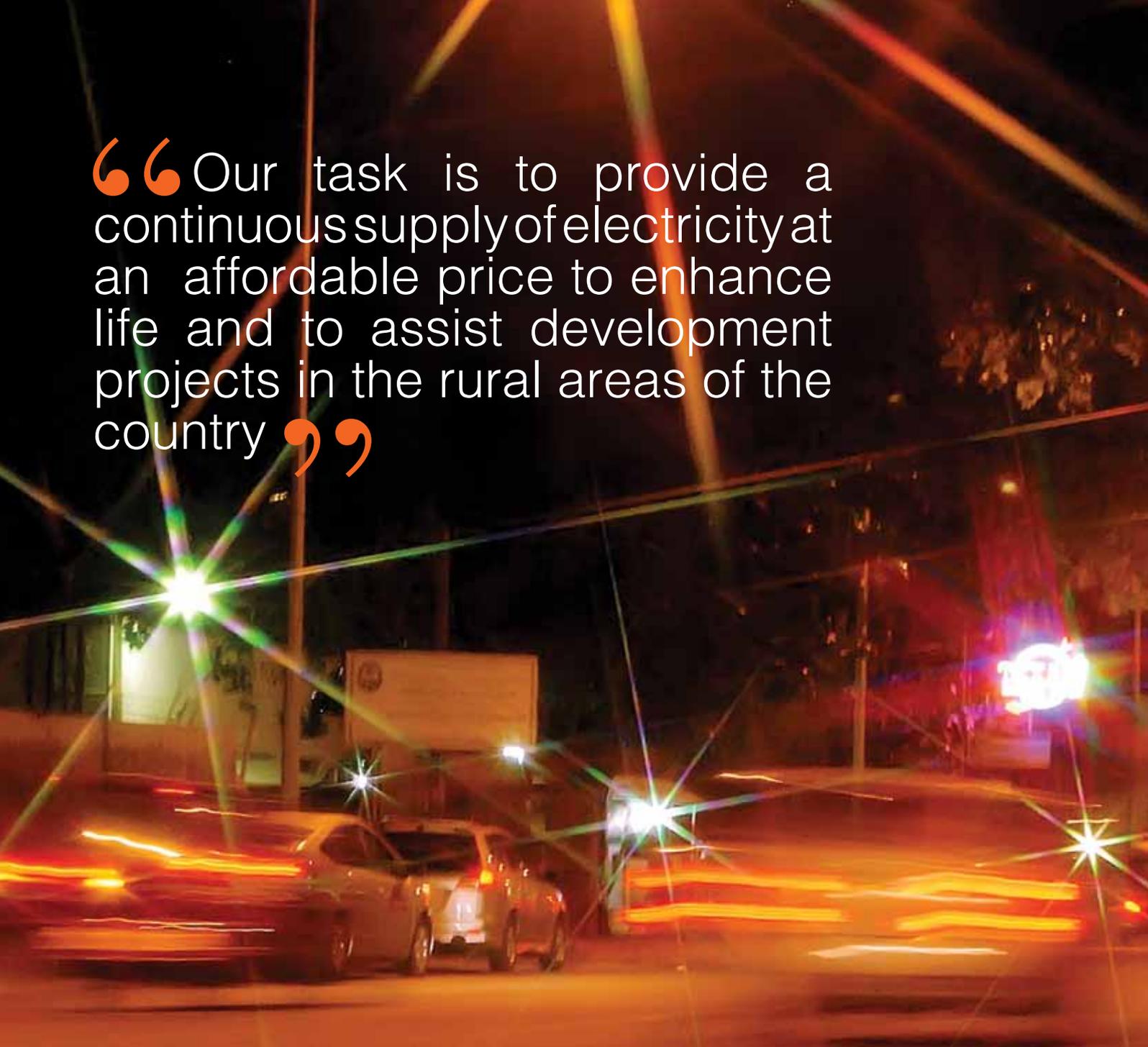


Illuminating the lives of all...



**CEYLON ELECTRICITY BOARD
ANNUAL REPORT 2011**



“Our task is to provide a continuous supply of electricity at an affordable price to enhance life and to assist development projects in the rural areas of the country”

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Illuminating the lives of all...

With a committed objective of illuminating the lives of every citizen of our country by 2012, the Ceylon Electricity Board reflects with satisfaction on its achievements in the past year, where it was estimated that more than 91% of households in Sri Lanka are currently provided electricity by the CEB. While most households are connected to the national grid, the CEB has also launched E power to complement the main power sources, and envisage that it will form a solid, support energy system to the rural areas.

While illuminating the lives of the people of this land is CEB's primary task, adding power to the national grid through, alternate, renewable sources of energy is a key responsibility for us. As a country going through a rapid process of development, the demand on us to supply power consistently at a reasonable tariff is immense and we have taken on with total commitment, this responsibility of supplying domestic and industrial power through various expansion programs throughout Sri Lanka.

We also seek the valued support and commitment of our consumers both industrial and domestic to join us in our efforts to conserve the energy usage by being proactively careful and mindful of saving energy in your homes and in your work places. Small efforts from each an every individual consumer in their homes and in their work places will contribute immensely to the national effort to conserve energy and use it efficiently.

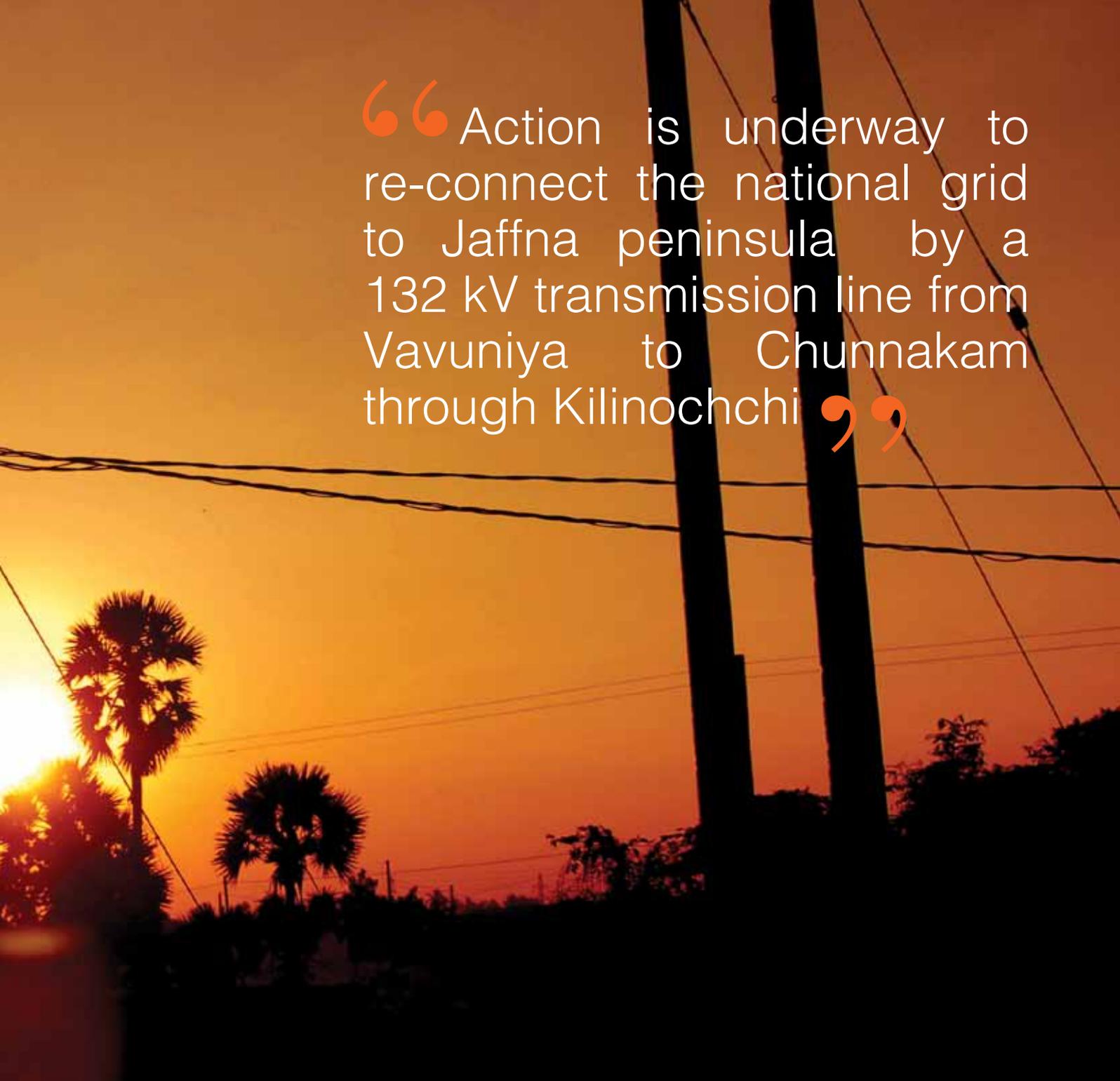


VISION

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:



“Action is underway to re-connect the national grid to Jaffna peninsula by a 132 kV transmission line from Vavuniya to Chunnakam through Kilinochchi”

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 Balya

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 2011



2011 saw the dawn of a new era of power generation in Sri Lanka with the commissioning of the Puttlam Lakvijaya Coal Power Plant. On 13th February 2011, Puttlam Coal Power Plant was synchronized with the system for the first time.

Total Energy Storage

Year 2011, is a dry year compared to 2010 and total energy storage reached a low value of 658 GWh on December 30, 2011.

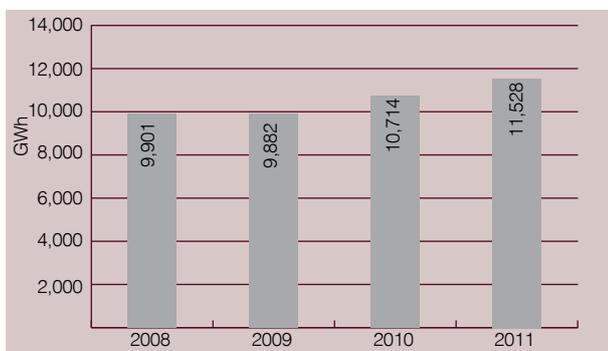
Gross Energy Generation

- The total electricity generation in the year 2011 was increased by 7.6% from 10,714 GWh in 2010 to 11,528 GWh in 2011. The Puttlam Coal Power Station started to generate electricity to the national grid from February, 2011 and it was commercially operated from 24th July, 2011 with a 300 MW of installed capacity under the Puttlam Coal Power Project Phase 1.

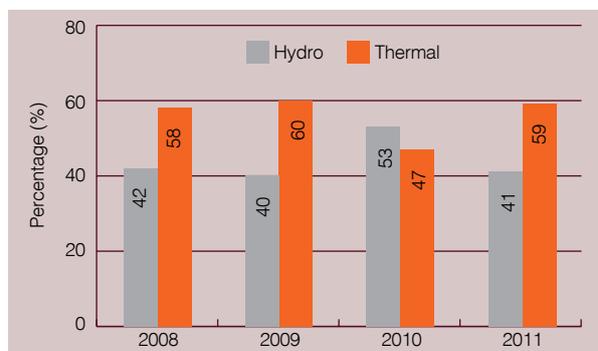
1038 GWh

Was produced by Lakvijaya
Thermal Power Plant

Highlights of the Year 2011 Contd...



Electricity Generation



Electricity Generation by Source

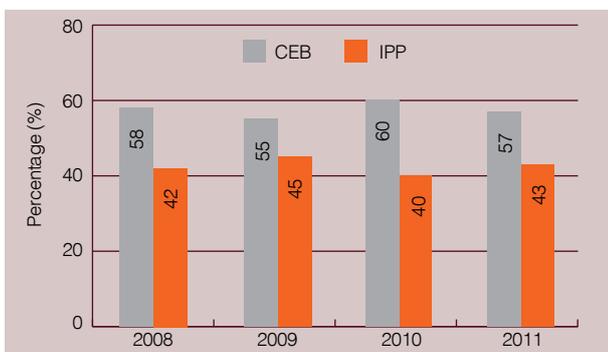
Electricity Generation by Ownership

- It is noted that the Independent Power Producers (Mini Hydro and Thermal) has generated electricity more than 40% of the annual total generation in each year from the year 2008. The CEB power stations generated 57% of the total electricity generation in 2011 with a significant reduction of the inflows to the hydro reservoirs.

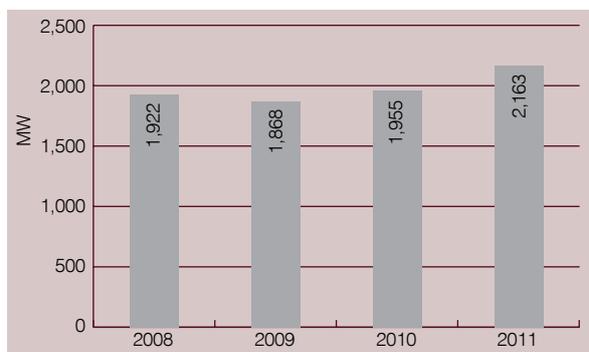
All the thermal power stations in the CEB and IPP generated 59% of the total generation in the year 2011 due to the low water level in the CEB hydro reservoirs.

Maximum Demand

- The Maximum Demand has increased by 208.4 MW in the year 2011 with a 10.7% increase. It was recorded as 2163.1 MW in 2011 while the same was 1954.7 MW in the year 2010.



Electricity Generation by Ownership



Maximum Demand

Figure below depicts the power generation by different sources hydro & thermal. The Hydro power stations including Non Conventional Renewable Energy plants contributed 41% of the total power generation in the year 2011.

Electrification level of Household

- 91% of the total households in the country were electrified at the end of the year 2011.

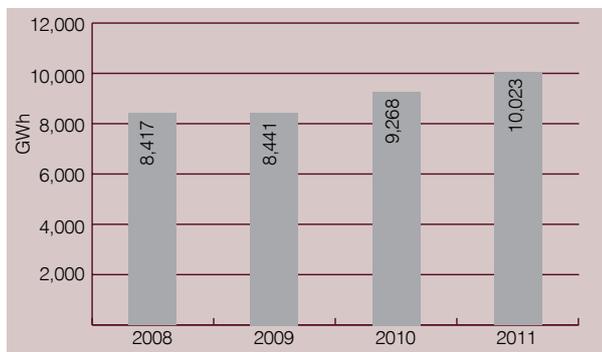
Consumer / Employee ratio

- Consumer / Employee ratio decreased from 292 to 291. This was a decrease of 0.1% over the previous year. The total number of employees stood at 16,192 by the end of 2011. The total number of electricity consumer accounts as at end of the year was 4,717,448.

Highlights of the Year 2011 Contd...

Sales

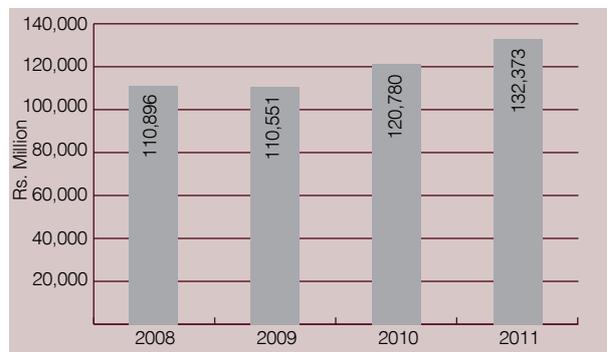
- The total electricity sales in the year 2011 was increased by 8.1% from 9,268 GWh in 2010 to 10,023 GWh in 2011. Average daily consumption of electricity in the year was 27 GWh / day with compared to 25 GWh / day in the year 2010.



Electricity Sales

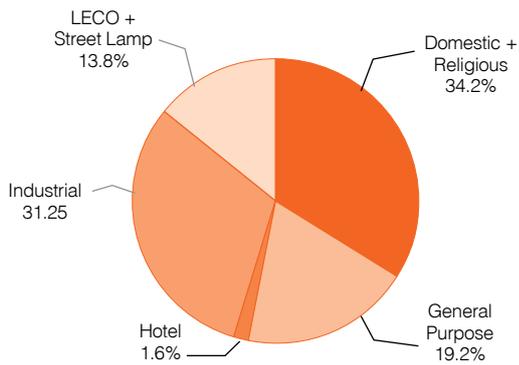
Revenue

- Under the new tariff rates implemented from 1st January, 2011, total revenue from the electricity sales was increased by 9.6% over the year from Rs.120,780 million in 2010 to Rs.132,373 million in 2011. The fuel adjustment charge was not implemented in the year 2011.



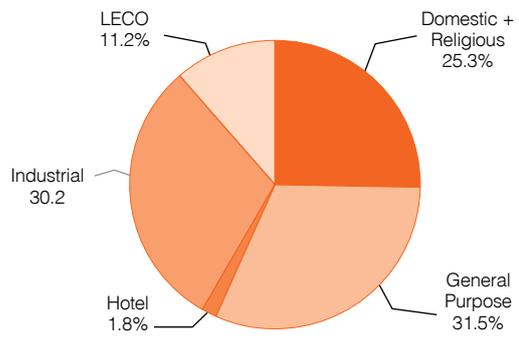
Revenue from Electricity Sales

- The Domestic sector with Religious Purpose account for highest energy consumption which is about 34.2% of the total consumption followed by 31.2% in the industrial sector in the review year.



Sales by Tariff Category - 2011

The highest revenue was recorded from general purpose customers followed by industrial purpose customers.



Revenue by Tariff Category - 2011

The electricity consumption of the General Purpose category represented 19.2% of the total sales showing 9.8% annual growth.

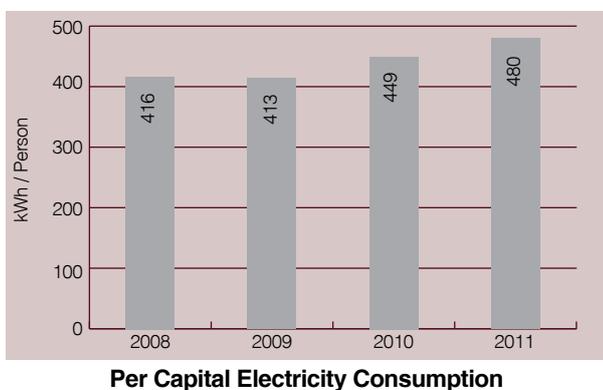
The Domestic sector with Religious Purpose represented 25.3% of the total revenue in 2011.

Highlights of the Year 2011 Contd...



Castlereagh Reservoir in July 2011

- Average per capita electricity consumption increased by 31 units from 449 units to 480 units (kWh) /person during the year.



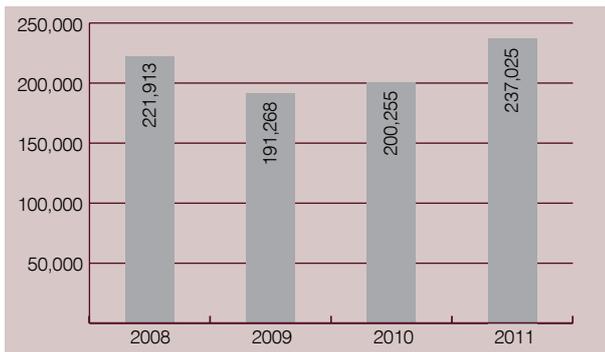
Customers

The total number of customers by the end of the year 2011 was 4,717,448 with 5.3% annual growth compared to that in the year 2010. It is noted that about 88.3 % of the total customers in the CEB were Domestic customers. The breakup is given below.

Customer Category	Number of Customers	Percentage of Total
Domestic	4,165,738	88.3%
Religious	28,320	0.6%
General Purpose	475,380	10.1%
Industrial	47,529	1.0%
Hotel	479	0.01%
LECO	1	
Street Lamp	1	
Total	4,717,448	100.0

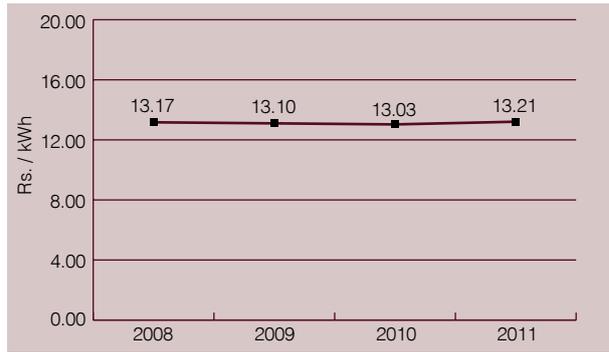
Highlights of the Year 2011 Contd...

- In the year 2011, 237,025 new electricity connections were given by the CEB which is an average of 19,752 new customers per month.



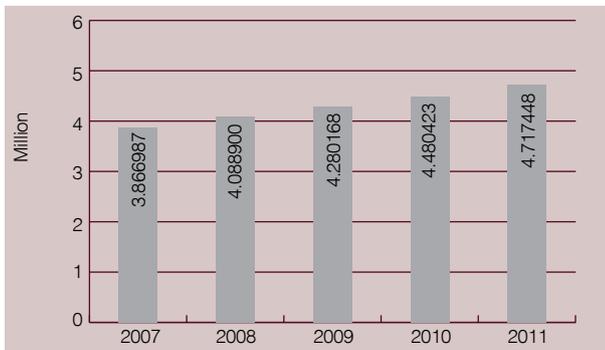
New customers Connected to the CEB

- Average Selling Price of an electricity unit has decreased by 14 cents from the year 2008 to 2010 and it was increased by 17 cents in 2011 due to the new tariff implemented.



Average Selling Price

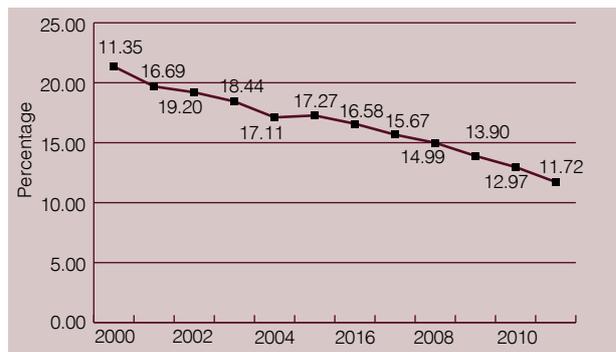
- There has been a steady increase in number of customer accounts in recent past years.



Number of customer Accounts

System Losses

- System Energy Losses was gradually reduced over past years from 2000. The system energy loss in the year 2011 is at 11.72%



System Energy Losses

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

Mr. Vidya Amarapala	(Chairman) Resigned 2011.06.06
Mr. P. L. D. Premaratne	(Vice Chairman) Resigned 2011.06.06
Mr. P. R. Gunawardene	(Member) Resigned 2011.06.06
Mr. Amila P. Jayasinghe	(Member, CEB) Resigned 2011.06.06
Prof. Wimaladharm Abeyewickreme	(Chairman) from 2011.06.06
Mr. W. D. Anura Senaka Wijayapala	(Vice Chairman) from 2011.06.06
Mr. P. P. Gunasena	(Member) from 2011.06.06
Dr. B. M. S. Batagoda	(Member)
Dr. Y. D. Nihal Jayatillake	(Member)
Mr. K. D. Ranasinghe	(Member) from 2011.07.25
Mr. W. D. Jayasinghe	(Member)

Secretary to the Board

Mrs. Mihiri Senaratne

General Manager

Mrs. B. Jayaweera (Retired on 2011.06.09)
Mr. B. N. I. F. A. Wickramasuriya from 2011.06.09

Corporate Information Contd...

Corporate Management

Additional General Manager

Mr. K. S. P. Jayawardena
Mr. M.C. Wickramasekara

(Generation)

(Retired on 2011.01.24)
from 2011.01.24

Additional General Manager

Mr. R.H.R. Lokubalasureia

(Transmission)

Additional General Manager

Mr. E. G. Abayasekara

Distribution Division 1

Additional General Manager

Mr. R. J. Gunawardana

Distribution Division 2

Additional General Manager

Mr. F. K. Mohideen

Distribution Division 3

Additional General Manager

Mr D. G. C. Ratnapala

Distribution Division 4

Additional General Manager

Mr. M. G. Liyanage

(Asset Management & Centralized Services)

Additional General Manager

Mr. B. N. I. F. A. Wickramasuriya
Mr. D.K.B.S. Tilakasena

(Corporate Strategy)

(till 2011.06.09)
from 2011.06.09

Additional General Manager

Mr. W.J.L.S. Fernando

(Projects)

Finance Manager

Mr. W. D. A. S. Perera
Ms. N.R. Mahmooth

(Retired on 2011.11.10)
from 2011.11.10

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

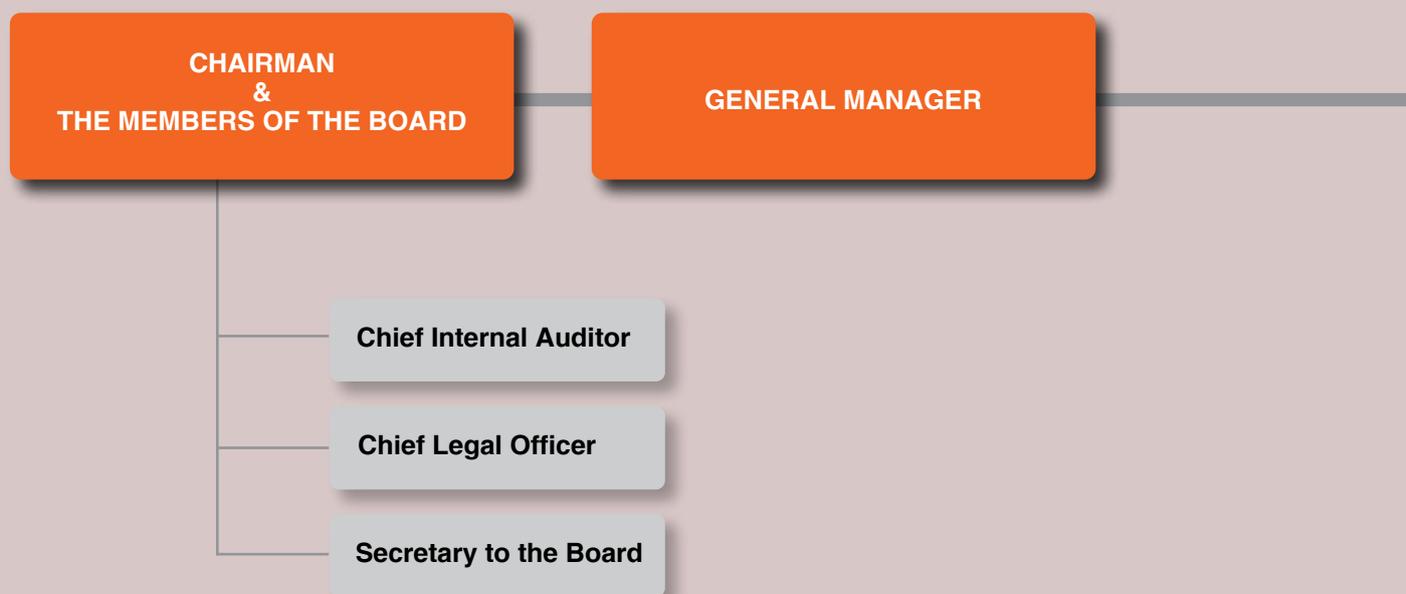
The Auditor General
Independence Square
Colombo 7

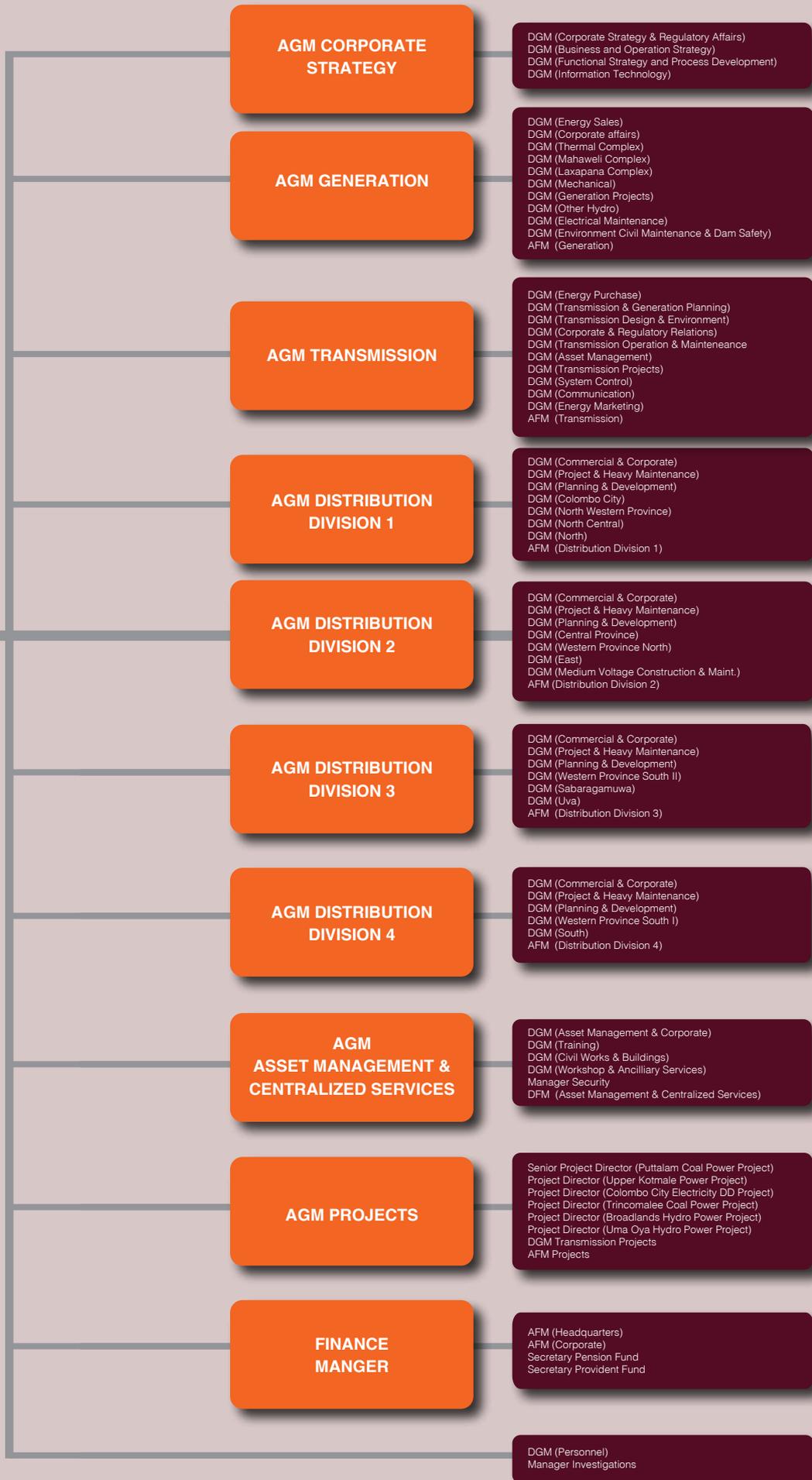
Bankers

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

Ceylon Electricity Board

Organization Chart - 2011







MANAGEMENT REVIEWS

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Chairman's Review

“The introduction of e-cities, the one-stop shops was a revolutionary step taken by the CEB, in that, several services were provided to the customer at one place at the same time. This has led to a change in the belief that public institutions are inefficient. The e-cities provide the customer a range of services including service connections; disconnections, billing etc.”



2011 was the second consecutive year of the Ceylon Electricity Board (CEB) with Hon. Patali Champika Ranawaka, at its helm. The action plan initiated in year 2010 with the goal of “transforming Sri Lanka as the regional energy hub” in line with the “Mahinda Chinthana Idiri Dekma” was implemented vigorously resulting in the CEB becoming a more efficient and effective organization.

Accordingly, the CEB was entrusted with the uphill task of providing 24 hour uninterrupted electricity supply, throughout the island, with a minimum burden to its consumers. In order to serve the said purpose the “Vidulamu Lanka” rural electrification program was introduced and electricity was carried to many a far village that had hitherto denied access to this precious commodity. With a view to bring further relief to the rural folks the CEB together with the Samurdhi Bank introduced the “Viduli Athwela” program, a program to provide loans for those who are in need of financial assistance for to obtain electricity connections. The Rural Electrification

Project-4 carried out with the aid of SIDA was completed during the year 2011 adding 35,000 fresh consumers to the CEB. The Rural Electrification Project-8 funded by the Government of Iran, aims at providing electricity for 1000 villages in eleven Provinces namely, North West, Central, Western North, Eastern, West South-II, Sabaragamuwa, West South I, North, North Central, Uva and Southern Province. Further the 100% electrification of the North Central Province was introduced as a fresh component of the Rural Electrification Project-4. Also 121 new power projects were launched, keeping in line with the Deyata Kirula National Exhibition, held in Buttala, to provide electricity to families in the Moneragala District.

The effects of global warming are gradually taking place around the world and Sri Lanka is no exception to the same. The established weather patterns for past centuries have started to change and we are today witnessing severe droughts or unexpected influxes of rain at most times. In this context it had become a

Chairman's Review Contd...

challenge for the CEB which depends on hydro power for 40% of power it generates. Taking into account the high cost of thermal power, which the CEB is compelled to generate in the absence of water, the Hon. Minister has emphasized the importance of switching into renewable energy generation. The CEB has adopted the concept of renewable energy and has included in its long term generation plan to achieve 20% of the country's total electricity supply through renewable energy sources. "Grama Shakthi" program was conducted, collaborating with the Sustainable Energy Authority, for identifying renewable energy options such as solar, mini hydro, wind and biomass energy for remote areas that cannot be connected to the national grid. During the year 2011, 37,814 families were identified as not being able to obtain electricity from the main grid. The Sustainable Energy Authority had introduced 6 solar power kits and these kits were distributed after determining the power requirement of each of these families.

The introduction of e-cities, the one-stop shops was a revolutionary step taken by the CEB, in that, several services were provided to the customer at one place at the same time. This has led to a change in the belief that public institutions are inefficient. The e-cities provide the customer a range of services including service connections; disconnections, billing etc. All four Area Offices of the Colombo City are now facilitated with an e-city. During the year new e-city centers were opened in Kurunegala, Kuliypitiya, Chilaw, Minneriya, Anuradhapura, Kelaniya and Kandy. The e-cities are being utilized for customer education programs, to disseminate information on energy conservation and energy efficiency improvement activities.

During the past one year period under review much attention was paid on operating the Sri Lanka's first ever coal powered plant in Puttalam. The concept of putting up a coal powered plant in Puttalam, once abandoned, was revived again by His excellency the President, Mahinda Rajapakse in year 2006. Accordingly the construction of the plant was commenced with a view to catering the ever increasing energy demand. The Phase I of the project commenced commercial operation in July 2011 and is generating around 5 GWh per day. The plant was named "Lakvijaya Balagaraya" by the Hon. Minister.

During the year 2011 the puttalam coal power plant has been able to generate 1028Gwh at a cost of Rs 6.60 per kWh only, whilst the average thermal power generation cost per unit was Rs 20.33 for the same period.

The Joint Venture Agreement for the 500 MW Coal Power Project in Sampoor Trincomalee was signed between CEB and NTPC Ltd. India on 6th September 2011 and the Joint Venture Company Trincomalee Coal Power

Company Ltd. was incorporated on 26th September 2011. The Power Purchase Agreement, The Implementation Agreement and the BOI agreement with regards to the said project is expected to be entered into by the parties, once the feasibility study of the project is concluded.

The Upper Kotmale Hydro Power Project envisages a plant capacity of 150 MW with an annual expected energy generation of 409 GWh was approximately 94% complete by the end of the year 2011 and is expected to be commissioned by June 2012.

The consultancy contract agreement for Broadlands Hydropower Project having an installed capacity of 35 MW and expecting an annual generation of 126 GWh of was signed on 18th August 2011. The 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 electrification of the recently liberated Northern parts of the island has been advanced and is being implemented. It has been decided to install a 24MW Power Plant at Chunnakam to provide power supply to Jaffna Peninsula which is isolated from the national grid. The plant, operating on Fuel Oil 1500, is expected to commence commercial operation by the end of year 2012. The TEC was appointed in October 2011 to handle procurement process in this regard.

In order to improve the capacity and reliability of transmission network the CEB continued to progress on the Transmission Development Projects that has been implemented. The Colombo City Distribution Development Project which was commenced to meet the increasing power demand, and to upgrade, expand and rehabilitate distribution network was completed during the year.

The Board and the Management worked hand in hand to achieve targets while adhering to the policies set by the government and striding forward to make Sri Lanka, the energy hub in the region, a reality. It is noted with great pleasure that the cordial relationships were restored between all professionals within the CEB, the Board of Management and the Ministry of Power and Energy during the year 2011.



Prof. Wimaladharmasiri Abeyewickreme

General Manager's Review



“CEB needs to be transformed from a mere electrical service provider to a more customer oriented organization as the modern “customer”, unlike the yester year’s “consumer”, demands more than a mere supply of electricity”

Humble beginning to a present day Giant

The Ceylon Electricity Board (CEB) is a body corporate established by the Act No.17 of 1969. It is empowered to generate electrical energy, transmit the same and distribute it to reach all categories of consumers.

However the real roots of CEB can be traced much back in to the past, going right up to the days of the Department of Government Electrical Undertaking, the predecessor of CEB. From the first rays of an electric light ever seen from the shores of Ceylon on board SS Helios, a German Ship sailed in to the Colombo Harbor on the 26th June 1882, CEB has taken electricity to all parts of the country, covering almost 90% by the end of 2011. If one visits even the remotest of Sri Lankan villages and looks up, he is sure to find an electrical overhead line even before he sees a motorable road under his feet. Our electricity penetration level is the best in the SAARC Region. However, there is a lot more to be done as our intention is not simply to take electricity to light up the households but to take illumination to light up the hearts and souls too.

The Way ahead - Organization with a “Heart”

CEB needs to be transformed from a mere electrical service provider to a more customer oriented organization as the modern “customer”, unlike the yester year’s “consumer”, demands more than a mere supply of electricity. All this time, our main emphasis was to build up the technological infrastructure to reach households. CEB has now identified the need to transform itself to be an organization with a heart. CEB has adopted the world renowned strategy management tool, The Balanced Score Card (BSC), to divert our focus equally to the Customer perspective. The Balanced Score Card helps organizations to track its progress equally among four quadrants, one of which is the “Customer”. We have strengthened the Corporate Strategy Division of CEB during 2011 and have placed confidence on them to do this organizational transformation.

When electricity reaches the households for the first time, it was merely the supply what mattered. However,

General Manager's Review Contd...

with the gradual enhancement of the standards of living, quality of supply too has come to the fore. Despite all the technological tools and infrastructure support, it is an enigma why modern society does not have the same free time at their disposal as those of the past. Though this is a paradox that is hard to understand, this makes the modern citizen also "time" conscious as much as quality conscious. If the CEB is to serve its customers, we have to first understand them and their needs and the CEB has done just that. CEB has now committed itself to cater to the more demanding and quality conscious electrical consumer of today and tomorrow.

As a means of achieving this, we have taken the E-City, the "One-Stop-Shop" concept, a step further in 2011, opening more E-Cities in the country. Three new E-Cities were established in the Colombo City making all four Area offices in the Colombo City now having an E-City each. Another 3 new E-Cities were opened in NWP at Kurunegala, Kuliyaipitiya and Chilaw. Two new E-Cities were opened in NCP at Minneriya and Anuradhapura areas. Two E-City centers were opened in Area Offices at Kelaniya and Kandy City and one E-City at Western Province South-1 office at Ratmalana.

Mobile phone has become an integral part of life in the modern society. CEB has identified the potential of this tool as a way of serving our consumers better. Colombo City has already commenced sending SMS reminders to consumers in place of the conventional disconnection order. More SMS and mobile phone based facilities are earmarked to be offered for the future.

