

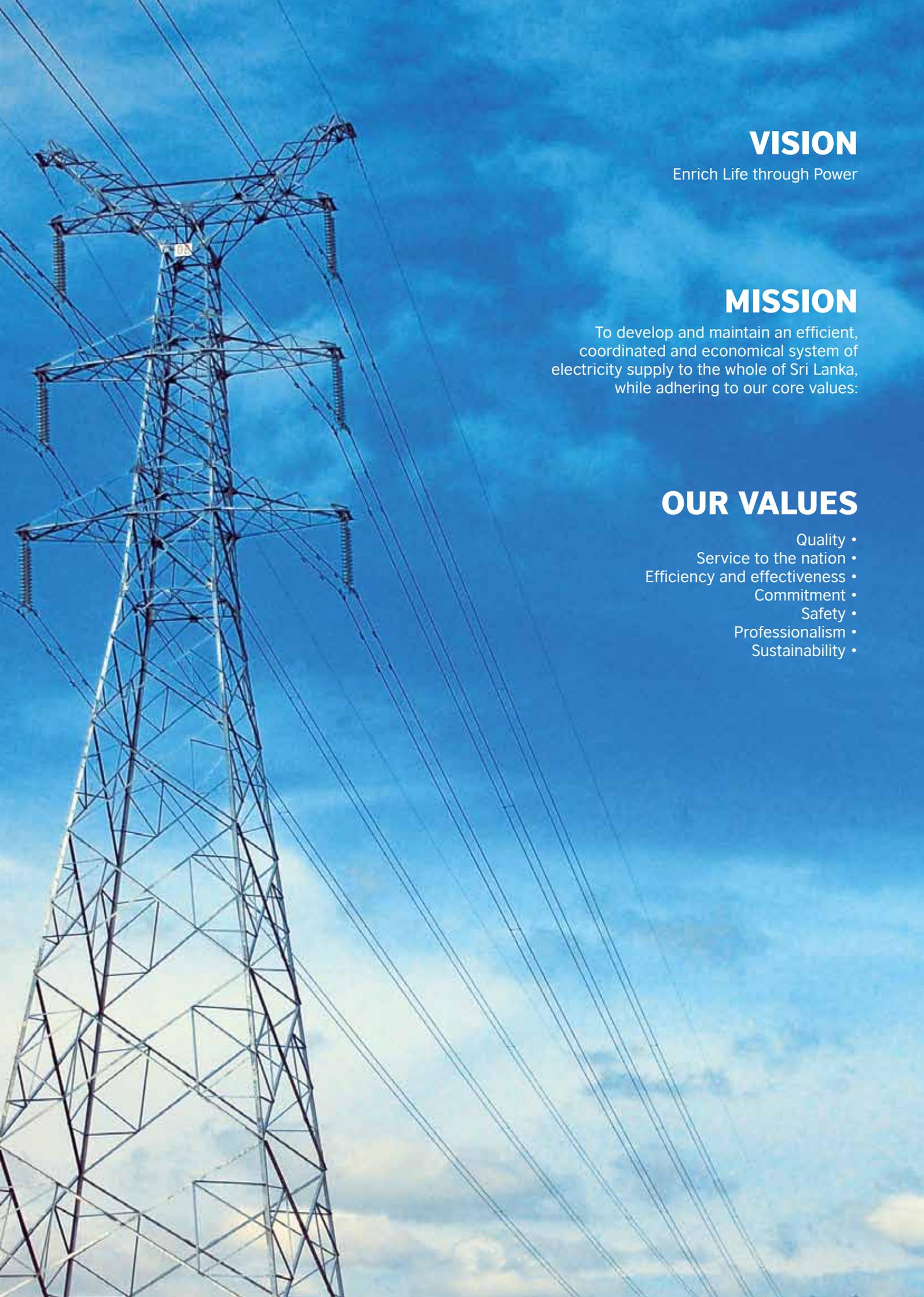


Ceylon Electricity Board
Annual Report 2012



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VISION

Enrich Life through Power

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 •

In June 2010, the Ministry of Power and Energy announced a fifteen-point Agenda for the Ministry, which also aims at realization of the mission of the Board. The relevant programmes from this Agenda are described below.

1 **Nanwamu Lanweema**

Under this initiative by the Ministry of Power and Energy, Ceylon Electricity Board will be revamped to be a financially stable and technically sound entity within the next 5 years. It is planned to generate new revenue streams, minimize expenditure, improve efficiency, eliminating any corruption, meet operational costs and reducing debt. Ceylon Electricity Board intends not to be a burden on the national economy, and be a capable entity, proud of its achievements and respected by the public.

2 **Vidulamu Lanka**

The aim of this program is to ensure that every Sri Lankan will have access to Electricity by 2012. This program will work towards developing infrastructure and facilities in remote locations to have access to the national grid or to find alternative means of power generation, enabling every household in Sri Lanka to have an electricity supply. This will increase productivity and immensely improve the living standards of 12% of Sri Lankan population, who currently do not have electricity in their households.

Under this program, before the end of year 2012, majority of the villages in Sri Lanka would have electricity from the national grid. During the next two years 4,593 rural electrification projects are planned for, and will be completed in order to fulfil this target. Any remaining villages would have electricity through the off-grid solutions under the Grama Shakthi Program.

3 **Viduli Athwela**

Under this program, CEB will take steps to support low income households through micro financing to obtain connections to the national grid. A concessionary micro financing scheme is formulated for those who need electricity, but cannot afford the high connection costs, to be financed and provided with connections to enjoy the benefits of electricity.

A loan scheme has been already been introduced by CEB. This has been especially directed towards the low income groups and for those who receive Samurdhi benefits. A loan up to Rs. 30,000 is provided by CEB to meet the cost of the connection, which will be recovered through the monthly electricity bill in 60 instalments.

4 **Grama Shakthi**

Renewable energy technologies will be set up in rural and other locations, where the extension of the national grid would not be feasible economically. All off-grid households will be provided with an option of renewable energy generation to reap the benefit of electricity by 2012.

This programme is in the primary purview of Sustainable Energy Authority, and the CEB Transmission Division and the Distribution Divisions will provide the information required for this programme to the Sustainable Energy Authority.

5 **Viduli Saraya**

A dynamic and customer oriented National Consumer Call Centre will be operational to handle all inquiries, support services, customer support and breakdown reporting. This is developed to provide customers with a reliable and efficient service to the consumers. The Call Centres would include voice recording facilities and the back office support. In addition Divisional Distribution Control Centres, monitoring execution of the services, additional breakdown repair vans and new consumer service centres will be established. A new website will also compliment the Viduli Saraya programme.

CEB has already established short-code telephone number 1987 for the consumers to make complaints related to their electricity supplies. The call centre of CEB which was in operation since 2006 is now connected to this number and customer complaints are handled more efficiently by co-ordinating all customer service centres in Sri Lanka through this Call Centre.

6 **Jana Balaya**

In order to protect the rights of the consumers and to cover all consumer categories, a network of Consumer Service Societies will be established by 2012. Many Consumer Service Societies had been established in Divisions for each of the Consumer Service Centres, with a view to provide an important interface between the consumer and us.

7 **Jana Hitha**

Under this program, CEB will take steps to achieve fair, affordable and conservation-friendly consumer tariff. CEB and the Public Utilities Commission of Sri Lanka (under whose purview such tariff determinations are) had been in consultation in relation to the tariff structures of various consumer categories. A road map for tariff reforms had been formulated by the Commission on the above lines, in consultation with the Government.

In July 2010, CEB filed its revenue requirements with the Commission in order to determine tariffs for the period 2011-2015. Due to the policy of uniform national electricity tariffs, the Commission is expected to determine the tariffs on the basis of the licensee revenue requirements and cost reflective methodology as specified by law.

8 **Manawa Jawaya**

Effort of the workforce is the key to upgrade our services and quality of the services. CEB is expected to work towards having a dedicated, efficient and uncorrupted work force to ensure to have a conspicuous change in service standard to the consumer. The performance of the activities of CEB will be evaluated to achieve efficient and profitable performance.

9 **Sampath Seva**

A new Division was created in September 2010, to take care of the assets of the CEB, so that the maximum benefit is obtained from these assets. This Division will provide other services to the public and the businesses so that these assets are utilized to the maximum, thus generating additional revenues to CEB.

10 **Lanka Jananee**

Through the establishment of a state-owned subsidiary, CEB expects to utilize local engineering skills to develop and expand the transmission network and to develop new renewable energy sources such as Wind Power, Biomass, Solar, Dendro, Wave Power etc. This will enable local engineers to explore new opportunities and secure state support to discover and implement innovative ideas of saving costs and to utilize alternative energy generation sources for a sustainable growth in the future.

Initial steps have been taken to establish a CEB-owned company to develop renewable energy sources and to utilize the Sri Lankan engineering skills for transmission system development.

11 **Supiri Viduli Jala**

CEB will introduce Net Metering, which will encourage the private and state sector institutions to generate their own power and sell the additional power generated back to the grid using Wind, Solar, Dendro and Biomass technologies. Introduction of Pre-paid meters will help consumers control their energy bills. Other smart grid concepts such as automatic meter reading, time-of-the use tariff, communicating with the customers, customer load control will also be introduced gradually.

CEB ENVIRONMENTAL POLICY



Free flow of Energy

CEB will manage all its business activities in a manner, which cares for the natural and man made 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 Government. We will actively pursue a policy of incorporating and integrating environmental considerations into our activities.

HIGHLIGHTS OF THE YEAR 2012



- **Upper Kotmale Power Station**

A dream of CEB was realized when the flag ship project, the 150 MW Upper Kotmale hydro power station was successfully completed and connected to the national grid on 14th July 2012. This plant expected to feed 409 million units of energy annually to national grid.

- **Kilinochchi Grid Substation**

Kilinochchi Grid Substation was energized at 1014 hrs on the 13th September 2012, marking another land mark achievement in bringing electricity to the Northern parts of Sri Lanka.

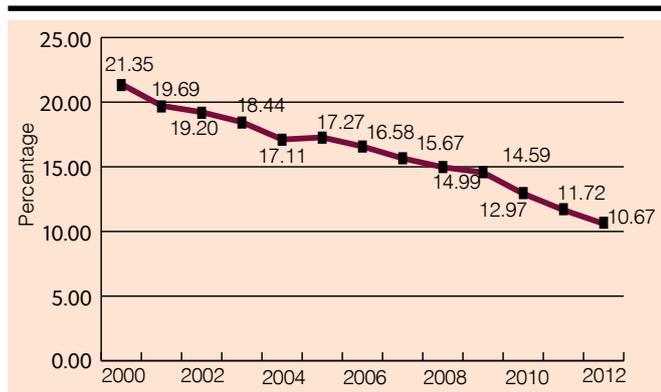
HIGHLIGHTS OF THE YEAR 2012 Contd...

Electrification of households

94% of the total households in the country were electrified at the end of the year 2012. Average per capita electricity consumption increased by 35 units from 480 units to 515 units (kWh) / person during the year.

System Energy Losses

System Energy Losses was gradually reduced over past years from 2000. The system energy loss in the year 2012 stood at 10.67%.



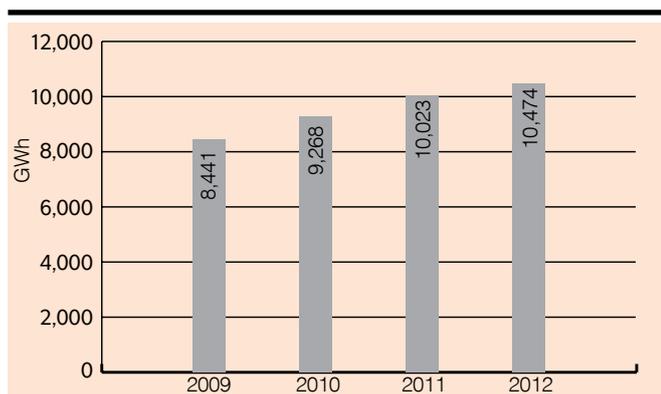
System Energy Losses

Consumer Growth

The total number of consumers by the end of the year 2012 was 4,979,862 with a 5.6% annual growth.

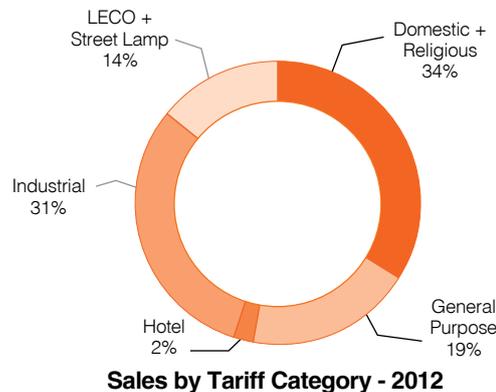
Consumer Category	Number of CEB consumers
Domestic	4,391,445
Religious	30,009
General Purpose	507,247
Industrial	50,760
Hotel	399
Total	4,979,862

In the year 2012, the number of new electricity connections given by the CEB was 262,414. This is an average of adding 21,868 new customers per month.



Electricity Sales

The total electricity sales in the year 2012 increased by 4.5% from 10,023 GWh in 2011 to 10,474 GWh in 2012. Average daily consumption of electricity in the year was 29 GWh/day with compared to 27 GWh/day in the year 2011.

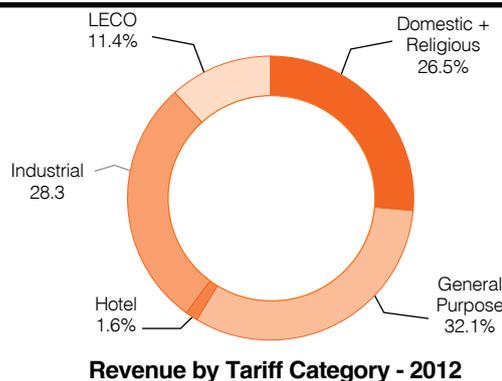


Sales by Tariff Category - 2012

The Domestic with Religious Purpose electricity use account for the highest energy consumption, which is about 34.2% of the total consumption followed by 31.4% in the Industrial Sector in the review year. The electricity consumption of the General Purpose category represented 19.5% of the total sales showing 6.0% annual growth.

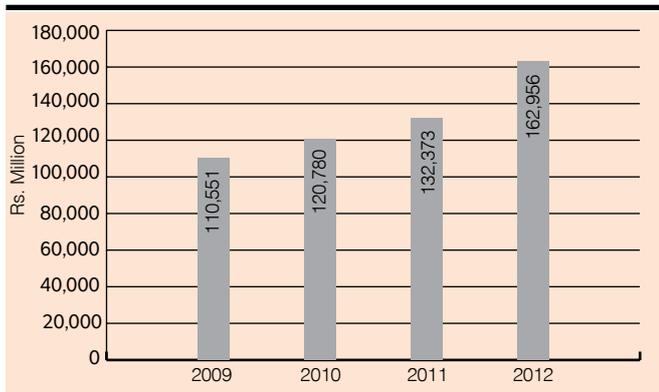
Revenue

Under the new tariff rates implemented from 1st January 2012, total annual revenue from the electricity sales increased by 23.1% from Rs. 132,373 million in 2011 to Rs. 162,956 million in 2012. A fuel adjustment charge was implemented in the year 2012.



Revenue by Tariff Category - 2012

HIGHLIGHTS OF THE YEAR 2012 Contd...



Revenue from Electricity Sales

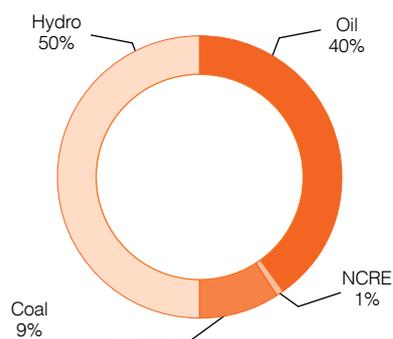
The highest revenue was recorded from general purpose customers followed by industrial purpose customers. The Domestic and Religious Purpose represented 26.5% of the total revenue in 2012.

Total Energy Storage

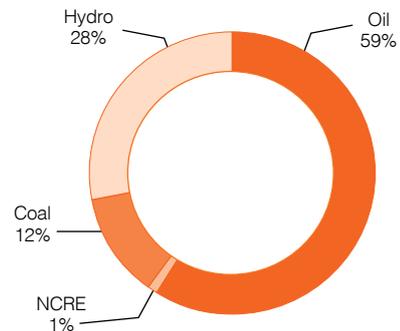
The first, second and third quarters in year 2012 continued to be dry as it was in 2011. But during the last quarter of 2012 the inflows to hydro reservoirs improved resulting in a record maximum storage of 1072.7 GWh on 29th December 2012.

Electricity Generation Sources

The hydro power stations including Non Conventional Renewable Energy plants contributed 29% of the total power generation in the year 2012. This was a decrease of 27% over the year.



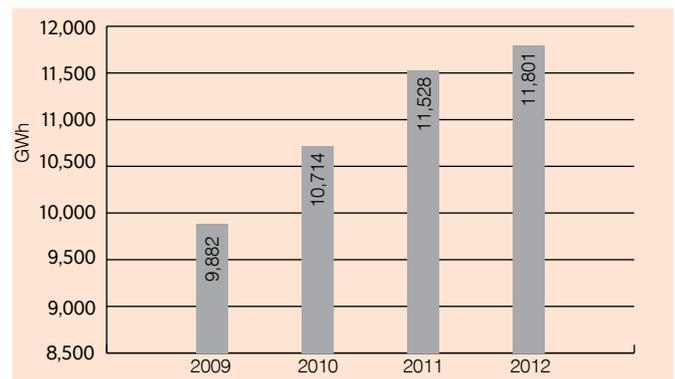
Electricity Generation Sources - 2011



Electricity Generation Sources - 2012

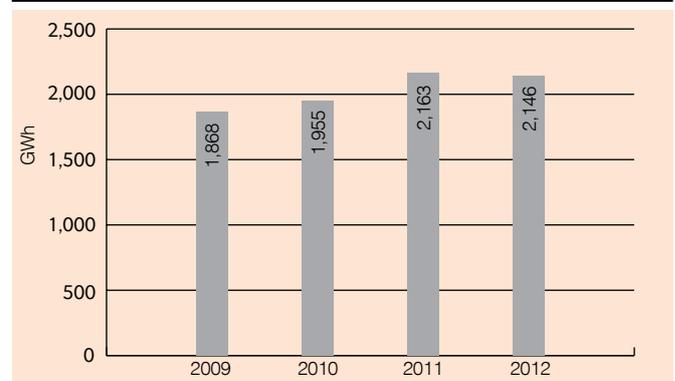
All the thermal power stations in the CEB and IPP generated 71% of the total generation in the year 2012 due to the low water level in the CEB hydro reservoirs. This was an increase of 23% over the previous year.

Gross Energy Generation



The total electricity generation in the year 2012 was increased by 2.4% from 11,528 GWh in 2011 to 11,801 GWh in 2012.

Maximum Demand



The Maximum Demand has decreased by 16.7MW in the year 2012 constituting a 0.77% decrease. The maximum demand recorded in 2012 was 2146.4 MW, while it was 2163.1 MW in the year 2011.

CORPORATE INFORMATION

LEGAL FORM

A body corporate established in Sri Lanka under an Act of Parliament No. 17 of 1969 as amended by Act Nos. 31 of 1969, 29 of 1979, 32 of 1988 and 20 of 2009.

MEMBERS OF THE BOARD

Prof. Wimaladharm Abeyewickreme	(Chairman)
Mr. W. D. Anura Senaka Wijayapala	(Vice Chairman)
Mr. P. P. Gunasena	(Member)
Dr. B. M. S. Batagoda	(Member)
Mr. W. D. Jayasinghe	(Member)
Dr. Y. D. Nihal Jayatillake	(Member) (Up to 16.07.2012)
Mr. R. A. A. K. Ranawaka	(Member) (From 16.07.2012)
Mr. K. D. Ranasinghe	(Member))(Up to 23.07.2012)
Mr. C. P. J. Siriwardena	(Member))(From 13.08.2012)

SECRETARY TO THE BOARD

Mr. S. C. Robertson	up to (Up to 30.04.2012)
Mrs. Mihiri Senaratne	from (From 02.05.2012)

GENERAL MANAGER

Mr. B. N. I. F. A. Wickramasuriya

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
Independence Square
Colombo 7

BANKERS

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

CORPORATE INFORMATION Contd...

CORPORATE MANAGEMENT

ADDITIONAL GENERAL MANAGER

Generation

Mr. M. C. Wickramasekara

ADDITIONAL GENERAL MANAGER

Transmission

Mr. R. H. R. Lokubalasureia (up to 10.04.2012)

Mrs. Y. M. Samarasinghe (from 11.04.2012)

ADDITIONAL GENERAL MANAGER

Distribution Division 1

Mr. E. G. Abayasekara (up to 26.01.2012)

Mr. L. A. S. Fernando (from 11.04.2012)

ADDITIONAL GENERAL MANAGER

Distribution Division 2

Mr. R. J. Gunawardana (up to 16.07.2012)

Mr. A. Dantanarayana (from 15.09.2012 to 29.11.2012)

Mr. T. D. Handagama (from 30.11.2012)

ADDITIONAL GENERAL MANAGER

Distribution Division 3

Mr. F. K. Mohideen

ADDITIONAL GENERAL MANAGER

Distribution Division 4

Mr. D. G. C. Ratnapala (up to 01.02.2012)

Mr. M. G. Tillekeratne (from 01.03.2012)

ADDITIONAL GENERAL MANAGER

Asset Management &

Centralized Services

Mr. M. G. Liyanage (up to 03.04.2012)

Mr. K. W. L. Wijewardena (from 04.04.2012)

ADDITIONAL GENERAL MANAGER

Corporate Strategy

Mr. D. K. B. S. Tilakasena

ADDITIONAL GENERAL MANAGER

Projects

Mr. W. J. L. S. Fernando

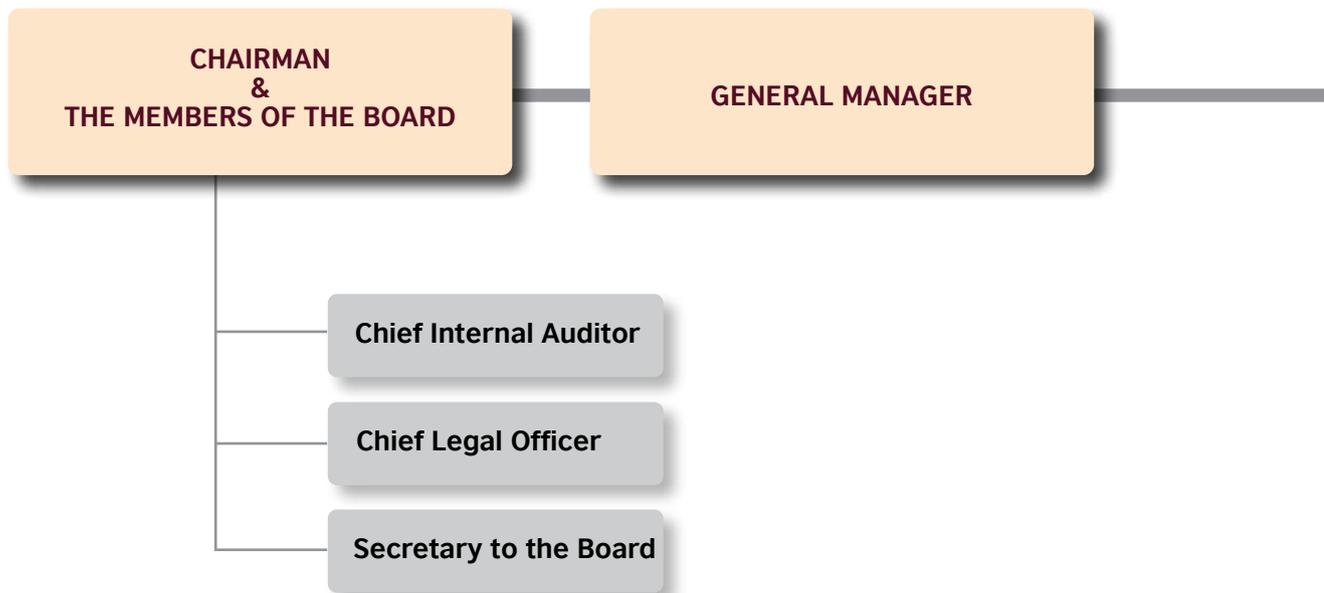
FINANCE MANAGER

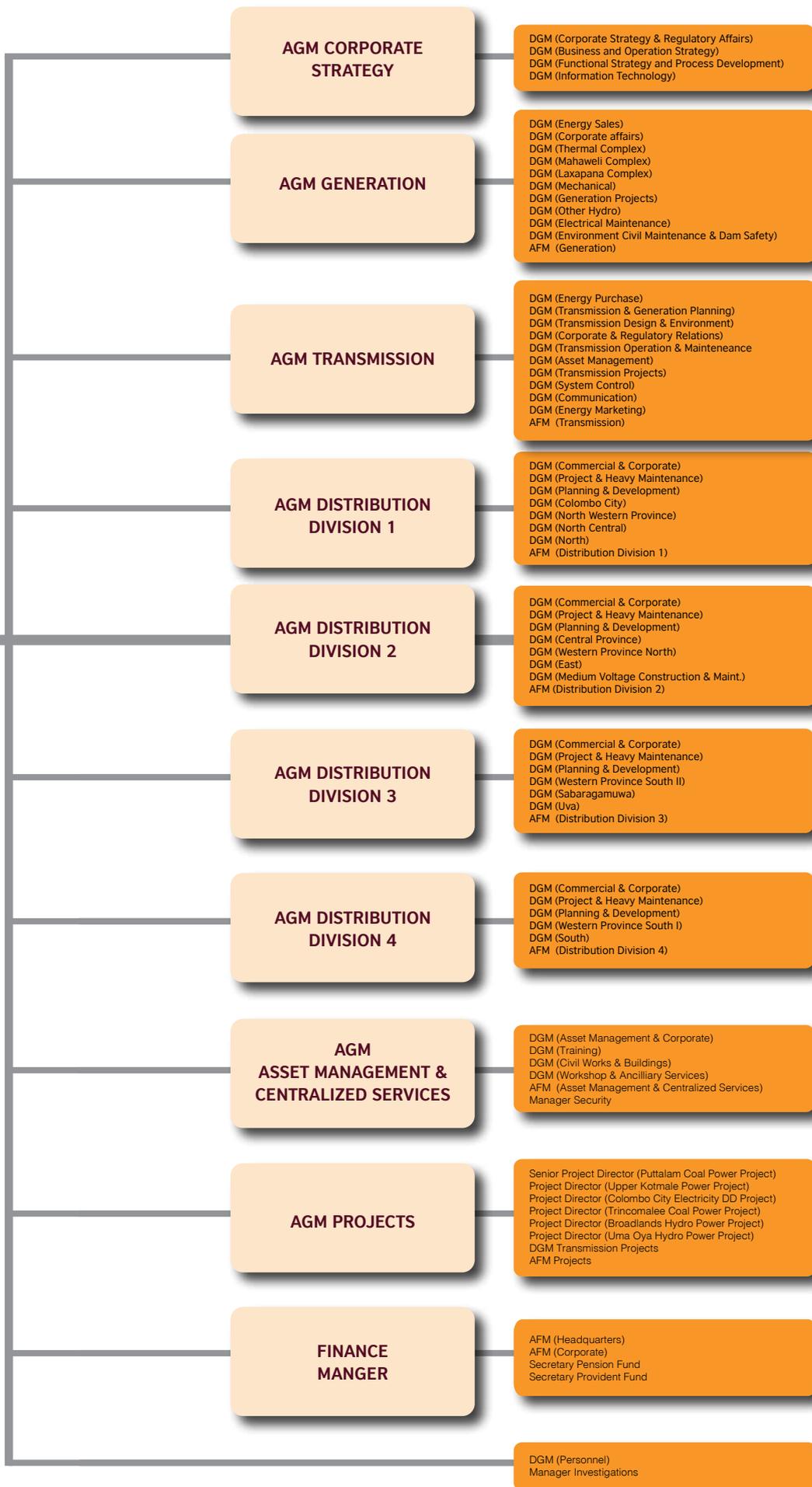
Ms. N. R. Mahmooth (up to 13.10.2012)

Mr. R. M. S. Tillakawardana (From 30.10.2012, on acting basis)

CEYLON ELECTRICITY BOARD

ORGANIZATION CHART - 2012







MANAGEMENT REVIEW

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CHAIRMAN'S REVIEW



The year 2012 was the third consecutive year with Hon. Patali Champika Ranawaka at its helm as the Minister of Power and Energy. The action plan focused on making Sri Lanka the "Regional Energy Hub" in accordance with the "Mahinda Chinthana Ediri Dekma" was continued.

One of the major challenges faced by CEB during the year 2012 was combating the impact of the drought which resulted due to the climatic changes experienced world over. Sri Lanka recorded the lowest hydro inflow and hydro power generation for the past two decades. Honouring the view of H.E the President Honourable Mahinda Rajapaksa which is "not keeping the country in darkness" while there was a boom in the tourism industry and considering the ongoing development projects in the North and East, CEB was determined ensure that there

“One of the major challenges faced by CEB during the year 2012 was combating the impact of the drought which resulted due to the climatic changes experienced world over.”

would not be power failures unlike in yester years when faced with high depletion of hydro power generation. Even regional countries such as India and Pakistan resorted to restriction of power supply, during year 2012 as the power generation was insufficient to meet their energy demand.

However with the drive and initiative of the Hon. Minister who is a qualified engineer

himself, vigorous Energy Saving Campaigns were organized. The consumers were encouraged to switch off at least on light during the high consumption period of 6.30 p.m. to 9.30 p.m. each day and were educated on energy saving tips. With the intervention of the Ministry of Education the school children actively participated to spread the message of energy conservation, which is "saving today for tomorrow"

CHAIRMAN'S REVIEW Contd...

as the future adults in the country. Further the school children pledged to conserve energy. Various influential sectors of masses such as the government servants and clergy were instrumental in teaching the consumers on their responsibility towards the energy conservation.

H.E the President, Honourable Mahinda Rajapakse being the first citizen of the country showed his accountability towards this worthy cause by participating in the walk organized by the Ministry of Power and Energy together with the CEB under the theme "lets unite, queue up and prepare to conserve energy" which was carried out with the participation of the clergy, educators, medical personnel, farmers, labourers etc. The consumers were further motivated for energy conservation through the launching of a special lottery which offered exemptions on their electricity bills by offering a reduction of 20% or 10 % which was a very successful program due to the interest shown by the consumers who were keen in reducing their electricity bills which was beneficial not only to them but also to the CEB.

Until the initiation of the National Energy Conservation campaign, most of the consumers were of the view that the only method of saving energy was the usage of energy saving bulbs for illumination, which are known as CFL bulbs. All such efforts mentioned above that were taken to conserve energy proved to be successful and enabled the CEB to control the energy demand considerably and resulted in the CEB making a considerable saving on the additional fuel costs needed for thermal power generation.

Despite the power crisis, development projects of the CEB continued without any interruption. An active role was played by the CEB in supporting and contributing towards the "Uthuru Wasanthaya" national development project of the Northern Province. Accordingly, Jaffna peninsula was connected to the National Power Grid after 25 years by energizing the Kilinochchi grid substation. The Northern peninsula was not connected to the National Power Grid ever since the Northern Province power network was completely destroyed by Tiger terrorists in year 1987. In order to connect the Northern Peninsula to the National Power Grid, Vavuniya-Kilinochchi Transmission Power line was erected and 238 power transmission towers were constructed through the most rugged terrain, completing the first phase of the project in year 2012. The next phase of the project is to erect 132 KW Transmission Power line from Kilinochchi to Chunnakkam and to build another grid substation in Chunnakkam.

The decision taken to build a 24 MW heavy fuel thermal power plant in Jaffna was yet another achievement by the CEB in the recent past. Thereby, the CEB will be able to end the dependence on Independent Power Producers for the power supply to Jaffna peninsula and the colossal expenses that would be incurred for same. The construction of the plant was commenced in April 2012 using the expertise of local engineers and utilizing local investments worth Rs.3,500

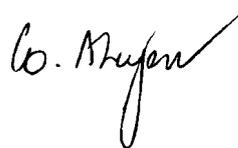
million. The power plant was named "Uthuru Janani" and will be expected to generate 176 million units of electricity for a year saving the CEB of Rs.1,350 million approximately. The plant is designed to comprise fuel storage, refinery facility and many ecofriendly features such as environment friendly waste disposal system etc.

Hon. Minister of Power and Energy was persistent on exploring the possibilities of alternative energy sources such as, natural gas (LNG), renewable energy and nuclear energy as the thermal power generation would become more and more unaffordable in the future and the oil resources becoming scarce in the world. Accordingly, the private sector enterprises were encouraged and facilitated to venture into renewable energy projects such as wind power, solar power and dendro power generation etc.

Sri Lanka had already ventured in to coal power generation with Lakvijaya Coal Power Plant in Norochcholai, of the Puttalam District with the assistance of the Chinese Government. The second coal power plant is being planned to be set up in Sampoor of the Trincomalee District in collaboration with M/s. NTPC India. Accordingly a joint venture company between CEB and NTPC India was incorporated and the key staff members were appointed during the year 2012 in order to progress further.

In July 2012 the H.E the President Mahinda Rajapaksa ceremonially declared opened the much awaited 150MW Upper Kotmale Hydropower Plant adding 150MW of power to the National Grid. The project which was planned way back in 1960s and was recommenced on 03 March 2006, just few months after Honourable Mahinda Rajapaksa assumed duties as the President. Special efforts were taken to minimize the adverse environmental impact of the project by adding environment friendly features and to retain the landscape and scenic beauty of the area.

It is noteworthy to mention that the management of the CEB and all the staff worked cordially with the Chairman and the Board in implementing government policies and in achieving the goals set by the government during year 2012. The contribution of the Board Members who are professionals and experts in their respective fields assisted the Board to arrive at valuable and effective decisions during the year. The valuable and immense support extended by them, for the smooth steering of the affairs of the CEB is hereby much recognized and appreciated



Prof. Wimaladharmasiri Abeyewickreme
Chairman CEB

GENERAL MANAGER'S REVIEW



Sri Lankans woke up to yet another new year on the 1st of January 2012, amidst the uncertainties of a looming dooms day hinted by the end of the Mayan Long Count Calendar and the threat of power cuts posed by the ever dwindling hydro storage. However, Sri Lanka came out of 2012, unscathed by both challenges, thus marking the end of another challenging but a successful year.

Beginning of a virtual journey- New corporate website to CEB!

CEB started the year with the launching of our new corporate website www.ceb.lk on the 2nd of January 2012. The new look web site is an improved version of the earlier one with facilities to offer much more consumer centric features.

“It is our intention to allow all consumers of this country one day to obtain an electricity connection without even leaving their homes! When others try to make their offices more “consumer friendly” CEB’s vision is to make them “consumer free”.”

CEB has identified the need to offer more and more web and mobile based facilities to its technology savvy consumers of today and tomorrow. Civilians of the modern society live in two worlds, the physical one and the virtual one, the trend being more and more “migration” towards the latter! CEB has identified the need to serve “both the worlds” and thus

decided to revamp the CEB website, our gateway to the virtual world.

We have added a range of new features to the CEB website during the year, which includes the facility to access

GENERAL MANAGER'S REVIEW Contd...

individual accounts online and view past bill payments, view past consumption record, payment of electricity bills online etc. Any visitor can also view daily electricity generation, peak power demand of the previous night, daily hydro storage in the reservoirs, planned electrical outages at any part of the country and details of Tenders notices that are published by CEB to procure goods and services.

“Customer friendly” offices to “Customer Free” Offices

CEB has added to the website detailed procedure as to how to obtain a new electricity connection. All “would be” Colombo City limit consumers can now commence application procedure to obtain a new connection by downloading applications from the web, thus preventing one visit to a CEB office. It is our intention to allow all consumers of this country one day to obtain an electricity connection without even leaving their homes! When others try to make their offices more “consumer friendly” CEB’s vision is to make them “consumer free”. CEB intends to offer all services to consumers via the web so that they can avoid visiting a CEB premises ever except for a sightseeing tour. Though it is still a faraway target, the small step that we took in 2012 is certainly a giant leap towards that direction.

CEB opens their facilities to public

During the terrorist war, Energy facilities of the country were classified as high security zones, thus depriving Sri Lankans to visit our power stations to see, learn and appreciate how power generation is done in Sri Lanka. With the end of the war, we have opened our doors to the public. CEB now has “guided tours” to selected power stations in the country which includes Victoria Power Station, Samanala Wewa, Laxapana and Kelanithissa. Public can now apply and reserve dates for the visit, details of how to do so are given in the website.

Balancing the Score Card.

CEB took a very important step in 2012 by completing a corporate level Balanced Score Card. The completion of the corporate Score Card within this year is the beginning of an entirely new journey for CEB. Balanced Score Card is a powerful tool which highlights both the current and future “health” of the organization through a set of carefully selected Lag and Lead indicators, spanning across four quadrants.

CEB Corporate Management Team participated at an outbound brainstorming activity in April 2012 at the Kalawana Training facility hosted by the Corporate Strategy Division. During the same, the final nod was given to the KPIs that spans across the four perspectives of the CEB Score Card, thus marking the official birth of the first operational BSC for CEB. The first ever “Operational Review Meeting” of the BSC, which helps the management to look beyond the routine day

to day firefighting and take a look at the overall health of the organization was held on the 11th December 2012.

Moving from Number 50, Sir Chittampalam Gardiner Mawatha to Vidulakpaya

Construction to the proposed CEB Head Quarters complex, “Vidulakpaya”, commenced with the laying of the Foundation Stone on the 19th of January 2012 at Ever Green Park, Narahenpita. With the completion of this multi-story, Eco friendly building, CEB will be moving out of the nostalgic CEB Head Quarters at Colombo 02, thus ending our decades long presence at the commercial hub of Colombo. However, the new CEB Head Office premises, having State-of-the-Art meeting and conferencing venues and parking facilities is to provide the much needed modern outlook to CEB.

Realization of Upper Kotmale Hydro Power Project Dream

A dream of CEB was realized when the flag ship project, the 150 MW Upper Kotmale hydro power station was successfully completed and connected to the national grid on 14th July 2012. The plant was constructed with the financial assistance of Japan International Corporation Agency and is one of the largest hydro power plants newly added to the hydro power plant fleet of the CEB. The plant expects to feed 409 million units of much needed energy annually to national grid.

Northern Dream - Kilinochchi Grid Substation energized after 22 years

Kilinochchi Grid Substation was energized at 1014hrs on the 13th September 2012, marking another land mark achievement in bringing electricity to the Northern parts of Sri Lanka. The Older Kilinochchi Grid Substation and the transmission line connecting Kilinochchi to the rest of the country were destroyed by terrorists in 1990. Ever since then, there was no connection between the Northern parts of Sri Lanka and the National Grid covering the rest of the country. With the energization of the Kilinochchi Grid Substation, by bringing supply along the new 73km long double circuit 132kV transmission line from Vavuniya Grid Substation, CEB came a step closer to extending Grid electricity right up to Chunnakam Grid Substation, construction of which is currently in progress. Meanwhile, steps were also taken by the Distribution Divisions in Region 1, to take grid power of the Kilinochchi Grid Substation to Point Pedro and Chavakachchari of Jaffna Peninsula by constructing a 29 Km 33kV express line across Elephant Pass up to Paddukadu within a short duration.

“UthuruJanani” opens a new chapter in Power Generation!

The establishment of the new 24MW “UthuruJanani” Power Station at Chunnakam consisting of 3 nos of 8MW units was

GENERAL MANAGER'S REVIEW Contd...

commenced in August 2011 and was completed on fast track basis in December 2012. The plant was expected to generate approximately 176 million units per year and is to provide a reliable and low cost power supply to the Jaffna Peninsula by replacing expensive emergency plant operating in Chunnakam. This expects to save 1350 million LKR per year. The EPC contractor for the project was selected through an international competitive bidding process and the Ceylon Electricity Board worked as the project administrator and the consultant for the project. The project construction work commenced in May 2012, and the funding for the 3.5 billion Rupee project was raised from LECO and CEB funds. The project completed as scheduled within eight months, the fastest power plant construction project ever done by CEB in its history and was connected to the Jaffna distribution system in December 2012 for commissioning of the plant.

Generation Mix

The failure of South West and North East monsoons in the year 2011 resulted the year 2012 commenced with a total hydro storage of 658.4 GWh, which was 52.3% of the total storage, compared to 88.1% in 2011. The situation aggravated further due to failure of South West Monsoon and the delayed set in of North East Monsoon in the year 2012 resulting in a recorded Minimum storage of 236.6 GWh (18.8% of total storage) for the month of August. Inflows for the first six months of the year has recorded only 700 GWh which was the recorded lowest for the 1st six months and is about 64% of previously recorded lowest. Total Hydro Generation during 1st nine months dropped to about 18% of total Generation.

Although CEB had sufficient reserve margin in the system, it was a great challenge to maintain system stability as some of the thermal power plants, both CEB and IPP, were not available for operation as planned or declared. Careful planning and operation of the available power plants and the load management programme of the network, System Control Centre of the CEB was able to maintain the stability of the power system throughout the critical period. It is noteworthy that the Ceylon Petroleum Corporation gave its full corporation, by providing required fuel for CEB plants.

With the onset of North-East monsoon, the inflows to hydro reservoirs increased during the last quarter of 2012. The recorded maximum storage was 1072.7GWh (85.1% of total storage) on 29th December 2012. The total hydro generation by CEB was 2726.7GWh which is 23.1% of the total generation compared to 4017.7GWh in the previous year.

CEB launches Energy Conservation Drive

At the beginning of April 2012, CEB Hydro storages were

down to 33.9% of the total capacity, hinting a possible crisis. In order to face the weather Gods, CEB decided to seek the help of the public to conserve energy. As part of the efforts, a competition was organized by the CEB among domestic consumers where the domestic consumers who have reduced their energy consumption by at least 10% were rewarded by paying their monthly electricity Bill of the month. This received very encouraging response from the public and contributed to avert the crisis.

CEB management also took yet another novel initiative in June 2012 by getting to the roads and meeting the public at key places in the city of Colombo to invite them to join the energy saving competition launched by CEB.

Well trained new recruits to replace the era of untrained raw hands!

With the gradual retirement of the skilled and with the aging of the able-bodied workforce, CEB started feeling a shortage of skilled technical personnel particularly to be deployed in field and machine floor work. The raw new recruits who had been recruited afresh over the years to replenish the shortfall from outside had not possessed the required skills to perform the jobs at an electrical utility. Even those who come after some form of Technical Education, the modules they had undergone at vocational training institutes are not commensurate with the skill requirements in the CEB. Thus, CEB felt a dearth of quality recruits to cope up with the expansion.

After careful study and discussions with Ministry of Vocational training, it was agreed to commence a training program at Technical and Vocational Education and Training (TVET) Institutions, dedicated to CEB needs. Under this scheme, an NVQ Level 4 course is to be offered of one year duration at TVETs, during which theoretical and practical knowledge is imparted. Following the completion of the first year, CEB is to offer a three year in-house apprenticeship for the trainees, during which, CEB is to pay an allowance for the trainees. The primary aim of this scheme is to create an electricity utility versatile skilled young work force that could be used to export or to utilize by private sector and electricity utilities in the country. A Tri-Partite MOU was signed by Ministry of Power & Energy, Ministry of Skills Development & Youth Affairs & Ceylon Electricity Board for the proposed scheme in 2012. Under the MOU, CEB was held responsible to provide training and absorb part of these trainees who successfully complete the course to the vacancies in CEB by amending the recruitment & promotion scheme of CEB.

A historical advertisement appeared in the Sunday Observer & other newspapers of Sri Lanka on 13th May 2012, calling applications from Sri Lanka Youth for this course and 500

GENERAL MANAGER'S REVIEW Contd...

students were selected out of which 50 students were to follow Tamil medium course. Few years down the line, CEB will start reaping the benefits of this landmark achievement, which is sure to considerably improve the skill, quality and workmanship of CEB.

Ray of Hope to Man Power staff

Another notable achievement during 2012 is the recognition of staff whose service has been obtained through Man power Agencies. CEB has about 4500 personnel working through Man Power Agencies and some of them have been providing services for CEB for over a period of 7 years. Due to the insecurity of their employment, they have been continuously appealing to various authorities to absorb them to CEB's permanent carder. Finally, in considering their long period of service, CEB took a decision to provide them the opportunity in every year to apply for vacancies along with other external recruits. The experience they acquired throughout their service in CEB would give them an edge over the others and an opportunity to continue their service in the CEB but with an elevated job security and recognition level.

CEB Staff

It is very much important to plan for personnel requirement and to fill the urgent vacancies in the CEB to carry out its business activities in all over the country. The approval was obtained from the Department of Management Services to increase the Personnel Carder and 1059 personnel were recruited during 2012 in which 96 Engineers, 133 Middle Level Technical grade officers, 75 Office employees, 88 drivers, and 658 field staff had obtained their employment.

Caring for the warriors who conquered the dark!

The latest edition of the Sri Lanka Energy Balance, in its very first page, pays a glowing tribute to CEB employees with the following words. "The rapid expansion of the National Grid was achieved through a series of Rural Electrification schemes, popularly known as RE schemes. The success of these schemes is entirely attributed to the unparalleled dedication and commitment of employees of Ceylon Electricity Board, who braved the little explored nooks and corners of the country to do so, losing life and limb in certain instances."

CEB workers toiled under sun and rain during their hay days to achieve total electrification, a target once thought to be impossible. However, following their retirement, they return back to their homes to spend the remaining parts of their lives, often to fight it out with a dwindling health, taking with them a little saving in their Provident Fund and a heap of satisfaction of a job well done.

In order to take care of them, a pension scheme was implemented in CEB in the year 1994 and the employees were provided with fixed percentages of their last drawn salary. The amount was 30%, 32% and 34% of their last drawn salary depending on their active service in CEB. This amount was kept constant throughout their retirement life without any change except for some constant allowance to compensate for the cost of living. As a result, those who retired early form service get a very low pension amount due to the lower salary at that time of retirement compared to those who retire recently, thus creating a disparity.

In considering the repeated requests of Pensioners and the CEB Pensioner's Benefit Association a process was initiated to study and make recommendations without affecting the well-being of the Pension Fund. Based on such recommendations the CEB made a decision to revise the pension allowance taking 50% of each salary increase from 1994 of each pensioner based on the salary scale at that time of retirement. Further it was decided to increase the minimum pension payment as Rs 5,000 per month. This enhanced pension benefit was implemented from 1st January 2012 and a ceremony was organized with the participation of the Hon. Ministry of Power and Energy to officially announce and handover the enhanced pension amount to the pensioners. A medical assistance scheme was also worked out to be implemented in the future for the CEB pensioners. This landmark achievement is sure to bring tears of joy to many former CEB employees and strength to the current ones.

2012 Salary Increase

Salaries of CEB employees are revised once in every three years and this was to be done in 2012. The salaries of all employees were increased by 25% of their basic salary and paid since of January 2012.

Although majority of trade unions requested a flat increase higher than 25%, the CEB Engineers Union was demanding a ratio based salary structure starting from N5 grade employee upto General Manager. They continue to make representations on their demand to relevant authorities of the government, even after the flat increase approved by the government. The government in April 2012 consented to increase the existed salary ratio of lowest salary to highest salary from 1.3 to 1.6 and to revise the salaries of only the executive grade employees (K5 and above).

When this salary revision was implemented from April 2012, the non-executive grade trade unions opposed to it and demanded the revision to be extended to scales below K5. They launched series of trade union actions in achieving their demand and finally declared a "continuous strike"

GENERAL MANAGER'S REVIEW Contd...

by stoppage of work including shift work duties from 10th August 2012 without giving due consideration even to Advanced Level examination conducting during that period. Other than executive staff, all other employees of around 14,500 stopped their work on this day threatening CEB Management and the Government.

Although leaving of this number of staff has happened for the first time during the 16 years of recent past of CEB, the challenge was well taken up by the Executive staff, majority of which are engineers, the Management and the Ministry of Power and Energy. CEB was able to maintain an uninterrupted power supply to the entire country during this period with the assistance of the Executive Staff and particularly the engineers whom were led by the CEB Engineers Union. The stoppage of work lasted for 6.5 days and thereafter all the employees who struck work reported for work without winning any of the demands after reaching an agreement with the CEB before the Ministry of Labour.

Finances

The year 2012 was a financially very difficult year for the CEB. The unexpected weather pattern badly affected generation mix of the year. Although the 2012 original budget was prepared with the expectation of 63% of hydro inflows, CEB had to revise its operating budget due to unexpected volatility in the generation mix induced by the dry weather situation prevailed in the country. By the middle of August, the hydro generation was down to a mere 18.8% of the total storage. In order to maintain 24/7 uninterrupted power supply, CEB was compelled to generate power through high cost thermal plants. In year 2011, total thermal generation, including coal, was 6,785 GWh (58% of the total). In year 2012, the same jumped to 8,338 GWh (71% of the total generation).

The costs of sales were increased to Rs.222 billion compared to Rs.151 billion of the previous years. Primary contributors to this increase were the escalation of fuel price and the increase of non-coal thermal generation to offset the low hydro generation and low availability of coal power plant. The cost of CEB thermal generation (non-Coal) went up from Rs. 20.39/kWh in 2011 to Rs. 23.92/kWh in 2012 and the cost of generation from the Independent Power Producers (IPP) went up from 17.75/kWh in 2011 to Rs. 22.76/kWh in 2012.

The Public Utility Commission of Sri Lanka (PUCSL) approved the electricity tariff revision on 16th February 2012 which confined to the introduction of Fuel Adjustment Charge (FAC) at 25%. The expected tariff increase did not materialize and the percentage of FAC increase was not sufficed to meet the "cost pass through" approach in the tariff setting principle to achieve financial viability of the utility. No subsidy was granted by the government to ease out the financial

difficulties faced in the year 2012 and CEB had to battle on its own to finance the operational cash flows.

The operating result was negative as CEB recorded a financial loss at the year-end amount to Rs.78 billion, which is a 310% increase of the previous year's loss of Rs. 19 billion. This situation created a negative contribution of Rs. 7.41 per unit (kWh) sold in 2012 and has adversely impacted the financial viability and liquidity of CEB. As a result CEB ended up with the short term liability of Rs.51.5 billion to fuel suppliers and the IPPs in addition to the bank borrowings of Rs. 40 billion made to meet the additional generation cost. The latter figure for 2011 was Rs. 12 billion.

Total fixed assets as at the balance sheet date stood at Rs.622 billion. This represents 84% of total assets of CEB. Therefore a considerable amount of annual depreciation amounting to Rs. 21 billion too was included in the accounting loss of Rs. 78 billion reported in 2012.

Electricity sales increased to 10,474 GWh showing a growth of 4.45% against last year figures of 10,023 GWh. The corresponding rupee value for the sales was recorded as Rs.163 billion for the year 2012 and it had been Rs.31 billion, a 24% increase compared to year 2011. The sales revenue increase was mainly due to the implementation the 25% of FAC from February 2012.

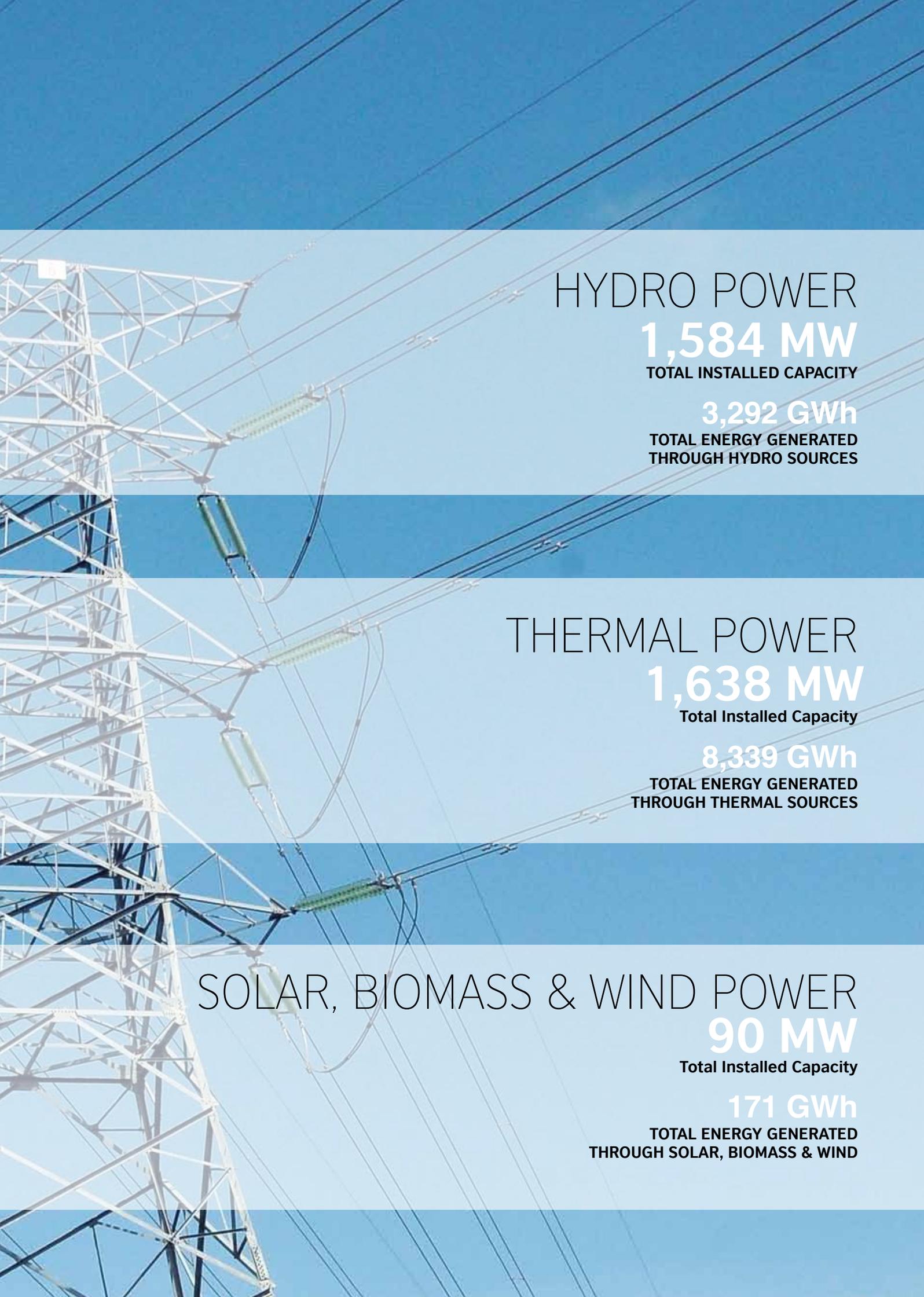


B.N.I.F.A. Wickramasuriya
General Manager CEB

CEB TRANSMISSION NETWORK

The Map of Sri Lanka Transmission System in Year 2012





HYDRO POWER

1,584 MW

TOTAL INSTALLED CAPACITY

3,292 GWh

TOTAL ENERGY GENERATED
THROUGH HYDRO SOURCES

THERMAL POWER

1,638 MW

Total Installed Capacity

8,339 GWh

TOTAL ENERGY GENERATED
THROUGH THERMAL SOURCES

SOLAR, BIOMASS & WIND POWER

90 MW

Total Installed Capacity

171 GWh

TOTAL ENERGY GENERATED
THROUGH SOLAR, BIOMASS & WIND



GENERATION DIVISION

GENERATION DIVISION

The Generation Division of Ceylon Electricity Board is responsible for the operation and maintenance of Thermal and Hydro Power Plants owned by CEB. Generation Assets consist of 17 large Hydro Power Plants totalling to an installed capacity of 1,357 MW, six large oil-fired Thermal Power Plants with an installed capacity of 554MW and one 300MW Coal-fired Power Plant. CEB also operates few power plants in the isolated networks in Jaffna Peninsula and surrounding islands. Thus the total installed Capacity of CEB-owned Power Plant by the end 2012 was 2,214MW.

