	23,000	199,507	60,530	6,905,702	868,594	145,478,078 (34,229)	14,018,587 (21,580)	286,598,485 (55,809)
36,673	23,000	199,507	60,530	6,905,702	868,594	145,443,849	13,997,007	286,542,676
-	-	-	-	-	-	(366,345)	-	(366,345)
-	-	-	-	-	-	9,524	-	9,524
-	-	-	-	-	-	(75,668,035)	3,597,205	(72,070,829)
-	-	-	-	781,354	-	(781,354)	-	-
-	-	-	-	470,933	-	-	-	470,933
-	-	-	-	(56,038)	-	-	-	(56,038)
-	-	-	-	-	-	-	49,000	49,000
-	-	-	-	-	-	(3,322)	1,229	-
-	-	-	6,319	-	-	(10,030)	3,711	-
-	-	14,193	-	-	-	(22,529)	8,336	-
5,999	-	-	-	-	-	(9,521)	3,523	-
-	-	-	-	-	-	-	-	105,769
-	-	-	-	-	-	-	-	140,000
-	-	-	-	-	-	-	-	3,153,437
-	-	-	-	-	-	-	-	8
-	-	-	-	-	-	-	-	3,064,325
-	-	-	-	-	-	-	-	463,364
-	-	-	-	-	-	-	-	966,970
-	-	-	-	-	-	-	-	646,080
-	-	-	-	-	-	-	-	35,000
-	-	-	-	-	-	-	-	1,062,959
-	-	-	-	-	-	-	-	160,000
-	-	-	-	-	-	-	-	1,396,516
-	-	-	-	-	-	-	-	75,000
-	-	-	-	-	-	-	-	315,825
-	-	-	-	-	-	-	-	129,960
-	-	-	-	-	-	-	-	1,757,069
-	-	-	-	-	-	-	-	5,178
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(124,403)	-	(124,403)
-	-	-	-	-	29,277	-	27,836	57,114
-	-	-	-	-	-	-	3,411	7,029
-	-	-	-	-	-	-	(8,700)	(17,927)
-	-	-	-	-	-	-	(412,447)	(412,447)
-	-	-	-	-	-	-	(1,240,195)	(1,240,195)
-	-	-	-	-	-	-	(80,567)	(80,567)
<b>42,671</b>	<b>23,000</b>	<b>213,700</b>	<b>66,849</b>	<b>8,101,951</b>	<b>897,871</b>	<b>68,467,834</b>	<b>15,949,349</b>	<b>226,244,984</b>



# GROUP-STATEMENT OF CHANGES IN EQUITY

Year Ended 31st December 2013

	Contributed Capital	Capital Reserve	Adjustment for Deemed Cost	Revaluation Reserve
<b>Prior Year Adjustment made during the Period</b>	<b>1,197,914</b>	-	-	-
<b>Restated Balance as at 01st January 2013</b>	<b>110,765,779</b>	<b>17,796,535</b>	<b>4,529,883</b>	<b>587,475</b>
Profit / Loss for the Year	-	-	-	-
Transfer to / from Insurance Reserve	-	-	-	-
Interest Income on Insurance Escrow Fund	-	-	-	-
Deemed Dividend Levy	-	-	-	-
Raj Lanka Power Co. Ltd share issue	-	-	-	-
Heat Rate Reserve	-	10,038	-	-
Investment Reserve	-	-	-	-
Fixed Assets replacement Reserve	-	-	-	-
Overhaul Reserve	-	-	-	-
Sri Jayawardanapur Complex	20,000	-	-	-
Uthuru Wasanthaya	1,345,441	-	-	-
Accelerated Rural Electrification Project	50,000	-	-	-
Rural Electrification Project-8 (Iran)	485,231	-	-	-
Rural Electrification Project-4 (Extension)	2,455,813	-	-	-
Vaunia Killinochchi Transmission Project	348,510	-	-	-
Batahira Ran Aruna Project	20,000	-	-	-
Nagenahira Navodaya Project	1,369,230	-	-	-
Ruhunu Udanaya Project	146,321	-	-	-
Uva Udanaya Project	2,299,935	-	-	-
Jaffna Rehabilitation Electricity Supply Project	493,890	-	-	-
Kandurata Udanaya	100,000	-	-	-
Wayaba Pubuduwa	200,000	-	-	-
Welioya Electrification	50,000	-	-	-
Energy Diversification Enhancement Project	535	-	-	-
Sabaragamuwa	285,000	-	-	-
Sustainable Power Sector Support Project	520,719	-	-	-
Trincomalee Integrate	162,991	-	-	-
Killinochchi Chunnakaum Transmission Project	491,760	-	-	-
ADB Fund	409	-	-	-
Other Comprehensive income	-	-	-	-
Actuarial gain or loss on defined benefit plan	-	-	-	-
Fair Value gain of quoted /unquoted shares	-	-	-	-
Exchange differences on translation of foreign subsidiary operation	-	42,175	-	-
Net gain / loss on exchange conversion of foreign currency loans	-	9,390	-	-
Final Dividends-Ordinary Shares-2012 / 13 (LTL)	-	-	-	-
Dividend Payment (LECO)	-	-	-	-
<b>Balance as at 31st December 2013</b>	<b>121,611,564</b>	<b>17,858,138</b>	<b>4,529,883</b>	<b>587,475</b>

The notes on Pages 107 to 154 form an integral part of these Financial Statements



(All amounts in Sri Lanka Rupees Thousands)

Overhaul Reserve	Depreciation Reserve	Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Available for Sale Reserve	Retained Earnings	Non Controlling Interest	Total
-	-	-	-	-	-	(3,043,826)	(4,242)	1,850,155
42,671	23,000	213,700	66,849	8,101,951	897,871	65,424,008	15,945,107	224,394,830
-	-	-	-	-	-	13,342,076	1,937,847	15,279,923
-	-	-	-	809,110	-	(809,110)	-	-
-	-	-	-	729,441	-	-	-	729,441
-	-	-	-	-	-	(3,046,335)	-	(3,046,335)
-	-	-	-	-	-	-	254,517	254,517
-	-	-	-	-	-	(15,933)	5,895	-
-	-	-	360,189	-	-	(571,729)	211,540	-
-	-	8,434	-	-	-	(13,387)	4,953	-
(48,190)	-	-	-	-	-	76,492	(28,302)	-
-	-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	-	1,345,441
-	-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-	485,231
-	-	-	-	-	-	-	-	2,455,813
-	-	-	-	-	-	-	-	348,510
-	-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	-	1,369,230
-	-	-	-	-	-	-	-	146,321
-	-	-	-	-	-	-	-	2,299,935
-	-	-	-	-	-	-	-	493,890
-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	200,000
-	-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-	535
-	-	-	-	-	-	-	-	285,000
-	-	-	-	-	-	-	-	520,719
-	-	-	-	-	-	-	-	162,991
-	-	-	-	-	-	-	-	491,760
-	-	-	-	-	-	-	-	409
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(47,065)	(5,896)	(52,961)
-	-	-	-	-	337,378	-	318,094	655,473
-	-	-	-	-	-	-	39,765	81,941
-	-	-	-	-	-	-	8,853	18,243
-	-	-	-	-	-	-	(1,517,481)	(1,517,481)
-	-	-	-	-	-	-	(79,036)	(79,036)
(5,519)	23,000	222,134	427,039	9,640,502	1,235,250	74,339,017	17,095,856	247,564,339



# THE BOARD-STATEMENT OF CHANGES IN EQUITY

Year Ended 31st December 2013

	Contributed Capital	Capital reserves
<b>Balance Restated as at 01st January 2012</b>	<b>96,090,404</b>	<b>17,447,062</b>
IFRS Adjustment -Revaluation	-	-
Adjustment made during the year	-	-
Loss for the Year	-	-
Transfer to/from Insurance Reserve	-	-
Interest Income on Insurance Escrow Fund	-	-
Damaged Charge during the period	-	-
CAARP Project	105,769	-
AREP Projects	140,000	-
Rural Electrification Project-8 (Iran)	3,153,437	-
IDC Project Loan	8	-
Rural Electrification Project-4 (Extension)	3,064,325	-
Rural Electrification Project-4 (Old)	463,364	-
Vaunia Killinochchi Transmission Project	966,970	-
Killinochchi Chunnakaum Transmission Project	646,080	-
Batahira Ran Aruna Project	35,000	-
Nagenahira Navodaya Project	1,062,959	-
Ruhunu Udanaya Project	160,000	-
Uva Udanaya Project	1,396,516	-
Rajarata Navodaya Project	75,000	-
Jaffna Rehabilitation Electricity Supply Project	315,825	-
Suatable Power Sector Support Project	129,960	-
Uthuru wasanthaya	1,757,069	-
DSMSLP Project	5,178	-
<b>Other Comprehensive income</b>	-	-
Actuarial gain or loss on defined benefit plan	-	-
<b>Balance as at 31 December 2012</b>	<b>109,567,865</b>	<b>17,447,062</b>
Prior year adjustment made during the period	1,197,914	-
<b>Restated Balance as at 01 January 2013</b>	<b>110,765,779</b>	<b>17,447,062</b>
Profit for the Period	-	-
Transfer to/from Insurance Reserve	-	-
Interest income from insurance Escrow Fund	-	-
Deemed Dividend Levy	-	-
Sri Jayawardanapura Complex	20,000	-
Uthuru Wasanthaya	1,345,441	-
Accelerated Rural Electrification Project	50,000	-
Rural Electrification Project 08 ( Iran)	485,231	-
Rajarata Navodaya Project	2,455,813	-
Vauniya Killinochchi Transmission Project	348,510	-
Batahira Ran Aruna Project	20,000	-
Nagenahira Navodaya Project	1,369,230	-
Ruhunu Udanaya Project	146,321	-
Uva Udanaya Project	2,299,935	-
Jaffna Rehabilitation Electricity Supply Project	493,890	-
Kandurata Udanaya	100,000	-
Wayaba pubuduwa	200,000	-
Welioya Electrification	50,000	-
Energy diversification Enhancement Project	535	-
Sabaragamuwa	285,000	-
Sustainable Power Sector Support Project	520,719	-
Trincomalee Integrat	162,991	-
Killinochchi Chunnakaum Transmission Project	491,760	-
ADB fund	409	-
<b>Balance as at 31 December 2013</b>	<b>121,611,563</b>	<b>17,447,062</b>

The notes on Pages 107 to 154 form an integral part of these Financial Statements



(All amounts in Sri Lanka Rupees Thousands)

Capital Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
<b>165,446</b>	<b>23,000</b>	<b>6,889,752</b>	<b>136,848,860</b>	<b>257,464,525</b>
-	-	-	(366,345)	(366,345)
-	-	-	9,524	9,524
-	-	-	(77,645,395)	(77,645,395)
-	-	781,354	(781,354)	-
-	-	470,933	-	470,933
-	-	(56,038)	-	(56,038)
-	-	-	-	105,769
-	-	-	-	140,000
-	-	-	-	3,153,437
-	-	-	-	8
-	-	-	-	3,064,325
-	-	-	-	463,364
-	-	-	-	966,970
-	-	-	-	646,080
-	-	-	-	35,000
-	-	-	-	1,062,959
-	-	-	-	160,000
-	-	-	-	1,396,516
-	-	-	-	75,000
-	-	-	-	315,825
-	-	-	-	129,960
-	-	-	-	1,757,069
-	-	-	-	5,178
-	-	-	-	-
-	-	-	(124,403)	(124,403)
<b>165,446</b>	<b>23,000</b>	<b>8,086,001</b>	<b>57,940,887</b>	<b>193,230,261</b>
-	-	-	(3,037,758)	(1,839,844)
165,446	23,000	8,086,001	54,903,129	191,390,417
-	-	-	12,849,483	12,849,483
-	-	809,110	(809,110)	-
-	-	729,441	-	729,441
-	-	-	(3,046,335)	(3,046,335)
-	-	-	-	20,000
-	-	-	-	1,345,441
-	-	-	-	50,000
-	-	-	-	485,231
-	-	-	-	2,455,813
-	-	-	-	348,510
-	-	-	-	20,000
-	-	-	-	1,369,230
-	-	-	-	146,321
-	-	-	-	2,299,935
-	-	-	-	493,890
-	-	-	-	100,000
-	-	-	-	200,000
-	-	-	-	50,000
-	-	-	-	535
-	-	-	-	285,000
-	-	-	-	520,719
-	-	-	-	162,991
-	-	-	-	491,760
-	-	-	-	409
<b>165,446</b>	<b>23,000</b>	<b>9,624,552</b>	<b>63,897,167</b>	<b>212,768,791</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31.12.2013

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2013	2012	2013	2012
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	21,500,075	(54,607,920)	18,635,983	(61,447,315)
<b>Adjustments for</b>				
Depreciation -Charged for the year	21,769,587	22,495,759	20,491,076	21,131,465
Consumer Contribution - Amount Amortised During the year	(2,255,662)	(2,188,838)	(2,265,266)	(2,053,541)
Government Grant - Amount Amortised During the year	(12,391)	(12,391)	(12,391)	(12,391)
Income from Investments	(2,406,799)	(2,574,594)	(1,353,948)	(2,401,213)
(Profit)/Loss on sales of Property, Plant & Equipment	(123,210)	(68,608)	(105,936)	(54,678)
Finance Costs	13,157,111	6,356,504	14,809,517	6,197,563
Provision for Obsolete & Unserviceable Cost	64,347	172,452	33,275	135,343
Provision for price Variance	2,102,594	779,295	871,002	779,295
Provision for Impairment of Trade Debtors	148,082	623,981	163,812	597,181
Provision for Impairment of Other Debtors	38,083	(1,214,839)	-	(1,209,009)
Impact on IFRS depreciation & disposal adjustments	-	(1,498,464)	-	(1,498,464)
Stores Discrepancies Account	816	-	816	-
Finance Income	(276,408)	-	(267,467)	-
Disposal Adjustments-Augmentation	109	-	109	-
Reversal of Provision	(63)	-	(63)	-
Defined Benefit Plans	801,033	1,244,447	713,422	1,162,056
Personnel Cost on Pension Fund	(706,345)	(353,781)	(706,345)	(353,781)
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>53,800,959</b>	<b>(30,846,996)</b>	<b>51,007,596</b>	<b>(39,027,489)</b>
(Increase)/ Decrease in Inventories	(8,773,992)	(12,172,320)	(7,557,103)	(11,743,287)
(Increase)/ Decrease in Trade and Other Receivables	12,331,324	10,062,383	7,750,366	13,150,100
Increase/ (Decrease) in Trade and Other Payables	(16,630,455)	(14,296,395)	(24,069,584)	(14,856,518)
<b>Cash Generated from Operations</b>	<b>40,727,836</b>	<b>(47,253,328)</b>	<b>27,131,275</b>	<b>(52,477,194)</b>
Finance Cost paid	(8,824,249)	(3,567,132)	(9,282,761)	(3,408,444)
Retirement Benefit Obligation	(425,150)	(448,859)	(402,778)	(431,911)
Income Tax Paid	(6,388,351)	(1,084,474)	(4,237,410)	-
<b>Net Cash From/(Used in) Operating Activities</b>	<b>25,090,086</b>	<b>(52,353,793)</b>	<b>13,208,326</b>	<b>(56,317,549)</b>
<b>Cash Flows from / (Used in) Investing Activities</b>				
Acquisition of Property, Plant & Equipment and capital work in progress	(72,955,666)	(91,366,215)	(65,451,558)	(88,022,279)
Acquisition of Intangible Assets	2,769	1,302	-	-
Investment in Joint Ventures	8,974	37,421	-	-
Investment in Insurance reserves Fund	(817,255)	(405,633)	(817,255)	(405,633)
Interest Received from Insurance Reserves Fund	729,441	405,633	729,441	405,633
Investment in Non Current Financial Assets	1,619,706	250,264	-	-
Investment in Current Financial Assets	(4,020,714)	25,088	-	-
Acquisition of Investments	-	-	(22,910)	(25,000)
Income on Foreign Investment	-	960,883	-	-
Dividend Received	-	-	1,353,948	-
Interest Received	2,406,799	2,574,594	267,467	2,401,213
Sale Proceeds of Fixed Assets Disposals	291,587	51,750	55,833	37,820
Dividend Paid	(1,124,191)	(2,039,833)	-	-
<b>Net Cash Flows from/(Used in) Investing Activities</b>	<b>(73,858,551)</b>	<b>(89,504,746)</b>	<b>(63,885,034)</b>	<b>(85,608,246)</b>
<b>Cash Flows from (Used in) Financing Activities</b>				
Proceeds From Contributed capital	10,845,785	13,400,253	10,845,784	13,400,254
Consumer Contribution	7,857,347	7,436,897	8,011,379	7,019,529
Redemption of Preference Shares	-	-	-	-
Consumer deposit - refund	(243,215)	(145,568)	(243,215)	(145,568)
Consumer deposit Received	1,065,433	875,124	1,065,433	875,124
Net Movement in Lease Creditors/( Lease Payment)	(8,401)	(23,094)	(120,724)	114,734
Proceeds From Interest Bearing Loans & Borrowings	85,305,461	110,219,457	85,487,618	112,395,167
Repayment of Interest Bearing Loans & Borrowings	(37,839,214)	(9,178,880)	(37,988,346)	(8,368,039)
Pawan Danawi Share Issue	-	49,000	-	-
Nividu Share Issues	254,517	-	-	-
Premium paid on Leasehold land	(1,470)	-	-	-
<b>Net Cash Flows from/(Used in) Financing Activities</b>	<b>67,236,243</b>	<b>122,633,189</b>	<b>67,057,929</b>	<b>125,291,201</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>18,467,778</b>	<b>(19,225,350)</b>	<b>16,381,221</b>	<b>(16,634,594)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>(15,822,970)</b>	<b>3,402,380</b>	<b>(17,812,661)</b>	<b>(1,178,067)</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>2,644,808</b>	<b>(15,822,970)</b>	<b>(1,431,440)</b>	<b>(17,812,661)</b>

The notes on Pages 107 to 154 form an integral part of these Financial Statements



# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31.12.2013

## 1.1 General

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

## 1.2 Principal Activities and Nature of Operations Board

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

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

### 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.

### LTL Holdings (Pvt) Ltd

Engaged in Investment Activities in group companies as the implementation of the corporate business strategy.

### Lanka Coal Company (Pvt) Ltd

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

### Sri Lanka Energies (Pvt) Ltd

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

### Joint Venture

#### Trincomalee Power Company Limited

The company's principal activity is generation and sale of electricity to National Grid of CEB.

## 1.3 Date of Authorization for Issue

The Financial statements of the Ceylon Electricity Board, for the period ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of directors on 11th February 2015

## 2.0 GENERAL POLICIES

### 2.1 Basis of Preparation

The consolidated financial statements of the Group have

been prepared in accordance with Sri Lanka Accounting Standards, comprising SLFRS/LKAS (here after "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.( CA Sri Lanka).

The Financial statements have been prepared on an accrual basis under the historical cost convention.

The preparation of financial statement in conformity with the SLFRS /LKAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Areas involving higher degree of judgement or complexity, or areas where assumption and estimation are significant to the financial statements are disclosed in Note no 2.3.

### 2.1.1 Statement of Compliance

The consolidated Financial Statements of the Group has been prepared in accordance with Sri Lanka accounting Standards. (SLFRS)

### 2.1.2 Basis of Consolidation

The Group accounts comprise the consolidated accounts of the Ceylon Electricity Board (CEB) and the Subsidiaries, LTL Holdings (Pvt) Ltd (LTL), Lanka Electricity Co.(Pvt) Ltd (LECO), Lanka Coal Company (Pvt) Ltd (LCC), Sri Lanka Energies (Pvt) Ltd and the subsidiaries of LTL Holdings (Pvt) Ltd (LTL) and Lanka Electricity Co.(Pvt) Ltd (LECO).

The subsidiaries of LTL Holdings (Pvt) Ltd are LTL Galvanizers (Pvt) Ltd, LTL Transformers (Pvt) Ltd, Lakdhanavi Ltd , Nividhu (Pvt) Ltd, LTL Energy (Pvt) Ltd , Nividhu Assupiniella (Pvt) Ltd, Pawan danavi (Pvt) Ltd and Lanka Industrial Products Engineering (Pvt) Ltd which are limited liability companies incorporated and domiciled in Sri Lanka and the registered offices of these Companies are located at No.67, Park Street Colombo 2.

Bright International Power (Pvt) Ltd is a fully owned subsidiary of Lakdanavi Limited having its registered office at 8 Pioneer Sector 1, Singapore 628420. Raj lanka Power Co. Limited is a partially owned subsidiary of Lakdanavi (pvt) Limited having it's registered office No; 350, Naljani (Wireless Gate),Chandana, Gazipar-1702, Bangladesh.

The principal place of business of Lakdhanavi Limited and Lanka Industrial Products (Pvt) Ltd are situated at Lindel Industrial Estate ,Sapugaskanda, LTL Energy Private Limited, Nividu (Pvt) Ltd at Belihul Oya and Balangoda respectively and Nividu Assupinieella (Pvt) Ltd at Aranayaka, Pawan Danavi (Private) Ltd at Illanthadiya, Norachchola respectively.

The registered office of the LTL Energy (Pvt) Limited is No; 67, Park Street Colombo 02 and the principal place of business is situated at No;08, Rosmead Place Colombo 07 Heladhanavi Limited is a joint venture between Lakdhanavi Limited and Hemas Power (Pvt) Limited. The registered



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2013

office of the Company is located at No 36, Bristol Street, Colombo 01 and the Principal place of business is situated at Hela Estate, Puttalam.

The subsidiaries of Lanka Electricity Co (Pvt) Ltd (LECO) are LECO Projects (Pvt) Ltd and Ante LECO Metering Company (Pvt) Ltd. The registered offices of these companies are located at 411, E.H. Cooray Buildings, Galle Road, Colombo 03.

The registered office of Lanka Coal Company (Pvt) Ltd is situated at 51/3, Dutugemunu Street, Dehiwala.

The registered office of Sri Lanka Energies (Pvt) Ltd is situated at No: 50, Sir Chittampalam A Gardiner Mawatha Colombo 02 and it's principal place of business is located at Room No: 126 and 128, block 02 BMICH premises, Bauddhaloka Mawatha Colombo 07.

The Trincomalee Power Company limited is a joint venture between the Ceylon Electricity Board (CEB) and the NTPC Limited of India. The registered office is Third floor, No 240, High level road, Kirulapone, Sri Lanka.

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

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

All the assets and liabilities of the Board and its subsidiaries are included in the Consolidated Balance Sheet. The interest of the outside shareholders in the net assets of the subsidiaries is shown separately in Consolidated Balance Sheet under the heading of Minority Interest. Inter group balances and transactions and any unrealized gains/losses resulting from inter group transactions and dividends, are eliminated in preparing the consolidated financial statements.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary

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

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.2.1 Jointly Control Entity

##### LTL Holding (Private) Ltd

The Financial statements of Heladhanavi limited, a jointly controlled entity between Hemas power limited and Lakdhanavi Limited have been included in the consolidated Financial statements on the basis of the Lakdhanavi limited's share of assets liabilities income and expenses of the jointly controlled entity. (Proportionate Consolidation).

##### Ceylon Electricity Board

The financial statements of the Trincomalee Power Company limited, a jointly controlled entity between Ceylon electricity Board and NTPC have been included in the consolidated Financial Statement on Equity Method.

#### 2.2.2 Foreign Currency Translation

##### a). Functional and presentation currency

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

##### b). Transactions and balances

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

In terms of sub section 06 of the 42 of the Ceylon Electricity board Act No: 17 of 1969 CEB, Does not take account of any profit or losses arising from gain exchange fluctuations , in respect of the capital and interest on loans in foreign currencies as they are borne by the Government



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of Sri Lanka. The outstanding loans repayable are valued at the agreed exchange rate at the time of receipt of the loan by CEB.

### c). Foreign currency operation

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

- Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date.
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.
- Income and expenses are translated at the average exchange rate for the period, unless this average rate is not a reasonable approximation of the rate prevailing at the transaction date, in which case income and expenses are translated at the exchange rate ruling at the transaction date.
- The exchange differences arising on transaction for consolidation are recognised in other comprehensive income.

### 2.2.3 Taxation

#### a). Current Taxes

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

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

The provision for income tax is based on the elements of Income and expenditure as reported in the Financial Statements and computed in accordance with the provision of the Inland Revenue Act No: 10 of 2006 and the amendments there to.

#### Ceylon Electricity Board

CEB is exempted from income tax from all sources of income for a period of 5 years with effect from the year

of assessment coming from 1st April 2011 in accordance with the provisions of the Inland Revenue Act No10 of 2006 and amendments thereto. Accordingly, the tax holiday period will be expired in the year of assessment 2015/16 and the profits are liable for income tax 28%.

#### b). Deferred Taxation

Deferred income 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 income tax liabilities are recognised for all taxable temporary differences except 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 transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except, where the deferred income tax assets relating to the deductible temporary differences arisen from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred income 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 income tax asset to be utilized.