Caring for the intangible Assets

If CEB is to perform satisfactorily and create value to customers and other stakeholders, the organization needs to have the required "enablers" within it. These enablers include both tangible and intangible assets. It is now said that only one quarter of the true value of an organization could be captured by the traditional financial techniques. The rest falls in to "intangible assets" which includes trained work forces, systems, procedures, discipline and even proper organizational culture. Under the Balanced Score Card, we have now placed emphasis to strengthen both tangible and intangible assets falling under "Human Capital, Organizational Capital and Information Capital" in the "Learning & Growth" perspective in the BSC concept. This quadrant forms the foundation of an organization to create value. The strength of this perspective will be monitored by a set of Key Performance Indicators (KPI) in the corporate BSC. Our efforts to improve the Learning & Growth perspective of CEB may take few years to bear fruit as these are medium to long term objectives. However, in 2011, we had taken some important steps in moving towards this direction.

Human Capital

Our staff is CEB's biggest asset. CEB is a very technology intensive organization, built around the knowledge, skill and experience of its staff. CEB staff requirement is derived from three sources, namely, permanent employees of CEB, staff on contract basis and those hired from Manpower Agencies. Personnel plan for 2012 was developed by identifying the proper mix between the three after giving due consideration to the services that are to be outsourced together with the extent of outsourcing.

New employment was offered to 1342 personnel on different employment categories during 2011. However, what mattered was not the numbers but the quality. CEB has identified the skill gap that exists between the raw entry level job seekers in the job market and the internal requirement of the organization. In order to bridge this gap, CEB has taken a vital step in 2011, which is sure to reap rich dividends in the years to come. Negotiations were successfully carried out with the Department of Technical Education to formulate an Apprentice Training Scheme at Technical Colleges aiming at fulfilling the requisites of the Electrical Utility Industry. With the commencement of this program, youth of this country would have the opportunity of having technical education at the Technical Colleges and join the CEB, Private Sector or to go abroad upon successful completion. This would not only enhance the quality of fresh staff recruited to CEB in the future, thereby enhancing our "Intangible Asset" base hitherto mentioned, but also would positively contribute to the national development and help the nation to earn foreign exchange through the export of skilled labor.

Recruiting proper staff is one thing. Continuously developing the knowledge and skill levels of those who are recruited is another. During 2011, the two CEB Training Centers and the newly established Computer Laboratory was able provide internal training for 9147 CEB employees. In addition, 370 executive staff was sent abroad on pre inspection of goods, training and to attend workshops and seminars, thus giving them valuable exposure to foreign working cultures and emerging technologies.

As a means of providing quality training, new quality management system was implemented in Piliyandala training Center leading to successfully obtaining the ISO 9001:2008 certification.

A Happy and Healthy Workforce are recognized as two vital catalysts of success in the modern management philosophy. The physical fitness of the CEB employees was encouraged by providing them the means of actively participating in sports. Regional level Sports meets were conducted in 2011, culminating to a grand finale held at

General Manager's Review Contd...

the Sugathadasa stadium. The sporting abilities of CEB staff were apply demonstrated at these events.

Despite being a predominantly technical organization, CEB has identified the need to enhance the artistic abilities of our staff in order to truly become a utility with a Heart. The aesthetical talents of CEB staff were recognized at the "Vidulamu Lanka Kala Ulela" held at John de Silva Arts Theater in 2011. All categories of CEB staff showcased their talents in a common platform during the event.

Handling employee grievances is an essential activity to create a Happy Workforce. When a large number of employees belonging to diverse educational and social backgrounds work together, creation of certain differences among them is a natural phenomenon. CEB recognizes Trade Unions as not a hindrance but a vital Cog in the wheel of addressing employee grievances. In 2011, many employee grievances were addressed through dialogues with the Trade Unions and through the Grievance Committee. A few Trade Unions engaged in Trade Union activities in 2011, which the organization identifies as a key right of employees. All such actions were settled by negotiations prior to them reaching uncontrollable proportions.

A significant number of young males and females are currently providing valuable services to CEB through Manpower Agencies. CEB has identified the need to recognize the contributions of such youth and provide them a secured future. Plans are being prepared to absorb them gradually in to CEB.

We have not for a moment forgotten our retired staff who have toiled under the sun and the rain in their heydays to make the CEB what it is today. The petty pension received by them requires to be increased to a level which would suffice to maintain a respectable retirement life without depending on anyone. In recognition of this need, CEB is currently in the process of developing an improved and sustainable package for our pensioners.

Balancing the Score Card

Innovation is treated as a very vital process in the BSC concept. CEB has a vertical, pyramid shaped administrative structure where the idea and instruction flow is conventionally from top to the bottom. This has given rise to the notion that thinking is a responsibility of those at the top and execution is up to those at the bottom. Innovation or continuous improvement too was thought to be a "job function" reserved for those at the top. CEB has identified the need to change this philosophy and cultivate an innovative culture across the organization so as to get the brains of those at all layers rolling. Initiatives

are taken in 2011 to encourage everyone to think creatively. Initial work was done to officially facilitate the bi-directional flow of ideas within CEB and to recognize valuable ideas, both of which will see light of the day in 2012. Number of innovative ideas presented will also be monitored as a KPI from next year in the Balanced Score Card.

We have also identified the need to have sound internal processes within our system if we are to create value to our Customers. Under Balanced Score Card, CEB will soon start monitoring the effectiveness of its key business processes under the "Internal Processes Perspective". CEB will not only monitor the "Outcomes" but also monitor tell-tale signs using "Lead Indicators" as KPIs. In 2011, under the mediation of the Corporate Strategy Division, CEB was able to prepare a "Strategy Map", a graphical tool that indicates the various objectives of the organization in a cause-and-effect relationship to achieve organizational Strategies.

In order to improve the productivity, CEB has launched a competition in 2011 to reward those units which have obtained higher standards in the implementation of the Japanese 5-S system. The competition has generated lot of enthusiasm and the same would be continued as a yearly activity in the years to come.

E Governance

CEB has identified the value of a powerful corporate website to serve our consumers better. We were lagging far behind in utilizing our website to its true potential and offering internet and mobile based services to the public. As a step closer to overcoming this, CEB has decided to revamp its corporate website. During 2011, we have almost finalized the work of a new CEB website, which would be launched at the dawn of 2012. This website has a host of novel features including facilities for web based payments.

The first kWh from a Coal plant to the Grid

2011 saw the dawn of a new era of power generation in Sri Lanka with the commissioning of the Puttlam Coal Power Plant. On the 13th February 2011, Puttlam Coal plant was synchronized with the system for the first time.

Even though we started the year with a Hydro storage of 1110.4 GWh (88.1%), due to poor South-West monsoon, storages start to diminish rapidly reaching 275.5GWh (21.9%), the lowest for the year on 24th July, the very day the Puttlam Lakvijaya Coal Power plant commenced commercial operation. Thanks to the Lakvijaya plant, storage situation was stabilized thereafter. The North Eastern Monsoon too was lean during 2011, causing the

General Manager's Review Contd...

year end storage to fall to 657.7 GWh. The Puttlam Coal plant has provided 1038GWh of energy, if not for which, the situation would have been a lot worse.

Sri Lanka was co-hosting the 2011 Cricket World Cup and CEB has to ensure uninterrupted supply during the period from the mid February to April 2011. This was a challenging task amidst falling reservoir levels and intermittent failure to some key IPP thermal plants. The night time electricity demand too went up as expected due to Day-Night cricket matches crossing the 2000MW mark for the very first time on the 30th March 2011 during the second semifinal of the world Cup. Despite the demanding situation, CEB was successfully able to maintain an uninterrupted supply.

A step closer to the Upper Kothmale Dream

The works of Upper Kothmale reservoir was nearing completion during 2011, bringing us ever so close to realize the Upper Kothmale Dream. Filling of water to the tailrace was carried out on the 30th November 2011 and the Head pond impounding was done on the 15th of December.

Generation Mix

By the end of 2011, installed capacity in the system stood at 3141MW giving a reserve margin of 45%, one of the highest reserve capacity margins the power system ever had. With the addition of 150MW Upper Kothmale Power station in 2012 and 600MW from the stage II and III of the Puttlam Coal Plant in 2014, our reserve capacity margins are going to be sound for the near future.

However, the total thermal generation in 2011 including IPPs stood at 59%. The gradual increase to the share of thermal generation or, the gradual reduction to our claim as a predominantly renewable electricity consuming nation as a result, is a matter to be given due consideration in the increasingly environmental conscious world. We have only 354MW of large Hydro plant additions planned as per the latest Generation Expansion Plan in addition to the 27MW Moragolla Project. However, a large number of thermal additions are earmarked for the future including the 500MW Trinco Coal plant. CEB has to give careful attention in deciding our future energy mix amidst the dwindling hydro potential and increasingly environmental conscious global community. The most likely option to fill the void created by Hydro power looks to be Wind Power, one of the most promising sources for the future. However, absorbing the intermittent wind power in large capacities to the power system of our island nation is a challenge for the future Engineers.

Barring the 3MW Hambanthota Wind Plant, the

development of Wind power is presently in the hands of the private sector and that too is in multiples of 10MW capacity. While the small scale development by private sector is going ahead, CEB too needs to look positively as to how we too could add large wind farms to our installed generating capacity.

System Control Centre Modernization Project

System Control Centre is the nerve centre of operations of CEB. System Control Centre commands all the large scale Grid connected generation and operates the entire High Voltage Transmission Network. However, the current system control centre, which was established as way back in 1984, is ill equipped to carry out an effective task. Its aging SCADA system only has monitoring facilities and has no ability to control. Even the monitoring is limited to about 60% of the network. Further, with the addition of more and more thermal generating plants, the need to have a fully-fledged SCADA system with modern Energy Management tools integrated with it was clearly felt by the CEB.

The System Control Centre Modernization Project is entrusted with the establishment of a new System Control Centre with modern SCADA and Energy Management facilities at Sri Jayawardenepura. It also includes an island-wide Fiber-Optic network for providing the voice and data communication requirements.

Automating the Distribution Network

In order to serve the increasingly quality conscious consumers of urban areas, two Distribution Control Centers (DCC) were commissioned in North Central Province and Colombo City during 2011. CEB has identified that it is impractical and uneconomical to reduce failures beyond a certain level in the overhead Distribution network having bare conductors in a tropical country like Sri Lanka. Hence the only option left was to reduce fault locating and restoration time. This is achieved by automating distribution network operations which enables remote monitoring, coordinating and operating distribution components in a real-time mode from a remote location.

Reducing the Energy Loss

The net System Energy Loss has come further down in 2011 to 11.72%. CEB is now a step closer to achieving internationally accepted norms in this regard. A fair share of such losses is non-technical losses due to theft and piracy. Though they are classified as a "loss" in the CEB books, such unaccounted units too have consumed within the country for some purpose! With the establishment of Law and Order in the North & East, it is expected to

General Manager's Review Contd...

bring piracy and theft in those areas further down, thus, favorably affecting the overall loss figure.

Northern Lights!

With the dawn of peace to the North and Eastern parts of our country, CEB had to step in to play a major role to enlighten the lives of our fellow citizens battered by the brutalities of war. The Northern part of Sri Lanka has been operating as a separate system due to the severing of the transmission link during war time. Efforts are underway to extend the southern grid to the northern grid by taking a line from Vavuniya to Chunnakam through Kilinochchi.

The Contract for the construction of the 63 MVA, 132/33kV grid substation at Chunnakam was signed in April 2011 and the Contract for construction of the 72 km long 132kV transmission line from Kilinochchi Grid Substation to Chunnakam Grid Substation was signed in May 2011. The works of the 73km long 132kV Vavuniya Kilinochchi Transmission line and construction of the 132/33kV Grid Substation at Kilinochchi have progressed well during 2011.

In addition to connecting up with the National Grid, it has also been decided to install a 24MW Diesel Power Plant at Chunnakam to provide the power requirement in the isolated Jaffna Peninsula which is predominantly met by Independent Power Producers.

The new plant will be constructed at land belongs to CEB in Chunnanakam as an EPC turnkey contract. The new plant, operating on fuel oil 1500, is expected to commence commercial operation by the end of 2012.

Finances

In the year 2011, CEB revenue was increased by 9.8%, amounting to Rs. 122 billion compared to the previous year's revenue of Rs. 122 billion. The tariff increase allowed by PUCSL marginally increased the average selling price of a unit to 13.22Rs/kWh in 2011 from 13.09 Rs/kWh in 2010. However, the cost of sales too were increased by 31% amounting to Rs. 36 billion compared to Rs. 116 billion during the previous year. Primary contributor to the increase is the increase to cost of generation. In our quest to provide uninterrupted power supply, 24/7, the share of thermal generation was increased amidst failure of monsoonal rains. The cost of CEB thermal generation (non-Coal) went up from Rs 11.78/kWh in 2010 to Rs 16.55 kWh and the cost of generation from the Independent Power Producers (IPP)s went up from 16.01/kWh in 2010 to Rs 17.75/kWh in 2011.

This situation created a negative contribution of Rs.2.37 per unit (kWh) sold in 2011 and has adversely impacted

the financial viability and liquidity of CEB, thus creating an accounting loss of Rs. 19 billion at the end of the year 2011. The financial losses could have been reduced had more generation was received from coal plant at a cost of Rs.6.09/kWh. However, Lakvijaya coal power plant that commenced its operation in March 2011, has not performed to its true potential due to a few technical problems occurred during the year under review.

Total fixed assets as at the balance sheet date stood at Rs. 581 billion. This represents 83% of total assets of CEB. Therefore a considerable amount of annual depreciation amounting to Rs. 18 billion too was included in the accounting loss of Rs. 19 billion reported earlier.

From a proud past to a confident Future!

Marching beyond the first two decades of the 3rd Millennium will requires CEB to look at things in an entirely different perspective. The landscape around us is changing rapidly and the CEB needs to keep abreast with the rest of the world. The world is becoming increasingly environmental conscious and technology savvy. Gone are the days when utilities like us could relax within our comfort zones built around the traditional monopolistic boundaries. Consumers are increasingly aware of their rights and demands higher and higher level of quality. I am confident that CEB staff could take up this challenge and take the organization well beyond 2020 to "Enrich Life through Power".



BNIFA Wickramasuriya

CEB Island Wide Network Contd...

1207 MW

Total Installed Capacity
(CEB Hydro Power)

848 MW

Total Installed Capacity
(CEB Thermal Power)

3 MW

Total Installed Capacity
(CEB Wind Power)

16

Number of Hydro Power Stations

07

Number of Thermal Power Stations

01

Number of Wind Power Stations

Number of 220/132/33 kV Grid Substations	07
Number of 132/33 kV & 132/11kV Grid Substations	51
Total length of 220 kV transmission lines	483 route-km
Total length of 132kV transmission lines	1724 route-km
Total length of 132kV UG Cables	50 km

11,528 GWh

Total Power Generated in 2011

10,023 GWh

Total Consumption by Various Sectors



Norochholai Lakvijaya Power Station

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 16 large Hydro Power Plants totalling to an installed capacity of 1,205 MW, four large oil-fired Thermal Power Plants with an installed capacity of 548MW 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 is 2,058MW.

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.

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 335 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 1,365.2 GWh during the year 2011 which is 12.6% of the total generation.

	Power Station	Total Generation (GWh)	Availability (%)
1	Old Laxapana	258.4	95.7
2	New Laxapana	481.5	93.4
3	Canyon	138.4	94.5
4	Samanala	384.6	92.9
5	Wimalasurendra	102.3	70.1
Grand Total		1,365.2	

Mahaweli Complex

Mahaweli Complex comprises of Kotmale, Victoria, Randenigala, Rantambe, Ukuwela, Bowatanna and Nillambe Power Stations. The total installed capacity of the Complex is 666 MW. Mahaweli Complex generated 1,984.9 GWh during the year 2011 which is 18.4% of the total generation. The Power Plants of this Complex have performed as follows.

	Power Station	Total Generation (GWh)	Availability (%)
1	Kotmale	372.7	83.4
2	Victoria	747.0	93.2
3	Randenigala	413.7	89.1
4	Rantambe	205.4	97.7
5	Ukuwela	157.5	80.9
6	Bowatanna	78.7	90.0
7	Nillambe	9.9	98.9
Grand Total		1,984.9	

Generation Division Contd...

Other Hydro Complex

Other Hydro Complex comprises of Samanalawewa, Kukule, Inginiyagala, Udawalawe and Hambanthota (Wind) Power Stations. The installed capacity of the Complex is 213 MW. Other Hydro Complex generated 670.3 GWh. (6.2% of the total generation) during the year 2011. 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 the highest recorded generation of 44.33 GWh in the year 2011 in its history of 60 years operation.

Power Station		Total Generation (GWh)	Availability (%)
1	Samanalawewa	293.8	91.6
2	Kukuleganga	318.1	96.0
3	Inginiyagala	44.3	51.4
4	Udawalawe	11.4	26.8
5	Wind (Hambantota)	2.7	1.0
Grand Total		670.3	

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 1,487 GWh (13.77% of the total generation) during the year 2011.

Power Station		Total Generation (GWh)	Availability (%)
1	Kelanitissa Gas Turbine 7	243.7	44.5
2	Kelanitissa Frame 5 Gas Turbines	76.6	85.7
3	Kelanitissa CCGP-Gas Turbine	248.9	44.9
4	Kelanitissa CCGP-Steam Turbine	6.8	44.9
5	Sapugaskanda-A	411.9	83.1
6	Sapugaskanda-B	499.1	84.6
Grand Total		1,493.6	

Lakvijaya Coal Fired Power Station Puttalam



Lakvijaya Power Station Puttalam

The first Coal Fired Power Plant in Sri Lanka with a capacity of 300MW came into commercial operation in July 2011. This plant generated 1,038GWh during the period July-December 2011. This plant has been in defect liability period soon after commissioning and operated with an availability factor of 82.1% during the above period. Overall efficiency of the plant was 31.5% during the same period.

Costs of Generation

Complex	Fuel Rs million	Spares Rs million	Others Rs million
Thermal	24,609.28	2,168.54	3,178.58
Hydro	-	390.76	*6172.52
Coal	7158.60	20.78	389.02
Total	31,767.88	2,217.12	9740.12

* Other expenditure includes all the expenses other than direct expenses, such as personal, material, accommodation, depreciation and finance expenses.

Average Cost of Generation CEB Power Plants	
	Unit Cost (Rs/kWh)
Hydro Plants	1.63
Thermal Plants	20.33
Coal Plant	7.29 **

** Depreciation of the Coal Power Plant not considered

Generation Division Contd...

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 Ukuwela Power Station

CEB entered into a Contract with Consortium of Mitsubishi Corporation, Japan and Indo East Engineering & Construction (Lanka) Pte Ltd for this rehabilitation. Under this rehabilitation project, Turbines, Generators and their associated equipment are replaced and/or rehabilitated in order to achieve better efficiency and reliability of the plant at a total cost of Rs. 1,800.0 million. About 85% of this project cost is funded by the JBIC on export credit basis and the Loan Agreement between Ministry of Finance and JBIC was signed on 15th February 2008.

Unit-1 Machine was rehabilitated and put into commercial operation on 4th May 2011, whereas Unit-2 Machine was handed over in 2010.

Turbine and Generator efficiency tests were carried out in August. Turbine efficiency satisfied the guaranteed value at rated head and Generator efficiency, obtained at different operating loads, was better than the guaranteed value.

At August 2011 project was 100% completed and was handed over to CEB. Defects Liability Period of the Contract will end in August 2012.

Rehabilitation of Wimalasurendra and New Laxapana Power Stations

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 will be rehabilitated or replaced at a cost of Rs. 6500.0 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 April 2013.

At the end of December 2011, 76 % of the project scope was completed including 100% design and 97% manufacturing and 50% site erection.

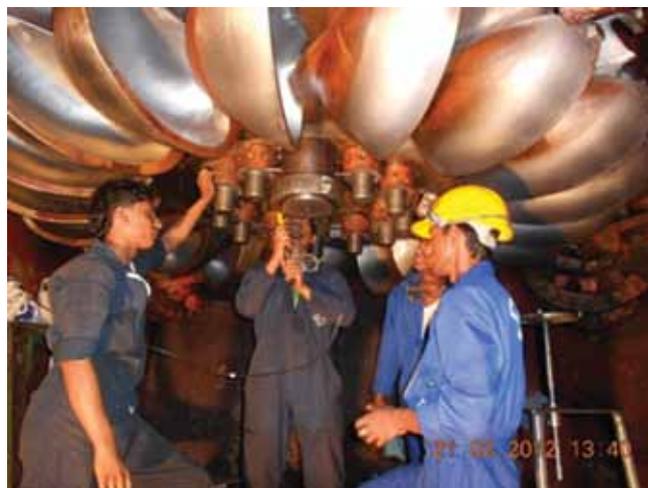
Rehabilitation of Old Laxapana Power Station

Under this Project, it is planned to replace Generator, Turbine and all associated equipment of Old Laxapana Power Station Stage-1, 3 x 8.33 MW plants to improve reliability, efficiency and life of the plants. The contract was awarded to Voith Hydro, Austria at total cost of Rs. 4200.0 million. Funding of the project; 85% of the cost is provided 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 December 2011, 31% of the scope was completed including 85% of design and 65% of manufacturing.

Indent Unit

During the year 2011, 201 orders have been placed, worth Rs. 1720 million, to procure spares and services from manufacturers abroad for maintenance of Power Plants.



Rehabilitation of New Laxapana Power Station



TRANSMISSION DIVISION

Transmission Division

The 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:

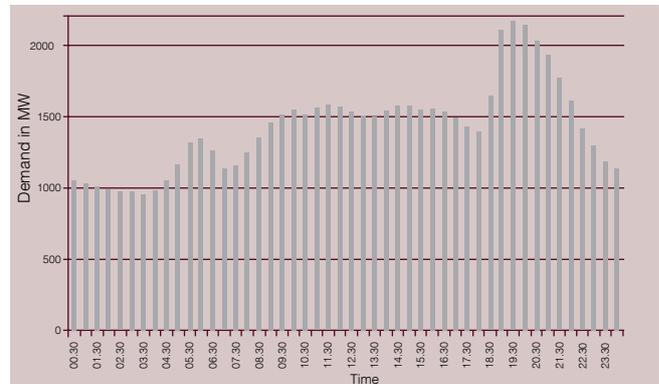
- Develop and maintain an efficient, coordinated, reliable and economical transmission system.
- Procure and sell electricity in bulk to distribution licensees so as to ensure a secure, reliable and economical supply of electricity to consumers.
- Ensure that there is sufficient capacity from generation 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



Daily Generation Curve 20.05.2011

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

The year 2011 commenced with a total hydro storage of 1,110.4GWh which is 88.1% of the total hydro storage compared with 77.5% in the year 2010. Inflows to hydro reservoirs during the first four months were very high compared to previous years. Therefore, CEB maximized the hydro generation to balance the available storage during the first quarter. But thereafter the South-West monsoon rainfall was less, resulting in hydro storage to deplete significantly. The minimum recorded storage was 275.5GWh (21.9% of total storage) on 24th July 2011. The North-East monsoon was also observed to be lean resulting in lesser inflows to hydro reservoirs.

The inflows to hydro reservoirs during July, August, October and November were very low compared to previous years. Towards the latter part of the year, storage increased only marginally and the year-end storage was a low 657.1 GWh.

In the year 2011, the recorded maximum peak was 2,163.1 MW on 20th May 2011 which is an increase of 10.7% compared to the year 2010. The total energy generated for the year was 11,527.8 GWh which is an increase of 7.6% compared to the year 2010.

System Control Centre Modernization Project

The System Control Centre Modernization Project will be implemented in two Packages. Under Package-A, a new System Control Centre with modern SCADA and Energy Management facilities will be set up in Sri Jayawardenepura. The package-B will implement an island-wide fibre optic network for providing the voice and data communication requirements of Package A. The Consultant, PB Power, UK is assisting CEB in implementing both packages. The present system control centre was commissioned in 1984 and monitors only about 60% of the transmission network.

Transmission Division Contd..

The new System Control Centre shall have the monitoring and controlling capability of the 132/220kV transmission network of CEB. All transmission Grid Substations and Power Stations can therefore be monitored and controlled from the System Control Centre as it requires maintaining a reliable power system using the most efficient source to the customer.

The tender for the procurement Package-A was advertised in 2011. However, no bidder satisfied the requirements of CEB substantially and hence the tender is to be re-advertised in year 2012.

Under Package-B, the existing ground wire of selected 132/220kV transmission network links will be replaced by Optical Ground Wire (OPGW), to form an island-wide communication backbone for CEB. Each OPGW link comprises 24 cores of fibre with sufficient spare capacity for all future communication requirements for the next 20 years.

The tender for the procurement Package-B was advertised in December 2010 and closed in May 2011. The award of the tender is expected in early 2012 and the contractor will have 18 months to implement the scope of the tender.

The System Control Centre Modernization project is funded by the Asian Development Bank under the Clean Energy and Access Improvement Project.

Transmission Assets



Grid Substation - Vavuniya

The Asset Management Branch in the Transmission Division is responsible for achieving the maximum commercial benefit of the plants and the equipments 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 1704.2km of 132kV overhead lines, 47.6 km of 132kV underground cables, 484km of 220kV overhead transmission lines and 2km of 220kV underground cables. In addition, there are 54 Grid Substations in operation at the end of 2011.

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. In addition, major rehabilitation and expansion program including computerizing the inventory and operation activities at Kotugoda store is underway.

Operation and Maintenance of the Transmission Network

Operation and Maintenance Branch attends to routine maintenance and outages of Grid Substations and 132/220 kV transmission lines. In addition, special maintenance activities such as on-load tap changer maintenance and 132/220 kV circuit breaker overhauls were also done by this Branch.

Operation and Maintenance - Colombo Unit

The major works carried out in 2011 includes:

- Installation, testing and commissioning of a new 132/33kV, 31.5MVA power transformer at Sapugaskanda Grid Substation, including construction of a new transformer plinth.
- Installation, testing and commissioning of a SF6 Circuit Breaker and Current Transformers as a replacement for an Oil Circuit breaker at Biyagama Grid Substation including construction of foundations and steel structures.
- Repairing of defective 36kV SF6 Circuit Breakers and installation at Kosgama, Panadura and Kolonnawa Grid Substations.
- Replacing complete set of gaskets of 132/33kV, 31.5MVA Power Transformer at Ratmalana Grid Substation.

Operation and Maintenance - Kandy Unit

Kandy Unit of Transmission Operation & Maintenance Division successfully completed annual preventive maintenance of all equipment in six grid substations and successfully completed way leave maintenance of 670 km of 220 kV and 132 kV Transmission lines.

Apart from above routine work, the following special works were planned and successfully implemented during past year.

Transmission Division Contd..

- Data acquisition system was implemented in 132 kV Kurunegala Line No. 2 and 33 kV feeders H4 and H2 in Kiribathkumbura Grid Substation as a pilot project in year 2011. This will be implemented at all other 132 kV and 33 kV bays in year 2012.
- Before the ICC World Cup 2011, all switchgear protection and control were tested and problems were rectified, so that a reliable supply is available during World Cup 2011.
- Technical and hands-on-training program was conducted twice to educate all control room operators and their helpers in six grid substations. Topics such as operation of grid equipment, safety, firefighting and 5S were discussed during training by using our own staff as resource personals.
- Implementation of 5S system in Kiribathkumbura and Thulhiriya Grid Substations were initiated.
- Gas leaks of 33 kV circuit breaker poles in Badulla Grid Substation were repaired.
- Diverter switch of online tap changer of transformer No. 1 at Kurunegala Grid Substation was serviced.
- Two 31.5 MVA 132/33kV power transformers at Ampara Grid Substation were repainted by our own staff and faulty buchholz relay of transformer No. 2 was replaced with a new relay.
- Removing of abandoned tower for erection of new 132kV, Vavuniya-Chunnakam transmission line.
- Replacement of the earth wire of the Katunayake-Bolawatte, 132kV transmission line between towers 9 and 16.
- Replacement of the down-droppers of Kotmale-Biyagama transmission line from strung bus bars in the Kelanitissa GSS.
- Replacement of the Jumper Cable of Laxapana-Polpitiya, 132kV transmission line on tower No-3 in circuit-1.
- Replacement of a new conductor between tower numbers 85-87 of Kiribathkumbura-Polpitiya, 132kV transmission line.
- Replacement of a down dropper of Kiribathkumbura-Polpitiya, 132kV transmission line on Y-Phase at Kiribathkumbura end.
- Fixing a new down dropper to Galle-Balangoda Transmission line for communication purposes.
- Breakdown rectification of Polpitiya-Kolonnawa, 132kV transmission line due to conductor damage between towers No 12 & 13.
- Strung earth wire between towers No 5 & 8 of Pannala spur.

Hot Line Maintenance Unit

At present, the Hot Line Maintenance Unit has eight Maintenance Gangs which operate island-wide. Each Electrical Superintendent has been allocated specific number of transmission lines and they have been carrying out routine maintenances according to the Maintenance Plan-2011.

In addition to the routine maintenance works, repairing damaged conductors, replacing earth wires and jumpers, earth mast replacement, removal of abandoned towers, removing of bus bars, replacing down droppers were carried out during the year 2011.

Following are few special works carried out by hot line maintenance unit during the year:

- Kukule-Matugama, 132kV Transmission line, breakdown of bottom conductor of circuit-2 between towers 78 & 77.
- Earth mast replacement at Sapugaskanda GSS.
- Removing of Bus bars at Kerawalapitiya GSS.

All the Hot Line Maintenance Gangs helped in the rectification works of Distribution System in Southern Area which was collapsed due to the hurricane in 2011.

Generation Planning



Proposed location for Moragolla Reservoir

Transmission Division Contd..

The Long Term Generation Expansion Plan of CEB is an annual rolling plan prepared 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 at least cost are selected from given thermal and hydro power generation expansion candidates in order to meet the forecasted electricity demand within expected reliability level and environmental factors. According to the latest generation expansion planning studies, for the period of 2011-2025, it is envisaged that approximately 4,250MW addition to the system in the next 15 years, Out of which 3,700MW will have to come from coal fired power plants.

Generation Planning Unit 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, preparatory work on studies on two new and different aspects for future generation expansion was initiated in 2011. This includes the JICA (Japan International Cooperation Agency) funded Phase II of the Energy Diversification Enhancement Project (feasibility study for LNG) and the feasibility study on Pump Storage Hydro.

In addition, the work on EIA of the feasibility study for Moragolla Hydro Power Project funded by KFAED (Kuwait Fund for Arab Economic Development) was continued in 2011 and the consultancy procurement of ADB funded review of feasibility and detailed design & preparation of tender document for Moragolla was initiated in 2011.

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 2011-2020 identifies fifty one transmission development projects for the period 2012-2020. Funds have been arranged for several projects of high priority. They include the construction of Colombo B Grid Substation, Installation of Capacitor Banks at Pannipitiya and Augmentation of Sri Jayewardenapura, Hambantota, and Rantambe Grid Substations. Funds for Habarana- Veyangoda 220kV Transmission Project are

being arranged with JICA (Japan International Cooperation Agency).

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 conceptual 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 works undertaken by the Transmission Design Branch in 2011 are as follows:

- Preparation of Tender Document 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 and wind power collecting substation -Norochcholei.
- Construction design reviews of Beliatta Grid Substation Project and Greater Colombo Grid Substation Kotugoda Extension Project. 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 revised estimates of transmission line re-routing for Colombo Outer Circular Road Crossings. (Biyagama - Kelanithissa 220kV Line, Polpitiya - Kolonnawa Line 3 & 4, Polpitiya - Kolonnawa Line 1 & 2, Biyagama - Pannipitiya 220kV, Biyagama - Sapugaskanda P/S 132kV, Biyagama - Kotugoda 220kV)
- Preparation of conceptual design reports were carried out for the augmentation of Hambantota, Sri Jayawardenapura, Colombo B and Colombo C Grid Substations.

Transmission Division Contd..

Protection Development

Reliability

The goal of the Protection Development Section of the Transmission Design and Environment Branch is to develop a coordinated and reliable protection system for the Transmission Network from the Power Stations to the Distribution system to the highest international standard. Key tasks of the Section are to define and maintain the required protection philosophy, identifying 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. 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.

Failure Analysis

No total failures occurred during the year. A major partial failure occurred on 19th April 2011 and number of minor partial failures occurred during the year. These failures were analysed and remedial measures were proposed. Improvement in the system performance has been observed due to the implementation of remedial and preventive measures.

Works undertaken for CEB Projects

CEB has received funds from KFW Bank of Germany for rehabilitation of Protection Schemes of CEB's 220 kV Transmission network under Rehabilitation of Electricity Supply Jaffna Division Transmission Line Project.

The consultancy service for the project is provided by Fitchner GmbH of Germany. Under the project, existing protection schemes of 220 kV lines and Transformers in Biyagama, Kothmale, Victoria, Rantambe and New Anuradapura GSS are replaced and OPGW will be installed in Biyagama - Kelanithissa line, Kotmale - Victoria line, Victoria - Randenigala line and Randenigala - Rantembe line.

Following project milestones were achieved during the year.

- Finalization of bid documents
- Bidding to select suitable contractors,
- Evaluation of bids received
- Cabinet approval for the award of the contracts.

During the year 2011, 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 etc and successful integration of new projects into existing system. Some of the completed and ongoing projects are as follows;

- Puttalam Coal Power Project
- Colombo city Electricity Distribution Development Project.
- Kotugoda extension under GCGSS Project
- Upper Kothmale Hydro Power Project
- Beliatta Grid Substation Project

Other activities

Design checks, drawing preparations and setting calculations were carried out for the replacement of defective Transformer Protection relay at Sapugaskanda GSS and Line Protection relays at New Laxapana GSS, Canyon PS, Kosgama GSS, Kotmale PS relevant.

Environment

The key function of the Environment unit is to monitor and assists in the implementation of the Environmental Policy of CEB. The Unit is the focal point for most environmental activities of CEB. The main responsibilities of the Environment Unit includes the environmental approval process for Transmission / Generation Projects of CEB, preparation of Environmental Safeguard documents (EIA/IEE Reports) under the National Environment Act and/or the guidelines of funding agencies (if applicable), obtaining the relevant environmental approvals for said projects, and conducting environmental awareness programs for CEB and its stakeholders.

The main responsibilities of the Environment Unit are:

- Preparation of Initial Environmental Examination/ Environmental Impact Assessment (IEE/EIA) Reports and obtaining the Environmental Approvals under NEA for the above projects.
- Preparation of Environmental Safeguard documents under the guidelines of funding agencies (if applicable), and getting the relevant environmental approvals from such agencies for said projects
- Publishing of the CEB's Environmental Newsletter
- Carrying out of environmental awareness programs among employees of CEB and its stakeholders.

A brief overview of the EIA/IEE Processes carried out by Environment Unit in year 2011 is given below.

Environmental approvals for the following transmission lines have been obtained or renewed.

Transmission Division Contd..

- Ukuwela - Pallekele 132kV Transmission Line Project (17 km)
- Galle - Ambalangoda 132kV Transmission Line Project (40 km)

IEE reports under NEA for following transmission projects have been prepared and submitted to the relevant PAAs,

- Habarana - Sampur 220kV Transmission Line Project (90km)
- Habarana - Veyangoda 220kV Transmission Line Project (140km)

All the Environmental safeguard documents required under ADB guidelines for the following projects have been prepared and submitted to the Asian Development Bank.

- Sustainable Power Sector Support II Project
- Conflict Affected Divisions Emergency Project

Energy Purchases

Energy Purchase Branch is responsible for purchase 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

Eleven independent Private Power Producers with a total of 582 MW supplying thermal power to the CEB, and 99 Non -Conventional Renewable Energy projects with a total capacity of 227 MW are connected to the National Grid by the end of 2011.

Independent Power Producers

Power Plant	Installed Capacity(MW)
AES Kelanitissa	163.15
Heladhanavi	100
ACE Power (Embilipitiya)	100
Colombo Power (Pvt) Ltd	60
Asia Power	51
Lakdhanavi	22.5
ACE Power (Matara)	20
ACE Power (Horana)	20
Northern Power	30
Kerawalapitiya	270
Aggreko (Chunnakam)	15
Total	852

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

The total generation from Non-Conventional Renewable Energy Plants was 702 GWh and the same for the year 2011. It is around 6% from the total electricity generation of the year.

Mini Hydro Power Development

During the year 2011, seven mini hydro power projects of total capacity 16 MW have been connected to the grid. The total grid connected installed capacity of 89 mini hydro power plants reached 190 MW by the end of the year. CEB has entered in to 13 Standardized Power Purchase Agreements (SPPA) in year 2011 for an aggregate capacity of 21MW.

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 of total capacity of 11MW and one dendro power plant of capacity of 0.5MW have been connected to the grid. In year 2011, CEB has entered in to 05 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 27MW.

Wind Power Development

There are four wind power projects of total capacity 33 MW have been connected to the grid.

Solar Power Development

During the year 2011, three solar power projects of total capacity 1.3 MW were connected to the grid.

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

Transmission Division Contd..

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. Energy Marketing Branch has prepared the Transaction Accounts/Notes for the year 2011 on monthly basis, based on the Electricity transferred to the Distribution Licensees from the Transmission Division in each and every month.

Communications



DCN Tower at Gongala, Deniyaya

The responsibility of the Communications branch is to provide Voice and Data communication requirements by different technologies except for Public Switched Telephone Networks within the CEB for Generation, Transmission and Distribution and other divisions of CEB and Supervisory Control & Data Acquisition (SCADA) requirement to System Control Centre.

The following communications technologies are used in providing these facilities.

- PLC (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 looks after the Voice and Data communications network over Power Line; PLC Network, Optical Fibre 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 five sub-units operating from Colombo, Kandy, Galle, Anuradapura, Samanalawewa and Laxapana.

Communications Services Unit looks after the SCADA system (The telemetry equipment, SCADA computers including its hardware & Software and the auxiliaries) and the operational communication (PLC, PLTS) for System Control Operations.

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

Year 2011

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

- Improvements/Modifications to the existing equipment of SCADA and Communication were carried out as interface work under projects.
- Integration of Kelanitissa 132kV GIS, Kotugoda 33kV GIS and Sub C GIS into the SCADA system including all interface work. (under Colombo City Distribution Development Project)
- Upgrading of MIMIC indications (CB: ON/OFF status) including the relevant database of SCADA system.
- Upgrading of SCADA computer display system as per system Control requirements.
- Part of the integration of Upper Kothmale into SCADA network.
- Extension of PLC voice network to Generation Headquarters by integrating Optical Multiplexer (FOX)

Transmission Division Contd..

and telephone exchange (SOPHO) at Kelanitissa Communication Control Center.

- Designed, Fabrication, installation and commissioning of surge isolation unit (Galvanic isolation of 4-20 mA Transducer) at Kelanitissa end for RTU interface of AES.
- Replacement of PLC Communication link (End Equipment) between New Anuradhapura GSS and Kotmale PSS.

Future Plans

The PLC based systems are now being gradually migrated to fibre optic systems to eliminate frequency congestion and thereby enhancing future expandability. A greater flexibility in channel bandwidth is obtained by the new optical fibre links for the expansion of the SCADA and PLTS networks.

Digital Communication Network

The DCN is a corporate microwave radio communication network, which provides administrative telephony and data services, is a redundant facility to the PLC and fibre optic systems. The system comprises of switching stations, point-to-point backbone network and point to multipoint access network. At present the DCN consists of four base stations, fourteen repeater stations, and forty terminal stations scattered throughout the country, interconnecting the system control centre, power stations, headquarters, distribution area and provincial offices, etc. The integrated digital communication network has been designed to include switched voice (64 Kb/s PCM), facsimile and data traffic with digital exchanges having uniform 4 digit numbering scheme and standard signalling and traffic interfaces.

Works carried out in DCN system during 2011

1. Improvements

- New subscriber lines were provided at the Laxapana and Wimalasurendra power stations and the head office.
- Signal receive level improvements were done at the canyon power station, Samanala Power Station, and Samanala repeater station.

2. Studies

- Possibility of expanding microwave networks for substation automation and distribution control systems was studied.
- Possibility of implementing hydro reservoir monitoring and gate controlling over microwave links was studied.

• Possibility of utilizing existing microwave links to provide video conferencing facilities was studied.

• Different options to replacement the outdated microwave point-to-multi-point access network were studied.