The Generation Division is managed by an Additional General Manager with eleven Deputy General Managers responsible for different functions. The Generation Division is organized as five Generation Complexes, viz: Mahaweli, Laxapana, Thermal, Other Hydro and Coal. The Generation Projects Branch under Generation Division undertakes the Rehabilitation of Generation Assets, which are diagnosed to have reached the end of service life due to aging and lower reliability.

Specialized Technical support for major repairs of the Power Plants is provided by Hydro and Thermal Assets Management Branches of the Generation Division. These Branches continuously monitor the condition of the Generation Assets and implement corrective action to enhance the operational life of the Generation Assets.

Dam Safety, Environment and Civil Structures Maintenance Branch of the Generation Division is responsible for maintenance and continuous monitoring of Dams, Reservoirs, Power Station Tunnels and other related structures that facilitate generation of electricity. Environmental emissions of Thermal Power Stations are continuously monitored and maintained in compliance with the 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 submitting the same to Transmission Division and to the PUCSL. Also it is responsible for furnishing monthly Transaction Notes to the Transmission Division to recover the dues for electricity deliveries to Transmission Division.

The Corporate Affairs Branch of the Generation Division is responsible for Human Resources management and planning of staff categories of the Generation Division. This includes conducting of continuous Training Programs and Workshops to enhance the skills and the productivity of the staff. During the year under review, this branch has arranged to provide job specific training to 604 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 Laxapana Power Complex is 345 MW and it comprises of five Hydro Generating Stations at four locations including the very first major Hydro Power Station named Old Laxapana Generating Station constructed subsequent to a proposal of the great engineering visionary, late Mr. D.J. Wimalasurendra. These Power Stations are situated in cascade in two contributory streams of Kelani River; Wimalasurendra and Old Laxapana plants being fed by Kehelgamu Oya; Canyon and New Laxapana Plants being fed by Maskeliya Oya, while Samanala Power Station is finally utilizes the waters of both the streams.

The Power Plants of this Complex have performed as shown in the table below. The total Power Generation of the Laxapana Complex is 884.9 GWh during the year 2012 which is 7.5% of the total generation.



New Laxapana -assembly of generator

Power Station	Total Generation (GWh)	Availability (%)
Old Laxapana	177.3	88.6
New Laxapana	300.3	51.8
Canyon	86.0	91.6
Samanala	247.0	92.5
Wimalasurendra	74.3	49.2
Grand Total	884.9	

GENERATION DIVISION Contd...

Mahaweli Complex

Mahaweli Complex comprises of Upper Kotmale, Kotmale, Victoria, Randenigala, Rantambe, Ukuwela, Bowatanna and Nillambe Power Stations. The total installed capacity of the Complex is 815 MW. Mahaweli Complex generated 1,342.8 GWh during the year 2012 which is 10.75% of the total generation. The Power Plants of this Complex have performed as follows.

Power Station	Total Generation (GWh)
Kotmale	270.0
Victoria	392.8
Randenigala	188.0
Rantambe	110.2
Ukuwela	85.0
Bowatanna	31.8
Nillambe	5.1
Upper Kotmale	259.0
Grand Total	1,342.8

Other Hydro Complex

Other Hydro Complex comprises of Samanalawewa, Kukule, Inginiyagala, Udawalawe and Hambantota (Wind) Power Stations. The installed capacity of the Complex is 213 MW. Other Hydro Complex generated 501.44 GWh. (4.2% of the total generation) during the year 2012. It is to note that the operating patterns of Inginiyagala and Udawalawe are totally dependent on the irrigation water releases, and hence the low plant factors. However Inginiyagala produced a generation of 31.60 GWh in the year 2012.

Power Station	Total Generation (GWh)
Samanalawewa	195.2
Kukuleganga	266.5
Inginiyagala	31.6
Udawalawe	5.8
Wind (Hambantota)	2.3
Grand Total	501.4

Thermal Complex

Thermal Complex comprises of Kelanitissa GT, Kelanitissa CCGT, Sapugaskanda-A and Sapugaskanda-B Power Stations. The total installed capacity of the Complex is 540 MW. Thermal Complex generated 2,023.6 GWh (17.1% of the total generation) during the year 2012.

	Total Generation (GWh)	Availability (%)
Kelanitissa Gas Turbine 7	120.3	24.5
Kelanitissa Frame 5 Gas Turbines	97.9	68.0
Kelanitissa CCGP- Gas Turbine	588.9	85.0
Kelanitissa CCGP- Steam Turbine	290.7	80.8
Sapugaskanda-A	392.6	78.8
Sapugaskanda-B	533.2	86.2
Grand Total	2,023.6	

Power plants at Sapugaskanda were operated on base load throughout the year, since the generating costs of these power plants are the lowest among all thermal power plants in the CEB. These power plants use the low cost residual oil obtained from the Ceylon Petroleum Corporation (CPC) in the adjoining premises



Lakvijaya Power Station Puttalam

The first Coal Fired Power Plant in Sri Lanka with a capacity of 300MW generated 1,404 GWh during the period July-December 2012, which accounts for 12% of the total system demand. Coal consumption and diesel consumption of the plant during the same period was 584,761 Tonnes and 1,767 Tonnes respectively. The plant was shut down for about 40 days for first annual maintenance work. The plant availability was about 78% during 2012. The expected annual availability of the PuttalamLakvijaya Coal Power Plant is 85%.

Complex	Fuel Rs million	Spares & Other Maintenance Material (Rs million)
Thermal	42,515	2,715
Hydro	-	495
Coal	11,099	130
Total	53,614	3,340

GENERATION DIVISION Contd...

Average Cost of Generation CEB Power Plants	
	Unit Cost (Rs/kWh)
Hydro Plants	2.71
Thermal Plants	23.88
Coal Plant	11.30

Generation Projects

The Generation Projects Branch in the Generation Division is responsible for undertaking the management and administration of plant rehabilitation projects coming under the purview of the Generation Division and handling of all foreign purchases of goods and services for the Generation Division.

Rehabilitation of New Laxapana and Wimalaurendra Power Station



Wimalasurendra- Lifting of Rotor

Under this Project, 2 x 50 MW New Laxapana and 2 x 25 MW Wimalasurendra Power Plants are refurbished and modernized. Under this contract, Generator, Turbine, Control and Auxiliaries are replaced and refurbished at a cost of Rs. 6660.0 million. Alstom Hydro, France is the contractor

for 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% funded by Hatton National Bank. The Project works were started in February 2008 and scheduled to be completed by July 2014.

Overall Project progress is 95% by end of 2012. Unit 1 machine of Wimalasurendra was rehabilitated and put into commercial operation on 17th November 2012 and Unit 1 machine of New Laxapana was rehabilitated and put into commercial operation on 2nd December 2012.

The Capacity of each unit of New Laxapana after rehabilitation is increased by 7 MW and the efficiency of New Laxapana turbine is up rated to 89.3 %.

Rehabilitation of Old Laxapana Power Station

Objective of this project is to replace Generator, Turbine and all associated equipment of Old Laxapana Stage-1, to improve reliability, efficiency and life of the 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% was funded by Hatton National Bank. The Project works were started in May 2010 and scheduled to be completed at the end June 2013.

By the end of 2012, the overall progress of the project is 92%. Unit 1 and 3 machines of Old Laxapana were rehabilitated and handed over to CEB during the year 2012. Unit 1 was put in to commercial operation on 3rd September 2012. Unit 3 on 14th December 2012.

Capacity of each unit is increased to 9.5 MW, from its former capacity of 8.33 MW. Turbine efficiency test was carried out in November. Turbine efficiency achieved was 90.18%, which satisfied the guaranteed value at rated net head.



Disassembly of Old Laxapana Generator & Turbine

GENERATION DIVISION Contd...



Lifting of rotor- Old Laxapana



Repair of gate shaft of the bottom Outlet of the Norton Dam

Rehabilitation of Samanala Power Station

With the aim of extending the life time of the 2x 37.5 MW plant which has reached the end of its service after 41 years of operation, a feasibility study has been done in 2010 by an Independent Consultant, Poyry Energy AG of Switzerland.

Following this study, a project committee comprising expertise officials of CEB was appointed for preparation of the Bidding document for the rehabilitation and the activities of committee are in progress.



TRANSMISSION DIVISION

TRANSMISSION DIVISION

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

Mission of the Transmission Division

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

Objectives of the Transmission Division

The operational objectives of the Division are to:

- Develop and maintain an efficient, coordinated, reliable and economical transmission system.
- Procure and sell electricity in bulk to distribution licensees so as to ensure a secure, reliable and economical supply of electricity to consumers.
- Ensure that there is sufficient capacity from generation plants to meet reasonable forecast demand for electricity.
- Maintain transmission voltage variations within $\pm 10\%$ for 132 kV, $\pm 5\%$ for 220 kV and frequency within $\pm 1\%$ of 50Hz.

Operational activities

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

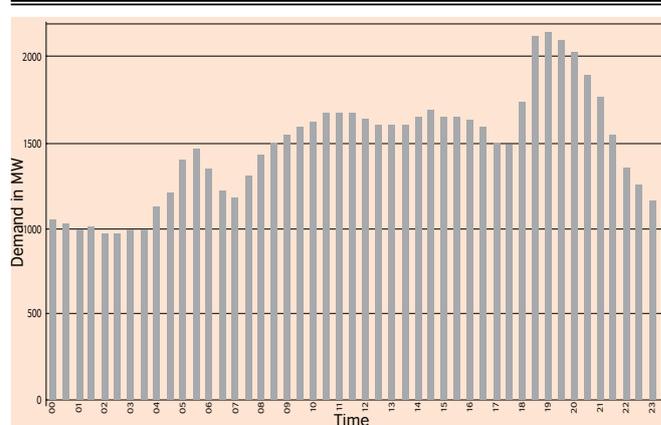
System Control Operations

The System Control Branch is responsible for the coordination and operation of the 220kV and 132kV grid system embracing 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. This branch collects records and archives data pertaining to the CEB generation

and transmission system and provides information to the management on regular basis

The year 2012 commenced with a total hydro storage of 658.4 GWh, which was 52.3% of the total storage, compared to 88.1% in 2011. Inflow during the first few months was low compared to previous year. This resulted in hydro storage to deplete to 426 GWh by 28th March. Due to lower rainfall during the South-West monsoon the storage continued to deplete. The minimum recorded storage was 236.6 GWh (18.8% of total storage) on 16th August 2012. The lower inflows resulted in increased thermal generation during the year 2012. With the onset of North-East monsoon, the inflows to hydro reservoirs increased during the last quarter of 2012. The recorded maximum storage was 1072.7GWh (85.1% of total storage.) on 29th December 2012. The year end storage was 1067 GWh.

In the year 2012, the recorded maximum peak was 2146.4 MW on 09th May 2012 while the total energy generated for the year was 11800.8 GWh which is an increase of 2.4% compared to the year 2011.



Daily Generation Curve 09.05.2012

System Control Centre Modernization Project

This project is carried out based on the 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 National System Control Centre and Installation of SCADA and Communication Systems and Package B- Replacement of Existing Earth Wire with Optical Fiber Ground Wire (OPGW). A Consultancy Contract for the System Control Modernization Project was awarded in May 2010.

The objective of Package A is to provide a National System Control Centre (NSCC) for managing the electricity transmission/generation system in Sri Lanka. The new System Control Centre shall have the monitoring and

TRANSMISSION DIVISION Contd...

controlling capability of the switchgear at 132/220kV grid substations of the transmission network of CEB. An Energy Management System, integrated with the SCADA system that helps the operating staff to decide on the energy dispatching schedules dynamically will be a key feature of the new system control centre.

The works required to achieve these objectives shall include establishing the NSCC in a building also to be provided under this contract, completing plant interface works in substations and power plants throughout the country, and establishing a country wide telecommunications network linking each substation and power plant to the control centre.

The scope of work of package B includes the replacement of existing earth wire by composite fiber optic overhead ground wire (OPGW) of approximately 1038km, on 132kV and 220kV double circuit three phase transmission lines and the installation of approach fiber optic cable for terminating OPGW conductor at each substation site.

Approximately US\$25million is funded by 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.

The contract for Package B was awarded to Viscas Corporation in April 2012. About 37% of installation works has been completed at end of June 2013. A consortium of LTL Projects (Pvt) Ltd and LTB Leitungsbau GmbH was awarded the contract for Package B2 in November 2012. Both Packages B and B2 are scheduled to complete the installation by the end of 2013.

The procurement for Package A is under Two Stage bidding procedure of ADB and is in the final stages of bid evaluation. The award of two contracts under Package A are expected in September 2013 to complete the work in two years period.

Transmission Assets



132 kV GIS at Kelanitissa GSS



220 kV Switchyard at Pannipitya GSS

The Asset Management Branch in the transmission Division is responsible for achieving the maximum commercial benefit of the plants and the equipment in the Transmission network. It involves in setting of maintenance policy and procedures, monitoring plant performance and maintenance work in effective manner to ensure the operational effectiveness and maximizing the economic life of the assets. Planning for replacement of assets at the end of their useful lives is an important asset management function.

The high voltage Transmission network comprises of 1787.1 km of 132kV overhead lines, 47.6 km of 132 kV underground cables, 502.5 km of 220 kV overhead transmission lines and 2 km of 220 kV underground cables. In addition, there are 57 Grid Substations in operation at the end of 2012.

Procurement of spares, equipment and tools for the transmission division and disposal of unserviceable transmission assets are the other main functions of Transmission Asset Management Branch.

The major works carried out in 2012 are :

- Completed the 50% of the computerizing work of the stores management functions by using MITFIN software at Kotugoda stores.
- Completed the 50% of facility development work at Kotugoda Stores. This includes Construction of new security fence and concreting of floor at outdoor area.
- Developed a computer based Asset Register (Asset Database) entirely by in-house staff. From this database, important data for all major equipment in every Grid Substation (GSS) can be retrieved within 10 seconds from the Graphical User Interface of Single Line Diagrams of the relevant GSS.
- Initiated setting up a Condition Monitoring Unit to assess the condition of equipment in GSS.

TRANSMISSION DIVISION Contd...

Operation and Maintenance (O&M) of the Transmission Network

The main objective of the Transmission Operation & Maintenance branch of Transmission Division is to operate and maintain the Transmission Network which comprises 48 GSs, 650 km 220kV and 2300 km 132kV Transmission lines in an efficient, reliable and effective manner.

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

Some of the special works carried by each section of this branch in year 2012 are given below.

Operation & Maintenance – Colombo Unit

Colombo Region of the Transmission O&M branch has successfully completed following special maintenance tasks in addition to the general routine/preventive maintenance activities of 21Nos. of Grid Substations and way leaves clearing of 380km of 220 & 132kV transmission lines.

- Installation/erection, testing and commissioning of a 31.5MVA, 132/33kV new power transformer at Pannipitiya GS, including construction of the transformer plinth by the existing O&M staff
- Repaired defective 36kV SF6 CB and installed at Stanley Grid Substation, Kolonnawa
- Witnessing of the Testing & Commission works at Kelanitissa 132kV new GIS
- Replaced defective CTs at Seethawaka GS
- Replaced defective 132kV CB poles at Kelaniya GS
- Replaced defective Bus Bar VTs of 33kV GIS at Sapugaskanda
- Replacing of control cables of 33kV bays at Biyagama GS
- Repairing and replacing of 220kV Circuit Breaker mechanism at Kelanitissa 220kV GIS
- Replacing of 33kV CB poles at Kosgama GS
- Replacing of breaker mechanism of bus coupler at Horana GS
- Colour washing of Colombo Region Grid Substations by the existing O&M workforce as the initiative action for implementing of 5S concept

Operation & Maintenance – Kandy Unit

Kandy Unit of Transmission Operation & Maintenance Branch successfully completed annual preventive maintenance of all equipment in six grid substations and successfully

completed the way leave maintenance of 670 km of 220 kV and 132 kV Transmission lines scheduled for the year 2012. Apart from above routine work, the following special works were successfully carried out during the year 2012.

- Installation , Testing and commissioning of 33 kV side circuit breaker of Main transformer No.01&02 of Badulla GS was replaced with 36 kV Magrini Galileo SF6 CB complete with operating mechanism and steel structure. Though these breakers were originally planned to replace through the ongoing AGSAREP project, it was compelled to replace it earlier, since it is not advisable to compromise the GS reliability for a further extended period.
- In order to facilitate the interruptions required for the removal of old 33kV switch yard of the Badulla GS for the AGSAREP project work, temporary installation of HV equipment including the shifting of 33 kV busbar voltage transformers including control cables and re-commissioning of the transformer AVR system were done to make sure the availability of continuous supply.
- Oil of the Y phase pole of 132kV circuit breaker of Badulla - Ampara line was released through the pressure relief device due to a severe fault in the transmission line caused owing to a sabotage done on the transmission line on 14.08.2012 resulting a major blackout in the greater part of the eastern province. Even though the full work force was not available due to trade union activities prevailed at that time, engineers were able to restore the supply after doing all the necessary testing and maintenance as per the manufacturer's recommendations.



Repair of 145kV circuit breaker of Badulla - Ampara line (taken at 00.15 hrs on 16.08.2012)

TRANSMISSION DIVISION Contd...

- Within the region there are 58 nos. of old 132 kV current transformers (CT) (ABB/ASEA IMB 145 A3) installed at Kiribathkumbura, Kurunegala and Badulla GSS, need to be replaced in a phased manner at the earliest possible since they are now more than 26 years old and susceptible for explosion with few recorded instances in year 2005. However due to the carrying out of special maintenance procedures developed in house within the region, with some variances to the manufacturers' recommendation, those CT's are still in service pending the early replacement.
- Transformer No. 1 and Transformer No. 2 of Kiribathkumbura GS has a history of degrading insulation and hence vulnerable to failure. In addition to the several monitoring and insulation improving maintenance activities carried over the past couple of years, both these transformers were subjected to several cycles of online oil filtering in year 2012.
- The damaged oil conservator bellow of the TF 02 of Badulla GSS has developed a leak. As the local repair attempts were not successful, pending the arrival of ordered bellow from OEM, the transformer was made available to loading after improving breathing capability by introducing additional breather to minimize the possibility of moisture absorption. In addition the on line oil filtering too was carried out for this transformer again subjected to the availability of online filter plant.



Repair work of the damaged oil conservator below of the TF 02 of Badulla GSS

- Serviced the Diverter switches of online tap changers of transformer No. 01 & 02 of Nuwaraeliya Grid Substation
- Heavily involved in augmentation projects at Badulla

GS, Ampara GS and Nuwaraeliya GS in implementing various interfacing activities such as, temporarily HV (132 kV and 33kV both outdoor and indoor GIS) power feeding arrangements, station power (AC and DC) distribution modification and AVR system modification etc. This is apart from the commissioning work related to above GSS, Ukuwela GS, Wimalasurendra GS and new GS at Mahiyanganaya.

Continued the 5S implementation in Kiribathkumbura and Thulhiriya Grid Substations.

Operation & Maintenance –Galle Unit

- Galle Unit of the Transmission O&M branch has successfully completed following special maintenance tasks in addition to the general routine/preventive maintenance activities of 10 Nos. of Grid Substations and way leave clearing of 360km 132kV transmission lines in the year 2012.
- Existing three transformers could not parallel due to unequal step voltages in the Galle GSS. We have procured new AVR relay and parallel these three transformers without taking any interruption. This work relieved the stress exited on old two TFs.
- Installation, testing and commissioning of old 132kV OCB in Gall – Balangoda Line which was blasted in year 2011.
- Oil regeneration of the transformer no.02 at Balangoda GSS.
- Repairing of oil leak in radiator packing of the transformer no. 01 at Balangoda GSS.
- Repairing of the faulty annunciator system of the Hambantota and Embilipitiya GSS.
- Long outstanding SAS fault at Deniyaya GSS has been rectified.
- Replacement of defective 33kV CT at bus section in Galle GSS.
- Replaced the one of the defective 33kV CB mechanism in the Mathugama GSS feeder No. 01.
- Create a new break down gang at Mathugama GSS and Hambantota GSS
- Repaired the oil leak in earthing TF at Mathugama GSS.

Operation & Maintenance – Anuradhapura Unit

Anuradhapura Unit of the Transmission O&M branch has successfully completed following special maintenance tasks in addition to the general routine/preventive maintenance activities of 10 Nos. of Grid Substations and way leave

TRANSMISSION DIVISION Contd...

clearing of 900km 132kV transmission lines in the year 2012.

- All the 132 kV & 33 kV Circuit Breakers at Bolawatta GSS were tested.
- Capacitance of the each capacitor of capacitor bank at Habarana GSS was measured.
- 5S implementation has been carried out at Pannala Grid Substation and won a merit certificate for the same.
- Control building of Valachchenai Grid Substation was renovated.
- Store building at New Anuradhapura Grid Substation has been constructed in Oder to keep materials, including spare parts in whole region.

Hot Line Maintenance Unit

Hotline maintenance section of the Transmission O&M branch has successfully completed following special maintenance tasks in addition to the general routine/preventive maintenance activities of 650km of 220kV & 2300km of 132kV transmission lines in the year 2012.

- Damaged earth conductor within the span between Tower No.02 to Tower No.06 and Tower No.210 to Tower No.216 of 132KV Bolawatta – Puttalam Transmission Line was replaced.
- 01No. 70m long bus bar and 04 Nos. of 18m long bus bars at New Anuradhapura GSS was lifted and installed.
- Removed the fallen tower No.161 132KV Badulla – Inginiyagala Transmission Line which was fallen due to cyclone of the in Passara area, part by part from the tower location after restoring the supply to Ampara temporarily and was re-erected by completing the foundation work and strung the conductors. The one of the phase conductor (oriole) from tower No.194 to 196 was repaired.
- Insulators of Tower No.01 to Tower No.50 of 220KV Norochcholei – Veyangoda Transmission Line were frequently washed to avoid insulator flash over due to deposition of salt during dry and windy season by deploying all 10 number of hotline maintenance gangs.
- Newly constructed 132KV Vavuniya –Kilinochchi Transmission Line was completely inspected by HLM unit on request of the PM (VKTP) and defect list was sent to the project.
- Support services were provided by HLM unit to pull and place the new 31.5MVA transformer on the floor at Pannipitiya GS.

- Training sessions were conducted on Live Line operation to In- Plant Trainees

Special Maintenance Works Carried Out by Protection Maintenance & Services Unit of in the year 2012 are:

1. Replacing of Old Electromechanical Distance Protection Relays (L3Wyas) by Digital Relays at New Laxapana Power Station.
 - a. New Laxapana –Balangoda 132kV Line No. 1 & 2
 - b. New Laxapana-Polpitiya 132kV line No. 1 & 2
 - c. NewLaxapana –Canyon 132kV Line



Newly installed Digital Relays for Transmission Line Protection at New Laxapana PS

2. Sapugaskanada Transformer No. 2: Commissioned the Protection scheme following replacing defective transformer with new transformer.
3. Protection and Centralized Services Unit has been established in the Month of June 2012 and started carrying out Power Transformer Condition Monitoring Program for the power transformers installed in the transmission Grid substations and new transformers coming under various projects throughout the Country, as a Centralized Service.

Following Transformers were tested and collected the data under this program in year 2012

 - a. Seethawka 1 & 3 (new) Power Transformers
 - b. Nuwaraeliya GS Tr. No. 3
 - c. Ratmalana GS 2 & 3 existing transformers
 - d. PannipitiyaGS new transformer for No. 1
4. Major Protection Maintenance Jobs completed in year 2012

TRANSMISSION DIVISION Contd...

GS/PS	LOCATION	JOB
Kosgama GS	Kolonnawa Line	Replaced defective TOSHIBA type distance protection Relay with Numerical IED (MiCOM P545)
Old A'pura GS	Puttaum 02 Habarana 02	Replaced Old (L3Wyas) type distance protection Relays with Numerical IEDs (MiCOM P545, & REL 316)
Badulla GS	Ampara Line	Replaced defective RAZFE type distance protection Relays with Numerical IEDs (Siemens 7SA522) Replaced Old (RAZOA) type distance protection
Sapugaskanda GS	Transformer 02	Commissioning of TF after replacing Main protection relay with 7UT 613
Biyagama GS	Kothmale 01	Replaced defective RAZFE type distance protection Relays with Numerical IEDs (Siemens 7SA522)

Generation Planning

- The Long Term Generation Expansion Plan of CEB is a rolling plan prepared every two years for a period of 25 years by the Generation Planning Section, under the Transmission and Generation Planning Branch, using state of the art planning tools and techniques.
- As the first step, the Branch prepares the National Demand Forecast. From the generation planning studies, economically optimal plant additions with least cost solutions are selected from given thermal and hydro power generation expansion candidates in order to meet the electricity demand forecast within expected reliability level and environmental factors. According to the latest generation expansion planning studies, for the period of 2013-2032, it is envisaged that approximately

6,025MW addition to the system in the next 15 years, Out of which 4,700MW will have to come from coal fired power plants.

- Generation Planning Section implements and acts as the CEB counterpart in implementing various studies ranging from basic desk studies to detailed feasibilities for proposed generation projects.
- In this regard, number of studies and works were initiated as future generation expansion options. With the technical cooperation of International Atomic Energy Agency (IAEA), Generation Planning Section initiated a project on 'Supporting Energy Planning and Pre-Feasibility Study for Nuclear Power and Human Resources Development'.
- With the assistance of JICA (Japan International Cooperation Agency), a feasibility study on 'Development Planning on Optimal Power Generation for Peak Power Demand' was initiated in 2012 and expected to be completed in year 2014
- The project concept for Implementation of 4×300MW Coal Power Development in Southern region was submitted to the Government of Japan and pre-feasibility study for the project will commence in year 2013. Under the Technical Assistance of ADB, preparation of Renewable Energy Master Plan is under way.
- Under Transmission and Generation Planning Branch, Phase II of the Energy Diversification Enhancement Project (feasibility study for LNG) was initiated.
- Environment Impact Assessment (EIA) for Moragolla Hydro Power Project funded by KFAED (Kuwait Fund for Arab Economic Development) was completed and approved by the Project Approving Agency in 2013. Further, ADB funded review of feasibility and detailed design & preparation of tender document for Moragolla Hydro Power Project commenced in 2012.

Transmission Planning

- Long term transmission development studies are carried out as a 10 year rolling plan in order to accommodate the new requirements and demand in the transmission system. The main objectives of the transmission planning process are formulation of the set of transmission developments required to ensure a reliable and stable power system for the planning period of interest and the estimation of investment cost required to implement these transmission developments.
- The Long Term Transmission Development Plan 2013-2022 identifies fifty two transmission development

TRANSMISSION DIVISION Contd...

projects for the period 2014-2022. Funds have been arranged for several projects of high priority with lending agencies such as Japan International Cooperation Agency (JICA) and Asian Development Bank (ADB).

- Projects in the pipe line for JICA funding include Construction of Kirindiwela 220/132kV switching station & 220/33kV grid substation, Veyangoda-Kirindiwela-Padukka 220kV transmission line, New Polpitiya-Kotmale 220kV transmission line, Veyangoda-Thulhiriya 132kV transmission line, Kerawalapitiya 220/33kV grid substation, Battaramulla 132/33kV grid substation and Reconstruction of several 132kV transmission lines namely Polpitiya-Habarana, Kolonnawa-Pannipitiya and Ratmalana-Pannipitiya.
- Projects that are to be funded by the ADB are Augmentation of Old-Anuradhapura 132/33kV grid substation, Augmentation of Katunayake 132/33kV grid substation, Construction of Kappalthurai 132/33kV(220/33kV) grid substation, Construction of Mannar-Nadukuda 132kV transmission line and Nadukuda grid substation, Construction of Kesbewa 132/33kV grid substation and Construction of Hambantota 220kV Switching Station and New Polpitiya- Hambantota 220kV transmission line.
- Further, discussions with French Development Agency were in progress for financing construction of four grid substations; Maliboda, Wewalwatta, Ragala and Nawalapitiya to absorb more renewable energy.

Transmission Design & Environment

Preliminary work required for implementing the planned transmission developments are 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, prepare Engineering designs and drafting tender documents for transmission projects. During the implementation stage, review of construction drawings and examination of technical compliance of the materials and equipment are carried out. In addition Transmission Design Unit plays the role of internal consultants of Transmission division for design activities when requested.

Transmission Design

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

Preparation of Tender Document, of CENEIP Package 1 Lot A, CENEIP Package 1 Lot B, CENEIP Package 2 Lot C-1,

CENEIP Package 2 Lot C-2, CENEIP Package 3- Lot B, CENEIP Package 2 Lot B, CENEIP Package 2 Lot C, CENEIP Package 3 Lot A, ECCFP - East Coast Coal Fired Power Project Lot B and ECCFP - East Coast Coal Fired Power Project Lot A.

Construction design reviews of, 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 Kilinochchi-Chunnakum Transmission Project, Vauniya-Kilinochchi Transmission Project, Transmission System Strengthening Grid Substation Project, Transmission System Strengthening Transmission Lines Project, Transmission System Strengthening Eastern Province Project, Augmentation of Grid substations for Absorption of Renewable Energy Project and wind collecting substation -Norochcholei.

Preparation of Engineering Design reports were carried out for the Implementation of Greater Colombo Transmission and Distribution Loss Reduction Project, Construction of Sooriyawewa GSS,

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 to the highest international standard. Key tasks of the Section are defining and maintaining the required protection philosophy and identifying of protection rehabilitation and development requirements of the system. This Section is entrusted with managing protection development work under new transmission projects. Protection scheme modifications were also done 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 occurring in the transmission network, and remedial or preventive measures are implemented to improve the system reliability performance.

No total failures occurred during the year. A major partial failure occurred on 04th May 2012 and number of minor partial failures occurred during the year. These failures were analyzed and remedial measures were proposed. Improvement in the system performance has been observed due to the implementation of remedial and preventive measures.

TRANSMISSION DIVISION Contd...

Works undertaken for CEB Projects

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

The project scope is to replace existing protection schemes of 220kV lines and Transformers in Biyagama GSS, Kothmale PS, Victoria PS, Rantambe PS and New Anuradhapura GSS and install OPGW in 220kV lines of Biyagama – Kelanithissa, Kothmale – Victoria line, Victoria – Randenigala and Randenigala – Rantambe.

The contract for installation of OPGW was awarded in May 2012 and it is to be completed in August 2013 and the contract for protection panel replacement work was awarded and it is to be completed in May 2014.

During the year 2012, other project works carried out by the Protection Development Section included identification of protection scope for new and rehabilitation projects, preparation of technical specifications and witnessing the projects related commissioning work and successful integration of new projects into existing system. Some of the completed and ongoing projects are as follows:

1. Upper Kothmale Hydro Power Project
2. Beliatta Grid Substation Project
3. Augmentation of Grid Substations for Absorption of Renewable Project -Phase II
4. North East power Transmission and Development Project
5. Vauniya Kilinochchi Transmission Project

Other activities:

Design checks, drawing preparation and setting calculations were carried out for the replacement of defective Line Protection relays at Kiribathkumbura GSS, Old Anuradhapura GSS, New Anuradhapura GSS, Polpitiya PS and Kotugoda GSS and setting co-ordinations were carried out to increase the fault level of Grid Substations Rathnapura, NuwaraEliya, Matara and Seethawaka.

Energy Purchases

Energy Purchase Branch is responsible for purchases of electricity from Private Power Producers to meet the system demand at the optimum cost. Two major types of power plants are administrated under this branch.

- Independent Power Producers (IPP)
- Non-Conventional Renewable Energy Plants

There are seven independent Private Power Producers with a total of 775 MW supplying thermal power to the CEB and 123 Non-Conventional Renewable Energy projects with total capacity of 320MW in Sri Lanka.

Independent Power Producers

Power Plant	Capacity (MW)
AES (Kelanitissa)	163.50
Heladanavi	100.00
ACE Power (Embilipitiya)	100.00
Colombo Power (Pvt) Ltd.	60.00
Asia Power	51.00
Nothern Power	30.00
Kerawalapitiya	270.00
Total	774.50

Energy Purchases Branch effects all payments to Private Power Producers who have entered into Power Purchase Agreements and are in commercial operation.

Non-Conventional Renewable Energy Plants

Non-Conventional Renewable Energy Plants below 10 MW capacity, 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 2012, eighteen mini hydro power projects of total capacity 30 MW have been connected to the grid.



Power House of Denawaka Ganga Mini Hydro Power Project

TRANSMISSION DIVISION Contd...

The total grid connected installed capacity of 107 mini hydro power plants reached 234 MW by the end of the year. The total generation was 563 GWh. By the end of the year, CEB has entered in to 76 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 171MW.

Biomass Power Development

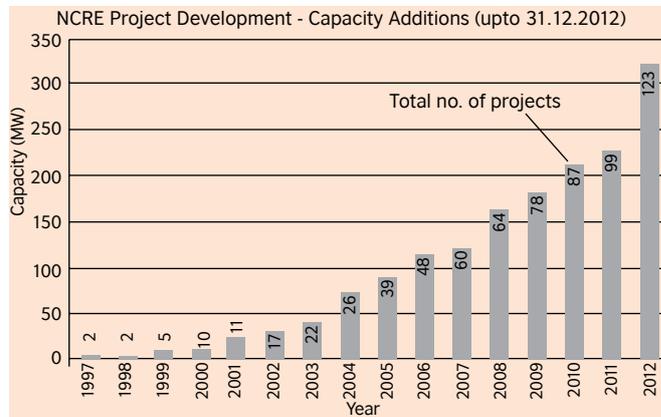
Biomass Power plants consist of three main categories i.e. Dendro, Municipal Waste and Agricultural & Industrial Waste. With regard to Biomass Power Projects, there are two Agricultural & Industrial waste power plants and one dendro plant of total capacity of 11.5 MW has been connected to the grid. The total generation was 22 GWh. By the end of the year, CEB has entered in to 14 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 75MW.



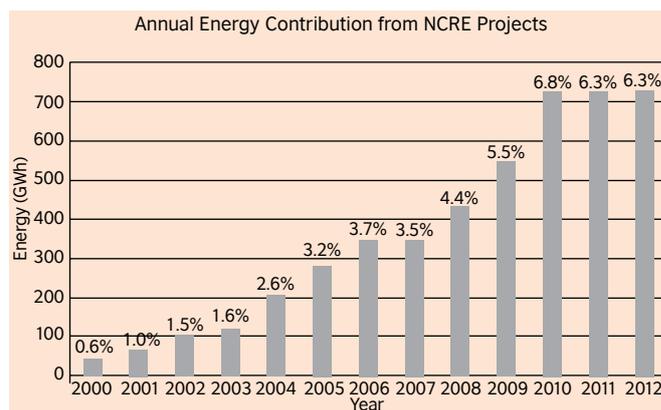
Tokyo Biomass (Paddy Husk) Power Project

Wind Power Development

During the year 2012, three wind power projects of total capacity 30 MW have been connected to the grid. The total generation was 143 GWh. By the end of the year, 09 wind power plants has been connected to the grid with an aggregate capacity of 72MW. SPPA's have been signed for another 04 Nos of total capacity 21MW. The construction of of the above wind plants are in progress.



Total Progress of NCRE Projects as at 2012/12/31



Annual Energy Contribution from NCRE Projects

Energy Marketing

The Energy Marketing Branch was re-activated in year 2010 in keeping line with the electricity transaction system between the Transmission Licensee and Distribution Licenses. The Energy Marketing Branch was actively cooperated 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 Licenses, Lanka Electricity Company Ltd., and the Transaction Notes to the four Distribution Licenses of CEB. The new Energy Meters with Accuracy Class 0.2 was procured for installing across the boundaries of the Transmission Licensee and the Distribution Licensees for recording the Electricity Transferred to the Distribution Licenses from the Transmission Licensee and the installation work was almost

TRANSMISSION DIVISION Contd...

completed. Action has been taken to establish a meter laboratory within the Transmission Division in keeping with the guidelines of the PUCSL. Energy Marketing Branch has prepared the Transaction Accounts/Notes for the year 2012 on monthly basis, based on the Electricity transferred to the Distribution Licensees from the Transmission Division in each and every month. New Software Programme was developed with the assistance of the IT Branch to prepare the monthly invoice for bulk electricity sales to the Distribution Licensee – Lanka Electricity Company Ltd in year 2012

Communications

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

The following communications technologies are used in providing 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

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.

Communications Services Unit is responsible for the SCADA system (The System Control Centre SCADA computers including its hardware & Software and the auxiliaries and the remote station SCADA equipment including RTUs and Gateways) and the operational communication (PLC, PLTS) for System Control Operations.

Digital Bearer Unit is responsible for the Digital Communication Network (DCN) which serves for the operational and administrative communications services for Generation, Transmission, Distribution and other ancillary units of CEB. The Digital Bearer Unit is also responsible for the Radio (VHF & UHF) communication facility for operations and maintenance work in generation, transmission and mainly distribution divisions and for security services in CEB.

Year 2012

Special work carried out on PLC systems during the year includes:

- Design, fabrication, installation and commissioning of new wireless Data link between Ukuwela PSS and Polgolla dam for monitoring the dam data at Ukuwela power station.
- Design, Fabrication and installation of a new PLTS system for System Control Centre and configuration of SOPHO PABX to provide additional facilities for PLTS system.
- Installation and commissioning of a new ETL 540 PLC link between Polpitiya and Kiribathkumbura for eliminating the bottleneck of communication existed between these stations.
- Installation and commissioning of FOX 515 fiber optic multiplexer at CEB head office and extending the CEB LAN for several distribution offices and power stations via fiber optic network.
- Replacement of PLC link (end equipment) between Habarana GSS and Valachchena GSS and providing a new PLC remote subscriber for Valachchena GSS.
- Replacement of old coax cable of Anuradhapura-Trincomalee PLC communication link at Trincomalee GSS.
- Providing new PLC subscribers for security offices at Kiribathkumbura GSS, Kurunegala GSS and Kotmale PS.

Special work carried out on SCADA systems during the year includes:

- Testing of Gateway at Beliatta Grid Substation.
- Improvements/Modifications to the existing equipment of SCADA and Communication were carried out as interface work under projects (eg. Vauniya – Killinochchi Transmission Project).
- Upgrading of SCADA computer display system and MIMIC Display system as per System Control requirements.
- Upper Kotmale Hydro Power Station SCADA Integration to the System Control Center.
- Arrangement to acquire all the SCADA Signals of Kotmale Power Station through Upper Kotmale Gateway.
- Feasibility study to integrate New Laxapana SCADA through new gateway to the System Control Center.
- Started preliminary testing to integrate Norochchola Wind Power Plant SCADA to the System Control Center.
- Special work carried out by VHF Radio Section during the year includes

TRANSMISSION DIVISION Contd...

- In order to provide communication facility to Moneragla district many sites were tested and according to field tests results Medagama, Timbiriya Mobitel site was finalized to install a VHF low band repeater for providing communication to Monaragala area.
- Some repeaters were relocated in order to improve coverage and to avoid interferences and also to satisfy other requirements. Those are as follows.
- High band repeater in Galehikanda site was shifted to Hanthana to cover all power stations in Mahaweli Complex as per the request from Mahaweli complex.
- Mid band repeater at Gongala site was shifted to Mulatiyana Dialog site in Hakmana to improve the coverage.
- Mid band repeater in Dotalu oya site was shifted to Kirimatiyanakanda to get more accessibility.
- New Low band repeaters, Low band Fixed/Mobile Transceivers and High Band hand held Transceivers were purchased to fulfill requirements from Batticaloa area.

Corporate and Regulatory Relations

The responsibility of Corporate and Regulatory Relations Branch is to ensure proper functioning of transmission division by preparing Annual Personnel Plan for transmission division, staffing and arrange or conduct local and foreign training programs with the help of training branch to enhance the carrier development of both executive and non-executive staff members. Engineering Audit section in the C&RR branch carries out monitoring of operating system voltage fluctuations, frequency variation, harmonics additions at grid substations/wind power plants. Those data is used for regulatory requirements and planning purposes.

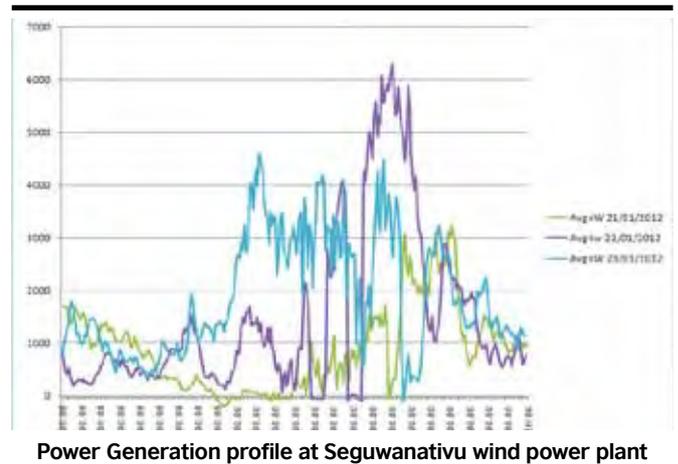
Engineering Audit

Engineering audit unit in Corporate and Regulatory Relation branch is responsible for monitoring and maintaining the standard and quality in transmission system by site measurements. Data loggers and power quality analyzers are used to monitor the system parameters.

Private Wind Power Plants which are connected to the transmission network were monitored under the Engineering Audit unit whether these plants meet the required CEB power quality standards.

Instantaneous power quality data and power generation profile data were captured using data loggers. Power quality data was used to check the harmonic addition to the power system by the wind power plants.

Power generation profile data is used to analyze the wind power plant generation patterns and future expansion to accommodate wind power generation to the CEB network. Graph shows the power generation Profile (i.e. from 21st January 2012 to 23rd January 2012) at Seguwantivu 10MW wind power plant.



Power Generation profile at Seguwantivu wind power plant

Human Resources

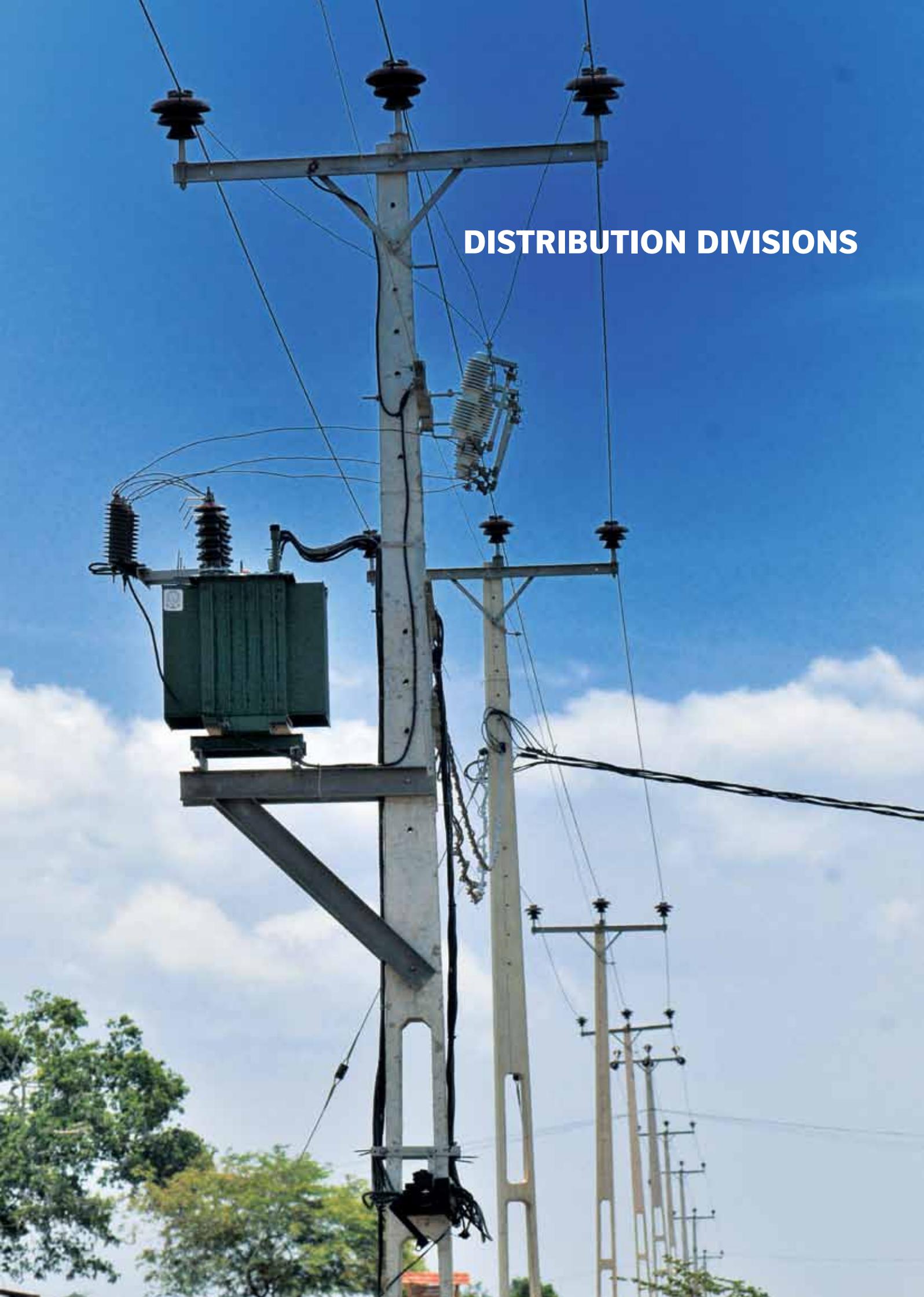
Human Resources Management activities of the Transmission Division are carried out by the Corporate and Regulatory Relations Branch. The Transmission Division has a total of 1088 employees, consisting of 127 executives and 961 non-executives. 180 persons were recruited and assigned to this division by the Board during the year. 203 persons were promoted to higher grades or placed on their respective higher salary scales in conformity with CEB recruitment and promotion procedure.

External training opportunities were provided for the staff both locally and abroad, depending on the skills development requirements. The subjects covered in the training abroad were planning, communication, operation and maintenance of substations and transmission lines. 222 persons participated in local external training programs/seminars/workshops and 27 persons participated in foreign training programs/seminars/workshops etc. The persons who attended such training programs were required to transfer the knowledge gained by them in the training to the other staff of the CEB. Transmission Division facilitated 27 persons to attend to witness factory acceptance tests of various transmission line and grid substation equipment.

The CRR Branch has provided internal training programs/seminars/workshop with the help of training branch for the staff in the Transmission Division.

The Division has a vibrant Welfare Society with official patronage. During the year, it provided various services to its members while facilitating cordial personal relationships among different categories of staff.

DISTRIBUTION DIVISIONS



DISTRIBUTION DIVISION 1

Distribution Division 01 consists of four administrative provinces namely North Western, North Central, Northern and Colombo City municipal Area. There are 16 CEB Areas at present and it will be 17 Nos. with the addition of new Kilinochchi area by end of 2014. Total population within the division is about 7 million. The highest electrification level of the division is 99% is in Colombo city and lowest is 65% in Northern Province.

The annual electricity consumption per-consumer in the Division is 2,136 kWh. Colombo City records the highest annual electricity consumption per consumer which is 7745 units while the lowest annual electricity consumption per-consumer is 1580 units in North Western Province. Colombo City is the most profitable part of the Division and areas such as Jaffna and Kilinochchi are also gaining momentum.

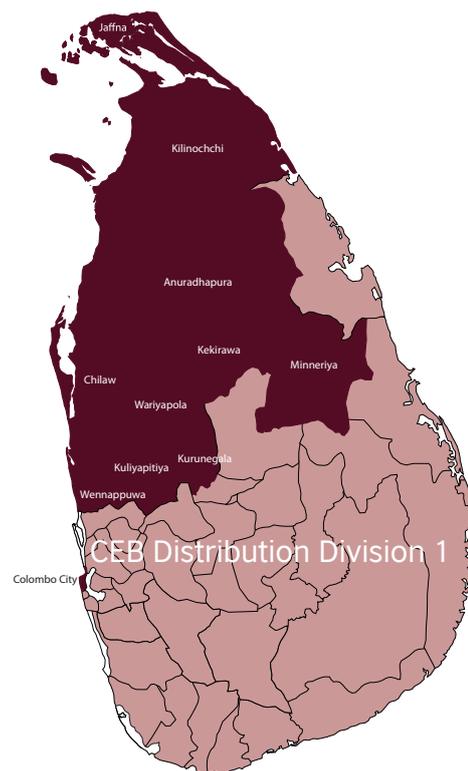
Operational Structure

The Division 1 of Ceylon Electricity Board is headed by an Additional General Manager who is directly responsible to the General Manager. For the operational purposes, the Division is divided into four Provinces namely Colombo City, North Western Province, North Central Province and Northern Province and each Province is again divided into Areas which are administrated by either Chief Area Electrical Engineers or Area Electrical Engineers. There are 16 Areas and 51 Consumer Service Centers within the Division for effective administration.

In addition to the Provincial Deputy General Managers, there are three Deputy General Managers to look after Projects and Heavy Maintenance work, Planning and Development work and Commercial and Corporate work of the Division. Rural Electrification activities within the Division as well as in other Divisions are coordinated by the Deputy General Manager (RE Projects & Procurement).

The finance and revenue functions of the Provinces are carried out by Accountants and controlled and supervised by the Additional Finance Manager of the Division. Each Province is provided with a separate Human Resource Officer to attend to human resource function. Coordination of these activities and the human resource functions of all the executive officers and the staff attached to the corporate office are performed by the unit under the Deputy General Manager (Commercial & Corporate).

Description	Unit	Value
Units sold transmission to Division 01 the year	GWh	3,024
Units sold within the Division during the year	GWh	2,892
Revenue earned from Units sold	Rs. Million	52,642
Average selling price	Rs.	18.20
Distribution loss	%	9.32
Receivable position	Months	1.93
No. of Bulk consumers within the Division at the end of the year	No.	3,216
No. of retail consumers within the Division at the end of the year	No.	1,348,551
No. of new connections provided during the year	No.	86,304
No. of employees at the end of the year	No.	2,831
Average revenue per consumer per month(Bulk)	Rs.	947,546
Average revenue per consumer per month(Ordinary)	Rs.	1,625
Average No. of retail consumers per employee at the end of the year	No.	477
Average length of low voltage lines per employee	km	10.28
Average length of low voltage lines per consumer	km	0.02
Average length of medium voltage lines per Distribution Substation	km	1.14



DISTRIBUTION DIVISION 1 Contd...

Key Objectives

- Provision of reliable electricity supply to the consumers within the Division at statutory levels of voltage.
- Sell electricity and achieve planned surpluses of revenue over the total expenditure.
- Provide new connections to prospective consumers.
- Ensure rational development of the electricity distribution system within the Division.

Distribution Infrastructure

Description	Unit	Value
33Kv Distribution Lines	km	7,302
11kV Distribution Lines	km	619
11kV Underground Cables	km	601
No. of 33/11kV Primary Substations	No.	41
LV Distribution Lines	km	29,104
LV Underground Cables	km	544
No. of LV Distribution Substations	No.	7,465
Total No. of Service Connections	No.	1,351,767

Customer Care

Special efforts were taken during 2012, to improve the service at the customer interface points. The staff attached to 16 Area Officers, 51 Consumer Service Centers, 12 Point of Sale (POS) counters, and 4 Distribution Control Centers took special efforts to serve the customers better during the year. With the opening of new 9 POS counters difficulties encountered by the customers in queuing for making payments were minimized.

“E-city” was introduced first time in CEB in year 2010 to provide special services to the customers and public. These services were further improved and extended in year 2012 in Distribution Division 1. E-city is a “one stop shop” concept where customers (other than heavy supplies) and the public are offered all services.

Province	Area	No
Colombo City	Colombo West	1
	Colombo South	1
	Colombo East	1
	Colombo North	1
NWP	Kuliyapitiya	1
	kurunegala	1
	Chilaw	1

Province	Area	No
NCP	Minneriya	1
	Anuradhapura	1
NP	Vavuniya	1

At the end of this year, a total of ten e-city centers were functioning within the Division. Using advanced technology in activities such as sending the customer a warning through an SMS in place of the conventional disconnection order. Also e-city services are expanded to accommodate customer education programs, information and propaganda on energy saving and efficiency improvement activities.

In order to improve the service to our valued customers, two new Area offices were opened within the Division.



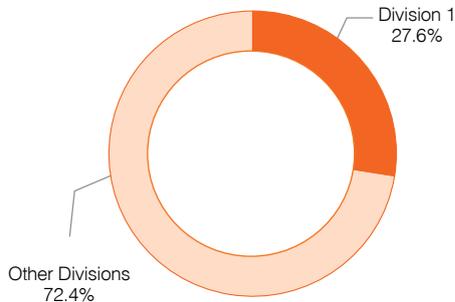
Opening of Area office in Puttalam

Three Consumer Societies were also established in NCP in order to facilitate the customers in solving any problems arising from providing CEB services. This also facilitates improvement of CEB's services through the cooperation of consumers.

Sales

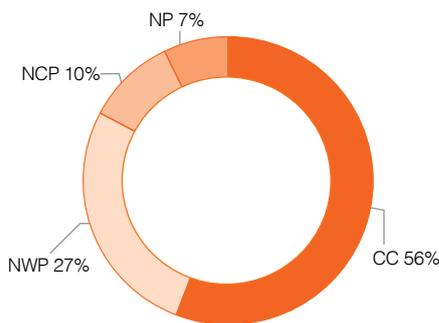
Division 1 accounted for 27.6% of electricity sales in the country in 2012. In this year, 2,892 GWh of electricity was sold in the Division which is an 3.4% increase compared with the previous year.

DISTRIBUTION DIVISION 1 Contd...



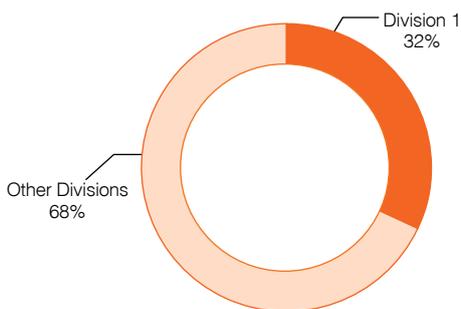
Share of Energy Sales- Division 1

Colombo City accounts for 43% of total sales in the Division followed by North Western Province, North Central Province and Northern Province

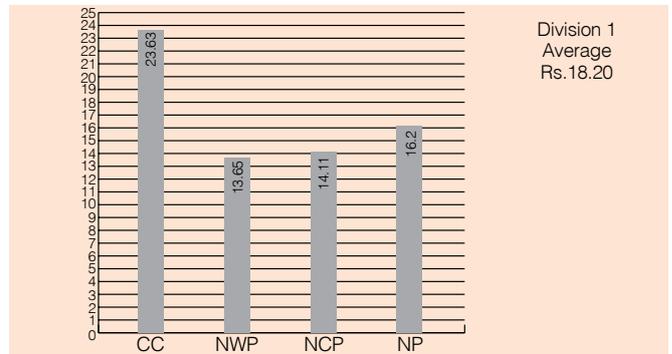


Revenue from Electricity Sales by Province

The revenue from electricity sales during the year was Rs 52642 million which is 23% higher than the previous year.