In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

In respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year



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when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.2.4 Borrowing Costs

Borrowing costs consist of interest and other costs that the Board incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

### 2.2.5 Inventories

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

<b>Lanka Electricity Co. Limited</b>	
The Operational & Maintenance goods	at actual cost on weighted average
Goods in transits and other cost	at actual cost
<b>LTL Holdings (Pvt) Ltd</b>	
Raw Materials are valued	at actual cost on first-in-first-out basis.
Finished goods & Work-In-Progress	at the cost of direct materials, direct labour and appropriate proportion of fixed production overhead.
Consumables & Spares	at actual cost on first-in-first-out basis.
Goods in Transit	at actual cost

### Ceylon Electricity Board

Inventories which are mostly used and listed in the annual price list are valued at Standard Prices and others such as consumables and spares, at the lower of cost and net realizable value. However, the CEB made provision for

unrealized profit of the inventories which are valued at Standard Prices to enable to bring down the value to cost.

### 2.2.6 Cash and Cash Equivalents

Cash and Cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of group statement of cash flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

### 2.2.7 Property, Plant and Equipment

#### a) Cost & Valuation

Property, plant & Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Such cost include the cost of replacing component, parts of the property plant & equipment and borrowing costs for the long term construction projects if the recognition criteria are met. When significant parts of property plant & equipment are required to be replaced at intervals, the group derecognises the net book value of the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement if the recognition criteria are satisfied.

When items of property , plant & equipment are subsequently revalued, the entire class of such assets is revalued .Any revaluation surplus is recognised in other comprehensive income and accumulated equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement , in which case the increase is recognised in the income statement .A revaluation deficit is recognised in the income statement, except to the extent that it offset and existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### b) Capital work in progress

Capital work- in - progress is stated at cost. These are expenses of a capital nature directly include in the construction work of long term capital projects. Expenses that are in the capital nature are accounted for as capital work- in -progress until the projects are completed and the related assets are available for use.



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### c) 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 Income Statement in the year the asset is de-recognised.

### d) Restoration Cost

Expenditure incurred on repair or maintenance of Property, Plant & Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

### e) Depreciation

Depreciation is calculated by using straight line basis over the useful life of the asset when the asset is available for use other than free hold land. Building on Leasehold land is depreciated over the shorter of the estimated useful life of the asset and lease term.

The useful lives of the assets are estimated as follows;

#### Ceylon Electricity Board

Freehold Buildings & Lease hold	
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)	15 Years
Power Stations including	
Plant (Gas Turbine)	12 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	35 Years
LT Underground	40 Years
LT Overhead	35 Years
LT Feeder Piller	35 Years
Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	35Years
Service Main	35 Years
SCADA (Central Facilities) &	
Communication Equipment	15 Years
Vehicles	07 Years
Motor Boats	07 Years

Machinery & Tools	05 Years
Office Equipment	05 Years
Furniture & Fittings	05 Years

#### LTL Holdings (Pvt) Ltd

Buildings	over 25 - 50 years
Plant & Machineryover	08 - 15 years
Factory Equipmentover	10years
Intercom Equipmentover	10years
Fire Fighting Equipmentover	10 years
Office Equipmentover	10 years
Furniture and Fittingsover	03 - 10 years
Motor Vehicleover	04 years
Heat Recovery Unitover	06 years
Operation and maintenance spares	ActualUsage

#### Lanka Electricity Co.(Pvt) Ltd.

Buildings	40 years
Leasehold Land	over lease period
Supply of Infrastructure	
Substations, Overhead lines &	
Service Lines taken over from	
Local Authorities & CEB	10 years
Substations, Overhead lines &	
Service Lines Constructed by	
LECO	20 - 25 years
Motor Vehicles	7 years
Computers	5 years
Office Equipments	7 years
Plant & Machinery	4 years

#### Lanka Coal Co.(Pvt) Ltd.

Furniture & Fittings	5 years
Equipments	4 years
Motor Vehicles	4 years
Computers	4 years

#### Trincomalee Power Company Limited

Furniture and fittings	5 years
Equipment	5 years.

### 2.2.8 Leases

#### a) Finance Leases

Finance Leases, which transfer the substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance lease charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged and reflected in the Income Statement. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets which are owned as described in 2.2.7 (e)



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### b) Operating Leases

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

### c) Group as a lessor - LTL

Hydro power, wind power and thermal power plants in which the group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating lease. Lease income from all power plants is recognised in the income statement based on energy output for the period which is more representative of the time pattern in which use benefits derived from leased assets are diminished. Cost including depreciation incurred in earning the lease income is recognised as an expense. The depreciation policy for depreciable leased assets is consistent with group's depreciation policy for similar assets.

### 2.2.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 income statement in the expense category consistent with the function of the intangible assets.

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

Gain or losses arising from 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 income statement when the asset is derecognised.

### Computer Software

Computer software is amortised over the 4 years from the date of acquisition or development.

### 2.2.10 Financial Instruments- Initial Recognition and Subsequent Measurement

#### 2.2.10.1 Financial Assets

##### a) Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determined the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables quoted and unquoted financial instruments.

##### b) Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows.

##### Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the statement of comprehensive income. Dividend income from Financial assets at fair value through profit and loss is recognised in the statement of comprehensive income when the group's right to receive payments is established.

##### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After Initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on an acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.



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### Available for Sale Financial Investment

Available - for - sale financial investments include equity and debt securities. Equity investments classified as available for - sale are those, which are neither classified as held for trading no designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available - for - sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available - for - sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available - for - sale reserve. Interest income on available - for - sale debt securities is calculated using the effective interest method and recognised in profit or loss.

The Group evaluates its available - for - sales financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held - to - maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently to be impaired, then the amount recorded in equity is reclassified to the income statement.

### Held to Maturity Investment

Non - derivative financial assets with fixed or determinable payments and fixed maturities are classified as held - to - maturity when the Group has the positive intention an ability to hold them to maturity. After initial measurement, held- to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part

of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

### c) Derecognition

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognised when,

- i) The rights to receive cash flows from the asset have expired
- ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass - through" arrangement; an either
  - (a) Group has transferred substantially all the risks and rewards of the asset, or
  - (b) The Group has neither transferred nor retained substantially or risks and rewards of the asset, but as transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### 2.2.10.1 Impairment of Financial Assets

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



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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.

### Financial assets at amortised cost

For financial assets carried at amortised cost, the group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance cost in the income statement.

### Available - for -sale Financial Investments

For available -for -sale financial investments, the group assesses at each reporting date whether there is objective evidence that an investment or a group of

investments is impaired. In the case of equity investments classified as available-for- sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

### 2.2.10.2 Financial Liabilities

#### a) Initial Recognition and Measurement

Financial Liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit and loss, Loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs. The Group's financial liabilities include trade & other payables, bank Overdrafts, loans and borrowings, other financial liabilities.

#### b) Subsequent Measurement

The measurement of financial liabilities depends on the classification as follows.

#### Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains are recognised in the income statement when the liabilities are recognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

#### Derecognition

A final liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the



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same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### 2.2.10.3 Offsetting of Financial Instruments

Financial assets and financial Liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.2.10.4 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active market at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long position and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions: reference to the current fair value of another instrument that is substantially the same: a discounted cash flow analysis or other valuation models.

### 2.2.10.5 Impairment of Non - Financial Assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case

the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group make an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the assets are carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.2.11 Provisions

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

### 2.2.12 Retirement Benefit Obligations

#### a) Defined Benefit Plan - Gratuity

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

The group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using actuarial valuation technique which is based on the Projected Unit Credit method (PUC). Actuarial gains and losses are recognized in full in the period in which



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they occur in the income statement. The gratuity liability is not externally funded. This item is grouped under other Defined Benefit Liabilities in the Balance Sheet.

### b) Defined Benefit Plan - Pension Obligation

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and remuneration.

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

Actuarial gain and losses arising from experience adjustment and changes in actuarial assumption are charged or credited to equity in other comprehensive income in the period in which they arise.

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

### c) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective Statutes and Regulations. The group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively except of the Ceylon electricity Board where it contributes 15% of gross emoluments of employees to Ceylon Electricity Board Provident Fund.

### 2.2.13 Self Insurance Reserve

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

### 2.2.14 Deferred Income

#### a) Consumer Contribution The Board

Consumer contributions for new service connections of CEB were treated as a Capital Reserve from 1996. The contributions of CEB are deferred and amortized to the income statement over 35 years being the period over which the related assets are depreciated.

Lanka Electricity Co. (Pvt) Ltd. Contribution from consumers to defray the cost of assets installed to establish new service connections are recognised as deferred obligations. The new service connection assets are depreciated over a period of 20 years. The corresponding consumer contributions are amortised to the Income Statement over a similar period of 20 years up to 31st December 2008. Commencing from 1st January 2009, receipt of Consumer Contribution is amortized over a period of 8 years, and receipt of Consumer Contribution before 31st December 2008 is amortised over 20 years.

#### b) Government Grants

Government Grant received for acquisition of Plant & Machinery are treated deferred income Government grant in note 21.2 represent the value of Grid substation and Transmission lines located at Seethawaka Industrial Park received from the Ministry of Industrial development which is to be amortised over 35 years based on the income approach.

### 2.2.15 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. Revenue of Lakdhanavi Limited and Heladhanavi Limited will be adjusted for capacity charges for Minimum Guaranteed Energy Amount (MEGA) at the end of the calendar year. The following specific criteria are used for the purpose of recognition of revenue.

#### a) Rendering of Services

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer: with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

#### b) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2013

have passed to buyer, with the company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

### c) Interest

Interest Income is recognised as the interest accrues unless collectability is in doubt.

### d) Dividends

Dividend Income recognised when the shareholders' right to receive the payment is established

### e) Others

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of re-valued property, plant & equipment, the amount remaining in Revaluation Reserve relating to that asset is transferred directly to Accumulated Profit. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and Presented on a net basis.

## 2.3 SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGEMENTS AND ESTIMATES

In the process of applying the group accounting policies, management is required to make judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial statements. Further management is required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of a using a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements. The key items as such are discussed below.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use asset, even if that right is not explicitly specified in an arrangement. Accordingly the thermal power plants in which the group does not transfer substantially all the risk

and benefits of ownership of the assets are classified as operating lease. The group exercised significant judgment in determining criteria that individually or combination would lead to lease being classified as a finance lease or operating lease.

### Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be from active markets, their fair value is determined using valuation techniques including the discounted cash flow mode. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### Reviews of Impairment Losses on non financial assets

The group determines whether assets have been impaired by performing an impairment review. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

### Impairment Losses on Trade and Other Receivables

Trade and other receivables that have been assessed individually and found not to be impaired and all individually insignificant receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the receivable portfolio (such as levels of arrears, credit utilisation, etc.), and judgments on the effect of concentrations of risk and economic data (including levels of unemployment, real estate prices in dies, 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 these financial



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2013

statements. The Group recognised assets and liabilities for current, deferred and other taxes on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

### **Useful lives of Property, Plant & Equipment**

The group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rate, and methods.

### **Defined Benefit Plans-Gratuity**

The cost of defined benefit plans- gratuity is determined using actuarial valuation technique. The actuarial valuation technique involves making assumptions about discount rates, expected rates of return on assets, future salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2013	2012	2013	2012
<b>3. REVENUE</b>				
Sales	203,289,681	180,261,731	194,146,823	163,512,580
	203,289,681	180,261,731	194,146,823	163,512,580

	Group		Board	
	2013	2012	2013	2012
<b>4. OTHER OPERATING INCOME</b>				
Income on Foreign Investment	308,740	960,883	-	-
Penalty on Electricity Consumption	27,177	25,677	27,177	25,677
Recoveries from Consumers	259,520	246,591	-	-
Profit Loss on Disposal of Property Plant and Equipment	193,467	123,405	156,893	109,475
Deffered Income Consumer contribution	2,532,070	2,188,838	2,265,266	2,053,541
Deffered Income on Government Grant	12,391	12,391	12,391	12,391
Miscellaneous Income	1,782,197	856,293	883,882	835,727
Government Department income	372,619	240,722	372,619	240,722
Liquidated Damage Account	117,725	106,973	117,725	106,973
Sale of Ash	24,263	26,704	24,263	26,676
Tender fee /Non refundable Deposits/Foreiture of Guarantees Accounts	12,143	12,170	12,143	12,170
Income on cost Recovery jobs Account	499,204	210,395	499,204	210,395
Service Main Application Fee Account	70,258	72,636	70,158	72,636
Rent	-	-	-	-
Fines	-	-	-	-
Surcharge on Electricity Bill	664,811	518,949	664,811	518,949
	6,876,586	5,602,628	5,106,533	4,225,332

	Group		Board	
	2013	2012	2013	2012
<b>5.1 FINANCE INCOME</b>				
Interest Income Receivable from Interest on Other Deposits	875,265	652,288	-	-
Interest on administrative Borrowings by Treasury	61,225	39,900	-	-
Interest on borrowings	438,276	-	-	-
Interest on Government Securities	116,136	640,193	-	-
Dividend Income	575,828	632,050	1,353,948	2,129,448
Interest Income from Investment	63,661	90,855	62,859	81,994
Interest Income from staff loans	220,865	491,552	204,608	189,771
Samurधि Loan Interest Account	55,543	27,756	55,543	27,756
	2,406,799	2,574,594	1,676,958	2,428,969

	Group		Board	
	2013	2012	2013	2012
<b>5.2 FINANCE COST</b>				
Interest Expense on Overdrafts	319,436	200,635	228,323	120,938
Interest Expense on Lons And Borrowings	8,454,679	3,366,442	8,202,153	3,287,505
Interest Expense on project loans	4,332,862	2,756,775	4,332,862	2,756,775
Lease Interest	50,051	32,598	49,788	32,344
Redeemable preference Shares Divident	-	-	-	-
Bank Charges	82	55	-	-
	13,157,111	6,356,504	12,813,127	6,197,562



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2013	2012	2013	2012
<b>6. PROFIT/(LOSS) BEFORE TAX</b>				
Stated after Charging /(Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	11,687	14,243	6,588	6,774
	18	18	-	-
Director's emoluments	6,833	3,252	5,046	2,295
Depreciation	21,769,587	22,495,759	20,491,076	21,131,465
Personnel Costs includes	-	-	-	-
- Defined Benefit Plan Costs -Gratuity	799,574	1,244,466	713,422	1,162,056
- Defined Contribution Plan Costs - EPF & ETF	1,550,074	1,481,830	1,368,196	1,323,433
- Other Staff Costs	13,982,196	13,932,663	13,789,432	13,265,567
(Profit)/Loss on Disposal of Property, Plant and Equipment	123,210	54,678	107,396	54,678
Amortization of Computer software	2,769	2,683	-	-
Written off of Property,Plant and Equipment	-	-	-	-
Decrease in Revaluation of Property plant & Equipment	-	-	-	-
Public Relation and Advertising	168,673	185,644	150,780	174,325
Consumer Contribution	(2,532,070)	(2,188,838)	(2,265,266)	(2,053,541)
Government Grant	(12,391)	(12,391)	(12,391)	(12,391)
Provision for impairment	-	-	39,218	-

	Group		Board	
	2013	2012	2013	2012
<b>7. INCOME TAX EXPENSE</b>				
<b>7.1 Current Income Tax</b>				
Current Tax Expense on Ordinary Activities for the Year	1,045,826	1,509,101	-	-
Under/(Over) Provision of current taxes in respect of prior years	(455,417)	(28,807)	-	-
	590,409	1,480,294	-	-
<b>7.2 Deferred Income Tax</b>				
Deferred Taxation charge/(Reversal) (23)	5,629,743	15,982,615	5,747,415	16,198,080
Income Tax Expense reported in the Income Statement	5,629,743	15,982,615	5,747,415	16,198,080

Ceylon Electricity Board is exempted from income tax for a period of five(05) years starting from 01 st April 2011. Therefore no current income tax charge arises during this period.

Reconciliation between current tax expenses and the product of Accounting Profit multiplied by the statutory tax rate is as follows.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

	Board	
	2013	2012
<b>7.3 Reconciliation between current tax expenses and Accounting Profit</b>		
Profit before tax	18,593,781	(61,447,317)
Adjustments due to first time adoption of SLFRS	-	-
Profit before tax (SLFRS adjusted)	18,593,781	(61,447,317)
Disallowable Expenses / (Income) for Taxation	23,633,575	18,301,532
Allowable Expenses / (Income) for Taxation	(13,024,626)	(14,095,555)
Dividend income exempt from income tax	(1,353,948)	(2,129,448)
Interest Income	(62,859)	(81,994)
Statutory Loss from Company	27,785,923	(59,452,782)
Statutory Income from Interest	62,859	81,994
Total Statutory Income	27,848,782	(59,370,788)
Deductions under Section 32	-	-
Taxable Loss	27,848,782	(59,370,788)
Statutory Tax Rate - 28%	-	-
Total Income Tax payable	-	-
Social Responsibility Levy	-	-
Tax Provision for the year	-	-



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 8 PROPERTY, PLANT & EQUIPMENT

#### 8.1 Group

##### 8.1.1 Freehold Assets

##### Gross Carrying Amounts At Cost or Valuation

	Balance As At 01.01.2013	Additions / Transfers / Acquisitions	Increase / (Decrease)in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2012
Freehold Land	10,504,544	89,157	-	-	-	10,593,701	10,504,544
Leasehold Land	2,883	-	-	-	-	2,883	2,883
Building	12,999,168	445,421	-	-	-	13,444,589	12,999,167
Civil works	163,042,475	-	-	-	-	163,042,475	140,912,708
Plant & Machinery	5,013,963	2,148,635	-	-	-	7,162,598	210,693,850
Generation power plant	183,527,021	3,299,053	-	-	(7,067)	186,819,007	-
Transmission & distribution lines	402,265,646	22,993,487	-	(318,390)	(4,007)	424,936,736	402,242,547
Motor Vehicles	5,335,170	822,134	-	(157,268)	2,323	6,002,359	5,325,970
Other Supply infrastucture	19,006,698	605,182	-	(64,997)	-	19,546,883	19,006,698
Office & Other Equipment	2,246,201	357,679	-	(54,046)	1,287	2,551,121	2,246,273
Furniture and Fittings	208,628	12,161	-	(232)	(5,343)	215,215	208,556
Machinery and Tools	4,802,752	1,334,409	-	(7,447)	-	6,129,713	4,802,752
Container Accomadation	6,744	-	-	-	-	6,744	6,744
	808,961,892	32,107,317	-	(602,380)	(12,806)	840,454,024	808,952,693

##### 8.1.2 Project Assets

##### Gross Carrying Amount

##### At Cost or Valuation

	Balance As At 01.01.2013	Additions / Transfers / Acquisitions	Increase / (Decrease)in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2012
Freehold Land	64,417	53,019	-	-	(206)	117,230	64,417
Building	-	-	-	-	-	-	-
Civil works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation power plant	-	-	-	-	-	-	-
Transmission & distribution lines	-	4,721,809	-	(4,721,809)	-	-	-
Motor Vehicles	555,771	57,748	-	(30,300)	(5,448)	577,770	555,771
Office & Other Equipment	38,486	12,610	-	(210)	-	50,886	38,486
Furniture and Fittings	18,516	818	-	(151)	-	19,182	18,516
Machinery and Tools	651	4,977	-	(15)	-	5,613	651
	677,840	4,850,981	-	(4,752,486)	(5,654)	770,681	677,840

##### 8.1.3 Lease Hold Assets

##### At Cost or Valuation

	Balance As At 01.01.2013	Additions / Transfers / Acquisitions	Increase / (Decrease)in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2012
Motor Vehicles	220,901	79,900	-	-	-	300,801	220,901
	220,901	79,900	-	-	-	300,801	220,901
Total Value of Depreciable Assets	809,860,634	37,038,198	-	(5,354,865)	(18,461)	841,525,506	809,851,435

##### 8.1.4 In the Course of Construction

	Balance As At 01.01.2013	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance As At 31.12.2013	Balance As At 31.12.2012
Capital Work in Progress	180,499,977	79,314,739	(6,286,058)	(25,276,272)	228,252,387	180,499,976
Total Gross Carrying Amount	180,499,977	79,314,739	(6,286,058)	(25,276,272)	228,252,387	180,499,976



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 8.1.5 Depreciation

Freehold Assets	Balance As At 01.01.2013	Charge for the year	Increase / (Decrease) in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2012
Freehold Land	-	-	-	-	-	-	-
Leasehold Land	662	70	-	-	-	732	72
Building	4,174,960	325,020	-	-	-	4,499,981	4,175,549
Civil works	55,087,814	1,846,006	-	-	-	56,933,820	38,025,378
Plant & Machinery	2,986,473	402,928	-	-	-	3,389,400	124,165,749
Generation power plant	104,143,449	5,801,505	(412)	-	-	109,944,541	-
Transmission & distribution lines	170,093,112	10,801,081	2,858	(117,619)	-	180,779,432	170,119,721
Motor Vehicles	1,837,199	845,946	2,497	(65,027)	(899)	2,619,716	1,538,076
Other Supply infrastructure	11,268,957	725,320	-	(28,907)	-	11,965,370	1,023,288
Office & Other Equipment	1,460,405	227,716	811	(11,955)	-	1,676,977	11,562,482
Furniture and Fittings	77,475	38,542	(1,628)	(83)	-	114,307	520,190
Machinery and Tools	1,268,325	752,401	(281)	(90)	-	2,020,355	1,268,325
Container Accomadation	3,372	1,686	-	-	-	5,058	3,372
	352,402,203	21,768,222	3,844	(223,680)	(899)	373,949,690	352,402,202

### 8.1.6 Depreciation

Project Assets	Balance As At 01.01.2013	Charge to WIP/ Transfers	Increase / (Decrease) in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2012
Freehold Land	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-
Civil works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation power plant	-	-	-	-	-	-	-
Transmission & distribution lines	-	-	-	-	-	-	-
Motor Vehicles	223,357	94,117	-	(11,344)	(2,848)	303,282	223,357
Office & Other Equipment	28,681	10,940	(24)	(44)	-	39,552	28,681
Furniture and Fittings	14,633	1,639	-	(11)	-	16,261	14,633
Machinery and Tools	30	634	-	-	-	664	30
	266,701	107,330	(24)	(11,400)	(2,848)	359,759	266,701

### 8.1.7 Depreciation

Lease Hold Assets	Balance As At 01.01.2013	Additions Transfers/ Acquisitions	Increase / (Decrease) in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2012
Motor Vehicles	34,726	55,808	-	-	-	90,535	34,726
	34,726	55,808	-	-	-	90,535	34,726
Total Value of Depreciable Assets	352,703,631	21,931,359	3,820	(235,080)	(3,747)	374,399,983	352,703,629

### 8.1.8 Net Book Value

	2013	2012
At Cost or Valuation	467,125,523	457,156,995
Capital Work in Progress	228,252,387	180,499,977
Total Carrying Amount of Property, Plant & Equipment	695,377,910	637,656,972



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### PROPERTY, PLANT & EQUIPMENT

#### 8.2 Board

##### 8.2.1 Gross Carrying Amounts

###### Freehold Assets At Cost or Valuation

	Balance As At 01.01.2013	Additions / Transfers / Acquisitions	Increase / (Decrease)in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As at 01.01.2013
Freehold Land	9,167,073	2,698	-	-	-	9,169,771	9,167,073
Leasehold Land	-	-	-	-	-	-	-
Building	12,136,675	435,020	-	-	-	12,571,695	12,136,675
Civil works	163,042,475	-	-	-	-	163,042,475	140,912,708
Plant & Machinery	433,609	-	-	-	-	433,609	206,113,496
Generation power plant	183,527,021	3,299,053	-	-	(7,067)	186,819,007	-
Transmission & distribution lines	402,265,646	22,993,487	-	(318,390)	(4,007)	424,936,736	402,242,547
Motor Vehicles	4,575,865	726,820	-	(118,955)	2,323	5,186,053	4,566,665
Other Supply infrastructure	-	-	-	-	-	-	-
Office & Other Equipment	1,561,747	287,928	-	(47,222)	1,287	1,803,739	1,561,746
Furniture and Fittings	200,717	12,123	-	(232)	(5,343)	207,266	200,717
Machinery and Tools	3,558,311	321,537	-	(7,447)	-	3,872,401	3,558,311
Container Accomadation	-	-	-	-	-	-	-
	780,469,137	28,078,665	-	(492,246)	(12,806)	808,042,751	780,459,938