VHF/UHF Radio Communication Network

VHF/UHF Mobile and Fixed Radio communication system facilitates within distribution Divisions, power stations, and among security personnel. Division wise services have been ensured by grouping VHF low, VHF mid, and UHF bands depending on geography, terrain, and frequency reusability. In order to facilitate quality and reliable service, around 35 repeater stations have been installed island wide that serve around 850 hand held radios and 1200 Fixed/Mobile transceivers to grid substations, Power stations, Consumer Service centres, Security points and for maintenance and operation staff.

Works carried out during 2011

Improvements:

- Shifting of Mid Band repeater station at Angulana Consumer Service Center to Torwood microwave repeater site for greater coverage and better quality.
- Padukka, Hanwella and Avissawella areas were provided with enhanced coverage and quality service by installing a repeater at Norton Bridge microwave repeater. This repeater was originally planned to install at Avissawella, but was held up due to unavailability of a proper location.
- Programming of radio equipment for maintenance and security purposes at Lakwijaya Power Station.
- Tower and equipment earthing improvement was done at Trincomalee repeater station.
- Hanthana microwave site was successfully tested for VHF high band operation and the Samanlawewa high band repeater, which was in idle mode, was shifted to there. Hence, extended service facilities were provided to the Mahaweli Complex.
- Site survey and field tests were carried out to locate better location for the installation of a new low band repeater at Monaragala with aim of improving coverage within the area.

Corporate and Regulatory Relations

The responsibility of Corporate and Regulatory Relations Branch is to ensure proper functioning of transmission

Transmission Division Contd..

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 carried out monitoring of operating system voltage fluctuations, frequency variation, harmonics additions at grid substations/ wind power plants for regulatory requirements and planning purposes.

Engineering Audit

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

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 5th July 2011 to 7th July 2011) at Seguwantivu 10MW wind power plant.



Power Generation Profile at Seguwantivu wind power plant

Human Resources

Human Resources Management activities of the Division are carried out by the Corporate and Regulatory Relations Branch. The Transmission Division has a total of 1118 employees, consisting of 122 executives and 996 non-executives. 125 persons were recruited and assigned to this division by the

Board during the year. 121 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 needs. The subjects covered in the training abroad were planning, communication, operation and maintenance of substations and transmission lines. 53 persons participated in local external training programs/ seminars/ workshops and 50 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 52 persons for training and 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.



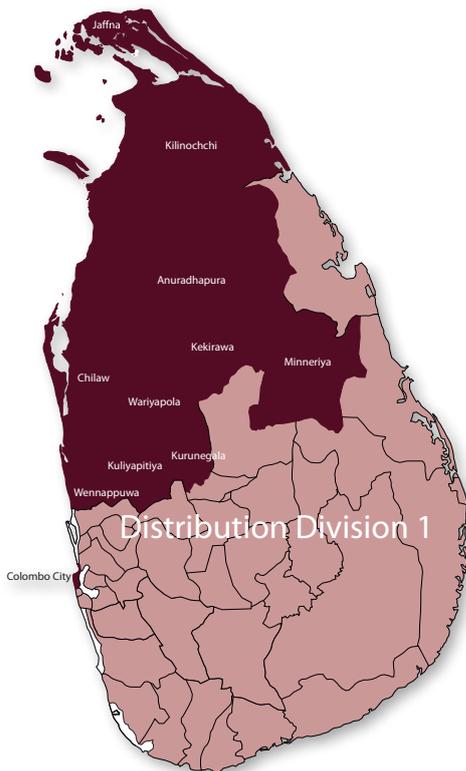
DISTRIBUTION DIVISIONS

Distribution Division 1

Highlights of the Year

Units sold within the Division during the year	2,797 GWh
Revenue earned from Units sold	Rs.42,771 million
Average selling price	Rs.15.29 Rs/kWh
Distribution loss	9.4%
Receivable position	1.89 months
No. of retail consumers within the Division at the end of the year	1,265,463
No. of new connections provided during the year	76,761
No. of employees at the end of the year	2,865
Average revenue per consumer per month	Rs. 2816.56
Average No. of retail consumers per employee at the end of the year	442
Average No. of retail consumers per distribution substations	181
Average length of low voltage lines per employee	10.6 km.
Average length of low voltage lines per consumer	0.024 km.
Average length of medium voltage lines per Distribution Substation	1.26 km.

Area of Service



Area of operation of Distribution Division 1 covers Colombo Municipality, North Western Province, North Central Province and Northern Province covering about 42% of the total land area of Sri Lanka. Total population within the Division is about 8.7 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 2,208 kWh. Colombo City records the highest annual electricity consumption per consumer which is 7,860 units while the lowest annual electricity consumption per-consumer is 1,128 units in North Western Province. Colombo City is the most profitable part of the Division and while areas such as Jaffna and Kilinochchi are the areas where business is far below the satisfactory level.

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 administered by either Chief Area Electrical Engineers or Area Electrical Engineers. There are 14 Areas and 50 Consumer Service Centers within the Division for effective administration.

In addition to 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).

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

33 kV Distribution Lines	7,489 km.
11 kV Distribution Lines	708 km.
11 kV Underground Cables	597 km.
No. of 33/11 kV Primary Substations	38
LV Distribution Lines	29,711 km.
LV Underground Cables	586 km.
No. of LV Distribution Substations	6,996
Total No. of Service Connections	1,285,633

Customer Care

Special efforts were taken during 2011, to improve the service at the customer interface points. The staff attached to 14 Area Officers, 50 Consumer Service Centres, 45 Point of Sale (POS) counters, and 3 Distribution Control Centres 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 2011 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.

At the end of this year, a total of nine e-city centres were functioning within the Division. Among them, 3 new e-city centres were established within City of Colombo. With these new 3 e-city centres, all four Area Offices of the Colombo City are now facilitated with an e-city, 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. Another 3 new e-city were opened in NWP at Kurunegala, Kuliyapitiya and Chilaw. Two new e-city centres were opened in NCP at Minneriya and Anuradhapura areas.



Opening of E-City in Kurunegala



Opening of E-City in Colombo

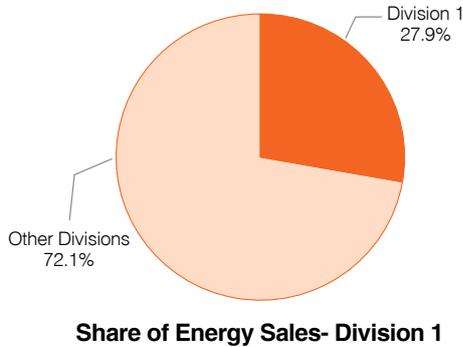
In order to improve the service to our valued customers, three new Consumer Service Centres were opened within the Division. Three of the new Consumer Service Centers were opened in NWP at Redeegama, Anamaduwa and Hiripitiya.

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.

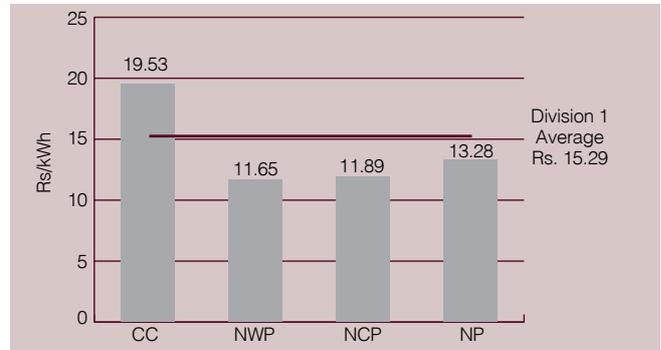
Sales

Division 1 accounted for 27.9% of electricity sales in the country in 2011. In this year, 2,797 GWh of electricity was sold in the Division which is an 8.7% increase compared with the previous year.

Distribution Division 1 Contd..



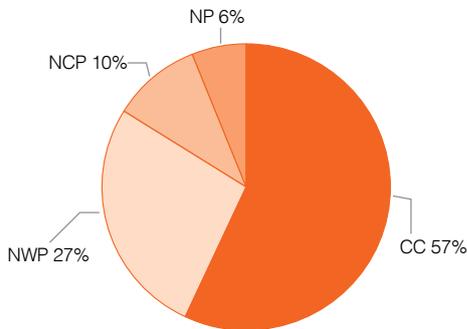
Share of Energy Sales- Division 1



Average Selling Price in Provinces in Division 1

Revenue

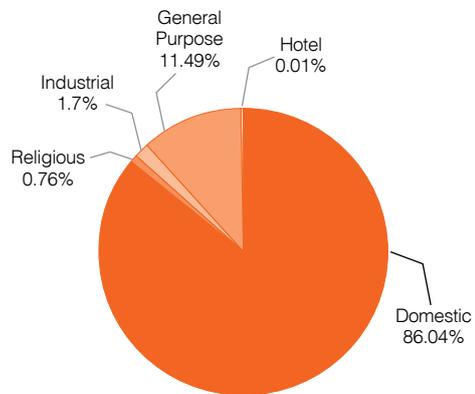
Colombo City accounts for 56% of total sales in the Division followed by North Western Province, North Central Province and Northern Province.



Revenue from Electricity Sales by Province

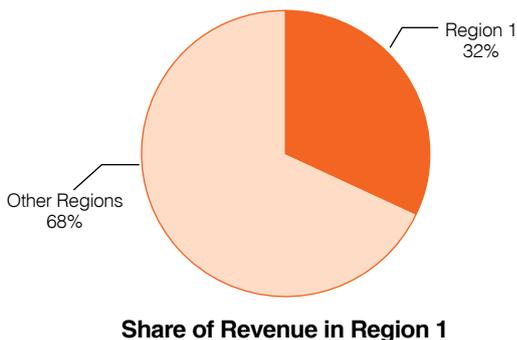
Electricity Consumer Accounts and New Service Connections

Division 01 recorded 1,265,463 consumer accounts by the end of the year 2011. 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 2865. The most number of bulk supply consumers was recorded from Colombo City.



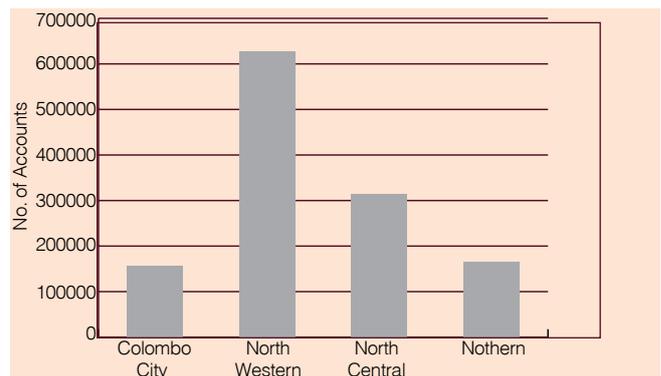
Consumer accounts by Tariff

The revenue from electricity sales during the year was Rs. 42,771 million which is 11% higher than the previous year.



Share of Revenue in Region 1

Out of the total number of consumer accounts in the Division 1, the largest number of consumer accounts (627,289) was recorded from North Western Province and lowest (157,600) from Colombo City.



Consumer accounts by Province

Distribution Division 1 Contd..

Divisional Meter Testing Laboratory

Year 2011 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. The reason is PUCSL has changed the tariff structure of all the bulk supplies in the country. This was a real challenge for the Division because it has approximately 2,330 bulk supplies out of the 6,500 in the entire country. The target given was to finish programming all these bulk supplies to suite with new tariff structure before the end of March 2011.

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 and executing the task, all within the 12 weeks available. Meter Lab - DD1 undertook this task and satisfactorily completed within given deadline. The final outcome of this task is as follows:

- No. of Meter Programmed on site: 1,545
- No. of meters programmed via remote accessing: 370
- No. of meter replaced: 360 (in Colombo West area), 26 in other Areas

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 14 Areas were also completed within the remaining 7 months. Approximately 1,150 meters were tested in 10 Areas coming under these provinces.

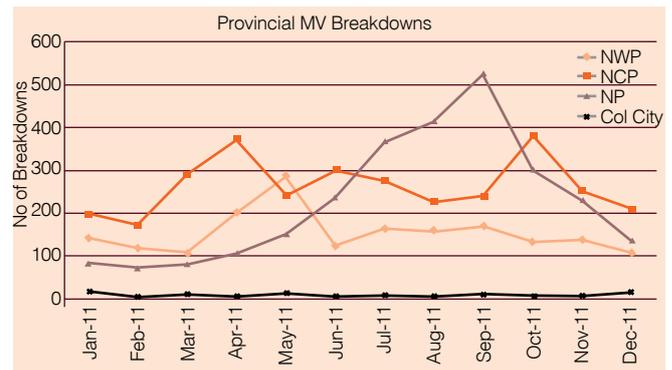
The Meter testing laboratory continues to conduct the training programs. A training program for Bulk Supply Meter Wiring Training for staff of Kilinochchi Area was successfully conducted in this year.

Supply Reliability

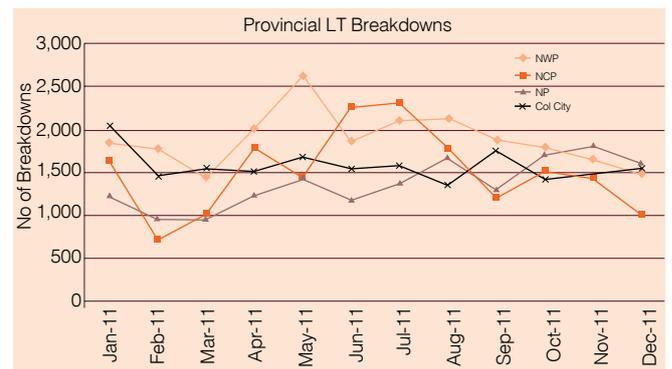
The Planning and Development Branch of Division 1 continued its efforts to improve the reliability of supply provided to its customers. Several measures have been adopted to reduce failures and to reduce time taken to locate/isolate faulty sections in order to have a quick supply restoration with the 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 7.5 per 100 km of line per

month. The same for LV network was 20.7 per 100 km of line per month. Corresponding figures for the previous year (2010) were 6.1 and 21.2 respectively.



Provincial MV network failures



Provincial LV network failures

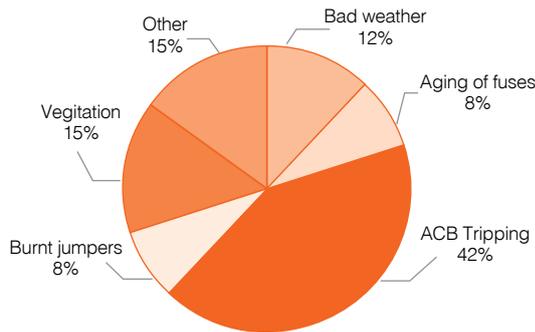
Distribution Control Centres and Distribution Automation

Reliability of service needs to be always given 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. Hence other measure is to reduce fault locating / restoration time. This is achieved by automating distribution network operations which enables remotely monitor, coordinate and operate distribution components in a real-time mode from a remote location.

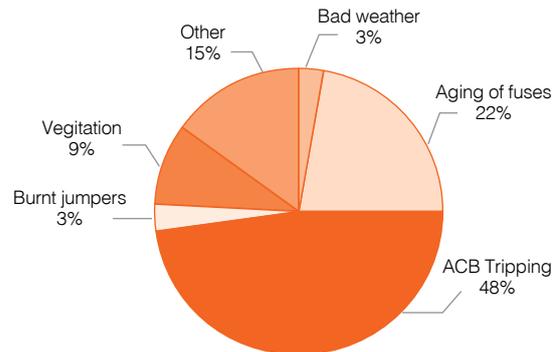
The Distribution Control Centre for the Northern Province is planned to commence its activities in year 2012 and it will monitor the entire MV and LV network of the Northern Province. Necessary training have been arranged for the Control Centre Engineers and other staff in installing the switches, programming switches and SCADA system through the manufacturers of the equipment.

Distribution Division 1 Contd..

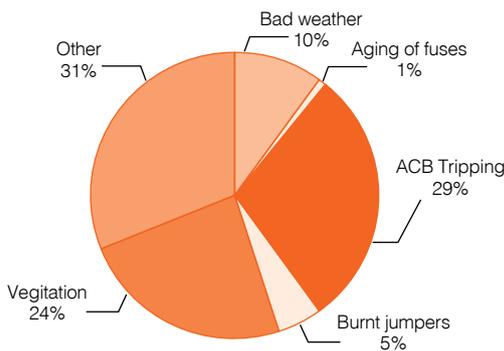
Causes for MV network failures – Provinces



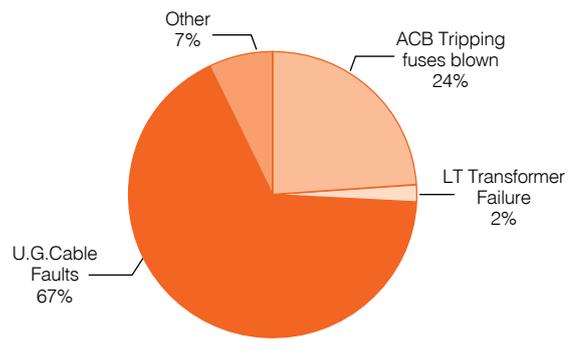
Reasons for MV Failures NWP



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	2010	2011	2010	2011	2010
SAIFI	38	39.6	18	19.8	-	-
SAIDI (hrs)	73	80	64	57	0.3	0.64

Reliability Indices by Province

Two other Distribution Control Centres in CEB Division 1 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. A reduction of 30-40% of outage time is expected at the initial stages with this system in operation.

Distribution Division 1 Contd..



Distribution Control Center at Colombo City

A Control Center Engineer was appointed in charge of the DCC-NCP Control Center. There are about 27 LBS, 24 (remote & manual) Auto-Reclosures and 21 remote Fault Passage Indicators installed in North Central Province and are controlled/monitored by this DCC. The control center facilitates coordination of breakdown activities, logging of failure data, and isolation of faulty sections, dispatch of breakdown crew and speedy restoration of supply.

North-West Provincial Control Centre which was commissioned in year 2010 currently operates round the clock, monitoring supply failures and assisting in speedy isolation /restoration of failures. Also it coordinates with all units in the Province and arranges all planned interruptions to get the best use of the supply interruptions. Supply failures are analyzed by cause and provide necessary feedback to maintenance unit of the Province to prepare proper maintenance plans. The result is the improvement of SAIDI in this year as indicated above.

Meanwhile, further training had been arranged for Control Center Engineers and other related employees on installing the switches, programming switches and SCADA system, through the manufacturers of the equipment.

Rehabilitation and systems upgrading Works

The spares for the Load Break Switches (LBS) and Auto-Reclosers were procured in order to avoid prolonged outages. Fifty remote-controllable LBS were procured in this year to install in the MV network of NWP, NCP and NP.

Under the Wadakkil Wasantham Project, SCADA and more remote controllable switches have been ordered for Northern Province. The following additional measures are being taken to improve supply quality of Distribution Network.

Automatic Voltage Regulators (36 kV) were installed for remote areas where load is not significant for an economically viable power source but the voltage is very low owing to excessive

distance of MV line from the source. A 36kV voltage regulator is installed in July 2011 in Puttalam-Kalpitiya feeder under the supervision of the manufacturer to avoid low voltage situation in Kalpitiya Area. With this installation, a significant voltage improvement is observed in Kalpitiya Area. In addition, some voltage readings (in both peak and off peak) were obtained in Kalpitiya area during this year in order to find the possibility of boosting the voltage further. This activity will be completed in first quarter of year 2012.

Mannar has been identified as another location, which requires



Training on LBS installation by the manufacturer

Automatic Voltage Regulator for the improvement of the 33 kV voltage. A land for the installation of the voltage regulator is identified during the year and technical studies have already completed.

Distribution Loss Reduction

CEB's Distribution loss that was as high as 17 % of gross generation in year 2002 has gradually been brought down to 9.44 % by end of 2011. This reduction of Distribution losses is primarily due to vigorous monitoring and implementation of distribution loss reduction programmes (technical & commercial) launched by the Distribution Divisions during past few years.

Division 1 managed to maintain a distribution loss of 8.7% from the distribution input to Division 1. The breakdown of the provincial level losses in Division 1 in year 2011 is given below.

Distribution Division 1 Contd..

Province	Energy input GWh/year	Losses %
Colombo City	1306.1	5.88
North Western Province	1092.1	9.15
North Central Province	404.1	12.3
Northern Province	223.2	23.53
Overall Division 1	3025.5	9.4

Distribution losses of the Division-1

Out of this 8.7 % loss, it is estimated that technical losses are about 7.7% and the balance 1% accounts to non-technical losses such as theft, illicit supply, billing errors, metering errors, unmetered street lamps etc.

Under Non-Technical Loss Reduction Programme-Stage I, the remote meter reading processes of these provinces were continuously monitored and assistance was given to the Area Engineers as necessary. All Bulk Supply meters in Jaffna and Kilinochchi area in NP were replaced with PPM and remote meter reading facility was introduced to both Kilinochchi & Jaffna areas this year.

Annual testing of meters and regular inspections and automated meter reading are expected to bring down commercial losses of heavy supplies almost nearly to zero level.

The Non-Technical Loss Reduction Program-Stage II, continued during this year as well. Under this action has been taken to replace all 60A installations by PPM meters with kVA recording. This helps to identify 60A consumers demanding over 42 kVA. Also tamper events are recorded in the meter for later investigation. Measures such as replacement of 60A electro mechanical meters with PPM, rehabilitation of 60A metering installations by installing tamper proof meter enclosures and installing padlock type tamper proof seals were continued during this year as well.

As at the end of the year, the progress was as follows:

60 A retail Supplies	Installations Nos.	Total Refurbishments	
		Nos.	%
North West	3085	1693	55%
North Central	1081	906	84%
North	822	162	19.7%
Colombo City	N/A	N/A	N/A

Progress of non-technical loss reduction program - 3 Phase 60A

A similar exercise commenced in 2008 for Non-Technical Loss Reduction Program-Stage III in NWP, NCP, CC and NP for 30A supplies where all 3-phase non-domestic installations are fixed

with tamper proof meter enclosures, green coloured tamper proof padlock type seals and meters are tested annually by the AEE. New 3-phase electro-mechanical meters have been purchased to replace all defective meters in these installations.

The progress of this program as at the end of the year under review is as follows.

30 A retail Supplies	Installations Nos.	Total Refurbishments	
		Nos.	%
North West*	7965	3279	41
North Central	4110	993	24
North	2149	50	2.3
Colombo City	NA	NA	NA

Progress of non-technical loss reduction program - 3 Phase 30A

Energy auditing of distribution substations in all the distribution substations of NWP & NCP commenced by way of comparison with billing system consumption records. This exercise was further enhanced during the year under review. The distribution substation areas with high losses are identified and are being investigated towards possible theft. Progress data of this program for the year under review are as follows:

Province	No. of Substations	No. of Substations with Energy monitoring	%
North West	2770	1520	55%
North Central	1653	853	52%

Progress of installing distribution substation meters

Productivity Improvement and Quality Management

ISO and 5S concept

Special attention was drawn in productivity improvement and quality management aspects within the Division in year 2011. The Quality Management Systems are being implemented in DGM's office complex, CE (Kurunegala), EE-Kuliyapitiya, EE-Wariyapola areas and Pothuhera CSC, Kurunegala town CSC, Maho CSC and Narammala C.S.Cs to enhance the service to the customers of CEB NWP. Further, ISO 9001:2008 QMS certificates is to be obtained at the beginning of the year 2012.

5S concepts were also improved remarkably within the Division. Kurunegala Area office won the first place in the CEB for all island 5S concept under consumer handling category in year 2011. Further, CE (Distribution Maintenance) office won the 3rd place in the CEB for all island 5S concept under office category

Distribution Division 1 Contd..

and Lunuwila Primary (Wennappuwa Area) won the merit award in the CEB in all island 5S competition while Maho CSC won a special award from the CEB considering the productivity improvements done.



NWP office after productivity improvements



Kurunegala Area office won the 1st place in the CEB for all island 5S concept under consumer handling category in the year 2011

Colombo City Web Site [www. metroceb.lk](http://www.metroceb.lk)

The Colombo City website was launched in March 2011. The website facilitates to transact with the Colombo City offices in registration for new connections, SMS services etc., downloading of forms and documents, using the bill calculator to verify the correctness of the bill delivered as well as to obtain information on various CEB activities including tenders published.

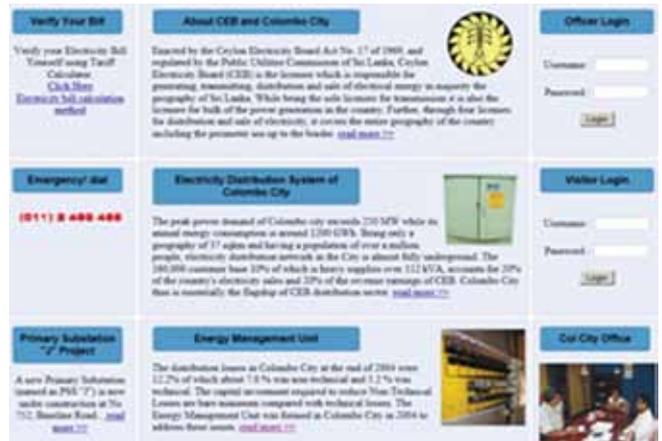
Electronic Document Management System

An in-house developed Electronic Document Management System (EDMS) is in place in all Area Engineer's offices, depots and bulk supply unit. This secures documents and detects the transactions and movements of documents within, inward and outward of these offices and units.



Meter Lab – DD1 received a Special Award at CEB 5S Competition - 2011 for Sri Lanka Provincial productivity development activities

The EDMS also has heavily reduced the usage of paper, thereby cutting down expenses and helping environment. It also contributes to minimizing delays, with work of employees and officers being closely monitored. Facilities for the Engineers in charge to login and work with EDMS have been provided such that they have full flexibility to operate and monitor their units.



CEB Colombo City Web Site

Electronic File Management System

Electronic File Management System (EFMS) is another in-house project developed by Colombo City. This facilitates the security of important documents such as power supply agreement, customer information, building plans etc., which are highly valuable and has a potential legal risk if lost. All customer files in Colombo West Area had been scanned and stored in a server with easy retrieving facilities. EFMS has been started in bulk supply and revenue units.

Distribution Division 1 Contd..

Implementation of MITFIN computer software for Service connection, Construction and Government Installation Job Management

With the assistance of the Information Technology Branch, MITFIN software had been customized to carry out complete activity management in offices, depots and units in Colombo City. A LAN had been established linking all branches and units together. This had further reduced the need of paper and thereby helped environment.

All activities such as service connections, breakdowns, construction work, maintenance work, GI work and temporary connections etc. taking place anywhere in Colombo City is indexed in this system. Usage of material can be monitored with respect to each such event, making auditing a simple exercise. Moreover, relevant information is entered along with the real time activity, which makes verification of stocks a simple exercise.

MITFIN is further being developed (or customized) to improve utilization of manpower (time cards).

Establishment of a Project Unit for Colombo City

It may have been a long time ago that a Primary substation was built directly under the supervision of CEB Engineers. The Colombo City Project Unit established in August 2011 undertakes following projects in Colombo City:

1. Construction of 2 x 16 MVA 33/11kV Automated Primary Substation with Gas insulated Switchgear (GIS) at Dr. Danister de Silva Mawatha, Colombo 9 (Sub J Project).
2. Augmentation of Primary Substation D at the Magazine Prisons premises from 3 x 12.5 MVA 33/11 kV with Air Insulated Switchgear (AIS) to an automated 3 x 16MVA 33/11 kV with GIS.
3. Replacement of 11kV MOCB panels in Primary Substation F with 11 kV GIS panels and automating them.
4. Construction of a temporary Primary Substation at Sub B (Pettah) using the existing transformers to facilitate upgrading of Sub B from 3x 12.5MVA 33/11 kV to 2 x 30 MVA 132/11 kV GIS by the new Transmission Construction Unit.

Design, procurement, installation, commissioning and testing work of these projects are carried out by Colombo City Engineers and staff, with the attendant cost savings to the CEB and the nation. These activities would also refresh and develop the engineering skills in CEB. All the above projects are undertaken in parallel with the Colombo City Project Unit.

Development of Electricity Distribution System

As a part of the development of Electricity Distribution System in the North Western Province, the following work has been carried out in year 2011:

• Global positioning Systems (GPS) have been successfully implemented for the following applications:

- a. Updating Medium Voltage (MV) Maps
- b. Collection of MV maintenance details for preparation of estimates (Line patrolling)
- c. Setting up three phase customer database. Bulk supply data base has been established
- d. Setting up of CEB property database in NWP.

• GIS data base has been prepared with the help of ArcGIS software.

Colombo City has expanded its underground distribution network and the work that has been carried out during the year is summarized below.

Job Category	Extent of work		
	HT Cables km.	LT Cables km.	Substations (Nos.)
Bulk Supplies, Cost Paid jobs and System Augmentation Works	20	12.5	42
DCB	-	0.2	-
Lighting Sri Lanka	-	2.4	-

Rural Electrification

Rural Electrification (RE) schemes and RE works carried out and completed in year 2011 in the Division is given below.

Job Category	Extent of work			
	HT km.	S/S (Nos.)	LT km.	Line Conv(km.)
DCB	0	0	32.742	15.824
PCB	0.62	5	82.647	22.602
Lighting Sri Lanka (NCP,NWP)	21	22	109.857	0.815
Gama Naguma	11.3	12	383.549	65.919
Rajarata Navodaya	0	0	0.5	0
Bulk Supplies	27.915	116	4.298	1.1
Cost Paid Jobs	12.25	24	49.032	28.58
System Augmentation & Loss reduction	37.81	46	3.544	64.92
Insurance Reserve	0	0	0	0
ICP	0	0	0.07	0
Lighting Special Projects	7.2	2	17.958	2.84
Iran	6.631	3	5.995	0
AREP	95.35	55	710.442	13.655
SIDA	29.25	13	70.8	2
Other	0	0	0	0
Total	249.326	298	1471.434	218.255

Distribution Division 1 Contd..

Conflict Affected Area Rehabilitation Project (CAARP)

The Asian Development Bank (ADB) provided US Dollars 6.5 million to carry out CAARP, an electrification project for the rehabilitation & expansion work of the Conflict Affected Areas of the North & East that was expected to benefit 12,000 households affected by civil unrest and disturbances. The NORAD provided a further grant of US Dollars 8.6 million for extension work under this project to provide electricity to 9,000 additional households. The total cost for the project is 18.5 million USD. The above loan components were utilized in 2010.

North East Community Restoration and Development Project II supplementary loan (NECORD II) has agreed to provide 187 million LKR for further implementation of uncompleted jobs under CAARP. Rs. 126 million was utilized under above loan. The project is now nearing completion.

The Scope the CAARP includes 147 Schemes and 35 MV development lines & Gantries.

RE 4 Project SIDA

Vast scale electricity construction work has been carried out all over the country under the rural electrification project 4 at a total cost of USD 34 million with a foreign component of USD 28 million provided by Swedish International Development Agency (SIDA). 219 number of new electrification schemes were constructed providing approximately 35,000 consumers to access to electricity.

All the materials except concrete poles and transformers are supplied by the contractor and the procurement of concrete poles and transformers and erection work are undertaken by the CEB.

The completed scope of work is 219 distribution substations, construction of 414 km of 33kV MV lines, construction of 1,105 km of 3-phase ABC LV lines and construction of 13 km of phase conversion lines. Project was completed in end of year 2011.

Rural Electrification Project-8 (Iran)

The Rural Electrification Project-8 aimed at electrifying thousand villages in eleven Provinces namely North West, Central, Western North, Eastern, West South-II, Sabaragamuwa, West South I, 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 Contractor is required to supply all the materials, except RC & Pre-stressed poles which will be procured by CEB.

The scope of work proposed under this project is:

- a. Erection of 1000 Nos. of 100kVA, 33kV/LV distribution substations

- b. Erection of 1000 km of 33kV MV-Lines
- c. Erection of 4000 km of Bundle Conductor, 3-phase, LV distribution lines
- d. Erection of 2000 km of 3-phase LV distribution lines
- e. Conversion of 500 km of Single-phase lines to 3-phase lines

Project period is 36 months and the Commercial Agreement of this project was signed on 10th June 2009. Approximately 40% payment is done for materials and parts of materials are being delivered to central stores and provincial stores. Construction of schemes has been started in the Provinces.

Rural Electrification Project - 4 (Extension)

Main objective of the project proposal of RE4 Extension was achieving 100% electrification level in North Central province with assistance of Nordea Bank. The work scope was proposed as 550 substations, 2000km of new Low Voltage Schemes, and 2500 Km extensions of Low Voltage lines and 2000 Km of single phase to three phase conversion Low Voltage lines.

Clean Energy and Access Development Project - Demand Side Management for Municipal Street lighting (Part 4)

Under Clean Energy and Access Development Project (Demand Side Management for Municipal Street Lighting (Part

4), CEB and Lanka Electricity Company (LECO) established internal units to undertake the street lighting operations in selected municipal areas and maximize energy savings through demand side management with ADB assistance. The total investment cost is \$5 million. Of this, US \$4.2 million will be funded by two separate grants (one of US \$2.2 million from the Climate Change Fund and the other of US \$2 million from the Asian Clean Energy Fund under the Clean Energy Financing Partnership Facility) and US \$0.8 million will be funded by the Government.

The pilot project at Homagama area is in the stages of procurement of fittings. The Line construction of pilot project is completed. Approximately 90 km length of sub projects are being implemented in Dehiwala, Gampaha, Kadugannawa, Trincomalee and Kurunegala with the cost of Rs. 215 million

Clean Energy and Access Development Project - Rural Household Connection (Part 8)

The Project Rural Household Connection will help to improve operational and financial efficiency in rural electrification and expand coverage of rural electrification for poverty reduction. The outcome of the project will be sustainable access to grid electricity by the rural population and a better service by CEB in rural areas. It is expected that at least 60,000 poor households will be connected to the grid in end of 2016. The Project would

Distribution Division 1 Contd..

bring benefits as, the households themselves will enjoy the benefits to be derived from having access to electricity and CEB will have more customers, generating more income, and enabling progress toward the electrification targets set by the Government. The Asian Development Bank is funding of US\$3.5 million for CEB to establish a line of credit.

A Program Implementation and Monitoring unit (PIMU) is formed in CEB to implement the project. The Project is in the stage of selecting Financial Service Provider.

100% Electrification of North Central Province

The objective of the 100% electrification of NCP Project is to provide electricity to all households in NCP and improve quality, reliability and service of electricity supply to all in NCP.

The project covers establishment of 550 Distribution substations, 825 km of Medium voltage line construction and 4200 km of low voltage line construction. Polonnaruwa Grid Substation is to be constructed during next year to cater the load.

Wadakkil Wasantham Project

During the year under review, Mankulam-Mullaithivu (51km), Mankulam-Thunnukaki (23km), Kilinochchi-Paranthan (5 km), Oddusudan-Nadunkerny (11 km), Mullaithivu- Uppumaweli (6 km), Muhumali-Paleyi (12 km) lines were completed and Mullaithivu town was connected to the National Grid.

Total number of transformers installed during the year 2011 under Wadakkil Wasantham Project was:

Vavuniya District	13
Mullaithivu District	11
Kilinochchi District	5
Mannar District	8
Jaffna District	5
Total Northern Province	42



Opening ceremony of new schemes coming under Wadakkil Wasantham Project

The Wadakkil Wasantham Project spent 916 million for Northern electricity development during the year 2011. The total progress of the Northern Province for the year was HT -422 km, Substations -135 Nos. and LT - 884 km.

Project and Heavy Maintenance Works

Projects & Heavy Maintenance Branch carries out maintenance and construction work of 33kV Tower Lines, 33/11kV Primary Substations, Gantries, Auto Reclosers, Load Break Switches and High Voltage Measuring transformers. Apart from routine maintenance works carried out, the following improvements were achieved.

To improve the system reliability, Live Line Maintenance practices were introduced in the first quarter of 2011 for conducting routing maintenance of MV tower lines without interrupting the supply. Initially, a hot line maintenance gang was started with one Engineer, two ESS and five workers specially trained in India about Hot Line Maintenance procedures. The gang was equipped with all necessary tools. For the first time in Division 1, Hot Line Maintenance activities were commenced in April 2011. By the end of the year it has been observed that the scheduled power interruptions taken for routine maintenance work of express lines have been reduced considerably. Hence, plans are under way to improve the system reliability further through increasing the number of Live Line maintenance gangs. Aiming to achieve this objective, few selected CEB staff members were given an on-the-job training on Live Line Maintenance techniques and they were employed for Live Line work. Initial measures were taken to set up training center at Habarana by the end of year 2012 to train CEB technical staff on Live Line Maintenance activities and provide them an opportunity to get the license to be illegible for working in Hot Line Maintenance gangs.

As part of the continuous MV development activities Projects and Heavy Maintenance division completed the construction of four numbers of switching gantries in Wadukkodai, Chavakachcheri, Peraynankulum and Mankulam in Northern Province under the CAARP project at an approximately total cost of Rs. 80 million in year 2011. Apart from that, the capacity of Parameshwaram Primary has been augmented from 3x2MVA to 2x5MVA in this year. The first voltage regulator in Sri Lanka was installed at Padukka to improve the voltage in Kalpitiya Peninsula. Construction has been completed on 20km long double circuit tower line from Thulhiriya grid to Narammala gantry at a total cost of Rs. 250 million. Preliminary land survey has been started in year 2011 for 85km length of new 33kV express tower lines. Land allocation work has been initiated for six future gantries and three of them were completed by the end of 2011.

Initial measures have been taken to establish a Design Center attached to Projects & Heavy Maintenance Branch mainly to work on design activities of tower lines, primaries and gantries. The objective of establishing a design office is to develop in-

Distribution Division 1 Contd..

house skills to save public funds through financial as well as technical optimization. Special tower line design software named PLSCAD has been purchased to fulfil this objective. By the end of year 2011 the Design Centre was equipped with modern Surveying equipment and soil testing equipment aiming to conduct design work soil testing work of all future MV tower lines.

This Division intends to undertake construction work on tower lines less than 5 km length, unmanned primaries and gantries with the expertise and skills of in-house staff without relying on external contracts in future.



Construction Works P&HM Branch of Distribution Division 1



Staff Welfare



Events at New Year Festival in NWP

In pursuit of creating a better working environment to promote team work in the Distribution Division 1, many events were organized to engage the employees. Among them were Annual Sports Meet held at Kuliyaipitiya Shilpa Shalika Ground and Sinhala New Year Festival held at Withikuliya, Nikaweratiya.

The North Central Province has established a Welfare Society which organizes cultural functions and sports activities among the staff. NCP also organized several tournaments among staff members in order to improve their team spirit.



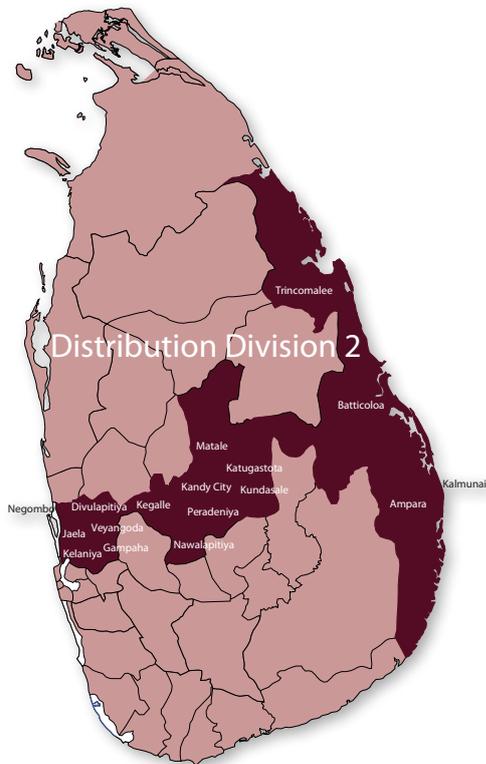
2600th Sri Sambuddha Jayanthi Commemoration

Colombo City undertook the illumination of the CEB Head Office and Sir Chittampalam A Gardiner Mawatha for the 2600th Sri Sambuddha Jayanthi Commemoration festival. The decorations and illuminations carried out drew high praise from the public.