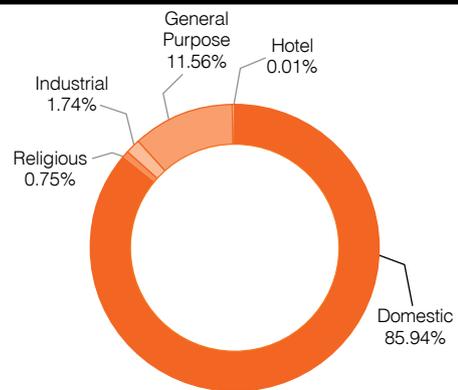
Share of Revenue in Division 1



Average Selling Price in Provinces in Division 1

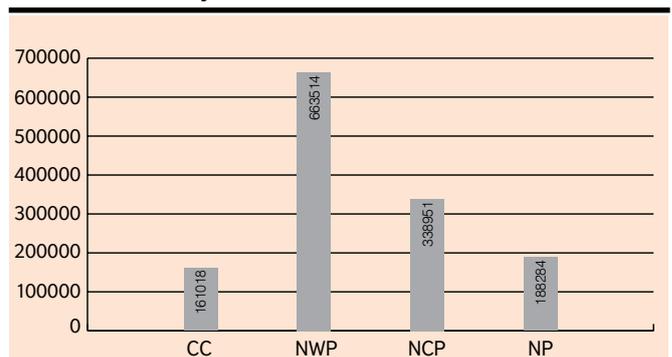
Electricity Consumer Accounts and New Service Connections

Division 01 recorded 1,351,767 consumer accounts by the end of the year 2012. The majority of consumer accounts were in the domestic category while the second most were from the commercial category. The number of bulk supply consumers in the Division by the end of the year was 3216. The most number of bulk supply consumers was recorded from Colombo City.



Consumer accounts by Tariff

Out of the total number of consumer accounts in the Division 01, the largest number of consumer accounts (663514) was recorded from North Western Province and lowest (161018) from Colombo City.



Consumer accounts by Province

DISTRIBUTION DIVISION 1 Contd...

Divisional Meter Testing Laboratory

Year 2012 was yet another challenging year for the Meter Testing Laboratory. At the outset of the year, the skills of the meter lab staff were once again put into the test. This was a real challenge for the Division because it has approximately 3216 bulk supplies out of entire country. The target given was to finish programming all these bulk supplies to suite the current requirement.

The challenge was for the work such as acquisition of all requisite infrastructure (human resources, vehicles, programming devices), providing training on programming for the persons obtained from other units outside the lab. Meter Lab - DD1 undertook this task and satisfactorily completed within given deadline. The final outcome of this task is as follows:

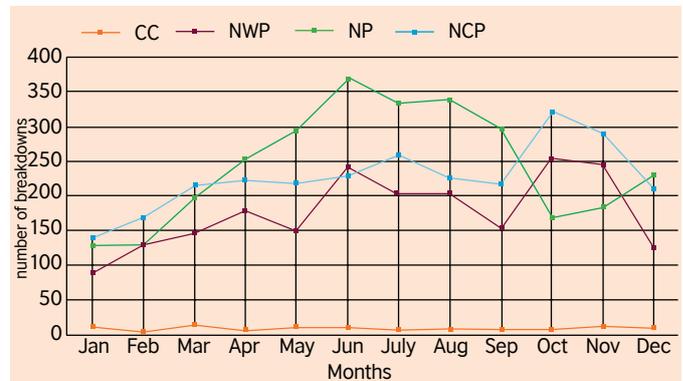
- No. of 1 phase meters tested and issued : 117,660
- No. of 3 phasemeters tested and issued : 4244
- No. of fault meters detected : 37
- No of Bulk supply meters programmed and issued : 325

Though a three month period was spent on meter reprogramming, the Meter Lab staff still managed to complete the routine testing of Meters in NWP, NCP & NP. All customer complaints received from the 16 Areas were also completed within the remaining 12 months. Approximately 1,452 bulk supply meters were tested in 10 Areas coming under these provinces.

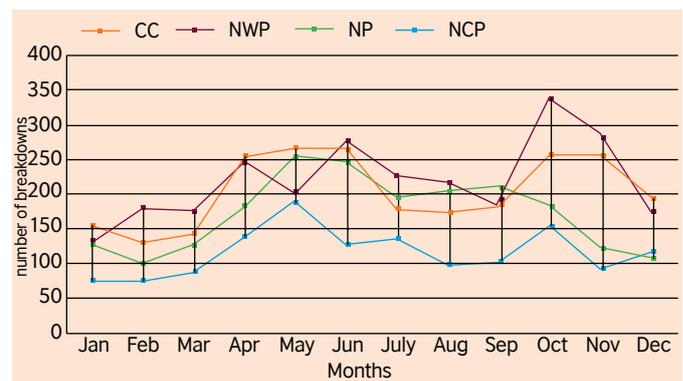
Supply Reliability

The Planning and Development Branch of Division 1 continued its efforts to improve the reliability of supply provided to its customers. Several measures have been adopted to reduce failures and to reduce time taken to locate/isolate faulty sections in order to have a quick supply restoration with the view of improving network reliability.

Distribution network suffers from many types of disturbances such as vegetation related faults, faults due to bad weather conditions etc. This is mainly due to the fact that the distribution network is predominantly an overhead network (except in Colombo City where MV distribution network is underground cable system). The main causes of failures were ACB tripping, vegetation, branches from distance, burning of jumpers and aging of components. The average failure rate of MV network of the Division during the year was 7.4 per 100 km of line per month. The same for LV network was 20.8 per 100 km of line per month.



Provincial MV Network Failures



Provincial LV Network Failures

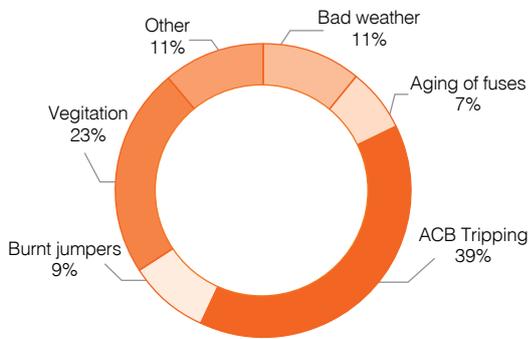
Distribution Control Centers and Distribution Automation

Reliability of service is primary importance. Improvement of supply reliability means reduction of outage time, reduction of failure rate and reduction of restoration time too. In a tropical country like Sri Lanka, it is uneconomical if not practically impossible to reduce failures of an overhead bare conductor MV network beyond certain level. Alternative is to reduce fault locating / restoration time. This is achieved by automating distribution network operations which enables to remotely monitor, coordinate and operate distribution components in a real-time mode from a remote location.

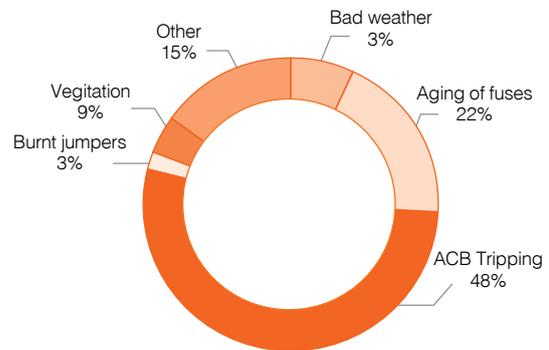
The Distribution Control Centre for the Northern Province commences its activities in year 2012 and it will monitor the entire MV and LV network of the Northern Province. Necessary training has been arranged for the Control Centre Engineers and other staff.

DISTRIBUTION DIVISION 1 Contd...

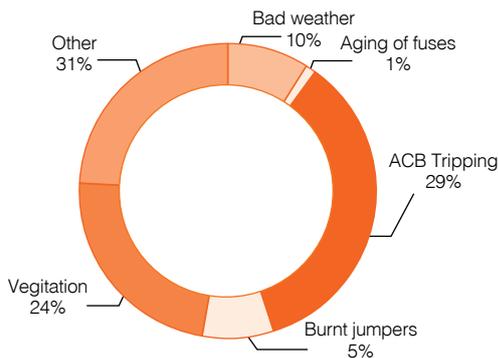
Causes for MV network failures – Provinces



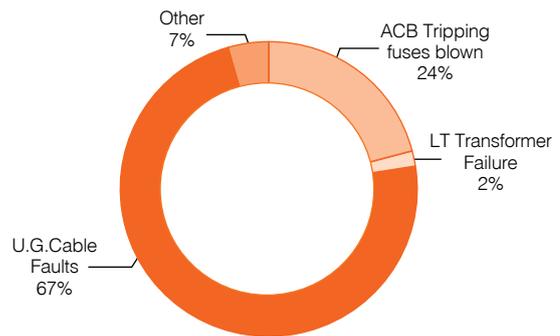
Reasons for MV Failures NWP



Reasons for MV Failures NCP



Reasons for MV Failures NP



Reasons for MV Failures CC

Following are the customer level reliability indices of NWP, NCP and Colombo City monitored and calculated by Distribution Control Centers of NWP, NCP and Colombo City during the year which is a reflection of supply reliability.

	NWP		NCP		Colombo City	
	2011	2012	2011	2012	2011	2012
SAIFI	38	66	18	20	-	-
SAIDI (hrs)	73	124	64	75	0.3	0.34

Two other Distribution Control Centers in CEB Division 01 was commissioned in Colombo City and NCP. The Colombo City Control Centre is a state-of-the-art facility with Distribution SCADA and Distribution Automation and has been fully equipped with communication systems. Operational and safety procedures and guidelines were developed for remote operation of equipment through SCADA.

CEB Engineers were deployed 24 X 7 to operate the Medium Voltage network through a SCADA system installed under Colombo City Distribution Development Project. Initially, 212 substations have been automated, which are operated from

the Colombo City Control Centre located at Classen Place, Colombo 5.

Fiber Optic Cables and dedicated connections provided by Sri Lanka Telecom are used for communications between the automated Substations and Colombo City Control Centre.

Distribution Loss Reduction

The Distribution loss of Distribution Division 01 (DD1) was as high as 17 % in year 2002 has gradually been brought down to 9.32 % by end of 2012. This reduction is primarily due to

DISTRIBUTION DIVISION 1 Contd...

vigorous monitoring and implementation of distribution loss reduction program (technical & non technical) launched by the Distribution Division 1 during past.

The breakdown of the losses in Distribution Division 01 in year 2012 is given below.

Province	Energy input GWh/year	Losses %
Colombo City	1323.2	5.88
North Western Province	1147.4	9.15
North Central Province	423.2	12.3
Northern Province	272.5	23.53
Overall Division 1	3166.3	9.4

Distribution losses of the Division-1

It is estimated that the technical losses are about 8.32% and the balance 1% accounts to non-technical losses such as theft, illicit tapping and unmetered street lamps etc.

Under Non-Technical Loss Reduction Program the remote meter reading processes were continuously monitored and assistance was given to the Area Engineers as necessary.

By way of annual testing of meters regular inspections and automated meter reading it is expected to bring down the commercial losses of heavy supplies nearly to zero level.

Productivity Improvement and Quality Management

North Western Province (NWP) obtained the ISO 9001 – 2008 QMS Certification for the first time in the field of Distribution history of the CEB for the following offices.

- DGM NWP Office Complex including CE (Construction), CE (Distribution Maintenance) and two Accounts offices
- CE (Kurunegala) Area office, CE (Chilaw) Area Office, Kuliyaipitiya Area Office and Puttalam Area Office
- Kurunegala town CSC, Pothuhera CSC and Narammala C.S.C
- All site offices of CE (DM) branch

In addition to the above NWP has obtained Excellence Award at TAIKI Akimoto 5S Award Ceremony 2012.

Excellence Awards Receivers

- Chief Engineer's Office – Kurunegala
- Area Engineer's Office – Wariyapola
- Acc. Revenue Office – DGMNWP
- Consumer Service Centre – Pothuhera

Commendation Awards Receiver

- Consumer Service Centre – Maho

The Colombo South Area Engineer's Office won the first place in the "5S competition" conducted by CEB.

Colombo south Area office also won the "Taiki Akimoto" Merit Award for excellent strategic planning in order to achieve the goals of CEB presented by Japan and Sri Lanka Technical and Cultural Association

DGM (NCP) Revenue branch also obtained 5s award in year 2012.

System Development

Under the power system improvement, to increase the Jaffna peninsula's reliability, a DCV ELM line was constructed from Kilinochchi GSS to Puthukkadu at the cost of Rs 200 million and entire Point Pedro and Chavakachcheri areas were fed from Kilinochchi GSS. After the completions of this task, power cut issues in Jaffna peninsula was substantially reduced.

To maintain the Jaffna town's reliability in a higher order, a dedicated 11kV RACOON line was drawn from Parameswara PSS to Jaffna town.

In addition to that, Rs. 342 million was allocated for entire Northern Province to improve the Medium Voltage (MV) and Low Voltage (LV) networks.

Automatic Meter Reading (AMR) was established for all bulk supply consumers in Kilinochchi & Jaffna areas and monthly reading was taken remotely from February 2012.

The Colombo City Control Center (CCCC) is a fully equipped facility which has access to network operations and planning data for the Engineers, enabling them to design and operate the network more smoothly and accurately.

Management information such as SAIDI, SAIFI and losses are therefore calculated with more accuracy using the facilities available at this center. It has brought down the operating costs incurred in manning substations throughout the day, thus reserving all important manpower for the CEB.

Acquiring of with new technology and skills by the staff in 2012, two ring/radial substations # 1097 and # 1428 were automated and linked up with the SCADA all by the Colombo City Engineers and staff. This is a great achievement which is to be regarded as the number one event for the CEB.

DISTRIBUTION DIVISION 1 Contd...



Manning the network from Colombo City Control Centre

Heavy supply consumers

Several large industries such as Puttlam Cement Factory, Nestle Milk processing factory, Sri Lanka Steel factory, Sri Lamco Steel factory at Pannala, Buwalka Steel factory at Madampe etc. are located in the provinces which contribute a fair amount to our regional income.

The province has a high scope for future development. Industrial parks have already been started at Makandura,

Heraliyawala, Mawathagama and Polgahawela areas with the blessing of Board of Investment. BOI planned to develop few sites at Puttalam, kalladi as industrial parks in the near future.

Prawn farming industries are rapidly developing along the coastal belt from Madampe to Kalpitiya. Fiber based industries would develop in Madampe, Kuliypitiya and Chilaw areas. Large steel Mill is likely to be established in the immediate future in addition to other medium scale industries at Makandura Industrial Estate in Pannala area. The Board of Tourism has already prepared plans to develop the Tourism industry at the coastal belt from Dankotuwa to Marawila and Kalpitiya Peninsula.

Rural Electrification

Rural Electrification (RE) schemes completed in year 2012 in the Division are given below

Name of the project	Extent of work			
	HT (km)	S/S (NOS)	LT (km)	Line conv (km)
Lighting NCP & Vidulamu Lanka	164	134	832	88
IRAN	320	320	1961	38

The objective of the 100% electrification project is to electrify all households in Distribution Division 1 and improve quality, reliability and service of electricity supply to all in the Division.

Uthuru Wasanthaya Project

30 years war prevailed in Northern Province ended by end of May 2009. During the period the whole Northern Province except Jaffna Peninsula, not under government control. Nevertheless with the above project all the conflict affected areas are being electrified.



Energizing RE scheme in Northern Province



Completed RE scheme in Northern Province

Rural Electrification Project-8 (Iran)

The Rural Electrification Project-8 aimed at electrifying the areas that were not covered under other projects are providing electricity to most of the remote villages in North Western Province.

DISTRIBUTION DIVISION 1 Contd...

Rural Electrification Project - 4 (Extension)

Main objective of the project proposal of RE-4 Extension was achieving 100% electrification level in North Central province with assistance of Nordea Bank.

Dayata Kirula

In 2012 Dayata Kirula national event was held in Oyamaduwa Anuradhapura. The cost of providing electricity to the exhibition ground had been estimated as Rs 425 millions. In addition to the above all the schemes and extensions coming under the other projects were expected to be constructed along with the Dayata Kirula programs.

	No. of Jobs	Cost of the Completed Jobs
RE Scheme	48	Rs. 463.4 Mn
RE Extension	130	Rs. 236.6 Mn



Construction of Dedicated feeder (33kV) for Dayata Kirula Exhibition Area

Project and Heavy Maintenance Works

Main responsibilities of Projects & Heavy Maintenance branch are construction and maintenance of Medium Voltage (MV) distribution facilities such as

- 33kV Tower Lines
- 33/11 kV Primary Substations
- Gantries
- Auto Reclousures
- Load Break Switches
- High Voltage Measuring Transformers scattered all over the territory of Distribution Division 1.

This division has the technically specialized staff and special machineries necessary for conducting heavy maintenance activities in MV distribution network. Then 140 persons are working in this branch and out of them 18 persons are outsourced from man power agencies.

In 2012, routine maintenance activities have been carried out on the distribution facilities mentioned in the following table in order to ensure high quality and more reliable electricity supply to consumers in the Division.

Equipment	Number
33/11kV Primary Substations	32
Gantries	18
Auto Recloses	77
Load Break Switches	41
Measuring Transformers	48
33kV Tower lines (km)	1166

To improve the system reliability, Live Line Maintenance practices were introduced since 2011 for conducting routine maintenance of MV tower lines without interrupting the supply. Hot Line maintenance section includes one engineer, one Electrical Superintendent and five workers specially trained in India about Hot Line Maintenance procedures. The gang was equipped with all necessary tools. By the end of year 2012, it has been observed that the scheduled power interruptions taken for routine maintenance work of express lines have been reduced considerably. Hence, plans are on the way to improve the system reliability further though increasing the Live Line

Maintenance activities and expanding them for selected 33kV pole lines. Aiming to achieve this objective, selected few CEB employers were recruited to Live Line Maintenance section and they were given an on the job training on Live Line Maintenance techniques. The necessary equipment for Live Line maintenance of 33kV pole lines has been purchased in 2012. Initial measures were taken to set up a training centre at Habarana by the end of year 2014 to train CEB technical staff that is interested on Live Line Maintenance activities and provide them an opportunity to get the license to be eligible for working in Hot Line Maintenance work groups.

Additionally, this division is responsible for the implementation of MV development proposals regarding new constructions and augmentations of primary substations, MV tower lines, and switching gantries. As proposed in the *MV Development Plan of Distribution Division 1- 2010-2019*, DGM (P&HM)

DISTRIBUTION DIVISION 1 Contd...



Live Line maintenance work of 33kv tower line

DD1 division completed several tower lines and gantries in year 2012. This division has constructed 4km long, 33kV, and double circuit pole line across the Elephant-Pass lagoon to link distribution network in Jaffna peninsula with the main grid. Special designs had to be adopted for construction of this line to avoid problems peculiar to this environment such as frequent flashing over of insulators due to salt contamination and rapid corrosion of steel in concrete poles, conductors, stay wires, cross arms etc. In house developed special construction techniques had to be followed during erection of this pole line in order to overcome difficulties raised in muddy terrain.

Providing necessary operational facilities of MV network in Jaffna is one of the responsibilities of DGM (P&HM) R1 division. Three numbers of new 33kV feeder bays and a 33kV tie line have completed in Chunnakam switch yard in year 2012 to dispatch power generation of newly constructed 24MW Uthuru Jananee Diesel power plant. The construction of a double busbar switching gantry in

Achchuweli in Northern Province has been completed with CAARP funds at an approximate total cost of Rs. 25 million in year 2012 to provide power to a main industrial park in Northern Province.

Construction has been completed on 20 km long double circuit tower line from Thulhiriya grid to Nammala gantry at a total cost is Rs. 250million. This division has completed the construction of 5km long 33kV, double circuit, tower line from Valachchenei grid substation on a request of DGM(P&HM)R2 division as a part of their acceleration program for providing electricity to Dayata-Kirula exhibition. A Design Centre has been established in DGM (P&HM) R1 division mainly to work on design activities of tower lines. The objective of establishing a design office is to develop in-house skills in the field of tower line designing. Special tower line design software named PLSCAD has been purchased to fulfill this objective. During 2012, design work has been completed for new 33kV express tower lines from Madampe-Bingiriya, Anuradapura-Kanduwewa and Pollonnaruwa to Jayatnhipura. In future, the design centre will conduct design work of all future MV tower lines.

A work gang has been set up under the Civil Supervisors with the assistance of a Civil Engineer to carry out civil related activities on masonry and carpentry related work with the assistance of outsourced skilled technicians. By the end of year 2012, the civil gang was equipped with modern surveying equipment and soil testing activities also.

Profile surveying has been completed for the proposed 33kV express double circuit tower lines namely Pollonnaruwa-Manampitiya and Pollonnaruwa-Kaduruwela. Preliminary surveying has been completed on 33kV double circuit tower lines from Anuradapura-Kahatagsdigiliya and Vaunia to Kebitigollewa and ADB funds have been arranged for implementation of them.

Land allocation of three numbers of future gantries, namely Kaduwewa, Kaduruwela, Kahatagsdigiliya have been completed and land purchasing for new gantries in Manampitiya, Ganewalpola and Bingiriya are in progress. Land development activities of Nammala new gantry has been commenced in 2012.

In future, this division determines to conduct construction work on tower lines less than 5km in length, unmanned primaries and gantries with the expertise and skills of in-house staff without awarding contracts

DISTRIBUTION DIVISION 1 Contd...



Providing new 33kV feeder bays for dispatching generation of Uthuru Jannee Power plant in Jaffna



Construction of 33kV pole line across the Elephant pass lagoon

Social Events

The employees of Distribution Division 1 showed their talents not only in constructing electricity lines but also organizing several other social events. The highlights of some of those are as follows.



Poson Bathige Saraniya at Anuradhapura

DISTRIBUTION DIVISION 2

Operational Structure

The Distribution Division 2 is headed by an Additional General Manager, who is directly responsible to the General Manager. For the operational purposes, the Division is divided into three Provinces namely Eastern, Central and Western Province North. Each Province is headed by a Deputy General Manager. Each Province is sub-divided into several Areas, which are administered by Area Electrical Engineers. Each Area is again subdivided into separate areas called consumer service centres. There are 20 Area offices and 58 Consumer Service Centres within the Distribution Division 2 for easy operation.

In addition to the Provincial Deputy General Managers, there are three Deputy General Managers to look after Projects and Heavy Maintenance, Planning and Development and Commercial and Corporate functions of the Division. Commercial and Corporate Branch is responsible for revenue monitoring, non-technical loss reduction, energy management, engineering audit and human resources management and development functions. DD2 Meter laboratory and head quarter call centre is coming under the purview of Commercial and Corporate Branch. The Planning and Development Branch deals with the issues of reliability, medium voltage network development, Divisional material procurement, embedded generation related works, technical loss reduction and rural electrification issues. Projects and Heavy Maintenance Branch carries out construction, maintenance and rehabilitation of 33 kV steel tower lines, construction of new pre stressed pole lines using LYNX conductors, 33kV/11kV Primary Substations and 33 kV switching gantries and installation of auto recloses and High Tension metering transformers. Hot maintenance of 33 kV steel tower lines is also carried out by Project and Heavy Maintenance Branch.

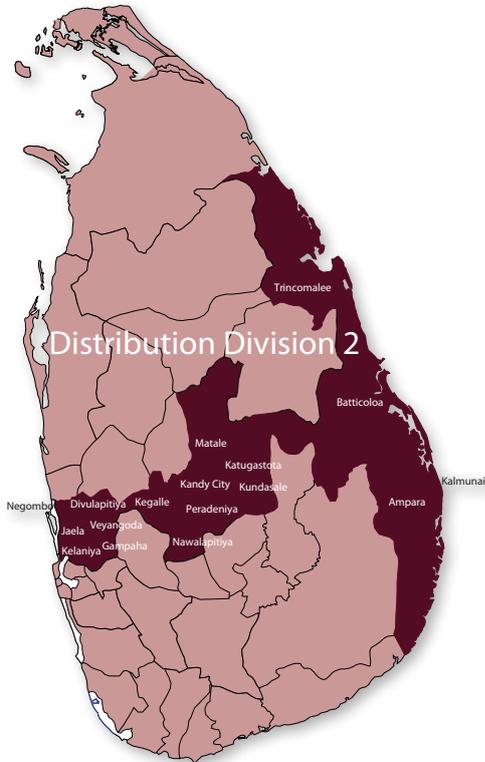
Area of Operation

Area of operation of Distribution Division 2 covers the whole of the Eastern and Central Provinces and parts of the Western and Sabaragamuwa provinces. Eastern Province is subdivided into four Areas Ampara, Batticaloa, Trincomalee and Kalmunai. Central Province is subdivided into twelve Areas Kegalle, Mawanella, Kandy City, Peradeniya, Kundasale, Katugastota, Galagedara, Matale, Dambulla, and Nawalapitiya. The Western Province North is subdivided into six Areas Gampaha, Kelaniya, Negombo, Ja-ela, Divulapitiya and Veyangoda. The Division comprises of 1,563,349 consumers, out of over 4.98 million consumers in Sri Lanka.

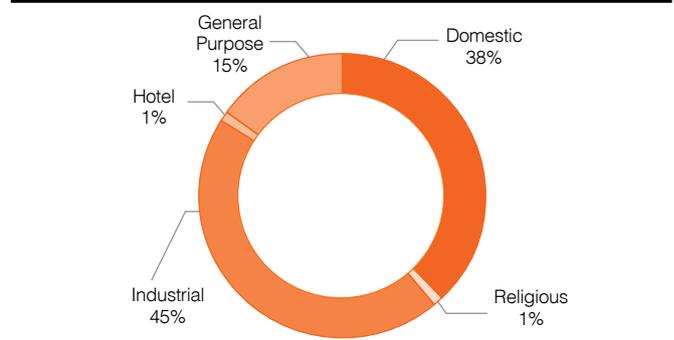
Distribution Division at a Glance (at the end of 2012)

Description	Unit	Value
Units sold within the Division during the year	GWh	2,948
Revenue earned from electricity sold	Rs. Million	43,283
Total number of consumers in Division at the end of the year	No.	1,563,349
No. of retail consumers within the Division at the end of the year	No.	1,561,054
No. of new connections provided during the year	No.	74,604
No. of employees at the end of the year	No.	3,826
No. of bulk supply consumers at the end of the year	No.	2,295
Average revenue	Rs./ month/ consumer	2,307
Average No. of retail consumers per employee at the end of the year	No/employee	408
No. of Areas	No.	20
No. of CSC	No.	58
Length of 33kV lines	km	7,112.2
Length of 11 kV Lines	km	6,72.9
LV Distribution Lines	km	29,611
Distribution loss	%	10
Number of Grid Substations in the Division	No.	19
33/11 kV Primary Substations	No.	39
LV Distribution Substations	No.	5,230
No of NCRE Plants	No.	24
Installed capacity of NCRE plants	MW	51.34
Percentage House hold Electrified	%	83

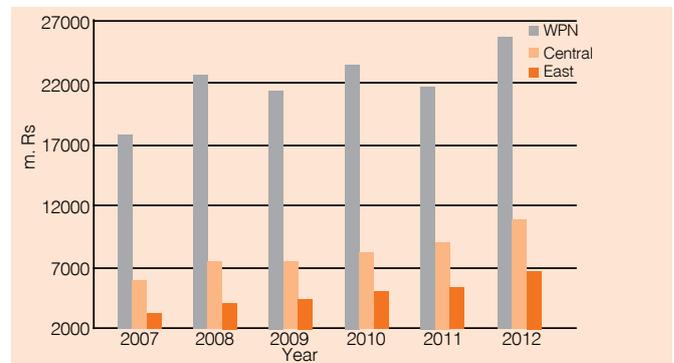
DISTRIBUTION DIVISION 2 Contd...



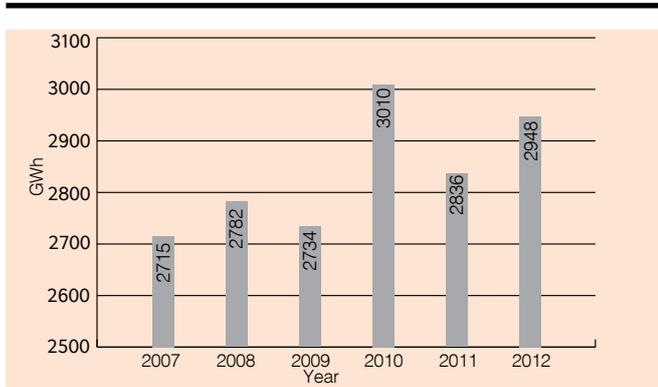
Distribution Division 2: Boundaries



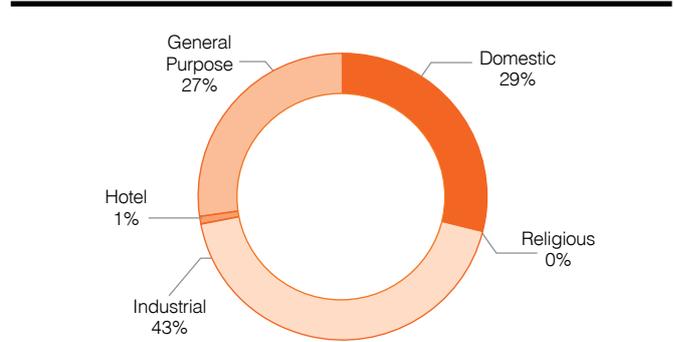
Sales in Different Tariff Categories (GWh) 2012: DD 2



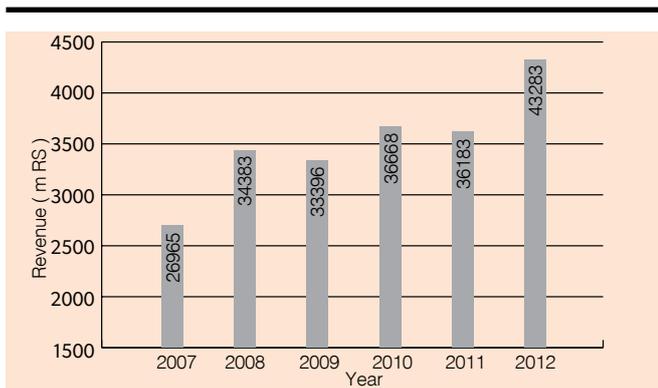
Revenue from Electricity Sales by Provinces: Distribution Division 2



Sales Growth: Distribution Division 2



Revenue from Electricity Sales by Tariff: Distribution Division 2



Revenue Collection: Distribution Division 2

Operational Data in year 2012
Commercial and Corporate Branch of Region 02

The commercial and corporate branch is headed by DGM (Commercial & Corporate) who is responsible to AGM of the Division.

- The main functions of Commercial & Corporate Branch are
1. Commercial activities in the Division
 2. Energy Management activities in the Division
 3. Human resource management activities in the Division
 4. Functions of Meter lab

DISTRIBUTION DIVISION 2 Contd...

Commercial Activities Highlights 2012

New heavy supplies over 1 MW	22 MW (05 Nos.)
Losses recovered from illicit electricity users (Rs.)	35,152,270
Arrears recovered from finalized accounts (Rs.)	18,597,095

Loss Reduction Programme

Under the loss reduction programme of the Division, much effort was taken to reduce non technical losses. Major non technical losses were identified and new methods have been introduced to minimize them.

Collection of arrears in finalized electricity accounts is another activity introduced by Commercial and Corporate Branch in line with loss reduction programme. This programme is aimed to recover the arrears in old finalized accounts completely while recovering the arrears fully at the time of finalizing the recent accounts.

CEB Headquarter Call Centre

CEB Headquarter Call Centre was handed over to commercial and corporate branch - DD2 in 2012 and all administrative and functional activities are handled by DGM (C&C) DD2 branch.

Meter Testing Laboratory

Meter Testing Laboratory of Distribution Division 02 is located at no. 209, Kandy Road, Kiribathgoda

The main functions of the meter testing Laboratory are

1. Testing, calibration and repairing of single phase and three phase meters.
2. Field testing of bulk supply meters
3. Installation of new bulk supply meters to new bulk supply customers.
4. Replacing defective meters of bulk customers
5. Resolving remote reading problems of bulk customers

Highlights of Meter Lab - 2012

S/No.	Jobs completed		Quantity
1.	Meter testing	House service meters	72079
		Three-phase direct connected meters	2619
		Bulk supply meters	577
		Embedded generator station meters	16
2.	New Meter installation	Bulk supply meters	124
		Embedded generator station meters	03
3.	Meter replacement	Bulk supply meters	88
		Embedded generator station meters	01
4.	Meters repaired	House service meters	1191
		Three-phase direct connected meters	215
5.	Provision of remote reading facility	No. of Bulk supply meters	2541
		No. of Three-phase direct connected meters	23
		No. of reading locations	25

To enhance the functions of meter testing laboratory new automated meter testing benches for single phase and three phase meter testing were purchased recently. With these meter testing equipment meter testing laboratory is being able to test energy meters according to the IEC standard. This ensures accuracy of meters installed at consumer premises.

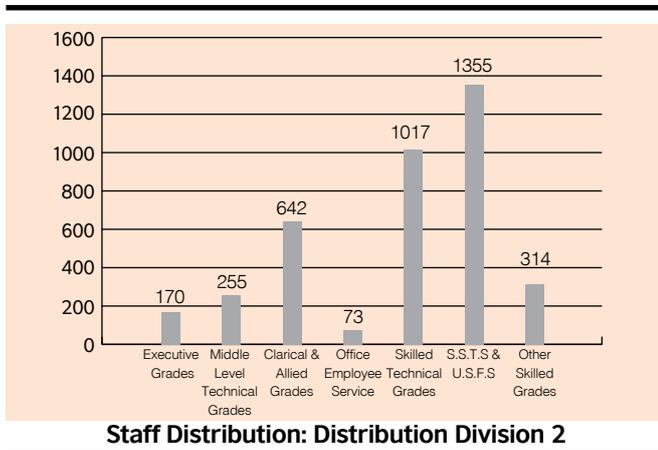
DISTRIBUTION DIVISION 2 Contd...



Three phase meter testing bench at Meter Testing Lab Kiribathgoda

Human Resources: Distribution Division 2

There are 3,826 of permanent employees attached to the Division as at the end of 2012. The Grade-wise distribution of employees is shown in the Figure.



33 kV Tower Line construction jobs Major Works Completed

Job	Province	Length (km)	Cost Rs.
Ginigathena - Imbulpitiya	CP	8.1	13,626,600
Imbulpitiya - Ulapane/Sinhapitiya	CP	7.7	27,721,700
Batticaloa - Valachchenai Stage III (17-35)	EP	5	2,915,000
Gala junction - Mankada Rd	WPN	2.5	19,672,000
Batticaloa - Valachchenai Stage II	EP	10	4,131,000
Total			88,066,300

Staff Training 2012

S/No.	Grade	Percentage Achieved
1	Middle level	100
2	Clerical / Typist / SK	60
3	Skilled Grade	33
4	Drivers	56

Human Resource Information System (HRIS)

HRIS software was introduced in the distribution division for human resource management. Training of users and primary data collection activities needed for HRIS has been completed successfully in all sections.

Projects and Heavy Maintenance Branch.

The Projects and Heavy Maintenance branch comprises of two offices as Western Zone and Central Zone located at Gampaha and Kandy respectively. Construction and Maintenance of 33 kV tower lines. Primary Substations, Gantries and fixing of Auto-reclosers (AR) and CT/PT Units are undertaken by this Branch. The works carried out by the two units during the year 2012 are as follows:

Western Zone

Major Construction works completed

1. LBS fixing 33kV and 11kV 06 Nos.
2. 33 kV A/R fixing 01 No.
3. Construction of Meerigama Church Gantry
4. Laying and rearranging of 33kV UG Cable across Katunayake Expressway

Maintenance activities

1. Routine Maintenance including oil filtration of Primary Transformers in the Division had been completed for 2012 successfully
2. Gantry maintenance including AR is also completed in WPN, CP and EP according to the schedule.

DISTRIBUTION DIVISION 2 Contd...

Line Maintenance Jobs

COLD LINE MAINTENANCE - 2012				
Area	Tower Line	No. of Towers	Approx. Line Length (km)	Cost(Rs.)
Negombo	Kotugoda - Katunayake Tower Line	36	7	1,862,695
Mawanella	Eadurapotha -Mawanella Tower Line	61	14	1,330,509
Kegalle	Thulhiriya -Eadurapotha Tower Line	61	18	1,787,608
Gampaha	Pugoda - Kosgama Tower Line	28	6	386,244
Kelaniya	Biyagama GSS - Biyagama BOI Tower Line	37	5.5	6,839,789
Kegalle	Thulhiriya GSS - Warakapola gantry	27	5	357,902
Gampaha	Imbulgoda - Bandiyamulla Tower Line	30	4.8	485,000
Gampaha	Kotugoda GSS - Bandiyamulla Tower Line	58	12	829,691
Veyangoda	Veyangoda GSS - Malwatta gantry	25	7	921,967
Mawanella	Edurapotha -Molagoda Tower Line	33	8	742,111
Kegalle	Edurapotha -Bulathkohupitiya	100	20	1,045,475
Mawanella	Mawanella - Kadugannawa	26	4	1,505,996
Total Cost				18,094,987

REHABILITATION OF 33 KV TOWER LINES - 2012				
Area	Tower Line	No. of Towers	Approx. Line Length (km)	Cost(Rs.)
Ja-Ela	Dalupitiya -Mabole Tower Line	16	3	12,467,928

Central Zone

33 kV Tower Line construction jobs

Major Works Completed

Job	Province	Details	Length/km	Cost/Rs. M
Batticaloa-Valachchanai Stage 3	EP	33kV DC Lynx	7.2	80.4
Batticaloa-Valachchanai Stage 4	EP	33kV DC Lynx	5	90

Line Maintenance Jobs

Line Maintenance Unit of Projects & Heavy maintenance Central Zone is responsible for maintaining all 33Kv tower lines in Kandy, Matale, Peradeniya, Kundasale, Katugastota, Nawalpitiya, Galagedara, Kandy City, Dambulla, Ampara, Batticloa, Kalmunai and Trincomalla areas. The work executed in year 2012 is shown in the table given below.

COLD LINE MAINTENANCE				
Area	Tower Line	No. of Towers	Approx. Line Length (km)	Cost(Rs.)
Peradeniya	Eriyagama -Galaha	93	15.30	1,242,849
Trincomalee	Trinco-Kithuluthuwa	100	28.00	1,326,968
	Trinco-Morawewa	83	20.75	783,455
Kundasale	Karalliyadda-Mahiyangana-Randenigala	149	27.00	1,525,028
Total				4,878,300

DISTRIBUTION DIVISION 2 Contd...

Hot Line Maintenance				
Area	Tower Line	No. of Towers	Approx. Line Length (km)	Cost(Rs.)
Kegalle	Kegalle Area	64	21.00	576,085
Trincomalee	Trinco-Kithuluthuwa			
	Trinco-Morawewa	382	104.20	259,787
Nawalapitiya	Nawalapitiya Area	188	59.00	1,538,596
Total				2,374,468

Cost Recovery Jobs & Breakdowns 2012		
Area/ Line	Job	Cost
Nawalapitiya	33kV Line Maintenance	1,718,456
	Ulapane Tower Line Maintenance	53,675
	Dolosbage Tower Line Maintenance	109,289
	Wattappola Tower Line Maintenance	89,662
	Gampola	53,410
	Dolosbage Tower Line Breakdown	807,820
Katugastota	Katugastota Tower Line Breakdown	214,882
	Walala Ukuwela Line (Lowering work)	565,860
Matale	Ukuwela Grid Substation	41,494
Total		3,654,549

Tower Line Construction Work



DISTRIBUTION DIVISION 2 Contd...

Line Maintenance Work



Planning & Development Branch

The Head of the Planning & Development branch is the Deputy General Manager Planning & Development. There are two Chief Electrical Engineers and six Electrical Engineers under Deputy General Manager.

Planning and Development Branch addresses the issues of reliability, medium voltage network development, Divisional

material procurement, embedded generation related works, technical loss reduction and rural electrification issues. It is mainly engaged in preparation of the Medium Voltage Distribution Development Plan and improvement of medium voltage network.

Planning

This Unit performs in coordination with the Provincial Planning units which propose improvements for the MV and LV networks annually and prepare proposals for the long term MV Network Improvement Plan.

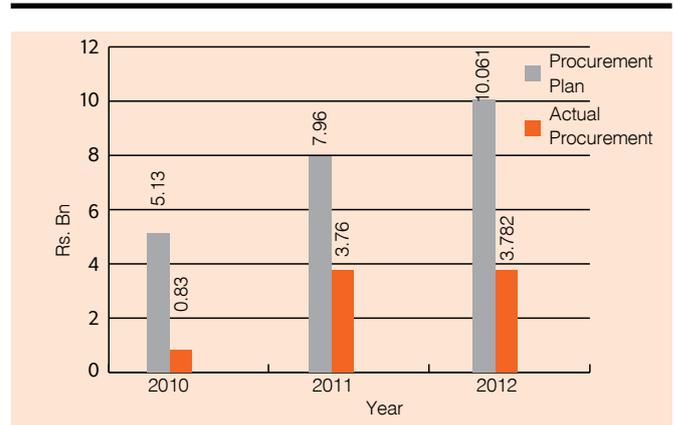
There had been delays in implementation of MV proposals in 2012 due to the lack of resources such as vehicles, equipment and contractors. The expected reduction in energy loss and the quality of supply has not been achieved as planned because the MV proposals are not implemented in time.

This Branch constantly monitors the progress of the jobs allocated for each unit. Heavy construction works such as Tower Lines, Gantries and Augmentation & Construction of Primary Substation are allocated to the Projects & Heavy Maintenance Unit, while the other works are allocated to the Provinces.

Material Management

Material Management is one of the responsibilities of Planning & Development Branch. The Chief Electrical Engineer (Material Management) prepares annual Procurement Plan and the Material Plan.

The estimated cost of Annual Procurement Plan & Actual expenditure of Procured materials during 2012 are shown in the figure given below.



DISTRIBUTION DIVISION 2 Contd...

Rural Electrification

Three Provinces of the Distribution Division 2 are responsible for implementing RE Projects. These projects are funded by Foreign Agencies, through Decentralized Budget or Provincial Council Budget. The numbers of jobs completed by each Province during 2012 is shown in the table given below.

Province	No. of Jobs
Eastern	411
Central	794
Western Province North	332

Projects coordination

The summary of progress of each project handled by Planning and distribution branch during 2012 is given below.

- Data collection survey on “Medium Voltage Distribution Loss reduction” was carried out with Technical Assistance of ADB Consultants. Work scope for Construction of 130 km 33kV DC Tower Lines and 5 Nos of 33 kV Gantries to improve the power supply in remote areas were approved to be funded by ADB under Package 04 of Clean Energy & Network Efficiency Improvement Project.
- Work scope for “Construction of 33 kV Power Lines to proposed Primary Substations at Kiribathgoda, Katunayake, Nawala and Kotikawatta” was approved to be funded by ADB under Clean Energy & Access Improvement Project; Part 03 Lot B.
- Loan effectiveness of the Loan agreement for the “Lighting Sri Lanka Eastern Province Project” was declared between China Exim Bank and GOSL in May 2012.
- The Trincomalee Integrated Infrastructure Project (TIIP) using French funds was completed during 2012.
- Scope of the Japanese Funded Poverty Reduction (JFPR) Grant No: 9158 to improve Gender inclusive access to Clean and Renewable Energy has been finalized with ADB.
- Data collection survey on “Electricity Supply System Efficiency” was carried out with Technical Assistance of JICA Survey Team.
- Delivery of materials under Sustainable Power Sector Support Project (ADB funded) started in January 2012.

Construction Progress -2012

Eastern Province

Fund Type	No of Jobs	Work Content					Cost Rs. /Mn
		HT (km)	LT (km)	S/S (Nos.)	1 – 3 Ph (km)	2–3 Ph (km)	
DCB	74		7.87				9.49
PCB	21		2.89				3.34
AREP	5	11.7	38.1	6			80.34
BS	45	11.55	-	44			114.13
Cost Paid	88	0.66	2.19	6			74.66
RE-08	27	7.56	46.93	3			78.99
LSE	58	3.872	41.41	3			63.62
SYA	44	13.1	3.63	8	8.15		32.73
ADB	94	21.31	147.1	10	6.042	0.04	242.92
NN	216	58.42	438.95	49	26.310	1.03	775.68
UU	4	4.89	32.66	4			54.72
BSF	4	9.71	-	1			28.83
Total	680	142.8	822.81	134			1,559.45

AREP - Accelerated Rural Electrification Project, LSE - Lightning Sri Lanka East
 UU - Uva Udanaya ADB - Asian Development Bank , NN- Negenahira Navodaya,
 BSF- Board Special fund

DISTRIBUTION DIVISION 2 Contd...

Western Province North

Fund Type	No. of Jobs	Work Content			Cost Rs. Million
		HT (km)	LT (km)	S/S (Nos.)	
Decentralized Budget	3	-	0.274	-	0.18
Provincial Council Budget	22	-	2.087	-	2.47
System Augmentation	69	2.898	30.142	22	115.48
Ran Aruna	332	-	51	1	93.00
Maintenance of Lines	108	75.216	2.1	30	59.82

Central Province

Fund Type	No. of Jobs	Work Content			Cost Rs. Mn	
		HT (km)	LT(km)	S/S		
Decentralized Budget	139	0	24.15		27.70	
Provincial Council Budget	396	2	70.68	2	102.03	
Cost Recovery	Bulk Supply	83	17.98	0.65	65	179.44
	Distribution	72	48.49	30.01	16	166.38
System Augmentation	185	14.81	98.32	7	72.48	
Accelerated Rural Electrification Project	30	26.05	60.62	11	150.83	
Lighting Sri Lanka CP	111	1.56	49.78	3	76.81	
Lighting Sri Lanka Kegalle District	27	1.65	9.3	2	17.07	
Rural Electrification Project - 8	850	38.82	421.98	48	759.58	
Ran Aruna						
SIDA	9	16.45	26.68	9	84.01	

MV/LV network development work (Completed)-2012.

Province	New Distribution Substation (Nos.)	Aug. Distribution S/S (Nos.)	New MV line (km)	New LT line (km)	LT line conversion (km)
WPN	22	9	2.898	6.679	23.463
CP	90	3	121.5	822.8	41.5

Energy Management Unit

1) Ordinary Supply Meter Testing

a) Single Phase Testing

Item	WPN	CP
Meters tested	7494	1573
Meters replaced	726	95
Supply point arrangement		
Meter cut out	913	
New cut out fixing	122	
Corrected misalignments	62	
Meter box fixed	1283	
Tamper detected	130	75

b) Three Phase Testing

Item	WPN	CP
Meters tested	3544	869
Meters replaced	174	
Supply point arrangement	98	211
Consumer load survey	22	21
Meters fixed for replacing of analogue meters	57	170

DISTRIBUTION DIVISION 2 Contd...

2) Bulk Supply Meter Testing

Item	WPN	CP
Meters tested on routine basis	951	591
Meters tested on AEE request	48	
Meters replaced - Defective	93	
Meters replaced - Augmentation	15	
Meters installed for new connection	63	
Remote meter reading investigator	106	
HT meter rewiring, CT/PT connection verification, Phase sequence corrections	09	
Meters fixed for self generation	20	
Meters fixed for meter shifting	01	

Special Events -2012

Western Province North

» Started up of Call Centre-WPN

For the purpose of providing efficient & cordial service to the electricity customers in Gampaha District, a call centre has been established in DGM's office of Western province north. It operates around the clock and can accommodate 20 consumers simultaneously.

By dialling 011 5 988988 electricity consumers can get following services.

1. Reporting Electricity Breakdowns
2. Reporting illegal electricity consumptions
3. Listening to scheduled power interruptions
4. Any other information related to Ceylon Electricity Board- Western Province North



Eastern Province

» Energy conservation awareness program

Energy conservation awareness programs were conducted among schools in Eastern province.



Program at Royal College at Trincomalee

» Mobile service conducted at remote areas

Three Nos of Mobile services were conducted in Eastern province during the year 2012. This benefits consumers those who are at remote areas. The locations where the mobile service conducted were Dehiyatakandiya, Pathiyathalawa and Kanthale. Under this program all area office services were provided to the consumers from remote locations.

Services provided at Mobile Service

- » One day service connection provided to the consumer
- » On the same day application received from consumer, estimate prepared, payment received and connection given
- » Settlement of the bill dispute
- » Bill payment received including arrears bills
- » Request from consumer for electricity scheme and extensions were taken for investigation

DISTRIBUTION DIVISION 2 Contd...



Mobile Service at Kanthale

- **Consumer societies formed for bulk and ordinary consumers area wise**

Consumer societies formed for bulk and ordinary consumers. Meetings were conducted area and csc levels and identified problems were discussed and solved.

Further, consumers were educated for energy conservation and demand shifting during the peak hours.

Central Province

Art and Essay Competition

Consumer Awareness Programmes

Adoption of 5S concept in Distribution Division 02.

Having established and encouraged the broad-based practices of the 5S concept in the Ceylon Electricity Board, thereby greatly benefitting the consumers, following offices awarded in the 5S & innovation competition - 2012.

- Area Office - Kelaniya - First Place
- Area Office - Divulapitiya - Second place
- DGM (C&C) Office - Third Place
- DGM (East) office - Merit award
- Area Office - Peradeniya - Merit Award

Kundasale Area

- Obtained the ISO 9001:2008 Quality Management Certification
- Implemented MV system auto fault detection and fault section Isolation programme in the area
- Received following awards in TAIKI AKIMOTO 5S competition held by JASTICA
 - » Kaizen award
 - » Sector award (Small scale / Service)
 - » Excellence 1st Runner-up award
- 1st Runner-up award in National Productivity competition held by National Productivity Secretariat. (Service Sector, Medium)
- 1st Runner-up awards of CEB 5S competition for Dumbara CSC

DISTRIBUTION DIVISION 3

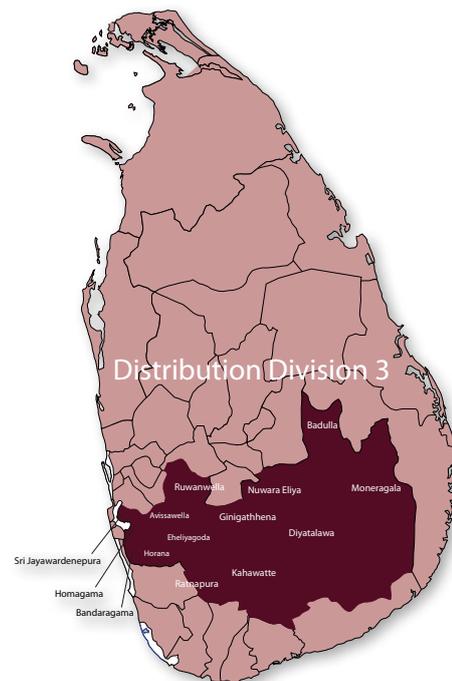
Highlights of the year

Description	Unit	Value
Units sold within the Region during the year	GWh	1938
Revenue earned from Units sold	Rs.Million	27,934
Average selling price	Rs/kWh	14.41
Distribution loss	%	10.3
Receivable position	Months	0.96
Number of retail consumers within the Region at the end of the year	Nos	1,208,772
No of new connections provided during the year	Nos	56,831
Number of employees at the end of the year	Nos	2,867
Number of bulk supply consumers at the end of the year	Nos	1,814
Average revenue per consumer per month	Rs/Month/Consumer	1923
Average number of retail consumers per employee at the end of the year	Nos	422
Average number of retail consumers per distribution substation	Nos	263
Average number of low voltage lines per employee	km/employee	9.4
Average number of low voltage lines per consumer	m/consumer	22.36
Average length of medium voltage lines per distribution substation	km/sub	1.5
Electrification Level	%	90.0
33/11 kV Primary Substations	Nos	39
LV Distribution Substations	Nos	5230
No of NCRE Plants	Nos	24
Installed capacity of NCRE plants	MW	51.34
Percentage House hold Electrified	%	83

Area of operation of Distribution Division 3 as shown in Fig. 1 covers Sabaragamuwa Province, Uva Province and part of Western Province called Western Province South 2. Western Province South 2 covers areas of Homagama, Sri Jayawardenapura, Avissawella and Horana while Sabaragamuwa province consists of Ratnapura district, part

of Kegalle District and Nuwara Eliya district. Uva province covers Badulla District, Monaragala District and part of Nuwara Eliya district. Division covers about 23% of the total land area of the island. Total population within the Division is about 5.7 million. The highest electrification level of the Division, 99% is reported From Western Province South 2 and lowest, 84% is from Uva Province. Electrification level of Sabaragamuwa is 92%.

The annual per-consumer electricity consumption in the Division is 1,601Units in 2012. Western Province South 2 records the highest annual per consumer electricity consumption which is 2,979 Units while the lowest annual per - consumer electricity consumption is 948 Units in Uva Province. Western Province South 2 is the most profitable part of the Division while the business in certain areas in Sabaragamuwa and Uva Provinces are far below the satisfactory level.



Geographical Demarcation of Division 3

Operational Structure

The Distribution Division 03 of Ceylon Electricity Board is headed by an Additional General Manager who is directly responsible to the General Manager. For the operational purposes, the Division is divided into three Provinces namely Sabaragamuwa, Uva and Western Province South 2. Each Province is headed by a Deputy General Manager. Each Province is again divided into Areas which are administered by Area Electrical Engineers. There are 15 Area offices and 46 Consumer Service Centres within the Region for effective administration.

In addition to Provincial Deputy General Managers, there are

DISTRIBUTION DIVISION 3 Contd...

three Deputy General Managers to look after Projects and Heavy Maintenance work, Planning & Development work and Commercial and Corporate work of the Division. Commercial & Corporate Branch carries out revenue monitoring, non technical loss reduction, energy management, engineering audit and human resource management & development functions. The Planning & Development Branch addresses the issues of reliability, medium voltage network development, regional material procurement, embedded generation related works, technical loss reduction and rural electrification issues. Projects & Heavy Maintenance branch carries out construction, maintenance and rehabilitation of 33 kV steel tower lines, 33kV/11kV Primary Substations, 33 kV switching gantries, auto reclosures and High Tension metering transformers. Hot maintenance of 33 kV steel tower lines also carried out by this branch.

The finance and revenue functions performed by the Provinces are supervised by the Additional Finance Manager of the Division. Each Province has a Human Resource Officer to attend the human resource functions. Coordination of these activities and the human resource functions of all the executive officers and the staff attached to the corporate office are performed by a Unit under the Deputy General Manager (Commercial & Corporate).

Embedded Generators in the Province

About 90% of the small hydropower stations are located in region 3. Presently there are about 337 embedded generators; mostly mini hydropower plants are located in Region 3. Out of this 65% are in Sabaragamuwa province while 34% are in Uva province. 75 nos of power plants have been commissioned and connected to the regional distribution network, adding 157 MW of power to the national grid. However, there are several issues which lead to stop of proceeding new proposals for embedded generators. Some of them are in adequate line capacity of existing network which leads to construct dedicated feeders even for small power plants and practical difficulties in finding line routes for new feeders. Further, most of the grid substations in the Region have exceeded allowable dispatch limit. Thus new proposals are not processed for some of the grid substations in the Region 3. This could be solved only by transmission proposals which are beyond the scope of Distribution.