##### 8.2.2 Project Assets Gross Carrying Amounts

At Cost or Valuation	Balance As At 01.01.2013	Additions / Transfers / Acquisitions	Increase / (Decrease)in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As at 01.01.2013
Freehold Land	64,417	53,019	-	-	(206)	117,230	64,417
Building	-	-	-	-	-	-	-
Civil works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation power plant	-	-	-	-	-	-	-
Transmission & distribution lines	-	4,721,809	-	(4,721,809)	-	-	-
Motor Vehicles	555,771	57,748	-	(30,300)	(5,448)	577,770	555,771
Office & Other Equipment	38,486	12,610	-	(210)	-	50,886	38,486
Furniture and Fittings	18,516	818	-	(151)	-	19,182	18,516
Machinery and Tools	651	4,977	-	(15)	-	5,613	651
	677,840	4,850,981	-	(4,752,486)	(5,654)	770,681	677,840

##### 8.2.3 Leasehold Assets

At Cost or Valuation	Balance As At 01.01.2013	Additions / Transfers / Acquisitions	Increase / (Decrease)in / Revaluation	Disposals / Transfers	Adjustments	Balance As at 31.12.2013	Balance As at 01.01.2013
Motor Vehicles	216,624	79,900	-	-	-	296,524	216,624
	216,624	79,900	-	-	-	296,524	216,624
Total Value of Depreciable Assets	781,363,602	33,009,546	-	(5,244,732)	(18,461)	809,109,956	781,354,403

##### 8.2.4 In the Course of Construction

	Balance As At 01.01.2013	Incurred During the Year	Transfer to PPE	Reclassified / Transferred		Balance Balance	Balance As At 01.01.2013
Capital Work in Progress	178,105,841	74,093,546	(6,286,058)	(22,585,868)		223,327,461	178,105,841
Total Gross Carrying Amount	178,105,841	74,093,546	(6,286,058)	(22,585,868)		223,327,461	178,105,841



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### Board

#### 8. PROPERTY, PLANT & EQUIPMENT (Contd...)

##### 8.2.5 Depreciation

At Cost or Valuation	Balance As At 01.01.2013	Charge for the year	Transfers to Revaluation Reserve/	Disposals Transfers / Discontinued	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2013
Freehold Land	-	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-	-
Building	3,990,303	305,527	-	-	-	4,295,831	3,990,303
Civil works	55,087,814	1,846,006	-	-	-	56,933,820	38,025,378
Plant & Machinery	321,470	10,796	-	-	-	332,266	121,534,566
Generation power plant	104,143,449	5,801,505	(412)	-	-	109,944,541	-
Transmission & distribution lines	170,093,112	10,801,081	2,858	(117,619)	-	180,779,433	170,085,901
Motor Vehicles	1,362,215	765,282	2,497	(27,392)	(899)	2,101,704	1,362,214
Other Supply infrastructure	-	-	-	-	-	-	-
Office & Other Equipment	888,293	191,665	811	(6,132)	-	1,074,636	888,293
Furniture and Fittings	70,366	38,206	(1,628)	(83)	-	106,861	70,366
Machinery and Tools	863,406	729,601	(281)	(90)	-	1,592,636	863,406
	336,820,428	20,489,670	3,844	(151,315)	(899)	357,161,728	336,820,427

##### 8.2.6 Depreciation

At Cost or Valuation	Balance As At 01.01.2013	Charge to WIP / Transfers	Transfers to Revaluation Reserve/	Disposals Transfers / Discontinued	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2013
Freehold Land	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-
Civil works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation power plant	-	-	-	-	-	-	-
Transmission & distribution lines	-	-	-	-	-	-	-
Motor Vehicles	223,358	94,117	-	(11,344)	(2,848)	303,283	223,357
Office & Other Equipment	28,682	10,940	(24)	(44)	-	39,553	28,681
Furniture and Fittings	14,633	1,639	-	(11)	-	16,261	14,633
Machinery and Tools	30	634	-	-	-	664	30
	266,702	107,330	(24)	(11,400)	(2,848)	359,760	266,701

##### 8.2.7 Depreciation

Leasehold Assets	Balance As At 01.01.2013	Additions / Transfers / Acquisitions	Increase / (Decrease) in Revaluation	Disposals / Transfers / Discontinued	Adjustments	Balance As at 31.12.2013	Balance As At 31.12.2013
Motor Vehicles	32,588	54,739	-	-	-	87,327	32,588
	32,588	54,739	-	-	-	87,327	32,588
Total Depreciation	337,119,719	20,651,738	3,820	(162,715)	(3,747)	357,608,815	337,119,716



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### Board

#### 8. PROPERTY, PLANT & EQUIPMENT (Contd...)

##### 8.2.8 Net Book Values

	2013	2012
<b>At Cost or Valuation</b>	444,234,683	444,234,683
Freehold Land	9,287,000	9,231,490
Leasehold Land	-	-
Building	8,275,864	8,146,372
Civil works	106,108,655	102,887,330
Plant & Machinery	101,342	84,578,930
Generation power plant	76,874,466	-
Transmission & distribution lines	244,157,304	232,156,647
Motor Vehicles	3,358,836	3,546,068
Other Supply infrastructure	-	-
Office & Other Equipment	740,436	683,258
Furniture and Fittings	103,326	134,234
Machinery and Tools	2,284,714	2,695,525
Container Accommodation	209,197	184,036
	<b>451,501,141</b>	<b>444,243,889</b>
Capital Work-In-Progress (8.2.9)	223,327,461	178,105,832
<b>Total Carrying Amount of Property,Plant &amp; Equipment</b>	<b>674,828,602</b>	<b>622,349,721</b>

##### 8.2.9 In the Course of Construction Project

Capital Work in Progress as at 31 December represent the following

	2013	2012
Generation Projects	14,496,803	13,178,660
Transmission projects	3,444,458	17,281,315
Distribution Projects	25,375,486	22,937,295
Upper Kothmale Hydro power project	51,832,039	48,921,607
Colombo City Electricity Distribution Development Project	4,984,729	9,109,259
Puttalam Coal power Project	98,007,677	63,322,907
Trincomalee Coal power Project	506,708	340,599
AGM Project	24,361,069	-
Vidulakpaya Project	296,314	205,164
Jaffna power plant	4,298	2,795,376
Others ( W&AS)	17,880	13,650
<b>Total Value of Capital Work-In-Progress</b>	<b>223,327,461</b>	<b>178,105,832</b>

**8.2.10** Amount of the borrowing cost capitalised during the yer 2013 Rs 6,669,192,133 (2012-Rs 11,723,483,416 )

**8.2.11** All the motor vehicles are fair valued as at 01.01.2011 by the independent technical team of the board.

**8.2.12** Property plant & equipments were not pledged for any liabilities of the board.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### Board

#### 8. PROPERTY, PLANT & EQUIPMENT (Contd...)

##### 8.3 Capital Work in Progress as at 31 December 2013 Represents the following.

	Group		Board	
	2013	2012	2013	2012
Generation Projects	14,496,803	13,178,660	14,496,803	13,178,660
Transmission Projects	3,444,458	17,281,315	3,444,458	17,281,315
Distribution Group Projects	25,375,486	22,937,295	25,375,486	22,937,295
Upper Kotmale Hydro Project	51,832,039	48,921,607	51,832,039	48,921,607
Colombo City Electricity Distribution Development Project	4,984,729	9,109,259	4,984,729	9,109,259
Puttalam Coal Power Project	98,007,677	63,322,907	98,007,677	63,322,907
Trincomalee Coal Power Project	506,708	340,599	506,708	340,599
Vidulakpaya Project	296,314	205,164	296,314	205,164
Jaffna power plant	4,298	2,795,376	4,298	2,795,376
Others (W & AS)	17,880	13,659	17,880	13,659
AGM Project	24,361,069	-	24,361,069	-
Work in Progress - LECO	405,426	489,782	-	-
Work in Progress - LTL	4,514,332	1,901,775	-	-
Work in Progress - SLE	5,168	2,573	-	-
	228,252,386	180,499,971	223,327,461	178,105,841

#### 8.4 Ceylon Electricity Board

Amount of the borrowing cost capitalised during the year 2013 was Rs 6,669,192,133 (2012 - Rs 11,723,483,416 ) All the motor vehicles are fair valued as at 01.01.2011 by the independent technical team of the board. Property plant & Equipments were not pledged for any liabilities of the board.

#### 8.5 Lanka Electricity Company (Pvt) Limited

The fair value of land and buildings was last determined by means of a revaluation during the financial year 31 December 2011 by Messers K.T.D.Tissera, P.B.D.Edirisinghe, P.T.Mohindeen and Sunil Fernando and Associates the independent valuers in reference to market based evidence. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 December 2011. The surplus arising from the revaluation was transferred to a revaluation reserve. The carrying amount of revalued assets except for supply infrastructure that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows.

Class of Asset	2013			2012		
	Cost	Cumulative Depreciation	Net Carrying Amount 2013	Cost	Cumulative Depreciation	Net Carrying Amount 2012
Building	317,055	84,443	232,612	317,055	76,517	240,538
Land	502,125	-	502,125	502,125	-	502,125
	819,180	84,443	734,737	819,180	76,517	742,663

During the financial year the company acquired Property, Plant and Equipment to the aggregate value of Rs.1,412 Mn (2012-Rs. 1,157 Mn). Cash payments amounting to Rs. 91 Mn (2012-Rs. 1,157 Mn) were made during the year for the purchase of Property, Plant and Equipment of the company includes fully depreciated assets having a gross carrying amounts of Rs 583 Mn (2012-Rs 2,646 Mn).

#### 8.6 LTL Holdings (Private) Limited

During the period, the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 5,823,911,455/- (2012 Rs 1,930,270,873) of which cash payments amounting to Rs 5,769,902,750/- (2012 Rs. 1,768,935,892) were made during the period for purchase of Property, Plant & Equipment.

Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 1,036,569,402 (2012 - Rs.369,390,432)

#### Sri Lanka Energies (Private) Limited

During the financial year, the company acquired Property, Plant and Equipment to the aggregate value of Rs 2,654,259/- (2012 1,559,849) Acquisition through cash payments amounting to Rs 2,654,259/- (2012-1,559,849)



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 9 INTANGIBLE ASSETS

At cost	Group		Board	
	Cost 2013	Cost 2012	Cost 2013	Cost 2012
As at 1 January	31,239	30,882	-	-
Acquired / incurred during the period	-	1,380	-	-
As at 31 December	<b>31,239</b>	<b>32,263</b>	-	-
<b>Amortisation</b>				
As at 1 January	9,215	7,555	-	-
Amortized during the period	2,769	2,683	-	-
As at 31 December	<b>11,984</b>	<b>10,238</b>	-	-
<b>Net Book Value</b>	<b>19,256</b>	<b>22,025</b>	-	-

#### LTL Holdings (Pvt) Ltd

Intangible assets of the Group represents Computer software acquired by LTL Galvanizers (Pvt) Limited

### 10. INVESTMENTS IN SUBSIDIARIES

At cost Non-Quoted	Holdings Percentage	Group		Board	
		Cost 2013	Cost 2012	Cost 2013	Cost 2012
Lanka Electricity Company (Pvt) Ltd	55.2	-	-	628,003	628,002
LTL Holdings (Pvt) Ltd	63	-	-	96,900	96,900
Lanka Coal Company(Pvt)Ltd	60	-	-	12,000	12,000
Sri Lanka Energy (Pvt) Ltd	100	-	-	47,910	25,000
<b>Total Non-Quoted Investments in Subsidiaries</b>		-	-	<b>784,813</b>	<b>761,902</b>

Sri Lanka Energies a fully owned subsidiary of Ceylon Electricity Board was incorporated on 13th of January 2011 and the initial investment was made in 09th of January 2012.

#### 10.1 Details of those companies in which Ceylon Electricity Board ,held a controlling interest, directly or indirectly are set out below.

Name of Company	Percentage of	Description of business
<b>Subsidiaries</b>	<b>Group Board</b>	
LTL Holdings (Pvt) Ltd	63 63	Manufacture and sale of transformers.
Lanka Electricity Company (Pvt) Ltd.(LECO)	55 55	Sale of energy.
Lanka Coal Company(Private)Ltd	60 60	Coal Purchases for coal power
Sri Lanka Energy (Pvt) Ltd	100 100	Constructing transmission lines and grid stations, construction, maintaining renewable energy projects.
Lakdhanavi (Pvt) Limited.	52	Generation of power to the national grid.
LTL Energy (Pvt) Ltd	63	Providing Energy efficiency Improvement Services.
Lanka Industrial Products Engineering	63	Engineering Services
LTL Transformers (Pvt) Ltd	63	Manufacturing & Repair of transformers,manufacturing of Feeder Pillars
LTL Galvanizers (Pvt) Ltd	63	Engage in Galvanizing Operations
LECO Projects ( Pvt) Ltd	55.2	Providing Infrastructure Facilities for electricity distribution.
Bright International Power (Pvt) Ltd	51.7	Power plant Operation and supply
<b>Associates</b>		
Pawan Danavi (Pvt) Ltd	32	Produced independent wind power and transmit to feed the Natinal grid
Nividu (Pvt) Ltd	30	Produce independent hydropower and transmit to feed the National grid.
Nividu Assupinella (Pvt) Ltd	30	Produce independent hydropower and transmit to feed the National grid.
Ante LECO Metering (Pvt) Ltd	38.5	To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market
Raj Lanka Power Company Ltd	41	To be produced independent power and reansmit to feed the national grid of Peoples Republic of Bangladesh

#### 10.2 All of these companies were incorporated in Sri Lanka except the Bright International Power (Pvt) Ltd and Raj Lanka Power Company (Pvt) Ltd



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 11. INVESTMENT IN JOINT VENTURE

(Trincomalee Power Company Ltd)	Group		Board	
	Cost 2013	Cost 2012	Cost 2013	Cost 2012
As at 01 January	84,121	122,264	150,000	150,000
Investment Made During The Year	-	-	-	-
Share of pre-operating loss	(8,974)	(38,143)	-	-
	<b>75,147</b>	<b>84,121</b>	<b>150,000</b>	<b>150,000</b>

### 12. OTHER FINANCIAL ASSETS

#### Summary

#### 12.1 Loans and receivables

(Trincomalee Power Company Ltd)	Group		Board	
	2013	2012	2013	2012
Refundable Deposits	20,785	24,954	-	-
Investment in Fixed Deposits	8,874,928	7,692,617	-	-
Investment in Repurchase Agreements	938,594	1,092,106	-	-
Administrative Borrowings by Department of Treasury Operations	570,000	570,000	-	-
Loan given to state mortgage bank	-	-	-	-
Loans to Company Officers	6,245,732	5,387,256	5,034,000	5,035,090
	<b>16,650,039</b>	<b>14,766,933</b>	<b>5,034,000</b>	<b>5,035,090</b>
Borrowings by C.E.B	-	-	-	-
	-	-	-	-
<b>12.2 Held to maturity Investments</b>				
Investments in Debentures	516,951	-	-	-
Investment in Treasury Bills	7,904	14,270	-	-
	<b>524,855</b>	<b>14,270</b>	-	-
<b>12.3 Available for Sale Investments</b>				
<b>Investments in Unquoted Equity Shares</b>				
Lanka Broad Band Network (Pvt) Ltd	Ordinary Shares	2,929,863	2,274,437	-
	Preference Shares	15,000	15,000	-
West Coast Power (Pvt) Ltd	Ordinary Shares	2,000,000	2,000,000	-
Less: Impairment of Investments		(20,000)	(20,000)	-
Investments in joint Venture (Amtrad Holdings)		<b>4,924,863</b>	<b>4,269,437</b>	-
<b>Total Other Financial Assets</b>				
Other Non Current Financial Assets	3,900,111	4,864,344	-	-
Other Current Financial Assets	18,207,011	14,186,296	5,034,000	5,035,090
	<b>22,107,121</b>	<b>19,050,640</b>	<b>5,034,000</b>	<b>5,035,090</b>

#### LTL Holdings (Pvt) Ltd

##### Loans and receivables

Loans and receivables are held to maturity and generate a fixed or variable interest income of 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.

##### Available- for sale investments

The Available for sale financial Assets consist of an 4.77% Investment in equity shares of Non - listed company, west coast ( Pvt) Ltd, Which is Valued on price to earnings based valuation.

#### Lanka Electricity Company (Pvt) Ltd

##### Loans and receivables

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

##### Available- for sale investments

The fair value of above unquoted equity securities were determined using net asset value of the investee companies as at year end.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 13. INVESTMENT OF INSURANCE RESERVE

	Group		Board	
	Cost 2013	Cost 2012	Cost 2013	Cost 2012
At the beginning of the year	4,433,045	4,027,412	4,433,045	4,027,412
Investments made during the year	<b>817,255</b>	<b>405,633</b>	<b>817,255</b>	<b>405,633</b>
Withdrawals During the year	-	-	-	-
At the end of the year	<b>5,250,300</b>	<b>4,433,045</b>	<b>5,250,300</b>	<b>4,433,045</b>

### 14. INVENTORIES

	Group		Board	
	Cost 2013	Cost 2012	Cost 2013	Cost 2012
Raw materials	470,721	450,477	-	-
Finished Goods	<b>1,041,168</b>	<b>1,269,213</b>	-	-
Consumables & Spares	26,688,279	22,453,054	25,537,373	21,636,331
Fuel	<b>12,130,477</b>	<b>10,575,224</b>	<b>12,154,308</b>	<b>10,575,224</b>
Goods in Transit	1,832,125	753,232	1,775,974	697,422
	-	-	-	-
Lees: Provision for Obsolete & Unservisable Stock	(864,064)	(799,734)	(816,108)	(782,833)
Provision for price Variance	<b>(2,102,594)</b>	<b>(2,177,081)</b>	<b>(2,102,594)</b>	<b>(2,177,081)</b>
Impairment of Inventories	-	-	-	-
Work in Progress	<b>59,994</b>	<b>72,832</b>	-	-
	<b>39,256,107</b>	<b>32,597,217</b>	<b>36,548,953</b>	<b>29,949,063</b>

### 15. TRADE AND OTHER RECEIVABLES

	Group		Board	
	Cost 2013	Cost 2012	Cost 2013	Cost 2012
Trade Debtors	20,960,873	18,077,178	16,414,010	14,228,403
Less: Provision for impairment	<b>(3,392,223)</b>	<b>(3,220,286)</b>	<b>(2,800,477)</b>	<b>(2,674,749)</b>
	<b>17,568,650</b>	<b>14,856,892</b>	<b>13,613,532</b>	<b>11,553,654</b>
Other Debtors	44,485,650	60,507,386	42,764,625	56,764,297
Advances and Prepayments	<b>1,015,319</b>	<b>187,581</b>	-	-
Less: Provision for impairment	(284,116)	(248,931)	(284,116)	(248,931)
Transit Account	2,130	2,130	2,130	2,130
Opening restated amount	-	-	-	-
	<b>62,787,632</b>	<b>75,305,058</b>	<b>56,096,171</b>	<b>68,071,150</b>

### 16. AMOUNTS DUE FROM RELATED PARTIES

Relation ship	Group		Board	
	Cost 2013	Cost 2012	Cost 2013	Cost 2012
Lanka Electricity Company (Pvt) Ltd Subsidiary Company	-	-	4,981,501	1,810,852
Lanka Coal Company (Pvt) Ltd Subsidiary Company	-	-	-	-
Anti LECO	-	-	-	-
	-	-	<b>4,981,501</b>	<b>1,810,852</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 17 CONTRIBUTED CAPITAL

The Capital contributed represents the value of net assets taken over by CEB from the Department of Government Electrical Undertakings (DGEU) on the formation of CEB in 1969 as per CEB Act NO: 17 Of 1969 and contributions made by GOSL to finance the specific capital (Development) projects as follows. Restated

	2013	2012
DEGU net assets taken over (as per CEB Act No: 17 of 1969)	379,155	379,155
Contributions for capital Projects		
Treasury fund	1,200,000	1,200,000
STAART Project	250,000	250,000
ADB Loan 2043	980,166	980,166
Tsunami Government Aids	51,765	51,765
ADB Loan 1930	1,812,469	1,812,469
Coal Power	604,516	604,516
Lighting Project	9,679,281	9,679,281
Chinese Project RE	683,056	683,056
River valleys Development Board	52,702	52,702
RE Schemes	-	-
- 500 Village - RE SCMS 1973-81	82,000	82,000
- ADB RE Scheme 1-1980-89	780,647	780,647
- ADB RE Scheme 2-1990-93	1,336,155	1,336,155
- ADB RE Scheme -3-Extension	400,000	400,000
- ADB RE Schemes Loan 1021-1995	153,710	153,710
Consolidated Fund 1991-1993	230,500	230,500
Free Trade Zone	-	-
- Katunayake -1978-83	87,600	87,600
- Biyagama -1982-84	11,486	11,486
PSDPTD	1,406,551	1,406,551
Sri Jayawardanapura Complex 1980-1982	170,840	150,840
Victoria ( Mahaweli)	1,306,000	1,306,000
Pattiyapola REDP 1984-85	1,582	1,582
Reimbursement Of tax 1984-1988	1,351,700	1,351,700
Kotmale ( Mahaweli)	3,500,000	3,500,000
Kotmale (3rd set0 ) 1985-1990	344,452	344,452
D.S.T. Grant -1992	450,000	450,000
Ukuwela (Mahaweli) -1993	155,000	155,000
Rural Electrification Project ( ADB Funds)	3,461,693	3,461,693
Rural Electrification Project ( GOSL Funds)	1,420,161	1,420,161
Power System Expansion Project (ADB 1414)	2,597,602	2,597,602
Power System Expansion Project (ADB 1021)	5,490	5,490
ESD project - WBTF28955	108,601	108,601
Government Grant	6,103,336	6,103,336
Consolidated Fund	1,109,846	1,109,846
Rural Electrification Project (Kuwait fund)	768,038	768,038
Laxapana Rehabilitation Project ( SIDA)	88,739	88,739
Rural Electrification Project (REP)	3,494,334	3,494,334
Conflicted Affected Area Rehabilitation Project (CAARP-ADB)	1,035,754	1,035,754
Coal Power Project	634,766	634,766
STAART Project	1,897,273	1,897,273
Conversion of Loan Term Loans	30,998,209	30,998,209
Ipologama Housing project	7,035	7,035
Gama Naguma	1,362,928	1,362,928
SIDA project	2,478,053	2,478,053
Uthuru wasanthaya	3,152,510	1,807,069
MagaNaguma	211,730	211,730



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 17 CONTRIBUTED CAPITAL (Contd..)

	2013	2012
CAAP-GOSL	461,001	461,001
JICA Project	455,903	455,903
Retention Release	270,890	270,890
Vidulamu Lanka	25,000	25,000
Sri Lanka Gutterconnection project	22,229	22,229
Absorption Renewable Energy Project	100,000	100,000
Accelerated Rural Electrification Project	1,750,000	1,700,000
Rural Electrification Project 08 ( Iran)	9,242,844	8,757,613
IDC Project Loan - SLP 95	14	14
Rural Electrification Project 04 (Extention)	4,224,415	4,224,415
Rural Electrification Project 04 (old)	1,760,012	1,760,012
Vauniya Kilinochchi Transmission Project	2,312,751	1,964,241
Kilinochchi Chunnakam Transmission Project	1,303,792	812,032
Batahira Ran Aruna Project	55,000	35,000
Nagenahira Navodaya Project	2,432,189	1,062,959
Ruhunu Udanaya Project	306,321	160,000
Uva Udanaya Project	3,696,451	1,396,516
Rajarata Navodaya Project	2,530,813	75,000
Jaffna Rehabilitation Electricity Supply Project	809,715	315,825
Suatable Power Sector Support Project	129,960	129,960
DSMSLP Project	5,178	5,178
ADB Eastern Development Project	-	-
Iran Project	-	-
Kandurata Udanaya	100,000	-
Kerawalapitiya Kottugoda Transmissin Project	-	-
Wayaba pubuduwa	200,000	-
Welioya Electrification	50,000	-
Upper Cothmale hydro Power Project	-	-
Lightning Sri Lanka -Southern Province	-	-
Energy diversification Enhancement Project	535	-
Sabaragamuwa	285,000	-
Sustainable Power Sector Support Project	520,718	-
Trincomalee Integrat	162,991	-
ADB fund	409	-
ADB fund	-	-
As at the end of the period.	<b>121,611,564</b>	<b>110,765,779</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 18 RESERVES

	Group		Board	
	2013	2012	2013	2012
<b>Summary</b>				
Exchange Reserve	-	-	-	-
Capital Redemption Reserves	-	-	-	-
Heat Rate Reserve	-	-	-	-
Capital Reserves (18.1)	17,858,138	17,796,535	17,612,509	17,612,509
Revaluation Reserve (18.2)	587,475	587,475	-	-
Deemed Cost Adjustment to Supply Infrastructure(18.3)	4,529,883	4,529,883	-	-
Depreciation Reserve (18.4)	23,000	23,000	23,000	23,000
Self Insurance Reserve (18.5)	9,640,502	8,101,951	9,624,552	8,086,001
Asset Replacement Reserve *	222,134	213,700	-	-
Overhaul Reserve **	(5,519)	42,671	-	-
Investment Reserve	427,039	66,849	-	-
Available for Sale Reserve ***	1,235,250	897,871	-	-
	<b>34,517,901</b>	<b>32,259,936</b>	<b>27,260,061</b>	<b>25,721,510</b>

#### Lanka Electricity Company (Pvt) Ltd

##### \* Asset Replacement Reserve

This represents the amount transferred from the retained earnings to cover losses & damages to property, plant and equipment and inventories of the company.