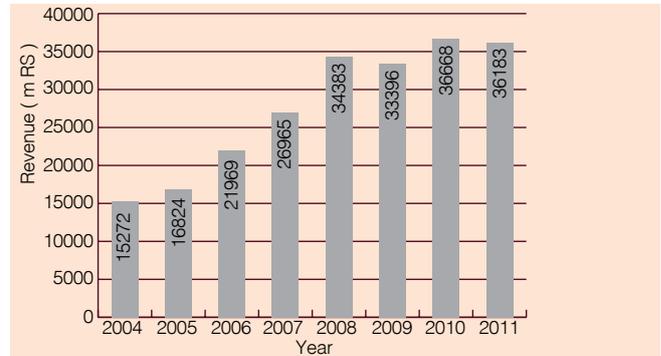
Distribution Division 2

Area of Operation

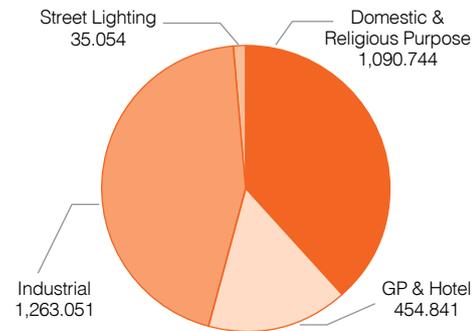
Area of operation of Distribution Division 2 covers the whole of the Eastern and Central Provinces and a part of the Western Province, named Western Province North (WPN). Eastern Province is subdivided into the areas of Ampara, Batticaloa, Trincomalee and Kalmunai. Central Province consists of Kandy City, Peradeniya, Nawalapitiya, Kegalle, Kundasale, Katugastota and Matale Areas. The Western Province North covers the Areas of Gampaha, Kelaniya, Negombo, Ja-ela, Divulapitiya and Veyangoda. The Division caters for 1,488,745 consumers, out of over 4.5 million consumers in Sri Lanka.



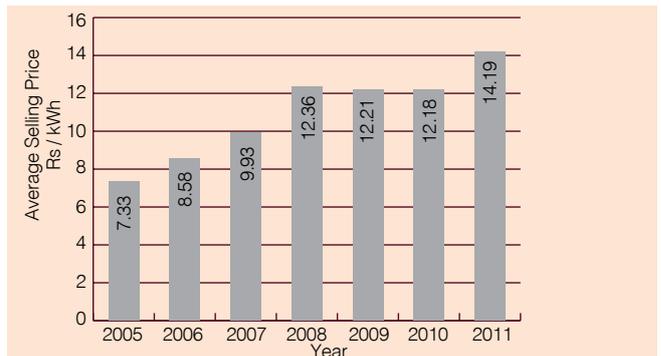
Distribution Division 2: Boundaries



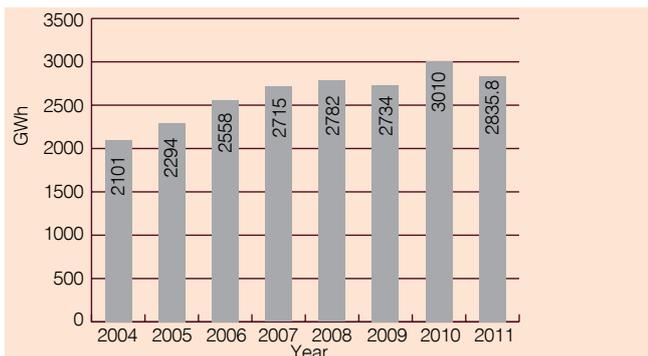
Revenue Growth: Distribution Division 2



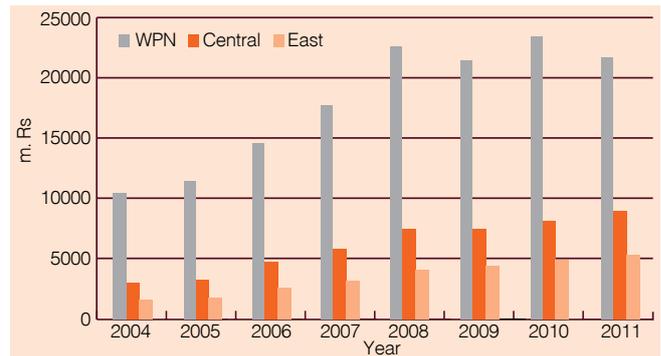
Sales in Different Tariff Categories (GWh) Distribution Division 2



Average Selling Prices: Distribution Division 2

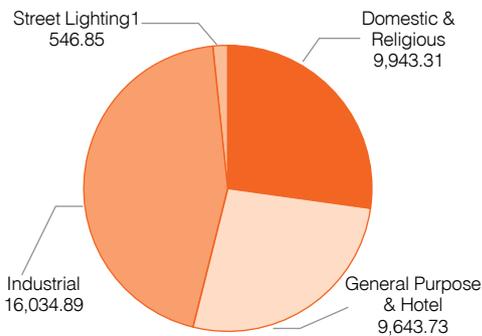


Sales Growth: Distribution Division 2

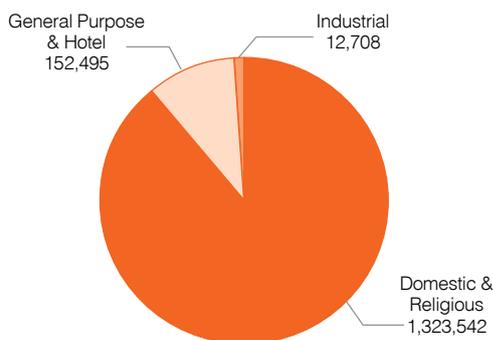


Revenue from Electricity Sales: Distribution Division 2

Distribution Division 2 Contd..



Revenue from Electricity Sales by Tariff: Distribution Division 2



Consumer Accounts by Tariff: Distribution Division 2

Operational Structure

The 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. There are 17 Area offices and 59 Consumer Service Centers within the Division for the effectiveness of the operations.

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 carries out revenue monitoring, non-technical loss reduction, energy management, engineering audit and human resources management and development functions. The 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. Projects

and Heavy Maintenance Branch carries out construction, maintenance and rehabilitation of 33 kV steel tower lines, pre stressed pole lines using LYNX conductors, 33kV/11kV Primary Substations, 33 kV switching gantries, auto reclosers and High Tension metering transformers. Hot maintenance of 33 kV steel tower lines also carried out by Project and Heavy Maintenance Branch.

The finance and revenue functions of the Provinces are carried out by Accountants under supervision of the Additional Finance Manager of the Division. Each Province is provided with a separate Human Resource Officer to attend to human resources 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 the unit under the Deputy General Manager (Commercial and Corporate).

Key Objectives

- Connecting more consumers to the existing consumer network
- Maintaining an uninterrupted power supply throughout the day
- 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

Highlights of the Year 2011

Units sold within the Province during the year	GWh	2,835
Revenue earned from electricity sold	Rs. million	35,949
Distribution loss	MWh	377,300
Total number of consumers in the Province at the end of the year	No.	1,506,862
No. of retail consumers within the Division at the end of the year	No.	1,504,745
No. of bulk supply consumers at the end of the year	No.	2,117
No. of new connections provided during the year	No.	69,397
No. of employees at the end of the year	No.	3,399

Distribution Division 2 Contd..

Distribution Infrastructure

33kV Distribution Lines	km	6,727
11kV Distribution Lines	km	647
No. of Areas	No.	17
No. of CSC	No.	59
33/11kV Primary Substations	No.	42
LV Distribution Lines	km	27,550
33kV/LV Distribution Substations	No.	5886
11kV/LV Distribution Substations	No.	915

Customer Care

Every possible action is taken by all units in the Division to achieve the key objective of maintain an uninterrupted power supply throughout the day. These measures are described in detail in the ensuing sections.

Consumer societies have been established in all Areas of the Division. Regular meetings of those societies were conducted by the area staff. Accordingly, 24 consumer societies were formed during the year 2011. Both the CEB and consumers were benefited by those societies. This has immensely helped CEB to secure and maintain the rights of way. Furthermore, the consumers had the opportunity to discuss their problems with the CEB officials openly and immediate solutions were provided to some issues.

Bulk Supply Consumer Societies also performed separately and had regular society meetings to improve the service and the collections from sales.

Establishment of e-city

Two E-city Centres were opened at the Area Offices in Kelaniya and Kandy City during 2011. These centres provide prompt attention to customer concerns and afford them with facilities such as applying for new service connections, making payments, attending to consumer inquiries etc.



E City: Area Office Kelaniya

Energy Sales

Province	Sales in GWh
WPN	1662
Central	733
Eastern	441
Total	2836

Revenue

The total collection of the Division during the year under review was Rs. 36,183 million. The revenue collection of the Division last year was Rs. 36,668, and thereby there is a decline of revenue of Rs. 485 million compared to 2010. It is due to handing over LECO area of the Western Province North Province to the Transmission division.

Electricity Consumer Accounts and provision of new Electricity Supply Connections

There are 1,488,745 consumers in the Division 2 as at December 2011. Out of which 2,060 consumers are bulk supply consumers. 67,815 new consumers have been added to the consumer network during the year 2011.

Commercial and Corporate

The main responsibilities of Commercial & Corporate Branch are the commercial activities of the Division, including Energy Management and Human Resources activities of the Division. The Divisional Meter Testing Laboratory also functions under this Branch.

Meter Testing

The main functions of the meter testing Laboratory are testing, calibration and repairing of single phase and three phase meters. Field testing of bulk supply meters are also carried out. During the year 2011, all the bulk supply customers were provided with Programmable Polyphase Meters (PPM), which have the facility of remote reading and monitoring the tampering of meters. These in turn reduces the non-technical losses in bulk supply consumer installations.

Energy Management

The Energy Management Units of the Division 2 have attended to the following activities during the year:

Distribution Division 2 Contd..

Job	Nos
House Service Meters	
Meters tested	29,505
Meter Installed	77
Three Phase Direct Connected Meters (20/80)	
Meters tested	133
Meter Installed	46
Site Test of Bulk Supply Meters	1,131
AMR-Bulk Supply Meters	573
AMR-HT	16
Route testing of bulk supply meters	260
Testing and fixing of new bulk supply meters	24
Testing of BS meter on Area Engineer's request	36
Replaced defective meter and meter testing	78
Augmentation	21
Other activities carried out by Energy Management Units	
1 Consumer Awareness Programs	15
2 RE Schemes (Completed)	15
3 Phase/Section Balancing Jobs	22
4 MV Capacitor Installation	1
5 LV Capacitor Installation	4
6 Substation kWh meter installation (for loss calculation purposes)	60

Loss Reduction Programmes

Under the loss reduction programmes of the Division, every effort has been taken to reduce technical and non-technical losses in the low voltage network. Major non-technical losses were identified and new processes have been introduced to minimize them.

A raid programme has been introduced to recover losses from illicit electricity users. This process was carried out under the direct supervision of DGM (C&C) by utilizing Staff coordinators in Areas. The entire Division was able to recover Rs. 72.8 million by carrying out raids during the year 2011.

Another activity introduced by Commercial and Corporate Branch in line with loss reduction programme is the collection of arrears in finalized electricity accounts. This process was introduced in the later part of the year. Having this programme implemented, Division 2 was able to collect outstanding dues amounting to Rs. 22.9 million in finalized electricity accounts during the year under review.

Remote Metering

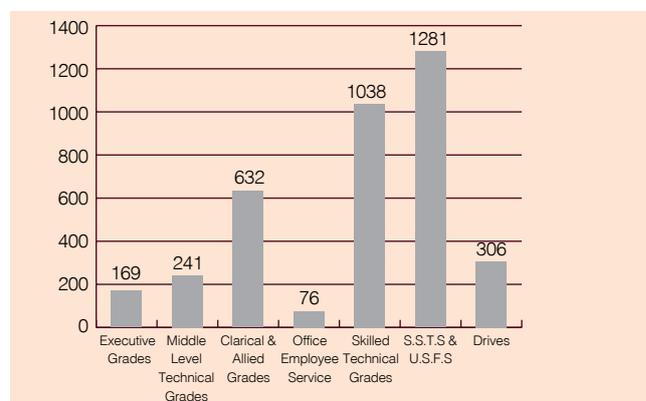
Remote metering facility for all the Division bulk customers was provided by the end of March 2011.

Since digital Programmable Poly phase Meters are used for remote metering, their advanced features such as record of power failures, record of unauthorized meter interferences etc. could also be used for energy management purposes. An increase of bulk supply revenue is expected with the introduction of remote metering.

Pilot project has been started to get the energy reading of direct connected three phase meters through power line communication.

Human Resources: Distribution Division 2

There are 3,743 of permanent employees attached to the Division as at the end of 2011. The Grade-wise distribution of employees is shown in the Figure.



Staff Distribution: Distribution Division 2

Special training programs on improvement of productivity were held for the staff of Eastern Province, Central Province and Head Office during the year under review.

Planning & Development

The Planning & Development Branch is responsible for providing the following services to the operating provinces in Division 2:

- Assistance for development activities
- Assistance for Network planning for System Improvement in order to improve the quality and the reliability of electricity supply to the consumers in the Division
- Management of materials for maintenance works, new projects and connections

Distribution Division 2 Contd..

Planning Unit

This Unit is working 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.

Proposed Scope of Work - Long Term Proposals

Proposal / Year	2012	2013	2014	2015	Total
New GSS/ (Nos.)	3	1	3	2	9
Aug. GSS (Nos.)	5	-	-	-	5
Addl. Feeder Bays(Nos)	23	-	-	-	23

Proposal / Year	2012	2013	2014	2015	2016	2017	2018	2019	Total
Backbone lines km									
Lynx DC Tower	199	86	94.6	135	29	-	-	-	546.6
Lynx SC Tower	82	-	14	1.5	14.5	-	-	0.5	112.5
Lynx DC Pole	38.8	52	-	-	15	-	-	-	105.8
Lynx SC Pole	6	64	3	-	-	32	-	-	105
Racoon	36.7	3	-	-	-	-	-	-	39.7
Distribution Gantries Nos.									
DBB Tower	18	6	3	2	2	-	-	1	32
SBB Pole	14	-	4	1	2	1	-	-	22
Reconductoring of MV Lines km	25	-	-	-	-	-	-	-	25
MV Line Conversion km	108.5	25.5	15	-	-	10	-	-	159
New PSS + (LECO)	2+2*	1	-	-	-	-	-	-	5
Aug. PSS (Nos.)	3	-	1	-	-	-	-	-	4

There had been delays in implementation of MV proposals in 2011 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. However, efforts are made to obtain material required for these improvement works using donor funds.

Studies are being done to improve the network performance. In doing so, Control Centres are being setup for all three provinces in Division 2. These Control Centres are expected to record breakdown information, analyse the network positions and provide detailed instructions to operation staff on how to restore supply expeditiously. Further action has been initiated to automate operation of all Auto Reclosers, Load Break Switches and Boundary Meters in Division 2.

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.

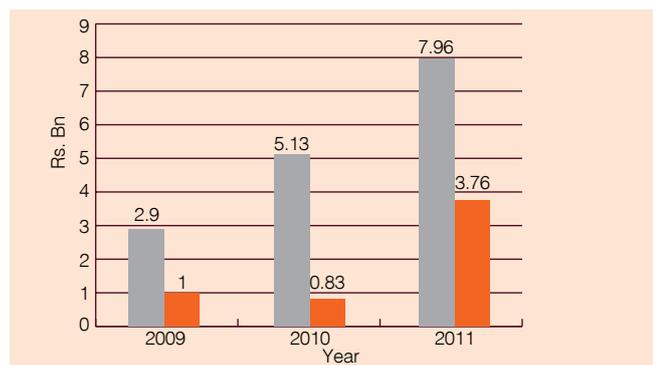
The Planning & Development Branch carried out technical feasibility studies for the proposals sent by the Provinces for providing Grid Interconnections for Embedded Generation & Technical Proposal for major industrial loads which are over 2 MVA. During 2011, about 32 Mini Hydro Proposals were received for Grid Interconnection proposals. The total number of Mini Hydro in operation in Division 2 is 15.

Material Management Unit

One of the major tasks performed by this Branch is procurement of key materials for the Distribution Division 2. The estimated cost of Annual Procurement Plan & Actual Expenditure of Procured materials are shown in the figure. The main reason for the gap between planned

Distribution Division 2 Contd..

procurement and actual procurement in year 2011 is due to quantities for procurement have to be curtailed due to the liquidity position of CEB.



Material Procurements:

Development Unit

Development Unit has been set up to improve the quality & reliability of supply in Division 2. This Unit is expected to study the power quality issues and supply improvements and propose remedial measures. Rural electrification projects such as ADB, Lighting Sri Lanka (Eastern Province) are coordinated through this Branch by providing the necessary materials for construction works.

The Trincomalee Integrated Infrastructure Project (TIIP) using French AFD funds is also coordinated by this Branch. The project envisages construction of 48 km MV Express & Distribution Lines in Trincomalee to improve the low voltages. The value of the project is Rs.355 million. Most of the materials have already been procured and construction work is going on. It is expected to complete the project in 2012.

This branch also undertakes continuous improvement of Construction Standards, Designs and Material Specifications for the distribution activities in Division 2.

Rural Electrification

All the RE Projects are implemented by the Provinces. These projects are funded by Lenders such as ADB or through Decentralized Budget and Provincial Council Budget. The numbers of jobs completed by the Provinces are shown in the table.

Province	No. of Jobs
Eastern	602
Central	777
Western Province North	397

The summary of the works carried out during the year are as follows:

Fund Type	No. of Jobs	Work Content			Cost Rs. million	
		HT (km)	LT (km)	S/S		
Decentralized Budget	376	-	61	-	66	
Provincial Council Budget	377	-	70	-	81	
Cost Recovery	Bulk Supply	59	18	3	57	127
	Distribution	79	29	28	25	134
System Augmentation	231	35	103	35	180	
Accelerated Rural Electrification Project	93	111	316	50	686	
STAART	2	0.7	3	1	5	
Lighting Sri Lanka Eastern Province	90	8	110	7	151	
Lighting Sri Lanka Central Province	123	1	52	2	72	
Lighting Sri Lanka Kegalle District	33	1	13	1	19	
Ran Aruna	344		59	4	101	
Rural Electrification Project - 8	176	43	267	47	499	
Special Fund	21	3	32	6	58	
Maintenance of Line	113	210	-	-	228	
Swedish Intl. Development Agency	13	23	64	13	141	
Crimping of Lines	106,380	97	461	22	138	

Distribution Division 2 Contd..

Projects and Heavy Maintenance

The Projects and Heavy Maintenance branch comprises of two offices for Western Zone and Central Zone located at Gampaha and Kandy respectively. Construction and maintenance of 33 kV tower Lines, Primary Substations, Gantries, Auto-reclosers (AR) and CT/PT Units are undertaken by this Branch. The works carried out by the two units during the year 2011 are as follows:

Western Zone

Major Construction works completed

1. Meerigama Gantry
2. Maeliya Gantry
3. Kopyawatta Gantry
4. Katunayake gantry
5. Rearrangement of Ganemulla gantry
6. Rearrangement of Mawanella Gantry
7. 11 kV LBS Fixing - 5 Nos.
8. 33 kV AR fixing - 6 Nos
9. Installation of 5 MVA Transformer at sea view PSS at Trincomalee
10. Construction of 4.5 km 33kV Double circuit Lynx tower line from Aniyakanda GSS to Kopyawatte gantry
11. Deviation of 2 km 33kV Double circuit Lynx tower line at Unnarua, Katunayake
12. Re-stringing of 10 km D/C Lynx old 66 kV tower line from Rambukpitiya to Ulapane
13. Single-side stringing of 7 km D/C Lynx old 66 kV tower line from Rambukpitiya to Ginigathena
14. Re-stringing of 8 km D/C Lynx old 66 kV tower line from Ulapane to Sinhapitiya

Major construction works in progress and Augmentation Jobs

Gantries

Province	Major construction works in progress	Augmentation Jobs:
Western Province North	Siriyangane Heenkenda Dagonna Welhena	Thalagolla Dunagaha Veyangoda Thudella Wewagedara Paliyagoda Sellakanda

Province	Major construction works in progress	Augmentation Jobs:
Central Province	Naula Galewela Katugasthota Tholangamuwa Rambukkana Galaha Galigamuwa Kinniya	Moronthota Karandupona Gevilipitiya Kehelkotuwa Wahakotte
Eastern Province	Trincomalee	Adurapotha Dambulla

33kV Tower Lines

1. Construction of 2.5 km S/C Lynx tower line from Mankada Road to Gala Junction
2. Deviation of 0.3 km 33kV Double circuit Lynx tower line at Hunupitiya due to Katunayake express way project
3. Construction of 0.5 km D/C Lynx tower line from Kelaniya GSS to Kandy Road
4. Construction of 7 km D/C Lynx tower line from Edurapotha to Karandupona gantry
5. Construction of 18 km D/C Lynx tower line from Tholangamuwa Gantry to Galigamuwa Gantry
6. Construction of 18 km D/C Lynx tower line from Galigamuwa Gantry to Moronothota Gantry
7. Construction of 12 km D/C Lynx tower line from Gevilipitiya Gantry to Kehelkotuwa Gantry
8. Construction of 18 km D/C Lynx tower line from Rambukkana Gantry to Karandupona Gantry

Other activities is in progress

1. UG Cables were laid at various places where Colombo-Katunayake Expressway crosses the tower lines and outgoing feeder at Periyamulla PSS. The total UG cable length to be installed is about 750 m.
2. Installation of 33 kV and 11 kV CT/PT units are in carrying out in various places in the Division, notably; those in Mini Hydropower stations as well as Boundary Meter points.
3. An Estimate for installation of UG Cable for incoming line for Katunayake and Kiribathgoda PSS (LECO) was submitted in mid of 2011 for approval and discussion for setting out of above PSS is in progress.
4. Installation of Boundary Meters - 8 Nos.
5. Installation of 33 kV and 11 kV LBSS - 12 Nos.
6. Installation of AR 6 Nos. was done during the year, thus increasing the number of functional AR to 178. Furthermore 67 AR are made remote operable.

Distribution Division 2 Contd..

Maintenance activities

1. Routine Maintenance including oil filtration of Primary Transformers in the Division had been completed for 2011 successfully.
2. Gantry maintenance including AR is also completed in WPN, CP and half of the EP and schedule to complete 1st half of the year 2012.
3. Following line maintenance works were completed during year 2011.
 - i. 4.1 km tower line from Kotugoda to Seeduwa
 - ii. 7 km tower line from Veyangoda to Malwatte
 - iii. 9 km tower line from Veyangoda to Nittambuwa gantry
 - iv. 7 km tower line from Veyangoda to Nambuluwa
 - v. 5.8 km tower line from Pugoda to Kosgama
 - vi. 12 km tower line from Sapugaskanda to Ambatale F 08
 - vii. 4.8 km tower line from Imbulgoda to Bendiyamulla
 - viii. 10 km tower line from Biyagama to Dekatana

Central Zone

Line construction jobs

Major Works Completed

Job	Province	Detail	Length	Cost Rs. million
Chinabay to Prima	EP	33kV SC Lynx	1.2	15
Amapara Galmaduwa	EP	33kV SC Lynx	4.2	45
Re conducting of Old 66kV line	CP	33kV DC Lynx	-	41
WPS Norton old 66kV Interconnection	CP	33kV DC Lynx	-	-

Major Works in Progress

Job	Province	Detail	Length	Cost Rs. million
Ukuwela to Katugastota	CP	33kV SC Lynx	8km	88
Katugastota to Gorakadeniya	CP	33kV DC Lynx	8.7km	99
Rabukpitiya to Imbulpitiya	CP	33kV SC Lynx	4.3km	78
Meewatura Eriyagama	CP	33kV DC Lynx	2.2km	22
Kiribathkubura to Galaha	CP	33kV DC Lynx	16km	224
Batticaloa to Valahchena Stage 3,4	EP	33kV DC Lynx	10.5km	111
Trincomalee to Kinniya	EP	33kV DC Lynx	14km	202
Ferry Crossings at Trincomalee	EP	33kV SC Elm	1km	40

New proposals in 2012

Job	Province	Detail	Length	Cost Rs. million
Eriyagama Gantry to Pichchalmalwatta Gantry (Line Conv.)	CP	33kV SC Lynx	15km	210
Gorakadeniya Gantry To Hendeniya/ Galagedara Gantry	CP	33kV SC Lynx	14km	168
Akkarapattu Ganty Pothuwil Ganty	EP	33kV DC Lynx	42 km	588
Galamaduwa Gantry to Akkarapattu Gantry	EP	33kV DC Lynx	22km	308

Line Maintenance

Line Maintenance Unit of Project and Heavy Maintenance Central Zone is responsible for maintaining all 33kV tower lines in Kandy, Matale, Peradeniya, Kundasale, Katugastota, Nawalapitiya, Ampara & Trincomalee Areas. The work executed by the Unit in year 2011 is shown in the table.

Distribution Division 2 Contd..

Cold Line Maintenance 2011				
Area	Tower Line	No of Towers	Approximate Line Length (km)	Cost(Rs.)
Ampara	MahaOya Padiyathalawa	100	20	512,827
	Piyangala Maha Oya	151	30	685,585
	Amapara Karthiv	101	25	896,118
Kundasale	Hanthana- Kundasale BB Line maintenance	Pole construction due to lack of clearance	-	365,933
	Pallekele Line maintenance	93	20	364,748
Matale	1. weragama- Gammaduwa 2. oliscone – Kawatayamuna 3. Dole Weragama 4. Ukuwela- Pitakanda 5. ukuwela - dole PB pole line raccoon 6. Dole Kawatayamuna 7. Kawatayamuna Dodangasdanda Ukuwela Dole	314	63	Still going on Almost Finished
Total		759	158	2,825,211

Hot Line Maintenance – 2011				
Area	Tower Line	No of Towers	Approx. Line Length (km)	Cost(Rs.)
Kandy Area	H04/ H05	35	7	114,179
Batticloa Area	Valachchena- Welikanda	120	36	720,022
Nawalapitiya Area	Eriyagama– Ulapane Line			124,285
Matale Area	Ukuwela - Dole F01	28	7	2,024,626
	Katayamuna- Dodangaslanda	64	19	
	Dole Kawatayamuna D/C	43	10	
	Dambulla – Habarana	107	25	
	Ukuwela - Dole PB pole Line	41	6	
	Ukuwela- Pitakanda	46	7	
	Dole Weragama	18	3	
	Oliscone – Kawatayamuna	35	5	
	Weragama - Gammaduwa	39	5	
	Dambulla - Habarana	102	15	
Trincomalee Area	Trincomalee- Morawewa	183	46	2,483,335
	Trincomalee- Kithulhuthuwa	199	56	
	Prima line	34	08	

Distribution Division 2 Contd..

Hot Line Maintenance – 2011				
Area	Tower Line	No of Towers	Approx. Line Length (km)	Cost(Rs.)
Kundasale Area	Karaliyadda - Maoussawa	30	6	897,987
	Maoussawa - Kunisgala	30	6	
	Mahinyanganaya- Randenigala	82	12	
	Digana - karaliyadda	42	6	
	Randenigala - Rantambe	16	3	
	Karaliyadda - Mahiyanganaya	114	24	
	Pallekele – Kar alliyaddha	24	5	
	Pallekele - Narandanda B/B	44	11	
	Pallekele- Pichhcamalwaththa	27	4	
Total		1503	332	6,364,434

Cost Recovery jobs & Breakdowns 2011		
Area	Job	Cost(Rs.)
Lankathilaka Cost Recovery Job	Stay Rearrangement work	69705
Hathale Breakdown	Tower Sliding Stabilizing	46,803
Sinhapitiya Hemmawathagama Breakdown	Conductor Repair work	28,388
Gampola 66kV Gantry Breakdown	Reconnection job	26,781
Mangalagama tower Breakdown	Refurbishment of the Tower	679,985
Hasalaka Line Maintenance	Hasalaka Line lifting work	186,890
Ampara Grid Rearrangement work	Five feeders were Rearrangement	641,063
Hathala Pallekele Breakdown	Lightning Breakdown	76354
Ampara Inter-Connection	Inter-connect Feeders	548,520
Nawalpitiya	Lindula Feeder	39,036
Total		2,343,525

Adoption of 5S Concept in Distribution Division 2

Chief Engineer Office- Projects & Heavy Maintenance Branch- Division 02- Central Zone has won the First Place in 5S Competition in CEB 2011.

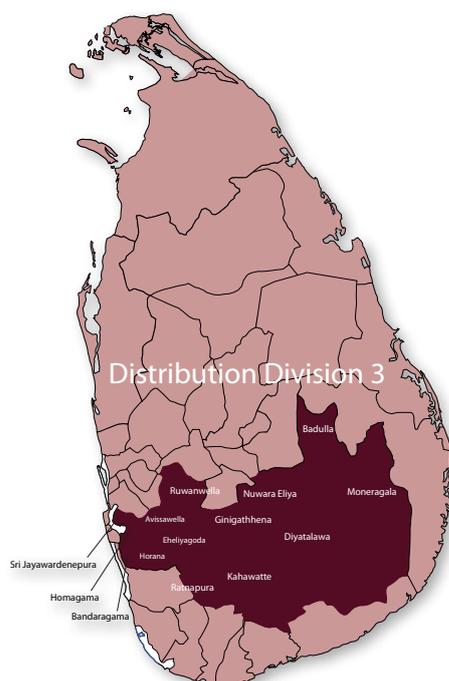


Receiving 5S Awards by Chief Engineer (Projects & HM- Division 2- Central Zone)

Distribution Division 3

Highlights 2011

Units sold within the Division during the year (GWh)	1846
Revenue earned from Units sold (Rs. million)	22,854
Average selling price (Rs/kWh)	12.38
Distribution Loss (%)	13
Receivable position	0.93
Number of retail consumers within the Division at the end of the year (Nos)	1,114,287
No of new connections provided during the year (Nos)	64,882
Number of employees at the end of the year (Nos)	2,492
Number of bulk supply consumers at the end of the year (Nos)	1755
Average revenue per consumer per month (Rs/Month)	1,706
Average number of retail consumers per employee at the end of the year (Nos)	447
Average number of retail consumers per distribution substation (Nos)	208
Average number of low voltage lines per employee (km/employee)	9.9
Average number of low voltage lines per consumer (m/consumer)	22.0
Average length of medium voltage lines per distribution substation (km/sub)	1.3
Households Electrified (%)	89.1



Geographical Demarcation of Division 3

Area of operation of Distribution Division 3 as shown covers Sabaragamuwa Province, Uva Province and part of Western Province called Western Province South 2. Western Province South 2 covers areas of Homagama, Sri Jayawardanapura, Avissawella and Horana while Sabaragamuwa province consists of Ratnapura District, part of Kegalle and Nuwara Eliya Districts. Uva Province covers Badulla, Moneragala and part of Nuwara Eliya District. The Division covers about 23% of the total land area of Sri Lanka. Total population within the Division is about 5.6 Million. The highest electrification level of the Division, 99% is reported From Western Province South 2 and lowest, 81% is from Uva Province. Electrification level of Sabaragamuwa is 91%.

The annual electricity consumption per-consumer in the Division is 1,654 kWh. Western Province South 2 records the highest annual electricity consumption per consumer, which is 2,942 kWh, while the lowest annual electricity consumption per consumer is 916 kWh in Sabaragamuwa 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.

Operational Structure

The Distribution Division 3 is headed by an Additional General Manager who is directly responsible to the General Manager. For the operational purposes, the Division is divided in to 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 Division for effective administration.

In addition to Provincial Deputy General Managers, there are 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, Divisional 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, pre stressed pole lines using Lynx conductors, 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

Distribution Division 3 Contd..

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 Division

About 90% of the small hydropower stations are located in Division 3. Presently there are about 313 embedded generators, which are mostly mini hydropower plants, are located in Division 3. Out of this 66% are in Sabaragamuwa province while 33% are in Uva Province. 73 power plants have been commissioned and connected to the Divisional distribution network, adding 155 MW of power to the national grid. However, there are several issues which lead to stopping of processing new proposals for embedded generators. These include inadequate 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 Division have exceeded allowable dispatch limit. Thus new proposals are not processed for some of the grid substations in the Division 3. This could be solved only through enhancement of transmission capacity.

Key Objectives

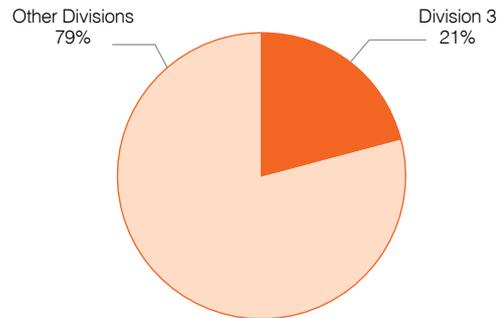
- Connecting more consumers to the existing consumer network
- Maintaining supply reliability at a satisfactory level
- Maintain supply quality at specified level
- Taking precautions to minimize all losses such as technical losses, non-technical losses
- Attending all consumer matters and providing solutions within a minimum time
- Providing all the services for maximum satisfaction of the stakeholders

Distribution infrastructure		
33kV Distribution Lines	km	6,797
11kV overhead lines	km	54
11 kV Underground Cables	km	4
33/11kV Primary Substations	No.	15
LV Distribution Lines	km	24,645
LV Distribution Substations	No.	5,353
Service Connections	No.	1,116,039

Electricity Sales 2011

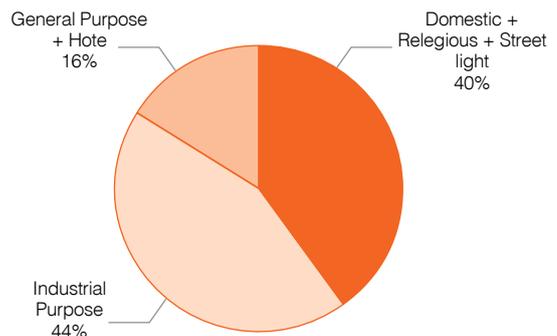
Division 3 recorded 21% of electricity sales (except LECO sales) in the country. In the year 2011, 1,846 GWh of electricity except electricity LECO was sold in the Division which is a 8.7% increase compared with the previous year, 2010. The majority of sales in Division 03 were from Industrial tariff 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 Division followed by Sabaragamuwa and Uva Provinces.

Electricity Sales Share



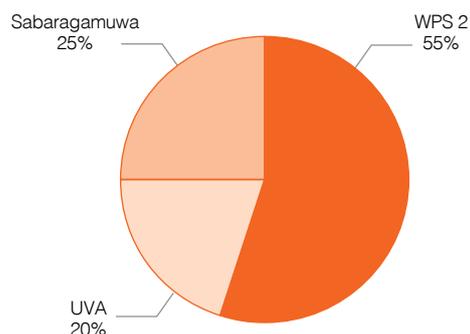
Share of Electricity Sales Distribution Division 3

Electricity Unit Sales by Category



Electricity Sales by Tariff Category Distribution Division 3

Electricity Sales in Provinces

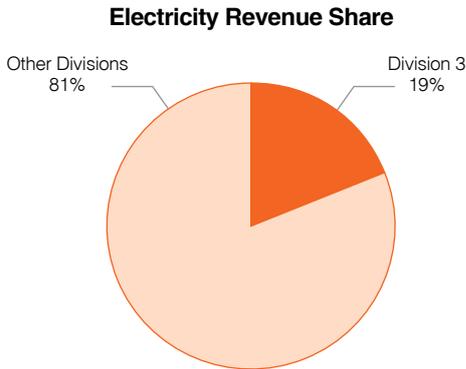


Province-wise electricity Sales: Distribution Division 3

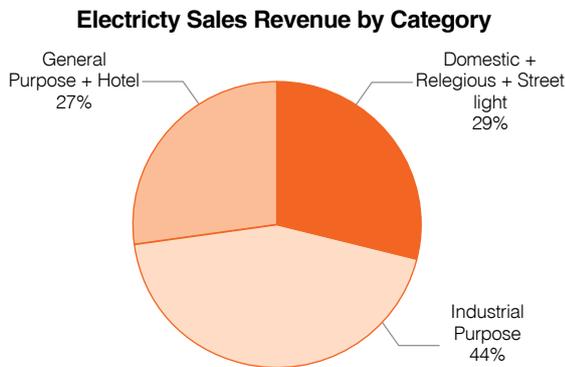
Distribution Division 3 Contd..

Revenue from electricity sales

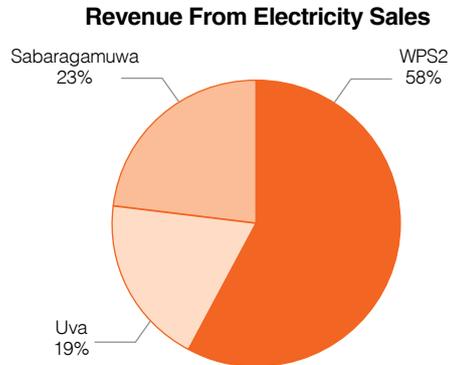
The revenue from electricity sales during the year was Rs. 22,854 million which is 12.4 higher than the previous year (The above sale is except the LECO sales). Division 3 accounts for 19% of the total revenue of the CEB. The majority of sales in Division 3 were from Industrial tariff category which 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 58% 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. 12.48 which is less than the national average of Rs. 13.61. Comparison of Divisional unit prices, Division 1 recorded the highest unit price which is above the national average.



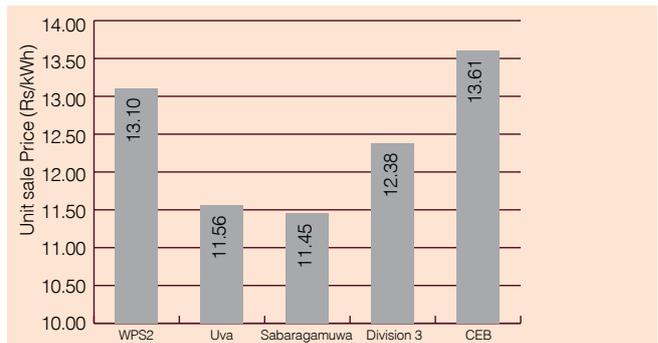
Share of Revenue: Distribution Division 3



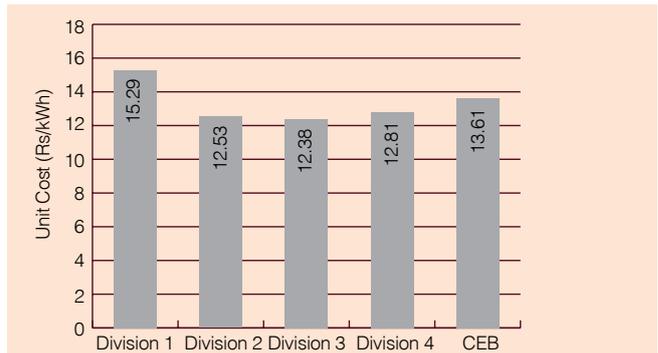
Revenue by Tariff Category- Distribution Division 3



Province - wise Electricity Sales Revenue - Distribution Division 3



Province - wise Electricity Average Sale Price - Distribution Division 3



Division - wise Electricity Average Sale Price - Distribution Division 3

During 2011, the collection as a percentage of sales was 101.9%. The corresponding figure in the previous year was about 99.7%. The Debtors position of the Division for the year 2011 is Rs. 3,116 million. The overall receivable position of the Division was 0.93 months as at December 2011 while it was 1.7 in the year 2010.

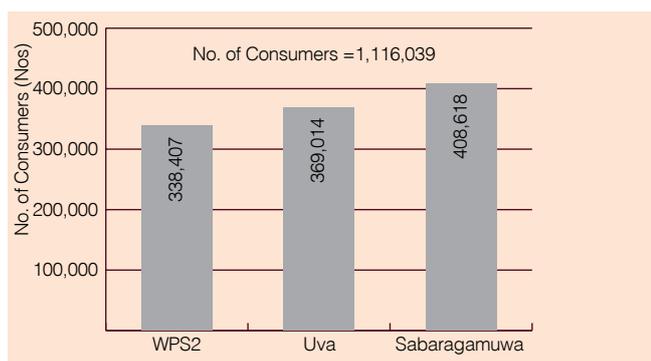
Electrical consumer accounts and New Service Connections

By the end of the year 2011, Division 3 had 1,116,039 consumer accounts. The majority of consumer accounts

Distribution Division 3 Contd..

were in the Domestic category, while the second-most was from the Commercial category. The number of bulk supply consumers in the Division by the end of the year was 1755. The largest number of bulk supply consumers 829, was recorded from Western Province South-2. The total number of consumer accounts in the Division 3 is fairly equally divided among the three Provinces.