Key Objectives of Distribution Division 03

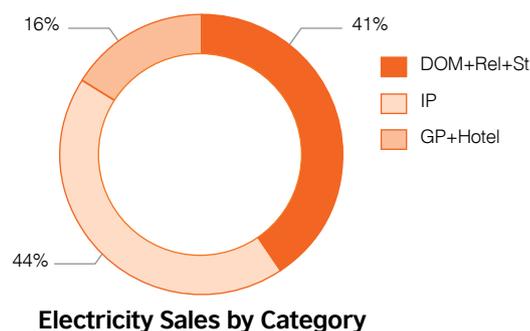
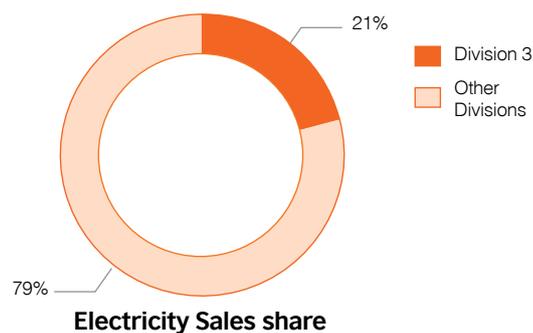
- › Connecting more consumers to the existing consumer network
- › Maintaining supply reliability at a satisfactory level
- › Maintain supply quality at specified level
- › Taking precautions to minimize all losses such as technical losses, non-technical losses

- › Attending all consumer matters and providing solutions within a minimum time
- › Providing all the services for maximum satisfaction of the stakeholders

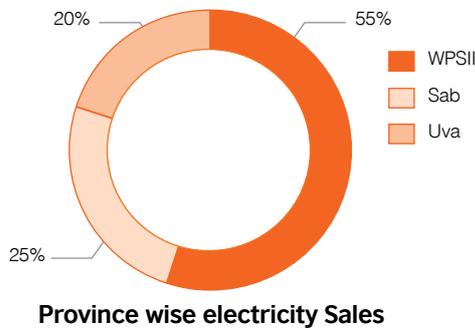
Distribution Structure		
33kV Distribution Lines	km	6,836.65
11kV overhead lines	km	49.68
11 kV Underground Cables	km	3.90
33/11kV Primary Substations	No.	11.00
LV Distribution Lines	km	27,067.78
LV Distribution Substations	No.	4,597.00
Service Connections	No.	431,917.00

Sales during 2012

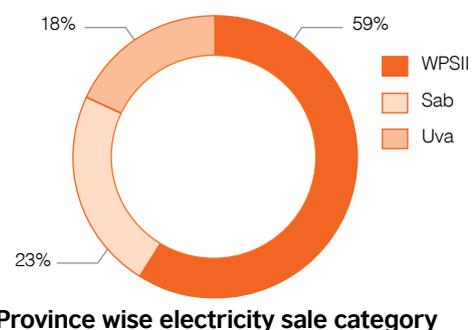
Distribution Division 03 recorded 21% of electricity sales (except LECO sales) in the country. In the year 2012, 1938 GWh of electricity sale by CEB except electricity LECO was sold in the Division which is a 5.0% increase compared with the previous year 2011. The majority of sales in Division 03 were from Industrial tariff category which is approximately 44% of the total sales of the Division. This is followed by Domestic and General Purpose tariff categories. Western Province South 2 accounts for 55% of total sales in the Region followed by Sabaragamuwa and Uva Provinces.



DISTRIBUTION DIVISION 3 Contd...



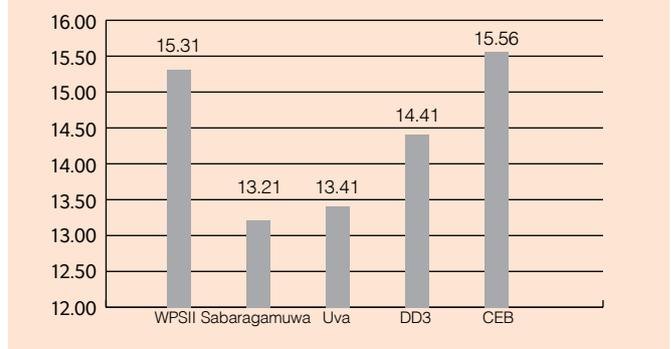
Province wise electricity Sales



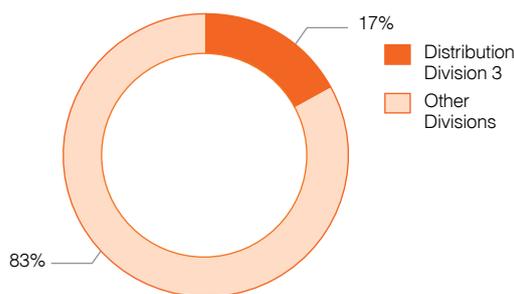
Province wise electricity sale category

Revenue from electricity sales

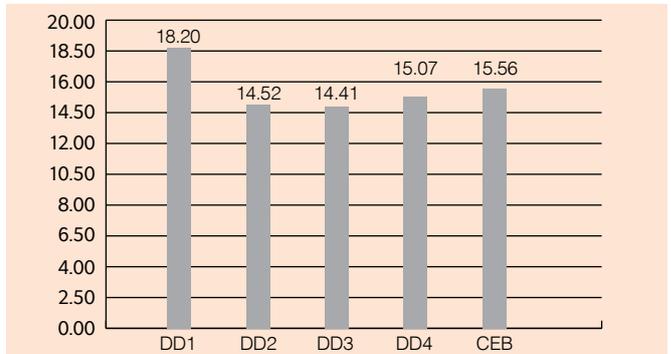
The revenue from electricity sales during the year was Rs. 27,934 million which is 22% higher than the previous year (The above sale is except the LECO sale). Division 03 accounts for 17.0% of the total revenue of the CEB (except LECO). The majority of sales in Division 03 were from Industrial tariff category which is approximately 42% of the total sales of the Division. This is followed by Domestic and General Purpose tariff categories. Western Province South 2 accounts for 59% of the total revenue in the Division followed by Sabaragamuwa and Uva Provinces. The average selling price of a unit in the Division is Rs. 14.41 which is less than the national average of Rs. 15.56. In Comparison of Divisional unit prices, Division 1 recorded the highest unit price which is above the national average.



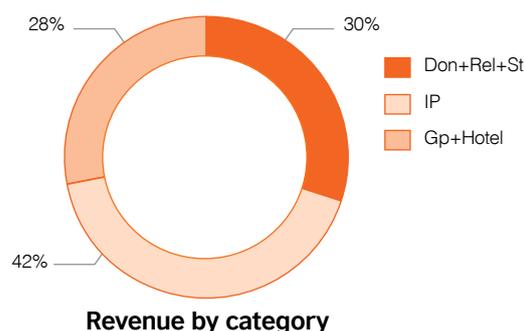
Province wise unit price



Revenue share in Division 3



Division wise unit price



Revenue by category

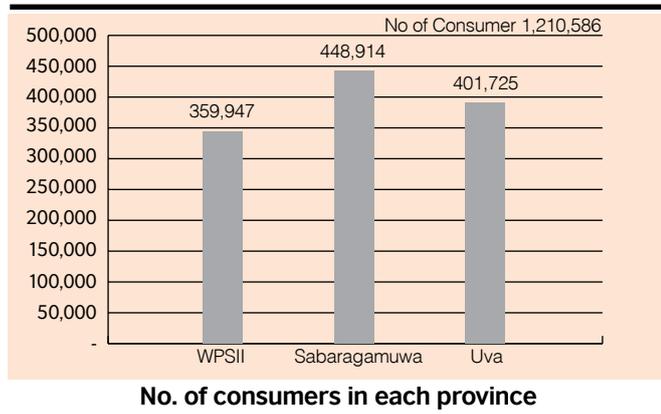
During 2012, the collection as a percentage of sales was 98%. The corresponding figure in the previous year was about 101.9%. The Debtors position of the Division for the year 2012 is Rs. 2332 million. The overall receivable position of the Division was 0.96 months as at December 2012 while it was 0.95 in the year 2011.

Electrical consumer accounts and New Service Connections

By the end of the year 2012, Region 3 had 1,210,586 consumer accounts. The majority of consumer accounts were in the Domestic category, while the second-most was from the Commercial category. The number of bulk supply consumers in the Region by the end of the year was 1,814.

DISTRIBUTION DIVISION 3 Contd...

The largest number of bulk supply consumers 867, was recorded from Western Province South-2. During 2012, a total of 56,831 new connections were provided.

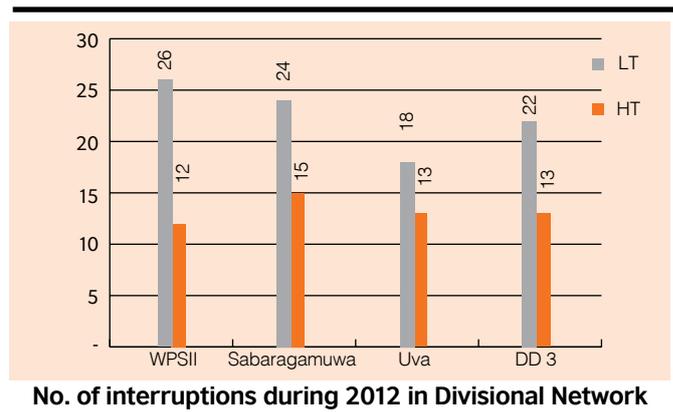


Reliability

Detail analysis has been done regarding the feeder tripping in the region during the year 2012. Accordingly way leave clearing programs were organized at provincial level. Further most of the Auto Reclosers are being set for remote operation and sectionalizers were installed in coordination with Auto Reclosers. This will definitely reduce the restoration time of breakdowns.

During the year under review, the supply reliability has been improved than it was in previous year even though the HT

and LT line lengths have been increased by 1% and 10% respectively from previous year figures. The number of breakdowns per month per 100 km line has been maintained at about 13 for High voltage lines while at 22 for Low Voltage.



Development of Electricity Distribution System

Rural Electrification schemes, RE works and other system development works carried out and completed in year 2012 within the Region is given below. During the year 2012, about 1,398.9 km LT new lines, 656.0 km of new HT lines and 126 new Substations/Gantries were constructed. The total work scope during 2012 was amounted to be Rs. 2,515 millions.

Project/Scheme	LT (km)	HT (km)	New Subs/ Gantries (Nos.)	Augmented Subs (Nos.)	Subs/ gantries Maintained	Total Cost (MRs.)
DCB	5.7					8.3
PCB	19.7					22.0
Sys. Augmentation	43.5	86.4	19	11		321.3
LKDD	34.4					46.2
Uva Udanaya	607.7	108.9	64			1,061.2
Lighting Ratnapura	349.7	14.4	9			431.0
Gamanagama	0.3					0.3
Maintenance	3.0	393.9			241	64.5
CR Jobs (Road widening)	3.0	10.0				16.0
Other – RE Schemes(including RE8)	179.2	42.4	34			342.1
Other – RE Extensions(including RE8)	152.8					202.4
Total	1,398.9	656.0	126	11	241	2,515.2

DISTRIBUTION DIVISION 3 Contd...

Construction of Tower lines and installation other equipment

Item	Scope	Total Cost (MRs)
New Lines		
Double circuit Raccoon line		
Single circuit Raccoon Tower (km)	2.8	20
Double circuit Lynx Tower (km)	12.4	173
Single circuit Lynx Tower (km)	9.5	85.5
Line Maintenance		
Double circuit Raccoon Tower (km)		
Single circuit Raccoon Tower (km)	30.25	17.86
Double circuit Lynx Tower (km)	34	
Single circuit Lynx Tower (km)	42	
Primary Substation maintenance		
No. of substations		20.1
Gantries		
New gantries	1	20
Installation of equipment		
Auto-Reclosures (Nos)	7	14.9
Load break switches (Nos)	2	3.8
Boundary meters (Nos)	3	5.79
Bulks supply meters (Nos)	13	27.02
Total		387.97

Uva Udanaya

The Government of Sri Lanka is making a genuine effort to provide electricity to all by 2012 while establishing Small & Medium Scale Industries in the Rural Sector. The proposed Uva Udanaya Rural Electrification Project, that would serve the purpose of Rural Electrification Expansion & Access Improvement, will provide electricity to about 800 remote villages at an expected cost of about US\$ 45 million. The project will extend the Medium Voltage Distribution Lines by 625 km with 250 distribution substations that would feed 80,000 new households through a Low Voltage Network of 2250 km also meeting the requirements of Small & Medium Scale and Large Industries. More than 35% of the work scope has been completed at the end of the year.

Iran (RE 8) Project

The Rural Electrification Project-8 was planned to electrify thousand villages in eleven CEB provinces namely North West, Central, Western North, Eastern, West South-I, West

South-II, Sabaragamuwa and Southern Province under the Rural Electrification program of the Government of Sri Lanka. Rural Electrification Project-8 is funded by the Government of Iran and the total estimated cost of the project is US\$ 106.5 million. The proposed Contractor for this Project is Sunir Co. of Iran and supplies all the materials except RC & Pre-stressed poles which will be procured by CEB.

The scope of work proposed under this project is:

- Erection of 1000 Nos. of 100kVA, 33kV/LV distribution substations
- Erection of 1,000 km of 33km MV-Lines
- Erection of 4,000 km of Bundle Conductor/3-phase, LV distribution lines
- Erection of 2,000 km of 3-phase LV distribution lines
- Conversion of 50 km of Single phase lines to 3-phase lines

Several schemes have been completed and energized to provide electricity to consumers.

Lighting Ratnapura

Aim of this RE project is to provide 100% electrification in Ratnapura district. The project is managed by a project director and it was started in the year 2008. The project scope is given below.

- (1) Augmentation of Ratnapura GSS
- (2) Construction of 71 km of 33kV express lines and 3 switching gantries
- (3) Construction of 1000km of MV lines, 2100 km of LT lines and 550 no. of distribution substations

Distribution loss Reduction

The CEB's system losses which were as high as 21 % of gross generation and Distribution level losses as high as 17 % of gross generation in year 2002 has been gradually brought down to 10.67% by end of 2012. This reduction of Distribution level losses had been due to vigorous monitoring and implementation of distribution loss reduction programmes (technical & commercial) launched by the Distribution Divisions during past few years.

Distribution losses of Division 3 were 10.3 % of distribution input to Division 3 during year 2012. The Provincial level losses in Division 3 for the year 2012 are given below.

DISTRIBUTION DIVISION 3 Contd...

Province	Energy In (MWh)	% Losses
WPS2	1,456	6.0
Uva	449	15.2
Sabaragamuwa	572	15.1
Division 3	2,477	10.3

Out of these losses of 10.3%, it is estimated that technical losses are about 8.4 % and balance 1.9% amounts to 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 WPS2 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, Region 03 Energy Management Unit carryout programs to improve the metering connections of Bulk Transformers. WPSII Energy Management Unit always follows up theft, illicit supply and frequent meter testing is also carried out.

Productivity Improvement and Quality Management

5S concept has been well implemented and there is a significant improvement in Region 3. Most of the offices in Region 03 have participated for the 5S competition 2012 and won awards. DGM(C &C) branch, office of DGM (WPSII), Kahawatta Area Office, Kalawana CSC and office of the Chief Engineer (Distribution Maintenance)-Uva won the awards in the competition.

Planning & Development Branch was recommended by SLSI to obtain ISO 9001:2008 certification. Final stage of ISO audit will be on 2013 and the branch will achieve the ISO 9001:2008 certification in 2013. In addition, Planning & Development Branch was awarded by the National Productivity Secretariat with a "D1 Grade" for the National Productivity awards 2010/2011.

Material Procurement

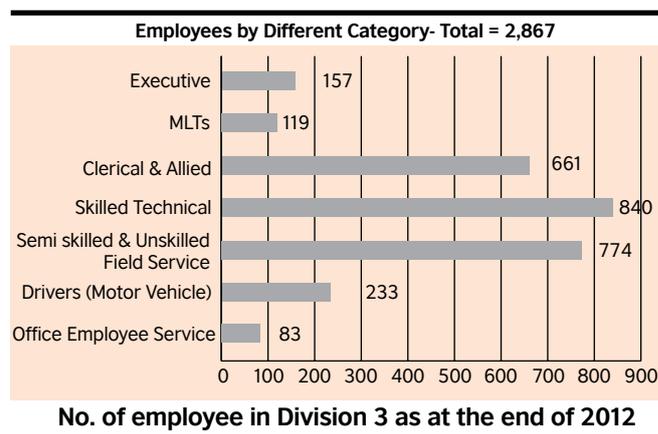
There were 58 tenders (at MPC, BPC and RPC levels) initiated in the year 2012 with a total estimated purchase cost of Rs. 1539 million and 43 tenders were awarded within the year. Therefore, material position in Region 3 has improved greatly ensuring almost all centrally purchased key materials available in the Division.

Region 3 IT branch developed 'Procurement Management System', software is used to carry out the activities related to all the procumbent in Planning and Development Branch. On line tender opening process through this software has

saved substantial amount of time taken to finish tender opening activities. Each tender was continuously monitored and vigorously followed up to reduce the delays of TECs. This software was further developed adding new features improving user friendliness.

Human Resource Management

The Human Resource Unit provides a supporting service to all employees in order to create a pleasant and efficient working environment. The total number of employees in the Region at the end of 2012 was 2867. Wherever there has been inadequate staff, essential services were obtained by deploying persons from man power agencies. The employee distribution in the Region is given below.



Welfare

In order to create a Division working environment to promote team work in the Region, many events were organized for the benefit of employees.

Welfare society of Western Province South II arranged a blood donation campaign at the DD3 Headquarters blood to save lives of patients who are in need of blood. In addition a Bana Preaching program was arranged by them for the Vesak Festival 2012. Region 03 Annual Sports meet and Get Together 2012 was held in Badulla at Vincent Dias Grounds and Uva Province was the host for the event. Further an event of alms giving for 50 monks was held at DGM (Uva) office.

Moreover, Welfare society of Planning & Development Branch organized the Musical Program "Miyasiwila" in order to quench the thirst of music lovers in CEB. It was held in January at the Central Bank Vidupiyasa auditorium, Rajagiriya.

DISTRIBUTION DIVISION 3 Contd...



Blood donation Program organized by WPSII



Division 03 Annual Sports meet and Get Together 2012

DISTRIBUTION DIVISION 4

Area of Operation

Area of operation of Distribution Division 4 covers a part of the Western Province (Western Province South 1), the entire Southern Province and few parts of the Sabaragamuwa and Uva Provinces. Western Province South 1 covers the Areas of Ratmalana, Kalutara and Dehiwala. The Distribution network of Division 4 extends from Dehiwala to Kataragama.

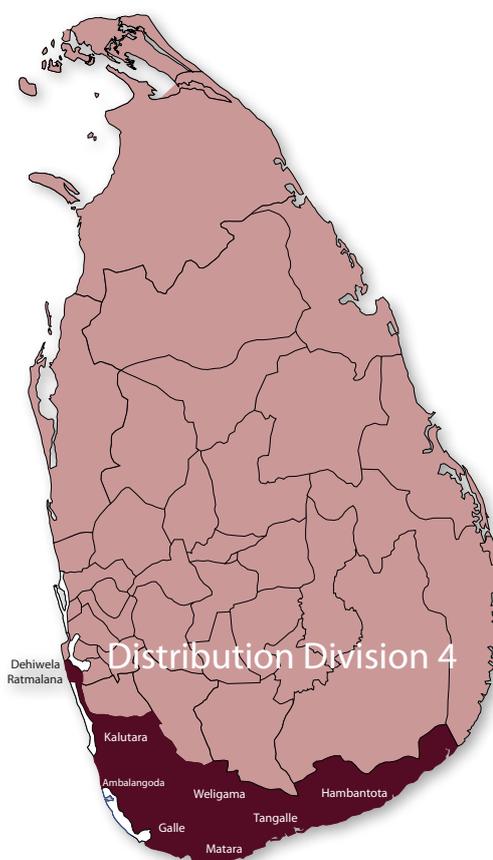
Highlights of the Year 2012

Description	Unit	Value
Units sold within the Division during the year	GWh	1,338
Revenue earned from electricity sold	Rs. Million	20,159
Average selling Price	Rs./kWh	15.07
Distribution loss	%	12.6%
Receivable position (without finalized Accounts & street lights)	month	0.94
No. of retail consumers within the Division at the end of the year	No.	875,322
No. of bulk consumers within the Division at the end of the year	No.	1,266
No. of new connections provided during the year	No.	29,389
No. of employees at the end of the year	No.	2,015
Average revenue	Rs./month/consumer	1,916
Average No. of retail consumers per employee at the end of the year	No/employee	434
Average No. of retail consumers per distribution substation	No/substation	214
Average length of low voltage lines per employee	km/employee	10.90
Average length of low voltage lines per consumer	km/consumer	0.025
Average length of medium voltage lines per Distribution Substation	km/sub station	1.14

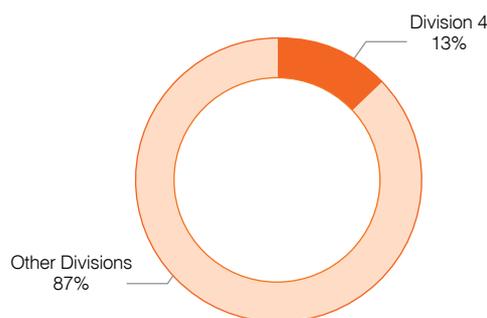
Total population within the Division is about 3.93million. The highest electrification level of the Division is 99.5% in Western Province South-1 and the lowest is 99% in Southern Province. Ratmalana Airport, Ratmalana Industrial Zone, Koggala Industrial Zone, Hambantota port, Mattala Airport

and many of the famous beach resorts are geographically located in the Division.

The annual electricity consumption per-consumer in the Division is 1,527 Units. Western Province South-1 records the highest annual electricity consumption per consumer, which is 2,236 Units while the lowest annual electricity consumption per-consumer is 1,258 Units in Southern Province.

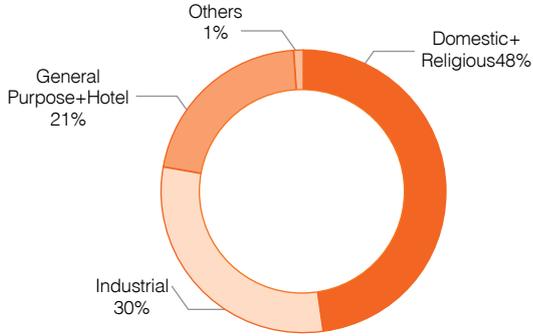


Distribution Division 4: Boundaries Map

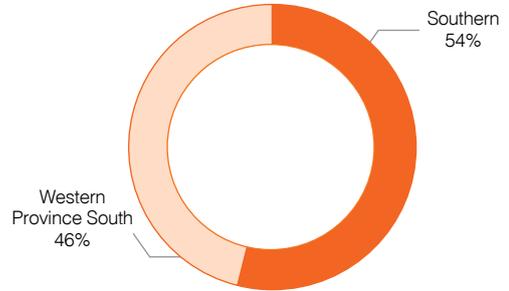


Share of Energy Sales: Distribution Division 4

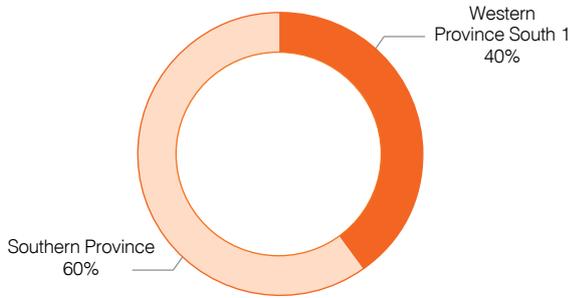
DISTRIBUTION DIVISION 4 Contd...



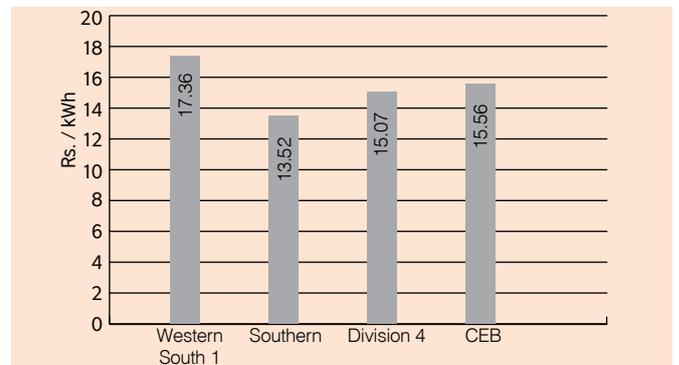
Sales by Tariff: Distribution Division 4



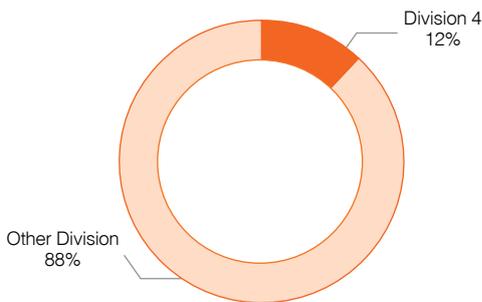
Revenue by Province: Distribution Division 4



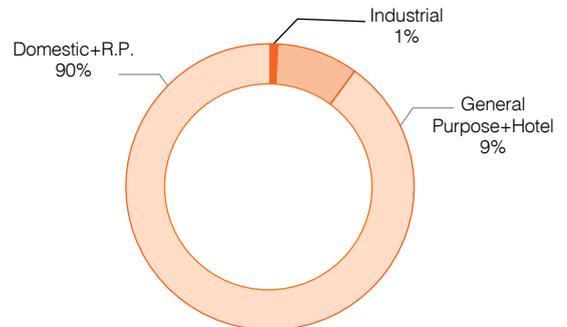
Sales by Province: Distribution Division 4



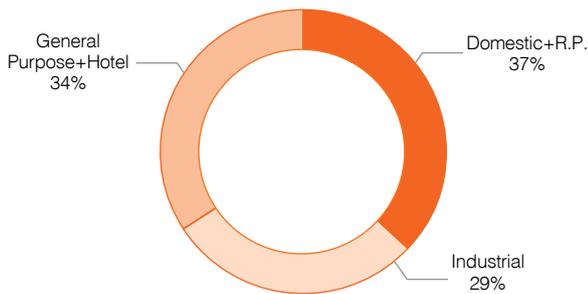
Average Selling Price: Distribution Division 4



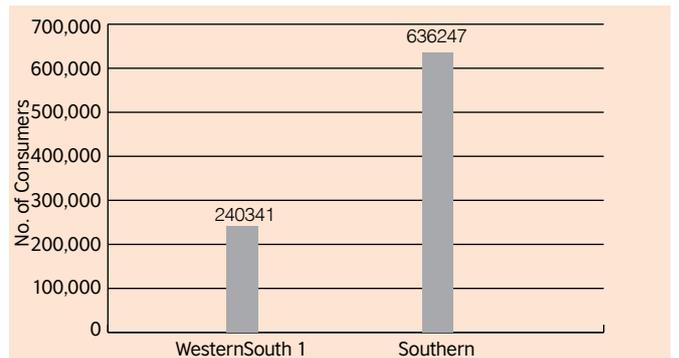
Share of Revenue: Distribution Division 4



Consumer Accounts by Tariff: Distribution Division 4



Revenue by Tariff: Distribution Division 4



Consumer Accounts by Province: Distribution Division 4

DISTRIBUTION DIVISION 4 Contd...

Operational Structure

The Division 4 of Ceylon Electricity Board is headed by an Additional General Manager, who is directly responsible to the General Manager. For the operational purposes, the Division is divided into two Provinces, viz: Southern Province, Western Province South-1, headed by provincial Deputy General Managers. Each Province is sub-divided into Areas which are administered by either Chief Area Electrical Engineers or Area Electrical Engineers. There are 09 Area Offices and 36 Consumer Service Centres within the Division for effective operation.

Western Province South 1 consists of Dehiwala, Kalutara and Ratmalana Area Offices, while Southern Province consists of Ambalangoda, Galle, Hambantota, Matara, Tangalle and Weligama Area Offices.

	Western Province South 1	Southern Province
Land Area, sq. km	1,230	5,640
Population in millions	1.47	2.46
Number of Households	436,061	627,657
Electrification level	99.5%	99%

In addition to Provincial Deputy General Managers, there are three Deputy General Managers, who are in charge of Projects and Heavy Maintenance, Planning and Development and Commercial and Corporate Branches of the Division.

The Projects and Heavy Maintenance Branch is entrusted with the construction, installation and maintenance of Primary Substations, 33 kV Tower lines, Gantries and other related equipment in 33kV distribution network in the Division. International and National Competitive Bidding for major purchases of the Division are done by the Project and Heavy Maintenance Branch.

Internal testing of single phase and three phase meters for the Division and current transformer testing for all the four divisions are done at the Meter Testing Laboratory.

The Planning and Development Branch address the issues of reliability, medium voltage distribution network development and embedded generation related works.

The Commercial and Corporate Branch takes care of commercial policies, heavy supplies and information management of the Division. Each Province is provided with a Human Resource Officer to attend the human resource functions. Coordination of HR activities in provincial offices and the handling of HR functions of executive officers in the

Division 4 are carryout by the Commercial and Corporate Branch.

The finance and revenue functions performed by the Provinces are supervised by the Finance Branch of the Division 4 Office.

Key Objectives

Key Objectives of the Division are:

- Provision of reliable electricity supply to consumers within the Division maintaining the quality of voltage
- To achieve planned surpluses of revenue over the total expenditure
- To provide new connections to prospective consumers
- To ensure rational development of the electricity distribution system within the Division

Distribution Infrastructure		
33 kV Distribution Lines	km	4,333
11 kV Distribution Lines	km	310
33/11 kV Primary Substations	No.	34
LV Distribution Lines	km	21,973
LV Distribution Substations	No.	4083
Service Connections (including Bulk Supplies)	No.	876,588

Customer Care

Special efforts were taken to improve the services of the consumer interface points. The staff attached to nine Area Offices, 36 Consumers Service Centres, 9 CEB manned POS counters, 41 POS counters in the peoples bank branches and two Distribution Call Centres took special efforts in order to provide a better service to the consumers during the year. Call centres handle breakdown calls and are operational round the clock throughout the year improving consumer satisfaction and communication.

The Call Centre which has been established in WPS1 in November 2010 was upgraded with more sophisticated communication equipments and softwares to render better service to consumers.

Energy Sales

Division 4 maintains accounts for 13% of the total electricity

DISTRIBUTION DIVISION 4 Contd...

sales in the country. In the year 2012, 1,338 GWh of electricity was sold in the Division. The largest portion of sales in Division 4 is sold under Domestic Tariff category, which is approximately 48% of the total sales of the Division. Southern Province consumes nearly 60% of the total energy distributed in Division 4.

Revenue

The revenue from electricity sales during the year 2012 was Rs. 20,159 million which is 24% higher than the previous year. Division 4 accounts for 12% of the total revenue of the CEB. The largest portion of revenues in Division 4 was under Domestic Tariff category. Southern Province accounts for 54% of the total revenue in the Division. The average selling price of the Division is Rs.15.07 per kWh which is less than the national average of Rs. 15.56 per kWh. The receivable position (without finalized accounts & street lighting) of Bulk supply consumers and Ordinary Supply Consumers in the Division at the end of 2012 was 1.11 months and 0.83 months respectively. During 2012 the collection as a percentage of sales was 98.7%.

Electricity Consumer Accounts and New Service Connections

Division 4 has 876,588 consumer accounts by the end of the year 2012. The majority of consumer accounts were in the domestic category. During the year under review, a total of 29,389 new connections have been provided.

Reliability

During the year 2012, the number of breakdowns per month per 100 line-km has been maintained at about 14 for Medium voltage lines, while for Low Voltage lines it was 17.

Development of Electricity Distribution System

In order to fulfil the governmental vision of Providing Electricity to all by 2012, Rural Electrification programmes were accelerated. The details of rural electrification schemes and other construction works carried out and completed in year 2012 are given below. Lighting Sri Lanka (Galle, Matara) project was successfully completed in year 2012.

In addition to the above network development projects, Southern province was undertaken line shifting works of Road widening projects, especially in Hambantota Area and Southern Railway Project.

The following major activities were carried out during 2012:

- Construction of 33kV double circuit tower line from Hambantota grid substation to Mattala International Airport at a total cost of Rs. 175 Million.

Job Category	Extent of work			
	HT (km)	S/S (Nos.)	LT (km)	Line conv. (km)
Decentralized Budget + Provincial Council Budget	0.0	0.0	6.4	3.4
Cost Paid and Bulk Supply	43.9	72.0	22.5	-
Gama Naguma	-	-	1.5	0.5
Property developments	3.3	13.0	35.3	0.6
System Augmentation	64.3	37.0	30.3	162.9
Iran	72.8	55.0	254.6	29.2
Swedish International Development Agency	0.0	0.0	0.0	0.0
Lighting Sri Lanka(Galle-Matara)	-	-	211.9	58.9
Lighting Sri Lanka Hambantota Project	0.0	0.0	0.0	-
Lighting Sri Lanka Kalutara Project	0.0	0.0	24.6	2.1
Other	-	-	0.0	-
Total	186.7	179.0	587.0	257.8

- Construction of 33kV gantry at Mattala International Airport at a total cost of Rs. 28 Million.
- Rehabilitation of selected existing 33kV tower lines of 175km in length in Southern and Western Province South-1 at a total cost of Rs. 70 Million.
- Hot line maintenance of 33kV tower lines of 237km in length.
- Completion of the refurbishment of Fullerton and Boraesgamuwa primary substations at a total cost of Rs. 180 Million.
- Construction of a 33kv outdoor switchyard for Kaluwamodara primary substation at a total cost of Rs. 8 Million.
- Installation of auto recloses, load break switches and metering transformers at a total cost Rs. 70 Million.
- Routine maintenance of 20 manned and 15 unmanned primary substations.
- Routine maintenance of 29 switching gantries, 83 auto recloses, 132 load break switches and 51 metering transformers.

DISTRIBUTION DIVISION 4 Contd...

MV System Development

Medium Voltage Distribution Network Development Plan for 2013-2022 has been completed.

Studies are being carried out to identify the current status of MV network of Dehiwala Distribution area and to propose augmentation proposals to be implemented for satisfactory operation of the system in next five years.

A new proposal for supply scarcity problem of LECO along with the action plan for implementation was prepared jointly with LECO. Preparation of the detailed design has been commenced.

In view of the rapid industrial development of Hambantota, Sooriyawewa and suburbs areas, there is unprecedented demand of electricity to be met by CEB in this national endeavours. So studies are being carried out to prepare a master plan for MV development in Hambantota and Sooriyawewa area.

MV System reliability

Supply reliability of the Critical loads of the Division was reviewed and action has been taken for improvements.

Reliability and operational flexibility of the MV network is being reviewed and new switches and Auto Reclosures have been proposed to be installed to isolate vulnerable sections of the feeders to improve system performances.

Reviewed protection coordination of Auto Reclosers along the distribution feeders with relays in GSSs and revised the AR settings accordingly.

Embedded Generation

Grid interconnection proposals for seven embedded generating plants of total capacity 15MVA were given.

Distribution Loss Reduction

Locations for boundary meters have been identified and informed the relevant branches for installations.

Energy Management unit has been established in Western Province South 1 to identify and reduce distribution system losses (both Technical and non-technical) within the Province. Meter testing, meter replacement, remote reading of bulk supply meters, energy auditing of distribution transformers were carried out by Energy Management Units of the province.

Metering

Divisional Meter Testing Laboratory carried out the following programmes during the year 2012:

- Testing of single phase meters in the laboratory for the whole batch of meters issued from ANTELECO Company for Division 04.
- Testing of three phase CT operated and direct connected energy meters in the laboratory issued for Division 04.
- Testing of accuracy HV, LV Energy meters at primary substations, grid substations and mini hydro power plants were done.
- Testing of LV current transformers for all four Divisions in CEB.
- Troubleshooting of remote meter reading facility for bulk supply energy meters at WPS-1.
- Training programmes related to metering activities.

Material Procurement

Divisional Procurement Unit carried out the following major activities during the year 2012:

- Procured items worth Rs. 950 Million through international and national competitive bidding to supply materials without shortage for the development of 33kV distribution system and the rural electrification projects implemented in Southern Province and Western Province South-1 which achieved over 95% rural electrification.
- Organizing training, workshops, seminars etc. to educate and familiarize on items procured.
- A Procurement Management Software (PMS) is in operation to ease the procurement activities

Computerization Activities

Human Resource Information System (HRIS) was introduced to the Division 4 in year 2011. The HRIS system has 13 modules and first three modules; leave, performance appraisal and medical modules had been started and running parallel to the manual systems.

Implementation of the MITFIN System for computerized accounting purposes is fully operational in the region with the cash book, general ledger, inventory and job costing estimation being done online.

All Area Offices and Consumer Service Centres in both

DISTRIBUTION DIVISION 4 Contd...

Western Province South - 1 and Southern Province including Projects and Heavy Maintenance and Lighting Sri Lanka Hambantota Project Offices are connected online and Consumer Service Cost Center wise accounting has been completed in 2012.

Productivity Improvement

5S concept was implemented in the Division 4 in year 2012 and won the 5S awards of CEB and national level. Office of Additional General Manager-DD4 won the first place at the 5S competition held by CEB and office of Project & Heavy Maintenance - DD4 and Dickwella CSC won the second places, office of Deputy General Manager office and Area office-Matara won the third places. These resulted in reducing processing time and improving the quality of service to the consumers.

Accreditation of ISO 9001:2008

Through the continual development and commitment to the work, Office of DGM (PHM)-DD4 and Meter Testing Laboratory-DD4 were accredited ISO 9001:2008 Quality Management Certificate.

Lighting Sri Lanka Hambantota Project

Lighting Sri Lanka Hambantota Project is the first Rural Electrification project that aimed to achieve 100% electrification in a district in Sri Lanka. Project achieved the goal in 2012 by providing electricity to 30,000 houses and improving quality, reliability and service of electricity supply to all in Hambantota District. The required funds of Rs.4, 000 million have been provided by GOSL.

The Project scope consists of the construction of 230 Nos. of distribution substations, 350 km medium voltage lines, 1,250 km of low voltage lines; 108 km of 33kV Express double circuit tower lines and 06 Nos. of 33kV Switching Gantries.

The project has undertaken its construction of electricity distribution work, in addition to the scope of the project. The construction of substations, MV lines and LT lines under RE works has been completed by the year 2012. More than 75% of low voltage lines have been constructed using Aerial Bundle Conductors (ABC) in order to save the valuable trees in the district.

In the distribution network, environmentally - friendly partially insulated medium voltage line of about 5km have been drawn for the first time in Sri Lanka to save vegetation in the forest reserves. At present, other regions of CEB have also commenced RE works using the above technology in the terrains where clearing of way leaves are restricted.

The 65% of the construction of 33kV tower lines and 55% of the construction of gantries have been completed by the end of 2012 and balance was scheduled to be completed

by the end of the year 2013. In addition, 33kV tower lines were designed using new software called PLCCAD with necessary training and thereby the cost of tower lines has been optimized.

Another remarkable new technology which was used to minimize the usage of lands and reducing the cost for 33kV tower lines was construction of four circuit tower line of 4.5 km in first time in Sri Lanka. This was constructed to provide electricity to Hambantota port.

The most of the targets of the project are over and the construction of 33kV tower lines and 33kV switching gantries have been planned to be completed by the year 2013.

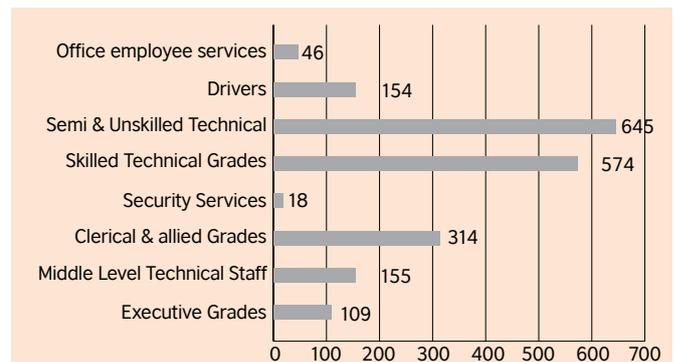
Electricity Distribution Development Project Dehiwala - Mt.Lavinia

Following major activities have been carried out:

- Detailed field surveys of implementation of stage I works of UG Cable Network
- Data collection for preparation of comprehensive work estimation was completed. Also the approval from SLLRDC for cable carrying bridge design (10.5m in length) at Nedimala was obtained.
- Field investigations and estimations of 50 distribution substation scheme for conversion of LV bare lines into Aerial Bundle Conductor Lines and site clearance works including shifting of MV and LV equipments in sites under constructions of radial substation buildings-State I were done.
- A proposal has been submitted to JICA team to obtain necessary fund to carry out the project.

Human Resources: Distribution Division 4

At the end of the year, the total staff strength of the Division was 2,015.



Staff Categories: Distribution Division 4



PROJECTS DIVISION

PROJECTS DIVISION

Upper Kotmale Hydropower Project

Capacity:

Installed Capacity	150 MW (75 MW x 2 Units)
Annual Energy	409 GWh
Plant Factor	31 %

Cost :

Foreign cost (JICA Loan)	JPY 37,817 M (USD 346 M)
Local (CEB)	LKR 8,548 M (USD 100 M)

Project Implementation :

The Upper Kotmale Hydropower Project is a run of river hydropower project which has the main scope to meet the projected power demand increase in Sri Lanka by constructing a hydropower plant of 150 MW installed capacity with an annual expected energy generation of 409 GWh, with adequate environmental and social impacts mitigation.

The project mainly consist of

- A dam located close to the town of Talawakelle with a height of 35.5 m and a crest length of 180 m. It will have a gross storage of 2.5 MCM with an effective capacity of 0.8 MCM with a surface area of 0.25 km² (60 acres). Full supply level for the reservoir will be 1,194 metres above mean sea level (msl), the minimum operating level will be 1190m msl and the normal tail water level 703 m msl.

Present Status

Details of the contractors

Lot	Name of the Contractor	Date of award	Contract period	Contract amount		Amount paid			
				LKR M	JPY M	LKR M	%	JPY M	%
Consultancy Service	J -Power	15.11.2003	76 Months	734	2,358	616	84	2,184	93
Lot 1: Preparatory Works	Maeda Corporation	27.07.2005	33 months	6,830	661	5,770	84	630	95
Lot 2: Main Civil Works	Maeda - Nishimatsu JV	06.12.2006	54 Months	5,609	7,726	5,523	98	7,389	96
Lot 3: Hydro Mech. Equipment	Kurimoto, Ltd.	29.11.2007	42 Months	788	2,060	788	100	2,060	100
Lot 4: Electro Mech. Equipment	Mitsubishi Corporation	20.06.2008	36 Months	585	7,973	531	91	7,235	91
Lot 5 : Transmission Line	Kindon Corporation	06.10.2009	22 Months	723	738	706	98	720	98
				15,271	21,517	13,934	91	20,218	94

- A headrace tunnel 4.5 m / 5.8 m in diameter lined and unlined and 12.89 km in length, running north from the dam towards the Pundal Oya Falls before turning to the 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 12 m in diameter and 98 m high with a restricted opening, located on the crest of the power house.
- The penstock formed by an underground incline shaft starting with a diameter of 4.5 m and reducing to 1.45 m. It will be 793 m in length, consisting of one lane of 745 m and two lanes of 48 m.
- An underground powerhouse located at Niyamgamdora, (2 km upstream of the confluence of Puna Oya and Kotmale Oya) with dimensions of 66.3 m Length x 18.8 m Width x 36.5m Height to house two units of 77,000 kW turbines, two vertical axis three phase 88,000 kVA generators, two 3-phase transformers and a 220 kV Gas Insulator Switchgear (GIS) substation.
- An outdoor switchyard, 36.5 m wide and 130 m long, located at Niyamgamdora, to connect the Power House to a 220 kV double circuit transmission line.
- 220 kV double circuit transmission line of 18 km length to transmit power generated to existing Kotmale Substation and the associated switch yard extensions.

The project is broken down to 5 lots for easy management and awarded to 5 contractors as details given below

PROJECTS DIVISION Contd...

Progress of the Project as of end of December 2012

Item	Description	% Completed
Lot 1	Preparatory works	94
Lot 2	Main Civil Works	99
Lot 3	Hydro Mechanical Equipment	100
Lot 4	Electro Mechanical Equipment	99
Lot 5	Transmission Line	100
Overall Progress of the Project:		98

Date of Commissioning: Unit 01 : June 21, 2012
Unit 02 : March 28, 2012

Funding arrangements

Founding Agencies

JICA Loan (SLP 74-JPY 33,265 M & SLP 100-JPY 4,552 M) JPY 37,817 M
CEB (Counter part) administrative cost LKR 8,548 M



Lot 1 – Resettlement



Lot 2 – Dam

PROJECTS DIVISION Contd...



Lot 3 – Installation of spillway gates



Lot 3 – Stop logs



Lot 4 – Installation inside power house



Lot 4 – Main control room



Lot 5 – Cable stringing



Lot 5 – Erected Tower

PROJECTS DIVISION Contd...

Trincomalee Coal Power Project including Veyangoda – Habarana – Sampoor 220kV Transmission Line

Trincomalee 2×250MW Coal Power Plant

CEB and NTPC Ltd India have entered into the Joint Venture Agreement (JVA) and subsequently the Joint Venture Company has been incorporated as Trincomalee Power Company Limited in the year 2011. Trincomalee Power Company Limited is responsible for implementation and operation of the 2× 250MW coal power plant.

NTPC Limited who is the consultant for the feasibility study has completed the feasibility study in June 2012. CEB is in the process of reviewing the draft feasibility study report. Once the feasibility report is accepted by the CEB the Power Purchase Agreement and the other project agreements will be executed in September or October 2012. The construction of the power plant is expected to commence in the next year.

220kV Transmission Line from Veyangoda to Habarana

The 150km 220kV low loss transmission line is to be constructed from Habarana to Veyangoda and construction of New Habarana Grid Sub Station & Augmentation of Veyangoda Grid Substation. Funds for the above transmission line is provided by JICA (Japanese Yen 9,573 million). The line route is currently being surveyed and legal notices are being issued to the land owners. Inquiries are being held. Approval for Initial Environmental Examination has been obtained from Ministry of Power & Energy. New Habarana Grid Substation for which a land from the Forest Department is allocated and for the augmentation work at the Veyangoda Grid Substation, necessary paddy land (225 perches) will be purchased from private land owners. Counting of trees and valuation for compensation is in progress. Construction will commence in November 2013. Selection of Consultant is in progress.

220kV Transmission Line from Habarana to Sampoor

The 98km 220kV transmission line is to be constructed from Habarana to Sampoor and construction of Sampoor Grid Sub Station. Funds for the above transmission line is expected from Indian Credit Line (USD 60 million). Secretary, Ministry of Power & Energy has requested treasury to initiate negotiations with Indian Government. The 90km 220kV transmission line from Sampoor to New Habarana has been surveyed. Legal notices have been issued to the affected parties and inquiries were held. Recommendations were forwarded to the Public Utility Commission by the respective Divisional Secretaries for approval. The Initial Environmental Examination has been conducted and report

has been submitted to the Ministry of Power & Energy. Approval is awaited. Construction of the Tr. Line is expected to commence in October, 2013. Compensation activities for way leave clearance and lands for the 220kV Tr. Line is in progress.

Tender Documents for the transmission line from Veyangoda to Habarana to Sampoor are being prepared in liaison with Transmission Design Branch.

The 900MW Puttalam Coal Power Project

Under Phase I of Puttalam Coal Power Project, construction of the first Power Plant of 300MW started on July 2007. Total Project cost for Phase I is US\$ 455 million. The implementing agency of this Project is Ceylon Electricity Board.

Project is located in Norochcholai i.e. southern end of Kalpitiya Peninsula. It comes under the Divisional Secretary area of Kalpitiya. It occupies an area of 93 ha. The Project is funded fully by the EXIM Bank of China as a concessionary loan. The Plant commenced commercial operation in July 2011 and is generating around 5 GWh per day. Contractually, the Project was completed in January 2012.

The scope of the Phase I comprised of 4 main sections as described below.

Power Plant

The Power Plant consists of a 300MW Generator driven by a steam turbine and all the associated Plant and Equipment such as Boiler, Coal Conveying Belts, Pulverizers, Crushers, Demineralized water producers etc.

Coal Handling Equipment

Coal Handling Equipment comprises of a 500m long Jetty/trestle capable of simultaneous berthing of two Coal-carrying Barges (5000 MT each), two cranes capable of unloading 650MT of Coal per hour, Conveyer system to carry Coal to the Stock Yard which could carry 1500 MT of Coal per hour, Sampling devices and a Coal stock yard that could accommodate 750,000 MT of Coal, which is the requirement for 900MW power plant for 3 months.

Transmission Line and Substation

The Transmission Line for Phase I is from Norochcholai to Veyangoda, 117 km in length operating at 220kV. This is a Double Conductor, Double Circuit transmission line.

PROJECTS DIVISION Contd...

Employers Housing Compound

This consists of dormitories, individual houses, club house, with all other amenities for CEB staff.

Puttalam Coal Power Project Phase II

The Second Phase of Puttalam Coal Power Project is a 2x300MW extension to the Phase I. This Phase II consists of:

1. Construction of second 300MW plant similar to unit No 1 with related common works,
2. Construction of third 300MW similar Plant as of the unit No 1 with related common works plus remaining works
3. Construction of two Coal Unloading Cranes
4. Construction of New Chilaw Substation
5. Construction of 220 kV Transmission Line and Anuradhapura Substation

The Contract for Phase II was signed on June 2009. The total cost of Phase II is US\$ 891 million. The Works commenced in May 2010 and the first unit under Phase II will come in to operation in end of 2013 and the second unit by end of April 2014.

Both phases of the Project are funded by Peoples Republic of China under concessionary loan facility.

Broadlands Hydropower Project

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

The Cabinet approval for project implementation on Design Build Basis was granted in year 2006 by securing funds arranged by the successful contractor. After the successful evaluation of the bids China National Electric Engineering Co., Ltd. (CNEEC) was selected as the successful bidder and the Contract Agreement signed with them in end of year 2010.

The total project cost is USD 82 million and the cost is met by loans borrowed from Industrial & Commercial Bank of China and Hatton Nation Bank PLC of Sri Lanka. The Financial Agreements are to be signed shortly and the construction works of the project is expected to commence towards the end of first quarter of year 2013 and planned to complete within four years.

Tender formalities to appoint a Project Consultant are also in progress. The Ecoeye Co. Ltd of Korea was selected as the Consultant for obtaining CDM Registration/ CER revenues for Broadlands Hydropower Project. The project has been successfully registered as a CDM project under United Nations Framework Convention on Climate Change (UNFCCC), with effective from 27th December 2012. The estimated Emission Reduction of the project is 83,075 metric tonnes of CO2 equivalent per annum.

The Environmental Clearance for the project has been extended up to 8th November 2015. The acquisition of lands required for project works are in progress. The Resettlement Action Plan has been prepared and approval received.

Jaffna Power Project

Electrical Power requirement in Jaffna Peninsula

With the ongoing development activities and normalizing the civil life in Northern area, Ceylon Electricity Board has been implementing a program to restore a reliable Electricity Power supply in Jaffna peninsula. Since Jaffna power network is isolated from the national grid, it is important to provide low cost, reliable means of power generation at Jaffna peninsula as a short term measure. Further in long term, considering the distance from power generation sources of national grid, power plant is required at Jaffna peninsula in order to maintain voltage stability and power system reliability.

Scope of the project,

The scope of the project is design, manufacture, supply, install and commission, a 24MW diesel engine driven power plant at Chunnakam in Jaffna Peninsula and warranty provisions for twelve months defect liability period as an EPC turnkey contract. The power plant comprises with power house of 3X8 MW DG sets and 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. Further, it has to provide operation and maintenance training for CEB staff at engine manufacturers place.

PROJECTS DIVISION Contd...

Project Architecture

Project Name : 24MW Jaffna Power Project
 Contract No : CEB / JPP /01-2012
 Employer : Ceylon Electricity Board
 Engineer : Ceylon Electricity Board
 EPC Contractor : Lakdhanavi Limited

Contract period

Activity	Planned	Actual
Project duration	261 days	259 days
Project commencement date	April 30, 2012	April 30, 2012
Expected Project completion date	January, 2013.	

Contract price (after variation orders)

Foreign currency portion - US\$ 9,195,659.17 plus Euro 12,850,430.49
Local currency portion LKR 686,156,781.49

Financing

The advance payment of 10% of the contract value was paid to the contractor from CEB funds on May 16, 2012. Lanka Electricity Company arranged loan of Rs 3.0 Billion to facilitate the financing of this project.

Major Events of the Project

Inviting bids: 22.12.2011
 Closing date of bids: 02.02.2012
 Submission of TEC report for SCAPC and Cabinet approval: 08.02.2012
 Cabinet approval for the project: 09.04.2012
 Award letter issued to the contractor: 11.04.2012
 Signing the contract agreement: 27.04.2012
 Commencement of the contract: 30.04.2012
 10% Advance payment: 16.05.2012
 Starting of first unit: 20.12.2012
 Reliability run and commencement of Commercial operation: Expected within first quarter of 2013.

Uma Oya Multipurpose Development Project

The project comprises of construction of a concrete dam across Uma Oya at Puhulpola in Welimada, and another concrete dam across Mahathotilla Oya at Dyraaba, Water Conveyance Structures, Underground Powerhouse,

Switchyard and Transmission line connecting to Badulla Grid Sub-Station.

This project would enable trans-basin conveyance of annual long term average water quantity of 145 MCM to be utilized for the irrigation of lands in the South East Dry Zone of Sri Lanka. It will also add 120 MW Hydropower to the national grid.

The project consists of two concrete dams. The first is to be built on Uma Oya River at Puhulpola Division. Regulated water at Puhulpola dam will then be linked and conveyed through a link tunnel into the reservoir of another dam on Mahatotilla Oya at Dyraaba from where a long headrace tunnel and a vertical shaft will convey water to the underground powerhouse. The discharge from the powerhouse will be directed through a tailrace tunnel into Alikota Oya which is a tributary of Kirindi Oya.

Ministry of Irrigation and Water Resources Management (MOIWM) implements the project as executing agency, in collaboration with the Ministry of Power and Energy. The contract was signed on 28 February 2008, between MOIWM and Farab Energy and Water Project of Islamic Republic of Iran to implement the project on EPC/turnkey basis. The total Contract Price is US\$ 529 million and 85% of the Contract Price will be provided by External Development Bank of Iran. Balance 15% will be borne by the Government of Sri Lanka. The EPC Contractor commenced the construction works on 15 March 2010 according to the contract and mobilization works and tunnel boring works are now in progress at the project site. The plant is scheduled to be commissioned in December, 2015.

The power generating equipment including transmission line (EM and HM works) costs US\$ 189 million. This section of the contract is under the supervision of CEB.

Transmission Development Projects

Ten Project Management Units have been performed under the Transmission Projects Branch in year 2012. Construction of new grid substations at Beliatta and Kilinochchi have been completed during the year 2012 and the construction of grid substations at Chunnakam, Mahiyangana, Naula, Maho, Pallekele, were in progress. Augmentation of existing grid substations at Rantambe, Rathnapura, Wimalasurendra, Seethawaka, Balangoda, Badulla, Nuwara Eliya, Ukuwela, Habarana, Panadura, Matara, Puttalam, Ampara, Valachchenei were in progress during this period. Construction of Transmission Lines from Galle to Matara, Puttalam to Maho, Ukuwela to Pallekele, Habarana to Valachchenei, Rantabe to Mahiyangana, Vavuniya to Kilinochchi and Kilinochchi to

PROJECTS DIVISION Contd...