#### LTL Holdings (Pvt) Ltd

##### \*\* Overhaul Reserve

This reserve has been created for future overhaul activities of the Joint Venture Company

##### \*\*\* Available for Sale Reserve

This reserve records fair value changes on available for sale financial assets.

### 18.1 Capital Reserve

	Group		Board	
	2013	2012	2013	2012
Balance as at the Beginning of the Year	17,796,536	17,800,052	-	-
Loans Redemption Reserve	-	-	17,447,063	17,447,063
Other Capital Reserve	-	-	165,446	165,446
Heat Rate Reserves	10,038	2,093	-	-
Foreign Exchange Reserve *	9,390	(9,227)	-	-
Exchange Equalization Reserve **	42,175	3,618	-	-
Pending allotment of Shares	-	-	-	-
Deferred Tax Adjusted To Equity	-	-	-	-
Balance as at the end of the Year	<b>17,858,139</b>	<b>17,796,536</b>	<b>17,612,509</b>	<b>17,612,509</b>

#### Lanka Electricity Company (Pvt) Ltd

##### Foreign Exchange Reserve \*

This represents the gain on exchange in the previous years when Asian Development Bank term Loans in SDR were paid to the Government of Sri Lanka at contracted rates although supplies of capital goods were received and accounted at higher prevailing rates and gain recorded when loan agreement were signed.

#### LTL Holdings (Pvt) Ltd

##### Exchange Reserve

This reserve has been created as a result of converting foreign currency loans into reporting currency of the joint venture company.

##### \*\* Exchange Equalization Reserve

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

##### Heat Rate Reserve

This reserve has been created for heat rate bonus to be incurred in future years by the joint venture company.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 18.2 Revaluation Reserve

	Group		Board	
	2013	2012	2013	2012
<b>On: Property, Plant &amp; Equipment</b>				
Balance as at the beginning of the year	587,475	587,475	-	-
Transfer of surplus during the year	-	-	-	-
Revaluation surplus on disposals	-	-	-	-
Deferred Tax on Revaluation Reserve	-	-	-	-
Land Written off	-	-	-	-
Balance as at the end of the year	<b>587,475</b>	<b>587,475</b>	-	-

#### LTL Holdings (Pvt) Ltd

The above Revaluation Surplus consist of net surplus resulting from the revaluation of PPE as described in note.

### 18.3 Deemed Cost Adjustment to Supply Infrastructure

	Group		Board	
	2013	2012	2013	2012
Balance as at the beginning of the year	4,529,883	4,529,883	-	-
Prior Year Adjustments	-	-	-	-
Balance as at the end of the year	<b>4,529,883</b>	<b>4,529,883</b>	-	-

### 18.4 Depreciation Reserve

	Group		Board	
	2013	2012	2013	2012
At the beginning of the year	23,000	23,000	23,000	23,000
	-	-	-	-
At the end of the year	<b>23,000</b>	<b>23,000</b>	<b>23,000</b>	<b>23,000</b>

Depreciation Reserve has been established under the provisions of Section 47 (2) of the CEB Act No.17 of 1969 which require CEB to maintain with the General treasury, a Depreciation Reserve to cover property, plant & equipment as determined by CEB.

### 18.5 Self Insurance Reserve

	Group		Board	
	2013	2012	2013	2012
Balance at the beginning of the period	8,101,951	6,905,702	8,086,001	6,889,752
Transfers from the retained earnings	809,110	781,354	809,110	781,354
Damages charged during the period	-	(56,038)	729,441	(56,038)
Income received from investment	729,441	470,933	-	470,933
Balance at end of the period	<b>9,640,502</b>	<b>8,101,951</b>	<b>9,624,552</b>	<b>8,086,001</b>

#### Lanka Electricity Company (Pvt) Ltd

This represents the amount transferred from the retained earnings to cover losses and damages to property plant and equipment and inventories of the company



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 19. INTEREST BEARING LOANS & BORROWINGS

Group	2013	2013	2013	2012	2012	2012
	Repayable Within 1 year	Repayable After 1 year	Total	Repayable Within 1 year	Repayable After 1 year	Total
Bank Loans (19.1)	14,755,850	32,996,115	47,751,965	21,054,970	4,153,876	25,208,846
Loans from Treasury (19.2)	-	334,683,720	334,683,720	-	298,580,141	298,580,141
Loans from Related Party (19.3)	-	-	-	-	-	-
Share of joint venture's loan-LTL Holdings Ltd (19.4)	387,353.55	-	387,354	362,189	214,896	577,085
Lease Creditors (19.5)	72,739	180,912	253,651	35,695	146,457	182,152
Bank Overdrafts	3,563,906	-	3,563,906	20,488,384	-	20,488,384
Share of joint venture's Bank Overdraft - LTL Holdings Ltd (19.6)	957,918	-	957,918	1,052,042	-	1,052,042
	<b>19,737,766</b>	<b>367,860,747</b>	<b>387,598,513</b>	<b>42,993,281</b>	<b>303,095,370</b>	<b>346,088,651</b>

The Board	2013	2013	2013	2012	2012	2012
	Repayable Within 1 year	Repayable After 1 year	Total	Repayable Within 1 year	Repayable After 1 year	Total
Bank Loans (19.1)	14,236,773	31,029,464	45,266,237	20,766,974	2,689,609	23,456,583
Loans from Treasury (19.2)	-	334,683,719.52	334,683,719.52	-	298,580,141.00	298,580,141.00
Loans from Related Party (19.3)	2,730,000	965,000	3,695,000	-	3,100,000	3,100,000
Lease Creditors (19.5)	71,798	179,865	251,662	34,849	145,022	179,871
Bank Overdrafts	3,474,402	-	3,474,402	20,383,413	-	20,383,413
	<b>20,512,973</b>	<b>366,858,048</b>	<b>387,371,021</b>	<b>41,185,236</b>	<b>304,514,772</b>	<b>345,700,008</b>

#### 19.1 Bank Loans

##### 19.1.1 The Board

	Interest rate	As At 01.01.2013	Loans Obtained	Repayment	As At 31.12.2013	Repayable Within 1 Year	Repayable After 1 Year
<b>Term Loans</b>							
People's Bank 8000		418,000	-	(418,000)	-	-	-
People's Bank 5000		2,915,000	-	(834,000)	2,081,000	834,000	1,247,000
People's Bank 4110		-	4,110,000	(391,429)	3,718,571	588,000	3,130,571
People's Bank 17650		-	17,650,000	(2,100,000)	15,550,000	2,520,000	13,030,000
People's Bank 17000	14.83%	-	17,000,000	(12,445,000)	4,555,000	4,555,000	-
People's Bank 18000	19.00%	-	18,000,000	(1,500,000)	16,500,000	3,600,000	12,900,000
		-	2,000,000	-	2,000,000	2,000,000	-
<b>Bill Discount</b>							
People's Bank 8000	-	8,000,000	-	(8,000,000)	-	-	-
People's Bank 1000	13.64%	999,999	-	(999,999)	-	-	-
People's Bank 1050	15.00%	1,050,000	-	(1,050,000)	-	-	-
People's Bank 813	17.00%	812,997	-	(812,997)	-	-	-
People's Bank 2771	15.00%	2,771,229	-	(2,771,229)	-	-	-
People's Bank 821	16.00%	821,033	-	(821,033)	-	-	-
People's Bank 5000	15.00%	4,999,888	-	(4,999,888)	-	-	-
	16.00%	-	-	-	-	-	-
		<b>22,788,145</b>	<b>58,760,000</b>	<b>(37,143,574)</b>	<b>44,404,571</b>	<b>14,097,000</b>	<b>30,307,571</b>
<b>Samurधि Bank</b>							
		<b>As At 01.01.2013</b>	<b>Loans Obtained</b>	<b>Repayment</b>	<b>As At 31.12.2013</b>	<b>Repayable Within 1 Year</b>	<b>Repayable After 1 Year</b>
Term Loan for "Viduli Athwela" Programme		668,439	333,000	(139,773)	861,666	139,773	721,892
		<b>668,439</b>	<b>333,000</b>	<b>(139,773)</b>	<b>861,666</b>	<b>139,773</b>	<b>721,892</b>

The Interest Rates Stated above are the rates Prevailed as at 31st December 2013. However ,The Interest rates are revised at every 3 months to the prevailing market rates.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 19.1.2 Lanka Electricity Company (Pvt) Ltd Borrowing Bank

		As At 01.01.2013	Loans Obtained	Repayment 2013	As At 31.12.2013	Interest rate %	Repayment Period	Value of Installment
Asian Development Bank	Project 2	66,760	-	(44,507)	22,253	10.5%	20 Years	22,253
	Project 3	65,832	-	(32,059)	33,773	13.0%	15 Years	16,458
		<b>132,592</b>	<b>-</b>	<b>(76,566)</b>	<b>56,026</b>			

The above loans were given to the Government of Sri Lanka by Asian Development Bank and re-lent to Lanka Electricity Company (Private) Limited.

LECO	2013 Repayable Within 1 year	2013 Repayable After 1 year	2013 Total	2012 Repayable Within 1 year	2012 Repayable After 1 year	2012 Total
Bank Loans	56,026	-	56,026	77,422	55,169	132,591
Bank Overdraft	15,431	-	15,431	46,013	-	46,013
	<b>71,457</b>	<b>-</b>	<b>71,457</b>	<b>123,435</b>	<b>55,169</b>	<b>178,604</b>

### 19.1.3 LTL Holdings (Pvt) Ltd

Borrowing Bank	Interest rate	On demand	Less than 3 months	Maturity			Total
				3 to 12 months	1 to 5 Years	> 5 years	
HNB- Lakdhanavi Ltd	3 Month LIBOR + 5%	-	54,276	157,029	750,510	-	961,815
DFCC- LTL Holdings (pvt) Ltd -USD 1,023,094	4.50%	-	6,696	20,089	64,719	-	91,503
HNB- Pawan Danavi (pvt) Ltd -Rs.666,724,274	AWDR -5%	-	22,902	68,707	366,436	163,036	621,081
NDB- Pawan Danavi (pvt) Ltd -Rs.455,488,705	AWPLR -5%	-	18,107	54,322	289,718	47,925	410,072
DFCC-Pawan Danavi (pvt) Ltd -Rs.400,000,000	AWDR-5%	-	15,231	45,692	243,692	40,615	345,231
		-	<b>117,212</b>	<b>345,838</b>	<b>1,715,075</b>	<b>251,576</b>	<b>2,429,702</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 19.2 Loans From Treasury

The Board	Provider of funds	Interest Per annum (%)	2013	2012
Treasury Loan - CPC			50,500,000	50,500,000
Treasury Loans 2006	DST 2006	No finalized	38,037,427	35,523,297
Upper Kotmale Hydro Power project	JICA / JBIC	10	46,191,637	42,966,354
Upper Kotmale Hydro Power project II	JICA / JBIC		1,860,788	38,121
Kelanitissa Diesel Storage Tank project	EXIM BANK	10	115,288	108,979
Greater Colombo Grid Substation Project	KFW	10	1,961,837	1,903,946
Colombo City Electricity Distribution project	JICA / JBIC	10	8,375,863	7,820,990
Kerawalapitiya Kotugoda Transmission line Project	JICA / JBIC	10	3,641,840	3,407,311
Puttalam Coal Power project	EXIM BANK	6	56,342,002	53,177,298
Puttalam Coal Power project 11	EXIM BANK	60	96,788,851	80,986,836
New Laxapana & Wimalasurendra Rehabilitation project	FRENCH		7,751,729	7,302,009
Rehabilitation Ukuwela power Project	JICA / JBIC	12	1,907,255	1,777,499
Energy Diversification Enhancement Project	JICA / JBIC	10	377,864	78,252
Old Laxapana Rehabilitation Project	Uni Credit Bank		5,148,222	4,285,393
Clean Energy and Access Improvement Project	ADB	10	10,513,953	7,216,919
Clean Energy Access Improvement Project (SLA II)	ADB	10	1,085,588	246,093
Sustainable Power Support Project	ADB	10	3,956,064	1,238,469
Habarana Veyangoda Transmission Line Project			127,510	2,375
			<b>334,683,720</b>	<b>298,580,141</b>
Amount Payable within one year			-	-
Amount Payable after one year			<b>334,683,720</b>	<b>298,580,141</b>

### 19.3 Loans from Related Party

The Board	As At 01.01.2013	Loans Obtained	Repayment	As At 31.12.2013	Repayable Within 1 Year	Repayable After 1 Year
Lanka Electricity Company (Pvt)Ltd	3,100,000	1,300,000	(705,000)	3,695,000	2,730,000	965,000
	<b>3,100,000</b>	<b>1,300,000</b>	<b>(705,000)</b>	<b>3,695,000</b>	<b>2,730,000</b>	<b>965,000</b>

One year grace period is given. Repayments are commencing from 01st August 2013.

### 19.4 Share of joint venture's loan

LTL Holdings (Pvt) Ltd	Interest rate	On demand	Less than 3 months	Maturity			Total
				3 to 12 months	1 to 5 Years	> 5 years	
HSBC -USD 6,000,000	1 MONTH LIBOR + 3.5%	-	64,395	289,778	-	-	354,173
SCB-USD 6,000,000	1 MONTH LIBOR + 3%	-	24,886	8,295	-	-	33,181
		-	<b>89,281</b>	<b>298,073</b>	-	-	<b>387,354</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 19.5 Lease Creditor

#### 19.5.1 The Board

		Total 2013 Repayable Within 1 year	Total 2013 Repayable After 1 year	Total 2013	Total 2012 Repayable Within 1 year	Total 2012 Repayable After 1 year	Total 2012
Merchant Bank Of Sri Lanka	Lease Creditor	116,718	257,838	374,556	66,987	194,373	261,360
	Interest in Suspense	(44,921)	(77,973)	(122,894)	(32,138)	(49,351)	(81,489)
		<b>71,798</b>	<b>179,865</b>	<b>251,662</b>	<b>34,849</b>	<b>145,022</b>	<b>179,871</b>

#### 19.5.2 Lanka Coal Company (Pvt) Ltd

		Total 2013 Repayable Within 1 year	Total 2013 Repayable After 1 year	Total 2013	Total 2012 Repayable Within 1 year	Total 2012 Repayable After 1 year	Total 2012
People's Leasing Company Ltd	Lease Creditor	1,109	1,109	2,218	1,109	1,849	2,958
	Interest in Suspense	(168)	(62)	(230)	(263)	(414)	(677)
		941	1,047	1,988	846	1,435	2,281
Total		<b>72,739</b>	<b>180,912</b>	<b>253,651</b>	<b>35,695</b>	<b>146,457</b>	<b>182,152</b>

### 19.6 Share of joint venture's Bank Overdraft

LTL Holdings (Pvt) Ltd	Interest rate	Facility	Security	On demand	Less than 3 months	3 months to >5Years	Total
HNB	AWPLR +2%	Rs.775,000,000		233,670	-	-	233,670
HNB	3% ( to be reviewed in line with fixed deposit interest rates held as the security +0.5%)0	USD 5,400,00	Fixed Deposits	298,292	-	-	298,292
HSBC	1MONTH LIBOR + 3.5%	USD 17,600,000	Land,Building, plant & Machinery	89,143	-	-	89,143
Sampath Bank	AW PLR	Rs.200,000,000	None	89,294	-	-	89,294
HSBC	AW PLR			247,519	-	-	247,519
				<b>957,918</b>			<b>957,918</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 20 CONSUMER DEPOSITS

	Group		Board	
	2013	2012	2013	2012
Balance as at Beginning of the Year	8,899,444	8,169,889	8,899,444	8,169,889
Deposit Received during the year	1,065,433	875,124	1,065,433	875,124
Refunds Made during the year	(243,215)	(145,568)	(243,215)	(145,568)
Balance as at the end of the Year	<b>9,721,662</b>	<b>8,899,445</b>	<b>9,721,662</b>	<b>8,899,445</b>

### 21. PROVISIONS AND OTHER DEFERRED LIABILITIES

	Group		Board	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Retirement Benefits Obligation- Gratuity (21.1)	4,580,439	4,190,680	3,970,748	3,660,104
Pension benefits (21.2)	(764,334)	(72,834)	(764,334)	(72,834)
Commuted pension fund liability-non funded	29,769	5,529	29,769	5,529
	-	-	-	-
	-	-	-	-
	<b>3,845,874</b>	<b>4,123,375</b>	<b>3,236,183</b>	<b>3,592,799</b>

#### 21.1 Retirement Benefits Obligation- Gratuity

	Group		Board	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Balance as at 1st January	4,190,680	3,396,411	3,660,104	2,929,959
Charge for the year(21.1.1)	814,909	1,243,128	713,422	1,162,056
Transfer made during the year	-	-	-	-
Payments made during the year	(425,150)	(448,859)	(402,778)	(431,911)
Closing Balance	<b>4,580,439</b>	<b>4,190,680</b>	<b>3,970,748</b>	<b>3,660,104</b>

#### 21.1.1 Charge for the year

	Group		Board	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Interest Cost	458,614	748,830	402,611	697,399
Current service Cost	243,624	396,002	212,016	365,171
Actuarial (gain)/ loss	112,671	98,295	98,795	99,486
	<b>814,909</b>	<b>1,243,127</b>	<b>713,422</b>	<b>1,162,056</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 21.1.2 Retirement Benefits Obligation- Gratuity The Board

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Board.

The principal assumptions used are as follow

	2013	2012
Discount rate assumed (%) (per Annum)	11	11
Further salary increase (%) - once in three years	25	25
Retirement age	60	60

### Lanka Electricity Company (Pvt) Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the company. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows,

	2013	2012
Discount rate assumed (%) (per Annum)	11	11
Salary Increase Rate (%) (per Annum)	8.5	8.5
Normal Retirement Age	Appointments upto 31 December 2006 -65 years Appointments after 01 January 2007 -55 years	Appointments upto 31 December 2006 -65 years Appointments after 01 January 2007 -55 years

### LTL Holdings (Private) Limited

Principal Assumptions	2013	2012
Discount rate assumed (%) (per Annum)	12	12
Salary Increase Rate (%) (per Annum)	10	10
Staff Turnover (%) (per Annum)	6	6
Retirement Age	55 Years	55 Years

### Lanka Coal Company (Pvt) Ltd

Principal Assumptions	2013	2012
Discount rate assumed (%) (per Annum)	10.61	11.5
Salary Increase Rate (%) (per Annum)	10	10
Staff Turnover (%) (per Annum)	9.10	-
Retirement Age	55 Years	55 Years



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 21.2 Pension Benefit

"The Board operates defined benefit pension plan on employee pensionable remuneration and length of service. The amount recognize in the balance sheet are determind as follows."

	2013	2012
Present Value of Obligations (21.2.1)	14,011,010	12,972,125
Fair Value of plan assets (21.2.2)	14,775,344	13,044,959
Deficit of funded plans	(764,334)	(72,834)
Contribution receivables	-	-
Persent Value of unfunded obligations	-	-
Liability / Assets in the balance sheet	<b>(764,334)</b>	<b>(72,834)</b>

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

At beginning of year	12,972,125	11,868,942
Current service cost	365,793	385,879
Interest Cost	1,297,212	1,186,894
Actuarial Losses	15,494	128,227
Benefit Paid	(639,614)	(597,817)
<b>At end of year</b>	<b>14,011,010</b>	<b>12,972,125</b>

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

At beginning of year	13,044,959	11,711,414
Expected return on plan assets	1,722,378	1,263,988
Actuarial Losses	18,611	3,824
Contribution paid (Employee + Employer)	629,010	663,550
Benefit Paid	(639,614)	(597,817)
<b>At end of year</b>	<b>14,775,344</b>	<b>13,044,959</b>

The amounts recognized in the income statement are as follows

Current service cost	365,793	385,879
Interest Cost	1,297,212	1,186,894
Expected return on plan assets	(1,722,378)	(1,263,988)
<b>Recognized in income statement</b>	<b>(59,373)</b>	<b>308,785</b>

The principle actuarial assumptions were as follows

Discount Rates	10%	10%
Expected return on plan assets	10.79%	10.79%
Future Salary Increases	20%	25%
Future Pension Increases	0%	0%
Retairment Age	60	60
Plan assets are comprised as follows		
Fixed Deposits	10,822,664	9,236,048
Tresury Bonds	3,182,115	3,182,115
Tresury Bills	-	-
Repo	-	35,000
Other	770,565	591,796
<b>Total</b>	<b>14,775,344</b>	<b>13,044,959</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 22. DEFERRED INCOME

	Group		Board	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Balance as at 1st January	-	-	-	-
Consumer Contribution (22.1)	63,350,174	58,024,896	60,095,356	54,948,056
Government Grant (22.2)	247,829	260,220	247,829	260,220
	<b>63,598,002</b>	<b>58,285,116</b>	<b>60,343,184</b>	<b>55,208,276</b>

#### 22.1 Consumer Contribution

Balance at the beginning of the year	58,024,896	52,777,201	54,948,056	49,989,779
Consumer Contribution received During the year	7,857,347	7,436,897	7,412,565	7,011,818
Amount Amortised During the year	(2,532,070)	(2,189,202)	(2,265,266)	(2,053,541)
Balance at the end of the year	<b>63,350,174</b>	<b>58,024,896</b>	<b>60,095,356</b>	<b>54,948,056</b>

#### 22.2 Government grant

Balance at the beginning of the year	260,220	272,611	260,220	272,611
Amount Amortised during the year	(12,391)	(12,391)	(12,391)	(12,391)
Balance at the end of the year	<b>247,829</b>	<b>260,220</b>	<b>247,829</b>	<b>260,220</b>

### 23. DEFERRED TAXATION

	Group		Board	
	2013	2012	2013	2012
Balance at the beginning of the year	34,602,781	18,620,166	34,169,764	17,971,684
Deferred Tax Charged to Income Statement	5,629,743	15,982,615	5,747,415	16,198,080
Deferred Tax Adjusted to Equity	-	-	-	-
Balance at the end of the year	<b>40,232,524</b>	<b>34,602,781</b>	<b>39,917,179</b>	<b>34,169,764</b>

	Group		Board	
	2013	2012	2013	2012
<b>Deferred Tax Liability</b>				
Depreciation Allowances for Tax Purposes	70,162,636	64,872,485	69,679,246	64,056,478
Revaluation Reserve	-	-	-	-
<b>Deferred Tax Asset</b>				
Deferred Income on Consumer Contribution	(9,026,737)	(9,295,105)	(8,813,501)	(9,070,184)
Employment Retirement Benefits	(1,202,351)	(1,175,780)	(1,111,809)	(1,024,829)
Other provisions	-	-	(863,687)	(818,630)
Unutilized tax losses	-	-	(18,973,070)	(18,973,070)
	<b>59,933,548</b>	<b>54,401,601</b>	<b>39,917,179</b>	<b>34,169,765</b>

### 24. TRADE AND OTHER PAYABLES

	Group		Board	
	2013	2012	2013	2012
Trade Payables	6,975,038	982,424	8,070	18,496
Other Payables	41,501,203	63,428,228	37,828,359	60,563,786
Sundry Creditors Including Accrued Expenses	10,580,169	7,734,105	9,313,875	6,607,401
Deposits(24.1)	14,980,037	14,413,090	14,980,037	14,413,090
Loan Balance pending confirmation from ERD	4,211,610	5,356,271	4,211,610	5,356,271
	<b>78,248,057</b>	<b>91,914,118</b>	<b>66,341,951</b>	<b>86,959,044</b>

#### 24.1 Deposits

Service mains deposits	11,645,963	11,047,149	11,645,963	11,047,149
Tender Deposits	254,161	227,599	254,161	227,599
Security Deposits	101,224	77,693	101,224	77,693
Other Deposits	2,978,689	3,060,649	2,978,689	3,060,649
	<b>14,980,037</b>	<b>14,413,090</b>	<b>14,980,037</b>	<b>14,413,090</b>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 25. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Board	
		2013	2012	2013	2012
LTL Holdings (Pvt) Ltd	Subsidiary Company	0.1	-	3,421,255	4,311,817
Lanka Electricity Co.Ltd	Subsidiary Company	-	-	-	-
AnteLeco Metering Co.(Pvt) Ltd	Associate Company	(0.2)	-	43,800	-
Lanka Coal Company (Pvt) Ltd		(1)	-	2,233,321	-
		-	-	<b>5,698,376</b>	<b>4,311,817</b>

### 26. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

#### Components of Cash and Cash Equivalents

	Group		Board	
	2013	2012	2013	2012
<b>26.1 Favourable Cash &amp; Cash Equivalents balance</b>				
Cash & Bank Balances	3,700,329	2,513,334	1,982,958	1,373,295
Cash in Transit	166,272	-	-	-
Call Deposits	81,127	1,207,934	60,000	1,197,453
Current portion of other investments-LECO	3,218,901	1,996,187	-	-
	-	-	-	-
	<b>7,166,628</b>	<b>5,717,455</b>	<b>2,042,958</b>	<b>2,570,748</b>
<b>26.2 Unfavourable Cash &amp; Cash Equivalent Balances</b>				
Bank Overdraft(19)	(4,521,824)	(21,540,427)	(3,474,402)	(20,383,413)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<b>2,644,804</b>	<b>(15,822,972)</b>	<b>(1,431,444)</b>	<b>(17,812,665)</b>

### 27. PRIOR YEAR ADJUSTMENTS

The group prior year adjustments had been made due to the following reasons.