During 2011, a total of 64,882 new connections were provided, out of which 78 are new bulk supplies. Out of this total number of new connections 60% of the connections have been provided within two weeks. The reasons for the delay in providing the connections were found to be due to the longer service length, customer un-preparedness and non-availability of requisite way leaves etc.



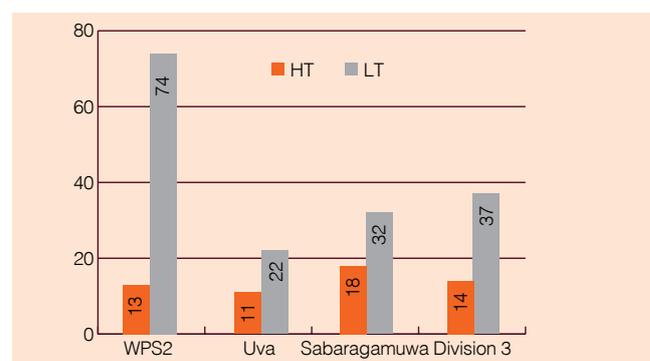
No. of Consumers: Distribution Division 3

Reliability

In order to analyse the reliability of the power supply in Division 3, a breakdown software model was incorporated into SMC and installed in all CSCs of Division 3 in 2011. However, there is a substantial amount of ground level work such as identifying numbers of consumers in each substation, feeder tagging etc. to be done for successful implementation of this software for reliability monitoring and improvement. Some of

the related work has already been done in WPS2 during the year 2011. Almost all the Auto Reclosers are being set for remote operation and it is expected to be completed during the year 2012. This will definitely reduce the restoration time of breakdowns.

During the year under review, the supply reliability has been maintained at the same level that was in previous year even though the HT and LT line lengths have been increased by 3.8% and 1.2% respectively from previous years' figures. The number of breakdowns per month per 100 line km has been maintained at about 14 for High Voltage lines, while it was at 37 for Low Voltage lines.



No. of breakdowns per 100 line-km 2011: Distribution Division 3

Development of Electricity Distribution System

Rural Electrification schemes, RE works and other system development works carried out and completed in year 2011 within the Division is given below. During the year 2011, about 885 km LT new lines, 246 km of new HT lines and 132 new substations were constructed. Further, 78 km of 1-phase and 32 km of 2-phase lines were converted to 3-phase. The total work scope during 2011 is amounted to be Rs. 1,895 million. The network expansion has added 64,882 consumers to the Divisional distribution network.

Scheme	Low Voltage (km)	High Tension (km)	New Subs	Augmented Subs	Subs Maintained	Total Cost (mRs.)
DCB	6	-	-	-	-	7
PCB	38	-	-	-	-	46
SIDA	59	14	11	-	-	116
AREP	255	102	49	-	-	595
Uva Udanaya	253	51	28	-	-	443
Others - RE Schemes	175	19	10	-	-	285
System Augmentation	97	37	33	12	13	347
Maintenance	1	23	1	0	7	57
Total	885	246	132	12	20	1,895

Distribution Division 3 Contd..

Construction of Tower lines and installation other equipment

Item	Scope	Total Cost (million Rs)
New Lines		
Double circuit Racocon line (km)	1	6
Single circuit Racocon Tower (km)	5	49
Double circuit Lynx Tower (km)	3	47
Single circuit Lynx Tower (km)	12	120
Line Maintenance		
Double circuit Racocon Tower (km)	52	20
Single circuit Racocon Tower (km)	110	
Double circuit Lynx Tower (km)	170	
Single circuit Lynx Tower (km)	105	
Primary Substation maintenance		
Primary substations	-	18
Gantries		
New gantries	2	36
Installation of equipment		
Auto - Reclosures (Nos)	4	10
Load break switches (Nos)	2	3
Boundary meters (Nos)	5	5
Bulks supply meters (Nos)	14	28
Total		341

Accelerated Rural Electrification Project (AREP)

The accelerated RE scheme project is to support the government objective to provide electricity all by 2012. The funds were provided by the Government of Sri Lanka. The project was implemented in several provinces in CEB. In Division 3, 135 new RE schemes have been completed in Sabaragamuwa and Uva Provinces, adding about 25,000 consumers to the CEB consumer base. The cost of the project delivered to Division 3 is about Rs. 1,085 million.

Uva Udanaya

The Government of Sri Lanka aims to provide electricity to all by 2012, while establishing Small & Medium Scale Industries in the Rural Sector. The proposed Uva Udanaya Rural Electrification Project would serve the purpose of Rural Electrification Expansion & Access Improvement, and 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 2,250 km to

meet the requirements of Small & Medium Scale and Large Industries as well.

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 Provinces under the Rural Electrification initiative 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 will supply 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 in operation.

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 started in the year 2008. The project scope is given below.

- Augmentation of Ratnapura GSS
- Construction of 71 km of 33kV express lines and 3 switching gantries
- Construction of 1000 km of MV lines, 2100 km of LT lines and 550 distribution substations

Distribution Loss Reduction

Distribution losses as high as 17 % of gross generation in year 2002 has been gradually brought down to 9% by end of 2011. This reduction of Distribution level losses had been due to vigorous monitoring and implementation of distribution loss reduction programmes (both technical and commercial) launched by the Distribution Divisions during past few years.

Distribution losses of Division 3 were 13 % of distribution input to Division 3 during year 2011. The Provincial level losses in Division 3 for the year 2011 are given below.

Distribution Division 3 Contd..

Province	Energy In MWh	Energy loss MWh	% Losses
WPS2	1,157,036	118,137	10
Uva	449,519	75,536	17
Sabaragamuwa	546,446	91,453	17
Division 3	2,153,001	285,126	13

Out of these losses of 13%, it is estimated that technical losses are about 10 % and balance 3% amounts to non-technical losses such as theft, illicit supply, billing errors, metering errors, unmetered street lamps etc. Under Non-Technical Loss Reduction Programme-Stage I, all Bulk Supply Metering installations in WPS2 have been rehabilitated and installation of Programmable Poly phase Meters (PPM Meters) with tamper proof enclosures and tamper proof seals have been Completed. Remote reading of Bulk supply installations of WPS2 is being done. The installation of PPM meters and remote reading for other two provinces has already initiated and will be completed during 2012. Installation of PPM meters for 3 phase 60 A supply in WPS2 will commence soon.

Energy Management

An energy management unit has been set up under DGM(C & C) in the year 2011. Several energy conservation programs have been organized for different consumer groups in order to utilize the energy efficiently. In addition the important of energy conservation is educated by several means such as posters, hands bills etc. The branch will fully focuses on energy conservation, loss reduction, demand side management etc. in Distribution Division 3.

Productivity Improvement and Quality Management

5S concept has been well implemented in several offices and CSCs in Division 3. In order to promote 5S in CEB, GM (CEB) has announced a 5S competition in the year 2011 stating that the winners would be given grand prizes. First prize and second prize in 5S competition under CSC category have been won by two CSCs, Rikillagaskada and Thawalantanne of Nuwara Eliya area in Division 3. The second prize under office category was awarded to Planning and Development Office of Division 3. This has boosted the implementation of 5S in Division 3 and more offices and CSCs have applied for 5S competition in year 2012.

Preliminary documents were submitted to SLSI for initial concurrence, aiming at ISO 9001:2008 for the Planning & Development Branch in 2012. Now almost all quality documents have been prepared and the branch is waiting for auditing by SLSI offices to obtain ISO 9001: 2008.

Material Procurement

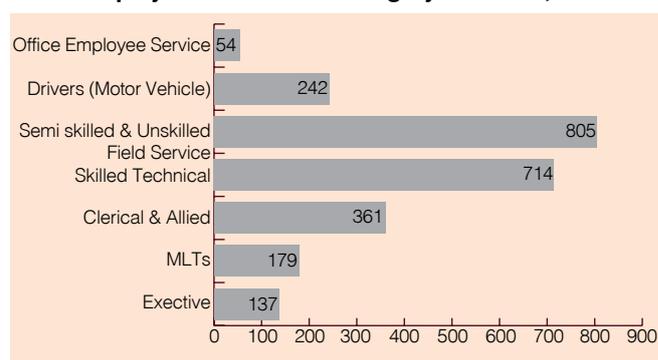
There were 89 tenders (at MPC, BPC and RPC levels) initiated in the year 2011 with a total estimated purchase cost of Rs.1,300 million and 61 tenders were awarded within the year. Therefore, material position in Division 3 has improved greatly ensuring almost all centrally purchased key materials available in the Division.

Division 3 developed Procurement Management System software, which is used to carry out the activities related to all procurements in Planning and Development Branch. Online 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 to automatically generate reminders to track TEC delays, etc.

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 Division at the end of 2011 was 2,492. Wherever there has been inadequate staff, essential services were outsourced. Human Resource Information System developed by Planning and Development Branch of Division 3 automated most of the routine work of the Unit and thereby enhanced the efficiency of the Unit. The employee distribution in the Division is given below.

Employees in Different Category- Total = 2,492



No. of Employees in different Categories 2011:
Distribution Division 3

IT Development

The updating, addition of new features, maintenance work and other support assistance for software are continuously provided by the IT Unit of the Division 3. The SMC software has to be reviewed to incorporate new service connection methodology during the year 2011.

Distribution Division 3 Contd..

The development of Asset Management software has been completed in the year 2011. One workshop has been conducted in order to introduce the initial version of the software. Especially transformer movement is done based on its serial number. Hence, it has been incorporated into other software like MITFIN by which issues are printed. Further, development of a computer software for handling assets like vehicle, office furniture, office stationary etc has been started at the end of year 2011. It will be completed and implemented in the first quarter of the year 2012.

The following software has been developed by the IT Unit of the Planning and Development Branch:

- SMCDDBMS : Service Main Card Data management software for all the activities in CSC
- CCDMS : Commercial and Construction Data Management Software for provincial activities
- HRMS: Human Resource Data Management Software for HR works
- ESRLFS :Electricity Supply Reliability Level and Failure Monitoring System
- AMS: Asset Management System
- PDMS: Procurement Data Management System
- OAIMS: Office Asset and Inventory Management System

Planning and development Branch of Division 3 has developed following software for computerization of activities performed in different branches of Division 03. Two merit awards competing in the National Best Quality Software Award organized by British Computer Society have been won.

Staff Welfare

In order to create a better working environment to promote team work in the Division, many events were organized for the benefit of employees. Among them the Annual Sports Meet and Get Together held at Play Ground of Pannipitiya Dharmapala Vidyalaya and Annual trip to many places in Southern province were noteworthy. A blood donation program has been organized by WPS2 of Division 3 to save lives of patients who are in need of blood. Further, a program to offer a financial assistant to elder people who are in need of help of the others has been organized in 2011. About 150 persons have participated in the program held in Division 3 Headquarters Building.

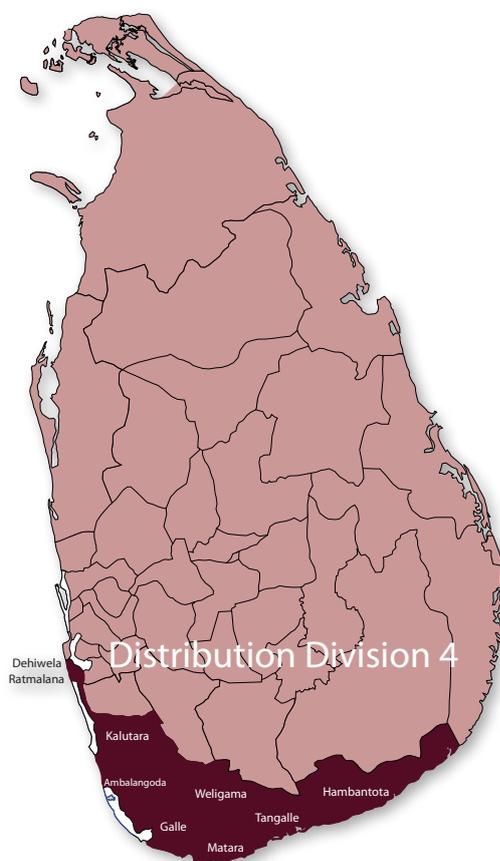


Annual Sport Meet and Get Together 2011, Pannipitiya Dharmapala Vidyalaya Play Ground

Distribution Division 4

Area of Service

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 extends from Dehiwala to Kataragama.



Distribution Division 4: Boundaries Map

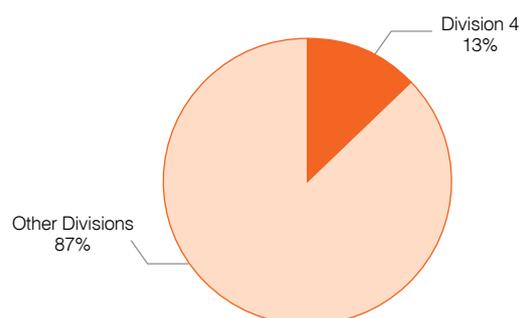
Highlights of the Year 2011

Units sold within the Division during the year	GWh	1,269
Revenue earned from electricity sold	Rs. Million	16,267
Average selling Price	Rs./kWh	12.81
Distribution loss	%	12.0%
Receivables (excl. finalized Accounts & street lights)	Month	0.89
Receivable position (with finalized Accounts)	Month	2.13

No. of retail consumers at the end of the year	No.	846,007
No. of bulk consumers at the end of the year	No.	1,192
No. of new connections provided during the year	No.	32,112
No. of employees at the end of the year	No.	2,031
Average revenue	Rs./month/consumer	1,600
Average No. of retail consumers per employee at the end of the year	No/employee	417
Average No. of retail consumers per distribution substation	No/substation	214
Average length of low voltage lines per employee	km/employee	10.76
Average length of low voltage lines per consumer	km/consumer	0.026
Average length of medium voltage lines per Distribution Substation	km/sub station	1.18

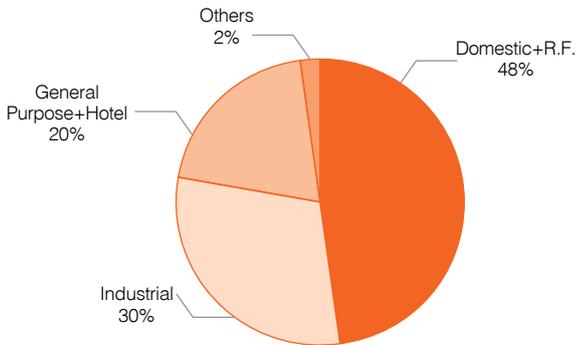
Total population within the Division is about 4.06 million. The highest electrification level of the Division is 99.06% in Western Province South-1 and the lowest is 97% in Southern Province. Ratmalana Airport, Ratmalana Industrial Zone, Koggala Industrial Zone, Hambantota port and many of the famous beach resorts are geographically located in the Division.

The annual electricity consumption per-consumer in the Division is 1,498 Units. Western Province South-1 records the highest annual electricity consumption per consumer, which is 2,213 Units while the lowest annual electricity consumption per-consumer is 1,231 Units in Southern Province.

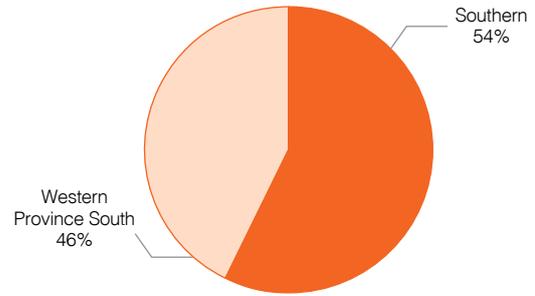


Share of Energy Sales: Distribution Division 4

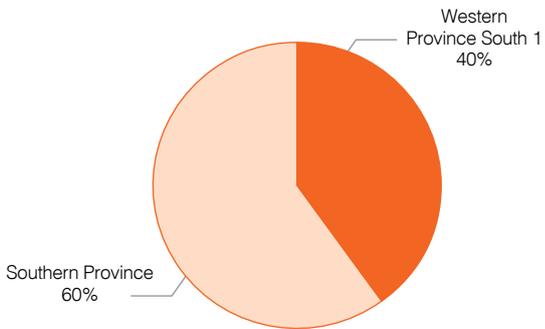
Distribution Division 4 Contd..



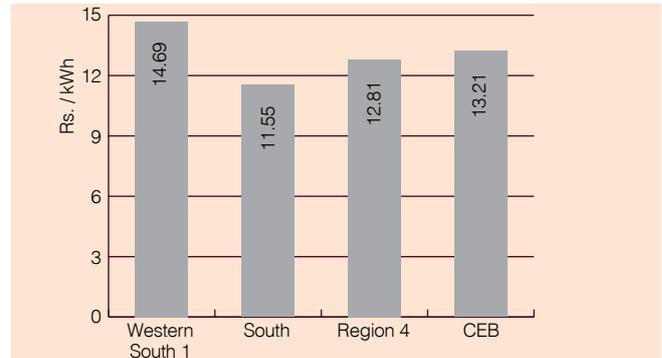
Sales by Tariff: Distribution Division 4



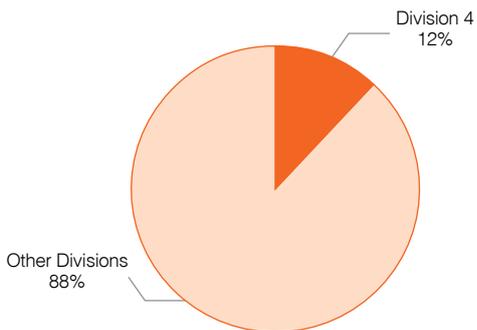
Revenue by Province: Distribution Division 4



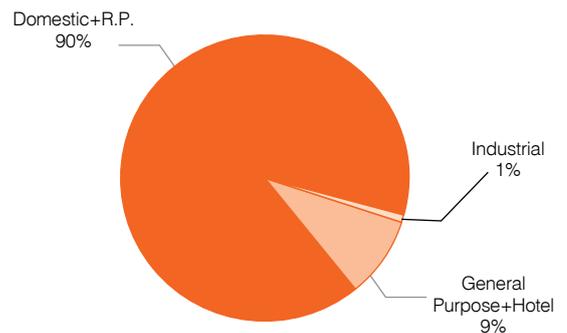
Sales by Province: Distribution Division 4



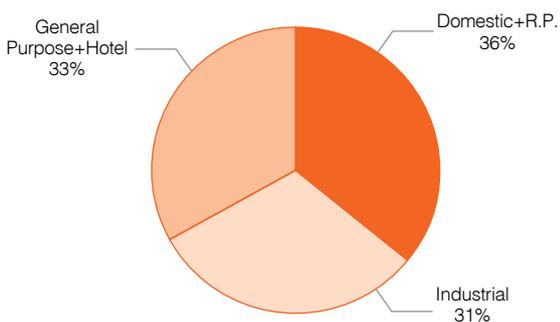
Average Selling Price: Distribution Division 4



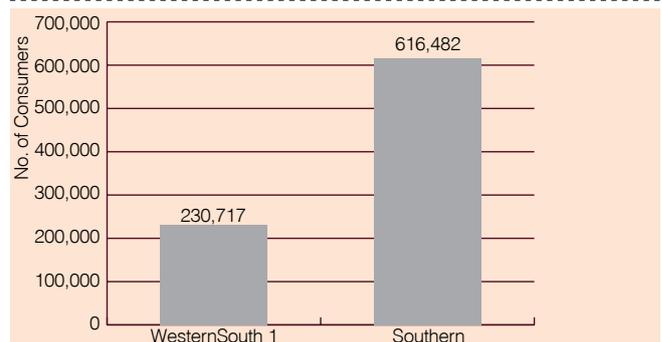
Share of Revenue: Distribution Division 4



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 Areas, while Southern Province consists of Ambalangoda, Galle, Hambantota, Matara, Tangalle and Weligama Areas.

	Western Province South 1	Southern Province
Land Area, sq. km	1,230	5,640
Population in millions	1.46	2.6
Number of Households	430,890	634,118
Electrification level	99.06%	97%

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.

The Planning and Development Branch addresses 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 carried out 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	4,370
11 kV Distribution Lines	km	275
33/11 kV Primary Substations	No.	33
LV Distribution Lines	km	21,852
LV Distribution Substations	No.	3,946
Service Connections (including Bulk Supplies)	No.	847,199

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, 86 POS counters and two Distribution Control/Call Centres took special efforts in order to provide a better service to the consumers during the year. A new Sub-Consumer Service Centre was opened in Baddegama, to serve the public in that area more efficiently.

First mobile service in CEB history was successfully conducted at Kalutara in January 2011. E-City of Western Province South-1 has been functional from October 2011.



Mobile Service at Kalutara

Energy Sales

Division 4 maintains accounts for 13% of the total electricity sales in the country. In the year 2011, 1,269 GWh of electricity was sold in the Division. With the transferring of LECO

Distribution Division 4 Contd..

accounts to Transmission Division, total sales amount of Distribution Division 4 were decrease in year 2011 compared to year 2010. 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 2011 was Rs. 16,267 million which is 22.56% lower than the previous year. Main reason for this is transferring LECO accounts to Transmission Division in year 2011. 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.12.81 per kWh which is less than the national average of Rs. 13.21 per kWh. The receivable position (with finalized accounts) of Bulk supply consumers and Ordinary Supply Consumers in the Division at the end of 2011 was 3.92 months and 0.99 months respectively. During 2011 the collection as a percentage of sales was 100.1%.

Electricity Consumer Accounts and New Service Connections

Division 4 has 847,199 consumer accounts by the end of the year 2011. The majority of consumer accounts were in the domestic category. During the year under review, a total of 32,112 new connections have been provided.

Reliability

During the year 2011, 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 2011 are given below:

Job Category	Extent of work			
	HT (Km)	S/S (Nos.)	LT (km)	Line conv. (km)
Decentralized Budget + Provincial Council Budget	9.5	6	39.3	13.4
Cost Paid and Bulk Supply	17.9	63	1.3	-
Gama Naguma	-	-	26.4	4.0
Property developments	1.2	3	25.5	0.6

System Augmentation	48.0	30	53.7	194.7
Iran	55.9	44	180.1	15.7
Swedish International Development Agency	47.5	12	69.7	2.2
Lighting Sri Lanka(Galle-Matara)	-	-	49.3	13.1
Lighting Sri Lanka Hambantota Project	10.1	8	93.0	-
Lighting Sri Lanka Kalutara Project	4.1	2	43.4	2.8
Other	-	-	0.2	-
Total	194.2	168	581.7	246.4

Highlights 2011

The following major activities were carried out during 2011:

- Construction of 33kV Lynx D/C tower lines at a total cost of Rs.50 million.
- Construction of terminating towers for making way for the proposed highway in southern province at a total cost of Rs.15 million.
- Reconstruction of 33kV tower lines in Southern Province at a total cost of Rs.2 million after the cyclone in November 2011.
- Rehabilitation of selected existing 33kV tower lines of 75 km in length in southern province at a total cost of Rs.30 million.
- Hot line maintenance of about 140km of 33kV tower lines.
- Construction of New 2MVA, 33/11kV PSS in Thellulla and 1MVA, 33/11kV PSS in Yala at a total cost of Rs. 16 million.
- Refurbishment of Fullerton and Boralesgamuwa PSS at a total cost of Rs.90 million (to continue in the year 2012).
- Re-positioning of 33kV and 11kV switchgear in Panadura PSS at a total cost of Rs. 15 million.
- Installation of Auto Reclosers, and metering transformers at a total cost of Rs.18 million.
- Routine maintenance of 20 manned and 13 unmanned PSS.
- Routine maintenance of 26 Nos. 33kV switching gantries, 56 Nos.33 kV Auto Reclosers, 127 Nos. 33kV LBSS and 38 Nos. metering transformers.

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

Distribution Division 4 Contd..

Planning and Development

Developing of Medium Voltage Distribution Network Plan for 2013-2022 has been commenced. Reviewed the augmentation proposals of Hambantota Grid Substation, in view of the increasing electricity demand and proposed 30MW solar power plant, at Barutankanda, Hambantota. Study on protection co-ordination between the Grid Substations and Auto Reclosers along the distribution feeders has been commenced, in order to improve the supply reliability.

Distribution Loss Reduction

Energy Management unit has been established in southern province 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, Installation and maintenance of provincial and area boundary meters, energy auditing of distribution transformers are being to carry out by Energy Management Unit.

Energy conservation seminars were held on selected schools to educate the school children about the energy efficient equipment and how to conserve energy efficiently and effectively with day to day works.

Metering

Divisional Meter Testing Laboratory carried out the following programmes during the year 2011:

- Conversion of bulk supply energy meters to Remote Meter Reading (RMR)
- Was completed in Western Province South 1
- Accuracy testing of over 1,300 bulk supply LT and HT meters, Energy Meters at Primary Substations, at inter-division boundaries and Grid Substations
- Re-programming of all the bulk supply, primary and inter-division boundary energy meters to facilitate the new tariff change
- Training programs on metering and related activities

Material Procurement

Divisional Procurement Unit carried out the following major activities during the year 2011:

- Preparation of Annual Procurement Plan using the requirement of the materials and services of the Provinces and other Divisions. The estimated amount of this Plan was Rs. 1,425million
- Preparation of monthly Material Management Plan and initiated tenders in each month. The number of tenders

initiated was 81 Nos. in various authority levels such as RPC,BPC, MPC and CAPC

- Carried out International Competitive Bidding (ICB) and the National Competitive Bidding (NCB) to procure the items planned during the year.
- Arranging inspection for materials for foreign items as well as local items in order to check the performance
- Organizing training, workshops, seminars etc. to educate and familiarize on items procured.

Computerization Activities

Human Resource Information System (HRIS) was introduced to the Division 4 in year 2011 and finished feeding basic employee information to the database. The HRIS system has 13 modules and first module has been started the parallel run of Leave module together with the manual system at the Division in end of the year 2011.

MITFIN software continued in Western Province South-1 during the year 2011 with online connection to all three Area Offices and extended to online facility to all six Area Offices coming under Southern Province. In addition all Consumer Service Centers in the Division were connected to the online network system except Thalgaswala Consumer Service Center. Consumer Service Center wise accounting by MITFIN software has been started in the Kalutara, Matara and Tangalle Areas during the year 2011. It is planned to complete the Consumer Service Center wise accounting in the Division within the year 2012.

Productivity Improvement

5S concept was implemented in DGM Offices, Area Offices and Consumer Service Centres of the Division 4 in year 2011. Southern Province organized events to promote the concept with the assistance of Divisional Secretariat Galle. Kamburupitiya CSC won the third place at the 5S competition held by CEB in 2011 and two merits award received by Chief Engineer (Construction) Branch and Agunukolapelessa Consumer Service Center.

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 2011 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 consisting for construction of 230 Nos. of distribution substations, 350 km medium voltage lines, 1,250km of low voltage lines, 108 km of 33 kV Express

Distribution Division 4 Contd..

double circuit tower lines, 06 Nos. of 33kV Gantries, Beliatta Grid Substation and transmission lines are to be constructed.

The project has undertaken its construction of electricity distribution work in addition to the scope of the project. Construction of 243 substations, 238km MV lines and 1,882 km LT lines have been completed up to 2011. More than 75% of low voltage lines have been constructed using All-insulated Bundle Conductors (ABC) to save the valuable trees in the district.

Environmentally-friendly partially insulated medium voltage line of about 5 km distribution network have been drawn in first time in Sri Lanka under Rural Electrification works to save trees and vegetation in the forest reserves in the district. At the present, CEB has commenced RE works using above technology in the terrains where clearing of way leaves are restricted.

The construction of 33kV tower lines and gantries are in progress and scheduled to be completed by third quarter of 2012. The 33kV tower lines were designed using the new software PLC CAD with necessary training and the cost of tower lines has been optimized.

Another remarkable new technology was used to minimize the using of lands and reducing the cost for 33 kV tower lines by construction of four circuit tower lines of 4.5 km in first time in Sri Lanka to provide electricity to new Harbour in Hambantota.

The most of the targets of the project are over and 33 kV tower lines have been planned to be completed within the year 2012.

Electricity Distribution Development Project Dehiwala - Mt.Lavinia

Following major activities have been carried out:

- Procurement of Foreign Materials and Equipment
Legal clearance from the Hon. Attorney General was obtained for draft commercial agreements in respect of the tender for foreign materials and equipment on supplier's credit terms. Also allocable insurance premium rate associated with China EXIM Bank credit facility was brought down to 4.55% from 6.55% after successful negotiations with the Bidder.
- Detailed field surveys of implementation of Stage I works of UG Cable network
Data collection for preparation of comprehensive work estimations was completed. Also the approval from SLLRDC for cable carrying bridge design (10.5m in length) at Nedimala was obtained.

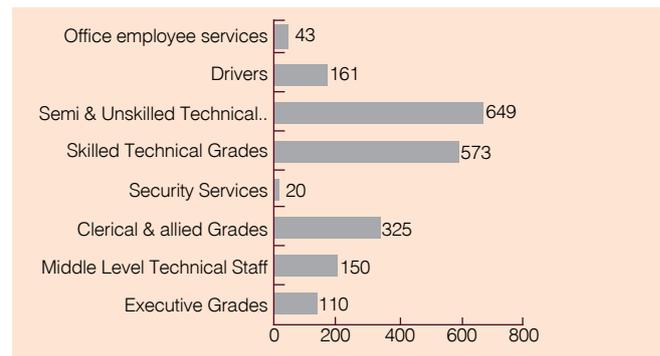
Field investigations and estimations of 50 distribution substation schemes for conversion of LV bare lines into Aerial Bundled Conductor Lines and site clearance works including shifting of MV & LV equipment in sites under constructions of radial substation buildings - Stage 1 were done parallel to the above major activities.

Lighting Sri Lanka - Galle, Matara Project

The objective of the Lightning Sri Lanka - Galle, Matara Project is to make access electricity to all household in Galle, Matara Districts and to improve quality and reliability of the electricity supply. Project will be completed in 2012.

Human Resources: Distribution Division 4

At the end of the year, the total staff strength of the Division was 2,031.



Staff Categories: Distribution Division 4



Construction of Upper Kotmale Power Station

PROJECTS DIVISION

Projects Division

The Puttalam Coal Power Project Phase I

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. Contractually, the Project should have been completed in January 2012. The Plant however commenced commercial operation in July 2011 and is generating around 5 GWh per day.

Fuel for the Power Plant is high quality low sulphur bituminous Coal. The Coal requirement for Phase I is estimated to be 650,000MT per annum. However as an additional precaution, a Flue Gas Desulphurization unit, which could absorb 90% of the Sulphur Dioxide, has been installed to minimize the risk of violation of emission standards. The Fly Ash generated as a result of burning the coal would be arrested by the Electrostatic Precipitator to extent of 99.2%. Therefore, any concern related to particulates destroying the vegetation around the Plant has been eliminated.

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.

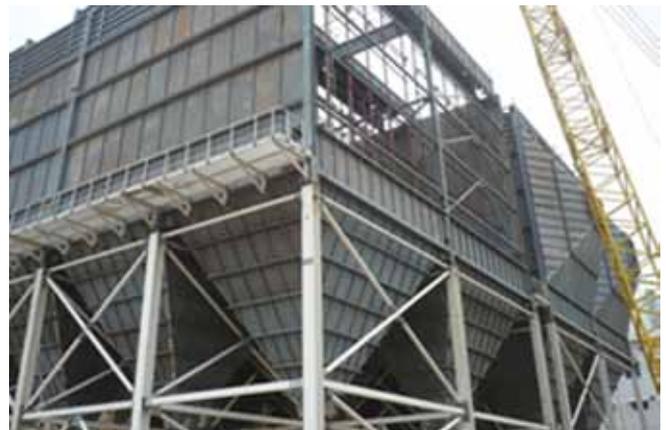
Transmission Line and Substation

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.

Employers Housing Compound

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

Puttalam Coal Power Project Phase II



Construction Works in 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 Plant No 1 with related common works,
2. Construction of third 300MW similar Plant as of the Plant 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 mid-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 except for part of Phase I (US\$ 155 million) which is obtained as a commercial loan.

Projects Division Contd...

Upper Kotmale Hydropower Project



Construction Works in Upper Kotmale Transmission Lines



Construction Works in Upper Kotmale Spillway Gates

Project Implementation

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

The project mainly consists 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.
- 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 works of the project have been divided into 5 lots for the convenience of management and have been awarded to 5 contractors as details given below.

Installed Capacity	150 MW (75 MW x 2 Units)
Annual Energy	409 GWh
Foreign cost (JICA Loan)	JPY 37,817 million
Local Cost (by CEB)	LKR 8,548 million

Projects Division Contd...

Lot	Name of the Contractor	Date of award	Contract period	Contract Value	
				LKR million	JPY million
Consultancy Service	J -Power	2003.11.15	96 Months	661	2,017
Lot 1: Preparatory Works	Maeda Corporation	2005.07.27	33 months	6,328	697
Lot 2: Main Civil Works	Maeda - Nishimatsu JV	2006.12.06	54 Months	5,609	7,726
Lot 3: Hydro-Mech. Equipment	Kurimoto, Ltd.	2007.11.29	42 Months	569	1,994
Lot 4: Electro-mech. Equipment	Mitsubishi Corporation	2008.06.20	36 Months	585	7,973
Lot 5 : Transmission Line	Kindon Corporation	2009.10.06	22 Months	576	853
				12,839	20,850

Physical Progress of the Project as of end of December 2011

Item	Description	% Completion
Lot 1	Preparatory works	94
Lot 2	Main Civil Works	94
Lot 3	Hydro Mechanical Equipment	99
Lot 4	Electro Mechanical Equipment	91
Lot 5	Transmission Line	99

Overall Progress of the Project: 94%

Expected Date of Commissioning: June 2012

Funding arrangements

JICA Loan JPY 37,817 M
CEB (Counterpart) administrative cost LKR 8,548 M

Trincomalee Coal Power Project 500MW



Signing the Joint Venture Agreement for Trincomalee Coal Power Project

This project envisages a 500 MW power plant in Sampoor Trincomalee to be developed and operated by a Joint Venture Company of which CEB and NTPC Ltd. of India will each hold 50% of equity share. 70% of the project cost will be raised on debt. The 500 MW first stage of the project is expected to be commissioned in the year 2016. The Project consists of three Major areas as follows.

Power Plant

Implementation Agency
Trincomalee Power Company Limited (Joint Venture between CEB and NTPC Limited)

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

Transmission Lines and Substations

Implementation Agency
Ceylon Electricity Board

Line route 220 kV form Sampoor to Veyangoda via Habarana
Line length 248 km
Line cost Sampoor to Habarana: approx US\$ 55 million
Habarana to Veyangoda: approx US\$ 140 million

Projects Division Contd...

Financing Multilateral funding agencies

Port Facilities for Coal unloading

Implementation

Agency Not yet finalised

Location in Koddigar Bay near Power Plant Site

Capacity 9.2 million tons coal unloading per annum at the final phase

Cost **Jetty:** Approx. US\$ 80 million

Unloading equipment: Approx. US\$ 26 million

Financing Not finalised yet

Joint Venture Agreement between CEB and NTPC was signed on 6th September 2011 followed by the incorporation of the Joint Venture Company on 26th September, 2011. The Power Purchase Agreement, Implementation Agreement and the BOI agreement between Trincomalee Power Company Ltd. (TPCL) and CEB, Treasury and BOI respectively are expected to be signed after the completion of feasibility study.

Site specific studies regarding the feasibility study are being carried out by selected contractors under the supervision & guidance of NTPC and Feasibility Report will be available in February, 2012. EIA Study for the power plant is in progress and is expected to submit the report in March 2012. Construction of the power plant is expected to commence in February 2013 and Commercial operation of the first unit is expected in November 2016.

220kV Transmission Line from Veyangoda to Habarana



Trincomalee Coal Power Project : Transmission Line Surveys

The 150 km, 220kV transmission line is to be constructed from Habarana to Veyangoda and construction of New Habarana Grid Sub Station & Augmentation of Veyangoda Grid Substation. The funds for the above transmission line amounting to about Rs. 14 billion is expected from JICA.

Uma Oya Multipurpose Development Project



Construction Works in Uma Oya Main access tunnel

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 March, 2015.

Projects Division Contd...

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.

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 90km 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 2006 by securing funds arranged by the successful contractor. After the successful evaluation of the bids China National Electric Equipment Corporation (CNEEC) was selected as the successful bidder and contract agreement signed with them in end of 2010.

The total project cost is USD 82 million and the cost is met by loans borrowed from Industrial & Commercial Bank of China and People's Bank 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 2012 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 CDN Registration/ CER revenues for Broadlands Hydropower Project. The consultancy contract agreement was signed 18th August 2011. Presently the Project Design Document (PDD) for CDM registration of the project has been uploaded to UN Framework convention on Climate Change (UNFCCC) web site for public comments. Further PDD has been submitted to the Designated National Authority (DNA), i.e Ministry of Environment and Natural Resources for their approval. The Environmental clearance for the project has been extended until 8th November 2012. The acquisition of lands required for project works are in progress. Activities related with the approval Resettlement action plan are also in progress.

Jaffna 24MW Power Project

It has been decided to install a 24MW Power Plant at Chunnakam to provide a permanent solution to the power requirement in Jaffna Peninsula which is isolated from national grid. At present, power supply in Jaffna Peninsula is predominantly met by independent power producers as high cost emergency power plants.

The new plant will be constructed at land belongs to CEB in Chunnakam as an EPC turnkey contract. The new plant, operating on Fuel Oil 1500, is expected to commence commercial operation by the end of 2012. It is expected to generate around 182 million units annually. TEC has been appointed in October 2011 to handle procurement process in this regard. Bid document is prepared and obtained approval of Standing Cabinet Appointed Procurement Committee for the same. The paper advertisement was published on December 22nd 2011 to invite proposals for ICB. The bids were scheduled to close on February 2nd 2012 and commencement of power house construction work is scheduled in mid of March 2012. Surveying of the land of proposed site and preliminary site clearing work are already completed. Scoping meeting was held with participation of stakeholders of the power plant and TOR for Initial Environmental Examination (IEE) was issued by Central Environmental Authority. Preparing IEE report is in progress.

The Colombo City Electricity Distribution Development Project

Purpose of the Project

To meet the increasing power demand, improvement for the stable and reliable power supply of the distribution network in Colombo City, the upgrading, expansion and rehabilitation works including establishment of the automation control and monitoring system of the electricity distribution network are implementing under this project.

Activities and the achievements during 2011

Package	Activity	Physical Progress
A	Extension of two Grid Substations (Installation of 132kV GIS bay at Kolonnawa Grid Substation and 10 Nos. 132kV GIS Bays including GIS Building Construction at Kelanitissa Grid Substation)	100%
	Upgrading of Primary Substation "C" (33/11kV, 3 x 12.5MVA to 132/11kV GIS, 2 x 31.5MVA) including GIS Building Construction)	100%

Projects Division Contd...

B	Construction of 132kV underground power cables (Kelanitissa Grid Substation to Primary Substation "C", single circuit 2.0km and Kolonnawa Grid Substation to Primary Substation "C", single circuit, 6.78km including fiber optic communication cables.	100%
C	Construction and Rehabilitation of 11kV Distribution System in Colombo City and Augmentation of Primary Substation 'H'.	100%
D	Establishment of a SCADA Control Center for Colombo City 11kV Distribution System including building construction, 15 Remote Terminal Units at Grid and Primary Substations, 116 Nos of Remote Terminal Unit at Satellite Substations, 117 Remote Terminal Unit at Radial/Ring Substation	100%

Transmission Projects

Transmission Projects Branch had 10 Project Management Units and the Transmission Construction Unit during 2011, performing at their peaks. Construction of 11 new 132/33kV Grid Substations, augmentation of 21 existing Grid Substations, construction of 516 km of new 132kV transmission lines and stringing of the 163 km long second circuit of a 220 kV transmission line are the works handled by this branch during 2011.