Chunnakam were also in progress in order to strengthen the national electricity grid. Brief description of the projects handled under the Transmission Projects Branch during the year 2012 is appended below.

Beliatta Grid Substation Project

Construction of 132/33kV, 63 MVA grid substation at Beliatta and an 8 km, 132kV transmission line from Hakmana to Beliatta have been undertaken within the Lighting Hambantota Project. Financing for the substation (Euro 4.731 million and LKR 89.332 million) and for the transmission line (LKR 427 million) was provided by the Government of Sri Lanka. Transmission line was completed in October 2011 and the Grid substation work was completed and energized on February 13, 2012.

Vavuniya - Kilinochchi Transmission Project

The Government has launched Waddakin Wasantham (Uthuru Wasanthaya) program to reconstruct the infrastructure facilities of the Northern Province. Construction of necessary power transmission lines and grid substations to Northern Province was included as a part of this program.

JICA has provided JPY 2700 million for this project under the Waddakin Wasantham program. Scope of work consisted of construction of 132/33kV, 63 MVA Grid Substation and the construction 67 km/132 kV transmission line from Vavuniya grid substation to Kilinochchi grid substation including necessary augmentation works at Vavuniya Grid Substation.. Contracts were signed and the work commenced in July 2010. It was able to complete the work on schedule and to ceremonially open the Grid Substation by His Excellency the President on September 25, 2012. With the completion of this grid substation and transmission line, CEB was successful to extend the national electricity grid at 132 kV level to Kilinochchi too.



Opening of Kilinochchi Grid substation on September 25, 2012

Kilinochchi - Chunnakam Transmission Project

This project is also a part of the Waddakin Wasantham (Uthuru Wasanthaya) program launched by the Government to develop the Northern Province.

Asian Development Bank finances this project, costing US\$ 28.72 million. Scope of work in this Project consists of construction of a 132/33kV, 63 MVA Grid Substation at Chunnakam and the construction 73km, 132kV transmission line from Kilinochchi grid substation to Chunnakam grid substation.

215 transmission electricity pylons to carry 132 kV transmission lines from Kilinochchi to Chunnakam was constructed along the most difficult terrains of Elephant Pass lagoon, Wadarawatta lagoon and Muhamale forward defence lines maintained during the war. Grid substation was constructed within the CEB lands at Chunnakam with great difficulties due to lack of required equipment and materials in the area.

Work is in progress and expected to complete the Project by August 2013. Once completed and the entire country is connect to one grid net work , the electricity supply in Jaffna district and also in surrounding districts will be vastly improved after 23 years of separation.



Work in progress at Chunnakam

Augmentation of Grid Substations for Absorption of Renewable Energy Project

Asian Development Bank provides financing of LKR 2,998 million for a part of this project under their Loans 2518-SRI/2519-SRI (SF) - Clean Energy and Access Improvement Project. Using these funds, a new 132/33 kV, 63 MVA grid substation at Mahiyanganaya is being constructed

PROJECTS DIVISION Contd...

and the existing grid substations at Seethawaka, Balangoda, Badulla, Nuwara Eliya and Ukuwela are being augmented.

Government of Sri Lanka finances the balance work of this project worth of LKR 1361 million. Under this phase, existing grid substations at Ratnapura, Wimalasurendra, and Rantambe are being augmented by increasing their power transfer capacities. Further, a 132 kV transmission line of 21 km is being constructed to interconnect Rantambe and Mahiyanganaya grid substations.

Contract agreements for ADB-funded component and for GOSL-funded grid substation component were signed in August 2010 and November 2010 respectively. CEB has undertaken to construct the transmission line from Rantambe and Mahiyanganaya. Works of all components of the project are in progress and expected to be completed by end 2012. Once completed, much awaited capacity enhancements of existing grid substations to interconnect the mini hydro power plants will be achieved to great extent.

Transmission System Strengthening Transmission Lines Project

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.

132 kV transmission lines from Galle to Matara, Puttalam to Maho & Ukuwela to Pallekelle are being constructed. Project is expected to be completed by mid 2013.



Stringing Working Progress

Transmission System Strengthening Grid Substations Project

This also a project funded by the Asian Development Bank worth of US\$ 33.1 million under the Loans 2518-SRI/2519-SRI (SF) - Clean Energy and Access Improvement Project.

Project was divided to three components based on the technical requirements. Lot A1 will augment the existing Kurunegala grid substations and Lot A3 (Packages A & B) will upgrade the Veyangoda & Horana grid substations. Contracts of these to Lots are yet to be signed. Contract was signed for the Lot A2 in November 2010 to construct three new grid substations at Naula, Maho & Pallekelle. Augmentation of existing grid substations at Habarana, Panadura, Matara, Puttalam & Galle are also attached to Lot A2 component of the project. Lot A2 contract is expected to be completed by mid 2013.

Transmission System Strengthening Eastern Province Project

Asian Development Bank funds US\$ 25.2 million for this project under the Loans 2518-SRI/2519-SRI (SF) - Clean Energy and Access Improvement Project.

New 100 km, 132 kV transmission line will be constructed from Habarana grid substation to Valachchena grid substation under the "Lot B" of this project. "Lot A" covers the augmentation of Valachchena and Ampara grid substations. Lot A & Lot B contracts were signed in March 2011 and November 2010 respectively. Works of both components are in progress and are expected to be completed in mid 2013.

North East Power Transmission Development Project

The need of further improving the electricity supply in Eastern and North Central Provinces was identified and hence the financing assistance was sought from ADB for this purpose. ADB has now agreed to finance US\$ 55 million for the identified scope of the North East Power Transmission Development Project and loan agreements are being finalized.

This project has been divided into three Lots, viz.

- (i) Lot A: Construction of three new grid substations at Monaragala, Polonnaruwa & Vavunathiev, and Augmentation work of existing grid substations at Ampara & Rantambe (of the project)
- (ii) Lot B: 132kV transmission lines from Mahiyanganaya to Vavunathiev, Uhana to Ampara and Medagama to Monaragala
- (iii) Lot C: Construction of the second 220 kV circuit of the New Anuradhapura - Kotmale transmission line

Contracts were signed for Lot A, Lot B, and for Lot C on August 2012, April 2012, and on February 2012 respectively.

PROJECTS DIVISION Contd...

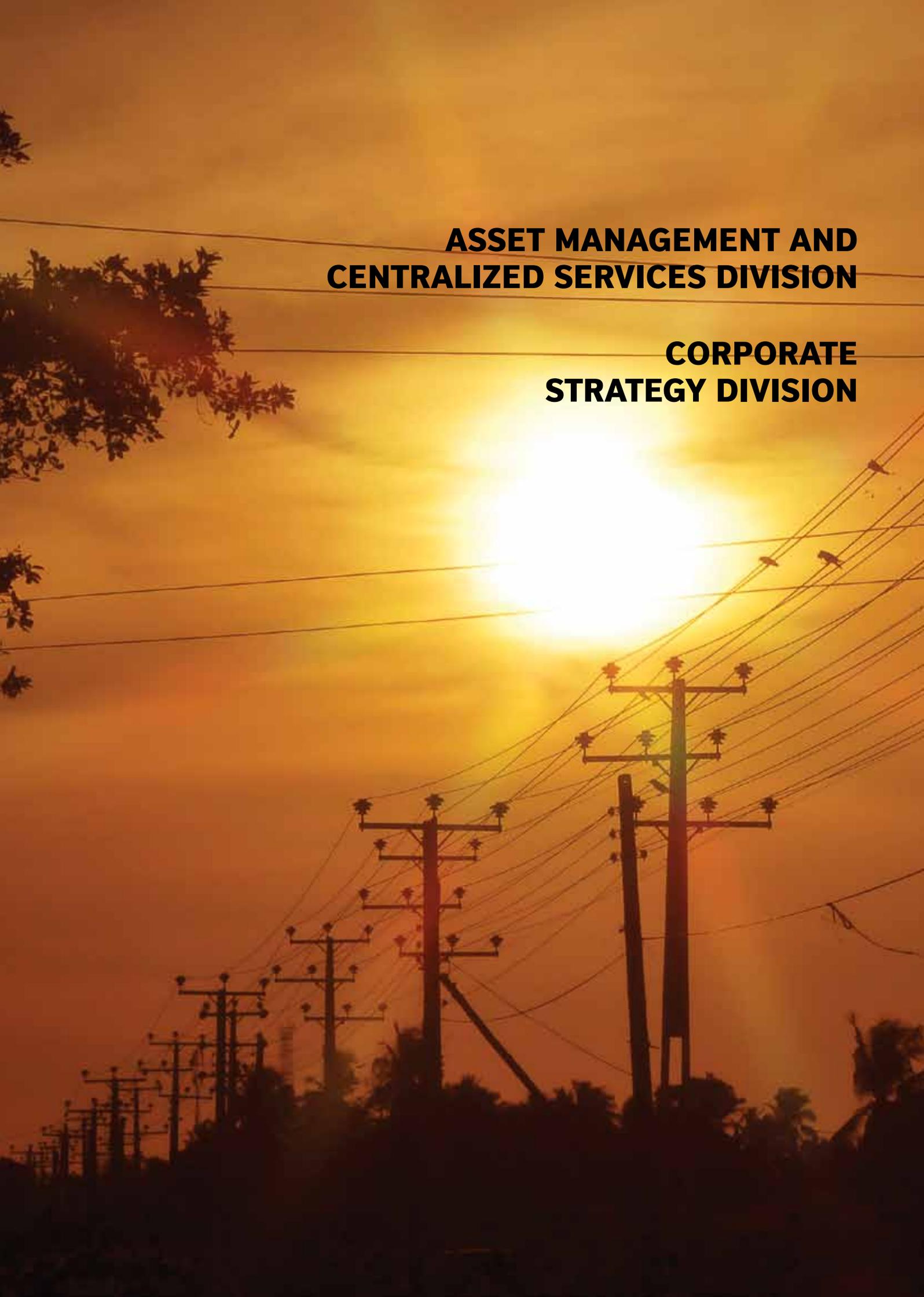
Works are in progress and expected to be completed by end 201.

New Galle Power Transmission Development Project

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

New Galle grid substation will be constructed under the Lot A contract of the project. Lot B contractor will construct 132kV transmission lines from Ambalangoda grid substation to new Galle grid substation.

Agreements for Lot A & Lot B were signed with the selected contractors in August 2012 and in progress as planned. It is expected to complete the project by the end of 2014.



**ASSET MANAGEMENT AND
CENTRALIZED SERVICES DIVISION**

**CORPORATE
STRATEGY DIVISION**

ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION

Assets Management & Centralized Services division consists of the following branches.

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

Asset Management & Corporate Branch

The Assets Management and Corporate Branch undertook Assets Management related functions of C.E.B. The core activities of AM & C branch is to better management of CEB Lands, Buildings and generating an additional income by utilizing CEB's available resources and assets for purposes other than the core activities of the CEB, however without affecting those core statutory functions.

Main functions of Assets Management & Corporate Branch

- Survey of Lands belonging to C.E.B sans any ownership documents.
- Valuation of Lands & Buildings belonging to C.E.B.
- Leasing of CEB Hydro Reservoirs for tourism and recreational facilities, such as operation of sea planes and boat recreational services.
- Leasing of space suitable for advertising in CEB premises and Boundary Walls.
- Creating & updating of databases for CEB Land & Buildings and Vehicles,
- Utilizing CEB assets for income earning purpose.
- Management of Human Resource of the Division.

Training Branch

Over the years Training Branch has taken steps to build up a competent work force by means of appropriate Education, Training, Skills development and Experience to effectively carry out the work involved in modern integrated industry. Adequate training for all staff is a standard procedure. During the year under review, several awareness programs in addition to the standard training curriculum were conducted for the benefit of the employees in various fields. Training Branch consists of following main Units.

- CEB Training Centre, Piliyandala
- CEB Training Centre, Castlreagh

- External Training Unit at CEB Head Quarters, Colombo
- Examination Unit
- Occupational Health & Safety Unit
- Quality & Systems Unit

CEB Training Centre, Piliyandala

This Centre has been awarded the ISO 9001 : 2008/ SLS ISO 9001 : 2008 for the quality management system being practiced. Now the quality management system is successfully operated in the Training Centre.

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

Duties & Responsibilities of the Various Units of the Training Branch

	Unit	Responsibility
1	CEB Training Centre – Piliyandala	
	Training Centre – Piliyandala	Technical Training, Training for promotional requirements of CEB Field Service & Skilled Grades Employees as per CEB Recruitment & Promotion Scheme 2002.
	Internal Training Unit	Computer Training, Training for non-Technical Staff, Training for promotional requirements of CEB non Technical Employees as per CEB Recruitment & Promotion Scheme 2002, In- plant Training for under graduates and Diplomates in Engineering and Technology.
	Technical Training Unit	Technical Training for Engineers and Superintendents are done by this unit.

ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...

	Unit	Responsibility
2	Training Centre Castlereagh	Technical Training for employees in Generation Division, Training for promotional requirements of CEB Field Service Employees of Generation Division as per CEB Recruitment & Promotion Scheme 2002
3	External Training Unit	Overseas Training of all CEB Employees
4	Examination Unit	All the internal Examinations of CEB Employees and Recruitments Examinations. Providing Facilities for Professional Studies for CEB Employees.
5	Occupational Health and Safety Unit	Conducting Safety Awareness Programs for CEB employees and collecting data on accidents and compiling for analysis.
6	Quality & Systems Unit	Training on Quality improvement, Productivity and implementation of 5S concept in CEB.

Performance during the Year 2012

External Training Unit

During 2012, the External Training Unit provided facilities to 370 officers of different categories to go abroad for various assignment shows below:

Programme	No. of Activities	No. of Participants
Pre-shipment inspection of goods to be procured	167	228
Training	35	103
Conference	09	09
Workshops	10	11
Meetings	23	56
Seminars / Summit	05	04
Scholarships	01	01
Study Tours	07	08
Sports Tours	03	06

Internal Training Unit

Internal Training Unit increased its training facilities for CEB employees as well as external trainees by providing more training opportunities during 2012. Around 441 Trainees from various external organizations such as Universities & Technical Colleges were benefited by the In-plant Training facilities.

461 CEB employees were provided training for their promotional requirements and 1062 CEB employees were provided with training covering the fields of Computer Training, Systems Training and Induction Training, including those for executive and nonexecutives categories.

128 CEB employees of different disciplines and categories were provided training at local institutes during the year 2012.



ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...

Occupational Health and Safety Unit

Safety has been identified as a core value of CEB. To comply with institutional, National and International requirements on safety, a new Unit was established under Education and Training Branch for well being and safety of CEB employees.

This is accomplished through awareness programs, in-house Training and periodic collection of data on accidents and analysis to take action to reach zero accidents target. During 2012, the following programs and workshops were conducted by this Unit.

	Programs	No. of Programs	Participants
01.	Workshop on safety for Executive & Supervisory Staff	12	379
02.	Safety awareness Training Programs for Power Stations & Work Sides	08	326
03.	First Aid & Fire Safety	60	2629
04.	Evacuation & Fire Drill	05	212
05.	Occupational Health & Safety Programs for Engineers	03	108

Examinations Unit

The Examinations unit organized and conducted 4411 recruitments, Promotion & qualifying examinations for recruitment and promotion for CEB staff, with the assistance of external bodies, by maintaining the quality and transparency of the process at the optimal cost.

Technical Training Centre: Piliyandala

During the year under review 2,082 CEB employees, including Engineers, Superintendents, Skilled and unskilled Field Services employees were provided with Technical Training by the Technical Training Centre at Piliyandala.

Several Technical Training Programs were conducted for employees of other state & private organizations on the request received from them on cost recovery basis.

Programs	No. of Programs	No. of participants
Continuous Professional Development	16	196
Workshops	06	236
Training for Promotional Requirement	46	1650
Training for Other Organizations	02	76

Hiring of Resources of CEB Training Centre - Piliyandala

Training Facilities such as Auditoriums, Lecture Rooms with all Training Aids, Hostel Facilities with meals were hired to outside Organizations. A profit of Rs.182,464.00 was earned in the year 2012 by hiring Training Resources.



Technical Training Centre: Castlereagh

The Pioneer Training Centre of the CEB, The Technical Training Centre at Castlereagh provided training for 1466 employees during the year 2012 utilizing its optimum capacity. These training programmes covered the areas of System Training, Technical Training, Occupational Health and Safety, First Aid & Productivity. Training programmes for employees of CEB Service providers & for General Public were also conducted on cost recovery basis.

Quality & Systems Unit

Under 5-S Quality Improvement work Established Vision and Mission statements for the CEB Training Centre, Piliyandala, improved the Filing System, Management of waste materials,

ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...

Identification of equipment for easy access etc., and improvement of environment with the Go-Green concept. CEB Training Centre, Piliyandala obtained ISO 9001-2008 QMS Certification in 2011 regarding the quality standards and the Quality Management System is being successfully operating in the Training Centre.

1. Environmental Development

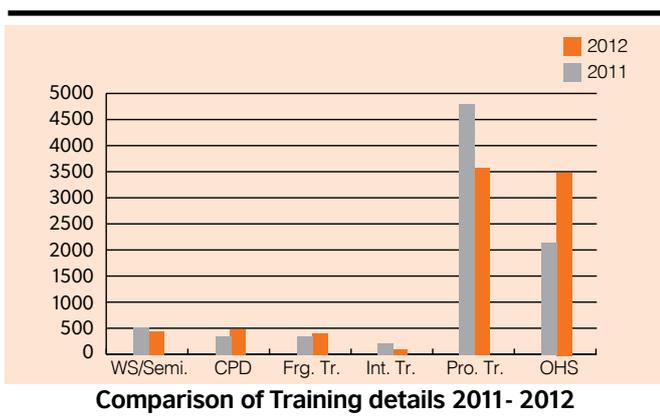
Bio-gas Plant of 5,000 ltr. capacity was install at the premises of CEB Training Centre - Piliyandala. Waste food remaining at the Canteen is used as input for the Bio-gas Plant. Average input of 25 kg. of waste food used per day for this plant. Bio-gas produce by the plant is used for cooking in the Canteen of CEB Training Centre - Piliyandala.

The liquid by-product from the bio-gas plant is used as manure for vegetable plots of CEB Training Centre - Piliyandala.

2. Special Programs

Considering modern changes of the Technology and to sharing experience and knowledge of experts in the field, following Technical Training Sessions was arranged during the year 2012.

1. MV and LV overhead Distribution Line Construction
2. Personnel Protection Grounding
3. Distribution Line Designing



- WS/Semi - Workshop & Seminar
 CPD - Continuous Prof. Dev. Tr.
 Fr. Tr. - Foreign Training
 Int. Tr. - Internal Training
 Pro. Tr. - Promotional Training
 OHS - Occupational Health & Safety

Workshop & Ancillary Services Branch

There are four units coming under the Workshop & Ancillary Services Branch. They are:

- Air Conditioning and Refrigeration
- Power Plant
- Lifts
- Central Workshop & Central Garage

Air Conditioning and Refrigeration Section

1. AC & R Branch carried out following service for the hospitals and institutes of Ministry of Health and other Government Organization during the year 2012.

- a. Maintenance and break down repairs of Air Conditioning & Refrigeration plants.
- b. New installations and modifications of Air Conditioning & Refrigeration plants.
- c. Design and Consultancy services for new installations of Air Conditioning & Refrigeration plants.

2. Numbers of jobs and the estimated value of the jobs are as follows

Maintenance jobs

Service Provider	Numbers of Job		Estimated value without Tax (Rs.)	
	CP	CEB	CEB	CP
CEB	38	44	6,269,550	135,815,251
Contractor	9	63	8,408,039	3,000,000
Total	47	107	14,677,589	138,815,251

Installation, Repair and other jobs

Service Provider	Numbers of Job		Estimated value without Tax (Rs.)	
	CP	CEB	CEB	CP
CEB	0	0	-	-
Contractor	5	27	8,021,288	3,040,794
Total	5	27	8,021,288	3,040,794

All jobs were completed successfully up to the satisfaction of clients

Power Plant Section

The main responsibilities of Power Plant Unit are :

- Supply, install and commission of Diesel generators at Government Hospitals and other Government Institutions.

ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...

- Provide consultancy services for Diesel Generators on Installation, Trouble Shooting and Repairs.
- Operate diesel Generators parallel with main electricity supply of the National Grid.
- Provide backup/standby power by operating mobile Diesel Generators for functions where VIPs attend and also for the state security purposes and other important national functions.
- Provide Diesel Generators to various institutions on hire basis.
- Carry out repairs of Diesel Generators
- Carry out preventive maintenance of stand-by Generators installed in Government Hospitals and other Government Institutions.
- Performance of Power Plant during the Year 2012

Summary of the Jobs Commenced During 2012

Sr. No	Category of the Job	Nos of Job	Estimated Cost /Rs.
1	Annual Maintenance	117	69,957,863
2	Repairs	43	11,609,976
3	Generator hiring -CEB	50	43,853,188
4	Generator hiring - PVT,PSD,PMSD	351	144,741,424
5	Generator Installation	03	56,566,116
6	Other Jobs	47	2,285,621

Future Plan

- Providing power supply for VVIPs functions by using mobile diesel generators
- Providing stand by and continuous power supply for government and external organizations, by using mobile diesel generators
- Repairing and maintaining stand by generators belonging to CEB, VIP installations, government hospitals, and other government establishments
- Major overhauling and rehabilitating of diesel generators belonging to external organizations.
- Supplying and installing diesel generators for external organizations.
- Providing Consultancy services by providing instructions, Specification, contract documents, Evaluation of bids, installation and commissioning

works and participating in TECs for government and private organizations procurement processes.

Future Activities To Be Improved Productivity

- Upgrading the infra structures such as workshops, office buildings, landscaping, etc.; of the Power Plant division
- Planning and organizing external training programs for CEB employees and arranging implant training programs for trainees coming from higher education institutions.

Performance of Lifts Branch in 2012

Job Category	No of Jobs	Estimated Value	Progress
Service & Maintenance	132	54,157,000	Completed
Repairs	16	2,470,500	Completed
Rehabilitation	02	1,203,500	Completed
New Installations	02	11,900,000	Paid
	01	8,800,000	In progress
Consultancy Service	01	1,000,000	90 % Completed
	01	5,000	Inspection
	01	65,000	In progress

Service & Maintenance

82 elevators were maintained by 05 Private contractors/ local agents under CEB supervision. CEB has done 48 elevators

Following 04 lifts were taken back from contractor-Trade Promoters due to their poor performance. Those are now under the maintenance of Lifts Branch- CEB.

01. 02 Nos “ Sheilern” Bed lifts at Base Hospital - Warakapola

02. 02 Nos “ Sheilern” Passenger lifts at General Hospital - Kandy

Following Major Maintenance/ Repair/Rehabilitation works were done

1. 02 nos “ Scheilern” Bed Lifts were underwent modifications in controllers to restore the operations at Base Hospital-Warakapola
2. Rewinding of slow speed winding at -General Hospital- Ragama
3. Replacement of Hoisting ropes- Block A at N H S L-Colombo

ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...

4. Replacement of Hoisting ropes and modification to controller- General Hospital- Nagoda
5. Periodical preventive maintenance of 2 lifts at General Hospital- Karapitiya
6. Rehabilitation of Block B Old Lift-N H S L continued.
Rehabilitation of this 70 years old bed lift with new controller and signal fixtures-
7. Rehabilitation and modernization of 01 Passenger lift at General Hospital- Kandy

One of the 2 old passenger lifts was rehabilitated and modernized with a microprocessor controller to enhance the operation and to reduce the frequent breakdowns.

New Installations

1. Removal and Re Installation with 03 additional floors of 02 Bed Lifts-Teaching Hospital-Jaffna
01 out of 2 duplex bed lifts was able to complete and put in to operation. Other one is in progress. The project delayed due to delay in supplying material and structural problems at the time of erection
2. Replacement of Old Bed Lift-General Hospital -Rathnapura
Balance fund was received for implementing the procurement works.
3. Fixing new passenger lift for Building extension to DGM Office-Kandy
Funds have been allocated for the installation -

Consultancy Service

Consultancy works were rendered for following places

1. BOC Head Quarters-Modernization of 10 high speed lifts
Completed the commissioning except supervisory panel
2. Ministry of Public Administration and Home Affairs - Replacement of 02 passenger lifts
Bid documents completed for submitting to Procurement Committee.
3. New Passenger lift for Combined Cycle Power Plant-Kelanitissa-Specifications were submitted for MRL type Lift- No progress
4. Inspection on the installation defects- Regional Development Bank.

Central Workshop

Electrical Section

Major jobs done during year 2012 in Electrical Section are as follows.

- Rewinding 110 kW, 30 kW, 22 kW, 18 kW, 15 kW three phase motors received from SPS
- Rewinding 100 kVA Alternator main stator and 500 kVA, 130 kVA Alternator exciter rotor and exciter stator at Power Plant.
- Rewinding of Lift motors relays and brake coils.

Total estimated cost of electrical motor rewinding and installation works completed during the year 2012 is at Rs.1, 799,980.00

Automobile section

The key operating activities under Automobile section are

- Vehicle repairs (Engine Overhauling, Body tinkering repairs and Painting and other mechanical repairs)
- Vehicle body part replacements.
- Providing reports (accident/valuation/repair estimate etc..) of vehicles.
- Fuel Testing of the vehicles.
- Vehicle Servicing.
- Board of survey of vehicles for disposals.

Major jobs done during year 2012

- Repair the engine of Honda CRV SUV vehicle which was submerged in water.
- Overall Engine and Body repairs on the Mitsubishi L200 Double cab belongs to Training branch Piliyandala.
- Body tinkering repair of Isuzu FSR Lorry belongs to Power Plant section at Kolonnawa.
- Replacing of the Engine with a used reconditioned engine of CR41 van belongs to IT branch.
- Engine overhauling of Nissan Caravan belongs to SI Branch.

Total estimated cost of repairs/installations/services completed during the year 2012 is at Rs.2,033,508.00

Mechanical fabrication and Installation sect

The key operating activities under this section are

- Carry out all types of machine works, casting, galvanizing, and welding works.

ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...

- Fabrication of LT/HT hardware components to the HT & LT distribution system.
- Fabricating danger boards
- Spray painting.
- Erection of security fence, huts, barriers and any type of requirements for security purposes.
- Any other special works in the mechanical and civil engineering fields according to sample, plan/drawing given by the client.

Major jobs done during year 2012

- Erecting 03 nos. of TDL towers for “ Dayata Kirula - 2012 “ in Anuradhapura
- Repair Lift doors at Kandy hospital
- Repair Lift doors at Government press
- Fabrication and installation roof at CEB HQ
- Machining rotor shafts and bearing housing at Sapugaskanda power station
- Casting and finishing AI injection pipe cover for Sapugaskanda power station
- Making 33 kV danger boards
- Casting and fabrication of T clamps and PG clamps.

Total estimated cost of fabrications/installations/productions completed during the year is at Rs. 17,609,253.00

Civil Works and Buildings

The activities of the Civil Works and Buildings branch during the year 2012 are as follows.

Civil branch is attending to construction work & renovation work throughout the Island.

Construction Work

1.	Design & construction of three storied DGM (EP) office & 7 Nos Quarters at Trincomalee.
2.	Design & construction of five storied DGM(NP) office at Jafna.
3.	Extension of DGM (CP) office – four storied building in kandy.
4.	Renovation to Canteen and Construction of New Toilet Complex in TTC – Piliyandala
5.	Refurbishment of Colombo City stores building at Kolonnawa.
6.	Renovation of the Second & Third Floor of the DGM(WPN)’s Office at Kiribathgoda.
7.	Renovation of the ground & First Floor of the DGM(WPN)’s Office at Kiribathgoda.
8.	Renovation and improvement to System Control Center Building, Kent Road, Dematagoda
9.	Construction of New Toilet Block for Castlereagh Training Centre
10.	Renovation of security hut ,Toilets and Painting Non executive Hostel at TTC -Piliyandala
11.	Construction of stores complex at DGM (WPN) office at Kiribathgoda.
12.	Renovation work of consumer service center at Divlapitiya.
13.	Establishment of DGM (AM &C) office in 3rd GCSU building Colombo2
14.	Improvement to interior work for DGM(R&D) office at BMICH.
15.	Improvement to front area of DGM (WPN) office at Kiribathgoda.
16.	Improvement to interior work for Working director’s office at CEB Head Office
17.	Cleaning & earth filling at old power plant premises at Chunnakam.
18.	Renovation of lunch room & repairing of Eave roof at Communication Control center KPS.



ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...

Work Related To Head Office Maintenance Unit

Civil Maintenance Unit is responsible to carry out urgent maintenance work in various branches in CEB Head Office & Ministry building & quarters belongs to Ministry & Deputy Minister. Repair works are attended by the Civil Works & Buildings branch directly using the maintenance gang allocated for Head Office Maintenance work.

Vidulakpaya Project

Foundation was placed in January, 2012 to construct a building for CEB Headquarters. The proposed building consists of three stories Podium with two Towers with seven floors each and having floor area of 27,800 sq. meters.

Piling Work

Tender awarded on 2012-02-23. Work was to be completed on 2012-11-06. However while construction work is in progress consultants revised the structure design which resulted in increase in the no. of piles from 370 to 400. Therefore date of completion has been extended. 370 piles have been completed.



Super Structure

Preparing of Bidding documents were in progress. as at the end of the year.

Security Section

Security Section of CEB is responsible for Security Measures at all the Buildings & Premises of CEB including Power Station and Reservoirs.

Three Stabilized Security Units are functioning for Security of each of the main Divisions of CEB, Generation, Transmission and Distribution. Total of 98 nos. sub-security units are functioning under the above three main units.



ASSET MANAGEMENT AND CENTRALIZED SERVICES DIVISION Contd...



All Private Security Services deployed at some premises of CEB are also supervised and observed by the Security Division.



There is a Strength of 743 Security Personnel including a Deputy Manager Security , 03 Senior Security Officers and 22 Security Officers under the Manager Security who is the Head of the Security Division.

Training for Security Personnel

Special Training were provided to Security Personnel during the Year 2012 on Weapons handling Firing, Fire Protection, Cash escort & VIP escort duties, First-aid, Disaster Evacuation Drill & 5-S Concepts.



CORPORATE STRATEGY DIVISION

Business & Operational Strategy (B&OS)

B&OS Branch has been given the task of improving and facilitating CEB's organizational performance. In addition improving Corporate Image & corporate culture, standardization among CEB's various branches are also handled by this Branch.

As a major step in implementing the Strategy Management Tool, Balanced Score Card (BSC) in CEB, the corporate level KPI's were decided and the corporate score card was established. The first operational review meeting of the BSC by the Corporate Management Team (CMT) too was held in 2012. Additionally the branch was empowered by the management to act as a facilitator and coordinator to find and recommend solutions, after discussion and consultation with subject experts in CEB and outside, to topics / areas that are of vital importance to CEB strategically. The Strategy Discussion Forum (SDF), the first of which was held in 2012 was a result of this requirement.

The first SDF was on the theme of wind power and its importance as a renewable resource and the issues arising out of the intermittencies. As a result of the recommendations coming out of the SDF, CEB has decided to implement a "semi dispatchable type" Wind park of 100MW capacity to be owned and operated by CEB.

Having seen the requirement to continuously improve the work styles of its employees and in order to encourage an innovative culture among them, this branch started a competition on innovation among the employees. Both grass root and higher level innovations were evaluated and appreciated in this competition. In addition, a system to propose innovative ideas too was established. Number of Innovative ideas is a Key Performance Indicator (KPI) in the corporate score card. The 5S competition was held successfully in 2012 too. Winners of both 5S and Innovation competitions were honoured during a grand awards ceremony.

During 2012, CEB faced a crisis in meeting the demand due to the severe drought and other unavoidable reasons. An Energy Saving Competition was held for the general public by the CEB as a way of addressing this crisis as a Demand Side Management (DSM) measure. B&OS was instrumental in implementing this competition

Corporate Strategy and Regulatory Affairs

The Corporate Strategy and Regulatory Affairs Branch coordinate the matters arising from and related to Generation, Transmission and Distribution Licenses issued to the Ceylon

Electricity Board among the respective Divisions, as well as with the Public Utility Commission of Sri Lanka (PUCSL). In addition to Regulatory Affairs, the unit is responsible for coordinating the Strategy formulation matters with the Divisions.

Ceylon Electricity Board made its first multi-year filing of revenue requirements under the Sri Lanka Electricity Act (SLEA) in July 2010. According to the Tariff Methodology specified by the PUCSL in July 2010, the Licensees were required to file their revenue requirements for the period 2011-2015. After following the statutory consultative process, the new electricity tariffs were announced by the PUCSL to be effective from January 2011. The Electricity Tariffs so announced by the PUCSL imposes a gap of Rs.11 billion between the revenue requirements of CEB for year 2011 and the revenues realized under the announced tariff. Subsequently, Extraordinary Tariff Filing was done in August, 2011 and the decision from PUCSL was not received during 2012. The imposed gap between the revenue requirements of CEB for year 2012 and the revenues realized under the announced tariff was Rs 61 billion.

By-annual Bulk Supply tariff filing and submission of Allowed Charges for 2013 was done as a requirement specified under the above Tariff Methodology.

The Branch undertook the task of publishing the following corporate documents of CEB and completed during the year 2012:

- Corporate Plan (update) 2009 - 2013
- Annual Report - 2011
- Statistical Digest - 2011
- Sales and Generation Data Book - 2011

The Corporate Strategy & Regulatory Affairs Branch worked very closely with PUCSL and their Consultants to finalize the following documents during year 2012:

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

As per the provisions of SLEA the Non Conventional Renewable Energy Purchase Tariff for 2012 was submitted to the PUCSL.

CORPORATE STRATEGY DIVISION Contd...

During the same year, requests were made to the PUCSL to include Upper Kothmale Hydro Power Plant in the existing Generation License already granted to CEB and to grant approval for the re-demarcation of boundaries of Distribution Division 2 (DD2) and DD3.

Functional Strategy & Process Development (FS&PD) Branch

Creation of FS&PD Branch has been approved with the formation of Corporate Strategy (CS) Division in later part of 2010. Later in 2012, approval of the Board has been granted for Organization Structure of the FS & PD Branch and this Branch commenced its functions officially.

The main objective of the FS & PD Branch is to engage mainly in development of functional strategies, policy and process development activities. Moreover, FS & PD Branch will be 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.

- Collections of Functional & Operational Manuals in the CEB in order to study, revise and upgrade for future use.
- Collection of Circulars & Digitization of them to make available in Web Searchable Circulars Database in the CEB intranet using the Circular Management System (CMS).
- Fulfillment of necessary resources (including Staff, Computers, Office equipment, etc.) in order to make this Branch as fully functional.

Information Technology

Information Technology Branch carried out the following activities during 2012.

- Software Development
- Designed and developed Digital Record Management System and implemented in WPS1
- Designed, developed and implemented CEB Texting Service.
- Designed and developed Legal Cases Management System and implemented in Legal Branch
- Implemented a Call Centre based Outage Management System in WPS1

- Implemented Transmission billing System for invoicing Lanka Electricity Company (LECO) for electricity sales from the Transmission Division.
- Introduced e-bills to bulk customers of Jayewardenepura Area
- Introduced a software application which enabled consumers to check their electricity account balance and bill calculation details through SMS
- Introduced payment of electricity bills using a credit card through CEB website.
- Assisted in conducting the Energy Conservation Competition and analysis of the results.
- Implemented the Human Resource Management software in Region 4, Transmission Division and Personnel Branch.

Information Technology (IT) Infrastructure Development

A storage Area Network was established and a Disaster Recovery Site was established to provide better accessibility to the Information Systems and improve reliability.

An improved firewall system was setup to strengthen the security of Information Systems.

Additional 44 CEB locations were connected to the Virtual Private Network enabling the use of centralized software services. At the end of 2012 the total number of VPN connections was 246.



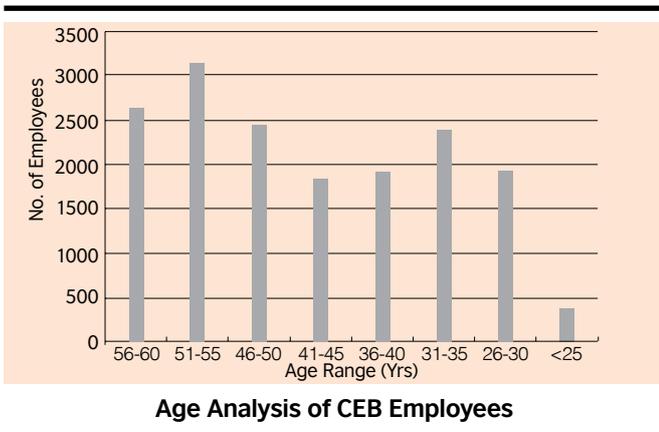
- Personnel Branch
- Legal Section
- Special Investigation Branch
- Internal Audit Branch

PERSONNEL BRANCH

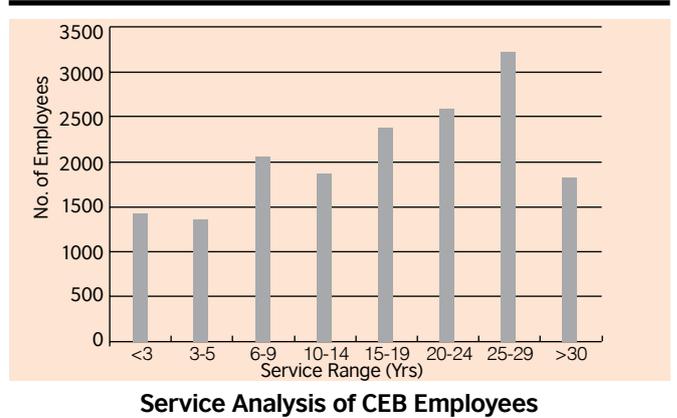
C.E.B. continued to provide a conducive working environment for all the employees and to encourage a spirit of autonomy, creativity and responsibility. CEB is proud of its employee achievements, given the limited resources at their disposal and the tremendous constraints under which they work. The Following functions continued to be carried out by the Personnel Branch of the CEB while other HR functions were carried out by the HR units of the respective Divisions.

- Recruitment of employees to permanent cadre of CEB.
- Promotions of employee in cadres which are subjected to restrictions.
- Formulations of HR policies of CEB.
- HR administration of all employees of Branches under the Chairman and the General Manager.

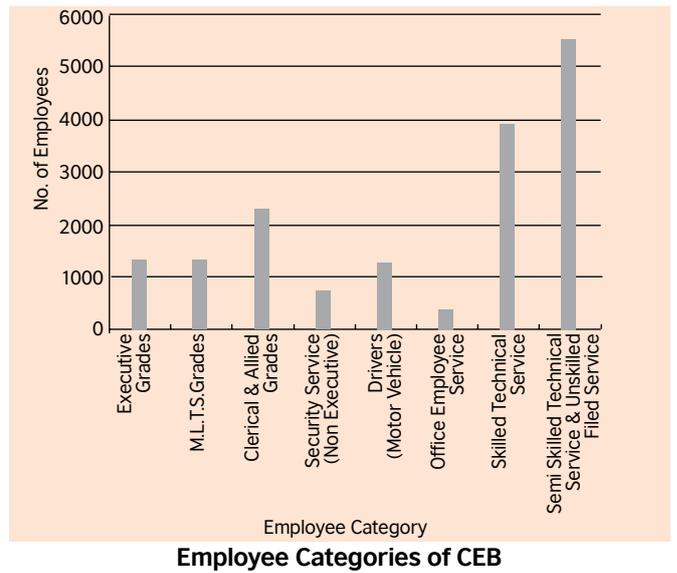
The total number of employees in CEB as at the end of 2012 was 16,709 and 1,106 personnel was recruited during the year, while 589 Employees left the employment due to retirement, resignation, etc. Consumer employee ratio has been changed during the year 2012 to 298 from 291 which was the consumer employees ratio at the end of year 2011. The Age Analysis of the CEB shows that about 2637 employees will retire from service during next 5 years. 15.78% employees are above 55 years of age and 18.85% within 51-55 years of age. This shows that CEB is an aging organization and needs careful career succession plan to meet the anticipated shortage of skilled and professional human resources.



The service analysis graph given below shows that there is a well experienced staff in the CEB with many years of service experience. About 45.5% employees have more than 20 years experience.



Employees categories of CEB shows that about 7.9% of employees are in Executive Grades while 56.3% employees are in Skilled and Semi Skilled categories.



Appointments

Major changes occurred in the top management structure of the CEB, when Mr.E.G.Abayasekara - Addl. General Manager (DD 01), Mr. D.G.C. Ratnapala - Addl. General Manager (DD 04), Mr.M.G.Liyanage- Addl. General Manager (Asset Management & Centralized Services), Mr. R. Lokubalasooriya - Addl. General Manager (Transmission) and Mr.R.J.Gunawardena - Addl. General Manager (DD 02) were retired from service of CEB during the year and Mr.L.A.S.Fernando, Mr.M.G.Thilakarathne, Mr.K.W.L.Wijewardena, Mrs.Y.M.Samarasinghe and Mr.A. Danthanarayana were appointed as the Addl. General Managers of CEB.

PERSONNEL BRANCH Contd...

Mr.A.Danthanarayana, Addl. General Manager (DD 02) was retired from service of CEB and Mr. T.D. Handagama appointed as Addl. General Manager (DD 02) w.e.f. November 30, 2012.

Miss. N.R.Mahamooth, Finance Manager was retired from service of CEB w.e.f. October 13, 2012.

H.R. Policies

Formation of new policies and revision of existing policies of CEB is continuously administered through the HR Policy Committee consisting of all Deputy General Managers in charge of HR administration of all the Divisions in CEB.

In order to create environment which motivates employees towards achieving goals of the Board, CEB has implemented several schemes for the benefit of the employees during the year 2012 as well. These included Payment of Bonus, Payment of Incentive against Un-availed Sick/Vacation Leave and payment of various special monetary advances.

Payment of Bonus

Bonus for the year 2012 was paid to the CEB employees on the same basis as it was paid in previous years. The total expenditure for the payment was Rs. 648,289,027.

Payment of Incentive against Un-availed Sick/Vacation Leave

A scheme of payment of incentive for the un-availed sick/vacation leave was in force in the Board since 1984 in order to reduce absenteeism and thereby to increase productivity. The benefit of this scheme was granted in the year 2012 as well. The total expenditure for the payment was Rs. 497,234,998.

Payment of Special Advances for Sinhala/Hindu New Year

Special Advance and Salary Advance were made available to CEB Employees for the Sinhala/Hindu New Year Celebrations in April 2012.

Payment of Special Advances to CEB Employees for Ramazan Festival

Special Advance and Salary Advance were made available to Muslim Employees of the CEB in the year 2012 too.

Welfare Unit

Welfare Unit was established for looking after the Staff welfare of its employees.

A network of CEB Circuit Bungalow is maintained by CEB, located at important cities of cool climates in Hatton & Bandarawela and in religious cities such as Anuradhapura, Minneriya, Kandy, Kataragama and Jaffna. This is one of the major benefits received by the employees of CEB which are often used by them for holiday purposes. Continuous improvements are made to the facilities provided at these bungalows to give the maximum comfort to the occupants. Sports and Recreation activities of the employees are supported by CEB, by granting an annual contribution of Rs.125,000/- towards the activities of the CEB 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. These contributions are in addition to the annual activities organized by the CEB at Dalada Maligawa, Kandy in the month of August; Saman Devalaya, Maussakele in the month of December; Mihintale in the month of June and Kataragama Kirivehera in the month of August every year.

An Energy Conservation walk was held successfully on 28.07.2012. Vidulamu Lanka Kala Ulela is a significant activity of CEB which was initiated in the year 2012. It gives the opportunity to all CEB employees to show and sharpen their skills and talents in the fields of singing, dancing, music documentary and etc. Welfare unit of the CEB organized the Wimalasurendra day on 17th September in line with the ceremonies held to commemorate the 138th Birthday of Mr.D.J.Wimalasurendra and ceremonies held to commemorate CEB day which falls on the 1st November.

CEB provides funds to maintain Montessori school at all Power Stations of the Generation Group, taking that burden off from its employees working in such remote locations.

Long Service Award

CEB continues to have appreciation for its employees for the meritorious service rendered by them through Long Service Awards. This award is a mark of gratitude to CEB employees who have dedicated a major part of their lives towards the benefit of the Sri Lankans and also will be an acknowledgement of the valuable service rendered by them to the progress of CEB.

The tradition of Long Service Awards was initiated in the year 1984 by awarding the employees who have completed 35 years of service in the Department of Government Electrical Undertakings and in CEB. From the year 1991 onwards, this award was granted to the employees who have a service period to 30 years or more. 250 Nos. of employees have

PERSONNEL BRANCH Contd...

been awarded under this programme during the year 2012. 4980 CEB employees have so far been awarded under this programme.



Kala Ulela - 2012

Publicity Unit

Press release made by CEB to the electronic and prints media and live programs of CEB are coordinated by this unit of CEB. Publishing of various internal publications, organizing of media programs in special CEB ceremonies are the other functions carried out by this unit. During the year 2012 the following activities have been carried out by the Publicity Unit of CEB.

- Publishing of various advertisements, paper supplements and press releases through the National Newspapers.
- Organizing of Press Conferences and various Media Programmes
- Organized National Level Exhibitions.
- Coordinating activities of special CEB Ceremonies.
- Publishing of various official booklets and Publications.

LEGAL SECTION

All the legal work and litigation matters connected with the CEB are being handled by the Legal Section. The Legal Section consists of the Chief Legal Officer, five Legal Officers and the office staff. The Legal Section mainly handles litigation matters which includes court cases, (i) filed by the CEB and ii) cases filed against the CEB.

The first category covers:

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

The second category covers:

- a) Actions instituted against disconnections, revision of bills,
- b) Injunctions/Stay orders against drawing of electricity lines over third party properties/claiming damages caused to the said properties, lands, trees/vegetation etc.
- c) Tender/contract matters against breach, violation of procedure, claiming of damages.

In the year 2011 following court works have been attended to the Section

Name of court	Number of cases
Supreme Court	12
Court of Appeal	35
Civil Appeal High Court	5
High Courts	12
District Courts	165
Labour Tribunals	9
Industrial Court	3
Magistrate Courts	2

The dispute between the employer and employees, matters relating to termination, vacation of post and grievances of the employee has been attended to and were heard in the following Tribunals which were settled or finalized according to prevailing laws.

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

In addition the charge sheets, letters of appointments on fixed terms contracts etc. and documentation related are scrutinized by the Legal Section.

A great number of Agreements/contract which CEB enter into with foreign companies, local companies, individuals relating to major projects as well as for other necessities of the CEB including Finance Agreements, Commercial Agreements, Power Purchase Agreements are being perused by the Section to ascertain whether the documents are legally in order.

Notarial work

- The Lease Agreements have been perused by the section in which instances CEB has leased building/lands, for the requirements of the Board.
- Deeds of Transfer have been executed in which instances CEB has purchased properties from outside parties.

Legal Opinion

Legal opinions arranged on all the matters relevant to the CEB.

Arbitrations

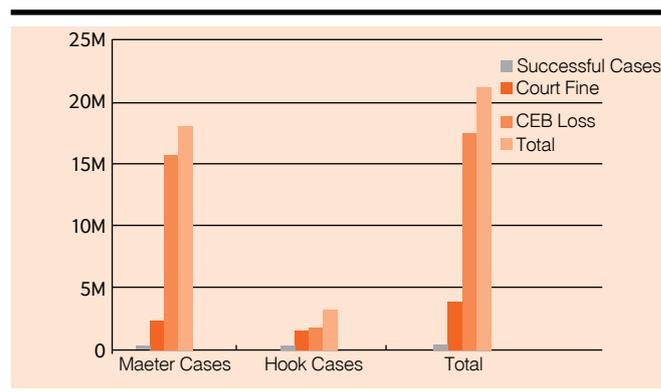
Disputes between CEB and outside parties referred to Arbitration in terms of Arbitration Act No. 11 of 1995. Four Arbitration matters have been attended by the Legal Section.

SPECIAL INVESTIGATION UNIT

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

The progress by the SIB, during the year 2012.

Cases	Successful Cases	Court Fine (Rs.M)	CEB Loss (Rs.M)	Total (Rs.M)
Meter Cases	1940	23.21	157.04	180.26
Hook Cases	1629	14.97	16.80	31.78
Total	3569	38.18	173.85	212.03



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

INTERNAL AUDIT BRANCH

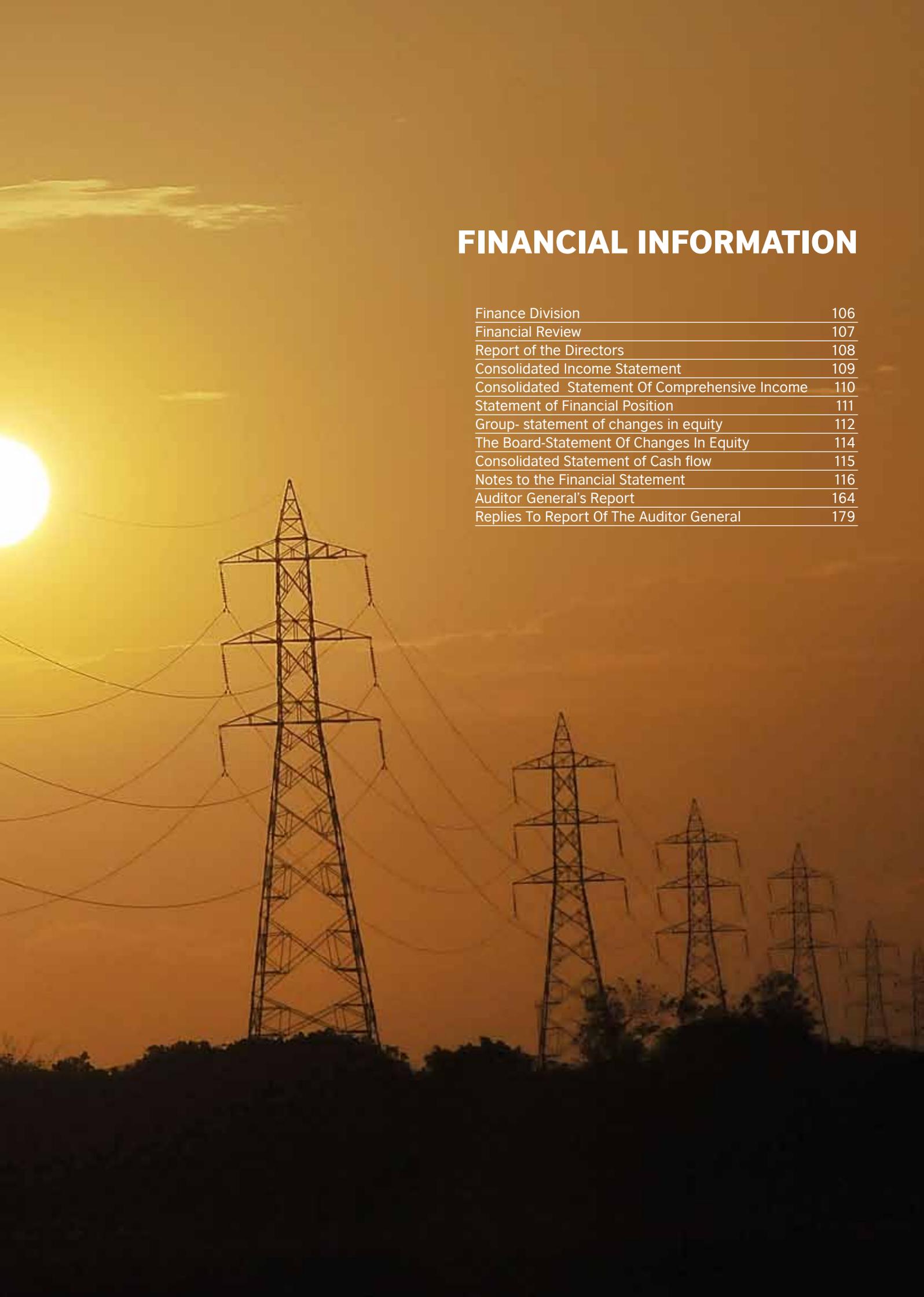
The internal audit branch is supervised by the Chief Internal Auditor who directly report to Chairman CEB. The operating staff comprises of twenty five executives, twenty non - executives and other nine supportive employees. Internal audit helps to assist the management to effectively discharge their duties and responsibilities by furnishing them with objective analysis, appraisals, recommendations and pertinent comments concerning the activity reviewed.

During the year 2012 following audit tasks were accomplished by the branch;

- Routine audits 08
- Revenue audits 14
- System Audits 41
- Special Investigation 13

Audit Committee

The audit committee ensures and overseeing the financial reporting, risk management, internal controls, compliance, ethics, external and internal audit. The audit committee comprises of four non executive board members who are independent as required by the public enterprises circulars. During the year six meetings were held and the committee could review and recommend adaption of better practices with respect to Inventory Management System of Generation Division , ownership of CEB 's land and buildings, Interest relief schemes to staff, control over subsidiaries of CEB and improvement of internal control systems in payment structure.



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FINANCE DIVISION

Finance Division of the CEB has played a significant role in the CEB's overall operational process.

The effective and efficient management of the financial activities by the finance division lead to perform its day - today operations in successfully.

Proper financial planning , budgetary control, negotiations with the financial Institutions and close monitoring and supervision of activities are some of the measures adopted for the better management of finance.

Activities of the CEB finance division was streamlined and various measures were taken to improve efficiency and effectiveness.5S concept was introduced and this lead to improve the system and control, employee attitudes and team work among the staff. As a appreciation of this notable achievement CEB Finance division was awarded the third (3rd) place in the annual 5 S competition organized by the CEB.

Implementation of International Financial Reporting Standards (IFRS) in CEB was a big challenge undertaken by CEB Finance Division. Consultant was appointed and several workshops and awareness programme were conducted among CEB staff. Major institution and organization in Sri Lanka are still behind implementing this programme.It is a remarkable achievement that CEB implemented and submitted the 2012 accounts prepared in accordance with IFRS requirements.

Revenue collection continued to be improved further in the current year. Several private sector organizations were appointed as collecting agents for CEB like HDFC bank and no of new on line counters in the People's bank increased up to 222 during the year.

New Training and workshops locally and overseas were conducted for upgrading and enhancing the knowledge of the officers.

Pension Fund

The beneficiaries of the fund are retired employees who have served the CEB for more than 20 years. They are paid a pension at 30% to 34% of their last drawn salary in accordance with their service in the CEB. The death of a pensioner results in the cessation of further benefits from the fund.

523 retired employees became eligible to draw pension during the year, while 73 pensioners expired. The total beneficiaries past and present of the fund as at end of the year are 5498.

The net assets of the fund as at 31 st December 2012 amounted to Rs. 13,044 Million. The income, derived from investment of the fund, during the year was Rs. 1,319 Million

Section of Pensioners & Pension receipt at the Ceremony of Pension revision 2012



CEB Pensioners were entitled to receive certain percentage from each salary increase of the CEB employees based on the viability of the fund. This decision was taken by the CEB Board and first revised pension allowance was paid in 2012 at ceremony chaired by ministry of power & energy.

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 eight members. The Chairman of the CEB is the ex-officio Chairman and the General Manager (Personnel) are the other ex-officio members. The remaining four members are nominated are by the Board.

The total contribution to the fund during the year 2012 amounted to Rs.2, 080 million, out of which, Rs.832 million has been contributed by the employees of the Board.