#### 27.1 Ceylon Electricity Board

Adjustments made in the accounts in respected to the long outstanding receivable and payable balances as per the approval granted by Board on 14th June 2013 in response to the recommendation made by the Audit and Management Committee.

#### 27.2 LTL Holdings (Pvt) Ltd

The group previously measured the present value of the promised retirement benefits for gratuity,using gratuity formula in Appendix E of SLAS 16 ,Employee Benefits which is based on Projected Unit Credit Method as discussed in the said standard.

During the rear,the group determined that it would change its accounting policy to measure the present value of the promised retirement benefits for gratuity ,with the advice of an independent actuary every 3 years using projected unit credit method in order to comply with the subsequent amendments made to LKAS 19.

#### 27.3 Lanka Coal Company (Pvt) Ltd

The results for the year were initially affected due to the revision of the commission paid to the company by CEB after entering into agreement with the in September 2013.In preparation of Accounting Statements in year 2012, the commission was assumed as USD 2.75 per metric ton of coal supplied while some of costs relating to import of coal were treated as non reimbursed expenses which were to be charged against the commission. With the signing of the agreement the commission was reduced to USD 0.30 per MT and all costs relating to import of coal were to be passed on to CEB.

Owing to this change the net income of Rs.16, 939,253.83 recorded as commission in the accounting statements of 2012 was reduced to Rs.40, 445,404.84 in 2013, even though the quantity supplied was increased from 808,848MT to 1,032,510MT.

The prior year adjustment represents the reversal of unrealized turnover and the overstated expenses recognized in the last year and the prior years due to the following:

The assumptions on which the financial statements (up to 31st December 2012) had been prepared were changed subsequently with the signing of Coal Supply Agreement with CEB in September 2013 which has retrospective effect from supply of 1st shipment of coal in 2010.

27.4 As a result of above reason ,the following adjustments were made to the consolidated financial statements.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 27.4.1 Impact to the income statement.

As at 31.12.2012

#### **Revenue**

Revenue as previously reported	180,516,200
Effects of restatement (LCC)	(254,469)
Revenue as restated	<u>180,261,731</u>

#### **Cost of sales**

Cost of sales as previously reported	231,319,947
Effects of restatement (LCC)	(118,479)
Cost of sales as restated	<u>231,201,468</u>

#### **Other Income and Gain**

Other income and gain as previously reported	5,630,063
Effects of restatement (LCC)	(27,435)
Other income and gain as restated	<u>5,602,628</u>

#### **Administrative Expenses**

Administrative expenses as previously reported	5,127,526
Effects of restatement (LCC)	(349)
Effects of restatement (LTL)	(65,570)
Administrative expenses as restated	<u>5,061,607</u>

#### **Finance Cost**

Finance cost as previously reported	6,356,251
Effects of restatement (LCC)	253
Finance cost as restated	<u>6,356,504</u>

#### **Income Tax Expense**

Income tax expense as previously reported	1,453,825
Effects of restatement (LTL)	69,103
Effects of restatement (LCC)	(42,634)
Income tax expense as restated	<u>1,480,294</u>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 27.4.2 Impact to the Statement of Financial Position

As at 31.12.2012

#### **Property, Plant and Equipment**

PPE as previously reported	637,647,777
Effects of restatement (Board)	9,196
Property, Plant and Equipment as restated	<u>637,656,973</u>

#### **Trade and Other Receivables**

Trade and Other receivables previously reported	78,367,473
Effects of restatement (Board)	(3,049,044)
Effects of restatement (LCC)	(13,371)
Trade and other Receivable as restated	<u>75,305,058</u>

#### **Contributed Capital**

Contributed Capital as previously reported	109,567,864
Effects of restatement (Board)	1,197,915
Contributed Capital as restated	<u>110,765,779</u>

#### **Retained Earnings**

Retained Earnings previously reported	68,577,432.00
Effects of restatement (Board)	(3,037,758.00)
Effects of restatement (LCC)	(126,630.00)
Effects of restatement (LTL)	10,964.00
Retained Earnings as restated	<u>65,424,008.00</u>

#### **Interest Bearing Loans and Borrowings**

Interest Bearing Loans and Borrowings as previously reported	304,295,360
Effects of restatement (Board)	(1,199,990)
Interest Bearing Loans and Borrowings as restated	<u>303,095,370</u>

#### **Provisions and other Deferred Liabilities**

Provisions and other Deferred Liabilities as previously reported	4,144,075
Effects of restatement (LTL)	(20,700)
Provisions and other Deferred Liabilities as restated	<u>4,123,375</u>



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 28 ASSETS PLEDGED

#### Ceylon Electricity Board Sri Lanka Energies (Private) Limited

There is no assets pledged as at the balance sheet date.

#### 28.1 Lanka Electricity Company (Pvt ) Limited

Following assets have been pledged as security for liabilities.

<u>Nature of Assets</u>	<u>Nature of Liability</u>	<u>Carrying Amount Pledged</u>		<u>Included under</u>
		<u>2013</u>	<u>2012</u>	
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	45,500	} Current and Non Current Other Investments
Fixed Deposits	SMI Loan Schemes of People's Bank	94,143	94,143	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	598,278	598,278	

#### 28.2 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.

<u>Nature of Assets</u>	<u>Nature of Liability</u>	<u>Carrying Amount Pledged</u>	<u>Included under</u>
		<u>2013</u>	
Immovable Properties	First Mortgage for Loans & Borrowings	91,503	Property plant & Equipment
<b>Lakdhanavi Ltd &amp; its Jointly Controlled Entity</b>			
Investment	Mortgage against the Bank Guarantees	434,370	Other current Financial Liabilities
<b>Jointly Venture Company-Heladanavi Limited</b>			
Land, Building, Plant & Machinery & Trade Receivables	Term Loan	1,549,408	Property plant & Equipment
<b>Pawan Danavi (Private) Limited</b>			
Project Assets	Primary concurrent Mortgage Bond	1,413,900	Property Plant & Equipment
Ordinary shares 51% Held by LTL Holdings	Primary concurrent Mortgage Bond	485,000	Stated Capital



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 29 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

#### The Board

**Lanka Electricity Company (Pvt ) Limited**  
**Sri Lanka Energies (Private) Limited**  
**LTL Holdings (Pvt) Ltd**

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements

### 30 CONTINGENCIES

#### 30.1 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 31.12.2013, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.164.3 Mn.

#### 30.2 Lanka Electricity Company (Pvt ) Limited

(a) The Company suspended paying turnover tax with effect from 01st July 2008. The turnover tax unpaid for the period 01st July 2008 to 31st December 2010 amounts to Rs. 273.7Mn (2010 – 273.7Mn). However, the written clearance has not yet been received by the company from the relevant tax authorities. No provision has been made in the financial statements in this regard.

(b) The company is a defendant respondent in 16 (2011 -23) lawsuits for which the maximum liability is estimated by the company at Rs.77.82 Mn (2010 - Rs.308.8 Mn) at the year end. 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.

(c) According to the tariff methodology approved by the Public Utilities Commission Of Sri Lanka ( PUCSL ), There is a limitation for earning of revenue. The total revenue allowed to earn for a licensee is the total recurrent expenditure, depreciation and rate of return. Over and above the total of the allowed revenue will be adjusted among the distribution licensee. According to the company's estimation this liability would be Rs 800Mn. However the information in written has not yet been received by the company from PUCSL as to the amount and timing of such liability. Accordingly no provision has been made in the financial statement in this regard.

#### 30.3 LTL Holdings (Private) Limited

**Legal Claim Contingencies**  
**Jointly Venture Company\_ Heladhanavi Limited**

#### Eligibility to apply for a Generation License

As per the section 9 (1) (C) of Sri Lanka Electricity Act No. 20 of 2009, a company incorporated under the Companies Act No. 7 of 2007 which generates electricity over and above generating capacity of 25 MW is eligible to apply for a generation License, provided that in the said company either the government or a Public corporation or a Company in which the Government holds more than 50% of the shares or a subsidiary of such a company, holds such No. of shares as may be determined by the Secretary of the Treasury with the concurrence of the Minister-In-charge of the subject of Finance.

Heladhanavi Ltd ('Heladhanavi') too, which is currently operating under the Generation License validly obtained on 26th September 2003, applied for a Generation License under the Sri Lanka Electricity Act No.20 of 2009. However, Heladhanavi was informed by Public Utility Commission of Sri Lanka (PUCSL) that the company does not fulfill the eligibility criteria to apply for a Generation License, in terms of the above section of the Sri Lanka Electricity Act No.20 of 2009. At the same time, it was learnt that the Government of Sri Lanka intends to amend the new Electricity Act to exempt the existing Independent Power Producers (including Heladhanavi) from this requirement. However, Heladhanavi sought legal opinion in this regard and was informed that Heladhanavi is entitled to seek legal remedies and indemnification under the 'Changes in Law' section of the Power Purchase Agreement and the Implementation Agreement.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 31 CAPITAL COMMITMENTS

#### 31.1 The Board

Approved by the Board, but not contracts placed  
Contracted but not provided for  
**Total**

	2013	2012
Approved by the Board, but not contracts placed	44,294	143,658
Contracted but not provided for	2,216,267	1,818,762
<b>Total</b>	<b>2,260,561</b>	<b>1,962,420</b>

#### 31.2 Lanka Electricity Company (Pvt ) Limited

The Company does not have material purchase commitments for acquisition of Property , Plant and Equipment incidental to the ordinary course of business as at 31st December 2013.(2012 - Nil).

#### 31.3 LTL Holdings (Pvt) Ltd

##### Letter of Credits

Parent/Subsidiary/Joint Venture Company	Bank	2013	2012
LTL Holdings (Pvt) Ltd	Hatton National Bank PLC	2,009	98,641
Lakdhanavi Ltd	Peoples Bank	-	37,464
Lakdhanavi Ltd	Hatton National Bank PLC	32,904	-
Heladhanavi Ltd	Hatton National Bank PLC	4,530	20,989
LTL Galvanizers (pvt) Ltd	Hatton National Bank PLC	5,249	18,290
Lanka Industrial Product Engineerig (pvt) Ltd	Hatton National Bank PLC	4,740	21,606
LTL Transformers (pvt) Ltd	Hatton National Bank PLC	6,867	124,484
LTL Transformers (pvt) Ltd	Peoples Bank	50,237	-
		106,536	321,476

##### Guarantee

Parent/Subsidiary/Joint Venture Company	Bank	2013	2012
LTL Transformers (Private) Ltd	Hatton National Bank PLC	21,629	1,680
LTL Transformers (Private) Ltd	People's Bank	7,091	-
LTL Holdings (Private) Ltd	Citi Bank	56,612	28,104
LTL Holdings (Private) Ltd	Hatton National Bank PLC	481,568	206,955
LTL Galvanizers (Private) Ltd	Hatton National Bank PLC	5,249	1,241
Lakdhanavi Ltd	Hatton National Bank PLC	513,657	877,487
Lakdhanavi Ltd	Commercial Bank ceylon PLC	430,445	179,338
Lakdhanavi Ltd	Citi Bank	71,990	69,955
Lakdhanavi Ltd (Heladhanavi Ltd)	Sampath Bank PLC	135,294	135,294
Lakdhanavi Ltd (Heladhanavi Ltd)	National Development Bank PLC	135,294	135,294
		1,858,828	1,635,348

LTL Holding (Private) Limited has provided a corporate guarantee of Rs 400,000,000 for a bank loan obtained by a subsidiary (2012:Rs 400,000,000/-)

Lakdhanavi Limited, Subsidiary of the Group has issued two corporate guarantees to Sampath Bank and National Development Bank Rs, 150M each to facilitate the fuel purchasing of Heladhanavi Limited.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 31.4 Operating Lease Commitments\_Group as a lessee Nature

The company has entered into an operating lease agreement with Lanka Industrial Estate Limited for a period of 30 years commencing from 1st June 1998 to 31 May 2028

	2013	2012
Within One Year	12,230	4,447
After One year but not more than 5 years	48,919	-
	<b>61,148</b>	<b>4,447</b>

Lease rentals are renewed every five years ,therefore operating lease commitment stated only upto 30th June 2013 since lease rentals more than five years can not be determined.

#### LTL Holdings (Private) Limited

The Company has entered into a commercial lease on it's land & Premises in Bandaragama together with fixtures and fittings, with ante LECO Metering (Pvt) Ltd. This lease, which has a cancellable clause, has a remaining term of 9 years.

The lease includes a clause to enable upward revision of the rental charge based on the inflation rate prevailing at the end of Future minimum rentals receivable under cancellable operating lease as at 31st Dec 2013 are as follows.

	2013	2012
Within one year	4,500,000	4,500,000
After one year but not more than five years	18,000,000	18,000,000
More than five years	22,668,750	27,168,750
	<b>45,168,750</b>	<b>49,668,750</b>

The disclosed amount includes only the minimum lease payments, and the inflation adjustments specified in the agreement is not incorporated due to inability to forecast future inflation rates.

### 31.5 Lakdhanavi Limited & its Jointly Controlled Entity

#### Operating Lease Commitments Nature

The company has entered into an operating lease agreement with Lanka Industrial Estate Limited for a period of 17 years commencing from 19th Feb 1996 to 18th Feb 2013.

	2013	2012
Within One Year	-	1,678
After One year but not more than 5 years	-	-
	-	<b>1,678</b>

After 18th February 2013, the company renew the operating lease agreement on quarterly basis. Therefore, such commitment does not disclosed in the financial statements

#### Other Commitments Lakdhanavi Limited

The Company is liable to the government of the Democratic Socialistic Republic of Sri Lanka, equivalent to the amount that dividends received from West Coast Power (Private) Limited, if any technical error in the construction of Kerawalapitiya Power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 31.6 Jointly Venture Company - Heladhanavi Limited

#### (a) Power Purchase Agreement with Ceylon Electricity Board

If Heladhanavi Limited fails to supply Minimum Guaranteed Energy Amount (MGEA), which is 698,417,280 kWh per year, if there is a shortfall.

Shortfall	Amount of liquidated damages for each kWh of Shortfall
Exceeding 10% of MGEA up to 25% of MGEA	15% of Capacity Charges
Exceeding 25% of MGEA	25% of Capacity Charges

#### (b) Fuel Supply Agreement with Ceylon Petroleum Corporation

If Heladhanavi Limited is unable to accept fuel under supply schedule (subject to change) and/or comply with its obligations under this agreement and costs, expenses, damages & losses incurred as direct & exclusive result of such failure or inability should be paid by the company within 30 days. However company's liability under this agreement is limited to a maximum of US \$ 500,000 per annum.

According to the clause 3.5 ( C) of fuel supply agreement, company has established a letter of credit in favor of Ceylon Petroleum Corporation at following Banks,

Nationa Development Bank	300,000
Sampath Bank	300,000

#### (c) Operations & Maintenance Agreement with Lakdhanavi Limited

According to this agreement, the fixed fee payable after the final completion date is US \$ 625,000 per annum paid in equal monthly installments.

The company is liable to pay Lakdhanavi Limited an additional sum of US \$ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement. A variable fee, depends on the Net Energy output generated.

#### (d) Fuel Transport Agreement with LTL Projects (pvt) Limited

The company has entered in to a contract during the period with LTL projects (Pvt) Ltd for the transportation of fuel. According to the arrangement, the company need to pay a fixed charge of US \$ 10,500 per month from the date of commencement of power generation in the plant.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 32 Related Party Disclosures

#### 32.1 The Board

##### 32.1.1 Directors Interest in Contracts

Prof: Wimaladharm Abeyewickrema was bearing the office of Chairman, CEB upto 31.01.2013. He also served as a director in the director boards of Lanka Electricity Company (Pvt) Ltd and LTL Holdings (Pvt) Ltd, Which are subsidiary companies of CEB.

Mr.W.B.Ganegala was bearing the office of Chairman, CEB from 01.03.2013 upto now. He also served as a director in the director boards of Lanka Electricity Company (Pvt) Ltd., LTL Holdings (Pvt) Ltd., Lanka Coal Company (Pvt) Ltd., Sri Lanka Energies (Pvt) Ltd. which are subsidiaries of CEB and Trincomalee Power Co.Ltd. which is a joint venture of CEB.

Eng:W.D.Anura Senaka Wijayapala was a vice chairman of CEB upto 28.01.2013 and Mr P.P.Gunasena was a Working Director of CEB upto 31.01.2013. Further they also served as directors in the director boards of Lanka Coal Company (Pvt) Ltd, Sri Lanka Energies (Pvt) Ltd and Trincomalee Power Company (Pvt) Limited.

Mr T.M.Herath served as Vice Chairman of CEB from 01.03.2013 to 31.12.2013. Mr. K.I D P Kularathne was appointed as Working Director of CEB on 01.03.2013.

Mr.C.J.P.Siriwardena and Dr. B.M.S. Batagoda served as members of the director board of CEB and resigned on 22.02.2013 and 09.05.2013 respectively.

Mr.W.D.Jayasinghe served as a member of the director board of CEB during the year ended 31.12.2013 and Mr.Wirithamulla and Ms.M.T.I.V.Amarasekare were also appointed as members to the director board of CEB on 01.03.2013 and 10.05.2013 respectively. Mr.R.A.A.K.Ranawaka, Secretary Ministry of Local Government and Provincial Councils appointed as a member to the director board of CEB on 06.03.2013.

##### 32.1.2 The Board carried out following transactions with following related companies.

	2013	2012
a) Sales of Goods & Services		
Electricity Sales Heavy Supply LECO	25,663,119	19,076,160
b) Purchase of Goods & Services		
LTL Transformers Ltd	588,532	914,089
LTL Holdings (Pvt)Ltd	-	432
LTL Galvanizers (Pvt)Ltd	42,044	82,701
ANTE LECO Metering Co(Pvt)Ltd	377,473	393,362
Heladhanavi	9,041,718	12,583,663
Lakdhanavi	-	2,069,323
Nividu(Pvt) Ltd	134,642	67,551
Nividu Assupinella (Pvt) Ltd	195,877	118,823
Lanka Coal Company (Pvt) Ltd	10,677,327	11,099,248

##### 32.1.3 Transactions with the Government of Sri Lanka and its related entities.

Since the Government of Sri Lanka directly controls the CEB, the CEB 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 CEB enters into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transaction have been reported in follows.

	Nature of Transaction	2013	2012
Ceylon Petroleum Corporation	Purchase of Fuel	29,425,498	42,295,279
Department of Public Enterprises	Obtain Project Loans	25,094,618	89,443,023
Peoples Bank	Obtain Bank Loans	37,000,000	19,455,145



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 32.1.4 Transaction with Key Management Personnel

Key management personnel comprise the Directors of the Board.

(i) Loans to Directors

No loans have been given to the Directors of the Board.

(ii) Key management Personnel Remuneration

During the year under review, Rs 2,270,000/-(2012 - Rs 2,295,000/-) incurred on behalf of key management personnel of the company.

### 32.2 LTL Holdings (Private) Limited

Details of significant related party disclosures are as follows ;

#### 32.2.1 Transaction with the parent and related entities

	Name of the Company and Relationship		LTL ESOT		LTL ESOTLTD	
	CEB Parent		Other related		Significant influence over the entity	
	2013	2012	2013	2012	2013	2012
Nature of Transaction						
As at 1st January	3,324,370	1,293,349	(55)	(376,959)	54,000	(26,984)
Sale of goods/Services	8,242,675	13,506,046	-	-	-	-
Dividend Declared	(1,259,748)	(2,035,248)	(678,008)	(679,522)	(593,892)	(872,249)
Interest Income	-	-	-	-	-	252,687
Advances Received	-	(365,403)	-	-	-	-
Advances set off	29,860	339,568	-	-	-	-
Dividend Paid	1,259,748	2,224,210	200,360	1,056,426	539,892	953,233
Bad Debt Write Off	-	-	-	-	-	-
Receipts during the year	(9,598,164)	(11,638,152)	-	-	-	(252,687)
Payment made during the year	-	-	-	-	-	-
Balance As At 31st December	<b>1,998,741</b>	<b>3,324,370</b>	<b>(477,703)</b>	<b>(55)</b>	<b>-</b>	<b>54,000</b>

#### The Parent

Ceylon Electricity Board Owns 63% ( 2012 - 63% ) of ordinary shares of Group

#### The Entity With Significant influence over the Company

LTL Employees Shares Ownership Trust Limited owns 27% ( 2012 - 27% ) of the ordinary shares in the Group There has to power to participate in the financial and operating policy decisions of the entity.

#### Other Related entity

LTL Employees Share Ownership Trust owns 10% ( 2012 - 10% ) of the ordinary shares in the entity



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 32.2.2 Transactions with the Government of Sri Lanka And its related entities

Since the Government of Sri Lanka Directly controls the Group's parent, 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 enters transactions, arrangements and agreementd with the Government of Sri Lanka and its other releted entities and significant transaction have been repoted as follows,

	Nature of the transaction	2013	2012
Ceylon Petrolium Corporation	Purchase of fuel	3,894,113	5,694,150
Peoples's Bank	Invesments	1,759,877	611,264
Bank of Ceylon	Invesments	3,096,305	1,742,399

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

payment of statutory rates, taxes and duties to Department of Inland Revenue and Sri Lankan Customs  
 Payment for utilities mainly comprising of telephone, electricity and water.  
 Paymwnt for employment retirement benefit- EPF and ETF.  
 payment for insurance primiums to Sri Lanka Insurance Corporation.

### 32.2.3 Transacstion with Key Management Personnel of the Company or parent

The Key Management Personnels (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Such key Management personal of the company are the members of its Board of Directors, that of its parent, and Chief Executive Officer, Independent transactions with Key Management Personal and transactions with the close family members (CFMs) of the KMPs, if any, also been have taken into consideration in the following disclosure.

#### a) Key Management personnel Compansation

	2013	2012
Short- term employee benefits	33,000	25,605
Post - Employment benefits	4,770	3,737
	<b>37,770</b>	<b>29,342</b>

In addition to above compensation, the company also provides non cash benefits to Key Management Personnel in terms of employment contracts with them.



## NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31st December 2013

(All amounts in Sri Lanka Rupees Thousands)

### 32.3 Lanka Electricity Company (Pvt ) Limited

Details of significant related party disclosures are as follows;

32.3.1 The company carried out following transactions with following related companies ;

	Parent Company Ceylon Electricity Board		Other Major Share Holders /Treasury		Subsidiaries & Other Related Companies	
	2013	2012	2013	2012	2013	2012
Balance as at 01st January	1,909,314	(1,728,338)	132,593	210,015	121,296	85,975
Purchase of Electricity	(20,520,953)	(15,148,014)	-	-	-	-
Payment for Electricity	17,695,919	15,684,723	-	-	-	-
ADB Loan Repayment	(575,000)	-	(76,566)	(77,422)	-	-
Interest on Borrowings	-	-	15,329	24,229	-	-
Accrued Expenses	(1,011,606)	515	-	-	-	-
Interest Payment	-	-	(15,329)	(24,229)	-	-
Material Transfer	-	428	-	-	-	-
Receipts of Material	-	-	-	-	-	-
Purchase of Goods	-	-	-	-	189,184	-
Payments	-	-	-	-	(211,170)	(266,474)
Loans given to CEB	1,300,000	3,100,000	-	-	-	251,185
Balance as at 31st December	<b>(1,202,326)</b>	<b>1,909,314</b>	<b>56,027</b>	<b>132,593</b>	<b>99,310</b>	<b>70,686</b>

### 32.3.2 Transaction with Government Related Entities

For the purpose of this disclosure, Key management has decided to disclose transaction with the entities relating to the line ministry to which Company belongs to, in addition to the transactions with the Government, Treasury and there were no such transactions during the year (2012-Nil)

#### Transactions with the Key Management Personnel of the Company or its parent

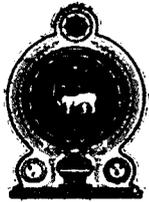
The Company has defined, the Key Management Personnel of the Company are the members of its Board of Directors and that of its parent and the Divisional Heads including General Manager .