Staff strength of the Branch was increased to handle this massive workload. 48 engineers, 55 superintendents and 172 strong works force in other grades were attached to the branch at the end of 2011, and became the largest Branch within the Projects Division.

Greater Colombo Grid Substation Project - Kotugoda Extension

This project replaced the old outdoor 33 kV switchgear at Kotugoda Grid Substation with Gas Insulated Switchgear (GIS) and added of two new 31.5 MVA, 132/33 kV power transformers to the system by enhancing the reliability of the electricity supply in the West North & North Western Provinces. KfW of Germany funded this Euro 6 million worth



2X31.5 MVA Transformers were installed at Kotugoda Grid Substation

project as an extension to the already completed Greater Colombo Grid Substation Project (GCGSP). However, both transformers were not securely transported to Sri Lanka from ABB Vietnam Factory and hence had to be repaired. First transformer was energised in December 2010 with the new 33kV switchgear. Second transformer was energised in December 2011 to complete the scope of work of the project.

Beliatta Grid Substation Project

Beliatta Grid Substation provides necessary capacity to 33kV distribution system in the Southern Province and receives energy from Matara-Hambantota 132kV transmission line by tapping it at Hakmana. 8 km long 132 kV double circuit transmission line construction work worth of Rs 427 million has been completed by CEB.

63 MVA, 132/33kV Grid Substation costing Euro 4.7 million and LKR 89.3 million is being constructed using funds provided by the Government of Sri Lanka under the Phase 1 of Lighting Hambantota Project. 85% of the work has been completed and expected to make available for commercial operation in early 2012.

Vavuniya - Kilinochchi Transmission Project

"Wadakkinn Wasantham" program included the construction of required transmission lines and grid substations to extend the transmission system from Vavuniya to Chunnakam via Kilinochchi that was destroyed two decades ago. This Project once completed will extend the national grid electricity from Vavuniya up to Kilinochchi.

JICA has agreed to finance this project and provided JPY 2700 accordingly. Scope of work in this Project consists of construction of 63 MVA, 132/33kV Grid Substation at Kilinochchi, including attending to necessary augmentation work at Vavuniya grid substation. Construction of 73 km long 132 kV double circuit transmission line from Vavuniya grid

Projects Division Contd...



Transmission tower construction at Mankulam substation to Kilinochchi grid substation is also a part of this project.

72% of the transmission line work and 71% of the Grid substation work have been completed by end of 2011. It is expected to complete both components of this project by August 2012.

Kilinochchi - Chunnakam Transmission Project



Soil investigation at the Transmission line tower, Elephant Pass

This project undertakes construction of a 63 MVA, 132/33kV grid Substation at Chunnakam and will construct a 67km, double circuit 132kV transmission line from Kilinochchi Grid Substation to Chunnakam Grid Substation.

Conflict Affected Region Emergency Project (CAREP) is a sub project of the "Wadakkinn Wasantham" development program and has arranged US\$ 28.72 million for this project from

Asian Development Bank through the Ministry of Economic Development and the Ministry of Power & Energy.

Turnkey Contracts for both components were signed and the contractors have mobilised to sites. Work has been commenced and 10% progresses of both components were recorded by end of 2011. It is expected to complete the Project by August 2013. Once this project is completed, the National electricity grid supply will be available to all parts of the country including the north.

Augmentation of Grid Substations for Absorption of Renewable Energy Project

Asian Development Bank provides financing of Rs. 2,998 million for a part of this project (Phase II of the Project) under their Loans 2518-SRI (SF) - Clean Energy and Access Improvement Project.

Using these funds, a new 63 MVA, 132/33 kV grid substation is being constructed at Mahiyanganaya. Further, the existing grid substations at Seethawaka, Balangoda, Badulla, Nuwara Eliya and Ukuwela are being augmented under this phase of the project.

Government of Sri Lanka is financing the balance work of this project (*Phase I of the Project*) worth of LKR 1361 million. Augmentation of existing grid substations at Ratnapura, Wimalasurendra, and Rantambe (Phase I - Lot A) and construction of a 21 km long 132 kV double circuit transmission line to connect the Rantambe and Mahiyanganaya grid substations (Phase I - Lot B) are the scope of Phase I of this project.

All the contracts have been signed with selected contractors and the works at all locations have been commenced. At the end of 2011, Phase I - Lot A, Phase I - Lot B, and Phase II have recorded progresses of 18%, 74%, & 28% respectively. All components are expected to be completed for commercial operation by early 2013.

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 the Loan No. 2518-SRI (SF) - Clean Energy and Access Improvement Project.

Turn-Key Contract was signed for the project and the approximately 100km long 132 kV double circuit transmission lines are now being constructed in four different routes. They are the Galle-Matara, Puttalam-Maho and Ukuwela-Pallekelle lines and the interconnection line to Naula grid substation.

Project has recorded a cumulative progress of 65% at the end

Projects Division Contd...

of 2011. Work is expected to be completed for energisation by early 2013.

Transmission System Strengthening Grid Substations Project

This project is also a part of the Loan 2518-SRI (SF) - Clean Energy and Access Improvement Project, funded by the Asian Development Bank, worth of US\$ 33.1 million.

Project has three components namely Lot A1 (augmentation of the existing Kurunegala Grid Substation), Lot A2 (Construction of three new 132/33 kV grid substations at Naula, Maho & Pallekelle, including the augmentation of existing grid substations at Habarana, Panadura, Matara, Puttalam & Galle), and Lot A3 (Augmentation of the existing Veyangoda & Horana grid substations).

Project went through a difficult and indecisive period during procurement and hence only Lot A2 was able to finalise and to award the contract during 2011. Lot A2 component managed to secure a progress of 11% by end of 2011.

Tenders originally floated for Lot A1 & Lot A3 had to be cancelled due to technical reasons and has been decided invite tenders again for Lots A1 & A3 by January 2012.

Transmission System Strengthening Eastern Province Project



Transmission tower construction at Welikanda

Eastern Province, especially the Batticaloa District, has only one 132kV line strung from Habarana along the partly damaged towers. Valachchenai Grid Substation was also very old. Hence electricity network in the area is weak and not adequately reliable. It was therefore planned to construct a new 100 km, 132 kV transmission line from Habarana Grid Substation to Valachchenai Grid Substation (Lot B) and also to augment the Valachchenai and Ampara Grid Substations (Lot A) in order to strengthen the electricity system .

Asian Development Bank funds US\$ 25.2 million for this

project under the Loans 2518 SRI (SF) & 2519-SRI (SF) - Clean Energy and Access Improvement Project.

Turnkey contracts were signed for both lots and construction work has been commenced and in progress. Lot A and Lot B contracts have recorded physical progress of 14% and 44% respectively at the end of 2011. Both components are expected to be completed in early 2013 and the quality & durability of electricity supply to East will be considerably improved once the project is completed.

North East Power Transmission Development Project

Electricity supply in Eastern and North Central Provinces were required to be strengthened further to cater for the rapidly growing demand in these provinces especially after the elimination of terrorism existed for several decades. Hence the ADB had agreed to provide US\$ 55 million under the Sustainable Power Sector Support Project II to strengthen the transmission system by;

- (i) Constructing Three new 132/33kV grid substations at Monaragala, Polonnaruwa & Vavunathiev, and carrying out required augmentation works of the existing grid substations at Ampara & Rantambe **(Lot A)**
- (ii) Constructing 132kV transmission lines between Mahiyangana-Vavunathievu, Uhana- Ampara and Medagama -Monaragala **(Lot B)**
- (iii) Constructing the second 220 kV circuit of the existing New Anuradhapura-Kotmale transmission line **(Lot C)**

PMU was appointed and the procurement process was commenced. Evaluation of technical proposals all three Lots have been completed at the end of year 2011 and expected to award the contracts in early 2012.

Local work including securing of sites to construct the Grid Substations and finalising transmission line routes in consultation with all stakeholders have been initiated and in progress.

New Galle Power Transmission Development Project

Need of developing the electricity network in the Southern Division and enhancing the capacity was identified and the requirement of constructing a new grid Substation at Galle was one of the priorities identified within that plan. However, it was not able to identify financing at acceptable conditions and hence the work had to be postponed for few years. Finally the Asian Development Bank agreed to provide US\$ 22 million for the identified scope of the New Galle Power Transmission Development Project and the loan agreements were signed accordingly in this year.

Projects Division Contd...

94.5 MVA, 132/33 kV, New Galle grid substation will be constructed under the Lot A 1 of the project and will construct a 40 km long 132kV double circuit transmission lines from Ambalangoda Grid Substation to new Galle grid substation in order to increase the power transmission capability under the Lot B of the Project. Additionally it is expected to install Breaker Switched Capacitors at four Grid Substations under the Lot A2 of the project to improve the power quality of the system.

Project Management Unit was established and the procurement process has been commenced during the year and contracts could be awarded in early 2012.

Transmission Construction

Newly established Transmission Construction unit was further strengthened during the year and assigned more works. Need of elevating the transmission construction works by appointing a Deputy General Manager to head the branch with adequate authority and infrastructure facilities was justified and hence the process of obtaining approvals were re-initiated during the year. Once this Branch is established and organised properly, it will be able to undertake all CEB and GOSL funded transmission construction works. It is expected to make necessary appointments in early 2012.

Transmission Construction Unit headed by the Chief Engineer is fully occupied with augmenting the Puttalam & Vavuniya Grid Substations and also constructing part of the 132kV transmission tower line from Rantambe to Mahiyangana.

Apart from the above, minor transmission construction works as and when required are also being undertaken and handled by this Unit.



ASSET MANAGEMENT AND
CENTRALIZED SERVICES
DIVISION

CORPORATE STRATEGY
DIVISION

Asset Management and Centralized Services Division

Following Branches function under the Asset Management & Centralized Services Division:

1. Asset Management & Corporate Branch
2. Civil Works & Buildings Branch
3. Security Section
4. Training Branch
5. Workshop & Ancillary Service Branch

Asset Management and Corporate Branch

Asset Management function was introduced in the CEB for the purpose of generating an additional income by utilizing the available resources and assets for different purposes other than the normal activities of the CEB without affecting its statutory functions. In order to carry out this new function, a separate Branch was established in June 2010. Some of the activities identified for the Asset Management Branch are as follows:

- Leasing of CEB Hydro Reservoirs for tourism and recreational facilities, such as operation of sea planes and boat services
- Opening up of CEB Circuit Bungalows for outsiders at current market rates
- Leasing of space suitable for advertising in CEB premises and Boundary Walls
- Permitting advertisements on electricity posts

Action has also been taken to prepare an inventory of Lands & Buildings, in order to manage them effectively for income generating purposes. Staff has been identified for this Branch and it is expected to proceed with the plan during the coming year. The corporate functions of the Asset Management & Centralized Services Division are also handled by this Branch.

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 programmes 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:

1. CEB Training Centre, Piliyandala
2. CEB Training Centre, Castlereagh
3. External Training Unit at CEB Head Quarters, Colombo

4. Examination Unit
5. Occupational Health & Safety Unit
6. 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.

Vision of the CEB Training Centre, Piliyandala

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

Mission of the CEB Training Centre, Piliyandala

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	Sub unit	Responsibility
1	CEB Training Centre – Piliyandala	TTC – Piliyandala	Technical Training, Training for promotional requirements of CEB Field Service & Skilled Grades Employees as per CEB Recruitment & Promotion Scheme 2002.
2	CEB Training Centre – Piliyandala	Internal Training Unit	Computer Training and 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.
3	CEB Training Centre Castlereagh		Technical Training for employees in Generation Division, Training for promotional requirements of CEB Field Service & Skilled Grades Employees in Generation division as per CEB Recruitment & Promotion Scheme 2002
4	External Training Unit		Overseas Training of all CEB Employees

Asset Management and Centralized Services Division Contd...

	Unit	Sub unit	Responsibility
5	Examination Unit		All the internal Examinations of CEB Employees and Recruitments Examinations. Providing Facilities for Professional Studies for CEB Employees.
6	Occupational Health and Safety Unit		Conducting Safety Awareness Programs for CEB employees and collecting data on accidents and compiling for analysis
7	Quality & Systems Unit		Training on Quality improvement, Productivity and implementation of 5S concept in CEB

Performance during the Year 2011

External Training Unit

During 2011, the External Training Unit provided facilities to 370 employees of different categories to go abroad for various assignments shown below:

Programme	No. of Participants
Pre-shipment inspection of goods to be procured	176
Scholarships, Training & Study Tours	102
Workshops, Seminars, Conferences & Meetings	80
Sports Activities	12

Internal Training Unit

Internal Training Unit increased its training facilities for CEB employees as well as external trainees by providing more training opportunities during 2011. Around 200 Trainees from various external organizations such as Universities and Technical Colleges were benefited by the In-plant Training facilities.

Around 1,448 CEB employees were provided with training, covering the fields of Computer Training, Systems Training and Induction Training, including those for executive and non-executives categories. Thirty CEB employees of different disciplines and categories were provided training at local institutes during the year 2011.

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 programmes, In-house Training and periodic collection of data on accidents and analysis to take action to reach zero accidents target. During 2011, the following programmes and workshops were conducted by this Unit.

	Program	No. of Programs	Participants
1	Workshop on safety for Executive & Supervisory Staff	7	261
2	Safety awareness Training Program	1	30
3	First Aid & Fire Safety	32	1542
4	Evacuation & Fire Drill	1	23
5	Occupational Health & Safety Programs for Engineers	3	108

Examinations Unit

The Examinations Unit organized and conducted 42 Recruitment, Promotion and Qualifying Examinations for recruitment and promotion for CEB staff, with the assistance of external agencies, by maintaining the quality and transparency of the process at the optimal cost.

Technical Training Centre: Piliyandala

During the year under review 3,138 CEB employees, including Engineers, Superintendents, Skilled and unskilled Field Services employees were provided with Technical Training by the Technical Training Centre at Piliyandala. Twelve workshops, 93 short courses were included in these Technical Training programmes.

Several Technical Training Programmes were conducted for employees of other state and private organizations on the requests received from them on cost recovery basis.

Program	No. of Programs
Continuous Professional Development	11
Workshop and Seminars	6
Promotion	70
Training for Other Organizations	4

Asset Management and Centralized Services Division Contd...



At the Hands on Training Programme on MV & LV Overhead Distribution Line Construction

Technical Training Centre: Castlereagh

The Pioneer Training Centre of the CEB, The Technical Training Centre at Castlereagh provided training for 1490 employees during the year 2011 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 the Vision and Mission statements for the CEB Training Centre, Piliyandala, improved the Filing System, Management of waste materials, 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.

Key Activities

Awareness programme & Workshop on Balance Score Card System (BSC)

Training Branch facilitated several Seminars & Workshops on BSC for Executives of CEB. The Seminars were arranged with the aim of creating awareness and to up-grading knowledge of concepts, practices and techniques on BSC. These Seminars were conducted with assistance of Corporate Strategy Division



At the Seminar on BSC at Auditorium of CEBTC Piliyandala

Environmental Development

Coping with the government policy and 5-S concept on environment, programme was launched to protect and maintain healthy & peaceful environment within the premises of CEB Training Centre, Piliyandala. Under this programme solid waste management & cultivation of vegetables, fruits & other crops were done in the premises of CEB Training Centre, Piliyandala. As a part of solid waste management, compost manure was produced in the premises & it was used for vegetable cultivation.



Vegetable Plot at Premises of CEBTC Piliyandala

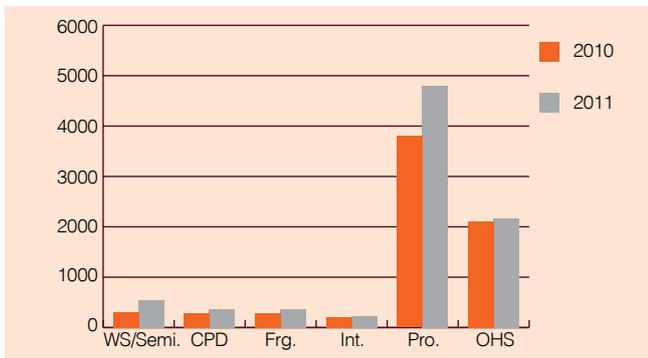
Special Programmes

Considering modern developments in Technology and to sharing experience and knowledge of experts in the field, following Technical Training Sessions was arranged during the year 2011.

Asset Management and Centralized Services Division Contd...

1. MV and LV overhead Distribution Line Construction
2. Personnel Protection Grounding
3. Distribution Line Designing
4. Installation of Communication line

New communication link was installed to "B" Building of CEBTC, Piliyandala, and using fiber optical communication to provide Wi-Fi facility for Internet access.



Comparison of Training details 2010- 2011

3. 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

The main responsibilities of the Air Conditioning and Refrigeration Section are to:

- Undertake supply, installation and commissioning of mortuary coolers in the government hospitals and all types of new air conditioning plants in government institutions.
- Carry out all types of major repairs of air conditioning plants installed in government hospitals and other government institutions.
- Carry out preventive maintenance of all types of air conditioning plants installed in government hospitals and other government institutions.
- Providing of consultancy services in the field of air conditioning in connection with breakdown, repairs, new installation etc.

Performance in Year 2011

Maintenance of Air Conditioners at Health Department and other Government Departments, CEB Head Quarters & other CEB Branches was undertaken at a total estimated cost of Rs. 166 million.

1. Installation of new Air conditioners

CEB - 63 Nos. split type plants
Other offices - 9 Nos. split type plants

Total Cost Rs. 11 million

2. Repairs

Repairs were done to AC plants at various Hospitals of Health Department & CEB Offices during the year 2011 at a total cost of Rs. 3 million.

Power Plants

The main responsibilities of Power Plant Unit are to:

- Supply, install and commission of Diesel generators at Government Hospitals and other Government Institutions.
- 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 2011

Job Type	Number of Jobs	Estimated Cost Rs. million
Annual Maintenance	120	71.0
Repairs	48	8.0
Generator Hiring	456	153.5
Generator Installation	3	7.0
Other Jobs	25	8.6

Asset Management and Centralized Services Division Contd...

Lifts

The main responsibilities of the Lifts Unit are:

- Undertake supply, installation and commissioning of new Lifts in Government Departments
- Provide consultancy services in the field of Lifts in connection with new installations, trouble shooting, repairs, modernization etc.
- Undertake preventive maintenance of Lifts installed in Government Hospitals and other institutions
- Undertake repair and rehabilitation of Lifts installed in Government hospitals and other institutions

Performance of Lift Branch in 2011

Job Category	No of Jobs	Estimated Value Rs.	Progress
Service & Maintenance	139	39,148,138	Completed
Repairs & Rehabilitation	5	1,490,572	Paid
	4	603,806	Completed
	8	2,907,245	In progress
New Installations Government Departments, CEB	1	7,361,982	Awarded
	1	5,779,688	In-progress TEC to be appointed
	1	8,595,048	Awaiting decision
Consultancy Service	2	30,000	Completed
	1	90,000	Awaiting acceptance of proposal
	1	1,000,000	In progress

Servicing & Maintenance

Eighty Eight elevators were maintained by 5 private contractors/local agents under CEB Supervision in 2011. The following major maintenance/repair/rehabilitation works were done in year 2011:

1. NOVARA Bed Lift at Frazer Memorial Ward - Kandy General Hospital.
2. Repairs to two NOVARA Bed Lifts - Avissawella Base Hospital.
3. Undertook the maintenance of three passenger cum service lifts at Lakvijaya Coal Power Station in Puttalam.
4. Rehabilitation of Block A Old Lift at National Hospital continued.

5. Rehabilitation and modernization of the service lift at Government Press-Borella.



Inspection of elevators installed at Lakvijaya Coal Power Station

New Installations

New Installations of Bed lifts at Jaffna and Ratnapura Hospitals were carried out.



Simulator for testing the lift controllers made at lifts branch

Asset Management and Centralized Services Division Contd...

Consultancy Services

Consultancy services on lift installations were rendered to State Organizations & CEB Projects Offices such as Upper Kotmale HPP, Kelanitissa Combined Cycle Project and Colombo City Electricity Distribution Project.

Central Workshop

The Central Workshop consists of following sections:

- Electrical Section
- Automobile Section
- Mechanical Fabrication & Installation Section

The main responsibilities of the Central Workshop are to:

- Manufacture components for L.T. and H.T. Distribution Lines
- Manufacture special components such as lugs, machine components etc.
- Carry out special jobs such as fabrication of security fences, security huts etc.
- Carry out repair and maintenance of electrical machines, such as rewinding of generators, motors etc.
- Carry out repairs, services and installations including rewiring of control panels, switchgear and related items.
- Carry out motor vehicle repairs, including major overhaul of engines, Tinkering, Painting and other major repairs of vehicles belongs to CEB
- Carry out fuel consumption tests for CEB vehicles.
- Inspection of motor vehicles to prepare condition reports, accident reports etc.

Activities of Central Workshop during the year 2011

Work undertaken by Electrical Sections

- Rewinding of single phase & three phase motors up to 155 kW and rewinding of alternator exciter field and stator coils.
- Servicing of motors & water pumps & repairing water pumps at CEB Headquarters & other Branches.
- Prepared water control panel boards for Irrigation Department.

Estimated cost for the above work done during the year was Rs. 3.2 million.

Work undertaken by Automobile Section

- Engine compression tests

- Fuel consumption tests
- All types of Vehicle repairs (Steering system repairs, Brake system repairs, Clutch system repairs, etc.)
- Engine overhauling
- Replacing vehicle bodies
- Tinkering and repairing of vehicles
- Servicing all types of vehicles

Estimated cost for the above work done during the year = Rs. 5.8 million

Work undertaken by Mechanical Fabrication & Installation Section

- Construction of partitions and racks at the stores of Power Plant Unit
- Repaired steel doors, road barriers and gates at Security Head Office, Kolonnawa
- Erection of a Vesak Pandal at CEB Head office Building
- Repairing, Fabricating & painting of various equipment for CEB requirements

Estimated cost for the above work done during the year = Rs. 6.3 million.



Erection of Vesak Pandal at CEB Head Office building

Asset Management and Centralized Services Division Contd...

Civil Works and Buildings

Civil Works and Buildings Branch attends to construction and renovation work of CEB buildings throughout Sri Lanka. The following works were attended by CW & B Branch during year 2011.

New Constructions

1. Construction & completion of CEB pavilion for Deyata Kirula at Buttala.
2. Construction of Official Buildings for various Branches of CEB
3. Construction of Steel Emergency Exit at CEB HQ.

Renovation and Improvement work

1. Renovation & Improvement work to Buildings of various Branches of CEB Island wide were undertaken by CW & B Branch during the year 2011
2. Improvement to interior work of various CEB Buildings
3. Modification work to front entrance at CEB HQ.



CEB Construction Site in Negombo

Works at Bidding Stages

Bids have been invited for the following works, which will commence in year 2012:

1. Renovation and Modification work of CEB buildings such as System Control Centre, Canteen of CEBTC-Piliyandala, DGM (Eastern province) office, DGM (WPN) office
2. Soil investigations of CEB Lands at Kandy, Katugastota, Pereadeniya, Nawalapitiya & Kolonnawa

3. Consultancy services for Architecture & Structural Design for a Proposed Seven Storied Building for City office, Kandy
4. Refurbishment work for Kandy Circuit Bungalow & Maussakelle Holiday Bungalow.

Preparing of Bid Documents/ Bills of Quantities

- Bid documents & BOQ's have been prepared for Twenty Eight numbers, Construction, Renovation & Improvement Jobs of CEB Buildings Island-wide.

Work related CEB Asset Management Division

- Collection of details of Lands belonging to CEB using available SISL Survey Plans in Civil Works branch and Inspection of these lands.
- Surveying of 378 lots of lands belongs to CEB within Colombo City Area was done with the help of Survey General Office, Colombo.

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 of Power & Energy Building and living quarters belonging to Ministry Power & Energy.

Security Section

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

Three Security Units are functioning for Security of each of the main Divisions of CEB, Generation, Transmission and Distribution. Total of 98 sub-security units are functioning under the above three main units. Private Security Services deployed at some premises of CEB are also supervised and observed by the Security Division.

The available strength of the section comprises of 762 Security Personnel, including a Deputy Manager Security, three Senior Security Officers and 20 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 2011 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

CEB has taken a policy decision to adopt the world renowned Strategy Management Tool, the Balanced Score Card (BSC) to the organization and the Corporate Strategy Division was designated as the "Office of Strategy Management", the authorized entity specified in the BSC system to act as the facilitating body. With the BSC, CEB's organizational performance will be monitored through a set of Key Performance Indicators (KPI)s through four perspectives. Corporate Strategy Division has sent two teams of Executives to attend "Balanced Score Card Forums" conducted by the two inventors of the tool, Dr David Norton and Dr Robert Kaplan, in Dubai and Riyadh. With the knowledge gathered from the Forums, CS division started the implementation of Balanced Score Card system within CEB. A series of workshops were conducted in 2011, both in Colombo and outside, to disseminate the BSC concept among CEB staff. All senior level CEB Executives, including and above the Class II Grade I level numbering over 300 were covered by these workshops. With the support of a eleven member BSC Core Group, the main steering committee of BSC within CEB consisting of Engineering and finance executives of all major expertise, CS division has carried out a number of Brain Storming sessions to decide the Strategy Map and Key Performance Indicators (KPI)s of the organization. Towards the end of 2011, the corporate Balanced Score Card was ready in draft form.

In order to improve productivity within the organization, and to improve the corporate outlook, CS division has recognized the importance of Japanese 5S system for organization wide implementation due to its simplicity. In order to encourage business units to adopt 5S system, a competition was organized by the CS division where individual units were recognized and awarded at a ceremony. This competition generated considerable enthusiasm among CEB staff and almost all branches/ units all over the island competed in the same. The same is to continue as an annual activity.

CS Division developed a new and improved CEB corporate website in 2011 offering novel features to consumers such as the ability to access and view their electricity consumption history. The website has provisions to offer online bill payment option in the future, a feature CEB expects to complete in 2012.

Corporate Strategy and Regulatory Affairs

The Corporate Strategy and Regulatory Affairs Branch coordinates 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 PUCSL. In addition to Regulatory Affairs, the unit will be responsible for coordinating the Strategy formulation matters with the Divisions.

Ceylon Electricity Board made its first multi-year filing of revenue requirements under the 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 is yet to receive.

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

- Corporate Plan 2009 - 2013
- Annual Report - 2010
- Statistical Digest - 2010

The Corporate Strategy & Regulatory Affairs Branch worked very closely with PUCSL and their Consultants to finalize the following documents during year 2011:

- Distribution Code
- Regulation on performance standards
- Draft Grid Code

In order to implement three part tariff approved by PUCSL, CEB undertook to install Programmable Poly Phase Meters (PPM) for all bulk Supply consumers and completed during early part of the year.

During the same year, Puttalam Coal Power Plant Stage - 1 (300MW) and small isolated generating plants operated by CEB in Jaffna Peninsula (2.23 MW) were included in the existing Generation License already granted to CEB.

Information Technology

The need for fast and accurate information is a main requirement in any industry for taking correct and timely decisions. Two main projects are underway to facilitate Stock Control and Accounting functions (MITFIN) and Human Resource Management (HRMIS). The MITFIN program was installed at six locations during 2011. In the meantime a 'Service Provisioning Module' (SPS) was successfully developed in-house and integrated to MITFIN. SPS too was installed in six locations. This has reduced the time taken to open new customer accounts.

In keeping with the Viduli Saraya programme, an Outage Management System developed in-house was implemented in the call centres at Colombo City and Western Province

Corporate Strategy Division Contd...

North to provide better service to customers and timely analytical information to the management.

New POS counters were opened in Nuwara Eliya and Kelaniya Areas. Customer Relationship Management System was installed in Nuwara Eliya Area.

e-billing (through e-mail) was introduced for bulk supply consumers in Western Province South II and Wariyapola area, where meters are read remotely.

Bulk Customer Billing System was modified to accommodate time of use tariff.

A system for managing information on illegal electricity usage was introduced in the Southern Province.

An SMS based disconnection program was introduced in Colombo East Area to provide better service to customers and to minimize the hassle to customers.

Automated Handling of Dishonored Cheques was introduced in Western Province North, Western Province South I, Western Province South II, North Western Province and Eastern Province. This system reduced the time to notify the customer and debiting the account from three months to three days and prevented defaulting customers using further dishonoured cheques to pay bills.

A module was developed to upload employee contributions to Provident Fund Management System directly from the PAYAPC in order to improve security, accuracy and efficiency.

A facility was provided to access financial information through cebinfo intranet.

As the use of Application software is expanding, the need for better communication and availability of data has increased. Therefore, 70 Virtual Private Network (VPN) links have been added during 2011 to the existing 200 links. In order to provide reliable and expanded storage facilities a Storage Array Network (SAN) solution and a Disaster Recovery (DR) system were identified. Necessary specifications were prepared and procurement was initiated for the SAN and DR systems.

Action was started to modernize the CEB website to give better services and information to consumers and general public.

Procurement of infrastructure for Colombo City and Western Province North call centres was initiated.

Under the Supiri Viduli Jala Programme, Application software is being developed for improved instant upgrading of billing information. Development of an SMS based service where customers can get information about their current bill is being developed.



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

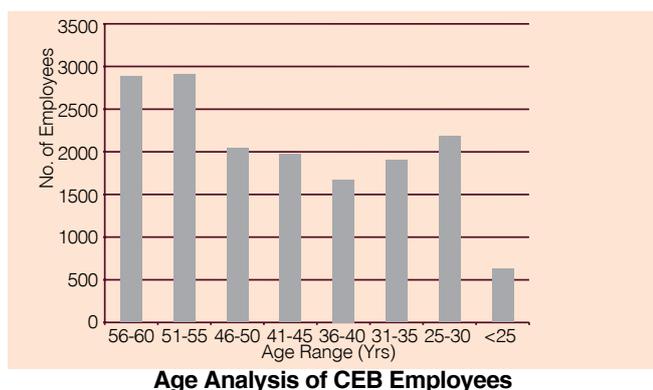
Personnel Branch

CEB 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.

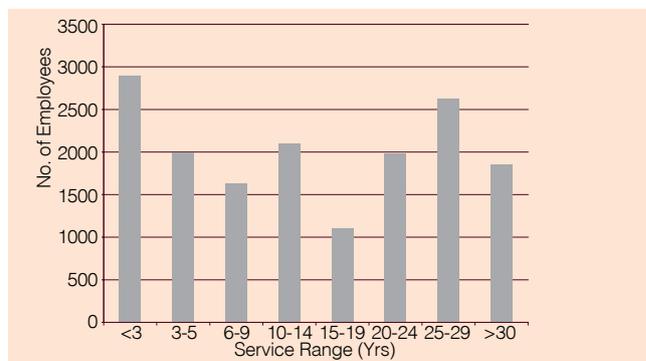
- Recruitment of employees to permanent cadre of CEB
- Promotions of employee in cadres which are subjected to restrictions
- Formulations of HR policies of CEB
- HR administration of all employees of Branches under the Chairman and the General Manager

The total number of employees in CEB as at the end of 2011 was 16,192, and 1,472 persons were recruited during the year, while 646 Employees left the employment due to retirement, resignation, etc. Consumer employee ratio has been changed during the year 2011 to 291 from 292 which was the consumer-employee ratio at the end of year 2010.

The Age Analysis of the CEB shows that about 2883 employees will retire from service during next 5 years. 17.8% employees are above 55 years of age and 17.94% 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.

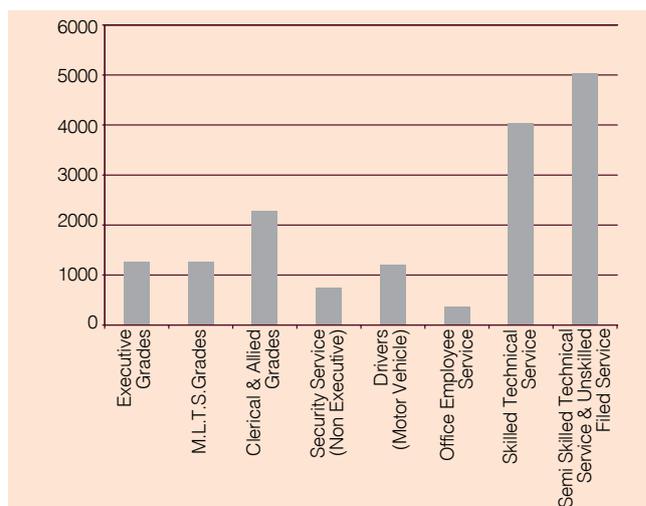


The service analysis graph given below shows that there is a well experienced staff in the CEB with many years of service experience. About 39.9% employees have more than 20 years of experience.



Service Analysis of CEB Employees

Employee categories of CEB show that about 7.8% of employees are in Executive Grades while 56% employees are in Skilled and Semi-Skilled grades.



Employee Categories of CEB

Appointments

Several changes occurred in the senior management structure of the CEB during 2011. Mrs. B. Jayaweera, General Manager retired from service of CEB and Mr. B.N.I.F.A. Wickramasuriya was appointed as the General Manager of CEB with effect from June 9, 2011. Mr. K.S.P. Jayawardena, AGM (Generation) also retired from service and Mr. M.C. Wickramasekara was appointed as AGM (Generation) on January 24, 2011. To fill the vacancy created by the appointment of Mr. B.N.I.F.A. Wickramasuriya as the General Manager, Mr. D.K.B.S. Tilakasena was appointed as AGM (Corporate Strategy) with effect from June 9, 2011. Mr. W.D.A.S. Perera, Finance Manager retired from service in CEB and Miss. N.R. Mahmooth was appointed as the Finance Manager of CEB from November 10, 2011.

Personnel Branch Contd...

Human Resource 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 2011 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 2011 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. 511,730,194.

Payment of Incentive against Unavailed Sick/Vacation Leave

A scheme of payment of incentive for the unavailed 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 2011 as well. The total expenditure for the payment was Rs. 370,058,749.

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 April 2011.

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 2011 too.

Staff Welfare

Welfare Unit has been established to facilitate for welfare activities of CEB employees. Under this unit, a network of CEB Circuit Bungalows, located at important destinations such as cool climates in Hatton & Bandarawela and in religious cities such as Anuradhapura, Minneriya, Kandy Kataragama and Jaffna, are operated. This is one of the major benefits received by the employees of CEB who often used them for holiday purposes. Continuous improvements are made to the facilities provided at these bungalows in order to provide 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. There had been many achievements to the credit of CEB in the fields of Athletics, Volleyball, Football, Netball, Cricket and Indoor games in State Services and Nationalised Services competitions. Another important activity which started in the year 2011 is Vidulamu Lanka Sports Meet, which was successfully concluded in April 2011.

As a means of encouraging the religious activities of its employees, CEB annually makes contributions for Vesak, Posen and 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.

Vidulamu Lanka Kala Ulela is a significant activity of CEB which was initiated in the year 2011. It provides the opportunity to all CEB employees to show and sharpen their skills and talents in the field of performing arts.

Welfare unit of the CEB organized the Wimalasurendra Day on 17th September in line with the ceremonies hold to commemorate the 137th Birthday of Late Mr. D.J. Wimalasurendra and also arranged a successful blood donation campaign in line with the ceremonies hold to commemorate CEB day which falls on the 1st November.

CEB provides funds to maintain Montessori schools at all Power Stations of the Generation Group, taking that burden off from its employees working in such remote locations. The Welfare unit also organizes free Tamil Classes for CEB Employees, which are regularly held in CEB Head Office and Divisional Offices.

Long Service Awards



Long Service Awards 2011

Personnel Branch Contd...

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 30 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. 541 Nos. of employees have been awarded under this programme during the year 2011. 4730 CEB employees have so far been awarded under this programme.

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. In addition to such activities, the publicity unit of CEB publishes the official newspaper of CEB "LANVIMA" bimonthly, which also paves avenues to CEB employees to improve their literary skills. Publishing of the Board Bulletin and other internal publications, organizing of media programs in special CEB ceremonies are the other functions carried out by this unit. During the year 2011 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
- Organizing CEB participation in National Level Exhibitions
- Coordinating activities of special CEB Ceremonies
- Publishing of various official Publications.

Special Investigation Branch

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

The progress by the SIB, during the year 2011.

No. of successful Meter cases produced in the respective Magistrate Courts -	2157
No. of successful Hook cases produced in the respective Magistrate Courts -	778
Court fine (Meter & Hook Cases) -	Rs.32,996,711.70
CEB Loss Recovered fine (Meter & Hook Cases) -	Rs.199,519,376.66

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.

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

- (i) The Lease Agreements have been perused by the section in which instances CEB has leased building/ lands, for the requirements of the Board.
- (ii) 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.

Internal Audit Branch

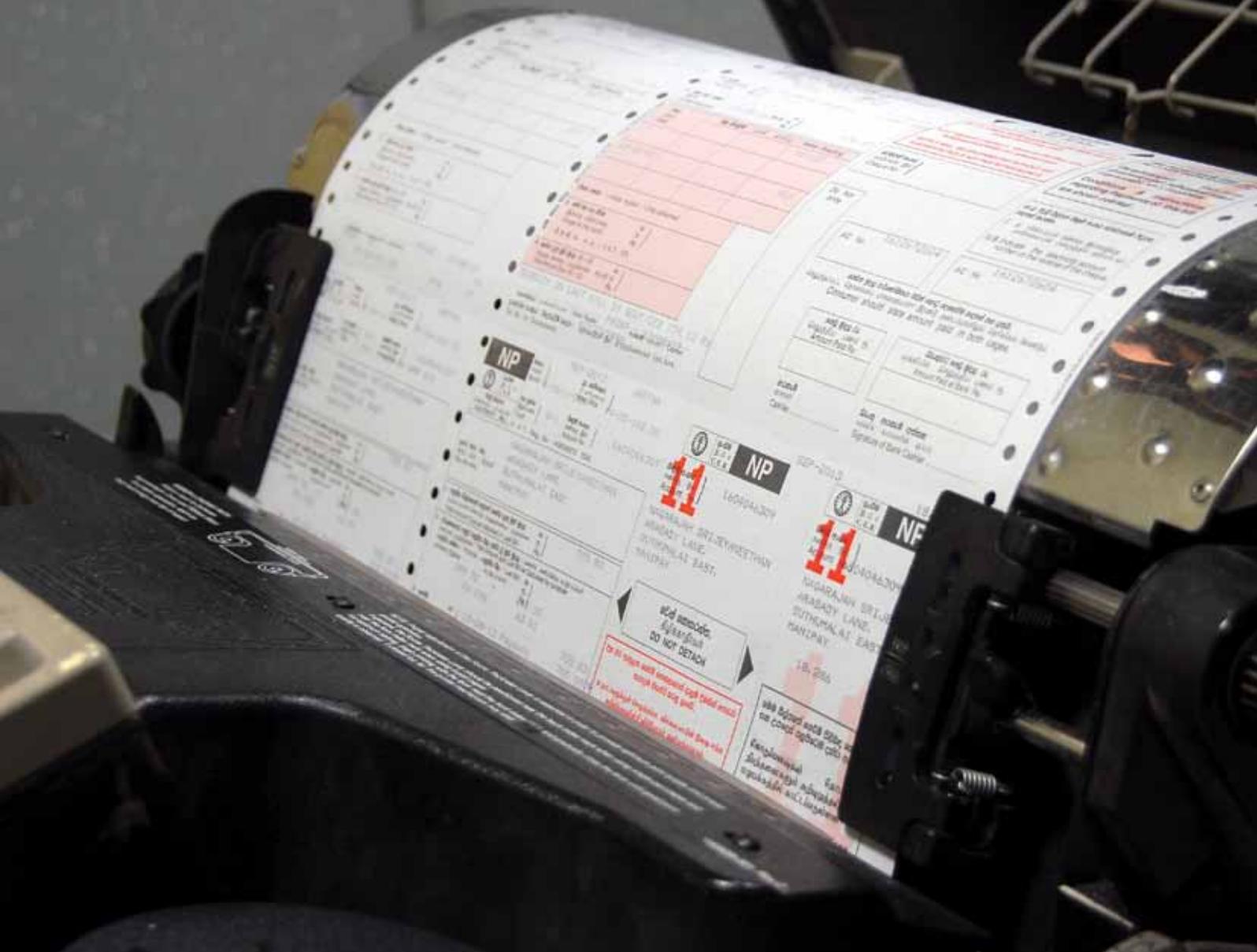
CEB is having its own Internal Audit Branch and it is headed by the Chief Internal Auditor and having strength of forty nine (49) of audit staff who are performing audit activities of CEB branches situated island wide.