The total funds accumulated as at 31st December 2012 amounted Rs.33, 776 million, which is an increase of 10.54% over the previous year. The fund earned an income of Rs.3, 921 million during the year by its investments and a dividend of 11.17% has been declared for 2012. Loans granted to members for housing and other purposes amounted to Rs.1,693 million. During the year, a sum of Rs.2,391 million has been refunded from the fund to members who have retired from the service.

FINANCIAL REVIEW

General

In the year 2012 the financial situation of the Board was deteriorated further compared to year 2011. The positive retained profits decreased from Rs.136,848 million to Rs.57,940 million over the year. The main factor affected for this unfavorable situation is, drop in Generation of Hydro Power due to unhealthy rainfall conditions throughout the year and the increase in fuel prices. It is reported a reduction of hydro generation by 1,291 million units in the year 2012 (which is a reduction of 29%) compared to the year 2011 and the increment of thermal generation by 23% compared to the year 2011. Consequently the cost of sales has been increased by 47% due to the impact of these factors.

Operations

The turnover of the Board is increased 8.7% during the year under review without Fuel Adjustment Charges (FAC). In order to recover part of generation cost on thermal power the Board has introduced FAC in February 2012. Due to the introduction of FAC turnover of the Board was increased by 23% compared to the previous year. CEB sold 10,474 million units of electricity during the year, which is an increase of 4.5% from the previous year sales of 10,023 million units.

Cash flow

The Board could maintain a net cash flow and to reduce the unfavorable cash balance from Rs. 3,102 million to Rs. 1,178 million at the end of year under review. However, the Trade & Other Payable balance has been decreased by Rs.14,848 million.

Borrowings

The total long term borrowings have increased from Rs. 202,346 million in 2011 to Rs. 305,715 million in 2012.

Fixed assets

The total value of Free Hold Property, Plant and Equipment increased by 14% which was mainly due to increase in Transmission and Distribution assets. The table below indicates the growth in the distribution Sector during the period under review.

The total assets increased by Rs. 76,838 million while total liabilities increased by Rs. 141,072 million resulting in a net decrease of Contributed Capital and Reserves amounting to Rs. 64,235 million during the year. The Board insures its assets by maintaining a separate Insurance Escrow at the Peoples Bank and funds it at 0.1% of the value of gross fixed assets, annually. The funds stands at Rs. 4,433 million as at the end of the year under review, compared to Rs. 4,027 million in last year.

	2012	2011	2010	2009
No.of Distribution Sub-stations	24,322	22,839	21,930	21,319
MV Lines km	28,433	27,590	26,684	25,212
LV Lines km	112,995	108,468	104,153	99,445
Service Connection Nos.	4,979,862	4,717,448	4,480,423	4,280,168

GROUP ACCOUNTS

The Board prepares Group accounts incorporating its subsidiaries, Lanka Electricity Company (Pvt) Ltd, LTL Holdings (Pvt) Ltd and Lanka Coal Company Ltd, Sri Lanka Energies (Pvt) Ltd and joint venture of Trincomalee Power Company Ltd in addition to the of Board Accounts.

PROFIT & LOSS	2012 Rs. Million	2011 Rs. Million	2010 Rs. Million	2009 Rs. Million	2008 Rs. Million
Turnover	163,513	132,460	121,862	110,518	111,287
Direct Cost	(222,419)	(151,448)	(116,168)	(118,186)	(145,712)
Gross Profit / (Loss)	(58,906)	(18,988)	5,694	(7,668)	(34,425)
Administration Expenses	(2,997)	(1,636)	(1,851)	(2,870)	(1,487)
Other Income	4,225	3,810	3,062	3,412	3,580
Operating Profit / (Loss)	(57,678)	(16,814)	6,905	(7,126)	(32,332)
Finance Cost- Net	(3,769)	(3,371)	(2,047)	(2,212)	(1,537)
Profit / (Loss) Before Taxation	(61,447)	(20,185)	4,858	(9,338)	(33,869)
Balance Sheet					
Total Assets	738,171	661,333	605,422	516,021	465,296
Capital & Reserves	193,230	257,464	282,631	275,208	270,176
Non - Current Liabilities	407,585	281,835	229,128	141,883	110,419
Current Liabilities	137,356	122,034	93,663	98,930	84,700
Cash	(17,812)	(1,178)	(3,102)	(4,039)	(2,261)
Sales (GWh)	10,474	10,023	9,263	8,441	8,418
Generation (GWh)	11,801	11,528	10,689	9,882	9,901

REPORT OF THE DIRECTORS

The Directors of the Ceylon Electricity Board present their Report and Consolidated Financial Statements for the Year ended 31st December 2012.

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 8.7% was registered for CEB for the year under review. A net loss of Rs 77,645 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 final dividend of Rs 500 million for the financial year 2011/12 and interim dividend of Rs 2,750 million for the financial year 2012/13 and Rs. 2,035 million was received as dividend income for the 2012 year of CEB. Lanka Electricity Company (Pvt) Ltd has declared a dividend of Rs 172 million for the financial year 2011/12 and Rs. 94 million was received as dividend income for the 2012 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 re-valued fixed value at the end of the year. The total accumulated funds of this insurance as at balance Sheet data amounted to Rs.4,433 million.

Additions to Property, Plant & Equipment

During the year Property, Plant & Equipment Amounting to Rs 21,069 million was added to the capital assets compared to Rs.17,183 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.346, 900 million as against Rs.213, 352 million last year.

Board members Year 2012

Prof.Wimaladharm Abeyewickrema was bearing the office of Chairman, CEB during the year ended 31.12.2012. 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.

Eng: W.D.Anura Senaka Wijayapala was a vice chairman of CEB and Mr.P.P. Gunasena was a Working Director of CEB during the year ended 31.12.2012. Further they also served as directors in the director boards of Lanka Coal Company (Pvt) Ltd , Sri Lanka Energies (Pvt) and Trincomalee Power Company (Pvt) Limited.

Dr.B.M.S Batagoda and Mr.Jayasinghe served as member of the director board of CEB during the year ended 31.12.2012.

Mr.K.D.Ranasinghe has resigned on 23.07.2012 and Dr.Y.D.Nihal Jayathilaka has resigned on 16.07.2012.

Mr.R.A.A.K. Ranawaka, Secretary Ministry of Local Government and Provincial Councils appointed to the director board of CEB on 16.07.2012 and Mr.C.J.P. Srirwardena, Assistant Governor, Central Bank of Ceylon appointed to Board of CEB on 13.08.2012.

Provident Fund & Pension Fund

Board maintains an independent fund in respect of Provident Fund & Pension Fund of its employees.

The CEB Provident, fund has earned an income of Rs3, 921 million in 2012 on investment and declared a dividend of 11.17%.The Income derived from the investment of the pension Fund in 2012 was Rs.1, 319 million.

Employees

The total number of employees as at end of the year was 16,709 and total number of Consumer/Employee ratio was 298 in 2012.

Auditors

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

Audit Committee

The Audit Committee held six meetings during the year under review and dealt with the report of the Auditor General for the year ended 31st December 2011 and Internal Audit Reports furnished to the management. The Audit committee 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 recurrence and impact of fraud and errors, operational and financial risks faced by the entity. The committee also reviewed the internal audit functions of CEB and provided guidance on planning, on deciding the scope and the quality of the audits to be carried out.

CONSOLIDATED INCOME STATEMENT

All amounts in Sri Lanka Rupees Thousands

Year Ended 31st December 2012	GROUP		BOARD		
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	
Continuing Operation					
Revenue	3	180,516,200	142,540,999	163,512,580	132,459,860
Cost of Sales		(231,319,947)	(155,587,266)	(222,419,279)	(151,448,504)
		(50,803,747)	(13,046,268)	(58,906,699)	(18,988,644)
Other Income and Gain	4	5,630,063	4,420,540	4,225,332	3,810,426
Distribution Cost		(53,247)	(79,423)	-	-
Others		(335,901)	(230,991)	-	-
Administrative Expenses		(5,127,526)	(3,391,488)	(2,997,355)	(1,636,103)
Operating Profit		(50,690,357)	(12,327,630)	(57,678,722)	(16,814,321)
Finance Income	5.1	2,574,594	1,435,208	2,428,969	416,133
Finance Cost	5.2	(6,356,251)	(4,050,956)	(6,197,562)	(3,787,193)
Finance Cost-Net		(3,781,657)	(2,615,748)	(3,768,593)	(3,371,060)
Share of loss of Joint Venture	11	(37,421)	(27,737)	-	-
Loss Before Income Tax	6	(54,509,434)	(14,971,115)	(61,447,315)	(20,185,381)
Income Tax Expense	7.1	(1,453,825)	(951,711)	-	-
Deferred Tax Charge/(Reversal)	7.2	(15,982,615)	(673,028)	(16,198,080)	(829,953)
Loss for the year from continuing operation		(71,945,874)	(16,595,854)	(77,645,395)	(21,015,334)
Non Controlling Interest		(3,646,791)	(2,162,456)	-	-
Profit/(Loss) for the Year		(75,592,666)	(18,758,310)	(77,645,395)	(21,015,334)

The Accounting Policies and Notes on Pages through form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in Sri Lanka Rupees Thousands

Year Ended 31st December 2012	GROUP		BOARD	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Loss for the year from continuing operation	(71,945,874)	(16,595,854)	(77,645,396)	(21,015,333)
Other Comprehensive Income				
Revaluation of Land and Building	-	379,306	-	-
Deferred Tax Impact on Revalued Building	-	(34,255)	-	-
Land Written Off	-	(11,300)	-	-
Actuarial loss on post employment benefit obligation	(124,403)	(307,977)	(124,403.00)	(307,977)
Exchange differences on translation of foreign subsidiary operations	7,029	3,987	-	-
Fair value gain on available for sale financial assets	57,114	581,404	-	-
Net gain loss on exchange conversion of foreign currency loans	(17,927)	(14,161)	-	-
Total Comprehensive Income for the year, net of tax	(72,024,062)	(15,998,850)	(77,769,799)	(21,323,310)
Attributable to:				
Equity Holders of the Parent	(75,693,400)	(18,587,958)		
Non Controlling Interest	3,669,337	2,589,109		
	(72,024,062)	(15,998,850)		

The Accounting Policies and Notes on Pages through form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

All amounts in Sri Lanka Rupees Thousands

As at 31st December 2012	Note	2012	GROUP 2011	As at 1st 2011	2012	BOARD 2011	As at 1st 2011
ASSETS							
Non Current Assets							
Property, Plant & Equipment	8	637,647,777	559,719,351	506,746,081	622,340,524	545,606,651	493,050,260
Premium Paid on Leasehold Land		5,903	-	-	-	-	-
Intangible assets	9	22,025	23,327	25,748	-	-	-
Investments in Subsidiaries	10	-	-	-	761,902	736,902	736,902
Investment in Joint Venture	11	84,843	122,264	-	150,000	150,000	-
Other Non Current Financial Assets	12	4,864,344	5,057,495	5,510,688	-	-	-
Investments of Insurance Reserve	13	4,433,045	4,027,412	3,710,485	4,433,045	4,027,412	3,710,485
Total Non-Current Assets		647,057,936	568,949,849	515,993,001	627,685,471	550,520,965	497,497,647
CURRENT ASSETS							
Inventories	14	32,597,217	21,172,864	18,645,058	29,949,063	18,916,632	16,669,168
Trade and Other Receivables	15	78,367,473	87,701,726	89,268,547	71,120,194	84,624,353	85,435,368
Amounts Due from Related Parties	16	-	-	-	1,810,852	1,627,537	1,831,493
Other Current Financial Assets	12	14,186,296	14,211,385	9,868,553	5,035,090	4,164,890	3,690,470
Tax Refund Due		232,601	222,800	470,672	-	-	-
Cash and Bank Balances	26	5,717,455	7,118,700	4,616,516	2,570,748	1,479,258	1,546,976
Total Current Assets		131,101,043	130,427,474	122,869,346	110,485,947	110,812,670	109,173,475
Total Assets		778,158,979	699,377,323	638,862,347	738,171,418	661,333,635	606,671,122
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	17	109,567,864	96,090,404	83,311,423	109,567,864	96,090,404	83,311,423
Reserves	18	32,259,936	31,011,415	29,388,050	25,721,509	24,525,260	23,436,293
Retained Earnings / (Loss)		68,577,432	145,478,078	165,191,016	57,940,887	136,848,860	158,729,823
Equity Attributable to the Equity Holders of the Parent		210,405,232	272,579,897	277,890,489	193,230,260	257,464,524	265,477,539
Non Controlling Interest		16,023,522	14,018,587	11,282,136	-	-	-
Total Equity		226,428,754	286,598,484	289,172,625	193,230,260	257,464,524	265,477,539
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	19	304,295,360	203,721,934	175,054,426	305,714,769	202,346,713	174,264,109
Consumer Deposits	20	8,899,445	8,162,181	7,543,940	8,899,444	8,162,181	7,543,940
Provisions and Other Deferred Liabilities	21	4,144,075	3,577,866	3,355,504	3,592,799	3,092,032	2,929,958
Deferred Income	22	58,285,116	53,049,813	47,081,839	55,208,276	50,262,392	44,390,174
Deferred Taxation	23	34,602,781	18,620,167	17,912,883	34,169,764	17,971,684	17,141,731
Total Non-Current Liabilities and Deferred Income		410,226,777	287,131,961	250,948,592	407,585,052	281,835,002	246,269,912
Current Liabilities							
Trade and Other Payables	24	91,649,271	105,953,976	80,905,259	86,959,050	103,832,911	78,596,719
Dividend Payables		19,322	328,953	282,273	-	-	-
Amounts Due to Related Parties	25	-	-	-	4,311,820	2,294,474	1,447,831
Interest Bearing Loans & Borrowings	19	42,993,289	12,891,733	11,600,070	41,185,236	11,006,724	9,979,121
Income Tax Payable		6,841,566	6,472,216	5,953,529	4,900,000	4,900,000	4,900,000
Total Current Liabilities		141,503,449	125,646,878	98,741,130	137,356,106	122,034,109	94,923,671
Total Equity and Liabilities		778,158,979	699,377,323	638,862,347	738,171,418	661,333,635	606,671,122

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 Accounting Policies and Notes on Pages through form an integral part of the Financial Statements

23.04.2014
Colombo

GROUP - STATEMENT OF CHANGES IN EQUITY

Year Ended 31st December 2012

	Contributed Capital	Capital Reserve	Adjustment for Deemed Cost	Revaluation Reserve
Balance Restated as at 01 January 2011	83,311,423	17,792,799	4,529,883	403,244
Surplus on Revaluation of PPE				
Adjustment made during the year				
Loss for the year				
Transferred to /from Self Insurance Reserve				
Interest Income on Insurance Escrow Fund				
Ninidhu Share Issue				
Pawan Danawi Share Issue				
Heat Rate Reserve		12,489		
Fixed Assets replacement Reserve				
Overhaul Reserve				
Dividends Ordinary Shares				
AREP Projects	1,560,000			
Rural Electrification Project 08 (Iran)	5,566,289			
CAARP Project	95,902			
IDC Project Loan	7			
Killinochchci Chunnakam Transmission project	139,994			
Lighting Sri Lanka	1,914,000			
Vauniya Killinochchci Transmission Project	1,046,052			
Rural electrification Project 04 (Extension)	1,160,072			
Rural electrification Project 04 (Old)	1,296,666			
Other Comprehensive Income				
Actuarial gain or loss on defined benefit plan				
Land Written off				(6,238)
Revaluation Of Land and Buildings				209,377
Deferred Tax Adjusted to Equity				(18,909)
Fair Value gain of quoted /unquoted shares				
Exchange differences on translation of foreign subsidiary operation		2,052		
Net gain / loss on exchange conversion of foreign currency loans		(7,289)		
Balance as at 31st December 2011	96,090,405	17,800,051	4,529,883	587,475
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			
Suatanable Power Sector Support Project	129,960			
Uthuru wasanthaya	1,757,069			
DSMSLP Project	5,178			
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		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)				
Balance as at 31st December 2012	109,567,865	17,796,535	4,529,883	587,475

The Accounting Policies and Notes on Pages 06 through 43 form an integral part of the 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	Minority Interest	Total
2,984	23,000	189,615	60,530	5,816,735	569,259	165,191,016	11,282,136	289,172,625
						45,439,094		45,439,094
						(45,224,706)		(45,224,706)
						(18,758,310)	2,162,456	(16,595,854)
				772,040		(772,040)		-
				316,927				316,927
							14,667	14,667
							470,400	470,400
						(19,824)	7,335	-
		9,892				(15,702)	5,810	(0)
33,689						(53,474)	19,785	(0)
						-	(370,654)	(370,654)
								1,560,000
								5,566,289
								95,902
								7
								139,994
								1,914,000
								1,046,052
								1,160,072
								1,296,666
								-
						(307,977)		(307,977)
							(5,062)	(11,300)
							169,929	379,306
							(15,346)	(34,255)
					299,335		282,070	581,405
							1,935	3,987
							(6,872)	(14,161)
36,673	23,000	199,507	60,530	6,905,702	868,594	145,478,078	14,018,587	286,598,485
						(366,345)		(366,345)
						9,524		9,524
						(75,592,666)	3,646,791	(71,945,874)
				781,354		(781,354)		-
				470,933				470,933
				(56,038)				(56,038)
							49,000	49,000
						(3,322)	1,229	(0)
			6,319			(10,030)	3,711	0
		14,193				(22,529)	8,336	(0)
5,999						(9,521)	3,523	0
								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)
						0	(77,560)	(77,560)
42,671	23,000	213,700	66,849	8,101,951	897,871	68,577,432	16,023,522	226,428,756

BOARD - STATEMENT OF CHANGES IN EQUITY

All amounts in Sri Lanka Rupees Thousands

	Contributed Capital	Capital reserves	Capital Redemption Reserve	Revaluation Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
Balance as at 01st January 2011	83,311,423	17,447,062	165,446	-	23,000	5,800,785	158,729,823	265,477,538
Surplus on Revaluation of PPE	-	-	-	-	-	45,439,094	45,439,094	45,439,094
Adjustment made during year	-	-	-	-	-	(45,224,706)	(45,224,706)	(45,224,706)
Loss for the Year	-	-	-	-	-	(21,015,334)	(21,015,334)	(21,015,334)
Transfer to/from Insurance Reserve	-	-	-	-	-	772,040	(772,040)	-
Interest Income on Insurance Escrow Fund	-	-	-	-	-	316,927	-	316,927
AREP Projects	1,560,000	-	-	-	-	-	-	1,560,000
Rural Electrification Project-8 (Iran)	5,566,289	-	-	-	-	-	-	5,566,289
CAARP Project	95,902	-	-	-	-	-	-	95,902
IDC Project Loan	7	-	-	-	-	-	-	7
Killinochchi Chunnakaum Transmission Project	139,994	-	-	-	-	-	-	139,994
Lightning Sri Lanka Project	1,914,000	-	-	-	-	-	-	1,914,000
Vaunia Killinochchi Transmission Project	1,046,052	-	-	-	-	-	-	1,046,052
Rural Electrification Project-4 (Extension)	1,160,072	-	-	-	-	-	-	1,160,072
Rural Electrification Project-4 (Old)	1,296,666	-	-	-	-	-	-	1,296,666
Other Comprehensive income	-	-	-	-	-	-	-	-
Actuarial gain or loss on defined benefit plan	-	-	-	-	-	-	(307,977)	(307,977)
Balance as at 31 December 2011	96,090,404	17,447,062	165,446	-	23,000	6,889,752	136,848,860	257,464,524
Balance Restated as at 01st January 2012	96,090,404	17,447,062	165,446	-	23,000	6,889,752	136,848,860	257,464,525
IFRS Adjustment -Revaluation	-	-	-	-	-	-	(366,345)	(366,345)
Adjustment made during the year	-	-	-	-	-	-	9,524	9,524
Loss for the Year	-	-	-	-	-	-	(77,645,395)	(77,645,395)
Transfer to/from Insurance Reserve	-	-	-	-	-	781,354	(781,354)	-
Interest Income on Insurance Escrow Fund	-	-	-	-	-	470,933	-	470,933
Damaged Charge during the period	-	-	-	-	-	(56,038)	-	(56,038)
CAARP Project	105,769	-	-	-	-	-	-	105,769
AREP Projects	140,000	-	-	-	-	-	-	140,000
Rural Electrification Project-8 (Iran)	3,153,437	-	-	-	-	-	-	3,153,437
IDC Project Loan	8	-	-	-	-	-	-	8
Rural Electrification Project-4 (Extension)	3,064,325	-	-	-	-	-	-	3,064,325
Rural Electrification Project-4 (Old)	463,364	-	-	-	-	-	-	463,364
Vaunia Killinochchi Transmission Project	966,970	-	-	-	-	-	-	966,970
Killinochchi Chunnakaum Transmission Project	646,080	-	-	-	-	-	-	646,080
Batahira Ran Aruna Project	35,000	-	-	-	-	-	-	35,000
Nagenahira Navodaya Project	1,062,959	-	-	-	-	-	-	1,062,959
Ruhunu Udanaya Project	160,000	-	-	-	-	-	-	160,000
Uva Udanaya Project	1,396,516	-	-	-	-	-	-	1,396,516
Rajarata Navodaya Project	75,000	-	-	-	-	-	-	75,000
Jaffna Rehabilitation Electricity Supply Project	315,825	-	-	-	-	-	-	315,825
Suatanable Power Sector Support Project	129,960	-	-	-	-	-	-	129,960
Uthuru wasanthaya	1,757,069	-	-	-	-	-	-	1,757,069
DSMSLP Project	5,178	-	-	-	-	-	-	5,178
Other Comprehensive income	-	-	-	-	-	-	-	-
Actuarial gain or loss on defined benefit plan	-	-	-	-	-	-	(124,403)	(124,403)
Balance as at 31 December 2012	109,567,865	17,447,062	165,446	-	23,000	8,086,001	57,940,887	193,230,261

CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in Sri Lanka Rupees Thousands

As at 31st December 2012	GROUP		BOARD	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Cash Flows From / (Used in) Operating Activities	(54,509,434)	(14,971,115)	(61,447,315)	(20,185,380)
Profit/(loss) before tax				
Adjustments for				
Depreciation -Charged for the year	21,256,910	18,288,543	21,131,465	16,944,263
Consumer Contribution - Amount Amortised During the year	(2,189,202)	(2,155,369)	(2,053,541)	(1,853,318)
Government Grant - Amount Amortised During the year	(12,391)	(12,391)	(12,391)	(12,391)
Income from Investments	(5,664,925)	(1,507,541)	(2,401,213)	(385,887)
(Profit)/Loss on sales of Property, Plant & Equipment	(68,608)	(56,437)	(54,678)	(56,437)
Finance Costs	6,356,122	4,050,956	6,197,563	3,787,193
Provision for Obsolete & Unserviceable Cost	172,452	241,069	135,343	241,069
Provision for price Variance	779,295	228,809	779,295	228,809
Provision for Impairment of Trade Debtors	623,981	72,876	597,181	72,896
Provision for Impairment of Other Debtors	(1,214,839)	29,255	(1,209,009)	29,255
Pension Fund - Net Impact for the profit	(353,781)	(145,904)	(353,781)	(145,904)
Impact on IFRS depreciation & disposal adjustments	(1,498,464)		(1,498,464)	-
Defined Benefit Plans	1,244,447	400,729	1,162,056	320,874
Operating Profit/(Loss) before Working Capital Changes	(35,078,436)	4,463,480	(39,027,489)	(1,014,958)
(Increase)/ Decrease in Inventories	(12,172,320)	(2,997,684)	(11,743,287)	(2,717,342)
(Increase)/ Decrease in Trade and Other Receivables	10,009,365	1,698,927	13,150,100	2,438,419
Increase/ (Decrease) in Trade and Other Payables	(14,296,395)	25,041,138	(14,856,518)	26,075,130
Cash Generated from Operations	(51,537,786)	28,205,861	(52,477,194)	24,781,249
Finance Cost paid	(3,567,132)	(1,489,668)	(3,408,444)	(1,225,905)
Retirement Benefit Obligation	(448,859)	(340,440)	(431,911)	(320,873)
Income Tax Paid	(1,084,474)	(433,024)	-	(2,000,000)
Net Cash From/(Used in) Operating Activities	(56,638,251)	25,942,729	(56,317,549)	21,234,471
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(89,211,205)	(63,795,772)	(88,022,279)	(62,420,017)
Acquisition of Intangible Assets	1,302	2,421		
Investment in Joint Ventures	37,421	(122,264)		(150,000)
Investment in Insurance reserves Fund	(405,633)	(316,927)	(405,633)	(316,927)
Interest Received from Insurance Reserves Fund	405,633	316,927	405,633	316,927
Investment in Non Current Financial Assets	250,264	1,034,598		
Investment in Current Financial Assets	25,088	(4,342,832)		
Acquisition of Investments	-	-	(25,000)	
Income on Foreign Investment	960,883	72,334		
Finance Income	4,704,042	1,435,208	2,401,213	385,887
Sale Proceeds of Fixed Assets Disposals	51,750	235,036	37,820	235,036
Dividend Paid	(2,039,833)	(323,974)	-	-
Net Cash Flows from/(Used in) Investing Activities	(85,220,288)	(65,805,245)	(85,608,246)	(61,949,094)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	13,400,253	12,778,981	13,400,254	12,778,981
Consumer Contribution	7,436,897	8,135,735	7,011,818	7,737,927
Redemption of Preference Shares	-	(7,516)	-	-
Consumer deposit - Net Cash	729,556	625,949	737,264	625,949
Net Movement in Lease Creditors/(Lease Payment)	(23,094)	(8,286)	114,734	5,956
Proceeds From Interest Bearing Loans & Borrowings	110,219,457	28,441,292	112,395,167	26,833,093
Repayment of Interest Bearing Loans & Borrowings	(9,178,880)	(6,174,290)	(8,368,039)	(5,343,133)
Pawan Danawi Share Issue	49,000	470,400	-	-
Nividu Share Issues	-	14,667	-	-
Net Cash Flows from/(Used in) Financing Activities	122,633,189	44,276,932	125,291,198	42,638,773
Net Increase/(Decrease) in Cash and Cash Equivalents	(19,225,350)	4,414,414	(16,634,597)	1,924,150
Cash and Cash Equivalents at the beginning of the year	3,402,380	(1,012,034)	(1,178,067)	(3,102,216)
Cash and Cash Equivalents at the end of the year	(15,822,970)	3,402,380	(17,812,664)	(1,178,067)

NOTES TO THE FINANCIAL STATEMENTS

As at 31.12.2012

1.0 CORPORATE INFORMATION

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 31st December 2012 were authorized for issue in accordance with a resolution of the Board of directors on 23rd April 2014.

2.0 GENERAL POLICIES

2.1 Basis of Preparation and Adoption of SLAS (SLFRS and LKAS) Effective for the Periods Beginning On or After 01 January 2012

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.

For all periods up to and including the year ended 31st December 2011, the Group prepared its financial statements in accordance with the previous Sri Lanka Accounting Standards (SLAS). These financial statements for the year ended 31st December 2012 are the first set of financials, the Group has prepared in accordance with SLFRS.

Subject to certain transition exemption and exceptions disclosed in Note 05, the group has consistently applied the Accounting policies in the preparation of its opening SLFRS / LKAS statement of Financial Position as at 01st January 2011 and throughout all periods presented.

The Financial statements have been prepared on an accrual basis under the historical cost convention, as modified by the fair valuation of certain assets and liabilities as follows;

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 04**.

Note 2.6 discloses the impact of the transition to SLFRS on the Group's reported financial position, performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Group's Consolidated financial statements for the year ended 31st December 2012 prepared under SLASs.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

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 incorporated a partially owned subsidiaries namely Pawan Danavi (Private) Limited. In addition to above, LTL Galvanizers (Pvt) Ltd, LTL Transformers (Pvt) Ltd, Lakdhanavi Ltd, Nividhu (Pvt) Ltd, LTL Energy (Pvt) Ltd, Nividhu Assupiniella (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 Lakdhanavi Limited having its registered office at 8 Pioneer Sector 1, Singapore 628420. The principal place of business of Lakdhanavi Limited and Lanka Industrial products (Pvt) Ltd are situated at Lindel Industrial Estate, Sapugaskanda, LTL Energy (Pvt) Limited and Nividu (Pvt) Ltd at Belihul Oya, Balangoda and Nividu Assupinieella (Pvt) Ltd at Aranayaka respectively.

Heladhanavi limited is a joint venture between Lakdhanavi Limited and Hemas Power (Pvt) Limited. The registered 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 where as the financial year of LTL Holdings (Pvt) Ltd and the Trincomalee Power Company limited are 31st March. However, the Financial Statements certified by the Auditors of the said companies have been prepared 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 share holders, 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 arising from inter group transactions, are eliminated in preparing the consolidated financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

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 by the Board 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 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.
- 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.

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 No 10 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

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

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.

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

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

2.2.4 Borrowing Costs

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

2.2.5 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for

obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and condition is accounted as follows.

Lanka Electricity Co. Limited

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

Goods in transits and other cost - at actual cost

LTL Holdings (Pvt) Ltd

Raw Materials are valued - at actual cost on first-in- first -out basis.

Finished goods & Work- In-Progress - at the cost of direct materials, direct labour and appropriate proportion of fixed production overhead.

Consumables & Spares - at actual cost on first-in-first-out basis.

Goods in Transit - at actual cost

Ceylon Electricity Board

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.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

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.

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	100 Years
Steel water pipes & pens stock	40 Years
Substation & Switch Yard	35 Years
Generation Plants: Power Stations	
including Plant (Hydro)	35 Years
Power Stations including Plant	
(Thermal)	25 Years
Power Stations including Plant (Diesel)	15 Years
Power Stations including Plant	
(Gas Turbine)	12 Years
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	35 Years
Service Main	35 Years
SCADA (Central Facilities) &	
Communication Equipment	15 Years
Vehicles	07 Years
Motor Boats	07 Years
Machinery & Tools	05 Years

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

Office Equipment	05 Years
Furniture & Fittings	05 Years

LTL Holdings (Pvt) Ltd

Buildings	over 25 - 50 years
Plant & Machinery	over 08 - 15 years
Factory Equipment	over 10 years
Intercom Equipment	over 10 years
Fire Fighting Equipment	over 10 years
Office Equipment	over 10 years
Furniture and Fittings	over 03 - 10 years
Motor Vehicle	over 04 years
Heat Recovery Unit	over 06 years
Operation and maintenance spares	Actual Usage

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 Equipment	7 years
Plant & Machinery	4 years

Lanka Coal Co.(Pvt) Ltd.

Furniture & Fittings	5 years
Equipment	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 2.4.4 (e)

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.

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 indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

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.

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 a 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.

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 and 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

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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 apart of a financial asset or part of a group of similar financial assets) is derecognised when,

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

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

recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.2.10.1.1 Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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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 derecognised 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 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

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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 it's 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 define 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

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technique which is based on the Projected Unit Credit method (PUC). Actuarial gains and losses are recognized in full in the period in which they occur in the 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** Define 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 charges 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.

Contributions 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

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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.

2.2.16

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 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 owner ship 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.

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This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Impairment Losses on Trade and Other Receivables

Trade and other receivables that have been assessed individually and found not to be impaired and all individually insignificant receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the receivable portfolio (such as levels of arrears, credit utilisation, etc.), and judgments on the effect of concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Taxes

The Group is subject to income taxes and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements. The Group recognised assets and liabilities for current, deferred and other taxes on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

Useful lives of Property, Plant & Equipment

The group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rate, and methods.

Defined Benefit Plans-Gratuity

The cost of defined benefit plans- gratuity is determined using actuarial valuation technique. The actuarial valuation technique involves making assumptions about discount rates, expected rates of return on assets, future salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

2.4 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) to be effective for the financial periods beginning on or after 01 January 2013.

SLFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. SLFRS 9 replaces the parts of LKAS 39 that relate to the classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost.

The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The main change is that, in to be consolidated by a parent, compared with the requirements that were in LKAS 27. This standard was initially effective for annual periods beginning on or after 1 January 2014.

SLFRS 11, 'Joint Arrangements' replaces LKAS 31 Interests in Joint Ventures and SIC -13 jointly Control Entities, non Mandatory contributions by ventures. SLFRS 11 removes the option to account for jointly control entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard was initially effective for annual periods beginning on or after 1 January 2014, and is to be applied retrospectively for joint arrangements held at the date of initial application.

SLFRS 12, 'Disclosure of interests in other Entities' includes all the disclosures that were previously in LKAS 27 related to consolidated financial statements

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, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relates to an entity's interest in subsidiaries, joint agreements, associates and structured entities. The number new disclosures are also required, but such disclosures have no impact on the Group's financial positions or performance. This standard was initially effective for annual periods beginning on or after 1 January 2014.

SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs. The management is yet to assess the full impact of this standard. There are no other Standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the entity.

2.5 FIRST- TIME ADOPTION OF SLFRS

These financial statements, for the year ended 31st December 2012, are the first set of financials the Group has prepared in accordance with SLFRS. For periods up to and including the year ended 31st December 2001, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS). Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ended on or after 31st December 2012, together with the comparative period data as at and for the year ended 31st December 2011, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1st January 2011, the Group's date of transition to SLFRS. This note explains the principal adjustments made by the Group in restating its SLAS statement of financial position as at 1st January 2011 and its previously published SLAS financial statements as at and for the year ended 31st December 2011.

2.6 Exemptions Applied SLFRS 1 First- Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions and exceptions from the retrospective application of certain SLFRS. Set out below are the applicable exemptions and exceptions under SLFRS 1 applied by the Group in preparing the first financial statements for the year ended 31st December 2012 Under SLFRS.

Board

Exemption and Exemptions from full retrospective application

Set out below are the applicable exemptions, exceptions under SLFRS first applied by the board in transition to SLFRSs.

SLFRS Exemption Options

The following exemptions were applied by the Board.

- a) Fair value or Revaluations as Deemed cost.
- b) Employee benefits
- c) Borrowing cost

Other optional exceptions were not applied by the Board since they are not applicable to the Board.

SLFRS mandatory Exceptions

All the mandatory exceptions from full retrospective application of the SLFRS/LKAS are not applicable to the Board.

Optional Exemptions which the Group has opted to apply

Lanka Electricity Company (Private) Limited - LECO

Business Combinations

SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS that occurred before 1st January 2011. Use of this exemption means that the local SLAS carrying amounts of assets and liabilities, which are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that qualify for recognition under SLFRS are excluded from the opening SLFRS statement of financial position. The Group did not recognize or exclude any previously recognised amounts as a result of SLFRS recognition requirements.

Investments in Subsidiaries

The basis of measurement of an investment in a subsidiary is at its deemed cost in the separate

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SLFRS financial statements of the subsidiary. The group has applied the previous carrying value under SLAS on 1st January 2011 as the deemed cost of such investments.

Designations of Previously Recognised Financial Instruments

The Group has designated unquoted equity instruments held at 1st January 2011 as available for sale investments.

Exceptions the Group has not applied retrospectively

Estimates

The estimates at 1st January 2011 and at 31st December 2011 are consistent with those made for the same date in accordance with SLAS (after adjustments to reflect any differences in accounting policies).

De- recognition of Financial Assets and Financial Liabilities

The Group has applied the derecognition requirements in LKAS 39 prospectively to transactions occurring after 1st January 2011. Therefore the non- derivative financial assets or non- derivative financial liabilities which were Previously de- recognised under SLAS as a transaction that occurred before the transition date 1st January 2011 has not been re- recognised in the SLFRS financial statements.

Non- controlling interests

The following requirements of LKAS 27 are applied prospectively from date of transition to SLFRS. To attribute total comprehensive income to non controlling interest irrespective of whether this results in a deficit balance. To treat changes in a parent's ownership interest does not result in a loss of control as equity transactions. To apply LKAS 27 to loss of control of a subsidiary.

LTL holdings (Private) Limited

Exemptions Applied

SLFRS 1 First- Time Adoption of Sri Lanka Financial Reporting Standards allows first- time adopters certain exemptions and exceptions from the retrospective application of certain SLFRS. The

Group has designated unquoted equity instruments held at 1st January 2011 as available for sale investments. SLFRS 1 provides an exemption that permits the Group to designate financial assets and liabilities as at fair value through profit or loss or as available- for- sale at the date of transition to SLFRS. The Group designated unquoted equity instrument as a available-for sale. Once the designation has been made, LKAS 39's measurement provisions apply retrospectively. Retrospective designation of financial instruments as available- for- sale financial assets requires the Group recognise the cumulative fair value changes in a separate component of equity in the opening SLFRS statement of financial position, and transfer those fair value changes to profit or loss on subsequent disposal or impairment of the asset.

The Group has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease And has assesses all arrangements based upon the conditions in place as at the date of transition.

The following requirements of LKAS 27 are applied prospectively from date of transition to SLFRS. (Provided that SLFRS 3 is not applied retrospectively to past business combinations)

- To attribute total comprehensive income to non controlling interest irrespective of whether this results in a deficit balance.
- To treat changes in a parent's ownership interest does not result in a loss of control as equity transactions.
- To apply LKAS 27 to loss of control of a subsidiary.

Estimates

The estimates at 1st January 2011 and at 31st December 2011 are consistent with those made for the same date in accordance with SLAS. The estimates used by the Group to present these amounts in accordance with SLFRS reflect conditions at 1st January 2011, the date of transition to SLFRS and as of 31st December 2011.

2.7 Reconciliations of SLAS TO SLFRS/LKAS

SLFRS/LKASs require the company to prepare;

- a) Reconciliation of its equity determined in accordance with its previous financial reporting

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- framework (SLAS) to its equity determine in accordance with SLFRS/LKAS as at 01st January 2011.
- b) Reconciliation of its equity determined in accordance with its previous financial reporting framework (SLAS) to its equity determine in accordance with SLFRS/LKAS as at 31st December 2011.
- c) A reconciliation of the profit and loss determined in accordance with SLAS to SLFRS/LKAS for the period ended 31st December 2011.

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(All amounts in Sri Lanka Rupees Thousands)

First Time adoption of SLFRS

2.7 (a)- Group Reconciliation of equity as at 01 January 2011(date of transmission to SLFRS)

	As per SLAS Published 31/12/10	Reclassifications	Remeasurements	Under SLFRS 01/01/2011
Non-Current Assets				
Property, Plant & Equipment - At Valuation	502,995,637	-	3,750,446	506,746,081
Intangible assets	1,915	-	23,833	25,748
Administrative Borrowings	570,000	(570,000)	-	-
Other Investments	3,814,514	(4,920,046)	1,105,532	-
Deferred tax assets	4,712	(4,712)	-	-
Other Non Current Financial Assets	-	5,510,688	-	5,510,688
Investments of Insurance Reserve	3,710,485	-	-	3,710,485
Total Non-Current Assets	511,097,263	15,930	4,879,811	515,993,001
Current Assets				
Inventories	18,645,058	-	-	18,645,058
Trade and Other Receivables	93,437,410	(4,020,460)	(148,404)	89,268,547
Amounts Due from Related Parties	-	-	-	-
Investments - Others	7,404,851	(7,405,218)	366	-
Other Current Financial Assets	-	9,866,573	1,980	9,868,553
Tax Refund Due	470,672	-	-	470,672
Cash and Bank Balances	3,078,053	1,538,463	-	4,616,516
Total Current Assets	123,036,045	(20,642)	(146,057)	122,869,346
Total Assets	634,133,308	(4,712)	4,733,754	638,862,347
EQUITY AND LIABILITIES				
Capital and Equity				
Contributed Capital	83,311,423	-	-	83,311,423
Issued capital	-	-	-	-
Reserves	320,550,127	-	(291,162,077)	29,388,050
Retained Earnings / Loss	(111,994,093)	-	277,185,109	165,191,016
	291,867,457	-	(13,976,967)	277,890,489
Minority Interest	9,697,583	-	1,584,553	11,282,136
Total Equity	301,565,039	-	(12,392,414)	289,172,625
Non-Current Liabilities and Deferred Income				
Interest Bearing Loans & Borrowings	175,054,426	-	-	175,054,426
Consumer Deposits	7,543,940	-	-	7,543,940
Provisions and Other Deferred Liabilities	3,357,020	(1,662)	147	3,355,504
Deferred Income	47,081,838	-	-	47,081,838
Deferred Taxation	791,574	(4,712)	17,126,020	17,912,882
Total Non-Current Liabilities and Deferred Income	233,828,797	(6,374)	17,126,167	250,948,590
Current Liabilities				
Preference Shares	7,518	(7,518)	-	-
Trade and Other Payables	80,903,597	1,662	-	80,905,259
Dividends payables	282,274	-	-	282,274
Amounts Due to Related Parties	-	-	-	-
Interest Bearing Loans & Borrowings	11,592,554	7,516	-	11,600,071
Income Tax Payable	5,953,528	-	-	5,953,528
Total Current Liabilities	98,739,471	1,660	-	98,741,132
Total Equity and Liabilities	634,133,308	(4,714)	4,733,753	638,862,347

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

First Time adoption of SLFRS**2.7 (b)-Group Reconciliation of equity as at 31 December 2011**

		As per SLAS Published 31/12/11	Reclassifications	Remeasurements	As per SLFRS 31/12/11
Non-Current Assets					
Property, Plant & Equipment - At Valuation	i	593,030,313	-	(33,310,962)	559,719,351
Investments in Subsidiaries		-	-	-	-
Investments in Joint Venture	i	150,000	-	(27,736)	122,264
Other Investments		2,778,631	(2,778,631)	-	-
Administrative Borrowings		570,000	(570,000)	-	-
Deferred tax assets		-	-	-	-
Investments of Insurance Reserve		4,027,412	-	-	4,027,412
Intangible assets		1,327	-	22,000	23,327
Other Non Current Financial Assets		-	3,371,255	1,686,240	5,057,495
Total Non-Current Assets		600,557,683	22,624	(31,630,458)	568,949,848
Current Assets					
Inventories		21,172,863	-	-	21,172,863
Trade and Other Receivables	ii	92,351,227	(4,532,148)	(117,353)	87,701,726
Amounts Due from Related Parties		-	-	-	-
Investments - Others		13,688,004	(13,689,066)	1,062	(0)
Other Financial Assets		-	14,191,569	19,816	14,211,385
Tax Refund Due		234,608	(11,808)	-	222,800
Cash and Bank Balances		3,099,871	4,018,829	-	7,118,700
Total Current Assets		130,546,573	(22,624)	(96,475)	130,427,475
Total Assets		731,104,256	-	(31,726,933)	699,377,323
EQUITY AND LIABILITIES					
Capital and Equity					
Contributed Capital		96,090,404	-	-	96,090,404
Issued capital		-	-	-	-
Reserves		367,018,036	-	(336,006,620)	31,011,415
Retained Earnings / Loss		(129,428,251)	-	274,906,329	145,478,078
		333,680,189	-	(61,078,677)	272,579,898
Minority Interest		12,517,353	-	1,501,234	14,018,587
Total Equity		346,197,542	-	(59,599,057)	286,598,485
Non-Current Liabilities and Deferred Income					
Preference Shares	iii	-	-	-	-
Interest Bearing Loans & Borrowings		194,138,980	-	9,582,953	203,721,934
Consumer Deposits	iv	8,162,181	-	-	8,162,181
Provisions and Other Deferred Liabilities		3,415,793	-	162,073	3,577,866
Deferred Income		53,049,814	-	-	53,049,814
Deferred Taxation		59,442	-	18,560,725	18,620,167
Total Non-Current Liabilities and Deferred Income		258,826,210	-	28,305,751	287,131,961
Current Liabilities					
Preference Shares		-	-	-	-
Trade and Other Payables		106,407,374	-	(453,398)	105,953,976
Dividends payables		328,949	-	-	328,949
Amounts Due to Related Parties		-	-	-	-
Interest Bearing Loans & Borrowings		12,891,283	-	453	12,891,736
Income Tax Payable		6,452,898	-	19,318	6,472,216
Total Current Liabilities		126,080,504	-	(433,627)	125,646,874
Total Equity and Liabilities		731,104,256	-	(31,726,933)	699,377,323

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

First Time adoption of SLFRS

2.7 (c) Group Reconciliation of total Comprehensive income for the year ended 31.12.2011

	Under SLAS 2011 - Published	Reclassification Adj 2011	Remeasurement Adj 2011	Under SLFRS 2011
Revenue	149,633,788	-	(7,092,789)	142,540,999
Cost of Sales	(163,624,671)	(568,582)	8,605,987	(155,587,266)
Gross profit / (loss)	(13,990,883)	(574,981)	1,513,199	(13,046,266)
Other Income	4,673,008	(98,373)	(154,094)	4,420,541
Distribution Cost	(79,423)	-	-	(79,423)
Others	(230,991)	-	-	(230,991)
Administrative Expenses	(3,773,242)	(21,475)	403,229	(3,391,488)
Operating Profit/(Loss)	(13,401,531)	(565,705)	1,762,334	(12,327,627)
Finance Income	1,443,985	98,373	(107,148)	1,435,210
Finance Cost	(2,084,747)	590,056	(2,556,265)	(4,050,956)
Finance Cost-Net	(640,762)	565,705	(2,663,413)	(2,615,746)
Share of joint venture		-	(27,737)	(27,737)
Loss before Income Tax	(14,042,293)	-	(901,080)	(14,971,111)
Income Tax Expense	(131,201)	28,789	(849,299)	(951,711)
Deferred Tax Charge/(Reversal)	-	12,991	(686,019)	(673,028)
Profit/(Loss) for the year from continuing operation	(14,173,494)	-	(2,436,397)	(16,595,849)

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

	GROUP		BOARD	
	2012	2011	2012	2011
3. REVENUE				
Sales	180,516,200	142,540,999	163,512,580	132,459,860
	180,516,200	142,540,999	163,512,580	132,459,860

	GROUP		BOARD	
	2012	2011	2012	2011
4. OTHER OPERATING INCOME				
Interest Income Receivable from				
Staff Loans	-	-	-	-
Others	-	-	-	-
Total Interest	-	-	-	-
Income on Foreign Investment	960,883	72,334	-	-
Penalty on Electricity Consumption	25,677	21,736	25,677	21,736
Recoveries from Consumers	246,591	212,575	-	-
Profit Loss on Disposal of Property Plant and Equipment	123,405	107,312	109,475	107,212
Deferred Income Consumer contribution	2,188,838	2,151,858	2,053,541	1,853,318
Deferred Income on Government Grant	12,391	12,391	12,391	12,391
Miscellaneous Income	883,729	989,062	835,727	962,497
Government Department income	240,722	216,151	240,722	216,151
Liquidated Damage Account	106,973	62,872	106,973	62,872
Sale of Ash	26,704	9,966	26,676	9,966
Tender fee /Non refundable Deposits/Foreiture of Guarantees Accounts	12,170	12,424	12,170	12,424
Income on cost Recovery jobs Account	210,395	178,771	210,395	178,771
Service Main Application Fee Account	72,636	73,441	72,636	73,441
Rent	-	-	-	-
Fines	-	-	-	-
Surcharge on Electricity Bill	518,949	299,647	518,949	299,647
	5,630,063	4,420,540	4,225,332	3,810,426

	GROUP		BOARD	
	2012	2011	2012	2011
5.1 FINANCE INCOME				
Interest Income Receivable from				
Interest on Other Deposits	652,288	234,319	-	-
Interest on administrative Borrowings by Treasury	39,900	98,203	-	-
Fixed Deposits & Treasury Bills	640,193	412,135	-	-
Dividend Income	632,050	408,151	2,129,448	188,962
Interest Income from Investment	90,855	75,942	81,994	68,960
Interest Income from staff loans	519,308	206,457	217,527	158,211
	2,574,594	1,435,208	2,428,969	416,133

	GROUP		BOARD	
	2012	2011	2012	2011
5.2 FINANCE COST				
Interest Expense on Overdrafts	200,635	173,304	120,938	143,242
Interest Expense on Loans And Borrowings	3,366,442	1,315,662	3,287,505	1,082,663
Interest Expense on project loans	2,756,775	2,555,819	2,756,775	2,555,819
Lease Interest	32,344	5,469	32,344	5,469
Redeemable preference Shares Dividend	-	447	-	-
Bank Charges	55	254	-	-
	6,356,251	4,050,956	6,197,562	3,787,193

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

	GROUP		BOARD	
	2012	2011	2012	2011
6. PROFIT/(LOSS) BEFORE TAX				
Stated after Charging /(Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	14,243	8,058	6,774	2,542
Last year	18	2,081	-	-
Director's emoluments	3,252	2,245	2,295	1,779
Depreciation	22,492,188	18,067,415	21,131,465	16,831,853
Personnel Costs includes	-	-	-	-
- Defined Benefit Plan Costs -Gratuity	1,244,562	400,929	1,162,056	320,874
- Defined Contribution Plan Costs - EPF & ETF	1,481,830	1,156,686	1,323,433	1,025,690
- Other Staff Costs	13,929,684	11,306,691	13,265,567	10,766,175
(Profit)/Loss on Disposal of Property, Plant and Equipment	54,678	56,760	54,678	56,660
Amortization of Computer software	850	588	-	-
Written off of Property, Plant and Equipment	-	9,142	-	-
Decrease in Revaluation of Property plant & Equipment	-	63,581	-	-
Public Relation and Advertising	11,399	12,425	-	-
Consumer Contribution	2,053,541	1,853,318	2,053,541	1,853,318
Government Grant	12,391	12,391	12,391	12,391
7. INCOME TAX EXPENSE				
7.1 Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	1,482,632	951,837	-	-
Under/(Over) Provision of current taxes in respect of prior years	(28,807)	(126)	-	-
	1,453,825	951,711	-	-
7.2 Deferred Income Tax				
Deferred Taxation charge/(Reversal) (23)	15,982,615	673,028	16,198,080	829,953
Income Tax Expense reported in the Income Statement	17,436,440	1,624,739	16,198,080	829,953

Ceylon Electricity Board is exempt 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.