#### Key management Personnel Compensation

	2013	2012
Directors Fees and Short term Benefits	536	419
Remuneration of other Key Management Personnel	19,759	19,948
<b>Total Compensation pay to Key Management Personnel</b>	<b>20,295</b>	<b>20,367</b>



# AUDITOR GENERAL'S REPORT



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிப்பித் திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல. } EH/A/CEB/FA/2013  
My No. }

ඔබේ අංකය  
உமது இல. }  
Your No. }

දිනය  
திகதி } 11 March 2015  
Date }

The Chairman,  
Ceylon Electricity Board

### REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2013 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT NO. 38 OF 1971

The audit of financial statements of the Ceylon Electricity Board (CEB) and the consolidated financial statements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information 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 Section 13(1) of the Finance Act, No 38 of 1971 and Section 49(4) of the Ceylon Electricity Board Act, No.17 of 1969 as amended by Act, No.31 of 1969. My comments and observations, which I consider should be published with the Annual Report of the Ceylon Electricity Board in terms of Section 14(2) (c) of the Finance Act, appear in this report. The financial statements of the Subsidiaries were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries. A detailed report in terms of Section 13(7) (a) of the Finance Act will be issued to the Chairman of the Board in due course.

#### 1.2 Responsibility of the Management for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

#### 1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's

අංක 306/72 පොල්දූව පාර,  
වත්තරමුල්ල , ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி,  
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## AUDITOR GENERAL'S REPORT Contd...

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and(4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### 1.4 **Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## 2. **Financial Statements**

### 2.1 **Qualified Opinion - Board**

In my opinion, except for the effects of the matters described in paragraph 2.2.2 of this report, the financial statements give a true and fair view of the financial position of the Ceylon Electricity Board as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **Qualified Opinion - Group**

In my opinion, except for the effects of the matters described in paragraphs 2.2 of this report, the consolidated financial statements give a true and fair view of the financial position of the Board and its Subsidiaries as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### 2.2 **Comments on Financial Statements**

#### 2.2.1 **Group Financial Statements**

The auditors of the Subsidiaries and the Joint Venture of the Board other than the Lanka Coal Company Limited had expressed clear opinion on their financial statements for the year 2013. The Names and the ownership of the Subsidiaries are as follows.

<b><u>Name of the Subsidiary</u></b>	<b><u>Ownership as a Percentage</u></b>
Lanka Electrical Company (Pvt) Ltd.(LECO)	55.2
LTL Holding (Pvt) Ltd	63
Lanka Coal Company (Pvt) Ltd.(LCC)	60
Sri Lanka Energies (Pvt) Ltd.	100
Trincomalee Power Company Ltd.(Joint Venture)	50

The auditors of Lanka Coal Company (Pvt) Ltd had issued a qualified opinion on the financial statements of the Company for the year ended 31 December 2013 based on the following observations.

- (i) Documentary evidences were not provided in the form of direct confirmation to verify the accuracy and existence of the balances of prepayment and creditors amounting to Rs. 1,789,698,174 and Rs.1,792,294,204 respectively as at 31 December 2013.
- (ii) Agreed tax liabilities with the Department of Inland Revenue approximately Rs. 100 million had not been brought to the financial statements.

#### 2.2.2 **Financial Statements of the Ceylon Electricity Board**

##### 2.2.2.1 **Sri Lanka Accounting Standards (LKAS) and Accounting Policies**

The following observations are made.

- (a) **LKAS 2 - Inventories**, According to the Standard, the inventories should be measured at lower of cost or net realizable value and the cost of inventories should be determined by using the First In First Out (FIFO) or Weighted Average Cost formula. But, the Board had used Standard Prices Method for valuing its inventories at the Distribution Regions contrary to the provisions in the Standard.



## AUDITOR GENERAL'S REPORT Contd...

Further, according to the directions issued by the Institute of Chartered Accountants of Sri Lanka, standard costs would be allowed for inventory valuation where prices are subject to fluctuation, otherwise the value of inventories should be computed at the lower of cost or net realizable value.

The following observations are also made in this regard.

- (i) According to the prevailing situation prices had only been increased without being fluctuated. Therefore, it was clear that the Board had overestimated their standard prices of the inventory items than actuals in most instances. For instance, the net income recognized by overestimation of the material prices and labour rates in 2013 was Rs. 3,444 million (2012 - Rs. 1,647 million) and Rs. 1,213 million (2012 - Rs. 1,034 million) respectively. In addition to that a sum of Rs. 1,568 million (2012 - Rs. 1,574 million) had been charged to the cost of the jobs as overheads (computed by applying standard rate for actual labour hours used) which had been recognised as an income in the statement of comprehensive income.

As a result, the values of the stocks, maintenance works, work-in-progress and completed capital jobs shown in the financial statements as at 31 December 2013 had not been fairly reflected.

- (ii) Uniform policy for valuing the assets constructed by the Board had not been followed. For instance, the Transmission Lines and certain Distribution Lines constructed out of foreign funded Projects had been valued at actual cost while other jobs such as Service Main Connection (SMC), System Augmentation (SYA), Jobs carried out from Iran funded Projects, Project's works carried out under Gamanagama and Decentralized Budget (DCB) etc. had been valued at standard cost.

- (iii) The impact on the operating result for the year 2010 to 2013 due to valuing the stocks at standard cost was as follows.

Year	Operating Result as per the Financial Statements with Price Variance Rs. million	Total Net Positive Price Variance Rs. million	Operating Result without the Price Variance Rs. million	Price Variance of as a Percentage Operating Result %
2013	12,846	5,466	7,380	43
2012	(77,645)	2,675	(80,320)	3
2011	(19,266)	4,494	(23,760)	23
2010	4,832	3,295	1,534	68

According to the above analysis, it was revealed that when the profit or loss is larger, the impact due to price variance is smaller and vice-versa.

### (b) SLFRS 05 - Non-current Assets Held for Sale and Discontinued Operation -

Assets that meet the criteria referred in the SLFRS 05 to be classified as held for sale and to be measured at the lower of carrying amount or fair value less cost to sell and presented separately in the statement of financial position. However, the Generation Division and Transmission Division had not complied with this requirements and net book value of 60 vehicles amounting to Rs. 24,565,471 held for disposal had been included in the value of the vehicles shown under the Property Plant and Equipment (PPE) in the statement of financial position as at 31 December 2013.

### (c) LKAS 16 - Property, Plant and Equipment (PPE)

- (i) GT 7 (Fiat Gas Turbine) with a capacity of producing 115 MW electricity installed at Kelanitissa Power Station was commissioned in 1997. The major overhaul of the plant was done after 100,000 equivalent running hours and cost incurred to the overhaul was Rs 793,525,443 and those expenses had been treated as recurrent expenditure. However, according to the nature of the transaction, those overhaul cost will help to increase the future economic benefit of the power plant and therefore, that expenses should be treated as capital expenditure.
- (ii) Depreciation is to be calculated based on the major component of the assets. However, Lakwijaya Power Station commissioned in 2011 had been depreciated its power plant considering as a single asset which includes various



## AUDITOR GENERAL'S REPORT Contd...

components such as access roads and infrastructure developments within the premises, power plant, deaf coal, etc. amounting to Rs. 46,083 million without having equal economic useful life.

- (iii) Underground cable system (13Kv) included in the fixed assets had been depreciated based on the economic useful life of 12 years since the year 2012. But, according to the stated policy, on these assets should be depreciated based on the economic useful life period of 35 years. Therefore, both property, plant and equipment and the retain profit shown in the financial statements as at 31 December 2013 had been understated by Rs.159,441,901 due to over provision of depreciation during the previous year.

### (d) LKAS 17- Leases

- (i) Lessee shall recognize the finance leases as assets and liabilities in their statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. However, the cost of eight vehicles purchased by Transmission Division in the year 2013 on financial lease basis had not been recognized in the financial statements on that basis. As a result, the property plant and equipment shown in the financial statements as at 31 December 2013 had been understated by Rs.7,087,215.
- (ii) Lease interest to be charged to the statement of income using the actuarial method or sum of digit method. However, Transmission Division had charged lease interest equally in every month and as a result, the lease interest and interest in suspense account shown in the financial statements had been understated and overstated by Rs.6,198,720.
- (iii) The following overstatements and understatements were observed between the amounts shown in the financial statements and the calculation made by the audit, based on the information furnished.

	<b>Amount as per the Financial Statements Rs.</b>	<b>Amount as per the Calculation Done by the Audit Rs.</b>	<b>Overstatements/ (Understatements) Rs.</b>
Lease Creditor	112,525,344	100,469,040	12,056,304
Interest in Suspense	48,605,344	29,349,065	19,256,279
Lease Interest	12,151,336	16,327,235	(4,175,899)
VAT Portion – Other Expenses	-	3,014,076	(3,014,076)

LKAS 24 - Related Party Disclosures - The Board had not disclosed the transactions between the related parties by disclosing the nature of the related party involvement as well as information about the transactions and outstanding balances necessary for understanding the potential effect to the financial statements as required by the Standard. The following contracts granted to the LTL Project (Pvt) Ltd. which has indirect relationship with a Subsidiary of the Board were observed as related party transactions in audit.

- (i) Vavuniya Kilinochchi Transmission Line Project - JBIC Funded Project
- (ii) Transmission System Strengthening Transmission Line Project - ADB Funded Project
- (iii) Transmission System Strengthening Eastern Province Project - ADB Funded Project (Contract amount was Rs. 1,345 million)
- (iv) North Eastern Power Transmission Development Project - ADB Funded Project (Contract amount was Rs.425 million)
- (v) Augmentation Grid Substation Project Phase II - ADB Funded Project (Contract amount was Rs.1,815 million)
- (vi) Augmentation Grid Substation Project Phase I - GOSL Funded Project
- (vii) Galle Grid Substation, Augmentation and Rehabilitation Project
- (viii) Augmentation of Grid Substation for Absorption of Renewable Energy Project - Augmentation of Seethawaka, Balangoda, Badulla, Nuwara Eliya, Ukuwela Grid Substations and Construction of New Mahiyanganaya Grid Substation (Contract amount was Rs. 2,336 million) (Esot case)



## AUDITOR GENERAL'S REPORT Contd...

### 2.2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Most of the Transmission Projects are being carried out with the assistance of foreign aids. The cost of those projects had been accounted based on the information obtained from the website of the External Resource Department (ERD) without considering the invoices issued by the Project Manager at the year end. Therefore, the work-in-progress (WIP) and equity capital shown in the financial statements as at 31 December 2013 had been understated by Rs. 139 million and Rs. 111 million respectively while overstating the advance recovery and retention money by Rs. 13 million and Rs. 10 million respectively.
- (b) Although, the amount receivable from the Ministry of Power and Energy as at 31 December 2013 in respect of the Lighting for special occasions was a credit balance of Rs. 10 million, the actual amount receivable as per the computation made by the audit based on the correspondence available in the relevant file was Rs. 14 million. Hence, the other debtors shown in the financial statements had been understated by Rs. 24 million.
- (c) The Board had computed the fair values of the motor vehicles belonging to some of its Divisions in the year 2011 by discounting the market value prevailed as at 31 December 2012 and as a result, the Valuation Committee recommended market values had not been reflected in the financial statements of the year 2012 which resulted to understate the balance of the motor vehicles shown in the financial statements in the year under review as well by Rs. 396 million.
- (d) The value of property plant and equipment transfers among the individual Divisions should be zero in the financial statements of the Board. However, un-reconciled differences aggregating Rs. 1,920 million were observed among the transfers in, transfers out and work-in-progress (WIP) transferred to other Divisions during the year 2013. Due to the above lapse, the property plant and equipment shown in the financial statements had been understated by similar amount.
- (e) Reimbursement of import duties and taxes amounting to Rs. 94,294,181 relating to some imported equipment of the power plant brought back by the Aggriko Power Company (pvt) Ltd. from the country due to expiration of the Private Power Purchase (PPP) agreement had been accounted as power purchase cost of the year under review instead of being accounted as other expenditure.

It was further observed that there was no provision in the IPP agreement to make such payment at the time of taking the plant back from the country and it was observed that the payment had been made without proper authority.

- (f) The under-mentioned items had not been taken into account in determining the cash flows of the year under review and as a result the real cash flows of the Board had not been reflected from the statement of cash flow.

Item	Amount Rs.	Impact
Overhead Recoveries (Estimated figures included in the value of the electrification jobs – both capital and maintenance)	1,676,805,270	Overstated the net cash generated from operating activities. However, real impact could not be ascertained due to non-availability of the portion relating to the cost recovery jobs.
Labour Rate Variance	1,213,515,708	Overstated the net cash generated from operating activities
Trade and Other Receivables	561,436,724	Overstated the net cash generated from operating activities
Property, Plant and Equipment	75,626,084	Understated the net cash generated from investing activities
Inventories Receivable	4,979,012,034	Understated the net cash generated from operating activities
Stores Price Variance	3,443,969,186	Overstated the net cash generated from operating activities



## AUDITOR GENERAL'S REPORT Contd...

- (g) Interest amounting to Rs.7, 818,402 payable to the Ceylon Petroleum Corporation due to delay in settlement of fuel bills relating to the month of July 2013 had not been brought to the accounts.
- (h) Disputed interest payable amounting to Rs. 749,973,935 on delay in settlement of the fuel bills of the Thermal Complex as at 31 December 2013 had not been disclosed in the financial statements as a contingent liability.
- (i) Uniform national tariff (UNT) adjustment or bulk supply of electricity to LECO during the period from July to December 2013 amounting to Rs.68 million had been approved by the Public Utility Commission of Sri Lanka (PUCSL) in March 2014. However, the Board had not taken this UNT adjustment into their accounts and as a result, the operating profit as well as the trade debtor balances shown in the financial statements of the year 2013 had been understated by that amount.

### **2.2.2.3 Un-reconciled Differences**

The following un-reconciled differences were observed.

- (a) The amount due from LECO as at 31 December 2013 as per the financial statements of the Board had not been reconciled with the financial statements of the LECO and a difference of Rs. 86 million was observed between those two financial statements.
- (b) Differences of Rs. 45 million, Rs. 68 million and Rs. 22 million were observed in respect of amount due from LECO between the confirmation letter issued by the Board and the amount shown in the financial statements of the Board, and the financial statements of the Board and the confirmation letter issued by the Board and the computation made by the audit and the financial statements of the Board respectively, for the year 2013.
- (c) If the inter Divisional transactions were accounted accurately, there should not be any un-reconciled balances as at end of the year in the Current Accounts of the Board at any given time. However, an un-reconciled inter-current account balance of Rs. 2 million had been shown in the financial statements of the year under review.

### **2.2.2.4 Accounts Receivable and Payable**

The following observations are made.

- (a) A sum of Rs. 240,939,043 or 65 per cent out of the total debtors balance of Rs. 335,411,224 relating to the Air Condition and Maintenance Unit of the Board as at 31 December 2013 was outstanding for more than 05 years and no actions had been taken to recover such balances in the year 2013 as well.
- (b) The Board had not taken adequate actions to recover the trade debtor balances of Rs. 4,095 million even the recoverability period of these balances had been lapsed as at 31 December 2013 enabling the Board to maintain a better liquidity position and proper working capital management throughout the year under review. Further, balance to be received from private sector as compared with the total trade debtor balance of Rs. 21,395 million as at 31 December 2013 was represent 86 per cent.
- (c) Other debtor balance of Rs. 2, 280,752,812 remained un-recovered for more than two years as at 31 December 2013. Further, a sum of Rs. 6, 142,277 and Rs. 897,025,999 of them were outstanding from then Ministry of Power and Energy and the Sri Lanka Sustainable Energy Authority respectively. However, this had not been reflected in their accounting records as payable to the Board.

### **2.2.2.5 Lack of Evidence for Audit**

The following observations are made.

- (a) Title deeds for 12 lands valued at Rs. 38 million owned by the Uva Provincial Office were not made available for audit.
- (b) Sub- loan agreements had not been entered into with the General Treasury in respect of 02 loans aggregating Rs. 115,341 million granted by the General Treasury. Further, the repayment schedule and the interest rate on those loans were not made available to audit.
- (c) The foreign aid and the capital grant received by the Board for generation, transmission and distribution programmes



## AUDITOR GENERAL'S REPORT Contd...

including rural electrification programmes had been treated as contributed capital for a longer period even though certain such grants had not been considered by the General Treasury as capital contribution. According to the financial statements of the Government of the Democratic Socialist Republic of Sri Lanka for the year 2013, the total capital contribution to the Board was to Rs. 96 billion and according to the financial statements of the Board it was shown as Rs. 122 billion. Accordingly, the accounting treatment made in the financial statements for the difference of Rs.26 billion of Government grant could not be verified due to non-availability of the requisite approvals.

### **2.2.2.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

The following instances of non-compliance were observed in audit.

- (a) The Board had not submitted a copy of the draft annual report for the year 2013 to the auditor General as prescribed in Section 14(1) of the Finance Act, No. 38 of 1971.
- (b) Ceylon Electricity Board Act, No. 17 of 1969
  - (i) **Section 47 (1)(b)** - The Board may establish and maintain a Sinking Fund with the General Treasury in respect of the repayment of loans taken by the Board. A Loan Redemption Reserve had been shown in the financial statements but it had not been updated since the year 2000. The balance in that Reserve account as at 31 December 2013 was Rs. 17,447 million.
  - (ii) **Section 47(2)(a)** - The Board may establish and maintain a Depreciation Reserve with the General Treasury to cover the depreciation of the movable and immovable property of the Board. However, in contrary to that requirement, the Board had established a Depreciation Reserve in its financial statements by transferring Rs. 1 million per annum up to 31 December 2000 and thereafter no provision had been made. A sum of Rs. 23 million being accumulated balance on that date had been carried forward in the annual financial statements continuously without any review.
  - (iii) **Section 47(2)(b)** - The Board may establish and maintain a General Reserve with the General Treasury for the purpose of financing capital works from revenue moneys, ensuring the financial stability of the Board, and for such other purposes as the Board may from time to time determine. However, in contrary to that requirement the Board had established an Other Capital Reserve in its financial statements and it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2013 was Rs. 165.45 million.
- (c) In contrary to the provisions in Section 46 of the CEB Act, No. 17 of 1969 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971, the Board had invested its fund amounting to Rs. 5,250 million in the Insurance Escrow Fund as at 31 December 2013 based on the contribution of 0.1 per cent of the total value of the gross fixed assets at the end of each year since 1989.
- (d) According to the Financial Regulations 389 and 260, the cheques must be handed over to the person or his representative after verifying the identity. However, 452 cheques valued at Rs. 19,813,345 had been handed over to the persons without complying with the said Financial Regulations.

## **3. Financial Review**

### **3.1 Financial Results**

According to the Board and Group financial statements presented, the operations of the Board and the Group during the year under review had resulted in a pre-tax net profit of Rs. 18,636 million and Rs. 21,500 million respectively as compared with the corresponding pre-tax net loss of Rs. 61,447 million and Rs. 54,607 million respectively for the preceding year, thus showing an improvement of Rs. 80,083 million and Rs. 76,107 million respectively in the financial results of the year under review.

As analysed below, the increase of hydro power generation in 2013 by 3,634 GWh or 10 per cent as compared with 3,292 GWh generated in 2012 due to high water level in hydro reservoirs and decrease of expenditure on fuel and power purchase from Independent Power Producer in 2013 by Rs. 12,869 million and Rs. 47,228 million respectively as against the previous year were mainly attributed for this improvement in the financial result of the Board.



## AUDITOR GENERAL'S REPORT Contd...

Source	Power Generation		Increase/(Decrease)	
	2013 GWh	2012 GWh	GWh	%
Hydro	6,926	3,292	3,634	110
Thermal	4,773	8,339	(3,566)	(42)
Non-conventional Renewable Energy	263	171	92	53
Total	11,962	11,802	160	1.3

### 3.2 Analytical Financial Review

According to the information made available, the following table gives the highlights of the financial position as at the end of the year under review and the previous year.

Item	Current Year Rs. Million	Previous Year Rs. Million	Percentage of Change over Previous Year
Non-Current Assets	681,014	627,695	8
Current Assets	104,703	107,437	(2)
Total Assets	785,717	735,132	7
Current Liabilities	92,872	137,357	(32)
<b>Working Capital</b>	<b>11,831</b>	<b>(29,920)</b>	<b>140</b>
Total Capital Employed	692,845	597,775	16
Non-Current Liabilities	480,076	406,385	18
<b>Equity</b>	<b>212,769</b>	<b>191,390</b>	<b>11</b>

The following observations are made in this regard.

- The total assets of the year under review as compared with the previous year had increased by 7 per cent. Meanwhile, the net current assets had become a positive figure of Rs. 12 billion in 2013 as compared with the negative figure of Rs. 30 billion in the previous year which represented a 140 per cent increase. The main reasons for that increase were repayment of amounts due to CPC and Independent Power Producers (IPP) and the amount so paid in 2013 was Rs. 43,702 million and Rs.78,356 million respectively.
- Forty nine per cent of the total capital employed amounting to Rs. 785 billion of the Board as at 31 December 2013 had been financed through borrowed funds whereas the previous year borrowed portion was 68 per cent.

According to the above analysis, it was revealed that the Board had shown a little improvement in its liquidity position in the year 2013 as compared with the previous year.

### 3.3 Operating Review

The following observations are made.

#### 3.3.1 Direct Cost Analysis

- The following table shows a summary of direct cost incurred for the year under review as compared with the previous year.



## AUDITOR GENERAL'S REPORT Contd...

	2013		2012	
	Rs. million	%	Rs. million	%
Fuel	29,425	18	42,515	19
Power Purchase	80,308	48	120,264	54
Coal	10,677	6	11,099	5
Operation and Maintenance	26,196	16	27,530	13
Depreciation	20,319	12	21,011	9
<b>Total</b>	<b>166,925</b>	<b>100</b>	<b>222,419</b>	<b>100</b>

According to the above information, it was revealed that 72 per cent and 78 per cent of the total cost for the year 2013 and 2012 respectively was directly related to power purchase and generation.

- (b) Even there were enough hydro power generation, incurring of the fixed cost involving with the power purchase agreements was unavoidable and as a result, the Board was unable to achieve one of the most important objective that supplying the electricity at low cost to the general public in the year under review as well. However, the average cost per unit in 2012 was Rs. 23.66 and sold at Rs. 15.56 per unit whereas the unit cost had come down to Rs. 17.70 in 2013 and sold at Rs. 17.93 per unit.

### 3.3.2 Unit Price Analysis

The following table shows the average (loss)/gain from selling one electricity unit during past five years.

Year	Average Selling Price per kWh Rs.	Average Cost per kWh Rs.	Gain/(Loss) per Unit Rs.
2013	17.93	17.70	2.22
2012	15.56	23.66	(5.84)
2011	13.22	15.59	(2.37)
2010	13.16	13.02	0.14
2009	13.13	14.71	(1.58)

According to the above table, the current year had recorded the highest gain per unit during last five years.

### 3.4 Irregular Payments

The following observations are made.

- (a) The Board had paid the PAYE tax out of its own funds on behalf of its employees without being recovered from the employees as per the Cabinet Decision taken on 13 December 2007. The PAYE tax paid by the Board overruling said Cabinet Decision as at 31 December 2013 was Rs.1,312 million.

The Chairman of the Board stated as follows in this regards.

*Incurring of the PAYE tax by the Board on behalf of the employees has been legalized by incorporated it in the Collective Agreement entered into between the Chairman, General Manager and Trade Unions recently with the concurrence of the Ministry of Power and Energy.*

- (b) Thirty nine different staff allowances had been paid from time to time to the staff by the Board on the approval of the Board of Directors without obtaining the approval of the Cabinet of Ministers as specified in the Public Enterprises Circular No 95 of 04 June 1994. At the audit test checks it was revealed that such allowances amounting to Rs. 642 million had been paid in the year 2013.
- (c) The common lapses observed in respect of reimbursement of 2/3rd interest to the employees for housing loans obtained from external lending agencies are given below. Total amount so reimbursed in 2013 excluding Distribution Divisions was Rs. 1,166 million.
- Employees had been granted loan amount exceeding the eligibility limit
  - Interest for personal loans taken by mortgaging properties such as fixed deposits, personal guarantees etc had also been reimbursed



## AUDITOR GENERAL'S REPORT Contd...

- Loan had been taken by officers jointly with parties other than the spouse
- Produced the informal letters of the financial institutions
- The loans had been taken for settlement of other loans
- The properties relating to the loan obtained were neither the name of the officer nor the spouse

### 3.5 Identified Losses

The following observations are made.