The main focus of the Internal Audit is to provide independent assurance on overall system of internal controls and Compliance with laws and regulations and established policies and procedures of the CEB.

The internal audit branch of CEB assesses the effectiveness and successful implementation of existing controls and makes recommendations on both measures required for strengthening these and on new controls where necessary.

During the year 2011, eighty five (85) number of internal audit reports had been issued covering the areas of Routine Audits, System Review Audits and Special Investigations. Response of the management is very positive in this regard.

The Audit Committee reviewed both internal and external audit issues with respect of Financial Statements, internal control procedures, accounting policies, and other related functions that the Board required. Significant issues discussed by the Committee at the reviews were communicated to the Board of Directors for their consideration and action. During the year 2011, six meetings of the audit committee were held and matters discussed were conveyed to the Board.



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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 the efficient beneficiary of the CEB Finance Division lead to the management of the resources in a proper way in order to maintain day to day operations without any hindrance.

The successful planning and the tight budgetary control mechanism reflected the effectiveness of fund management. Further negotiations are continuously held with banks to obtain the best interest rates.

In addition to the above, to strengthen the productivity of employees Five "S" (5 S) concept was introduced to the division and is being implemented.

The big challenge to the finance division in the year 2011 was going forward with the International Financial Reporting Standards (IFRS). For this new convergence to IFRS, the reputed Audit Firm, PricewaterhouseCoopers assistance is being enlisted and several workshops were conducted to the Accountants to upgrade their knowledge relating to the major changes & requirements according to the new reporting standards.

Being a large utility and having island-wide branches and divisions, CEB Finance Division was able to furnish Annual Financial Statements to the Auditor General on the due date and having to comply with other statutory requirements by furnishing required information on target dates.

Revenue Collection continued to be improved further in the current year. Several Private Sector Organizations were appointed as collecting agents for CEB.

New Training and Workshops locally and overseas were conducted for upgrading and enhancing the knowledge of the officers. Specially for the accounting for Coal operation which was a new area added to the accounting procedure of CEB. A team of Accountants were sent to India for training in coal accounting procedures & systems. Further, the Balanced Score Card new concept in strategic performances management was introduced by the management of the CEB. The Accountants actively participated at these programs and attended to overseas training in this regard.

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, CEB is the ex-officio Deputy Chairman. The Finance Manager and Deputy General Manager (Personnel) are the other ex-officio members. The other four members are nominated by the Board.

The total contribution to the fund during the year 2011 amounted to Rs.1,485 Million, out of which Rs. 594 Million has been contributed by the employees of the Board.

The total accumulated fund as at 31st December 2011 amounted to Rs.30,725 Million, which is an increase of 8.96% over the previous year.

The fund earned an income of Rs. 2,206 Million during the year by investments and a dividend of 11.50% has been declared for 2011. Loans granted to members for housing and other purposes amounted to Rs. 1,590 Million.

During the year a sum of Rs. 2,182 Million has been refunded from the fund to members who have retired from the service.

Pension Fund

The beneficiaries of the fund are retired employees who have served the CEB for 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.

515 retired employees became eligible to draw pension during the year, while 60 pensioners expired. The total beneficiaries past and present of the fund as at end of the year are 5010.

The net assets of the fund as at 31st December 2011, amounted to Rs. 11,738 Million, The income, derived from investments of the fund, during the year was Rs. 1,026 Million.

Financial Review

General

In the year 2011 the financial situation of the Board was deteriorated. The negative retained profits increased from Rs.118,795 Million to Rs.138,778 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 1,012 Million units in the year 2011 (which is a reduction of 18%) compared to the year 2010 and the increment of thermal generation by 36% compared to the year 2010. Consequently the cost of sales has been increased by 31% due to the impact of these factors. However, the Board could reduce the finance cost by 30% compared to the previous year mainly due to the reduction in interest rates of term loans and overdraft.

Operations

The turnover of the Board is increased 9.32% during the year under review, compared to the previous year. CEB sold 10,023 Million units of electricity during the year, which is an increase of 8.1% from the previous year sales of 9,263 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 increased by Rs.26,082 Million of which Rs.8,814 Million is Payable for CPC and Rs.11,109 Million is Payable for IPP Thermal.

Borrowings

The total long term borrowings have increased from Rs. 174,264 Million in 2010 to Rs. 192,746 Million in 2011.

Fixed assets

The total value of Free Hold Property, Plant and Equipment increased by 18 % 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. 91,021 Million while total liabilities increased by Rs. 52,082 Million resulting in a net increase of Contributed Capital and Reserves amounting to Rs. 58,938 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. 4,027 Million as at the end of the year under review, compared to Rs. 3,710 Million in last year.

	2011	2010	2009
No.of Distribution Sub-stations	22,839	21,930	21,319
MV Lines km	27,590	26,684	25,212
LV Lines km	108,886	104,153	99,445
Service Connection Nos.	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 in addition to the of Board Accounts.

Financial Review Contd...

PROFIT & LOSS	2011 Rs. Million	2010 Rs. Million	2009 Rs. Million	2008 Rs. Million	2007 Rs. Million
Turnover	132,460	121,226	110,518	111,287	87,575
Direct Cost	(152,427)	(116,168)	(118,186)	(145,713)	(108,355)
Gross Profit (Loss)	(19,967)	5,058	(7,668)	(34,426)	(20,780)
Administration Expenses	(2,013)	(1,851)	(2,870)	(1,487)	(1,534)
Operating Profit / (Loss)	(21,980)	3,207	(10,538)	(35,913)	(22,314)
Other Income	4,543	4,230	4,273	3,581	9,205
Interest Charges	(1,827)	(2,605)	(3,412)	(1,537)	(1,703)
Profit / (Loss) Before Taxation	(19,265)	4,831	(9,338)	(33,869)	(14,812)
Balance Sheet					
Total Assets	696,388	605,367	516,021	465,296	417,610
Capital & Reserves	320,253	281,314	275,208	270,176	275,648
Non – Current Liabilities	254,100	229,128	141,883	110,419	94,774
Current Liabilities	122,034	94,923	98,930	84,700	47,189
Cash	(1,178)	(3,102)	(4,039)	(2,261)	(3,915)
Sales (GWh)	10,023	9,263	8,441	8,418	8,276
Generation (GWh)	11,528	10,689	9,882	9,901	9,815

Report of the Directors

The Directors of the Ceylon Electricity Board present their Report and Consolidated Financial Statements for the Year ended 31st December 2011.

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 9.3% was registered for CEB for the year under review. A net loss of Rs 19,265 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, and 63% shares of LTL Holdings (Pvt) Ltd and 60% shares of Lanka Coal Company (Pvt) Ltd.

LTL Holdings (Pvt) Ltd has declared a dividend of Rs 300 million for the financial year 2011/2012 and Rs.189 million was received as dividend income for the 2011 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.4,027 million.

Additions to Property, Plant & Equipment

During the year Property, Plant & Equipment Amounting to Rs.17,223 million was added to the capital assets compared to Rs.25,730 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.201,062 million as against Rs.184,243 million last year.

Board members Year 2011

Mr.Vidya Dilruk Amarapala was bearing the office of Chairman, CEB up to 06.06.2011. He also served as director boards of Lanka Electricity Co. (pvt) Ltd. and LTL Holdings (Pvt) Ltd. which are subsidiary companies of CEB.

The vice Chairman Mr.Douglas Premarathne, working director Mr.Pradeep Roshan Gunawardena and the board member Mr.Amila P.Jayasinghe had resigned on 06.06.2011. Secretary Ministry of Provincial Councils and Local Government Dr.Y.D.Nihal Jayathilaka, Dr.B.M.S.Batagoda Director General Department of Public Enterprises Ministry of Finance & Planning and Mr.W.D.Jayasinghe Additional Secretary Ministry of Industry & Commerce were remained as board members for the year 2011.

The new members were appointed on 06.06.2011, prof.Wimaladharm Abeywicrama as chairman, Eng. W.D.Anura Senaka Wijayapala as the Vice Chairman, and Mr.P.P.Gunasena as the working director. Mr.K.D.Ranasinghe was appointed as the member of the board from 25.07.2011.

Provident Fund & Pension Fund

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

The CEB Provident, fund has earned an income of Rs.3,377 million in 2011 on investment and declared a dividend of 11.5%.The Income derived from the investment of the pension Fund in 2011 was Rs.1,045 million.

Employees

The total number of employees as at end of the year was 16,192 and total number of Consumer/Employee ratio was 291 in 2011.

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 meeting during the year under review and dealt with the report of the Auditor General For the year ended 31st December 2010 & 2011 and Internal Audit Reports furnished to the management. The committee addressed remedial measures in relation to matters such as internal control on Land & building, debtors stocks, revenue etc.

Consolidated Income Statement

Year Ended 31st December 2011

	Note	Group		Board	
		2011 Rs. '000	2010 Rs. '000 Restated	2011 Rs. '000	2010 Rs. '000 Restated
Revenue	3	149,633,788	129,894,502	132,459,860	121,226,432
Cost of Sales		(163,624,671)	(119,868,532)	(152,427,470)	(116,168,481)
Gross Profit / (Loss)		(13,990,884)	10,025,970	(19,967,610)	5,057,951
Other Income and Gain	4.1	4,673,008	4,336,190	3,968,638	3,672,134
Distribution Cost		(79,423)	(105,908)	-	-
Others		(230,991)	(255,873)	-	-
Administrative Expenses		(3,773,242)	(3,736,562)	(2,013,589)	(1,850,634)
Finance Income	4.2	1,443,985	881,300	574,849	557,713
Finance Cost	5	(2,084,747)	(3,057,971)	(1,827,830)	(2,605,179)
Profit/ (Loss) Before Tax	6	(14,042,295)	8,087,146	(19,265,542)	4,831,985
Income Tax Expense	7	(131,201)	(4,931,181)	-	(4,500,000)
Profit/(Loss) After Tax		(14,173,496)	3,155,965	(19,265,542)	331,985
Minority Interest		(2,454,654)	(1,419,295)	-	-
Profit/(Loss) for the Year		(16,628,150)	1,736,670	(19,265,542)	331,985

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

Consolidated Balance Sheet

As at 31st December 2011

	Note	Group		Board	
		2011 Rs. '000	2010 Rs. '000 Restated	2011 Rs. '000	2010 Rs. '000 Restated
Assets					
Non-Current Assets					
Property, Plant & Equipment - At Valuation	8	593,030,313	502,995,637	580,934,990	491,599,667
Investments in Subsidiaries	10	-	-	736,902	736,902
Other Investments	11	2,928,631	3,814,514	150,000	-
Administrative Borrowings		570,000	570,000	-	-
Deferred tax assets		-	4,712	-	-
Investments of Insurance Reserve	12	4,027,412	3,710,485	4,027,412	3,710,485
Intangible assets		1,327	1,915	-	-
Total Non-Current Assets		600,557,683	511,097,263	585,849,304	496,047,054
Current Assets					
Inventories	13	21,172,863	18,645,058	18,916,632	16,669,168
Trade and Other Receivables	14	92,351,227	93,437,410	88,515,121	89,271,818
Amounts Due from Related Parties	15	-	-	1,627,537	1,831,493
Investments - Others	11	13,688,004	7,404,851	-	-
Tax Refund Due		234,608	470,672	-	-
Cash and Bank Balances	26	3,099,871	3,078,053	1,479,258	1,546,976
Total Current Assets		130,546,573	123,036,045	110,538,548	109,319,455
Total Assets		731,104,256	634,133,308	696,387,852	605,366,509
EQUITY AND LIABILITIES					
Capital and Equity					
Contributed Capital	16	96,090,404	83,311,423	96,090,404	83,311,423
Reserves	17	367,018,036	320,550,127	362,941,162	316,799,059
Retained Earnings / Loss		(129,428,251)	(111,994,093)	(138,778,378)	(118,795,827)
		333,680,189	291,867,457	320,253,188	281,314,655
Minority Interest		12,517,353	9,697,583	-	-
Total Equity		346,197,542	301,565,039	320,253,188	281,314,655
Non-Current Liabilities and Deferred Income					
Interest Bearing Loans & Borrowings	18	194,138,980	175,054,426	192,746,023	174,264,109
Consumer Deposits	19	8,162,181	7,543,940	8,162,181	7,543,940
Provisions and Other Deferred Liabilities	20	3,415,793	3,357,020	2,929,959	2,929,959
Deferred Income	21	53,049,814	47,081,838	50,262,392	44,390,174
Deferred Taxation	22	59,442	791,574	-	-
Total Non-Current Liabilities and Deferred Income		258,826,210	233,828,797	254,100,555	229,128,182
Current Liabilities					
Preference Shares		-	7,518	-	-
Trade and Other Payables	23	106,407,374	80,903,597	103,838,382	78,596,719
Dividends payable		328,949	282,274	-	-
Amounts Due to Related Parties	24	-	-	2,289,004	1,447,831
Interest Bearing Loans & Borrowings	18	12,891,283	11,592,554	11,006,723	9,979,122
Income Tax Payable		6,452,898	5,953,528	4,900,000	4,900,000
Total Current Liabilities		126,080,504	98,739,471	122,034,109	94,923,672
Total Equity and Liabilities		731,104,256	634,133,308	696,387,852	605,366,509

The Board Of Directors and Management are responsible for the preparation and presenting of these financial statements. signed and on behalf of the Board by:



Chairman



General Manager



Finance Manager

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

03.05.2013

Colombo

Group-Statement Of Changes In Equity

Year Ended 31st December 2011

	Contributed Capital	Capital Reserve	Revaluation Reserve	Overhaul Reserve
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2010 (Restated)	73,515,582	17,763,539	299,559,111	1,276
Surplus on Revaluation of Property, Plant & Equipment	-	-	(2,727,696)	-
Revaluation Surplus on Disposals	-	-	(166,895)	-
Assets replacement Reserve	-	-	-	-
Investment Reserve	-	-	-	-
Net Profit/(Loss) for the year	-	-	-	-
Transferred to Self Insurance Reserve	-	-	-	-
Heat Rate Reserve	-	20,206	-	-
Foreign Exchange Reserve	-	19,890	-	-
Exchange Equalization Reserve	-	(3,427)	-	-
Overhaul Reserve	-	-	-	1,708
Pending Allotment of shares	-	(7,409)	-	-
Capital contribution	-	-	-	-
ADB Loan 2043	-	-	-	-
Coal Power Project	-	-	-	-
Second Power System Expansion Project-Part A	-	-	-	-
Lighting Sri Lanka	3,211,608	-	-	-
CAARP GOSL	355,232	-	-	-
Vidulamu Lanka Lighting Project	25,000	-	-	-
GOSL Grant	3,024,167	-	-	-
Rural Electrification project	1,135,000	-	-	-
Maga Naguma	211,730	-	-	-
Absorption Energy Project	100,000	-	-	-
PSDTP Project	7,846	-	-	-
PSDTP ADB Loan - 1930 Project	3,790	-	-	-
Retention Release	270,891	-	-	-
Sri Lanka Gutter Connection Project	22,229	-	-	-
JICA Project	455,902	-	-	-
SIDA Project	972,446	-	-	-
Dividends Ordinary Shares 2008/2009	-	-	-	-
Dividends Preference Shares	-	-	-	-
Allotment of Shares	-	-	-	-
Balance as at 31 December 2010	83,311,423	17,792,799	296,664,520	2,984
Balance Restated as at 01 January 2011	83,311,423	17,792,799	296,664,520	2,984
Error Correction	-	-	(14,000)	-
Assets replacement Reserve	-	-	-	-
Investment Reserve	-	-	-	-
Net Profit/(Loss) for the year	-	-	-	-
Transferred to Self Insurance Reserve	-	-	-	-
Heat Rate Reserve	-	12,489	-	-
Foreign Exchange Reserve	-	(7,289)	-	-
Exchange Equalization Reserve	-	2,052	-	-
Overhaul Reserve	-	-	-	33,689
Deferred Tax Adjusted to Equity	-	(40,724)	-	-
Surplus on Revaluation of Property, Plant & Equipment	-	-	45,754,734	-
Revaluation Surplus on Disposals	-	-	(55,032)	-
Transferred to/from Insurance Reserve	-	-	-	-
AREP Projects	1,560,000	-	-	-
Rural Electrification Project 08 (Iran)	5,566,289	-	-	-
CAARP Project	95,902	-	-	-
IDC Project Loan	7	-	-	-
Killinochchi Chunnakam Transmission project	139,994	-	-	-
Lighting Sri Lanka	1,914,000	-	-	-
Vauniya Killinochchi Transmission Project	1,046,052	-	-	-
Rural electrification Project 04 (Extension)	1,160,072	-	-	-
Rural electrification Project 04 (Old)	1,296,666	-	-	-
Nividhu Share Issue	-	-	-	-
Pawan Danawi Share Issue	-	-	-	-
Dividends Ordinary Shares	-	-	-	-
Dividends Preference Shares	-	-	-	-
	96,090,405	17,759,327	342,350,222	36,673

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

Depreciation Reserve	Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Retained Earnings	Minority Interest	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
23,000	171,395	58,015	5,134,146	(113,114,406)	8,479,257	292,881,280
-	-	-	-	-	2,335	(2,725,361)
-	-	-	-	166,893	-	(2)
-	18,220	-	-	(18,220)	-	-
-	-	2,515	-	(60,531)	(54,700)	(112,716)
-	-	-	-	1,736,674	1,419,295	3,155,969
-	-	-	682,589	(682,589)	-	-
-	-	-	-	(20,206)	-	-
-	-	-	-	-	18,753	38,643
-	-	-	-	-	(2,012)	(5,439)
-	-	-	-	(1,708)	-	-
-	-	-	-	-	(6,013)	(13,422)
-	-	-	-	-	1,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	3,211,608
-	-	-	-	-	-	355,232
-	-	-	-	-	-	25,000
-	-	-	-	-	-	3,024,167
-	-	-	-	-	-	1,135,000
-	-	-	-	-	-	211,730
-	-	-	-	-	-	100,000
-	-	-	-	-	-	7,846
-	-	-	-	-	-	3,790
-	-	-	-	-	-	270,891
-	-	-	-	-	-	22,229
-	-	-	-	-	-	455,902
-	-	-	-	-	-	972,446
-	-	-	-	-	(171,142)	(171,142)
-	-	-	-	-	(2,612)	(2,612)
-	-	-	-	-	13,422	13,422
23,000	189,615	60,530	5,816,735	(111,994,093)	9,697,583	301,565,096
23,000	189,615	60,530	5,816,735	(111,994,093)	9,697,583	301,565,096
-	9,892	-	-	(15,702)	5,810	(14,000)
-	-	-	-	-	-	-
-	-	-	-	(16,628,150)	2,454,654	(14,173,496)
-	-	-	-	-	-	-
-	-	-	-	(19,824)	7,335	-
-	-	-	-	-	(6,872)	(14,161)
-	-	-	-	-	1,935	3,987
-	-	-	-	(53,474)	19,785	-
-	-	-	-	-	(33,052)	(73,776)
-	-	-	-	-	256,172	46,010,906
-	-	-	-	55,032	-	-
-	-	-	772,040	(772,040)	-	-
-	-	-	-	-	-	1,560,000
-	-	-	-	-	-	5,566,289
-	-	-	-	-	-	95,902
-	-	-	-	-	-	7
-	-	-	-	-	-	139,994
-	-	-	-	-	-	1,914,000
-	-	-	-	-	-	1,046,052
-	-	-	-	-	-	1,160,072
-	-	-	-	-	-	1,296,666
-	-	-	-	-	14,667	14,667
-	-	-	-	-	470,400	470,400
-	-	-	-	-	(370,616)	(370,616)
-	-	-	-	-	(447)	(447)
23,000	199,507	60,530	6,588,775	(129,428,251)	12,517,353	346,197,542

The Board-Statement Of Changes In Equity

Year Ended 31st December 2011

	Contributed Capital Rs. '000	Capital Reserve Rs. '000	Capital Redemption Reserve Fund Rs. '000
Balance as at 01 January 2010 (Restated)	73,515,583	17,447,061	165,446
Error Correction	-	-	-
Adjustment made during the year	-	-	-
Surplus on Revaluation of Property, Plant & Equipment	-	-	-
Revaluation Surplus on Disposals	-	-	-
Net Profit/(Loss) for the year	-	-	-
Transferred to/from during the year	-	-	-
Lighting Sri Lanka	3,211,608	-	-
CAARP GOSL	355,232	-	-
Vidulamu Lanka Lighting Project	25,000	-	-
GOSL Grant	3,024,167	-	-
Rural electrification project	1,135,000	-	-
Maga Naguma	211,730	-	-
SIDA Project	972,446	-	-
Absorption Energy Project	100,000	-	-
PSDTP Project	7,846	-	-
PSDTP ADB Loan - 1930 Project	3,790	-	-
Retention Release	270,891	-	-
Sri Lanka Gutter Connection Project	22,229	-	-
JICA Project	455,901	-	-
Balance as at 31 December 2010	83,311,423	17,447,061	165,446
Balance Restated as at 01 January 2011	83,311,423	17,447,061	165,446
Error Correction	-	-	-
Surplus on Revaluation of Property, Plant & Equipment	-	-	-
Revaluation Surplus on Disposals	-	-	-
Net Profit/(Loss) for the year	-	-	-
Transferred to/from Insurance Reserve	-	-	-
AREP Projects	1,560,000	-	-
Rural Electrification Project 08 (Iran)	5,566,289	-	-
CAARP Project	95,902	-	-
IDC Project Loan	7	-	-
Killinochchi Chunnakam Transmission project	139,994	-	-
Lighting Sri Lanka	1,914,000	-	-
Vauniya Killinochchi Transmission Project	1,046,052	-	-
Rural electrification Project 04 (Extension)	1,160,072	-	-
Rural electrification Project 04 (Old)	1,296,666	-	-
Balance as at 31 December 2011	96,090,405	17,447,061	165,446

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

Revaluation	Depreciation	Self Insurance	Retained	Total
Reserve Rs. '000	Reserve Rs. '000	Reserve Rs. '000	Earnings Rs. '000	Rs. '000
<u>296,260,291</u>	<u>23,000</u>	<u>5,118,196</u>	<u>(118,612,116)</u>	<u>275,207,826</u>
-	-	-	-	-
(2,730,631)	-	-	-	(2,730,631)
-	-	-	-	-
(166,893)	-	-	166,893	-
-	-	-	331,985	331,985
-	-	682,589	(682,589)	-
-	-	-	-	3,211,608
-	-	-	-	355,232
-	-	-	-	25,000
-	-	-	-	3,024,167
-	-	-	-	1,135,000
-	-	-	-	211,730
-	-	-	-	972,446
-	-	-	-	100,000
-	-	-	-	7,846
-	-	-	-	3,790
-	-	-	-	270,891
-	-	-	-	22,229
-	-	-	-	455,901
<u>293,362,767</u>	<u>23,000</u>	<u>5,800,785</u>	<u>(118,795,827)</u>	<u>281,314,655</u>
<u>293,362,767</u>	<u>23,000</u>	<u>5,800,785</u>	<u>(118,795,827)</u>	<u>281,314,655</u>
(14,000)	-	-	-	(14,000)
45,439,094	-	-	-	45,439,094
(55,032)	-	-	55,032	-
-	-	-	(19,265,543)	(19,265,543)
-	-	772,040	(772,040)	-
-	-	-	-	1,560,000
-	-	-	-	5,566,289
-	-	-	-	95,902
-	-	-	-	7
-	-	-	-	139,994
-	-	-	-	1,914,000
-	-	-	-	1,046,052
-	-	-	-	1,160,072
-	-	-	-	1,296,666
<u>338,732,829</u>	<u>23,000</u>	<u>6,572,825</u>	<u>(138,778,378)</u>	<u>320,253,188</u>

Consolidated Cash Flow Statements

Year Ended 31st December 2011

		Group		Board	
	Note	2011 Rs. '000	2010 Rs. '000 Restated	2011 Rs. '000	2010 Rs. '000 Restated
Cash Flows From / (Used in) Operating Activities					
Net profit before Income Tax Expense and Extraordinary Items		(14,042,294)	8,087,148	(19,265,542)	4,831,985
Adjustments for					
Depreciation	6	19,645,770	17,376,078	18,415,694	16,064,035
Consumer Contribution	6	(2,155,369)	(1,885,012)	(1,853,318)	(1,632,276)
Government Grant	6	(12,391)	(12,391)	(12,391)	(12,391)
Foreign Currency Loss	5	-	44,216	-	-
Amortisation of Development Cost/Computer Software	6	588	-	-	-
Interest Income from Investments	4.2	(1,116,712)	(881,300)	(385,887)	(431,713)
Dividend income from Investment	4.2	(327,273)	-	-	-
(Profit)/Loss on sales of Property, Plant & Equipment	4.1	(56,437)	(103,837)	(56,437)	(103,837)
Finance Costs	5	2,017,388	3,013,755	1,827,830	2,605,179
Unclaimed NBT		-	-	-	-
Provision for Bad & Doubtful Debts		(326,311)	54,603	(76,228)	34,325
Provision for Obsolete and Slow Moving Stocks		247,869	78,929	244,000	78,929
Provision for Price Variance		228,809	731,296	228,809	731,296
Losses on Scrap		319	-	319	-
Damages & Losses on Board Property		116	-	116	-
Losses on revaluation of Land & Building	6	63,581	-	-	-
Land Write off to Income Statement	6	9,142	-	-	-
Bad Debt Written off Except Electricity Debt Account		-	-	-	-
Provision for others	20	(1,741)	(14,682)	-	-
Provision for Defined Benefit Plans	20.1	401,185	598,229	320,874	522,220
Transfers from Revenue Reserve		(14,161)	38,643	-	-
Amortization of Intangible Assets		-	17	-	-
Transfer to Exchange Equalization Reserve		3,987	(5,439)	-	-
		-	-	-	-
Operating Profit/(Loss) before Working Capital Changes		4,566,066	27,120,253	(612,161)	22,687,752
(Increase)/ Decrease in Inventories		(3,004,918)	(3,452,040)	(2,720,708)	(2,178,817)
(Increase)/ Decrease in Trade and Other Receivables		1,534,460	(53,924,242)	2,832,925	(53,346,017)
(Increase)/ Decrease in Amounts Due from related parties		-	-	203,956	(604,472)
(Increase)/ Decrease in other investments		(6,283,153)	(89,999)	-	-
Increase/ (Decrease) in Trade and Other Payables		24,791,233	(8,676,968)	24,529,118	(6,456,144)
(Increase)/ Decrease in Amounts Due to Related Parties		-	-	841,174	(394,303)
Cash Generated from Operations		21,603,687	(39,022,996)	25,074,305	(40,292,001)
Finance Costs paid	5	(2,017,388)	(3,013,755)	(1,827,830)	(2,605,179)
Defined Benefit Plan Costs paid	20.1	(340,670)	(329,169)	(320,874)	(318,727)
Income Tax Paid		(196,931)	(311,636)	(2,000,000)	(34,185)
Net Cash From/(Used in) Operating Activities		19,048,697	(42,677,556)	20,925,601	(43,250,092)
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment and Capital Work in Progress	8	(63,701,781)	(52,777,774)	(62,469,746)	(52,372,340)
Investment in Ordinary Shares		(150,000)	-	(150,000)	-
Investment in /withdrawal of Treasury Bills		(2,437)	54,977	-	-
Withdrawal of/ investment in Fixed Deposit		1,038,321	(7,006)	-	-
Investments in Insurance reserves.	12	(316,927)	(404,151)	(316,927)	(404,150)
Withdrawals from insurance reserve		-	634,462	-	634,462
Sale Proceeds of Disposals		235,036	323,883	235,036	323,883
Interest Received	4.2	1,443,988	881,300	385,887	431,713
Dividend Received	4.2	(324,388)	-	-	-
Recoveries from Investments		-	-	-	-
Net Cash Flows from / (Used in) Investing Activities		(61,778,188)	(51,294,308)	(62,315,749)	(51,386,432)
Cash Flows from / (Used in) Financing Activities					
Proceeds From Contributed Capital	16	12,778,981	9,796,841	12,778,981	9,795,841
Repayment of Debentures		-	-	-	-
Repayment of Interest Bearing Loans & Borrowings		(6,183,486)	(5,275,276)	(5,366,491)	(4,711,400)
Repayment of Preference Shares		-	-	-	-
Proceed from Share Issue		485,067	-	-	-
Consumer Contribution	21.1	8,848,281	7,792,813	8,450,473	7,437,138
Consumer Deposit	19	618,241	782,422	618,241	782,422
Proceeds From Interest Bearing Loans & Borrowings	18	28,441,293	82,268,817	26,833,093	82,268,817
Dividends Paid		(324,388)	(186,207)	-	-
Net Cash Flows from / (Used in) Financing Activities		44,663,989	95,179,410	43,314,297	95,572,818
Net Increase / (Decrease) in Cash and Cash Equivalents		1,934,499	1,207,546	1,924,149	936,294
Cash and Cash Equivalents at the beginning of the year		(2,550,496)	(3,758,044)	(3,102,217)	(4,038,511)
Cash and Cash Equivalents at the end of the year	26	(615,998)	(2,550,496)	(1,178,068)	(3,102,217)

Notes To The Financial Statements

As at 31.12.2011

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, Colombo 02.

1.2 Principal Activities and Nature of Operations Board

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

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

Lanka Electricity Company (Pvt) Ltd

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.

1.3 Number of Employees

The total number of employees of the board at the end of the year was 16,192 (2010 - 15,366).

1.4 Date of Authorization for Issue

The Financial statements of the Ceylon Electricity Board, for the period ended 31 December 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 3rd May 2013.

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 GENERAL POLICIES

2.1.1 Basis of Preparation

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flows, together with the Accounting Policies and Notes ("Financial Statements") of the Board as at 31st December 2011 and for the year then ended, comply with the Sri Lanka Accounting Standards.

These Financial Statements presented in Sri Lanka Rupee have been prepared on a historical cost basis except for the revaluation of certain Property, Plant and Equipment which are stated at market values.

2.1.2 Statement of Compliance

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flows, together with accounting policies and notes, ("Financial Statements") of the Board as at 31 December 2011 and for the period then ended; comply with the Sri Lanka Accounting Standards.

2.1.3 Consolidation Policy

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) 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 partially owned subsidiaries namely Pawan Dhanavi (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.

Notes To The Financial Statements Contd...

As at 31.12.2011

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.

Ceylon Electricity Board, Lanka Electricity Co.(Pvt) Ltd. and Lanka Coal Co.(Pvt) Ltd. have a common financial year ending 31st December where as the financial year of LTL Holdings (Pvt) Ltd. is 31st March. However, the Financial Statements certified by the Auditors of LTL Holdings (Pvt) Ltd. have been prepared solely to enable the Group to prepare Consolidated Financial Statements and not to report on LTL Holdings (Pvt) Ltd.

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 members 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.

2.1.4 Comparative Information and Accounting Policies

Comparative Information

The comparative information has been provided and the accounting policies have been consistently applied and are consistent with those used in the previous year. Certain Prior year figures and phrases have been rearranged wherever necessary

to conform to the current year's presentation. Such reclassifications are more fully described in Note 32 to the financial statements.

2.2 Significant Accounting Assumptions

Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment 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.

Defined Benefit Plans

The Defined Benefit Obligations and the related charge for the year are determined using assumptions required under actuarial valuation techniques. The valuation involves making assumptions about discount rate, future salary increases, staff turnover rates etc which is more fully described under note no 20.2 Due to the long term nature of such obligations, these estimates are subject to significant uncertainty.

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign Currency Translation

Ceylon Electricity Board

In terms of sub-section 6 of section 42 of the Ceylon Electricity Board Act No.17 of 1969, CEB does not take account of any profits or losses arising from foreign 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.

Foreign exchange differences arising from other transactions in foreign currencies are recognized in the Income Statement.

LTL Holdings (Pvt) Ltd

Lanka Electricity Company (Pvt) Ltd.

The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Notes To The Financial Statements Contd...

As at 31.12.2011

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Balance Sheet date. All differences are taken to profit or loss.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Procurements of LECO made under different currencies for Projects under Asian Development Bank Loan was converted to USD at the rate prevailing at the date of receiving supplies, and then converted to SLRs at the exchange rate prevailing at the date of signing of the loan agreement between the Government of Sri Lanka (GOSL) and LECO. Loans are repaid by LECO to GOSL at the exchange rate prevailing at the date of signing the agreement. Exchange gains resulting from the above transactions were transferred to a capital reserve in the previous years.

Foreign exchange differences arising from other transactions in foreign currencies are recognized in the Income Statement.

Foreign Currency Operations

LTL Holdings (Pvt) Ltd.

The Balance Sheet & Income Statements of Overseas subsidiaries and Joint Ventures of LTL Holdings (pvt) Ltd which are deemed to be Foreign Operations are translated to Sri Lanka Rupees at the rate of exchange prevailing as at the Balance Sheet Date and at the average annual rate of exchange for the period respectively. The exchange difference arising on the translation are taken directly to a separate component of equity on disposal of a foreign entity, the differed cumulative amount recognized in equity relating to that particular foreign operation is recognized in the Income Statements.

2.3.2 Taxation

a) Current Taxes

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.

LTL Holdings (Pvt) Ltd LTL Transformers (Pvt) Ltd LTL Galvanizers (Pvt) Ltd LTL Energy (Pvt) Ltd

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.

Lakdhanavi Ltd.

The profit and income of the new undertaking commenced by the Company i.e. "The Project of Heavy Engineering Industry" is exempted from income tax for a period of five years commencing from the year of assessment 2007/08 and ends on 2011/2012 in terms of section 17(2)(b) of the Inland Revenue act No. 10 of 2006.

The provision for income tax on income generated from emergency power plant and other income is computed in accordance with the provision of the Inland Revenue Act.

Nividhu (Pvt) Ltd.

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.

The Company is engaged in generating electricity and supplying to the National Grid. However, in terms of section 21 A of the Inland Revenue (Amendment) Act No. 12 of 2004, the profit and income from industrial manufacturing carried out by the company is exempted from Income tax for a period of 5 years.

Nividhu Assupiniella (Pvt) Ltd.

Pursuant to agreement dated 11th September 2003, entered into with Board of Investment under Section 17 of the Board of Investment Law No. 4 of 1978, the Company is exempted from tax for a period of 5 years starting from the year in which, the Company commences to make profits from the business of Mini Hydro Electrical Energy Generation or any year of assessment not later than two years from the date of commencement of commercial operations of the enterprise, whichever is earlier.

Accordingly, due to the tax losses made during the years of 2005/2006 and 2006/2007, the Company is exempted from Income tax for a period of 5 years from 2007/2008 to 2011/2012.

Notes To The Financial Statements Contd...

As at 31.12.2011

After the expiration of the tax exemption period the income of the enterprise shall be charged at the rate of 10% for a period of 2 years.

And after the expiration of the aforesaid concessionary tax rate, the profit and income of the enterprise shall for any year of assessment be charged at the rate of 20%.

However, other income of the company is liable for income tax in accordance with the provisions of the Inland Revenue Act.

Heladhanavi Limited

Pursuant to agreement dated 28th August 2003, entered into with Board of Investment under section 17 of the Board of Investment Law, the Company is exempted from tax for a period of 10 years from the year in which the Company commences to make profits or any year of assessment not later than two years from the date of commencement of commercial operations of the enterprise, whichever is earlier. Accordingly the company is exempted from Income tax from September 2004 to September 2014.

After the expiration of the said, tax exemption period the income of the enterprise shall be charged at the rate of 15%. However, other operating income of the company is liable for income tax in accordance with the provision of the Inland Revenue Act.

Lanka Industrial Products Engineering (Pvt) Ltd.

In accordance with the Section 21-A, of the Inland Revenue Act, for a period of five years reckoned from the year of assessment in which the undertaking commences to make profits or any year of assessment, not later than two years, reckoned from the date on which the undertaking commences to carry on commercial operations, which ever is earlier, the provision of the Inland Revenue Act No. 28 of 1979 relating to the imposition of payments and recovery of Income tax in respect of the profits and income of the enterprise shall not be applied to the profits and income of the enterprise. Accordingly, the company is exempted from the Income tax from the year 2005/2006 to 2009/2010.

After the expiration of the aforesaid period the provision of the Inland Revenue laws for the time being in force shall apply to the enterprise.

Bright International Power (Pvt) Ltd.

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 provisions of the Inland Revenue Act existing in Singapore.

Pawan Danavi (Private) Limited

Pursuant to agreement dated 1st July 2010 entered into with Board of Investment under section 17 of the Board of Investment Law, the company is exempted from tax for a period of 8 years from the year in which the Company commences to make profits or any year of assessment not later than two years from the date of commencement of commercial operations of the enterprise, whichever is earlier.

After the expiration of the said tax exemption period ,the income of the enterprise shall be charged at the rate of 15% .However, other operating income of the company is liable for income tax in accordance with the provisions of the Inland Revenue Act.

Lanka Coal Co. (Pvt) Ltd.

The company is liable to pay Income tax in accordance with the provisions of the Inland Revenue Act. Provision for taxation is based on the profit for the year adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rate of 28% on its taxable income.

Lanka Electricity Co.(Pvt) Ltd.

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.

Current Income Tax relating to items recognised directly in equity is recognized in equity and not in the income statement.

b) Deferred Taxation

LTL Holdings (Pvt) Ltd.

Lanka Electricity Co.(Pvt) Ltd.

Deferred Income tax is provided, using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred Income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial

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As at 31.12.2011

recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward unused tax assets 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 the transaction, affects neither the accounting profit nor taxable profit or loss and the carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced by the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred asset to be utilised.

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

Deferred Income tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement.

2.3.3 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale is capitalized as part of that asset.

2.4 VALUATION OF ASSETS AND THEIR MEASUREMENT BASES

2.4.1 Inventories

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.

LTL Holdings (Pvt) Ltd

Lanka Electricity Co.(Pvt) Ltd.

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 except Goods in Transit which are valued at actual cost.

The Operational & Maintenance goods of LECO are valued at actual cost on a weighted average basis.

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.

2.4.2 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful receivables. Other receivables and dues from Related Parties are recognized at cost less provision for bad and doubtful receivables. The Board has applied the following method for calculating the bad and doubtful debts, of trade receivables.

Electricity Debtors

100%	- finalized accounts and identified customers as bad debts
10%	- Outstanding over 1-2 Years as bad debts
20%	- Outstanding over 2-3 years as bad debts
100%	- Outstanding over 3 years as bad debts
5%	- Outstanding over 6 months and below one year as doubtful debts

Notes To The Financial Statements Contd...

As at 31.12.2011

A specific provision is made for bad & doubtful debt of other receivables.

2.4.3 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 cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.4.4 Property, Plant and Equipment

a) Cost & Valuation

Ceylon Electricity Board

Property, Plant & Equipment is stated at cost or at revaluation less accumulated depreciation.

Property, Plant & equipment of CEB is re-valued annually on the basis of the arithmetical simple average of the changes in the Wholesale Price Index, import value Index and Gross National product ratio for the year. The surplus or deficit arising from such valuation is credited or debited to a Revaluation Reserve.

Lanka Electricity Company (Pvt) Ltd.

All items of Property Plant & Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the Balance Sheet date. Subsequent to the initial recognition as an asset at cost, revalued Property, Plant and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less depreciation.

As agreed with the Asian development Bank, the supply infrastructure assets of the Company are revalued annually by applying the weighted average index base on the G-5 MUV index (published by World bank), in respect of imported assets and wholesale

price index in respect of local components of the assets, commencing from the Financial Year Ended 31 December 1987. Assets originally taken over by LECO from Local Councils/CEB have been valued at historical cost up to and including financial year 1992 and re-valued thereafter. The surplus on revaluation is being credited to a capital reserve. Further, the related increases in the brought forward balance of the accumulated depreciation is adjusted to reflect the new values.