7.1.1 Reconciliation between current tax expenses and Accounting Profit

	GROUP		BOARD	
	2012	2011	2012	2011
Profit before tax	-	-	(61,571,718)	(19,265,544)
Adjustments due to first time adoption of SLFRS	-	-	0	(919,837)
Profit before tax (SLFRS adjusted)	-	-	(61,571,718)	(20,185,381)
Disallowable Expenses / (Income) for Taxation	-	-	18,301,532	22,508,424
Allowable Expenses / (Income) for Taxation	-	-	(14,095,555)	(12,702,296)
Dividend income exempt from income tax	-	-	(2,129,448)	(188,962)
Statutory Loss from Company	-	-	(59,495,189)	(10,568,215)
Statutory Income from Interest	-	-	(299,522)	385,887
Total Statutory Income	-	-	(59,794,711)	(10,182,328)
Deductions under Section 32	-	-	-	-
Taxable Loss	-	-	(59,794,711)	(10,182,328)
Statutory Tax Rate - 28%	-	-	-	-
Total Income Tax payable	-	-	-	-
Social Responsibility Levy	-	-	-	-
Tax Provision for the year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

8	PROPERTY, PLANT & EQUIPMENT	Deemed Cost As At	Additions /Transfers /Acquisitions	Increase /(Decrease)in /Revaluation	Disposals/ Transfers	Adjustments	Balance As At	Additions /Transfers /Acquisitions	Increase /(Decrease)in /Revaluation	Disposals/ Transfers	Adjustments	Balance As at
8.1	Group											
8.1.1	Freehold Assets											
	Gross Carrying Amounts											
	At Cost or Valuation											
	Freehold Land	10,488,362	72,401	257,534	(333,141)	-	10,485,156	69,786	-	(54,423)	4,025	10,504,544
	Leasehold Land	161,060	4,447	-	(162,624)	-	2,883	-	-	-	-	2,883
	Building	11,552,282	119,904	121,772	62,655	2,811	11,859,424	1,188,761	-	(61,192)	12,173	12,999,166
	Civil works	140,912,708	-	-	-	-	140,912,708	-	-	-	-	140,912,708
	Plant & Machinery	160,039,874	162,385	-	-	-	160,202,259	50,491,590	-	-	-	210,693,849
	Transmission & distribution lines	357,559,135	15,620,977	-	(246,765)	(186,901)	372,746,446	29,445,184	-	(267,993)	318,910	402,242,547
	Motor Vehicles	3,983,475	915,072	-	(208,131)	39,615	4,730,031	717,372	-	(126,141)	4,707	5,325,969
	Other Supply infrastructure	18,131,210	396,003	-	-	-	18,527,213	484,745	-	(5,259)	-	19,006,699
	Office & Other Equipment	1,747,444	246,316	-	(30,629)	(3,553)	1,959,578	308,623	-	(28,533)	6,604	2,246,272
	Furniture and Fittings	77,831	55,316	-	(995)	24	132,177	76,243	-	(592)	730	208,557
	Machinery and Tools	1,367,405	284,168	-	(164)	(1,854)	1,649,554	3,153,440	-	(12)	(229)	4,802,753
	Container Accommodation	-	6,744	-	-	-	6,744	-	-	-	-	6,744
		706,020,786	17,883,732	379,306	(919,794)	(149,858)	723,214,173	85,935,743	-	(544,145)	346,920	808,952,692
8.1.2	Project Assets											
	Gross Carrying Amount											
	At Cost or Valuation											
	Freehold Land	7,977	-	-	-	-	7,977	56,440	-	-	-	64,417
	Building	-	-	-	-	-	-	-	-	-	-	-
	Civil works	-	-	-	-	-	-	-	-	-	-	-
	Plant & Machinery	-	-	-	-	-	-	-	-	-	-	-
	Transmission & distribution lines	-	-	-	-	-	-	3,897,914	-	(3,897,914)	-	-
	Motor Vehicles	270,201	485,434	-	(418,164)	-	337,471	427,097	-	(208,798)	-	555,770
	Office & Other Equipment	30,798	18,925	1,110	(16,822)	(1,110)	32,901	5,630	-	(44)	-	38,487
	Furniture and Fittings	14,910	565	1,789	-	(1,797)	15,467	3,049	-	-	-	18,516
	Machinery and Tools	-	63	-	-	-	63	588	-	-	-	651
		323,886	504,987	2,899	(434,986)	(2,907)	393,879	4,390,718	-	(4,106,756)	-	677,841
8.1.3	Lease Hold Assets											
	Gross Carrying Amount											
	At Cost or Valuation											
	Motor Vehicles	15,518	33,563	-	-	-	49,081	171,821	-	-	-	220,902
		15,518	33,563	-	-	-	49,081	171,821	-	-	-	220,902
	Total Value of Depreciable Assets	706,360,190	18,422,282	382,205	(1,354,780)	(152,765)	723,657,133	90,498,282	-	(4,650,901)	346,920	809,851,435
8.1.4	In the Course of Construction											
	Gross Carrying Amount											
	At Cost or Valuation											
	Capital Work in Progress	113,768,594	70,589,991	(15,502,835)	(1,323,032)	167,532,718	100,727,727	(19,110,541)	(68,649,932)	-	-	180,499,971
	Total Gross Carrying Amount	113,768,594	70,589,991	(15,502,835)	(1,323,032)	167,532,718	100,727,727	(19,110,541)	(68,649,932)	-	-	180,499,971

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

8 PROPERTY, PLANT & EQUIPMENT

8.1 Group

8.1.5 Depreciation

Freehold Assets	Balance	Charge for	Increase	Disposals/	Adjustments	Balance	Charge for	Increase	Disposals/	Adjustments	Balance
	As At 01.01.2011 Rs.'000	the year Rs.'000	/(Decrease)in /Revaluation Rs.'000	Transfers Rs.'000	Rs.'000	As At 01.01.2012 Rs.'000	the year Rs.'000	/(Decrease)in /Revaluation Rs.'000	Transfers Rs.'000	Rs.'000	As at 31.12.2012 Rs.'000
Freehold Land	-	-	-	-	-	-	-	-	-	-	-
Leasehold Land	6,513	3,382	-	(9,306)	-	589	72	-	-	-	661
Building	3,601,950	291,029	-	(35,131)	11	3,857,859	318,533	-	(1,348)	(84)	4,174,960
Civil works	35,047,127	1,491,215	-	-	-	36,538,342	1,487,036	-	-	-	38,025,378
Plant & Machinery	112,838,062	4,913,996	-	(705)	-	117,751,352	6,448,216	-	-	-	124,199,569
Transmission & distribution lines	150,424,038	9,539,079	-	(93,702)	(3,839)	159,865,576	10,304,035	-	(78,659)	(5,051)	170,085,901
Motor Vehicles	360,797	733,725	-	(18,969)	(72)	1,075,481	796,325	-	(32,285)	(2,323)	1,837,199
Other Supply Infrastructure	9,815,446	729,345	-	-	-	10,544,791	728,610	-	(4,445)	-	11,268,956
Office & Other Equipment	1,135,924	168,970	-	(13,560)	(925)	1,290,409	184,928	-	(14,888)	(43)	1,460,406
Furniture and Fittings	21,323	19,813	-	(225)	-	40,911	36,636	-	(115)	43	77,475
Machinery and Tools	102,476	308,515	-	(10)	-	410,981	857,353	-	(5)	(4)	1,268,325
Container Accommodation	-	1,686	-	-	-	1,686	1,686	-	-	-	3,372
	313,353,656	18,200,755	-	(171,608)	(4,825)	331,377,978	21,163,430	-	(131,745)	(7,462)	352,402,202

8.1.6 Depreciation

Project Assets	Deemed Cost	Charge to	Increase	Disposals/	Adjustments	Balance	Charge to	Increase	Disposals/	Adjustments	Balance
	As At 01.01.2011	WIP/Transfers Rs.'000	/(Decrease)in /Revaluation	Transfers Rs.'000	Rs.'000	As At 01.01.2012	WIP/Transfers Rs.'000	/(Decrease)in /Revaluation	Transfers Rs.'000	Rs.'000	As at 31.12.2012
Freehold Land	-	-	-	-	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-	-	-	-	-
Civil works	-	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-	-	-	-	-
Transmission & distribution lines	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	73,225	-	(44,693)	22,063	50,595	59,691	-	(102,083)	215,154	223,357
Office & Other Equipment	19,859	5,049	222	-	(833)	24,297	1,894	(222)	(44)	2,756	28,681
Furniture and Fittings	8,815	3,725	358	-	(1,058)	11,840	2,949	(358)	-	202	14,633
Machinery and Tools	-	1	-	-	-	1	8	-	-	21	30
	28,674	82,000	580	(44,693)	20,172	86,733	64,542	(580)	(102,127)	218,133	266,701

8.1.7 Depreciation

Lease Hold Assets	Balance	Additions	Increase	Transfers	Adjustments	Balance	Additions	Increase	Transfers	Adjustments	Balance
	As At 01.01.2011	/Transfers /Acquisitions Rs.'000	/(Decrease)in /Revaluation	Rs.'000	Rs.'000	As At 01.01.2012	/Transfers /Acquisitions Rs.'000	/(Decrease)in /Revaluation	Rs.'000	Rs.'000	As at 31.12.2012
Motor Vehicles	-	5,788	-	-	-	5,788	28,938	-	-	-	34,726
	-	5,788	-	-	-	5,788	28,938	-	-	-	34,726
Total Value of Depreciable Assets	313,382,330	18,288,543	580	(216,301)	15,347	331,470,499	21,256,910	(580)	(233,872)	210,671	352,703,629

8.1.8 Net Book Value

	2012	2011
At Cost or Valuation	457,147,806	392,186,634
Capital Work in Progress	180,499,971	167,532,718
Total Carrying Amount of Property, Plant & Equipment	637,647,777	559,719,351

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

8. PROPERTY, PLANT & EQUIPMENT

8.2 Board

8.2.1 Gross Carrying Amounts

Freehold Assets	Deemed Cost		Additions		Increase		Disposals/		Adjustments		Balance	
	As at	As at	/Transfers	/Acquisitions	/(Decrease)	/(Decrease)	Transfers	Transfers	/(Decrease)	/(Decrease)	As at	As at
At Cost or Valuation	01.01.2011	01.01.2012	/Acquisitions	/Acquisitions	/Revaluation	/Revaluation	Transfers	Transfers	/Revaluation	/Revaluation	31.12.2012	31.12.2012
Land	9,136,539	9,145,058	54,766	69,786	-	-	(46,247)	(51,796)	-	4,025	9,167,073	9,167,073
Building	10,967,358	11,040,092	116,457	1,145,602	-	-	(46,534)	(61,192)	-	12,173	12,136,675	12,136,675
Civil works	140,912,708	140,912,708	-	-	-	-	-	-	-	-	140,912,708	140,912,708
Plant & Machinery	156,066,574	156,089,088	22,513	50,024,408	-	-	-	-	-	-	206,113,496	206,113,496
Transmission & distribution lines	357,559,135	372,746,446	15,620,977	29,445,184	-	-	(246,765)	(267,993)	-	318,910	402,242,548	402,242,548
Motor Vehicles	3,398,067	4,129,029	899,477	543,966	-	-	(208,131)	(111,037)	-	4,707	4,566,665	4,566,665
Office & Other Equipment	1,162,386	1,338,513	209,910	243,124	-	-	(30,231)	(26,495)	-	6,604	1,561,747	1,561,747
Furniture and Fittings	70,361	124,728	55,316	75,851	-	-	(972)	(592)	-	730	200,717	200,717
Machinery and Tools	482,926	765,207	284,168	2,793,345	-	-	(32)	(12)	-	(229)	3,558,310	3,558,310
	679,756,053	696,290,867	17,263,584	84,341,266	-	-	(578,911)	(4,106,755)	-	346,920	780,459,937	780,459,937

8.2.2 Project Assets

Gross Carrying Amounts

	Balance		Additions		Increase		Disposals/		Adjustments		Balance	
	As at	As at	/Transfers	/Acquisitions	/(Decrease)	/(Decrease)	Transfers	Transfers	/(Decrease)	/(Decrease)	As at	As at
At Cost or Valuation	01.01.2011	01.01.2012	/Acquisitions	/Acquisitions	/Revaluation	/Revaluation	Transfers	Transfers	/Revaluation	/Revaluation	31.12.2012	31.12.2012
Land	7,977	7,977	-	56,440	-	-	-	-	-	-	64,417	64,417
Building	-	-	-	-	-	-	-	-	-	-	-	-
Civil works	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & distribution lines	-	-	-	3,897,914	-	-	-	(3,897,914)	-	-	-	-
Motor Vehicles	270,201	337,472	485,434	427,097	-	-	(418,164)	(208,798)	-	-	555,771	555,771
Office & Other Equipment	30,798	32,900	18,925	5,630	1,110	-	(16,822)	(44)	-	-	38,486	38,486
Furniture and Fittings	14,910	15,467	565	3,049	1,789	-	-	-	-	-	18,516	18,516
Machinery and Tools	-	63	63	588	-	-	-	-	-	-	651	651
	323,886	393,879	504,987	4,390,717	2,899	-	(434,986)	(4,106,755)	-	-	677,840	677,840

8.2.3 Leasehold Assets

	Balance		Additions		Increase		Disposals/		Adjustments		Balance	
	As at	As at	/Transfers	/Acquisitions	/(Decrease)	/(Decrease)	Transfers	Transfers	/(Decrease)	/(Decrease)	As at	As at
At Cost or Valuation	01.01.2011	01.01.2012	/Acquisitions	/Acquisitions	/Revaluation	/Revaluation	Transfers	Transfers	/Revaluation	/Revaluation	31.12.2012	31.12.2012
Motor Vehicles	15,518	44,804	29,286	171,821	-	-	-	-	-	-	216,624	216,624
	15,518	44,804	29,286	171,821	-	-	-	-	-	-	216,624	216,624
Total Value of Depreciable Assets	680,095,457	696,729,550	17,797,857	88,903,804	2,899	-	(1,013,898)	(4,625,872)	-	346,920	781,354,402	781,354,402

8.2.4 In the Course of Construction

	Balance As At Incurred During Transfer to PPE		Reclassified/		Balance	
	01.01.2011	01.01.2012	Transferred	Transferred	31.12.2012	31.12.2012
Capital Work in Progress	113,392,753	166,103,763	(1,149,896)	(67,560,422)	178,105,841	178,105,841
	113,392,753	166,103,763	(1,149,896)	(67,560,422)	178,105,841	178,105,841
Total Gross Carrying Amount	113,392,753	166,103,763	(1,149,896)	(67,560,422)	178,105,841	178,105,841

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

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

8.2.5 Depreciation

At Cost or Valuation	Balance As At 01.01.2011	Charge for the year	Transfers to revaluation Reserve	Disposals/Transfers / Discontinued	Adjustments	Balance As At 01.01.2012	Charge for the year	Transfers to revaluation Reserve	Disposals/Transfers / Discontinued	Adjustments	Balance As at 31.12.2012
	Land	-	-	-	-	-	-	-	-	-	-
Building	3,426,176	268,116	-	-	11	3,694,303	297,432	-	(1,348)	(84)	3,990,303
Civil works	35,047,127	1,491,215	-	-	-	36,538,342	1,487,036	-	-	-	38,025,378
Plant & Machinery	110,774,915	4,627,926	-	-	(0)	115,402,841	6,131,725	-	-	-	121,534,566
Transmission & distribution lines	150,424,038	9,539,079	-	(93,702)	(3,839)	159,865,576	10,304,035	-	(78,659)	(5,051)	170,085,901
Motor Vehicles	0	672,896	-	(18,969)	(72)	653,855	731,013	-	(20,331)	(2,323)	1,362,215
Office & Other Equipment	641,484	124,942	-	(13,508)	(925)	751,993	149,416	-	(13,073)	(43)	888,293
Furniture and Fittings	15,956	18,877	-	(225)	-	34,608	35,830	-	(115)	43	70,366
Machinery and Tools	79,207	114,493	-	(10)	-	193,689	669,725	-	(5)	(4)	863,406
	300,408,904	16,857,544	-	(126,414)	(4,825)	317,135,208	19,806,212	-	(113,530)	(7,461)	336,820,428

8.2.6 Depreciation

Project Assets

At Cost or Valuation	Balance As At 01.01.2011	Charge to WIP/Transfers	Transfers to revaluation Reserve	Disposals/Transfers / Discontinued	Adjustments	Balance As At 01.01.2012	Charge to WIP/Transfers	Transfers to revaluation Reserve	Disposals/Transfers / Discontinued	Adjustments	Balance As at 31.12.2012
	Land	-	-	-	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-	-	-	-	-
Civil works	-	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-	-	-	-	-
Transmission & distribution lines	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	73,225	-	(44,693)	22,063	50,595	59,691	-	(102,083)	215,154	223,358
Office & Other Equipment	19,859	5,049	222	-	(833)	24,298	1,894	(222)	(44)	2,756	28,682
Furniture and Fittings	8,815	3,725	358	-	(1,058)	11,840	2,949	(358)	-	202	14,633
Machinery and Tools	-	1	-	-	-	1	8	-	-	21	30
	28,674	82,000	580	(44,693)	20,173	86,734	64,541	(580)	(102,126)	218,133	266,702

8.2.7 Depreciation

Leasehold Assets	Balance As at 01.01.2011	Additions /Transfers /Acquisitions	Increase /Decrease in /Revaluation	Disposals/Transfers / Discontinued	Adjustments	Balance As at 01.01.2012	Additions /Acquisitions	Increase /Decrease in /Revaluation	Disposals/Transfers / Discontinued	Adjustments	Balance As at 31.12.2012
	Motor Vehicles	-	4,719	-	-	-	4,719	27,869	-	-	-
Total Depreciation	300,437,578	16,944,263	580	(171,107)	15,348	317,226,662	19,898,622	(580)	(215,657)	210,671	337,119,719

8.2.8 Net Book Values

At Cost or Valuation

	2012	2011	1/1/2011
Capital Work-In-Progress	444,234,683	379,502,888	379,657,879
Total Carrying Amount of Property, Plant & Equipment	178,105,841	166,103,763	113,392,381
	622,340,524	545,606,651	493,050,260

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

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

8.3 Capital Work in Progress as at 31 December 2012 Represents the following.

	GROUP			BOARD		
	2012	2011	01/01/2011	2012	2011	01/01/2011
Projects						
Generation Projects	13,178,660	8,722,603	4,321,041	13,178,660	8,722,603	4,321,041
Transmission Projects	17,281,315	6,252,859	1,921,935	17,281,315	6,252,859	1,921,935
Distribution Group Projects	22,937,295	18,395,977	14,948,632	22,937,295	18,395,977	14,948,632
Upper Kotmale Hydro Project	48,921,607	39,280,270	26,400,688	48,921,607	39,280,270	26,400,688
Colombo City Electricity Distribution Development Project	9,109,259	12,602,585	10,742,561	9,109,259	12,602,585	10,742,561
Puttalam Coal Power Project	63,322,907	80,546,753	54,822,695	63,322,907	80,546,753	54,822,695
Trincomalee Coal Power Project	340,599	283,093	-	340,599	283,093	-
Vidulakpaya Project	205,164	-	-	205,164	-	-
Jaffna power plant	2,795,376	-	-	2,795,376	-	-
Others (W & AS)	13,659	19,623	234,829	13,659	19,623	234,829
Work in Progress - LECO	489,782	594,139	358,186	-	-	-
Work in Progress - LTL	1,901,775	834,816	17,655	-	-	-
Work in Progress - SLE	2,573	-	-	-	-	-
	180,499,971	167,532,718	113,768,222	178,105,841	166,103,763	113,392,381

8.4 Ceylon Electricity Board

Amount of the borrowing cost capitalised during the year 2012 Rs 11,723,483,416 (2011 - Rs 9,600,687,802) All the motor vehicles are fair valued as at 01.01.2011 by the independent technical team of the board. Property plant & Equipment 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	Cumulative Depreciation			Cumulative Depreciation		
	If assets were carried at cost	Net Carrying Amount 2011	cost	If assets were carried at cost	Net Carrying Amount 2011	
Building	317,055	76,517	240,538	317,055	68,591	248,464
Land	502,125	-	502,125	502,125	-	502,125
	819,180	76,517	742,663	819,180	68,591	750,589

During the financial year ,the company acquired Property,Plant & Equipment to the aggregate value of Rs.1,157 Mn (2011-Rs. 836 Mn) .Cash payments amounting to Rs 1,157 Mn (2011-Rs 440 Mn) were made during the year for purchase of Property,Plant & Equipment Property,Plant and Equipment of the company includes fully depreciated assets having a gross carrying amounts of Rs 2,646 Mn (2011-Rs 509 Mn)

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

8.6 LTL Holdings (Private) Limited

The fair value of buildings at Angulana of LTL Holdings (Pvt) Ltd were determined by means of a revaluation during the financial year 1989/90 by Messers Engineering Consultant Limited an independent valuer. The results of such revaluation were incorporated in these financial statements from its effective date which is 31st March 1990. Such assets were valued on an open market value for existing use basis. The surplus arising from the revaluation was transferred to a revaluation reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows.

Class of Asset	Cost	Cumulative	Net carrying	Net carrying
		Depreciation If assets were carried at cost		
Buildings	12,325,000	6,825,007	5,499,993	5,746,493
	<u>12,325,000</u>	<u>6,825,007</u>	<u>5,499,993</u>	<u>5,746,493</u>

During the period, the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 1,930,270,873/- (2011 Rs 993,366,011) of which cash payments amounting to Rs 1,768,935,892/- (2011 Rs. 981,156,446) 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. 369,390,432 (2010 - Rs. 317,742,258)

During the year a sum of Rs 161,334,981/- (2011 Rs 12,209,565) has been paid as interest on project loan obtained for the construction of Wind Power Plant and of which Rs 26,889,164/- (2011 Rs Nil) has been capitalized to the power plant & the balance Rs 134,445,818/- (2011 Rs 12,209,965) capitalized as capital work-in-progress.

Sri Lanka Energies (Private) Limited

During the financial year, the company acquired Property, Plant and Equipment to the aggregate value of Rs 1,559,849/- (2011- Nil). Acquisition through cash payments amounting to Rs 1,559,849/- (2011- Nil)

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

9 INTANGIBLE ASSETS	GROUP		BOARD	
	Cost 2012	Cost 2011	Cost 2012	Cost 2011
At cost				
As at 1 January	30,882	30,882	-	-
Acquired / incurred during the period	1,380	-	-	-
As at 31 December	32,263	30,882	-	-
Amortisation				
As at 1 January	7,555	5,135	-	-
Amortized during the period	2,683	2,421	-	-
As at 31 December	10,238	7,555	-	-
Net Book Value	22,025	23,327	-	-

LTL Holdings (Pvt) Ltd

Intangible assets of the Group represents Computer software acquired by LTL Galvanizers (Pvt) Limited

10. INVESTMENTS IN SUBSIDIARIES	Holding	GROUP		BOARD	
		Cost 2012	Cost 2011	Cost 2012	Cost 2011
Non-Quoted	Percentage				
Lanka Electricity Company (Pvt) Ltd	55	-	-	628,002	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	-	-	25,000	-
Total Non-Quoted Investments in Subsidiaries		-	-	761,902	736,902

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 Subsidiaries	Percentage of Share holding		Description of business
	Group	Company	
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,
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

10.2 All of these companies were incorporated in Sri Lanka except the Bright International Power (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

11. INVESTMENT IN JOINT VENTURE	GROUP		(All amounts in Sri Lanka Rupees Thousands)	
	2012	2011	BOARD 2012	2011
(Trincomalee Power Company Ltd)				
As at 01 January	122,264	-	150,000	-
Investment Made During The Year	-	150,000	-	150,000
Share of pre-operating loss	(37,421)	(27,737)	-	-
	84,843	122,264	150,000	150,000
12. OTHER FINANCIAL ASSETS				
	GROUP		BOARD	
	2012	2011	2012	2011
Summary				
12.1 Loans and receivables				
Refundable Deposits	24,954	154,624	-	-
Investment in Fixed Deposits	7,692,617	7,696,317	-	-
Investment in repurchase Agreements	1,092,106	1,903,773	-	-
Administrative Borrowings by Department of Treasury Operations	570,000	570,000	-	-
Loans to Company Officers	5,387,256	4,541,147	5,035,090	4,164,890
	14,766,933	14,865,860	5,035,090	4,164,890
Borrowings by C.E.B	-	-	-	-
	-	-	-	-
12.2 Held to maturity Investments				
Investment in Treasury Bonds	-	121,631	-	-
Investment in Treasury Bills	14,270	68,888	-	-
	14,270	190,519	-	-
12.3 Available for Sale Investments				
Investments in Unquoted Equity Shares				
Lanka Broad Band Network (Pvt) Ltd	Ordinary Shares	2,274,437	2,217,501	-
	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)	-
		4,269,437	4,212,501	-
Total Other Financial Assets				
Other Non Current Financial Assets	4,864,344	5,057,495	-	-
Other Current Financial Assets	14,186,296	14,211,385	5,035,090	4,164,890
	19,050,640	19,268,880	5,035,090	4,164,890

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 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

13. INVESTMENT OF INSURANCE RESERVE	GROUP		BOARD	
	2012	2011	2012	2011
At the beginning of the year	4,027,412	3,710,485	4,027,412	3,710,485
Investments made during the year	405,633	316,927	405,633	316,927
Withdrawals During the year	-	-	-	-
At the end of the year	4,433,045	4,027,412	4,433,045	4,027,412

14. INVENTORIES	GROUP		BOARD	
	2012	2011	2012	2011
Raw materials	450,477	520,390	-	-
Finished Goods	1,269,213	919,531	-	-
Consumables & Spares	22,453,054	16,341,130	21,636,331	15,594,876
Fuel	10,575,224	4,838,330	10,575,224	4,838,330
Goods in Transit	753,232	561,541	697,422	530,544
	-	-	-	-
Lees: Provision for Obsolete & Unservisable Stock	(799,734)	(669,244)	(782,833)	(649,332)
Provision for price Variance	(2,177,081)	(1,397,786)	(2,177,081)	(1,397,786)
Impairment of Inventories	-	-	-	-
Work in Progress	72,832	58,971	-	-
	32,597,217	21,172,864	29,949,063	18,916,632

15. TRADE AND OTHER RECEIVABLES	GROUP		BOARD	
	2012	2011	2012	2011
Trade Debtors	18,077,178	14,354,711	14,228,403	11,643,815
Less: Provision for impairment	(3,220,286)	(2,596,305)	(2,674,749)	(2,077,568)
	14,856,892	11,758,406	11,553,654	9,566,247
Other Debtors	63,642,630	77,497,216	59,813,341	76,253,200
Advances and Prepayments	114,752	(358,801)	-	-
Less: Provision for impairment	(248,931)	(1,463,770)	(248,931)	(1,463,770)
Transit Account	2,130	268,676	2,130	268,676
Opening restated amount	-	-	-	-
	78,367,473	87,701,726	71,120,194	84,624,353

16. AMOUNTS DUE FROM RELATED PARTIES	GROUP		BOARD	
	2012	2011	2012	2011
Lanka Electricity Company (Pvt) Ltd	-	-	1,810,852	1,627,537
Lanka Coal Company (Pvt) Ltd	-	-	-	-
	-	-	1,810,852	1,627,537

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(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 specific capital (development) projects as follows

	2012	2011
DGEU net assets taken over (as per CEB Act No. 17 of 1969)	379,155	379,155
Contributions for capital projects:		
STAART project	250,000	250,000
ADB Loan 2043	980,166	980,166
Tsunami Government Aid	51,765	51,765
ADB Loan 1930	1,812,469	1,812,469
Coal Power Project	604,516	604,516
Lighting Projects	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
- ADBRE Scheme 1 - 1980-89	780,647	780,647
- ADBRE Scheme 2 - 1990-93	1,336,155	1,336,155
- ADBRE Scheme 3 - Extension	400,000	400,000
- ADBRE Schemes loan 1021-1995	153,710	153,710
Consolidated fund 1991-93	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 jawawardenapura Complex - 1980 - 82	150,840	150,840
Victoria (Mahaweli)	1,306,000	1,306,000
Pattiyapola REDP - 1984 - 85	1,582	1,582
Reimbursement of tax - 1984 - 88	1,351,700	1,351,700
Kotmale (Mahaweli)	3,500,000	3,500,000
Kotmale (3rd set) - 1985 - 90	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 (RET)	3,494,334	3,494,334
Conflicted Affected Area Rehabilitation Project (CAARP-ADB)	1,035,754	1,035,754
Coal Power Project	636,852	636,852
STAART Project	1,897,273	1,897,273
Conversion of long 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 Wasantaya	1,807,069	50,000
Maga Naguma	211,730	211,730
CAAP-GOSL	461,001	355,232
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
Accalarated Rural Electrification Project	1,700,000	1,560,000
Rural Electrification Project 08 (Iran)	8,757,613	5,604,176
IDC Project Loan - SLT 95	14	7
Rural Electrification Project 04 (Extension)	4,224,415	1,160,090
Rural Electrification Project 04 (Old)	1,760,012	1,296,647
Vauniya Kilinochchci Transmission Project	1,964,241	1,023,229
Kilinochchi Chunnakam Transmission Project	812,032	139,994
Batahira Ran Aruna Project	35,000	-
Nagenahira Nawodaya project	1,062,959	-
Ruhunu Udanaya project	160,000	-
Uwa Udanaya project	1,396,516	-
Rajarata Nawodaya Project	75,000	-
Jaffna Rehabilitation Electricity Supply Project	315,825	-
Suatanable Power sector support project	129,960	-
DSMSLP Project	5,178	-
As at the end of the year	109,567,864	96,090,404

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

18 RESERVES	GROUP		(All amounts in Sri Lanka Rupees Thousands) BOARD	
	2012	2011	2012	2011
Summary				
Exchange Reserve				
Capital Redemption Reserves				
Heat Rate Reserve				
Capital Reserves (18.1)	17,796,535	17,800,052	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)	8,101,951	6,905,702	8,086,001	6,889,752
Asset Replacement Reserve *	213,700	199,507	-	-
Overhaul Reserve **	42,671	36,673	-	-
Investment Reserve	66,849	60,530	-	-
Available for Sale Reserve ***	897,871	868,594	-	-
	32,259,936	31,011,415	25,721,510	24,525,261

Lanka Electricity Company (Pvt) Ltd

* Asset Replacement Reserve

This represents amounts set aside from profit for replacement and rehabilitation of Property,Plant and Equipment 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	
	2012	2011	2012	2011
Balance as at the Beginning of the Year	17,800,052	17,792,799	-	-
Loans Redemption Reserve	-	-	17,447,063	17,447,063
Other Capital Reserve	-	-	165,446	165,446
Heat Rate Reserves	2,093	12,489	-	-
Foreign Exchange Reserve *	(9,227)	(7,289)	-	-
Exchange Equalization Reserve **	3,618	2,052	-	-
Pending allotment of Shares	-	-	-	-
Deferred Tax Adjusted To Equity	-	-	-	-
Balance as at the end of the Year	17,796,535	17,800,052	17,612,509	17,612,509

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 31.12.2012

18.2 Revaluation Reserve	GROUP		(All amounts in Sri Lanka Rupees Thousands) BOARD	
	2012	2011	2012	2011
On: Property, Plant & Equipment				
Balance as at the beginning of the year	587,475	403,244	-	-
Transfer of surplus during the year	-	209,377	-	-
Revaluation surplus on disposals	-	-	-	-
Deferred Tax on Revaluation Reserve		(18,909)		
Land Written off		(6,238)		
Balance as at the end of the year	587,475	587,475	-	-

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	
	2012	2011	2012	2011
Balance as at the beginning of the year	4,529,883	4,529,883	-	-
Removals of supply Infrastructure	-	-	-	-
Balance as at the end of the year	4,529,883	4,529,883	-	-

18.4 Depreciation Reserve	GROUP		BOARD	
	2012	2011	2012	2011
At the beginning of the year	23,000	23,000	23,000	23,000
At the end of the year	23,000	23,000	23,000	23,000

Depreciation Reserve has been established under the provisions of Section 47 (2) 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	
	2012	2011	2012	2011
Balance at the beginning of the period	6,905,702	5,816,735	6,889,752	5,800,785
Transfers from the retained earnings	781,354	772,040	781,354	772,040
Damages charged during the period	(56,038)	-	(56,038)	-
Income received from investment	470,933	316,927	470,933	316,927
Balance at end of the period	8,101,951	6,905,702	8,086,001	6,889,752

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 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

19. INTEREST BEARING LOANS & BORROWINGS

Group	2012		2011		2011	2011
	Amount Repayable Within 1 year	Amount Repayable After 1 year	Amount Repayable Within 1 year	Amount Repayable After 1 year		
Bank Loans (19.1)	21,054,969	4,153,878	8,967,425	4,805,769	13,773,194	
Loans from Treasury (19.2)	-	299,780,138	-	198,690,842	198,690,842	
Share of joint venture's loan- LTL Holdings Ltd (19.4)	362,188.65	214,896	197,717	199,665	397,383	
Lease Creditors (19.5)	35,704	146,448	10,272	25,657	35,929	
Bank Overdrafts	20,488,384.13	-	2,845,130	-	2,845,130	
Share of joint venture's Bank Overdraft -LTL Holdings Ltd (19.6)	1,052,042	-	871,189	-	871,189	
	42,993,289	304,295,360	12,891,733	203,721,934	216,613,666	
The Board						
Bank Loans (19.1)	20,766,974	2,689,609	8,340,003	3,632,474	11,972,477	
Loans from Treasury (19.2)	-	299,780,138	-	198,690,842	198,690,842	
Loans from Related Party (19.3)	3,100,000	3,100,000	-	-	-	
Lease Creditors (19.5)	34,849.00	145,022	9,396	23,397	32,793	
Bank Overdrafts	20,383,413	-	2,657,325	-	2,657,325	
	41,185,236	305,714,769	11,006,724	202,346,713	213,353,437	

19.1 Bank Loans

19.1.1. The Board

Borrowing Bank

Facility	As At		As At		Interest rate	Maturity
	Rs.Mn	01.01.2012	Loans Obtained	31.12.2012		
Peoples Bank	9250	322,000	-	(322,000)	-	Matured
	1000	65,800	-	(65,800)	-	Matured
	1500	240,000	-	(240,000)	-	Matured
	8000	3,094,000	-	(2,676,000)	418,000	14.83% Less than 03 months
	5000	3,749,000	-	(834,000)	2,915,000	19.00% 1 to 5 years
	1000	1,000,000	-	(1,000,000)	-	Matured
	3170	3,170,411	-	(3,170,411)	-	Matured
	8000	-	8,000,000	-	8,000,000	13.64% Less than 03 months
	1050	-	1,050,000	-	1,050,000	15.00% Less than 03 months
	1000	-	999,999	-	999,999	17.00% Less than 03 months
	821	-	821,033	-	821,033	15.00% 3 to 12 months
	4999	-	4,999,888	-	4,999,888	16.00% Less than 03 months
	813	-	812,997	-	812,997	15.00% Less than 03 months
	2771	-	2,771,229	-	2,771,229	16.00% Less than 03 months
	350	331,267	397,000	(59,828)	668,439	10.00% 1 to 5 years
Samurdhi Bank		11,972,478	19,852,146	(8,368,039)	23,456,585	

The Interest Rates Stated above are the rates Prevailed as at 31st December 2012. However, The Interest rates are revised at every 3 months to the prevailing market rates.

Summary of Age Analysis

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bank Loans	19,260,612	1,446,533	2,081,000	-	22,788,145
People's Bank	11,619	48,209	608,611	-	668,439
Samurdhi Bank	19,272,231	1,494,742	2,689,611	-	23,456,584

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

19.1.2 Lanka Electricity Company (Pvt) Ltd Borrowing Bank

	As At 01.01.2011	Loans Obtained	Repayment	As At 01.01.2012	Loans Obtained	Repayment	As At 31.12.2012	Interest rate Per annum %	Repayment Period	Value of Instalment
Asian Development Bank	155,774	-	(44,507)	111,267	-	(44,506)	66,761	10.5%	20 Years	22,253
Project 2	131,662	-	(32,916)	98,746	-	(32,916)	65,830	13.0%	15 Years	16,458
Project 3	287,436	-	(77,423)	210,013	-	(77,422)	132,591			

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

	2012 Repayable	2012 Repayable	2011 Total	2011 Repayable	2011 Total
Bank Loans (18.2)	77,422	55,169	132,591	77,422	210,013
	77,422	55,169	132,591	77,422	210,013

19.1.3 LTL Holdings (Pvt) Ltd Borrowing Bank

	Interest rate	Facility	Security	On demand	Less than 3 months	Maturity 1 to 5 Years	Total
DFCC- LTL Holdings (pvt) Ltd	4.50%	USD 1,023,094	Fixed Deposit	-	6,507	19,521	89,056
HNB- Pawan Danavi (pvt) Ltd	AWDR (average of last three months)	Rs.666,724,274	Project Assets	-	-	76,030	405,495
NDB- Pawan Danavi (pvt) Ltd	AWPLR (average of last three months)	Rs.455,488,705	Project Assets	-	5,775	51,972	277,186
DFCC-Pawan Danavi (pvt) Ltd	AWDR (average of last three months)	Rs.400,000,000	Project Assets	-	5,077	45,692	243,692
				-	17,359	193,216	1,015,429
				-	-	393,669	393,669
				-	-	1,619,672	1,619,672

19.2 Loans From Treasury The Board

	Provider of funds	Interest Per annum (%)	2012	2011
Treasury Loan			1,200,000	1,200,000
Treasury Loan - CPC			50,500,000	-
Treasury Loans 2006			35,523,297	33,174,604
Upper Kotmale Hydro Power project	DST 2006	No finalized	42,966,354	32,069,661
Upper Kotmale Hydro Power project II	JICA / JBIC	10	38,121	7,385
Kelaniya Diesel Storage Tank project	JICA / JBIC	10	108,979	102,999
Greater Colombo Grid Substation Project	KFW	10	1,903,946	1,763,731
Colombo City Electricity Distribution project	JICA / JBIC	10	7,820,990	6,833,790
Kerawalapitiya Kotugoda Transmission line Project	JICA / JBIC	10	3,407,311	3,186,725
Puttalam Coal Power project	EXIM BANK	6	53,177,298	49,276,460
Puttalam Coal Power project 11	EXIM BANK	60	80,986,836	61,209,684
New Ixapana & Wimalasendra Rehabilitation project	FRENCH	12	7,302,009	5,122,197
Rehabilitation Ukuwela power Project	JICA / JBIC	10	1,777,499	1,656,251
Jaffna Rehabilitation Electricity Supply Project	KFW	10	78,252	37,172
Energy Diversification Enhancement Project	JICA / JBIC	10	4,285,392	70,035
Old Ixapana Rehabilitation Project	Uni Credit Bank	10	1,341,563	1,341,563
Clean Energy and Access Improvement Project	ADB	10	7,216,919	1,503,335
Clean Energy Access Improvement Project (SLA II)	ADB	10	246,092	135,250
Sustainable Power Support Project	ADB	10	1,238,469	-
Habarana Veyangoda Transmission Line Project			2,374	-
Amount Payable within one year			299,780,138	198,690,842
Amount Payable after one year			-	-
			299,780,138	198,690,842

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

19.3 Loans from Related Party The Board	Interest Rate Rs Mn	Facility	Maturity	2012	2011
Lanka Electricity Company (Pvt) Ltd	14%	2,500,000	2 years	2,500,000	-
	15%	600,000		600,000	-
				<u>3,100,000</u>	

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	Facility	Security	Maturity			Total
				On demand	Less than 3 mths	3 to 12 months	
HSBC	LIBOR + 3.25%	USD 6,400,000	Project Assets	-	30,592	61,184	91,777
HSBC	LIBOR + 3.25%	USD 6,000,000	Project Assets	-	43,463	128,617	347,706
SCB	LIBOR + 3.25%	USD 6,000,000	Project Assets	-	27,520	70,811	137,602
				-	101,576	260,613	577,085

19.5 Lease Creditor 19.5.1 The Board

	Total 2012 Repayable	Total 2012 Repayable	Total 2011 Repayable	Total 2011 Repayable	Total 2011
Merchant Bank Of Sri Lanka	66,987	194,373	261,360	15,949	50,027
Lease Creditor	(32,138)	(49,351)	(81,489)	(6,553)	(17,234)
Interest in Suspense	34,849	145,022	179,871	9,396	32,793

19.5.2 Lanka Coal Company (Pvt) Ltd

	Total 2012 Repayable	Total 2012 Repayable	Total 2011 Repayable	Total 2011 Repayable	Total 2011
People's Leasing Company Ltd	1,109	1,849	2,958	1,109	4,067
Lease Creditor	(254)	(423)	(677)	(233)	(931)
Interest in Suspense	855	1,426	2,281	876	3,136
Total	35,704	146,448	182,152	10,272	35,929

19.6 Share of joint venture's Bank Overdraft LTL Holdings (Pvt) Ltd Maturity

	Interest rate	Facility	Security	On demand			Total
				On demand	Less than 3 months	3 to 12 months	
HNB	AWPLR +2%	Rs.400,000,000		118,712	-	-	118,712
HNB	3.5%			-	-	-	-
HSBC	1month LIBOR + 3.25%	USD 5,100,000	Fixed Deposits	281,196	-	-	281,196
		USD 17,600,000	Land/Building, plant & Machinery	634,584	-	-	634,584
HSBC	14% Quarterly revised	Temporary Overdraft		17,550	-	-	17,550
				<u>1,052,042</u>			<u>1,052,042</u>

Redeemable Preference Shares

At 01 January 2011, there were Rs.7,516,333/- convertible preference shares in issue of the joint venture company. Each share has a par value of Rs.100/- and is Redeemable on 30 June 2011 at a price of Rs.100/- per share. The preference shares carry a dividend of 12% per annum, payable half-yearly in arrears on 30th June and 31st December in each year. The dividend rights are non-cumulative

20 CONSUMER DEPOSITS

	GROUP 2012	BOARD 2011	2012	2011
Balance as at Beginning of the Year	8,162,181	7,543,940	8,162,181	7,543,940
Deposit Received during the year	875,124	809,973	875,124	809,973
Refunds Made during the year	(137,861)	(191,732)	(137,861)	(191,732)
Balance as at the end of the Year	8,899,444	8,162,181	8,899,445	8,162,181

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

21. PROVISIONS AND OTHER DEFERRED LIABILITIES	(All amounts in Sri Lanka Rupees Thousands)			
	Group		Board	
	2012	2011	2012	2011
Retirement Benefits Obligation- Gratuity (21.1)	4,211,380	3,415,793	3,660,104	2,929,959
Pension benefits (21.2)	(72,834)	150,823	(72,834)	150,823
Commutated pension fund liability-non funded	5,529	11,250	5,529	11,250
	-	-	-	-
	-	-	-	-
	4,144,075	3,577,866	3,592,799	3,092,032

21.1 Retirement Benefits Obligation- Gratuity

	Group		Board	
	2012	2011	2012	2011
Balance as at 1st January	3,415,793	3,355,279	2,929,959	2,929,959
Charge for the year(21.1.1)	1,244,447	400,973	1,162,056	320,663
Transfer made during the year	-	(19)	-	-
Payments made during the year	(448,859)	(340,440)	(431,911)	(320,663)
	-	-	-	-
Closing Balance	4,211,380	3,415,793	3,660,104	2,929,959

21.1.1 Charge for the year

	Group		Board	
	2012	2011	2012	2011
Interest Cost	749,567	177,326	697,399	129,037
Current service Cost	398,070	99,847	365,171	69,774
Actuarial (gain)/ loss	96,809	123,800	99,486	121,852
	1,244,447	400,973	1,162,056	320,663

21.1.2 Retirement Benefits Obligation- Gratuity The Board

The gratuity obligation is actuarially valued by an external independent valuer once in three years
The principal assumptions used are as follow

	2012	2011
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

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,

	2012	2011
Discount rate assumed (%) (per Annum)	11	11
Salary Increase Rate (%) (per Annum)	8.5	8.5
Normal Retirement Age	Appointments up to 31 December 2006 -65 years Appointments after 01 January 2007 -55 years	Appointments up to 31 December 2006 -65 years Appointments after 01 January 2007 -55 years

LTL Holdings (Private) Limited

Principal Assumptions	01st January		
	2012	2011	2011
Discount rate assumed (%) (per Annum)	12	12	12
Salary Increase Rate (%) (per Annum)	10	10	10
Staff Turnover (%) (per Annum)	6	6	6
Retirement Age	55 Years	55 Years	55 Years

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(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".

		All amounts in Sri Lanka Rupees Thousands	
		2012	2011
Present Value of Obligations		12,972,125	11,868,942
Fair Value of plan assets		(13,044,959)	(11,711,412)
Deficit of funded plans		(72,834)	157,530
Contribution receivables			(6,707)
Present Value of unfunded obligations			
Liability / Assets in the balance sheet		(72,834)	150,823
The movement in the pension fund liability over the year is as follows,			
At beginning of year	2011 VR	11,868,942	10,644,217
Current service cost	Ann. 2011	385,879	281,423
Interest Cost		1,186,894	1,037,811
Actuarial Losses		128,227	319,507
Benefit Paid		(597,817)	(414,016)
At end of year		12,972,125	11,868,942
The movement in the fair value of plan assets of the year is as follows			
At beginning of year		11,711,414	10,641,209
Expected return on plan assets		1,263,988	1,000,634
Actuarial Losses		3,824	11,530
Contribution paid (Employee + Employer)		663,550	472,057
Benefit Paid		(597,817)	(414,016)
At end of year		13,044,959	11,711,414
The amounts recognized in the income statement are as follows			
Current service cost		385,879	281,423
Interest Cost		1,186,894	1,037,811
Expected return on plan assets		(1,263,988)	(1,000,634)
Recognized in income statement		308,785	318,600
The principle actuarial assumptions were as follows			
Discount Rates		10%	9.75%
Expected return on plan assets		10.79%	9%
Future Salary Increases		20%	25%
Future Pension Increases		0%	0%
Retirement Age		60	60
Plan assets are comprised as follows			
Fixed Deposits		9,236,048	6,756,880
Treasury Bonds		3,182,115	2,871,618
Treasury Bills		-	1,410,763
Repo		35,000	-
Other		591,796	672,153
Total		13,044,959	11,711,414

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

22. DEFERRED INCOME

	Group		Board	
	2012 Rs.000	2011 Rs.000	2012 Rs.000	2011 Rs.000
Balance as at 1st January	-	-	-	-
Consumer Contribution (22.1)	58,024,896	52,777,201	54,948,056	49,989,780
Government Grant (22.2)	260,220	272,612	260,220	272,612
	58,285,116	53,049,813	55,208,276	50,262,392

22.1 Consumer Contribution

Balance at the beginning of the year	52,777,201	46,796,835	49,989,779	44,105,171
Consumer Contribution received During the year	7,436,897	8,135,735	7,011,818	7,737,927
Amount Amortised During the year	(2,189,202)	(2,155,369)	(2,053,541)	(1,853,318)
Balance at the end of the year	58,024,896	52,777,201	54,948,056	49,989,780

22.2 Government grant

Balance at the beginning of the year	272,611	285,003	272,611	285,003
Amount Amortised during the year	(12,391)	(12,391)	(12,391)	(12,391)
Balance at the end of the year	260,220	272,612	260,220	272,612

23. DEFERRED TAXATION

	Group		Board	
	2012	2011	2012	2011
Balance at the beginning of the year	18,620,166	17,912,883	17,971,684	17,141,731
Deferred Tax Charged to Income Statement	15,982,615	673,028	16,198,080	829,953
Deferred Tax Adjusted to Equity	-	34,256	-	-
Balance at the end of the year	34,602,781	18,620,167	34,169,764	17,971,684

	Group		Board	
	2012	2011	2012	2011
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes	64,872,485	47,053,295	64,056,478	46,212,525
Revaluation Reserve	-	(18,927,328)	-	(18,973,070)
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(9,295,105)	(7,554,457)	(9,070,184)	(7,455,807)
Employment Retirement Benefits	(1,175,780)	(942,067)	(1,024,829)	(820,389)
Other provisions	-	-	(818,630)	(991,575)
Unutilized tax losses	-	-	(18,973,070)	-
	54,401,601	19,629,443	34,169,765	17,971,684

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

24. TRADE AND OTHER PAYABLES

	Group		Board	
	2012	2011	2012	2011
Trade Payables	982,424	145,794	18,496	28,976
Other Payables	63,163,384	84,809,032	60,563,792	83,623,157
Sundry Creditors Including Accrued Expenses Deposits(24.1)	7,734,102	4,644,669	6,607,401	3,826,296
Loan Balance pending confirmation from ERD	14,413,090	12,809,070	14,413,090	12,809,070
	5,356,271	3,545,411	5,356,271	3,545,411
	91,649,271	105,953,977	86,959,050	103,832,911

24.1 Deposits

Service mains deposits	11,047,149	9,836,742	11,047,149	9,836,742
Tender Deposits	227,599	152,835	227,599	152,835
Security Deposits	77,693	73,663	77,693	73,663
Other Deposits	3,060,649	2,745,830	3,060,649	2,745,830
	14,413,090	12,809,070	14,413,090	12,809,070

25. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Board	
		2012	2011	2012	2011
LTL Holdings (Pvt) Ltd	Subsidiary Company	(0)	-	4,311,820	2,294,474
Lanka Electricity Co.Ltd	Subsidiary Company	-	-	-	-
AnteLeco Metering Co.(Pvt) Ltd	Associate Company	-	-	-	-
Lanka Coal Company (Pvt) Ltd		-	-	-	-
		0	-	4,311,820	2,294,474

26. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

	Group		Board	
Components of Cash and Cash Equivalents	2012	2011	2012	2011

26.1 Favourable Cash & Cash Equivalents balance

Cash & Bank Balances	2,513,334	3,099,871	1,373,295	1,479,258
Call Deposits	1,207,934	-	1,197,453	-
Current portion of other investments-LECO	1,996,187	4,018,829	-	-
	-	-	-	-
	5,717,455	7,118,700	2,570,748	1,479,258

26.2 Unfavourable Cash & Cash Equivalent Balances

Bank Overdraft(19)	-	-	-	-
	(21,540,427)	(3,716,320)	(20,383,413)	(2,657,325)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(15,822,972)	3,402,380	(17,812,665)	(1,178,067)

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

27 ASSETS PLEDGED

Ceylon Electricity Board Sri Lanka Energies (Private) Limited

There is no assets pledged as at the balance sheet date.

27.1 Lanka Electricity Company (Pvt) Limited

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2012	2011	
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	87,331	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	598,278	541,757	

27.2 LTL Holdings (Pvt) Ltd

Following assets have been pledged as security for interest bearing borrowing and Letter of Credit Facilities of respective companies of the Group.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included under
		2012		
Immovable Properties	First Mortgage for Loans & Borrowings	235,088		Property plant & equipment
Inventories	First Mortgage for Loans & Borrowings	32,904		Inventories

Lakdhanavi Ltd & its Jointly Controlled Entity

Immovable Properties	USD 11,600,000 (HSBC working Capital Loan)	2,194,108	-	Land,Building,Plant and Machinery,Trade Debtors
Immovable Properties	USD 6,400,000 - Term Loan with HSBC	1,197,479	-	Land,Building,Plant and Machinery
Immovable Properties	USD 6,000,000 - Term Loan with Standard Chartered Bank)	1,197,479	-	Land,Building,Plant and Machinery
Investment	Mortgage against the Bank Guarantees	1,065,403	-	Other current Financial Assets

Pawan Danavi (Private) Limited

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 31.12.2012

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board

Lanka Electricity Company (Pvt) Limited

Sri Lanka Energies (Private) Limited

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements

LTL Holdings (Pvt) Ltd

The subsidiary company of the Group, Pawan Danavi (Pvt) Limited has commenced the power plant operations with effect from 01 April 2013 onwards.

The subsidiary company of the Group, Lakdhanavi Limited, has invested USD 10,725,000/- in equity shares of the new subsidiary, Raj Lanka Power Company Limited incorporated in Bangladesh during the March 2013.

Except the aforementioned fact there have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

29 CONTINGENCIES

29.1 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 31.12.2012, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.574 Mn.

29.2 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
- (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 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.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

29.3 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 full fill 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 regards 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 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

30 CAPITAL COMMITMENTS

30.1 The Board

	2012	2011
Approved by the Board, but not contracts placed	143,658	47,462
Contracted but not provided for	1,818,762	-
Total	1,962,420	47,462

30.2 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 2012. (2011 - Nil).

30.3 LTL Holdings (Pvt) Ltd

Letter of Credits

Parent/Subsidiary/Joint Venture Company	Bank	2012	2011
LTL Holdings (Pvt) Ltd	Hatton National Bank PLC	98,641	-
Lakdhanavi Ltd	Peoples Bank	37,464	-
Heladhanavi Ltd	Hatton National Bank PLC	20,989	-
LTL Galvanizers (pvt) Ltd	Hatton National Bank PLC	18,290	112
Lanka Industrial Product Engineerig (pvt) Ltd	Hatton National Bank PLC	21,606	12,802
LTL Transformers (pvt) Ltd	Hatton National Bank PLC	124,484	22,666
		321,476	35,580

Guarantee

LTL Holding (Private) Limited has provided a corporate guarantee of Rs 400,000,000 for a bank loan obtained by a subsidiary (2011:Rs 400,000,000/-)

30.4 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

	2012	2011
Within One Year	4,447	8,894
After One year but not more than 5 years	-	4,447
	4,447	13,341

Lease rentals are renewed every five years, therefore operating lease commitment stated only up to 30th June 2013 since lease rentals more than five years can not be determined.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

30.5 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.

	2012	2011
Within One Year	1,678	12,762
After One year but not more than 5 years	-	1,678
	1,678	14,440

30.6 Heladhanavi Limited (Jointly Controlled Entity)

(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

Exceeding 10% of MGEA up to 25% of MGEA

Exceeding 25% of MGEA

Amount of liquidated damages

15% of Capacity Charges

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 bank guarantees in favor of Ceylon Petroleum Corporation at following Banks,

National 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. Variable fee, depends on the Net Energy output generated.

(d) Fuel Transport Agreement with LTL Projects (pvt) Limited

The company has entered into 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 31.12.2012

31 Related Party Disclosures

31.1 The Board

30.1.1 Directors Interest in Contracts

Prof. Wimaladharm Abeyewickrema was bearing the office of Chairman, CEB during the year ended 31.12.2012. 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.

Eng: W.D. Anura Senaka Wijayapala was a vice chairman of CEB and Mr P.P. Gunasena was a Working Director of CEB during the year ended 31.12.2012. 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.

Dr. B.M.S. Batagoda and Mr. Jayasinghe served as members of the director board of CEB during the year ended 31.12.2012. Mr. K.D. Ranasinghe has resigned on 23.07.2012 and Dr. Y.D. Nihal Jayathilaka has resigned on 16.07.2012.

Mr. R.A.A.K. Ranawaka, Secretary Ministry of Local Government and Provincial Councils appointed to the director board of CEB ON 16.07.2012 and Mr. C.J.P. Siriwardena, Assistant Governor, Central Bank of Ceylon appointed to Board of CEB on 13.08.2012.

31.1.2 The Board carried out following transactions with following related companies.

	2012	2011
a) Sales of Goods & Services		
Electricity Sales Heavy Supply LECO	19,076,160	14,968,050
b) Purchase of Goods & Services		
LTL Transformers Ltd	914,089	
LTL Holdings (Pvt) Ltd	432	
LTL Galvanizers (Pvt) Ltd	82,701	
Pawan Danawi (Pvt) Ltd	79,236	
ANTE LECO Metering Co (Pvt) Ltd	393,362	799,146
Heladhanavi	12,583,663	8,421,336
Lakdhanavi	2,069,323	1,756,363
Nividu (Pvt) Ltd	67,551	94,735
Nividu Assupinella (Pvt) Ltd	118,823	169,956
Lanka Coal Company (Pvt) Ltd	11,099,248	6,785,602

31.1.3 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 transactions have been reported in follows.

	Nature of Transaction	2012	2011
Ceylon Petroleum Corporation	Purchase of Fuel	42,295,279	24,982,269
Department of Public Enterprises	Obtain Project Loans	89,443,023	22,312,682
Peoples Bank	Obtain Bank Loans	19,455,145	4,170,411

31.1.4 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 2,295,000/- (2011 - Rs 1,779,450) incurred on behalf of key management personnel of the company.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

31.2 LTL Holdings (Private) Limited

Details of significant related party disclosures are as follows ;

31.2.1 Transaction with the parent and related entities

Nature of Transaction	Name of the Company and Relationship		LTL ESOT		LTL ESOTLTD		Total	
	CEB Parent	Other related	Other related	Other related	Significant influence over the entity	Significant influence over the entity	2011	2012
	2012	2011	2012	2011	2012	2011	2012	2011
As at 1st January	1,293,349	898,307	(376,959)	(285,893)	(26,984)	168	889,406	612,582
Sale of goods/Services	13,506,046	7,391,694	-	-	-	-	13,506,046	7,391,694
Dividend Declared	(2,035,248)	(188,962)	(679,522)	(91,066)	(872,249)	(80,984)	(3,587,019)	(361,012)
Interest Income	-	-	-	-	252,687	-	252,687	-
Advances Received	(365,403)	-	-	-	-	-	(365,403)	-
Advances set off	339,568	-	-	-	-	-	339,568	-
Dividend Paid	2,224,210	125,975	1,056,426	-	953,233	54,000	4,233,869	179,975
Bad Debt Write Off	-	(49,707)	-	-	-	(168)	-	(49,875)
Receipts during the year	(11,638,152)	(6,883,958)	-	-	(252,687)	-	(11,890,839)	(6,883,958)
Payment made during the year	-	-	-	-	-	-	-	-
Balance As At 31st December	3,324,370	1,293,349	(55)	(376,959)	54,000	(26,984)	3,378,315	889,406

The Parent

Ceylon Electricity Board Owns 63% (2011 - 63%) of ordinary shares of Group

The Entity With Significant influence over the Company

LTL Employees Shares Ownership Trust Limited owns 27% (2011 - 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% (2011 - 10%) of the ordinary shares in the entity

31.2.2 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 agreements with the Government of Sri Lanka and its other related entities and significant transaction have been reported in follows,

	Nature of the transaction	2012	2011
Ceylon Petroleum Corporation	Purchase of fuel	5,694,150	3,942,381

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

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.

Payment for employment retirement benefit- EPF and ETF.

payment for insurance premiums to Sri Lanka Insurance Corporation.

NOTES TO THE FINANCIAL STATEMENTS Contd...

As at 31.12.2012

(All amounts in Sri Lanka Rupees Thousands)

31.2.3 Transaction with Key Management Personnel of the Company or parent

The Key Management Personnel of the Company are the members of its Board of Directors, that of its parent and Chief Executive Officer.

a) Key Management personnel Compensation

	2012	2011
Short- term employee benefits	25,605	24,915
Post - Employment benefits	4,775	4,775
	30,380	29,690

In addition to above compensation, the company also provides non-cash benefits to Key Management Personnel in terms of employment contracts with them.

31.3 Lanka Electricity Company (Pvt) Limited

Details of significant related party disclosures are as follows;

31.3.1 The company carried out following transactions with following related companies ;

	Parent Company Ceylon Electricity Board		Other Major Share Holders/ Treasury		Subsidiaries & Other Related Companies	
	2012	2011	2012	2011	2012	2011
Balance as at 01st January	(1,728,338)	(1,672,132)	210,015	287,437	136,585	131,862
Purchase of Electricity	(15,148,014)	(14,913,616)				
Payment for Electricity	16,414,904	14,865,987				
ADB Loan Repayment			(77,422)	(77,422)		
Interest on Borrowings			24,229	33,190		
Accrued Expenses		(515)				
Interest Payment			(24,229)	(33,190)		
Material Transfer		(8,062)				8,062
Receipts of Material						
Purchase of Goods						(136,681)
Payments					(266,474)	147,663
Loans given to CEB	3,100,000				251,185	(14,321)
Balance as at 31st December	(1,791,922)	(1,728,338)	132,593	210,015	121,296	136,585

31.3.2 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 (2011-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 .

	2012	2011
Key management Personnel Compensation		
Directors Fees and Short term Benefits	419	326
Remuneration of other Key Management Personnel	19,948	11,995
Total Compensation pay to Key Management Personnel	20,367	12,321

AUDITOR GENERAL'S REPORT



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிப்பி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



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எனது
My No.

EH/A/CEB/FA/2012

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உமது இல
No.

දිනය
திகதி
Date

29/May/2014

The Chairman,
Ceylon Electricity Board

REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2012 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT NO. 38 OF 1971

The audit of consolidated financial statements of the Ceylon Electricity Board (CEB) and its subsidiaries for the year ended 31 December 2012 comprising the statements of financial position as at 31 December 2012 and the statements of income and the statements of comprehensive income, statements of changes in equity and statements 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 (CEB) in terms of Section 14(2) (c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Board on 31 January 2014.

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 (SLAS) 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.

අංක 306/72 පොල්දූව පාර,
වත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி,
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AUDITOR GENERAL'S REPORT Contd...