- (a) The Puttalam Coal Power Plant had incurred a loss of 1394.33 Mega Watt Hours (MWh) of electricity costing Rs. 25,098 million due to operational failures during the year 2012 and 2013.
- (b) According to the Provision in the Financial Regulation 104(1), inquiries should be instituted to ascertain the extent and causes of the loss and to fix the responsibility to the respective parties if an incident of loss occurs and such losses should be reported to the Auditor General as well. However, the loss to the Kukulleganga Power Station due to the incident taken place on 8 June 2013 had not been ascertained and reported to the Auditor General according to the FR and a loss of 1394.33 MWh costing Rs. 25,098 million of the Puttalam Coal Power Plant incurred due to operational failures during the year 2012 and 2013 had also not been reported to the Auditor General.
- (c) The value of 35 reported frauds committed in the year 2013 due to weaknesses in the internal control amounted to Rs. 49 million.
- (d) The construction activities of the proposed building called "Vidulakpaya" for the Head Office of the Board had been suspended with immediate effect on the decision taken by the Board of Directors. However, the reason/s for that suspense of the construction neither included in that Board decision nor made available to audit. The construction and consultancy cost incurred up to the date of suspense was Rs. 244.15 million.

### 3.6 Matters in Contentious Nature

The following observations are made.

- (a) It was observed in audit that the Board had maintained its position in accordance with the Ceylon Electricity Board Act No. 17 of 1969 as amended by Act No.31 of 1969, that the Treasury Circulars and Public Administration Circulars issued by the Government from time to time to maintain uniform procedures and practices in relation to Finance and Administration in all public sector organizations including Public Corporations and Boards are not applicable to them if the Board of Directors of the Board had not allowed to adopt as the administrative rules of the Board. Few such instances are given below.
  - (i) In contrary to the Public Administration Circular No.15/90 of 09 March 1990 and Public Enterprises Circular No. PED/12 of 02 June 2003, the Board had recruited non-skilled and semi-skilled staff annually as clerks, cashiers, storekeepers, typists, drivers, office aides, labourers etc. without calling for Island-wide applications from qualified candidates through newspaper advertisements, Gazette notifications etc. as specified in circular instructions. As a result, the Board had lost the opportunity to recruit the most competent persons to the relevant posts.
  - (ii) Position reported in my previous audit reports regarding the payment of temporary monthly allowance of Rs. 1,000 to the employees of the Board had not been rectified during the year under review as well.
  - (iii) Instead of granting vehicle loans at 10 per cent to 14 per cent interest as per the Public Enterprises Circular No 130 of 08 March 1998, the Board had granted it at 4.2 per cent interest.
- (b) According to the information made available, the Finance Manager of the CEB himself had taken decisions on investment of insurance reserve throughout the past years since 1990 i.e. incorporation of the fund, although the Board had not delegated him the powers for taking such investment decisions. The total amount in the Investment Account as at 31 December 2013 was Rs. 5,250 million.
- (c) The shortfall observed between the Insurance Reserve Fund balance and the Investment of Insurance Reserve Fund as at 31 December 2013 amounting to Rs.4,374 million had not been invested as per the self-insurance policy of the Board. There was no proper financial management was in operation in the Board to implement such statutory requirements.



## AUDITOR GENERAL'S REPORT Contd...

- (d) Even though the Board had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there are no sales and purchase agreements entered with those two parties.
- (e) Any action taken in respect of the followings matters brought to the notice of the Chairman of the Board by my report for the year 2012 was not observed in the year 2013 as well.
- Front cab was replaced with similar unit (24 vehicles)
  - A 2T used crane was fixed locally (2 vehicles)
  - Original cab was replaced with used cab(2 vehicles)
  - Original front cab and rear tray were replaced with used different model cab and tray (1 vehicles)
  - Front cab and rear tray were replaced with used units (1 vehicle)
  - A crane was fitted locally (1 vehicle)
- (f) Capacity charges relating to two sub component namely escalable (covers all administration costs, fixed operational and maintenance fees, and related expenses) and non escalable (debt service obligation of the company) had been paid to the Independent Power Producers (IPPs) in the year 2013. Although the time period for reimbursement of non escalable component (loan reimbursement) had been expired, it was observed that the Board had over-reimbursed that component and the amount so reimbursed in 2013 was US \$ 27 million and JPY 183 million ( in 2012 it was US \$ 15 million). The total amount over reimbursed to the IPPs was not made available to audit.

The Chairman of the Board stated as follows in this regard.

*It should be noted that the Non-scalable Component does not become zero after the debt service period is over due to components such as Return on Equity and Insurance continue till the end of the Term as indicated in the Tariff/financial templates of the respective Power Purchase Agreement.*

- (g) The operational and maintenance costs of the power plant owned by the IPPs are included in the escalable cost component of the capacity charges and those costs were paid by the Board ignoring whether they had incurred or not. Further, the taxes relating to the importation of materials and spares for that maintenance were reimbursed by the Board separately. There was no limit for reimbursement of such expenditure.

Further, certain IPPs undertakes maintenance contract of some other IPPs and there were related party and related party transactions among the IPPs. Therefore, prudence of reimbursement of expenditure including taxes without verifying the actual utilization of the imported material for power plants could not be ensured in audit. The total tax so reimbursed in 2013 was Rs. 670 million.

The Chairman of the Board stated as follows in this regards.

*Payments for Fixed operational and maintenance costs of the power plant are released to the IPP through the Scalable component of the Capacity Charge on the agreed Tariff as per the PPA. There is no room in the PPA for making the above mentioned payment based on actual costs incurred on the same.*

*As per the PPA, CEB has to reimburse taxes related to importation of material and spares by the Company for maintenance work of power plant. However, presently there is no such mechanism to physically monitor maintenance work and verify utilization of material being used at the power plant by CEB Staff due to practical difficulties such as limited resources and the necessity of urgent restoration of the power plant. However, Action has been already initiated by CEB to verify the actual utilization of imported materials in the Power Plants on periodical basis.*

- (h) Four contractors of the foreign funded Projects had purchased 57 vehicles out of the Project funds for Rs. 388,018,653 on behalf of the Project even though there were no such provisions in none of the Project Agreement, the Financial Agreement or the Project Administration Memorandum. Further, all of those 57 vehicles had been registered with the name of the contractors and shown inappropriately in the financial statements as assets of the Project. 17 vehicles out of that had been handed over to the CEB in the year 2013, but no any adjustment had been done in financial statements of the Board.
- (i) Even though the CEB has 50 per cent ownership of the Trincomalee Power Company Ltd, a Joint Venture Company, only one directorship out of three had been allocated thereto. Hence, the possibility of making decisions in favour of the other partners is very high.



## AUDITOR GENERAL'S REPORT Contd...

### 3.7 Management Inefficiencies

The following observations are made.

- (a) The Board had not claimed from the Ceylon Petroleum Corporation for the abnormal shortage of Auto Diesel delivered in the year 2013 and the value of the short supply was Rs. 291,445,480.
- (b) According to the Paragraph 7.2 of the Public Enterprises Circular No. PED/12, of 02 June 2003 all public enterprises should have their own Systems/Manuals covering all major operations, regularly revised and updated. However, the Board had not revised and updated its procedure manuals prepared somewhere in 1987.
- (c) Loans had been granted to the employees of the Board without any restriction despite of huge financial crisis prevailed during the year under review. The staff loan amount so paid in 2013 for 3,492 employees of the Board other than employees of the Distribution Divisions was Rs. 516 million.
- (d) A sum of Rs. 102 million of vehicle loans except motor bicycle loans had been granted to 226 employees of the Board in 2013. The following common weaknesses were observed in this regard.
  - Instances of non - producing the documents relating to the loan were observed and as a result, the utilization of the entire loan amount for the intended purposes could not be ensured.
  - In most instances, the vehicles purchased from the loan had not been mortgaged to the Board.
  - Officers in lower grades (subordinates) had assured for the loans taken by higher grade officers (bosses).
  - Instances of granting loans ignoring the eligibility criteria of forty or sixty per cent salary limits of both borrowers and their sureties were observed.
  - Loans had been granted to the officers who are in probation period.
  - Loans had been granted exceeding the eligibility limits.
  - New loan had been granted prior to the completion of five year period of the previous loan.
  - New loan had been granted in full by ignoring the settlement of the previous outstanding loan balance.
  - Incomplete loan agreements were observed.
  - A cheque relating to loan granted for importation of vehicle on custom duty concessionary terms had been drawn on the name of the officer who borrow the loan from the Board instead of the name of the Bank in which the borrower open the Letter of Credit as per the Circular instructions of the General Manager of the Board.
  - Instances of non-checking and obtaining the copies of annual Revenue Licenses and Comprehensive Insurance Certificates in a consistent manner until the full settlement of loans granted by respective divisions were observed.

### 3.8 Human Recourse Management

The following observations are made.

- (a) Scheme of Recruitment (SOR) of the Board had not been updated for a longer period.
- (b) One thousand five hundred and seventeen employees had been outsourced by superseding the Board of Directors approved Personnel Plan for the year 2013. The total employees outsourced as at 31 December 2013 was 4,459 which represented 25 per cent of the total staff strength of the Board.
- (c) The following essential posts in the approved cadre had been in vacant by 31 December 2013.

<b>Category</b>	<b>Number of Vacant Posts</b>
Executive	174
Middle Level Technical Service	22
Skilled Technical Service	640
Semi- Skilled Technical Service	1,616
Other Skilled Grade	34
<b>Total</b>	<b>2,486</b>



## AUDITOR GENERAL'S REPORT Contd...

- (d) The approved cadre for Unskilled Field Service had been exceeded by 1,717.
- (e) Seniority is the only factor considered for promotions and no succession plan was made available. Hence, it was observed that the promotion is benefited to the employee but not to the entity. Promotions to key posts are also granted for a very shorter period even less than half a year which reflected a bad practice in the Board.

Further, there was no proper transfer policy or procedures made available at the Board. For instance 52 per cent of the employees of Kolonnawa Air condition and Maintenance Unit have been working in the same place for 15-37 years.

- (f) The Key post in the HR Division is DGM (Personnel) but required HR qualifications and experience for that post had not been specified in the Scheme of Recruitment (SOR) enabling open that post to other services, especially, for electrical engineers. Hence, the existing SOR could not be considered as a completed and accurate one.
- (g) The post namely Chief Engineer (HR Policy) in the Personnel Management Section in the Board has been created reflecting mismatch between the two individual professions.
- (h) According to the existing SOR, 50 per cent of the total cadre of HRO Service is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent. However, it was not observed a clear promotion path for those externally recruited employees in the promotion scheme as two engineers covered the head functions in the Personnel Division over a longer period of the Board's history and posts above the class 4 in that Division have been opened to the services other than the field of HR.

Experience required for direct recruitment of HRM and HRO is 06 years in the field of HR in an organization having more than 100 employees which inadequate as compared with the staff strength need to be handled in this organization.

### 3.9 Budgetary Control

Significant variances were observed between the budget and the actuals thus indicating that the budget had not been made use of as an effective instrument of management control.

## 4. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Assets Management
- (b) Receivables and Payables
- (c) Inventory Control and Stock Management
- (d) Human Recourses Management
- (e) Accounting and Financial Management
- (f) Investments and Control over Subsidiaries
- (g) Work-in-progress
- (h) Project Management
- (i) Budgetary Control
- (j) Staff Loans
- (k) Sales

**W.P.C. Wickramaratne**  
Acting Auditor General



# REPLIES TO REPORT OF THE AUDITOR GENERAL

REPLY FOR THE REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2013 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT NO. 38 OF 1971

## 1.2 Responsibility of the Management for Financial Statements

Informative

## 1.3 Auditor's Responsibility

Informative

## 1.4 Basis for Qualified Opinion

Informative

## 2. Financial Statements

### 2.2.2.1. Qualified Opinion -Board

Informative

#### Qualified Opinion -Group

Informative

### 2.2.2.2. Comments on Financial Statements

#### 2.2.1 Group Financial Statements

- (i) Documentary evidences were not provided in the form of direct confirmation to verify the accuracy and existence of the balances of prepayments and creditors as at 31 December 2013.

#### Prepayments- Rs.1, 789,698,174.00

<b>Prepayments</b>	<b>Reply</b>
<b>Trade Debtors – Steam Coal – Rs. 1,216,454,822</b>	This value represents the unsettled amount by CEB for shipments invoiced up to 31-12-2013. Since there is an unresolved dispute between CEB and LCC with regard to invoicing of shipment 1 to 28 confirmation for the balance could not be obtained. A committee with representatives from both parties has been appointed to resolve the disagreements in this regard.
<b>Taurian Iron and Steel Co. (Pvt) Ltd – Rs. 539,192,078</b>	This represents the amount receivable from Ceylon Shipping Corporation Ltd (CSCL) as the value of non returned coal and the funds refundable due to price adjustments for the quality of coal on shipment 19 and 20. Lanka Coal Company (Private) Limited (LCC) has written to CSCL to refund the amount receivable and CSCL has in turn made a request from Taurian Iron and Steel Company (Pvt) Ltd. (TISCL) in this regard.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

<b>Advance for Thermal Coal Shipment – Rs. 31,319,698</b>	As per the accounting procedure adopted by LCC, all expenditure incurred on account of import of coal is debited to above account at the time of incurring the expenditure and credited to Bank Account or to the respective creditors account. Thereafter, when the final invoice for each shipment is raised the total cost of the shipment is credited to former account and debited to Trade Debtors – Steam Coal account under debtors. Therefore any balance in Advance for Thermal Coal account represent the expenditure incurred but not invoiced to CEB at a given moment.  Therefore, direct confirmation for this balance cannot be obtained from a debtor as this is a control account in the system.
<b>Trade Debtors – Deaf Coal – Rs. 2,731,576</b>	This represents the amount receivable from CEB as at 31-12-2013 for supply of deaf coal. With the signing of agreement between CEB and LCC in September 2013 with retrospective effect from the previous shipments, the invoicing principles were changed and at the time of closure of account the required revision could not be done in respect of invoices relating to supply of Deaf Coal. Therefore, confirmation of balance was not obtained from CEB.
<b>1,789,698,174.00</b>	<b>Total amount of prepayments</b>

### **Creditors - Rs. 1,792,294,204.00**

<b>Creditors</b>	<b>Reply</b>
<b>Advances for CEB Expenditure – Rs. 1,179,534,717</b>	This represents the amounts paid by CEB for freight, lightering and LC Bill settlement on import of coal for which invoices have not been raised up to 31-12-2013. No confirmation was requested in this regard as there were disputes with regard to finalization of invoices for shipments 1 to 28 which has been referred to the committee for their recommendation.
<b>Ceylon Shipping Corporation LTD – Rs. 600,321,251</b>	This represents the value of bills forwarded by CSCL for freight and lightering for the shipments for which invoices has raised but payments have not been made up to 31-12-2013. No confirmation was requested in this regard as there were disputes with regard to finalization of invoices for shipments 1 to 28 which has been referred to the committee for their recommendation.
<b>Ceylon Electricity Board – Rs. 12,438,236</b>	This represents the value of personnel emoluments paid by CEB for their employees who were deployed to work for LCC up to 31-12-2012. This matter also has been referred to the committee for their recommendation.
<b>Rs.1,792,294,204.00</b>	<b>Total Amount of Creditors</b>

### **(ii) Agreed tax liabilities with the Department of Inland Revenue approximately Rs. 100 million had not been recorded in the financial statements.**

At the time of preparation of financial statements for the year ended 31st December 2013, this tax liability has not been finalized. The said tax has been settled in June 2014.

## **2.2.2 Financial Statements of the Ceylon Electricity Board**

### **2.2.2.1 Sri Lanka Accounting Standards (LKAS) and Accounting Policies**

(a) LKAS 2 - Inventories.

#### **2.2.2.1 (a)(i) Over estimation of Standard price than actual**

The issue was discussed at the meeting had with the Auditor General with higher officials of CEB on 21st March 2013 and the decisions were as follows;



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

### Quote

"The actg. GM agreed to take maximum effort to minimize the gap between the actual and standard cost and requested from AG to allow them to continue with valuing the stocks in Distribution Regions at standard rate due to their practical difficulties and the benefit of that method is greater than applying weighted average cost method."

"As the officers were strongly in the argument of valuing at Standard cost the AG has not objected but emphasized that the financial statements will be qualified if there are any material misstatements due to high standard cost valuation"

### Unquote

As agreed in the discussion, CEB has taken effort to reduce the gap between standard and actual cost.

#### 2.2.2.1 (a)(ii) Uniform policy for valuing the assets constructed by the Board

CEB as one entity undertakes Power Generation, Transmission and Distribution. However the nature of these main three functions cannot be compared with each other.

On the other hand Transmission Lines of Transmission Division are constructed on turnkey basis out of foreign funded projects which can be valued at actual cost method, which is the most accurate method reflecting the fair value of the asset.

However in the distribution division due to the complexity of the transaction, stock items are being issued at the standard price. Therefore the actual cost of the jobs cannot be ascertained individually. Therefore the asset is being valued at the standard cost.

#### 2.2.2.1 (a)(iii) The impact on the operating result for the year 2010 to 2013

Informative

##### **(b) SLFRS 05 - Non-current Assets held for sale and Discontinued Operation**

**Actions have already initiated the required steps to identify and classify the vehicles** which Board approval has been granted for sale under the separate caption in the financial position in between current and non-current assets from the year 2014 in line with SLFRS 05. To facilitate that relevant codes have been already issued and the circular for "**Accounting Procedure for Disposal of Motor Vehicles in CEB**" had already issued.

Although the 58 vehicles were to be disposed, the disposal process has not been commenced. The disposal will be executed only with the replacement of vehicles. Action will be taken to dispose once the new vehicles are purchased.

##### **(c) LKAS 16 - Property, Plant and Equipments**

###### **(i) The Major Inspection (MI) cost incurred to the overhaul of GT 7 (Fiat Gas Turbine)**

- Overhaul cost relevant to MI had not been charged to Profit & Loss account (P&L) in the year 2011.
- In the year 2012 & 2013 cost incurred to the overhaul was charged to P&L based on the existing accounting policy of the CEB (as given in the subsection 1.1 of 1 of the Part F "Accounting for Materials" of the **Functional Manual 04 Finance Volume 1**).

The major overhaul cost mainly consists of the power plant spares. However, a policy for "power plant spares" yet to be introduced along with a computerized system for spare inventory management to facilitate all these componentization or power plant spares management.

As an initial step the Circular No. GM Circular No. 2014/GM/41/FM dated 04th December 2014 with respect to the spare stock management and valuation already issued.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

### **(ii) Flat depreciation rate used in Lakwijaya Power Station.**

As stated in the audit Query, "Access road, Part of other -Infrastructure Development cost and Road cost separately identified and accounted as 'Social Cost' in 2013 accounts amounting to Rs. 1,656,692,033.64. The LKAS requirement for Componaization of the PPE has already been identified and the process is in progress.

### **(iii) Depreciation of Underground cable system. (13Kv)**

The depreciation impact of Rs. 159,441,901 has been rectified in the monthly Financial Statements of August 2014.

### **(d) LKAS 17- Lease**

#### **(i) The Lease basis vehicles in Transmission Division.**

The vehicles purchased under finance lease have been properly adjusted in the monthly financial statements of August 2014 as per LKAS 17.

#### **(ii) Methods of charging lease interest.**

As per LKAS 17, lease interest and interest in suspense have been adjusted in the monthly Financial Statements of August 2014.

#### **(iii) Assets purchase on Finance Lease**

The deviation of accounting of leased assets rectified in the monthly financial Statements of September 2014 as per LKAS 17.

### **(e) LKAS 24 – Related Party Disclosures**

There are no related party transactions between the listed projects which are mentioned in the report and the CEB related companies. It was noted that the certain projects contracts have been awarded to LTL (projects). However LTL (projects) is not coming under the LTL group and operating as a separate company. Hence no disclosure requirements to be made with respect to them in the financial statements.

### **2.2.2.2 Accounting Deficiencies**

#### **(a) The cost of Transmission projects had been accounted based on the information obtains from the website of the External Resource Department (ERD) without considering the invoices issued.**

There were 02 invoices relating to Clean Energy Access Improvement Project \_Part I System Control Center Modernization Project-package B (Loan No.ADB 2518 SRI) issued in end of December 2013 which had not been disbursed and one invoice on Rehabilitation Electricity Supply Jaffna Region Transmission Line Project (KFW) Loan No. 2003 65 254 , also issued in end of December 2013.

As these projects are ongoing projects there is no significant effect on the above. These have been disbursed and accounted in the year 2014.

The advance amount should be LKR 13,295,536 and not LKR 14,903,408.

#### **(b) The amount receivable from the MOPE in respect of the Lighting for special occasions**

The practice for the reimbursement of expenses for special occasions is based on the estimate prepared by relevant area Engineers. The MOPE will reimburse such estimated cost to Headquarters and relevant Provincial Accountant (expenditure) is informed to transfer the actual cost. The credit balance of headquarters ledger will be cleared in the year 2014.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

### **(c) Fair value of the motor vehicles**

Fair valuation of Vehicles in the Implementation of SLFRS was done through a detail study and having had several discussion stages from early 2011 with IFRS consultant and finally with the Auditor General to arrive at the final decision to get market values for all motor vehicles.

There were various complexities in the process of adaptation of IFRS at the time of implementation due to certain methodologies were not properly addressed through the IFRS. Therefore at the time of making the final decision some divisions had completed the valuation as at 01.01.2011 and some divisions as at 31.12.2012. Therefore instructions were given to apply discount rate in order to get uniform deemed cost value as at 01.01.2011 while considering the time and additional cost involve in re-do the entire process.

### **(d) Property plant and equipment transfers in, transfers out and work-in-progress (WIP) transferred to other Divisions during the year 2013.**

The PPE transfers between individual divisions to be zero at the point of CEB as a whole as stated in the query.

However due to the prevailing practice of recording such transfers reflected a balance instead of being zero. Further it should be noted at the year end there is no transit other than the Rs 2,130,069 which is an un-cleared balance outstanding long period. Accordingly, it is cleared that all the PPE transfers during the period were recorded.

WIP transfers reflected "completed jobs transfers" to PPE as well as the "transfers to the other division". For an example the projects which are completed need to be transferred to the Generation, Transmission or Distribution Division by Project Division.

Accordingly transferred balance reflect under the category of transfers to other division under the WIP note of the project division where as the relevant receiving division recorded it as transfers in line of the PPE schedule instead of recording as transfers from WIP in the PPE Schedule which account mismatch balances as par as schedule balance are concerned.

The reasons for the major balances are as follows,

#### **Distribution Division 01- Transfer in amount of Rs. 4,712,484,715**

Transfer in amount of Rs. 4,712,484,715 in DD 01 includes asset transfer from Colombo City Electricity Distribution Development Project (Project Division) amounting Rs. 4,707,053,112 and Rs. 5,431,602 in Headquarters Division.

#### **Generation Division - Transfer in amount of Rs. 3,891,231,520**

Transfer in amount of Rs. 3,891,231,520 in Generation Division includes asset transfer from Uthuru Janani Power Plant Project (Project Division) amounting Rs. 3,833,640,861. But it included WIP transfer out of Project Division.

Due to the non availability of a proper guidance the above differences were emerged. And to overcome such from the year 2014, the Corporate Office has already given proper instruction to all divisions and takes steps to monitor it continuously.

### **(e) Reimbursement of import duties and taxes of the power plant**

As per clause 4.1 of the Individual Power Purchase Agreement (IPP), all the duties, taxes and levies payable on import of associated equipments are to be paid by the company and will be reimbursed by the CEB.

However, the company has made a request to make the import duties directly to the Sri Lanka Customs due to the current situation of the company where local office or bank accounts of Aggreko not available in Sri Lanka. Therefore instead of reimbursement of paid tax by the company, CEB has directly paid the taxes to Government of Sri Lanka.

Accordingly the relevant import duty amount of Rs. 94,294,181/- was paid directly to the Sri Lanka Customs & considered as IPP cost. Further CEB had not buyout the Aggreko power plant.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

**(f) Some items had not been taken into account in ascertaining the cash flows of the year.**

Item	Reply
<b>Overhead recovery – Rs. 1,676,805,270</b>	<p>Overhead recovery is the portion of the overhead cost absorbed to the capital job and Cost Recovery jobs (CR jobs) in preparing the job estimate. The reason for the absorption is to allocate part of the administrative and other overhead cost incurred to carry out the respective jobs of the Division to the assets being capitalized. The cost is absorbed based on estimated labour hours for the particular job using standard rate established in CEB for Overhead absorption in every year.</p> <p>The total costs on CR jobs including overhead cost are recovered from the customer and hence the OH portion of CR jobs is realized in cash and no adjustment is required in the cash flow statement. However, the OH portion of capital jobs is not realized through cash and hence can be considered as non-cash adjustment. Hence, action will be taken to check the possibility of segregating the overhead recovery amount between CR jobs and Capital jobs to adjust the same to the cash flow statement in future.</p>
<b>Labour Rate Variance – Rs. 1,213,515,708</b>	<p>The portion of the labour rate variance that should be adjusted to maintenance jobs, WIP and PPE cannot be identified separately and hence such adjustment has not been made in the cash flow statement.</p>
<b>Trade and Other Receivables – Rs. 561,436,724</b>	<p>Action will be taken to clear such difference in future.</p>
<b>PPE- Rs.75,626,084</b>	<p>Adjusted cash flow difference is Rs.75; 626,084. Action will be taken to clear such difference in future.</p>
<b>Inventories Receivables – Rs. 4,979,012,034</b>	<p>This difference has been arisen mainly due to the adjustment of total value of material price variance to the movement of inventory as per the auditor's computation. However it should be noted that material price variance which was affected to the closing balance of the inventory can only be adjusted to the movement of inventory in cash flow statement and balance part of material price variance cannot be adjusted to cash flow as such has been arisen with respect to the purchases during the period concerned and cannot be clearly identified as such stocks may be in different stages, such as inventory, PPE or WIP.</p>
<b>Stores Price Variance – Rs. 3,443,969,186</b>	<p>Material price variance is the difference between the actual cost and the standard price of the materials procured during the year. The favorable material price variance (where actual is less than the standard price) caused to the recording of non – cash entry by way of crediting the difference between the actual and standard price under the other income. However this cannot be eliminated from cash flow as the other adjustment to the cash flow cannot be clearly identified as such stocks may be in different stages, such as inventory, PPE or WIP.</p>



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

### **(g) Unrecorded interest expenditure of Rs. 7,818,402**

This expenditure adjusted in the following year 2014.

### **(h) Non disclosure of contingent liability of Rs. 749,973,935**

With refers to the LKAS 37, "Provision, Contingent Liabilities and Contingent Assets" there is no such obligation to pay delayed interest which is prior to 20th April 2013. Hence no disclosure is made in the financial Statement.

### **(i) Non accounting of Uniform National Tariff (UNT)**

Since the PUCSL direction for UNT was received after finalizing the accounts, the impact of that was adjusted in the following year 2014.

### **2.2.2.3. Unreconciled Differences**

#### **(a) The amount due from LECO as at 31 December 2013 as per the financial statements of the Board had not been reconciled with the financial statements of the LECO**

Description	Transmission (Rs. 000)	DD4 (Rs. 000)	Total (Rs. 000)
Balance as per CEB accounts	4,959,039	22,462	4,981,501
UNT Adjustment July - September 2013 (not accounted by CEB)	139,820	-	139,820
UNT Adjustment Oct. - December 2013 (not accounted by CEB)	(71,657)	-	(71,657)
Bill revision disputes (not accounted by LECO)	-	(22,462)	(22,462)
<b>Balance as per LECO</b>	<b>5,027,202</b>	<b>-</b>	<b>5,027,202</b>

As per CEB books the balance payable to CEB by LECO is Rs. 4,981,501,000 and out of which Rs. 4,959,039,205.81 has already been paid to CEB.

UNT (Uniform National Tariff) adjustment from July to December in the year 2013 had not been recorded in CEB accounts due to delay in adjustment submitted by PUCSL. Subsequently, this has adjusted in the year 2014 accounts.

The balance of Rs. 22,461,769 represents the bill revision belong to Distribution Division 4. This has not accounted in the LECO books as payable to CEB due to dispute of this bill revision.

#### **(b) Differences of confirmation letter issued in respect of the due amount from LECO for the year ended 31st December 2012.**

Description	Transmission (Rs. 000)	DD4 (Rs. 000)	Total (Rs. 000)
Balance as per CEB accounts	4,959,039	22,462	4,981,501
UNT Adjustment July - September 2013 (not accounted by CEB)	139,820	-	139,820
UNT Adjustment Oct. - December 2013 (not accounted by CEB)	(71,657)	-	(71,657)
<b>Balance as per Auditor</b>	<b>5,027,202</b>	<b>22,462</b>	<b>5,049,665</b>

Refer the answer given to the query no. 2.2.2.3 (b) above

#### **(c) An unreconciled inter-current account balance of Rs. 2 million was observed in the financial statements of the year**

This balance reflected the very old un-reconciled balance which has been emerged under the decentralization process. Since the balance reflected the debit amount it has been categorized under the receivable as it is not appropriate to charge to the income statement. Action should be taken to write off these balances from the accounts.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

### 2.2.2.4. **Accounts Receivable and Payable**

#### **(a) Debtors balance of Rs. 335,411,224 of the Air Condition and Maintenance Unit remain over 05 years**

The total balance of debtors as at 31.12.2014 of Air Conditioning and Refrigeration unit is Rs.196, 618,541.02. Out of this only 17.78% is applicable for more than 05 years.

Arrangements were made for speedy recovery of long standing debtors, and as a result, the debtor balance of 2011 has been reduced from Rs.41,811,432.76 to Rs.15,569,167.73 and the balance of 2012 from Rs.54,669,807.69 to Rs.36,832,766.53. The recovery process would continue in future as well.

Furthermore, new installation jobs are undertaken only upon receipt of full amount of the estimated cost from the client.

#### **(b) The Board had not taken adequate action to recover the debtor balances**

The debtor balances shown trade debtor balance as well as other debtor balances. Total trade debtor balance of CEB as at 31.12.2013 was Rs. 21,395,510,542.01 Out of that Rs. 3,354,837,830 belongs to the Government institution such as Hospitals, Military Camps, and Schools which can not be recovered by applying the disconnection process.

Further Rs. 11,741,308,406 from the private debtors and this balance is less than the 6 months period.

The major composition of the other debtor balances represent the mobilization advance given for the construction contract which will be recovered with the progress payments.

#### **(c) A Sum of Rs. 2,280,752,812 of other debtors' balances remained un-recovered for more than two years.**

##### **Wood Group Gas Turbine Ltd - Rs. 8,264,352**

An amount of Rs. 8,264,352/-which had been paid by the Generation Division to be recovered from Wood Group Co. Ltd as per contract as shown in transfer voucher and this matter was referred to Attorney General by CLO for legal opinion. A letter has been sent to Chief Legal Officer dated 19th January 2012 to inform us the current position of the legal matter. A response for that was not received. It was reminded to the CLO.

##### **Ministry of Power and Energy Rs. 6,142,277**

This amount was paid to the Ministry based on formal approvals and expecting reimbursement same from the Ministry.

##### **Northern Power (Pvt) Ltd - Rs. 35,358,739**

As per the Power Purchase Agreement (PPA) with Northern Power (Pvt) Ltd, CEB has to reimburse custom duty payments on imported spare parts for the maintenance.

Accordingly, we have made the provision for the year ended 2010

Northern Power (Pvt) Ltd has requested to settle the outstanding R/T payment for the period.

Accordingly, we have already settled the outstanding and recovered an amount of Rs.35, 000,000/- from Northern Power (Pvt) Ltd on 16.12.2014.

##### **Sri Lanka Sustainable Energy Authority - Rs. 897,025,999**

At the time of formulating the cost based tariff for renewable energy, it was decided that CEB should bear only the portion equivalent to 90% of avoided cost. It was further agreed that full amount based on tariff should be paid by CEB and the amount in excess of 90% of avoided cost to be reimbursed by Sustainable Energy Authority (SEA) to CEB. CEB has been informing SEA monthly of this amount to be reimbursed. This amount receivable was amounting to Rs.897,025,999/- as at 31/12/2010. Accordingly CEB has recorded it as receivable from SEA. CEB has informed them on several occasions by letters dated 01st October 2013 and 16th January 2012 to inform their decision regarding this. But any responses were not received for it.

##### **Ceylon Petroleum Corporation - Rs. 1,368,961,445**

As per Secretary Ministry of Power & Energy letter ref: PE/IA/27 dated 19th March 2012 addressed to the Chairman CEB it has been stated that the CPC has agreed to re-adjust the fuel prices from July 2011 onwards.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

CEB has an agreement with AES Kelanitissa (Pvt) Ltd. and not with the Ceylon Petroleum Corporation. As per the agreement entered with AES Kelanitissa (Pvt) Ltd, CEB should reimburse fuel invoices of the CPC.

However Ceylon Petroleum Corporation has invoiced the fuel prices at Rs. 76/-per liter from October 2011 onwards but has not revised the previous invoices.

### **2.2.2.5. Lack of Evidence for Audit**

#### **(a) Title deeds for Rs. 38 million worth of 12 lands owned by the Uva Provincial Office were not made available to audit.**

Action is being taken by DGM(Uva) to survey all the lands under his purview. Hence the legal documents will be traced thereafter

#### **(b) Sub- loan agreements had not been entered into with the General Treasury**

But, the Subsidiary Loan Agreements in connection to Habarana Veyangoda Transmission Line Project and Upper Kotmale Hydro Power Project was submitted to External Resource Department (ERD), General Treasury. Due the delay of Legal clearance from Attorney General, the both subsidiary Loan Agreements could not be finalized by ERD.

#### **(c) Accounting for Government Grant and Disclosure of Government Assistance**

As per the accounting procedure followed by CEB that was agreed by the Public Enterprises Department (PED), in respect of foreign aid and capital grant arranged by the Department of External Resources (Treasury) other than loan basis, the CEB is annually capitalizing the above funds received from the Treasury for the specified (electricity) projects as contributed capital of CEB.

Accordingly, a sum of Rs. 13,477,460,864 and Rs. 12,043,698,161 received from foreign aid and grant was capitalized by CEB for the year of 2012 and 2013 respectively in line with Budget Estimates given by the Government of Sri Lanka. It was also accounted by the Department of Treasury Operations (TOD) and the Ministry of Power & Energy.

The total amount of capital contribution amounting to Rs. 121,611,563,203.07 which was shown in the CEB's financial statements was confirmed by the CEB as per request made by the PED at the end of year 2013.

### **2.2.2.6. Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

#### **(a) The Board had not submitted a copy of the draft annual report of the year 2013 to the auditor General.**

The draft Annual report of the year 2013 is in the process of finalising which could be submitted soon.

#### **(b) Section 47 (1)(b) -A Loan Redemption Reserve**

##### **(i) The appropriation for loan redemption reserve has not been made since year 2000 due to continuous operational losses suffered by CEB during the period. The decision to allocate appropriate funds for the said reserve will depend on the cash flow situation of CEB.**

However Section 47(1) (b) does not specify any annual contribution and it is permitted to the Board to determine the annual contribution

##### **(ii) Section 47(2)(a) - the Board had established a Depreciation Reserve in its financial statements by transferring Rs. 1 million per annum up to 31 December 2000 and thereafter no movement had been taken place**

This reserve also has not been updated as result of the continuous losses incurred by CEB.

According to the Section 47(2)(a) Depreciation Reserve has been established by allocating funds out of the profits earned up to 2000. However, this has not been invested outside.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

(iii) **Section 47(2)(b) - The Board had established an Other Capital Reserve in its financial statements but it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2013 was Rs. 165.446 million.**

The provision for this reserve has also not been made since the year 2000 as a result of negative cash flow situation and continuous loss incurred by the CEB.

(c) **The Board had invested Rs. 5,250 million as at 31 December 2013 in the Insurance Escrow Fund based on a contribution of 0.1 per cent of the total value of the gross fixed assets at the end of each year since 1989.**

The Insurance Escrow Fund was formed with funds which are immediately required for the purpose of indemnifying a loss that may occur at any given time. Board has decided to invest in low risk financial institution as per the negotiation had with the World Bank in 1987. Since this Insurance Escrow Fund is operate at the Peoples' Bank.

(d) **Rs. 19,813,345 worth of 452 cheques had been handed over to the persons without complying with the Financial Regulations.**

Cheques are handed over always after verifying the identity of the authorized recipient. However, proper documentation will be implemented on handing over of cheques to ensure the compliance of financial regulations.

### 3. **Financial and Operating Review**

#### 3.1 **Financial Results**

Informative

#### 3.2 **Analytical Financial Review**

Informative

#### 3.3 **Operating Review**

Informative

#### 3.4 **Irregular Payments**

(a) **The PAYE tax paid by the Board**

The PAYE Tax liability of CEB employees has been born by the CEB. This issue is being incorporated in the collective agreement signed recently with the concurrence of Ministry of Power and Energy.

(b) **Staff allowances**

Cabinet approval has been received on 2008.04.09 for the payment of Allowances to the CEB employees as per the recommendations of the National pay Commission.

(c) **Reimbursement of 2/3rd interest to the employees for housing loans obtained from external lending agencies.**

Instructions will be issued to the officers concerned to take preventive action so that the weaknesses will not happen in future.

A separate audit has been conducted by the internal audit branch also and detected common weakness in the system and it was brought to the notice of the Audit Committee. Correction measures will be taken once the Audit Committee recommendation is received.

Corrective measures have been taken in order to avoid these shortcomings



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

### 3.5 Identified Losses

(a) **Puttalam Coal Power Plant had made a loss of 1394.33 MWh**

Informative

(b) **The loss to the Kukuleganga Power Station due to the incident taken place on 8th June 2013**

Loss was reported to the Board and approval was obtained.

(c) **Frauds has occurred in the year 2013**

Instructed relevant officers to strength the internal controls to avoid frauds recur in future. Instructions were given to recognize the rest of losses in financial statements - 2014 as per the Circular instructions.

(d) **"Vidulakpaya" for the Head Office of the CEB**

Board of directors had never taken any decision to stop the construction activities of the proposed building "Vidulakpaya" during the year 2013.

Bidding documents and payments details were sent on the request of the Government Audit on 21.08.2013 and again on 04.11.2013.

Total cost incurred as at 31/12/2013 for consultancy services and for the construction of piling works are Rs. 15.75 Mn and Rs. 228.40 Mn respectively and the payment details are attached.

### 3.6 Matters in Continues Nature

(a) **The Board of Directors of the CEB had not allowed to adopt Circulars issued by the Government from time to time to maintain uniform procedures and practices in relation to Finance and Administration as the administrative rules of the CEB.**

The Ceylon Electricity Board is a statutory body established by its own statute by the CEB Act No. 17 of 1969 as amended by Act No. 31 of 1969.

As a matter of policy CEB follows most of the Treasury and Public Administration circulars issued to Public Corporations and Boards. In certain instances, CEB adopts the guidelines stipulated in the Treasury Circulars as well as Public Administration Circulars on the matters related with the CEB activities by obtaining necessary approvals of the Board of Directors, as appropriate.

(i) **The Board has lost the opportunity to recruit the most competent persons to the relevant posts.**

According to the Recruitment and Promotion Scheme of CEB, vacancies of Executives and Middle Level Technical Grades need to be filled by external and internal candidates on percentage basis. Applications for external candidates for executive grades such as Engineers, Accountants, and MLTS grades such as Electrical Superintendents were called by advertising in National Newspapers.

Applications for all other categories were obtained through the lists provided by the Ministry of Power & Energy approved by the Board of CEB. For certain non-executive grades applicants who fulfill the qualifications in the Recruitment & Promotion Scheme are required to sit for a competitive examinations conducted by a Government Organization on behalf of CEB. Those who ranked highest at competitive examination, depending on the number of vacancies candidates are selected after an interview to ascertain the varieties of their qualifications. This entire recruitment procedure is very similar to criteria introduced by the Public Administration Circular 15/90.

(ii) **Position reported in previous audit reports regarding the payment of temporary monthly allowance of Rs. 1,000 to the employees of the Board had not been rectified during the year.**

This situation when informed to the Board has decided at its meeting held on 06.06.2012 to send a letter to the Auditor General explaining the difficulty in stopping the Temporary Allowance paid since year 2008 and also stated in



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

the decision the Board endeavor to resolve this through the Collective Agreement. Accordingly this was included the Collective Agreement entered with the Trade Unions in December 2014.

- (iii) **The Board had granted vehicle loan at 4.2 per cent interest. Further, it the staff loans have been paid without any control even the Board faces severe liquidity problems.**

Vehicle loans for CEB employees were granted as per terms and conditions laid down in the Establishment Code at concessionary rate of interest with the approval of the Board.

- (b) **Though the Board had not delegated the powers to Finance Manager for taking investment decisions, he had taken decisions on investment of insurance reserve.**

In term of the covenants with the World Bank the amount annually transferred to Insurance Reserve net of adjustments has to be invested. It is the practice of CEB from past several years, Investment decisions in respect of insurance Escrow fund is Finance Manager with the concurrence of General Manager CEB.

- (c) **The shortfall observed between the Insurance Reserve Fund balance and Investment of Insurance Reserve Fund as at 31 December 2013**

Due to adverse liquidity position of the CEB shortfall of the fund could not be met.

- (d) **Since several years there are no sales agreements with LECO and no purchase agreement with Ceylon Petroleum Corporation.**

The sales agreement between LECO and Electricity Board has been drafted and forwarded to Chief Legal Officer of CEB to confirm the legal framework of the agreement and awaiting the feedback to finalize the agreement. However, in case of supply of fuel from Ceylon Petroleum Corporation does not required to have a purchase agreement as pricing and supply decisions are taken with the concurrence of the General Treasury since both organizations are government organizations.

- (e) **Any action taken for the details reported in my previous year report was not observed in the year 2013 as well.**

The vehicles repairs were done after obtaining proper approvals. The supporting evidences were requested from the respective DGMM and the same will be forwarded once received.

- (f) **Capacity charges paid to Independent Power Producers (IPPs)**

Payments for the Non Scalable Component of the Capacity Charge are paid to all the IPP's as per the agreed Tariff/financial template of the respective Power Purchase Agreement (PPA). It should be noted that the Non Scalable Component does not become zero after the debt service period is over due to components such as Return on Equity and Insurance continue till the end of the Term as indicated in the Tariff/financial templates of the respective PPA.

- (g) **The operational and maintenance costs of the power plant**

Payments for Fixed operational and maintenance costs of the power plant are released to the IPP through the Scalable component of the Capacity Charge on the agreed Tariff as per the PPA. There is no room in the PPA for making the above mentioned payment based on actual costs incurred on the same.

As per the PPA, CEB has to reimburse taxes related to importation of material & spares by the Company for maintenance work of power plant. However, presently there is no such mechanism to physically monitor maintenance work and verify utilization of material being used at the power plant by CEB Staff due to practical difficulties such as limited resources and the necessity of urgent restoration of the power plant. However, Action has been already initiated by CEB to verify the actual utilization of imported materials in the Power Plants on periodical basis.

- (h) **Four contractors of the foreign funded projects had purchased 57 vehicles out of the Project funds.**

The query cannot be accepted due to the following reasons.

Supply of vehicles for the engineers and the employer's representatives has been included in the bidding documents. Necessary approval of cabinet appointed procurement committee (CAPC) and ADB have been received before calling



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

tenders for those projects. According to these contracts contractor provided the transport facility and the contract payments have been made by the CEB for the same accordingly.

Further as per the contract agreement all vehicles are to be new when supplied and shall remain property of the contractor throughout the duration of the contract. During such period these vehicles are shown as part of Work in progress (WIP) of the projects. Those balances are shown appropriately in the Financial Statement under WIP. Vehicles handed over to CEB before end of these projects in the year 2013, as observed by the audit report; action has already been taken to account them.

(i) **The relevant portion of the net loss of the Tricomalee Power Company Ltd for the year 2012 and 2013 amounting to Rs. 37 million and 9 million respectively had not brought to the CEB financial statement**

This has been already adjusted in the financial statement under the Note No. 11

### 3.7 **Management Inefficiencies**

(a) **The Board had not claimed from the CPC for the abnormal shortage of Auto Diesel delivered in the year 2013**

Generation Division has confirmed that they have received total of 39,300,268 liters in year 2013 including 2,382,600 liters to Lakvijaya Power Station. Therefore no such shortage is to be recovered. However further investigation will be carried as audit findings and will be reported.

(b) **The Board had not revised and updated its procedure manuals prepared somewhere in 1987.**

During 1985 - 1987 as a first attempt, CEB prepared operating and functional manuals for the all key posts of CEB. CEB follows Treasury and Public Administration Circulars on most operations/systems and adopts some and issue circulars of our own, by getting necessary approvals from relevant authorities. The action has already been taken to update procedure manuals and updated manuals will be issued in due course.

(c) **Staff loans had been granted to employees of the Board without any restriction**

The amount of staff loans Rs.516 million to total 3,492 employees who had been granted, equates Rs.147, 766/- to an employee on average. Loans have been granted to the employees based on the Board approved norms only. Hence we do not agree with the statement "without any restrictions".

(d) **Common weaknesses in vehicle loans except motor bicycle loans in 2013.**

- **Non- producing the document relating to the vehicle loan**  
Instructions will be issued to the officers concerned to take preventive action so that the weaknesses will not happen in future. But we have explanations to some of your observations and those are appended below.
- **In most instances, the vehicles purchased from the loan had not been mortgaged to the Board.**  
There is a practical delay in producing documents and mortgaging of the vehicles in case of importation of the vehicles because many months (usually three to nine months) are taken by manufacturer/agent to deliver the vehicle after placing the order. A fresh Circular bearing No. 2014/GM/03/FM dated 11.02.2014 had been issued in this regard.
- **Officers in lower grades (subordinates) had assured for the loans taken by higher grade officers.**  
The qualification of surety is his ability to pay the loan in case the loan cannot be recovered from the borrower. Accordingly there can be instance that a subordinator has signed as surety for a superior officer. However, this matter has been resolved with the mortgage of vehicle.
- **Instances of granting loans ignoring the eligibility criteria of forty or sixty per cent salary limits of both borrowers and their sureties were observed.**  
There were few instances not strictly followed the above criteria when granting vehicle loans. However, firm instruction has been given to all the head of the paying units to strict the forty / sixty percent salary limits.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

- **New loan had been granted in full by ignoring the settlement of the previous outstanding loan balance**  
A Board Decision has been taken to allow the permit holders of CEB to dispose the vehicle purchased under the CEB Loan Scheme and premature settlement of loan (including interest) and thereafter to apply for New Loan (before time period of 05 years) with the approval of the General Manager on case by case basis.
- **A cheque relating to loan granted for importation of vehicle on custom duty concessionary terms had been drawn on the name of the officer instead of the name of the Bank**  
In case of importing of vehicles, letters of Credit are opened in the name of the buyers (buyer is the borrower of the loan) and therefore the money should be deposited in a bank account of the buyer before opening of LC. Therefore, issuing the cheque in the name of the borrower has no much differences compared with issuing in the name of the bank which is also in favor of the borrower.

### 3.8 **Human Recourse Management**

#### **(a) Scheme of Recruitment (SOR) of the Board had not been updated for a longer period.**

Action is being taken to review the Scheme of Recruitment & Promotion (SORP) document and to submit the Board during this year.

#### **(b) Board approved Personnel Plan for the year 2013.**

It is not clear as to how the outsource workforce of 1,517 was calculated. As per the Board approved Personnel Plan, outsourcing requirement is noted as 4,759.

#### **(c) Essential posts in the approved cadre had been in vacant by 31st December 2013.**

Total number of employees as at 31.12.2013 was 16,326 and there were 1,174 vacancies. However, 78 Executive Categories personnel, 226 Middle Level Technical Service personnel and 582 personnel for other categories were recruited from external & internal candidates during the year 2014.

#### **(d) The approved cadre for Unskilled Field Service had been exceeded by 956.**

As per the Scheme of Recruitment & Promotion, recruitments were only to the Unskilled Field Service and Semi Skilled, Skilled are avenues of promotion to the unskilled employees. Therefore, Vacancies created as a result of retirements, resignations etc. in Skilled & Semi Skilled categories were filled by unskilled recruitments considering the operational requirement of the CEB as it has aging population of employees in these categories. Accordingly there are no excess personnel in amalgamated cadre of above categories as at 31.12.2013.

#### **(e) Seniority is the only factor considered for promotions and no succession plan was made available.**

Promotions and Recruitments were done when posts fell vacant, according to the criteria set up in the Recruitment & Promotion Scheme of CEB. All CEB employees are expected to serve in any part of the Island as a condition of service. However, transfers will not be affected as a matter of routine but will generally be ordered when necessitated by situations such as:

- Exigencies of service
- For Administrative reasons
- On Disciplinary grounds
- To grant requests from employees for change of station on account of ill-health, to facilitate education of children, to ease economic stress, to accommodate husband and wife in the same station and other reasonable grounds.
- To provide opportunities to employees to serve in their home stations.
- Transfers will normally be considered annually and for purpose of transfers, stations are classified and employees concerned will not be eligible to apply for a transfer for a minimum service period specified in the station.
- Transfers of Class I officers and above were made from time to time according to requirement of the Board.



## REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

**(f) The Key post in the HR Division**

Comments will be forwarded to the Scheme of Recruitment and Promotion (SORP) review committee for their consideration.

**(g) The post namely Chief Engineer (HR Policy) in the Personnel Management Section**

Comments will be forwarded to the SORP review committee for their consideration.

**(h) According to the existing SOR, 50 per cent of the total cadre of HRO Service is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent.**

Comments will be forwarded to the SORP review committee for their consideration.

### **3.9 Budgetary Control**

Necessary actions are being taken to control the expenditure within the limit of approved budget. But there were instances where budgeted allocations were not fully utilized due to the unavoidable events during the year under review.

### **4. Systems and Controls**

Noted

Chairman  
**Ceylon Electricity Board**

General Manager  
**Ceylon Electricity Board**

26<sup>th</sup> December 2014







## **CEYLON ELECTRICITY BOARD**

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