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 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraphs 2.2 and 2.3 of this report.

2. Financial Statements

2.1. Qualified Opinion - Board

In my opinion, except for the effects of the matters described in paragraph 2.3 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 2012 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 and 2.3 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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Group Financial Statements

Ownership of the CEB in respect of the following subsidiary companies had not been disclosed in the financial statements of the year under review.

Name of the Company	Direct Interest to the Group		Interest to the CEB %
	LTL Holdings (Pvt) Ltd %	LECO (Pvt) Ltd %	
(i) Pawan Danavi (Pvt) Ltd	51	-	32
(ii) Nividu (Pvt) Ltd	48	-	30
(iii) Nividu Assupinella (Pvt) Ltd	48	-	48
(iv) Ante LECO Metering (Pvt) Ltd	-	70	38.5

2.3 Comments on Financial Statements of the Ceylon Electricity Board

2.3.1 Sri Lanka Accounting Standards (SLAS) and Accounting Policies

The following observations are made.

- (a) **LKAS 2 - Inventories**, According to the Standard, the inventories shall be measured at lower of cost or net realizable value and cost of inventories shall be assigned by using the first in first out (FIFO) or weighted average cost formula respectively. But the Board uses standard prices for valuing its inventories at Distribution Regions contrary to the Standard.

AUDITOR GENERAL'S REPORT Contd...

In accordance with 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 shall be computed at the lower of cost or net realizable value.

Following observations are made in this regard.

- (i) According to the prevailing situation prices had only been increased but not fluctuated. It was clear that the Board had overestimated their standard prices than actuals in most instances. For instance the net income recognized by overestimation of the material prices and labour rates in 2012 was Rs. 1,647 million (2011 - Rs. 2,920 million) and Rs. 1,034 million (2011 - Rs. 803 million) respectively. In addition to that a sum of Rs. 1,574 million (2011 - Rs. 1,255 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 income.

As a result, the fair valuation of the stock, working progress, maintenance and completed jobs shown in the financial statements as at 31 December 2012 was not observed.

- (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, Gamanaguma, Decentralized Budget (DCB), etc. had been valued at standard cost.
- (b) **LKAS 20 - Accounting for Government Grant and Disclosure of Government Assistance** - The foreign aid and the capital grant received by the Board for generation, transmission and distribution programmes 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 the capital contribution. According to the financial statements of the Government of the Democratic Socialist Republic of Sri Lanka for the year 2012, the total capital contribution to the Board amounted to Rs. 96 billion and according to the financial statements of the Board that had been shown as Rs. 110 billion. Accordingly, the accounting treatment made in the financial statements for the difference of Rs. 14 billion of Government grant had not complied with the Standard.
 - (c) **SLFRS 1 -- First Time Adoption of the SLFRS** - Adjustments for the following items in the financial statements of the Board for the year under review had not been made.
 - (a) Inventory and Others
 - (b) Staff Debtors
 - (c) Leases/PPE
 - (d) Investment of Insurance Reserve Fund
 - (e) Trade Payables
 - (f) Amount Due to Related Parties
 - (g) Trade Payables
 - (d) **LKAS 24 - Related Party Disclosures** - The Board had not disclosed the transactions between the related parties by disclosing the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the Financial Statements as required by LKAS - 24 . Following contracts with the companies which have relationship with the Board had been observed in the audit.
 - (i) Vauniya Kilinochchi Transmission Line Project - JBIC Funded Project

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- (ii) Transmission System Strengthening Transmission Line Project - ADB Funded Project
- (iii) Transmission System Strengthening Eastern Province Project - ADB Funded Project (Contact amount was Rs. 1,345 million)
- (iv) North Eastern Power Transmission Development Project - ADB Funded Project (Contact amount was Rs.425 million)
- (v) Augmentation Grid Substation Project Phase II - ADB Funded Project (Contact 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 (Contact amount was Rs. 2,336 million)

2.3.2 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) In contrary to the policy disclosed in the financial statements damages caused to the PPE other than heavy damages had not been charged against the Insurance Escrow Fund and those losses and damages had been met out of the CEB's funds. Therefore, the purpose as specifying in the accounting policies had not been fulfilled. In the sample test, it was revealed that Rs. 71 million of such expenditure had been met out of the funds of the Board in 2012 without meeting the expenditure from the Insurance Fund. Further, the loss occurred to the Board from that damage had not been ascertained and adjusted in the financial statements accordingly and also proper records were not made available to ascertain the loss to the properties of the Board as the practice followed was to charge them directly against the income.
- (b) Interest income derived from investment of Insurance Escrow Fund had been treated as income of the Board since the inception of the Fund without being treated as an income of that Escrow Fund. However, after pointing out the deficiency in audit the error had been rectified since 2011 but adjustments had not been made for the errors made in previous years. Hence, the Insurance Escrow Fund balance and its Investment balance could not be tallied. For instance, the unadjusted balance for recent past six years from 2005 to 2010 was Rs. 3,082 million.
- (c) Withholding Tax recovered in the year of assessment 2010/2011 amounting to Rs. 119 million had been inappropriately shown as recoverable and as a result, the other receivable balance and the loss shown in the financial statements as at 31 December 2012 had been overstated and understated by that amount respectively.
- (d) The amount receivable from the Ministry of Power and Energy in respect of the Lighting for special occasions as at 31 December 2012 was a credit balance of Rs. 62 million but the actual amount receivable as per the computation done 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. 76 million.
- (e) The amount receivable from the Ministry of Power and Energy in respect of the Security Lighting for Members of Parliament as at 31 December 2012 was Rs. 8 million but the actual amount receivable as per the records maintained by the Ministry was Rs.6 million. Hence, the other debtors shown in the financial statements had been overstated by Rs. 2 million.
- (f) Following observations are made in respect of ascertaining the fair value of the motor vehicles and their accounting as at 01 January 2011, 31 December 2011 and 31 December 2012.

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- (i) Proper instructions and guidance had not been given to the respective Committees and therefore, uniform method had not been followed in ascertain the market values. For instance, the Committees of the Head Quarters, Asset Management and Centralized Services and Distribution Region 1 had ascertained the market value as at 01 January 2011 and added the cost of the vehicles purchased thereafter. However, the valuation Committees of the other Divisions had ascertained the market values as at 31 December 2012 first and thereafter, the market values of the vehicles as at 31 December 2011 and 01 January 2011 had been computed by discounting those market values at 6.7 per cent and 7.6 per cent respectively.
 - (ii) Due to the above lapse (computation of the fair values of the motor vehicles of the year 2011 based on the market values of the year 2012) the Committee recommended market values had not been reflected in the financial statements for the year under review and as a result, the balance of the motor vehicle account shown in the financial statements had been understated by Rs. 396 million.
 - (iii) Sixty three vehicles had been condemned by the Valuation Committees because they were not road worthiness and recommended to dispose. However, disposable values of those vehicles had not been ascertained.
- (g) The Board had adopted deferred tax adjustments in its financial statements for the first time in 2012 and restated the previous financial statements as at 01 January 2012 and as at 31 December 2012 as complied with SLFRS.

Total value of asset which had not been included in the tax returns since 1982 was Rs. 43,894 million. Due to that lapse, the Board could not be able to deduct the relevant portion of capital allowance of those assets from the taxable income in ascertaining the tax liability. Hence, the Board had to treat that asset value of

Rs. 43,894 million in deferred tax calculation as permanent differences which had resulted to understate the brought forward tax loss approximately by Rs. 12 billion. Ultimately that mistake becomes a loss to the Board because that Rs. 12 billion was not claimable from future tax liability.

- (h) Profit from disposal of PPE amounting to Rs 55 million and Rs. 57 million in 2012 and 2011 respectively had not been re-adjusted according to the amendments made in the financial statements based on the application of new SLFRS. The impact of failure could not be ascertained as the details of the disposed assets were not made available to audit.
- (i) A sum of Rs. 30 million of stock items which had been identified as damaged stock during the annual stock verification carried out in 2011 had not been taken into account by 2012 verification team and as a result, both stock balance and provision for non-moving, slow moving and damaged stock shown in the financial statements had been understated by the similar amount.
- (j) Seven payments totaling Rs. 18 million made to suppliers by the Western Province South (WPS) II Office in 2012 had inappropriately been shown in the financial statements as payable even though they had supplied the items as at 31 December 2012.
- (k) High Tension (HT) and Low Tension (LT) lines, having net book value of Rs. 1,505 million as at 31 December 2012 in Hambanthota Area Office had been removed due to development in the Area but they were in both Fixed Asset Register and Ledger Accounts of the Regional Office without making any adjustment even though it had been reiterated in the annual physical verifications since 2009. Due to that lapse the PPE shown in the financial statements as at 31 December 2012 had been overstated by the similar amount.

Further, impact to the revaluation reserve shown in the financial statements from non-removing of the costs of those HT and LT lines from the ledger accounts could not be ascertained in audit due to non-availability of relevant information such as revalued amounts, removal dates, scrap values etc.

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- (l) Price variance, relating to Transmission and Distribution lines constructed under SIDA Project in Distribution Region 4 which had already been capitalized in previous years, amounting to Rs.121 million had been capitalized during the year under review. That Price Variance had been shown as a separate item in the Fixed Asset Register under the Transmission and Distribution lines without adding to the respective asset account (particular Transmission or Distribution line).Further, the impact of the impairment due to the above correction had not been ascertained and adjusted in the financial statements accordingly.

2.3.3 Unreconciled Differences

The following unreconciled differences were observed.

- (a) The amount due from LECO as at 31 December 2012 as per the financial statements of the Board had not been reconciled with the financial statements of the LECO and therefore a difference of Rs. 19 million between those two financial statements was observed.
- (b) The inter-current account balances of the Head Office and sub-divisions of the Board had not been tallied and net differences of Rs. 2 million and Rs. 269 million were observed as at 31 December 2012. Further, those balances had inappropriately been shown under the Trade and Other Receivables in the financial statements.
- (c) A difference of Rs. 307 million was observed between the completed jobs transferred from work-in -progress(WIP) to PPE in 2012 as per the assets schedule and the WIP schedule furnished along with the financial statements.
- (d) A difference of Rs. 39 million was observed between the value of the completed jobs transferred out in 2012 from the WIP account and the value of jobs transferred into the PPE from the WIP in Distribution Region 3.

2.3.4 Accounts Receivable and Payable

The following observations are made.

- (a) Area suspense balance and the Main Suspense balance as at 31 December 2012 was Rs. 16 million and Rs. 8 million respectively. Age analysis of those suspense balances had not been prepared and action had not been taken to clear those suspense balances.
- (b) An overpayment of Good and Service Tax (GST) payment of Rs. 38 million had been carried forward in the financial statements as recoverable since January 2002 without setting off against any tax liability of the Board arisen in subsequent years as instructed by the Commissioner General of Inland Revenue by his letter dated 24 January 2008.
- (c) Following debit and credit balances of the LECO in Western Province South - II (WPS - II) had been remained without settling over a longer period as at 31 December 2012.

Branch	A/C No.	Balance as at 31 December 2011	
		Rs. M	Rs. M
Nugegoda	9742661/8	(11)	
	9742662/8	5	
	9742009/8	(7)	(13)
Kotte	9742663/8	(9)	
	9742008/8	14	
	FAC	19	24
Total			11

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- (d) In terms of the Cabinet Decision dated 17 December 2003, the programme loan of Rs. 3,047 million from the Japanese Bank for International Cooperation Agency (JABIC) under SL-C15 had been accounted by the Board as receivable through Treasury. Subsequently, the Director General of Treasury Operation by his letter No. TO/REV/SL/2/96 dated 2 December 2006 had informed the Board that the said amount was not considered for setting off as those are programme loan received to the Treasury. Accordingly, that amount had been accounted as receivable in 2003 and since then it had been carried forward in the subsequent financial statements as well without ascertaining the recoverability.

Even though a decision had been taken to write off that receivable balance from the accounts of the Board in 2013 it had not been adjusted in the financial statements under reference in accordance with the **LKAS 10 - Event after the Reporting Period**.

2.3.5 Lack of Evidence for Audit

The following observations are made.

- (a) Title deeds for Rs. 38 million worth of 12 lands owned by the Uva Provincial Office were not made available to audit.
- (b) Reasons for in completing the following jobs relating to WPS II over a period more than one year were not made available to audit.

<u>Age Analysis</u>	<u>Number of Jobs</u>	<u>WIP Value as at 31 December 2012 Rs. Million</u>
1 -2 years	2,344	450
2 - 3 Years	1,016	268
3 - 4 Years	317	124
4 - 5 Years	121	58
Over 5 Years	350	64
Total	4,148	964

- (c) Seven stock items to the value aggregating Rs. 14 million which had been received to the Board prior to more than six months as at 31 December 2012 had not been taken to the year-end stock and reasons for that were not made available to audit.
- (d) No sub-loan agreements were entered into with the General Treasury in respect of four loans granted by the Treasury to the value of Rs.128,240 million and therefore the repayment schedule and the interest for those loans were not made available to audit.

2.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed in audit.

- (a) 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 2012 was Rs. 17,447 million.

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- (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 movement had been taken place. 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 but it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2012 was Rs. 165.446 million.
- (b) 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 funds amounting to Rs. 4,433 million as at 31 December 2012 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.
- (c) The Board had paid the PAYE tax on behalf of its employees which should be borne by the employees by overruling the Cabinet Decision taken on 13 December 2007 to shift the PAYE tax liability to employees since the next salary revision which should have been effected since 2009. The PAYE tax paid by the Board overruling said Cabinet Decision as at 31 December 2012 was Rs. 981 million of which details are given below.

<u>Year</u>	<u>Amount</u> <u>Rs.</u>
2009	215,052,824
2010	362,275,677
2011	194,306,233
2012	269,762,012
Total	<u>981,396,746</u>

3. Financial and Operating Review

3.1 Financial Results

According to the CEB financial statements presented, the operations of the CEB during the year under review had resulted in a loss of Rs. 61,447 million before taxation as compared with the corresponding loss of Rs. 20,185 million before taxation for the preceding year thus showing a further deterioration in operating results of the year under review by Rs. 41,262 million.

The main reasons for the above deteriorations are given below.

- (a) As analysed below, the hydro power generation in 2012 had been decreased by 1,327 GWh or 29 per cent as compared with 4,619 GWh generated in 2011 due to poor water level in hydro reservoirs which resulted to increase in the thermal power generation by 1,552 GWh (1,404 GWh was generated by using coal) or 23 per cent to meet the increased demand of 451 GWh in 2012.

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Generation Details

<u>Source</u>	<u>2012</u> GWh	<u>2011</u> GWh	<u>Change</u> GWh	%
Hydro	3,292	4,619	-1,327	29
Thermal	8,338	6,786	1,552	23
Non Conventional Renewable Energy	171	125	46	37
Total	1,801	11,530	271	02

Due to that scenario the Board had to incur heavy expenditure on fuel and power purchase from Independent Power Suppliers. The cost increase from those two factors in 2012 as compared with the previous year was Rs.21,622 million and Rs. 36,120 million respectively. It contributed to increase the total loss by 52 per cent and 87 per cent respectively.

- (b) Even though an additional income of Rs. 31,052 million had been earned as a result of slight increase in the demand, the Board had dragged into loss position in 2012 due to the main reason of prevailing tariff structure. However, national contribution made by the Board during the year under review is invaluable.

Composition of Loss - 2012

<u>Category</u>	<u>Gain/(Loss)</u> Rs. Million	%
Domestic	(32,716)	(54)
Religious	(795)	(01)
General Purpose	8,413	14
Industrial	(24,528)	(40)
Hotels	(771)	(01)
Street Lighting	(2,346)	(04)
LECO Sales	(8,420)	(14)
Total	(61,164)	100

Accordingly, other than the general purpose category all consumers were the contributors of the loss of the CEB by different percentages. Domestic and Industrial consumers are the highest contributors to the loss and their total contribution was 94 per cent.

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

<u>Item</u>	<u>Current year</u> Rs. million	<u>Previous year</u> <u>(Restated)</u> Rs. million	<u>Percentage of</u> <u>change over</u> <u>previous year</u>
Non-Current Assets	627,685	550,521	14
Current Assets	110,486	110,813	(40)
Total Assets	738,171	661,334	12
Current Liabilities	137,356	122,026	13
Working Capital	(26,870)	(11,214)	140
Total Capital Employed	600,815	539,307	11
Non-Current Liabilities	407,585	281,843	45
Equity	193,230	257,464	(25)

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Accordingly, the total assets of the year under review as compared with the previous year had increased by 12 per cent mainly due to increase the non-current assets by Rs. 77 billion or 14 per cent. Meanwhile, the net current assets had become a negative figure of Rs. 27 billion in 2012 as compared with the negative figure of Rs. 11 billion in the previous year which represented a 140 per cent increase. It was revealed that the main reasons for the drop were increasing the current portion of the long term borrowings by Rs. 30 billion and increasing the amount due to Independent Power Suppliers by Rs. 14 billion or 93 per cent compared to the previous year increase of Rs. 15 billion.

Sixty eight per cent of total capital employed amounting to Rs. 600 billion of the Board as at 31 December 2012 had been financed through borrowed funds whereas the previous year borrowed portion was 52 per cent.

According to the above analysis it was revealed that the Board had faced severe liquidity problems in 2012 as well as experienced in previous years reflecting poor financial management.

3.3 Operating Review

3.3.1 Power Generation

The following table shows the analysis of power generation of the year under review and previous two years.

Source	2012		2011		2010	
	GWh	%	GWh	%	GWh	%
Hydro	3292	28	4619	40	5634	53
Thermal	8338	71	6786	59	4994	47
Non Conventional Renewable						
Energy	171	1	125	1	86	1
Total	11,801	100	11,530	100	10,714	100

Accordingly, it was revealed that the Hydro Power generation had been gradually decreased during past three years and the Board has no alternative other than divert to thermal power generation to maintain uninterrupted power supply in the country. However, the Board was unable to achieve one of the most important objectives of supplying a power unit at low cost to the general public in the year under review as well.

3.3.2 Direct Cost analysis

The following table shows a summary of the cost of sale of the Board for the year under review as compared to the previous year.

	Rs.million	2012	Rs.million	2011
		Expenditure as a percentage of total direct cost		Expenditure as a percentage of total direct cost
Fuel	53,614	24	31,992	21
Power Purchase	120,264	54	84,144	56
Operation and Maintenance	27,530	12	18,629	12
Depreciation	21,011	10	16,684	11
Total	222,419	100	151,449	100

According to the above information, it was revealed that more than 70 per cent of the total cost was directly related to power purchase and generation.

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3.3.3 Unit price analysis

The following table shows the average loss from selling one electricity unit during past five years except earning a very marginal gain in 2010. Accordingly, the highest loss per unit had been recorded in 2012.

Year	Unit Price Analysis		
	Average Selling Price per kWh	Average Cost per kWh	Gain/(Loss) per Unit
	Rs.	Rs.	Rs.
2008	13.22	18.15	(4.93)
2009	13.13	14.71	(1.58)
2010	13.16	13.02	0.14
2011	13.22	15.59	(2.37)
2012	15.66	21.50	(5.84)

3.4 Matters in Contentious Nature

The following observations are made.

- (a) It was observed in audit that the CEB had maintained the 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 CEB had not allowed to adopt as the administrative rules of the CEB. Few such instances are given below.
- (i) Without approval of the Cabinet of Ministers or Ministry of Public Administration or General Treasury as specified in the Public Enterprises Department Circular No 95 of 04 June 1994, 39 various staff allowances have been paid by the Board as approved by the Board of Directors in time to time. In the audit test check carried out revealed that Rs. 612 million of such allowances had been paid in 2012.
- (ii) 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 has lost the opportunity to recruit the most competent persons to the relevant posts.
- (iii) Position reported in my previous year report 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.
- (iv) 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. Further, it was observed that the staff loans have been paid without any control even the Board faces severe liquidity problems.
- (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 investment decisions. The total amount invested as at 31 December 2012 without requisite approval was Rs. 4,433million.
- (c) A decision had been taken to transfer the Treasury loan balance of Rs. 1,200 million shown in the financial statements of the Board since 2003 to 2012 to the income of the year 2013 based on a letter in a file of the

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General Treasury which had been written to a foreign Donor Agency in 2004 without copying to the Ceylon Electricity Board. Taking such a decision without communicating to the Secretary to the General Treasury is questionable.

- (d) According to the Cabinet Decision dated on 31 March 2008, 10 per cent of the renewable energy cost of the Board should be refunded by Sustainable Energy Authority (SEA). However, such renewable energy cost which had to be receivable to the Board since 2008 had not been refunded by the SEA. Total refundable amount as at 31 December 2012 was Rs. 897 million, which had not been recorded as a liability in the financial statements of the SEA.
- (e) The shortfall observed between the Insurance Reserve Fund balance and Investment of Insurance Reserve Fund as at 31 December 2010 amounting to Rs. 3,724 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.
- (f) 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.
- (g) Following positions reported by the valuation team of the Distribution Region 3 for 31 vehicles owned by the Board for which market value as at 31 December 2012 was Rs. 32 million could not be satisfactorily accepted in audit because relevant authority to do so was not made available to audit.
- 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 & rear tray were replaced with used different model cab & tray (1 vehicles)
 - Front cab & rear tray were replaced with used units (1 vehicle)
 - A crane was fitted locally (1 vehicle)
- (h) Capacity charges paid to Independent Power Producers (IPPs) comprise of 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). Although the time period for reimbursement of non escalable component (loan reimbursement) had been expired, it was observed that the Board had reimbursed that component and the amount so reimbursed in 2012 was US\$ 15 million and JPY 183 million.
- (i) 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 material and spares for that maintenance were reimbursed by the Board separately. There was no limit for reimbursement of such expenditure. 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 ascertained in audit. The total tax amount so reimbursed was Rs. 1,261 million for the year 2012.

3.5 Management Inefficiencies

The following observations are made.

- (a) Northern Power House is a private power producer in Northern Province having 30 GWh plant capacity. However, due to commissioning test failure the company could not be able to supply agreed GWh of electricity since the commencement of the Power Plant and average GWh supplied during past three years were less than

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15 GWh. Further, their unit price was also higher than the unit prices of the other IPPs and the loss to the Board by purchasing power from that company during past three years were as follows.

<u>Year</u>	<u>Average unit cost</u> Kwh/ Rs.	<u>Average selling price</u> Kwh/ Rs.	<u>Loss per</u> Kwh/Rs.	<u>Total loss</u> Rs.Mn
2010	17	13	4	223
2011	18	13	5	429
2012	24	16	8	407

- (b) A sum of Rs. 9 million worth of un-galvanized items handed over to a related party company by the Region - 1 Office for galvanizing had not been returned for a period more than five years as at 31 December 2012 and no any action had been taken to recover this loss from the related party by the CEB.
- (c) Seventy nine vehicles valued by the Valuation Team of the Region 3 for Rs. 76 million had been identified as not road worthiness but no further actions had been taken there on even as at 31 December 2013.
- (d) Cost of Rs. 30 million of stock items which had been identified as damaged stock during the annual stock verification done in 2011 had still been remained as idling in the stores premises of the WPS II without taking suitable action even as at 31 July 2013.
- (e) Hundred and seventy two consumers in Western Province South II Office had maintained Rs. 61 million less than the required security deposit of Rs. 86 million which should be maintained in accordance with the accepted procedure of the Board. Therefore, the Board deals with those consumers at higher credit risk.
- (f) According to 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.
- (g) Staff loans amounting to Rs. 2,472 million had been granted to 12,880 employees of the Board without any restriction despite of huge financial crisis prevailed during the year under review.
- (i) Following common weaknesses were observed in respect of reimbursement of 2/3rd interest to the employees for housing loans obtained from external lending agencies. Amount so reimbursed in 2012 was Rs. 892 million.
- Reimbursement of loan interest to employees whose loan amount exceeded the eligible loan limit
 - Reimbursement of interest for personal loans taken by mortgaging properties such as fixed deposits, personal guarantees etc.
 - Reimbursement of interest for loan taken by officers jointly with parties other than the spouse
 - Reimbursement of loan interest based on the informal letters of the financial institutions
 - Reimbursement of interest for the loans taken for settlement of other loans
 - Reimbursement of loan interest to the officers for which the properties relating to the loan obtained were neither the name of the officer nor the spouse
- (ii) A sum of Rs. 332 million of vehicle loans except motor bicycle loans had been granted to 172 employees of the Board in 2012. 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.

AUDITOR GENERAL'S REPORT Contd...

- 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.
- Incompleted 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.

3.6 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) Recruitments from Man Power Companies had been made without an approved cadre.
- (c) Nine hundred and forty six employees had been outsourced by superseding the Board approved Personnel Plan for the year 2012. Total employees outsourced as at 31 December 2012 was 4,045 which represented 25 per cent of the total staff strength of the Board.
- (d) Following essential posts in the approved cadre had been in vacant by 31 December 2012.

<u>Category</u>	<u>Number of Vacant Posts</u>
Executive	186
Middle Level Technical Service	177
Skilled Technical Service	579
Semi- Skilled Technical Service	1,599
Other Skilled Grade	34
Total	2,575

- (e) The approved cadre for Unskilled Field Service had been exceeded by 1,716.
- (f) 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.

AUDITOR GENERAL'S REPORT Contd...

- (g) Implementation of a proper transfer policy had not been observed. Certain employees, especially, in key posts are also in the same post at same work place for more than ten to twenty years. Further, such a practice does not provide good environment for getting overall experience when they eligible for promotions. For instance, the AGMM in all four Distribution Regions, who are the members of Distribution Coordinating Committee (DCC); the main hub for taking decisions relating to that divisions at present, have no experience in the field of distribution.
- (h) 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.
- (i) 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.
- (j) 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 division over a longer period of the Board's history and posts above the class 4 in that section have been opened to the services other than the field of HR.
- (k) 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.

3.7 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 Board by my detailed report issued in the terms of Section 13 (7) (a) of the Finance Act. 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 Managements
- (e) Accounting and Financial Management
- (f) Investments and Control over Subsidiaries
- (g) Work-in-progress
- (h) Project Management and Control
- (i) Budget
- (j) Staff Loans
- (k) Sales



H.A.S. Samaraweera
Auditor General

REPLIES TO REPORT OF THE AUDITOR GENERAL

REPLIES TO DRAFT REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD FOR THE YEAR ENDED 31 DECEMBER 2012 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

2.1 Qualified Opinion - Board and Group

2.2 Comments in Group Financial Statements

The ownership of the subsidiary companies (Direct & Indirect ownership) of CEB Group has been disclosed under Note 10.1 of the financial statement.

However the companies mentioned in the query are falling under indirect associates of CEB whereas based on the controlling power (since the CEB representatives are the majority of the LTL director Board) such companies are considered as the subsidiaries for consolidation purpose.

Reason for not disclosing of the ownership % of the indirect associates is to avoid any misrepresentation of the users of the Financial Statements.

2.3 Comments on Financial Statements of the Ceylon Electricity Board

2.3.1 LKAS and Accounting Policies

2.3.1. (a) LKAS 5 - Inventories

2.3.1 (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;

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"

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

Unquote

As agreed in the discussion, CEB has taken effort to reduce the gap between standard and actual cost and as a result it was able to reduce the material price variance by Rs. 1,273 in the year 2012 which compared to Rs. 2,920 in the year 2011.

2.3.1 (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.

2.3.1 (b) LKAS 20 - Accounting for Government Grant and Disclosure of Government Assistance

As per the procedure followed by CEB in respect of accounting for foreign aid and capital grant that was agreed by the Public Enterprises Department (PED), CEB capitalized Government funds received from the Treasury for the electricity projects as Equity investment. Subsequently, outstanding balance as at 31/12/2012 was confirmed by CEB as Rs. 109,567,865,042.06 contributed by Treasury.

However, PED was unable to update the contributed capital which was granted during the year 2012 aggregated amount of Rs. 13,477,460,864 in their books as investment made in CEB at the year end of 2012.

Due to the above reason, it might be a difference in contributed capital by amounting Rs. 13,477,460,864 in between the books of CEB and PED.

As per the CEB book, the total amount of capital contribution amounting Rs. 121,603,239,853.22 (including Rs. 12,035,374,811.16 for the year 2013) have been capitalized up to 31.12.2013. It has been confirmed to PED in order to adjust PED's books.

2.3.1. (c) SLFRS 1 - First Time Adoption of the SLFRS

After examining the CEB records and transactions the gap report has been prepared and submitted by the Consultant to CEB mentioning the areas which are affected by the IFRS requirements. As per the gap report the item of decommissioning obligations was irrelevant since there are no such obligations for the CEB. However it is to be noted that non adoption areas are not required to be disclosed in the financial statements under disclosure requirement

2.3.1. (d) LKAS 24 - Non disclosure of related party transactions in the financial statement

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.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

2.3.2. Accounting Deficiencies

2.3.2. (a) In contrary to the policy disclosed in the financial statements damages caused to the PPE other than heavy damages had not been charged against the Insurance Escrow Fund and those losses and damagers had been met out of the CEB's funds.

The Insurance Escrow Fund has been established to meet the losses or damages caused to property, plant and equipment. Based on following criteria as per the GM circular No: 287, the losses are identified against Insurance Escrow Fund

- I. Only losses incurred to fixed assets value over Rs. 10,000 are charged to insurance reserve and others are treated as repair and maintenance cost.
- II. Losses incurred due to technical reasons are not charged to this reserve.
- III. Damages on fixed assets waiting to recover from outside party or employees will not be charged.
- IV. Vehicles, communication equipment, miscellaneous equipment transformers and buildings which are lost or completely damaged will be charged to this reserve.

As per the audit quarry it was mentioned that Rs.71 Mn of expenses in the case of damages caused to PPE have been charged against board funds instead of charging to Insurance Escrow Fund. However, according to our records during the year 2012 Rs.56 Mn has been charged to the Insurance Escrow Fund due to damages caused to cyclone in Southern Province while Rs.71 Mn has also been charged against Insurance Escrow Fund in compliance with IFRS requirements.

The reinvestment and the de-investment decision take at the end of the year to the net impact. As per the Board decision No. 88 on 26.11.1986 all the investments in respect of the Insurance reserve have been made as fixed deposit in the Peoples Bank. Accordingly, the pre mature withdrawals of fixed deposit cause adverse impact to the interest earning of the investments.

2.3.2 .(b) Interest income derived from investment of Insurance Escrow Fund

As per previous audit quarry, the interest income of Insurance Escrow Fund has been recognized as an income of the fund from 2011 onwards.

2.3.2. (c) Withholding Tax recovered in the year of assessment 2010/2011 amounting to Rs. 119 million had inappropriately shown as recoverable

Withholding Tax deducted in the year 2009 and 2010 had shown as a receivable in the year 2012 financial statements due to non finalization of 2010/2011 income tax computation with the Inland Revenue Department during the year 2012. However the entire amount of Withholding Tax receivable account has been set off against income tax liability of 2010/2011 year of assessment which was finalized in the year 2013. Accordingly account has been adjusted in the year 2013.

2.3.2. (d) The amount receivable from the Ministry of Power and Energy in respect of the Lighting for special occasions as at 31 December 2012

The practice for the reimbursement of expenses for special occasions is based on the estimates prepared by relevant area Engineers. The Ministry of Power & Energy will reimburse such estimated cost to Headquarters and relevant Accountant (Expenditure) is informed to transfer the actual cost. Action is being taken to bring down the credit balance in future by matching income with the cost of the job.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

2.3.2. (e) The amount receivable from the Ministry of Power and Energy (MOPE) in respect of the Security Lighting

As per the records of the CEB the amount receivable from MOPE was Rs. 8.2 million. At present we are in the process of reconciling these balances with MOPE.

2.3.2. (f) Observations are made in respect of ascertaining the fair value of the motor vehicles

2.3.2. (f).(i) Uniform method had not been followed in ascertain the market values

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.

2.3.2. (f).(ii) Understated by Rs. 396 million ,Transmission - Rs.180, DD2 - Rs.216 Mn Difference pointed out in DD2

As explained in the answer 1.6.2.o (ii) above, there was a minor impact on the technical adapted for the valuations to recognize the applicable date of 01.01.2011.

However, Rs. 396 Mn. difference is not merely for this error. But there are other transactions that had taken between these two periods i.e. 01.01.2011 to 31.12.2012.

- Addition during the period
- Disposal during the period
- Depreciation charge on deemed cost
- Inter division transfers

2.3.2. (f).(iii) Disposable values of condemned vehicle had not been ascertained

Valuation committees were appointed for the purpose of verification and valuation of CEB motor vehicles. CEB has a separate procedure for disposing of motor vehicles by appointing a separate Board of Survey (BOS).

The terms of reference of the board appointed for this purpose does not include the duties of BOS. Since these vehicles were not road worthy carrying value of Rs. 1 was considered as the deemed cost.

2.3.2. (g) Total value of asset which had not been included in the tax returns since 1982 was Rs. 43,894 million

Due to the complexity faced in the first time computation of deferred tax, with a lack of historical information especially relevant to the Property, Plant & Equipment it was compelled to use the best estimate as where as necessary. However it is noted to reconcile the addition as per PPE note with the addition taken to claim the capital allowances in the tax computation.

2.3.2. (h) Profit from disposal of PPE amounting to Rs 55 million and Rs. 57 million in 2012 and 2011 respectively had not been re-adjusted in accordance with IFRS

A specific two codes were issued under the Circular no. 444 dated 25.03.2013 as instruction guideline related to the IFRS procedure for PPE. In order to identified the impact on IFRS adjustments of the financial years of 2011 & 2012. The impact on disposal profit/ (loss) of PPE and the depreciation had been accounted under following cost codes without directly charge to the respective codes.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

E7852- IFRS Adjustments only for 2012

E7853- IFRS Adjustments prior 2012

However there is no impact to the comprehensive income for the both years (i.e.2011&2012) due to the identification under separate codes

2.3.2. (i) A sum of Rs. 30 million of stock items which had been identified as damaged stock during the annual stock verification in the year 2011 had still been laid idling in the stores

In the year 2011, Rs. 30 million worth of stock items were identified as damaged stock and provision has been made in the accounts accordingly as follows.

Dr. - Damage stock P&L A/c

Cr - Provision for damage & obsolete stocks A/c

However in the year 2012 these damaged stocks have been omitted from the physical verification of inventory of the same year which leads to a stock shortages and accounted as follows.

Dr. - Stock adjustments- (stock shortages) A/c

Cr - Inventory A/c

The provision for damaged and unserviceable stock as at 31.12.2012 is made based on the verification. Since the damage stocks were not taken, the provision was made without this Rs. 30Mn damage stock in the year 2012.

As a result of recording stock shortages as described above and then the reversal of Provision account by the same amount no impact to the Inventory balances reflected in the Balance sheet.

2.3.2. (j) A sum of Rs. 18 million of seven payments made to suppliers by the WPS II Office in 2012

An amount equivalent to Rs.15.3 Mn was cleared during the year 2013 and action is being taken to clear the balance in future.

2.3.2. (k) Removed High Tension (HT) & Low Tension (LT) lines having net book value of Rs. 1,505 million as at 31 December 2012 are still in the fixed assets register and ledger accounts

The net booked value of HT & LT lines amounting to Rs 1,505,012,113 mentioned in the query as at 31 December 2012, had been based on the verification sheets as at 31 December 2011 sent for confirmation to Hambantota Area office and not the values appearing in the Fixed Asset Register as at 31 December 2012.

Electrical Engineer Hambanthota has confirmed some lines are not available in the area. This may be due to the description of the lines in the fixed Asset Register not matching with the line description in their Property and Equipment Register due to the changes made to the lines on account of augmentation, extension etc being done to the lines all the time.

The divisional Office does not update the Fixed Assets Register based on receipt of confirmation reports alone, as further details regarding the specific identification of a particular line and their physical existence or otherwise are required before an asset record can be removed from the books of accounts as per the laid down CEB procedures.

Therefore the value of PPE shown in the financial statements as at 31 December 2012 has not been overstated by this amount as mentioned in the query. Based on the above and, the impact to the revaluation reserve does not arise.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

2.3.2 .(I) Price Variance relating to Transmission & Distribution lines constructed under SIDA Project

Material price variance amounting to Rs 121 Mn had been transferred to DD4 by a TV in January 2013 by the projects branch at the time of finalising accounts for the year 2012, pertaining to jobs already completed and capitalized from 2010 to end 2012. After obtaining further details of the assets from the Provinces (Distribution lines and substations), this amount was added to the relevant assets and the depreciation adjustment for the revised asset values was made in the final accounts for 2012 in order to finalise the 2012 accounts on time. The value of the TV was taken to account as a separate item in the Fixed Asset Register (FAR) till details were received from the provinces.

This value has been subsequently adjusted in the FAR. As Distribution assets was decided to be shown at the deemed cost as at end 2012 after adoption of SLFRS, the impact of impairment does not arise

2.3.3 Un-reconciled Difference

2.3.3. (a) The amount due from LECO as at 31.12.2012 as per the financial statements of the CEB had not been reconciled with the financial statements of the LECO

As per the note no 15.1 of the LECO financial statements amount payable to CEB is Rs 1,788,390/-. This balance agreed with the amount receivable from LECO in transmission division. However there was a bill revision dispute balance not settled by LECO appear in the CEB financial statements. Action will be taken to clear these balance.

2.3.3. (b) The inter-current accounts balances of the Head Office and sub-divisions of the Board had not been tallied and net differences of Rs. 2 million and Rs 269 million as at 31 December 2012

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 takes to write off these balances from the accounts.

2.3.3 (c) A difference of Rs 307 Mn between the completed jobs transferred from Work- in-Progress (WIP) to PPE in 2012 as per the asset schedule and the WIP schedule

It is agreed that the transfer from Work-In-Progress (WIP) reflected under the WIP note to tally with the transfer from WIP figure appeared under the addition column of the PPE schedule.

However in case of replacement of the failure transformers are directly added to the PPE since for such there is no specific job other than replacing for the failure.

Since there is no specific column to reflect the direct transformers adding under the PPE schedule such replaced transformers cost have been added to the Transfer from WIP balance which causes a difference with the WIP transfers as per the WIP Note.

However this has been cleared in the 2013 Financial Statement.

2.3.3. (d) A sum of Rs. 39,501,290 of difference between the value of the completed jobs transferred out in 2012 from the WIP account and the value of jobs transferred into the PPE

Difference has been reconciled

2.3.4 Accounts Receivable and Payable

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

2.3.4 (a) Age analysis of Area suspense balance and the Main Suspense balance as at 31.12.2012 had not been prepared and action had not been taken to clear

These suspense accounts consist of payments made to incorrect account numbers of consumers. Therefore, in the present system does not provide to trace the consumer identity until the consumer complaints. Once the consumer complaints received, action will be taken to clear the suspense account

2.3.4 (b) An excess GST payment of Rs. 38 million had been carried forwarded in the financial statements as recoverable since January 2002

Continuous effort has been made for setting off against income tax liability of the Board. But Department of Inland Revenue (IRD) has not responded positively. This was further communicated to the Secretary to the Ministry of Power and Energy by sending the copy of recent letter dated 29.01.2014. Copy of the recent letters on above is attached.

2.3.4 (c) Debit and credit balances of the LECO in WPS - II had been remained without settling over a longer period

The net amount after setting off the Receivable and Payable balances in LECO is Rs. 11M. The FAC amount of Rs. 18M has been paid by LECO to the Transmission Division in 2012. Action is being taken to recover the balance.

2.3.4. (d) Programme loan of Rs. 3,047 million from the JBIC

Long outstanding receivable amount of Rs. 3,047 Mn from treasury has been charged to retained profit or loss brought forward during the year 2013 in order to make the entries that was already made in year 2003 as prior year adjustment as per the recommendation of Audit Committee and Board approval.

Action has been taken to adjust financial statements for the year ended 2013 as a prior year adjustment with the recommendation of Audit Committee and approval of the Board.

2.3.5 Lack of Evidence for Audit

2.3.5 (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 the Asset Management Division of CEB to trace the documents and clear the ownership of lands belonging to CEB.

2.3.5 (b) Reasons for not completing the few jobs relating to WPS II over a period more than one year were not made available to audit

During the year 2013 Rs. 616 Mn, worth of jobs were transferred to fixed assets and already started a process of settling long outstanding balances in WIP. The present age analysis is given below.

Age Analysis	WIP as at 31.12.2012	WIP as at 31.12.2013	Transferred during the year 2013
1 – 2 Years	449,955,947	357,628,062.84	92,327,884.16
2 – 3 Years	268,359,156	172,699,582.73	95,659,573.27
3 – 4 Years	123,574,788	99,089,011.80	24,485,776.20
4 – 5 Years	58,049,812	98,928,094.05	23,617,902.95
Over 05 Years	64,496,185		
Total	964,435,888	728,344,751.42	236,091,136.58

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

2.3.5 (c) Seven stock items to the value aggregating Rs. 14 Mn which had been received to the Board prior to more than six months as at 31 December 2012 had not been taken to the year end stock

Out of the tender numbers mentioned in the audit report, stocks for the following tenders had been received in the year 2013. Hence it should remain in the Goods-In Transit account.

DGM (CC)/EE(MM)/PPC/2011/173	Rs.6,396,620/-
R1/P&D/T/2012/18	Rs. 2,343,552/-
	<u>Rs. 8,740,172/-</u>

The remaining balance appeared in the report, had been recorded under stocks in Colombo City province and cleared in year 2013.

2.3.5 (d) There were no sub-loan agreements in respect of four loans granted by the Treasury to the value of Rs.128,240 million

Subsidiary Loan Agreements of Habarana Veyangoda Transmission Line Project & Upper Kotmale Hydro Power Project Phase II were signed by chairman and other Board member and was forward to Treasury for the signature of Deputy Secretary to Treasury. Other two draft subsidiary loan agreements with related to the Old Laxapana Rehabilitation Power Plant & New Laxapana & Wimalasurendra rehabilitation Project was submitted to External Resource Department for their concurrence. ERD informed that they have sent same to Attorney General for the legal clearance.

Details of interest & repayment will be notified to Audit, once the loan agreements are finalized.

2.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

2.3.6 (a) Ceylon Electricity Board Act No. 17 of 1969

2.3.6 (a) (i) Section 47 (1)(b) - Sinking Fund in respect of the repayment of loans taken by the Board - not been updated since the year 2000. - Rs. 17,447 million

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 Board of Directors will take a decision to allocate appropriate funds for the said reserve depending on the cash flow situation.

However Section 47(1)(b) does not specify any annual contribution and it is permitted to the Board of Directors to determine the annual contribution.

2.3.6. (a) (ii) Section 47(2)(a) - Depreciation Reserve to cover the depreciation of the movable and immovable property of the Board. No movement had been taken place in since 2000.

This reserve also has not been updated as result of the continuous losses made 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.

2.3.6. (a) (iii) Section 47(2)(b) - General Reserve for the purpose of financing capital works from revenue moneys, ensuring the financial stability of the Board not been updated since the year 2000 - 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 made by the CEB.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

2.3.6. (b) Rs. 4,433 million as at 31 December 2012 in the Insurance Escrow Fund based on a contribution of 0.1 percent of the total value of the gross fixed assets at the end of each year since 1989

It will be discussed with Treasury to continue with same practice or to have separate account with Treasury. 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.

2.3.6 (c) The Board is bearing the PAYE tax which should be borne by its employees

The PAYE Tax liability of CEB employees has been born by the CEB since its employees were made liable for PAYE Tax. This was informed to the Ministry of Power & Energy and Salaries and Cadre Commission on several times and discussions were held with Trade Unions. But no consensus was reached. However the Board would discuss this matter with the employees Trade Unions before the proposed collective agreement.

3. Financial and Operating Review

3.1 Financial Results

Informative

3.2 Analytical Financial Review

Informative

3.3 Operating Review

3.3.1. Power Generation

Informative

3.3.2. Direct Cost Analysis

Informative

3.3.3. Unit Price Analysis

Informative

3.4 Matters of Contentious Nature

3.4 (a) 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

The Ceylon Electricity Board is a statutory body established by its own statute by the CEB Act No. 17 of 1969as 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 Corporation 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.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

3.4. (a). (i) The Board has paid various allowances

Cabinet approval was received on 09.04.2008 for the payment of Allowances to the CEB employees as per the recommendations of the salaries and cadre Commission. However payment of allowances and performance based incentive system is expected to be included the Collective Agreement which will be entered with the Trade Unions.

3.4. (a). (ii) 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 Recruited non-skilled and semi-skilled staff annually as clerks, cashiers, storekeepers, typists, drivers, office aides, labourers etc. without calling for Island-wide applications

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 no. 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.

3.4. (a). (iii) Payment of temporary monthly allowance of Rs. 1,000 to the employees

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 the decision the Board endeavor to resolve this through the Collective Agreement. Accordingly this will be included the Collective Agreement which will be entered with the Trade Unions.

3.4. (a). (iv) Instead of being granting vehicle loans at 10% - 14% as per the Public Enterprises Circular No 130 of 08.03 1998, the Board is being granted it at 4.2 %

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. However, considering the present financial situation of CEB, staff loans including vehicle loans are granted only to employees who are confirmed in their service.

3.4. (b). Finance Manager of the CEB had taken decisions on investment of insurance reserve since 1990

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.

3.4. (c). Transferring of Treasury loan balance of Rs. 1,200 million shown to the income of the year 2013

According to audit query in previous years in respect of funds given by General Treasury to CEB in term of short term loan of sum of Rs. 1,200 million, it is noted that said loan was disclosed by CEB as loan but not in treasury books. In year 2013, after verification of treasury books it was found that the loan was accounted by as grant to CEB at the year end of 2003.

Therefore with the approval of the Board amount of Rs. 1,200 million was corrected into contributed capital account in favor of Treasury.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

3.4. **(d) Receivable from Sustainable Energy Authority (SEA) had not been recorded as a liability as at 31 December 2011 - Rs. 897 million**

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. The amount receivable up to 31.12.2010 amounts to Rs.897 Mn 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 no response was received to date.

3.4. **(e) The short fall observed between the Insurance Reserve Fund balance and Investment of Insurance Reserve Fund amounting to Rs. 3,724 million**

Due to adverse liquidity position of the CEB shortfall of the fund could not be met.

3.4. **(f) 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. CPC is also a public corporation and supplying fuel to CEB over a period of time. Separate agreement to purchase of fuel is not required as the supply terms are determined with the Government policy.

3.4. **(g) Valuation of 31 vehicle of market value for Rs. 32 million**

Action is being taken to get the relevant approvals obtained to make the changes to the vehicles mentioned in the audit report

3.4. **(h) Capacity charges paid to Independent Power Producers (IPPs)**

Payments are being made for the Non escalable Components of all these IPPs as per the agreed tariff Schedule and financial templates of each PPAs. Therefore non escalable components do not become zero even after the expiration of the debt service period.

3.4. **(i) The operational and maintenance costs of the power plant owned by the IPPs**

All reimbursable taxes are being paid as per the PPA. Accordingly the developer is entitled to reimburse taxes of procurements related to the maintenance work of power plant. However, there is a practical difficulty in monitoring each and every maintenance job at the power plant by CEB.

3.5 **Management Inefficiencies**

3.5. **(a) Northern Power House had not supply agreed GWh of electricity**

Until the Northern power plant was commissioned on September 30th 2013 the payments for fixed charge were made considering the actual available capacity of the power plant and not based on the guaranteed plant capacity of 30MW.

Average unit cost of almost all the IPP's are higher than the average selling price as energy from these power plants are purchased based on requirement of the CEB according to the agreed Power Purchase Agreement.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

3.5. **(b) A sum of Rs. 9 million worth of un-galvanized items handed over to a related party company**

Based on the discussion had with the officials of LTL Galvanizers (Pvt) Ltd, the mentioned materials had been delivered after galvanization to provinces. However, the exact province to which the materials were dispatched cannot be traced unless the dispatch note is checked. Hence, it is in the process of checking the dispatch notes by LTL in order to ascertain where the stocks had been delivered. Once the feedback on Dispatch notes are received from LTL, the balance will be cleared during year 2014.

3.5. **(c) Seventy nine vehicles valued at Rs. 76 million by the Valuation Team had been identified as not road worthy**

Action is being taken to form Committees to dispose of the vehicles which are identified as not road worthy.

3.5. **(d) Cost of Rs. 30 million of stock items had been identified as damaged stock**

Disposals process of damaged stocks at WPS II was started at the end of the year 2013. The entire process is not completed yet.

3.5. **(e) Hundred and seventy two consumers (172) in WPS II Office had kept Rs. 61 million less than the required security deposit of Rs. 86 million**

Earlier deposits were taken as per the contract demand. Noted to check the present usage of KVA and to request for the additional deposits.

3.5. **(f) (ii) paragraph 7.2 of the Public Enterprises Circular No. PED/12, of 02 June 2003 (Availability of own System/ Manuals covering all major operations, regularly revised and updated)**

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.

3.5. **(g).(i) Common weaknesses in respect of reimbursement of 2/3rd interest to the employees for housing loans**

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.

3.5. **(g).(ii) A sum of Rs. 446 million of vehicle loans had been granted to 1,765 of employees of the Board in 2012**

In order to correct common weakness a new GM Circular No. 2014/GM/03/FM dated 11.02.2014 has been issued to strength the proper internal control in respect of the vehicle loan procedure. Further, Head of the respective divisions have confirmed that the instruction has already been issued to adhere with CEB circulars and follow the right procedure.

3.6 **Human Resource Management**

3.6. **(a) Scheme of Recruitment (SOR) of the Board had not been updated over a longer period**

Action is being taken to review the Scheme of Recruitment & Promotion (SORP) document and to submit the Board during this year.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

3.6. (b) Recruitments from Man Power Companies had been done without an approved cadre

Board approved Personnel Plan for year 2012 was prepared considering outsourcing of services of the Distribution sector of CEB.

Following services to be outsourced as per the Personnel Plan 2012.

Service Connection Work (Service Contract)	}	Manpower
Distribution Construction Work (Service Contract)		
Way Leave Clearances Work (Service Contract)		
Consumer Service Centre Security (Security Contract)		
Janitorial Service (Service Contract)		
Bill man Service - Piece Rate		
Data Entry Service - Piece Rate		
Driver with vehicles as hiring contracts		
Unskilled Field Service		
Office Employee		
K.K.S. Typing work (Sinhala/English/Tamil)		
Receptionist/Telephone Operator/Consumer Service Aid		
Call Centre Staff		

Based on these policies outsourcing was done through manpower agencies in order to increase the efficiency and reduce the cost.

3.6. (c) Nine hundred and forty six man power had been outsourced by superseding the Board approved Personnel Plan for the year 2012

Total man power outsourced as at 31.12.2012 was 4,045. As explained above outsourcing of manpower was made to reduce cost to ease the financial burden.

3.6. (d) Essential posts in the approved cadre had been vacant.

Total number of employees as at 31.12.2012 was 16,709 and there were 761 vacancies. Position shown in the Audit Report was a subsequent situation as at 30.09.2013.

However, 85 Executive Categories personnel including 66 Engineers and 13 Accountants, 53 Middle Level Technical Service personnel and 324 personnel for other categories were recruited from external & internal candidates during the year 2013.

3.6. (e) The approved cadre for Unskilled Field Service had been exceeded by 1,702

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 31.12.2012.

3.6. (f) Seniority is the only factor considers for promotions and no succession plan was made available

Promotions and Recruitments were done when posts fell vacant, according to the criteria has been set up in the Recruitment & Promotion Scheme of CEB.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

3.6. **(g) Implementation of a proper transfer policy had not been observed**

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:

- (1) Exigencies of service
- (2) For Administrative reasons
- (3) On Disciplinary grounds
- (4) 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.
- (5) 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.

3.6. **(h) 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**

Comments will be forwarded to the SORP review committee for their consideration

3.6. **(i) The post namely Chief Engineer (HR Policy) is in the Personnel Management Section in the Board has been created reflecting mismatch between the two individual professions**

Comments will be forwarded to the SORP review committee for their consideration

3.6. **(j) 50 per cent of the total cadre of HRO Service is filled from externally and that percentage is planned increase year by year without clear promotion path in the promotion scheme**

Comments will be forwarded to the SORP review committee for their consideration

3.6. **(k) Lack of required experience regarding the direct recruitments of HRM and HRO**

Comments will be forwarded to the SORP review committee for their consideration.

3.7 **Budgetary Control**

Significant variances were observed between the budget and the actual

CEB uses the budget as an instrument for effective management control tool. However mainly due to uncontrollable events in the direct generation cost and controllable effort on other O & M cost, budget varies with the actual results.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

Revenue Variance

In 2012 budgeted sales was Rs. 161,524 Mn and actual sales was Rs. 163,998 Mn, where CEB achieved 2% favorable sales variance. Further brake up of this variance represents favorable volume variance of Rs. 2,962 Mn due to the increase of No. of units sold by 189 Mn units. However, there was an unfavorable rate variance of Rs. 488 Mn reported due to lower actual selling price by Rs. 0.05 per unit from the budgeted selling price of Rs. 15.70 to Rs.15.65 per unit.

Expenditure variance

The actual total expenditure for the year 2012 without taxation was Rs. 231,614 Mn against the budget expenditure of Rs. 236,969 Mn. According to that there was a favorable variance of Rs. 5,355 Mn.

Total budgeted direct generation cost was Rs. 181,685 Mn but the actual was Rs. 173,878 Mn which made a favorable variance of Rs. 7,807 Mn. This was mainly due to the increase of Hydro and Renewable Energy unit generation and compensation of that increment from IPP and Coal generation respectively.

The category wise and divisional wise O & M budget and the actual data is given bellow and it shows the favorable variance before depreciation.

Operation & Maintenance Cost

Category-wise O & M Cost

	Actual Rs. Mn	Budget Rs. Mn	Variance			2011 Actual Rs. Mn
			Rs. Mn	%		
Personnel	15,751	18,786	3,035	16%	F	12,259
Material	6,362	8,255	1,893	23%	F	3,084
Accommodation	1,067	1,232	165	13%	F	940
Transport & Communication	2,781	2,759	(22)	-1%	A	2,373
Other Cost	6,020	3,039	(2,981)	-98%	A	2,488
Overhead Recoveries	(1,574)	-	1,574	-	-	(1,255)
Sub Total Before Finance Cost	30,407	34,071	3,664	11%	F	19,890
Finance Cost	6,197	3,234	(2,963)	-92%	A	1,828
Sub Total Before Depreciation	36,604	37,305	701	2%	F	21,717
Depreciation	21,131	17,979	(3,152)	-18%	A	18,416
Total	57,735	55,284	(2,451)	-4%	A	40,133

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

Division-wise O & M Cost (Without Depreciation)

	Actual Rs. Mn	Budget Rs. Mn	Variance			2011 Actual Rs. Mn
			Rs. Mn	%		
Generation	7,922	8,653	732	8%	F	5,228
Transmission	2,105	2,391	286	12%	F	1,402
Distribution – Region 01	3,515	5,597	2,085	37%	F	3,158
Distribution – Region 02	5,408	6,281	873	14%	F	3,930
Distribution – Region 03	3,525	3,840	315	8%	F	2,194
Distribution – Region 04	3,009	3,658	649	18%	F	2,423
Corporate	2,877	4,010	1,132	28%	F	1,826
Interest on Bank OD & Loans	6,198	2,674	(3,524)	-132%	A	1,226
Interest on IPP Delayed Payments	2,049	200	(1,849)	-924%	A	332
Total	36,604	37,305	701	2%	F	21,717

4. Systems and Controls

Noted



Chairman
Ceylon Electricity Board
26th March 2014



General Manager
Ceylon Electricity Board



CEYLON ELECTRICITY BOARD

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