When an asset is re-valued as described in the paragraph above, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset. which was previously recognized as an expense. In these circumstances the increase is recognized as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

LTL Holdings Co.(Pvt) Ltd

Property, Plant & Equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

b) De-recognition

An Item of Property, Plant & Equipment is de-recognized 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-recognized.

c) Restoration Cost

Expenditure incurred on repair or maintenance of Property, Plant & Equipment in order to restore or

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As at 31.12.2011

maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

d) Impairment of Assets

The Ceylon Electricity Board has set up Asset Management Units for condition monitoring of Assets of Generators, Transformers etc. which are of highly technical nature and all the assets are being re-valued at each reporting date in terms of the indices originated by the Central Bank of Sri Lanka. Further an Insurance Escrow Account has been set up and 0.1 percent of the total value of the assets is transferred every year to the Insurance Escrow Account to make good of any losses of fixed assets.

The subsidiary companies 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 companies make an estimate 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 recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously devalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity 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 Companies make an estimate of recoverable amount. A previously recognized 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 recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at devalued amount, in which case the reversal is treated as a revaluation increase.

e) Depreciation

Depreciation is calculated by using straight line method on valuation of all Property, Plant and Equipment, when the asset is available for use other than free hold land. Lease hold land and buildings are 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 Pillar	35 Years
Consumer Substation	35 Years
HT Switch gear	35 Years
Primary & Grid Substation	35 Years

Notes To The Financial Statements Contd...

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Service Main	35 Years
SCADA (Central Facilities) & Communication Equipment	15 Years
Vehicles	07 Years
Motor Boats	07 Years
Machinery & Tools	05 Years
Office Equipment	05 Years
Furniture & Fittings	05 Years

LTL Holdings (Pvt) Ltd

Buildings	over 10 - 50 years
Plant & Machinery	over 05 - 15 years
Factory Equipment	over 04 years
Intercom Equipment	over 04 years
Fire Fighting Equipment	over 04 years
Office Equipment	over 10 years
Furniture and Fittings	over 03 - 10 years
Motor Vehicle	over 04 years
Heat Recovery Unit	over 06 years
Computer Software	over 03 years
Rotable Spare Parts	Actual Usage Hours

Lanka Electricity Co.(Pvt) Ltd.

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

Lanka Coal Co.(Pvt) Ltd.

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

The nature of the assets and its purposes, lease periods entered with respect to the finance leased assets are differed to the parent and the subsidiaries. These are the reasons for maintaining the different useful life time for the same category of assets of the group.

2.4.5 Investments

Long Term Investments

Long Term Investments are stated at cost. The cost of the investment is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

The carrying amounts of Long term investments are reduced to recognise a decline other than temporary in the value of investments, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to Income Statement.

Current Investments

Current investments are stated at lower of cost or market value, carrying amount is determined on an aggregate portfolio basis in total.

Carrying amount of the Current Investment of Lanka Electricity Company (Pvt) Ltd is determined on the basis of individual investment.

Unrealized gains and losses on current investments are carried at market value, i.e. reduction to market value and reversals of such reductions required to reflect current investments at the lower of cost and market value, are credited or charged to the Income Statement.

Marketable Securities of LTL Holdings (Pvt) Ltd are stated at market value and Gain or Loss are dealt with through the Income Statement. Investments in Treasury Bills are carried at the market value in the Balance Sheet and any Gains or Losses are dealt with through the Income Statement.

Disposal of Investment

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognized as income or expense.

2.4.6 Leases

Operating Leases

Lease where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases.

Rental paid under operating lease are recognized as an expense in the income statements on a straight line basis over the lease term.

Finance Leases

Finance Leases, which transfer to the Board 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

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As at 31.12.2011

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 Board 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).

2.5 LIABILITIES AND PROVISIONS

2.5.1 Provisions

Provisions are recognized 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.

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 recognized as an interest expense.

2.5.2 Retirement Benefit Obligations

a) Defined Benefit Plan - Gratuity

The Board

Gratuity provision up to 31.12.2011 has been provided as per Sri Lanka Accounting Standards 16. For defined benefit plans the costs are assessed using the projected unit credit method. Under this method the cost of providing retirement benefit obligations are charged to the income statement so as to spread the regular cost over the service life of employees in accordance with the recommendations of qualified actuaries who carry out a full valuation of the plans every three years. This obligation is measured at the present value of the estimated future cash outflows using the interest rate of 11%. All actuarial gains / losses are spread forward over the average remaining service lives of employees.

LTL Holdings (Pvt) Ltd.

Gratuity is a defined benefit plan. The group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using Gratuity Formula in Appendix E of SLAS 16. Employee benefits (Revised 2006) which is based on Projected Unit Credit (PUC) method as discussed in the said standard. Although actuarial assumptions are used therein, it should not be treated as a substitute to an Actuarial Valuation. Actuarial gains and losses are recognized as income or expense in the year in which it arose itself. The gratuity liability is not funded or actuarial valued. This item is grouped under other Defined Benefit Liabilities in the Balance Sheet.

Lanka Electricity Company (Pvt) Ltd.

The company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every year using projected benefits valuation method. Actuarial gains and losses are recognized as income or expenses over the expected average remaining working lives of the participants of the plan.

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

Ceylon Electricity Board

Lanka Electricity Company (Pvt) Ltd.

Employees are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective Statutes and Regulations. The Board/Company contributes 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

LTL Holdings (Pvt) Ltd.

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective Statutes and Regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

c) Ceylon Electricity Board Pension Fund

The investments of the Pension Fund are held in a separate fund. The Defined Benefit Plans are funded by CEB taking into account the recommendations of independent qualified actuaries. The Pension Fund has been actuarially valued in December 2009. CEB's

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contribution to the Pension Fund is charged to the income statement in the year to which it relates.

2.5.3 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 value exceeding Rs. 10,000/- to Property, Plant and Equipment of CEB are charged to this Insurance reserve and other damages are to be charged under the repair & maintenance cost of the income statement. The funds for this purpose are met from the monies invested in a separate account at a Bank.

2.6 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 recognized 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.

c) 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.

2.7 INCOME STATEMENT

2.7.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

Revenue of Lakdhanavi Limited and Heladhanavi Limited will be adjusted for capacity charges for Minimum Guaranteed Energy Amount (MGEA) at the end of the calendar year.

The following specific criteria are used for the purpose of recognition of revenue.

a) Rendering of Services

Revenue from sale of goods is recognized 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 recognized 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 recognized as the interest accrues unless collectibility is in doubt.

d) Dividends

Dividend Income recognized when the shareholders' right to receive the payment is established.

e) Others

Other income is recognized on an accrual basis. Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current

Notes To The Financial Statements Contd...

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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.

2.7.2 Sri Lanka Accounting Standards Effective from 1st January 2012

The Board

The Board will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Board has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Board has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs in the future, and is required when the company prepares its first new SLAS compliant financial statements for the year ending 31 December 2012.

Lanka Electricity Co. (Pvt) Ltd.

The Group will be adopting the new Sri Lanka Accounting Standards (New SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 1st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transmission and is in the process of quantifying the impact on the financial statements.

The Institute of Chartered Accountants of Sri Lanka has resolved and an amendment to Sri Lanka Accounting Standards 10, where by the provision contained in paragraphs 30 and 31 of SLAS 10- Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transaction is not required to be disclosed in these financial statements.

LTL Holdings (Pvt) Ltd

The company will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The company has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the company has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs in the future, and is required when the company prepares its first new SLAS compliant financial statements for the year ending 31 December 2012.

Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the company. The company is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

- (a) SLFRS 1 - First time adoption of Sri Lanka Accounting Standards requires the company to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The company shall use the same accounting policies in its opening new SLAS financial statements and through out all periods presented in its first new SLAS financial statements. Those accounting policies should comply with each new SLAS effective at the end of 31 December 2012.
- (b) LKAS 1 - Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statements and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in Equity. This standard also requires the company to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and process for managing capital.
- (c) LKAS 16 - Property, Plant and Equipment requires a company to initially measure an item of property plant and equipment at cost, using the cash price equalling at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is

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recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs. All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such cost can be depreciated over the useful life of the asset. This standard requires depreciation of assets over their useful lives, where the residual value of asset is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

- (d) LKAS 32 - Financial Instruments : Presentation LKAS 39 - Financial Instruments: Recognition and Measurement and Disclosure SLFRS 7 - Disclosure will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. As such the current method of assessing for impairment will have to be based on the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the company does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognized on the balance sheet and hence would require a change in accounting policies.

- (e) LKAS 23 - Borrowing Cost, the company must capitalize borrowing cost in relation to a qualifying asset. (If applicable) Since the current policy is to expense all borrowing costs, this will result in a change in accounting policy.

- (f) LKAS 12 Income Tax requires deferred tax to be provided in respect of temporary difference which will arise as a result of adjustments made to comply with the new SLAS.

- (g) LKAS 18 - Revenue requires the company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue and the company needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

- (h) IFRIC 12 - Service Connection Arrangement Interpretation applies to public to private service concession arrangement if the infrastructure is constructed or acquired by the operator given for use by the grantor for the purpose of the arrangement. Under this interpretation operator shall apply 'financial asset model' or 'Intangible Asset Model' for accounting,

- (i) IFRIC 4- Determining Arrangement containing a lease If arrangement scope out from IFRIC-12, operator should apply 'IFRIC-4 Determining an Arrangement containing a lease'. Based on the substance of the arrangement company shall account for a 'finance/ operating lease arrangement'.

IFRIC - amends the scope of IFRIC-4 so that IFRIC-4 does not apply to arrangements that are within the scope of IFRIC-12.

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	Group		Board	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
4.2 FINANCE INCOME				
Interest Income Receivable from				
Fixed Deposits & Treasury Bills	1,116,712	881,300	385,887	431,713
Dividend Income	327,273	-	188,962	126,000
	1,443,985	881,300	574,849	557,713
5. FINANCE COST				
Interest Expense on Overdrafts and Bank Loan term loans	1,692,278	2,786,770	1,428,962	2,293,791
Penal interest on delayed power purchase payment	325,110	226,985	331,509	267,172
Exchange Loss	67,359	44,216	67,359	44,216
	2,084,747	3,057,971	1,827,830	2,605,179
6. PROFIT/(LOSS) BEFORE TAX				
Stated after Charging /(Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	8,050	8,355	2,542	4,045
Director's Emoluments	2,255	2,463	1,779	1,132
Depreciation	19,645,770	17,376,078	18,415,694	16,064,035
Personnel Costs includes				
- Defined Benefit Plan Costs -Gratuity	401,185	598,229	320,874	522,220
- Defined Contribution Plan Costs - EPF & ETF	1,156,697	1,140,258	1,025,690	1,029,906
- Other Staff Costs	11,444,179	11,104,304	10,912,078	10,687,501
(Profit)/Loss on Disposal of Property, Plant and Equipment	(56,760)	(106,259)	(56,660)	(103,837)
Amortization of Computer software	588	-	-	-
Land write off to income statement	9,142	-	-	-
Decrease in Revaluation of Property plant & Equipment	63,581	-	-	-
Consumer Contribution	(2,155,369)	(1,885,012)	(1,853,318)	(1,632,276)
Government Grant	(12,391)	(12,391)	(12,391)	(12,391)
7. INCOME TAX EXPENSE				
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	932,491	4,980,513	-	4,500,000
Tax payment for previous years	-	-	-	-
Under/(Over) Provision of current taxes in respect of prior years	(126)	(374,745)	-	-
Social Responsibility Levy	-	1,167	-	-
Deferred Taxation Charge/(Reversal)	(801,164)	324,246	-	-
	131,201	4,931,181	-	4,500,000

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**8 Property, Plant & Equipment
The Group****8.1 Gross Carrying Amounts
At Cost or Valuation**

	Balance As at 01.01.2011 Rs. '000	Additions /Transfers /Acquisitions Rs. '000	Increase /(Decrease) in Revaluation Rs. '000	Disposals/ Transfers Rs. '000	Adjustments Rs. '000	Balance As at 31.12.2011 Rs. '000
Freehold Land and Buildings	22,206,331	150,656	2,723,739	(383,664)	2,812	24,699,873
Lease hold lands	7,065	-	-	(3,350)	-	3,715
Civil Works	140,925,448	-	16,911,054	-	-	157,836,502
Plant and Machinery	160,280,359	165,841	14,434,214	-	(195,740)	174,684,674
Transmission and Distribution Lines	357,559,135	15,620,977	38,975,955	(270,895)	(146,447)	411,738,725
Motor Vehicles	6,498,124	1,449,002	375,697	(579,958)	(42,642)	7,700,223
Other supply infrastructure	15,095,489	396,003	435,620	(34,705)	-	15,892,407
Office and Other Equipment	1,959,686	222,683	84,392	(9,798)	(29,657)	2,227,306
Furniture and Fittings	76,733	55,818	10,595	(1,049)	17,385	159,482
Machinery and Tools	1,213,163	289,207	59,409	(132)	161,317	1,722,964
Container Accommodation	-	6,744	-	-	-	6,744
Total Value of Depreciable Assets	705,821,532	18,356,931	74,010,675	(1,283,550)	(232,972)	796,672,616

8.2 In the Course of Construction

	Balance As at 01.01.2011 Rs'000	Incurred During the Year Rs'000	Reclassified/ Transferred Rs'000	Disposals/ Written Off Rs'000	Adjustment Rs'000	Balance 31.12.2011 Rs'000
Capital Work In Progress (9.5)	113,768,594	63,623,612	94,014,399	(15,601,515)	(95,293,872)	160,511,217
Total Gross Carrying Amount	113,768,594	63,623,612	94,014,399	(15,601,515)	(95,293,872)	160,511,217

8.3 Depreciation

	Balance As at 01.01.2011 Rs. '000	Charge for the year Rs. '000	Transfers to Revaluation Reserve Rs. '000	Disposals/ Transfers/ Discontinued Rs. '000	Adjustment Rs. '000	Balance As at 31.12.2011 Rs. '000
Freehold Land & Buildings	3,608,461	326,596	380,095	(44,437)	-	4,270,716
Lease hold land	1,798	15	-	-	-	1,813
Civil Works	35,048,274	1,670,303	4,205,793	-	-	40,924,370
Plant and Machinery	113,103,642	5,506,101	8,994,730	(706)	(223,625)	127,380,142
Transmission and Distribution Lines	150,202,694	10,479,013	14,024,152	(103,719)	226,463	174,828,603
Motor Vehicles	4,099,755	648,297	104,930	(6,491)	(48,633)	4,794,132
Other supply infrastructure	9,081,543	623,951	250,987	(25,056)	-	9,931,425
Office and Other Equipment	1,323,300	170,435	47,263	(2,506)	(4,493)	1,533,999
Furniture and Fittings	30,374	26,219	3,046	4	(218)	59,424
Machinery and Tools	95,971	320,011	8,719	-	2,509	427,210
Container Accommodation	-	1,686	-	-	-	1,686
Total Depreciation	316,595,812	19,772,627	28,019,715	(182,910)	(47,997)	364,153,521

8.4 Net Book Values

	2011 Rs. '000	2010 Rs. '000
At Cost or Valuation	593,030,313	502,995,637
Less : Provision for Damaged Assets	-	-
Total Carrying Amount of Property, Plant & Equipment	593,030,313	502,995,637

Notes To The Financial Statements Contd...

As at 31.12.2011

9 Property, Plant & Equipment The Board

9.1 Gross Carrying Amounts At Cost or Valuation	Balance As at 01.01.2011 Rs. '000	Additions /Transfers /Acquisitions Rs. '000	Increase /(Decrease) in Revaluation Rs. '000	Disposals/ Transfers Rs. '000	Adjustments Rs. '000	Balance As at 31.12.2011 Rs. '000
Freehold Land	10,044,771	54,766	1,065,118	(46,247)	-	11,118,408
Buildings	10,059,125	70,361	1,279,315	(438)	2,812	11,411,175
Civil Works	140,925,448	-	16,911,054	-	-	157,836,502
Plant and Machinery	156,244,129	22,513	14,434,214	-	(195,740)	170,505,116
Transmission and Distribution Lines	357,559,135	15,620,977	38,975,955	(270,895)	(146,447)	411,738,725
Motor Vehicles	5,498,489	1,059,777	340,616	(168,999)	(41,466)	6,688,417
Office and Other Equipment	1,406,760	184,521	81,489	(3,675)	(29,684)	1,639,411
Furniture and Fittings	54,352	55,235	8,806	(837)	17,412	134,968
Machinery and Tools	328,684	289,144	59,409	-	161,317	838,554
Total Value of Depreciable Assets	682,120,893	17,357,294	73,155,976	(491,091)	(231,796)	771,911,276

9.1.1 Project Assets

Gross Carrying Amounts At Cost or Valuation	Balance As at 01.01.2011 Rs. '000	Additions /Transfers /Acquisitions Rs. '000	Increase /(Decrease) in Revaluation Rs. '000	Disposals/ Transfers Rs. '000	Adjustments Rs. '000	Balance As at 31.12.2011 Rs. '000
Land	-	-	-	-	-	-
Buildings	7,977	-	-	-	-	7,977
Civil Works	-	-	-	-	-	-
Plant and Machinery	-	-	-	-	-	-
Transmission and Distribution Lines	-	-	-	-	-	-
Motor Vehicles	383,755	340,067	28,420	(410,959)	(1,176)	340,107
Office and Other Equipment	30,798	5,213	2,903	(5,725)	27	33,216
Furniture and Fittings	14,910	583	1,789	(189)	(27)	17,066
Machinery and Tools	-	63	-	-	-	63
Total Value of Depreciable Assets	437,440	345,926	33,112	(416,873)	(1,176)	398,429

9.1.2 Leasehold Assets

	Balance As at 01.01.2011 Rs. '000	Additions /Transfers /Acquisitions Rs. '000	Increase /(Decrease) in Revaluation Rs. '000	Disposals/ Transfers Rs. '000	Adjustments Rs. '000	Balance As at 31.12.2011 Rs. '000
Motor Vehicles	30,472	29,286	6,661	-	-	66,419
	30,472	29,286	6,661	-	-	66,419
Total Value Of Depreciable Assets	682,588,805	17,732,506	73,195,749	(907,964)	(232,972)	772,376,124

9.2 In the Course of Construction

	Balance As at 01.01.2011 Rs'000	Incurred During the Year Rs'000	Reclassified/ Transferred Rs'000	Disposals/ Written Off Rs'000	Adjustment Rs'000	Balance As at 31.12.2011 Rs'000
Capital Work In Progress (9.5)	113,392,753	62,395,199	94,025,462	(15,439,442)	(95,293,872)	159,080,100
Total Gross Carrying Amount	113,392,753	62,395,199	94,025,462	(15,439,442)	(95,293,872)	159,080,100

Notes To The Financial Statements Contd...

As at 31.12.2011

9.3 Depreciation

At Cost or Valuation	Balance As at 01.01.2011 Rs. '000	Charge for the year Rs. '000	Transfers to Revaluation Reserve Rs. '000	Disposals/ Transfers/ Discontinued Rs. '000	Adjustment Rs. '000	Balance As at 31.12.2011 Rs. '000
Freehold Land	343,270	-	-	-	-	343,270
Buildings	3,082,904	300,301	380,095	-	-	3,763,300
Civil Works	35,048,274	1,670,303	4,205,793	-	-	40,924,370
Plant and Machinery	110,995,372	5,208,881	8,994,730	-	(223,625)	124,975,358
Transmission and Distribution Lines	150,202,694	10,479,013	14,024,152	(103,719)	226,463	174,828,603
Motor Vehicles	3,500,848	468,256	85,244	106,147	(26,872)	4,133,623
Office and Other Equipment	854,125	129,825	45,465	(740)	(3,268)	1,025,407
Furniture & Fittings	16,192	22,060	1,988	97	28	40,365
Machinery and Tools	72,702	125,987	8,719	-	2,509	209,917
Total Depreciation	304,116,381	18,404,626	27,746,186	1,785	(24,765)	350,244,213

Project Assets

At Cost or Valuation	Balance As at 01.01.2011 Rs. '000	Charge to WIP/ Transfers Rs. '000	Transfers to Revaluation Reserve Rs. '000	Disposals/ Transfers/ Discontinued Rs. '000	Adjustment Rs. '000	Balance As at 31.12.2011 Rs. '000
Freehold Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Civil Works	-	-	-	-	-	-
Plant and Machinery	-	-	-	-	-	-
Transmission and Distribution Lines	-	-	-	-	-	-
Motor Vehicles	234,700	104,623	19,686	(112,637)	(24,550)	221,822
Office and Other Equipment	19,859	7,731	1,798	(1,714)	(1,225)	26,449
Furniture and Fittings	8,815	3,222	1,058	(93)	(246)	12,756
Machinery and Tools	-	2	-	-	-	2
Total Value of Depreciable Assets	263,374	115,578	22,542	(114,444)	(26,021)	261,029

Leasehold Assets

	Balance As at 01.01.2011 Rs. '000	Additions /Transfers /Acquisitions Rs. '000	Increase /(Decrease) in Revaluation Rs. '000	Disposals/ Transfers Rs. '000	Adjustment Rs. '000	Balance As at 31.12.2011 Rs. '000
Motor Vehicles	2,136	11,068	-	-	2,789	15,993
	2,136	11,068	-	-	2,789	15,993
Total Depreciation	304,381,891	18,531,272	27,768,728	(112,660)	(47,997)	350,521,234

9.4 Net Book Values

	2011 Rs. '000	2010 Rs. '000
At Cost or Valuation	580,934,990	491,599,667
Less : Provision for Damaged Assets	-	-
Total Carrying Amount of Property, Plant & Equipment	580,934,990	491,599,667

Notes To The Financial Statements Contd...

As at 31.12.2011

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

9.5 Capital Work in Progress as at 31 December 2011 Represents the following:

Projects	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Generation Projects	8,313,240	4,321,041	8,313,240	4,321,041
Transmission Projects	6,174,854	1,921,935	6,174,854	1,921,935
Distribution Group Projects	18,395,977	14,948,632	18,395,977	14,948,632
Upper Kothmale Hydro Power Project	37,522,955	26,400,688	37,522,955	26,400,688
Colombo City Electricity Distribution Development Project	12,188,666	10,742,561	12,188,666	10,742,561
Coal Power Project	76,175,017	54,822,695	76,175,017	54,822,695
Others	309,391	235,199	309,391	235,199
Work in Progress -LECO	594,144	358,186	-	-
Work in Progress -LTL	836,973	17,655	-	-
	160,511,217	113,768,592	159,080,100	113,392,751

9.6 Ceylon Electricity Board

As explained in the accounting policies, Property, Plant & Equipment of CEB is revalued each year using indices that reflect price changes due to inflation. The Property, Plant & Equipment of the generation division and distribution division were revalued by the Development Finance Corporation (DFCC Bank) in 1996 and 1997 respectively in accordance with the management policy to obtain an independent professional valuation of all Property, Plant & Equipment .

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation cannot be disclosed due to unavailability of information.

Property Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 17,569 Mn. (2010-Rs 754.268 Mn).

9.7 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	Cost	Cumulative Depreciation	Net Carrying
	Rs'000	If assets were carried at cost Rs'000	Amount 2011 Rs'000
Building	317,055	60,665	256,390
Land	502,125	-	502,125
	819,180	60,665	758,515

During the financial year ,the company acquired Property,Plant & Equipment to the aggregate value of Rs.836 Mn (2010-Rs. 758 Mn) .Cash payments amounting to Rs 440 Mn (2010-Rs 23 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. 509 Mn (2010-Rs. 754 Mn).

Notes To The Financial Statements Contd...

As at 31.12.2011

9.7.1 Leasehold Property

The details of Leasehold Property are as follows;

Location	Cost	Lease Period	Since	Unexpired Lease Period as at 31.12.2009
Udahamilla	1,667	99 Years	01/12/1988	76 Years
Hikkaduwa	1,448	50 Years	11/07/1997	36 Years
Ambalangoda	600	30 Years	12/01/1996	15 Years

9.8 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 Messes 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 Assets	Cost Rs	Cumulative Depreciation		
		If assets were carried at cost Rs	Net carrying amount 2011 Rs	Net carrying amount 2010 Rs
Buildings	12,325,000	6,578,507	5,746,493	5,992,993

During the period, the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 994,196,768/- of which cash payments amounting to Rs. 994,196,768/- were made during the period for purchase of Property, Plant & Equipment.

Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 317,742,258/- (2010- Rs. 317,742,258/-)

Notes To The Financial Statements Contd...

As at 31.12.2011

10. Investments in subsidiaries

Non-Quoted	Holding %	Group		Board	
		Cost 2011 Rs. '000	Cost 2010 Rs. '000	Cost 2011 Rs. '000	Cost 2010 Rs. '000
Lanka Electricity Company (Pvt) Ltd	55.2%	-	-	628,002	628,002
LTL Holdings (Pvt) Ltd	63%	-	-	96,900	96,900
Lanka Coal Company (Pvt) Ltd	60%	-	-	12,000	12,000
Total Non-Quoted Investments in Subsidiaries		-	-	736,902	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		Description of business
	Group	Company	
LTL Holdings (Pvt) Ltd	63 %	63 %	Manufacture and sale of transformers.
Lanka Electricity Company (Pvt) Ltd.(LECO)	55.2 %	55.2 %	Sale of energy.
Lanka Coal Company (Private) Ltd	60%	60%	Coal Purchases for coal power
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%		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 31.12.2011

15. Amounts due from related parties

Relationship	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Lanka Electricity Company (Pvt) Ltd	-	-	1,627,537	1,831,493
Lanka Coal Company (Pvt) Ltd	-	-	-	-
	-	-	1,627,537	1,831,493

16 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.

	2011 Rs. '000	2010 Rs. '000
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
Lighting Projects	9,679,281	7,780,345
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	3,758,746	3,758,746
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	939,852
Coal Power Project	3,585,958	3,585,958
STAART Project	1,897,273	1,897,273
Conversion of long term loans	30,998,209	30,998,209

Notes To The Financial Statements Contd...

As at 31.12.2011

	2011	2010
	Rs. '000	Rs. '000
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	50,000	50,000
Maga Naguma	211,730	211,730
CAAP-GOSL	355,232	355,232
JICA Project	455,903	455,903
Retention Release	270,890	270,890
Vidulamu Lanka	25,000	25,000
Sri Lanka Gutter connection project	22,229	22,229
Absorption renewable Energy Project	100,000	100,000
Accelerated Rural Electrification Project	1,560,000	-
Rural Electrification Project 08 (Iran)	5,604,176	-
IDC Project Loan - SLT 95	7	-
Rural Electrification Project 04 (Extension)	1,160,090	-
Rural Electrification Project 04 (Old)	1,296,647	-
Vauniya Kilinochchi Transmission Project	1,023,229	-
Kilinochchi Chunnakam Transmission Project	139,994	-
As at the end of the year	<u>96,090,404</u>	<u>83,311,423</u>

Notes To The Financial Statements Contd...

As at 31.12.2011

17. Reserves Summary

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Capital Reserves (17.1)	17,759,327	17,792,799	17,612,509	17,612,509
Revaluation Reserve (17.2)	342,350,222	296,664,462	338,732,828	293,362,766
Depreciation Reserve (17.3)	23,000	23,000	23,000	23,000
Self Insurance Reserve (17.4)	6,588,776	5,816,736	6,572,825	5,800,785
Asset Replacement Reserve	199,507	189,615	-	-
Overhaul Reserve	36,673	2,984	-	-
Investment Reserve	60,530	60,530	-	-
	367,018,036	320,550,127	362,941,162	316,799,060

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 Group.

17.1 Capital Reserve

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Balance as at the Beginning of the Year	17,792,799	17,763,539	17,447,063	17,447,063
Heat Rate Reserves	12,489	20,206	-	-
Foreign Exchange Reserve	(7,289)	19,890	165,446	165,446
Exchange Equalization Reserve	2,052	(3,427)	-	-
Pending allotment of Shares	-	(7,409)	-	-
Deferred Tax Adjusted To Equity	(40,724)	-	-	-
Balance as at the end of the Year	17,759,327	17,792,799	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 Syndicate loan (USD) in to reporting currency.

Heat Rate Reserve

This reserve has been created for heat rate bonus to be incurred in the future.

Notes To The Financial Statements Contd...

As at 31.12.2011

17.2 Revaluation Reserve

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
On: Property, Plant & Equipment				
Balance as at the beginning of the year	296,664,462	299,559,111	293,362,766	296,260,291
Transfer of surplus during the year	45,754,734	2,876	45,439,094	-
Adjustment made during the year	(13,942)	(2,730,630)	(14,000)	(2,730,630)
Revaluation surplus on disposals	(55,032)	(166,895)	(55,032)	(166,895)
Balance as at the end of the year	342,350,222	296,664,462	338,732,828	293,362,766

17.3 Depreciation Reserve

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
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.

17.4 Self Insurance Reserve

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
At the beginning of the year	5,816,736	5,134,147	5,800,785	5,118,196
Transfers from retained earnings	772,040	682,589	772,040	682,589
Damages charged during the year	-	-	-	-
At the end of the Year	6,588,776	5,816,736	6,572,825	5,800,785

Notes To The Financial Statements Contd...

As at 31.12.2011

18. Interest bearing loans & borrowings

Group	2011	2011	2011	2010	2010	2010
	Amount	Amount	Total	Amount	Amount	Total
	Repayable Within 1 Year Rs.'000	Repayable After 1 Year Rs.'000	Rs.'000	Repayable Within 1 Year Rs.'000	Repayable After 1 Year Rs.'000	Rs.'000
Debentures (18.1)	-	-	-	-	-	-
Bank Loans (18.2)	9,165,143	5,023,171	14,188,314	5,958,475	8,261,117	14,219,591
Loans from Treasury (18.3)	-	189,090,153	189,090,153	-	166,777,471	166,777,471
Lease Creditors (18.4)	10,272	25,656	35,927	5,529	15,838	21,367
Bank Overdrafts	3,715,869	-	3,715,869	5,628,551	-	5,628,551
	12,891,283	194,138,980	207,030,263	11,592,554	175,054,426	186,646,980

18.1 Debentures

LTL Holdings (Pvt) Ltd	As At 01.01.2011 Rs.'000	Debenture Issued Rs.'000	Repayment Rs.'000	As At 31.12.2011 Rs.'000
National Savings Bank	8,200	-	(8,200)	-
	8,200	-	(8,200)	-

18.2 Bank Loans

18.2.1 The Board

	As At 01.01.2011 Rs.'000	Loans Obtained Rs.'000	Repayment Rs.'000	As At 31.12.2011 Rs.'000	Interest rate Per annum %	Repayment Period (Outstanding)
Peoples Bank						
9250 M Loan	1,474,000	-	(1,152,000)	322,000	11.13%	15 Months
1000M Loan	224,200	-	(158,400)	65,800	11.49%	17 Months
1500M Loan	744,000	-	(504,000)	240,000	11.49%	18 Months
8000M Loan	5,770,000	-	(2,676,000)	3,094,000	10.51%	26 Months
5000M Loan	4,583,000	-	(834,000)	3,749,000	10.13%	66 Months
1000M Loan	-	1,000,000	-	1,000,000	10.30%	
3170M Loan	-	3,170,411	-	3,170,411		
NSB Bank						
350M Loan	-	350,000	(18,733)	331,267		
	12,795,200	4,520,411	(5,343,133)	11,972,478		

18.2.2 Lanka Electricity Company (Pvt) Ltd

	As At 01.01.2011 Rs.'000	Loans Obtained Rs.'000	Repayment Rs.'000	As At 31.12.2011 Rs.'000	Interest rate Per annum %	Repayment Period
Asian Development Bank						
Project 2	155,774	-	(44,507)	111,267	10.5%	20 Years
Project 3	131,663	-	(32,916)	98,747	13.0%	15 Years
	287,437	-	(77,423)	210,014		

Notes To The Financial Statements Contd...

As at 31.12.2011

18.2.3 LTL Holdings (Pvt) Ltd		As At 01.01.2011 Rs.'000	Loans Obtained Rs.'000	Repayment Rs.'000	As At 31.12.2011 Rs.'000	Interest rate Per annum %	Repayment Period
Short Term Loan	HNB	550,003	964,298	(550,003)	964,298	-	3 Months
Long Term Loan	NDB	3,483	282,747	(3,483)	282,747	-	7 Years
	HSBC	293,969	-	(102,116)	191,853	-	
	SCB	286,334	-	(80,804)	205,530	-	
	DFCC	3,167	361,155	(3,167)	361,155	-	
		1,136,955	1,608,200	(739,573)	2,005,582		

18.3 Loans From Treasury

18.3.1 The Board
Project

	Provider of funds	Interest Per annum (%)	2011 Rs.'000	2010 Rs.'000
Treasury Loan			1,200,000	1,200,000
Treasury Loans 2006	DST 2006	Not Finalized	30,998,209	30,998,209
Upper Kotmale Hydro Power project	JBIC 74	10%	30,235,850	21,726,793
Upper Kotmale Hydro Power project II	JICA 100		7,261	-
Kelanitissa Diesel Storage Tank project	China	10%	97,378	97,378
Greater Colombo Grid Substation Project	KFW	10%	1,677,412	1,672,576
Colombo City Electricity Distribution project	JBIC 72	10%	6,413,316	5,561,883
Kerawalapitiya Kotugoda Transmission line Project	JBIC 78	10%	2,982,016	2,982,016
Puttalam Coal Power project	China	6%	47,381,917	45,604,676
Puttalam Coal Power project 11	China	6%	58,731,905	51,483,589
New laxapana & Wimalasurendra Rehabilitation project	french		4,892,949	2,788,243
Rehabilitation Ukuwela power Project	JBIC	12%	1,571,875	833,263
Jaffna Rehabilitation Electricity Supply Project	KFW		37,172	37,172
Energy Diversification Enhancement Project	JBIC	10%	63,760	62,694
Old Laxapana Rehabilitation Project	KFW		1,245,825	1,245,825
Clean Energy and Access Improvement Project	ADB	10%	1,553,309	483,155
			189,090,154	166,777,472
Amount Payable within one year			-	-
Amount Payable after one year			189,090,154	166,777,472

Notes To The Financial Statements Contd...

As at 31.12.2011

18.4 Lease Creditors Group	Total 2011 Amount Repayable Within 1 year Rs.'000	Total 2011 Amount Repayable After 1 year Rs.'000	Total 2011 Rs.'000	Total 2010 Rs.'000
	Lease Creditor	17,058	37,035	54,093
Interest in Suspense	(6,786)	(11,379)	(18,165)	(6,461)
	10,272	25,656	35,928	21,367

18.4.1 The Board	Total 2011 Amount Repayable Within 1 year Rs.'000	Total 2011 Amount Repayable After 1 year Rs.'000	Total 2011 Rs.'000	Total 2010 Rs.'000
	Merchant Bank Of Sri Lanka Lease Creditor	15,949	34,078	50,027
Interest in Suspense	(6,553)	(10,681)	(17,235)	(6,461)
	9,395	23,396	32,792	21,367

18.4.2 Lanka Coal Company	Total 2011 Amount Repayable Within 1 year Rs.'000	Total 2011 Amount Repayable After 1 year Rs.'000	Total 2011 Rs.'000	Total 2010 Rs.'000
	People's Leasing PLC Lease Creditor	1,109	2,958	4,067
Interest in Suspense	(233)	(698)	(930)	-
	877	2,260	3,136	-

19. CONSUMER DEPOSITS	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Balance as at Beginning of the Year	7,543,940	6,761,518	7,543,940	6,761,518
Deposit Received during the year	809,973	918,026	809,973	918,026
Refunds Made during the year	(191,732)	(135,604)	(191,732)	(135,604)
Balance as at the end of the Year	8,162,181	7,543,940	8,162,181	7,543,940

Notes To The Financial Statements Contd...

As at 31.12.2011

20. PROVISIONS AND OTHER DEFERRED LIABILITIES

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Retirement Benefits Obligation- Gratuity (20.1)	3,415,793	3,355,279	2,929,959	2,929,959
Other Provisions	-	1,741	-	-
	3,415,793	3,357,020	2,929,959	2,929,959

20.1 Retirement Benefits Obligation- Gratuity

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Opening Balance	3,355,279	3,086,232	2,929,959	2,726,466
Charge for the year	401,185	598,216	320,874	522,220
Payments made during the year	(340,670)	(329,169)	(320,874)	(318,727)
Closing Balance	3,415,793	3,355,279	2,929,959	2,929,959

20.2 Defined Benefit Plan**The Board**

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31st December 2011 as per Sri Lanka Accountings Standard No. 16 (Revised 2006). Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are,

	2011	2010
Discount rate assumed (%) (per Annum)	11%	11%
Further salary increase (%) - once in three years	25%	25%
Fair value of promised Retirement Benefits (Rs,000)	2,929,959	2,929,959

Lanka Electricity Company (Pvt) Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the company. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are,

	2011	2010
Discount Rate	11% per annum	11% per annum
Further Salary Increase Rate	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
Current Service Cost	Rs. 17,068,291/-	Rs. 15,888,964/-

LTL Holdings (Private) Limited

Principal Assumptions	2011	2010
Discount Rate	12%	12%
Salary Increment Rate	10%	10%
Staff Turnover	6%	6%
Retirement Age	55 Years	55 Years

Notes To The Financial Statements Contd...

As at 31.12.2011

21. DEFERRED INCOME

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Consumer Contribution (21.1)	52,777,202	46,796,835	49,989,780	44,105,171
Government Grant (21.2)	272,612	285,003	272,612	285,003
	53,049,814	47,081,838	50,262,392	44,390,174

21.1 Consumer Contribution

Balance at the beginning of the year	46,796,835	40,889,034	44,105,171	38,300,309
Consumer Contribution during the year	8,135,736	7,792,813	7,737,927	7,437,138
Amount Amortized during the year	(2,155,369)	(1,885,012)	(1,853,318)	(1,632,276)
Balance at the end of the year	52,777,202	46,796,835	49,989,780	44,105,171

21.2 Government Grant

Balance at the beginning of the year	285,003	297,394	285,003	297,394
Amount Amortized during the year	(12,391)	(12,391)	(12,391)	(12,391)
Balance at the end of the year	272,612	285,003	272,612	285,003

22. DEFERRED TAXATION

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Balance at the beginning of the year	786,862	449,468	-	-
Provision made during the year	(801,196)	342,106	-	-
Deferred tax adjusted to equity	73,775	-	-	-
Balance at the end of the year	59,442	791,574	-	-

23. TRADE AND OTHER PAYABLES

	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
Trade Payables	60,243,302	52,673,007	60,132,974	51,318,441
Other Payables	25,154,114	12,827,822	23,519,159	12,420,903
Sundry Creditors Including Accrued Expenses	4,655,477	4,411,474	3,831,768	3,866,081
Deposits(23.1)	12,809,070	10,991,294	12,809,070	10,991,294
Loan Balance pending confirmation from ERD	3,545,411	-	3,545,411	-
	106,407,374	80,903,597	103,838,382	78,596,719

23.1 Deposits

Service mains Deposits	9,836,742	9,124,196	9,836,742	9,124,196
Tender Deposits	152,835	132,677	152,835	132,677
Security Deposits	73,663	48,677	73,663	48,677
Other Deposits	2,745,830	1,685,744	2,745,830	1,685,744
	12,809,070	10,991,294	12,809,070	10,991,294

Notes To The Financial Statements Contd...

As at 31.12.2011

24. AMOUNTS DUE TO RELATED PARTIES

Relationship	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
LTL Holdings (Pvt) Ltd	-	-	2,289,004	1,447,831
Lanka Electricity Co. Ltd	-	-	-	-
Ante Leco Metering Co.(Pvt) Ltd	-	-	-	-
Lanka Coal Company (Pvt) Ltd	-	-	-	-
	-	-	2,289,004	1,447,831

25. RETROSPECTIVE RESTATEMENT OF ERRORS

(a) Ceylon Electricity Board

A sum of Rs. 1,317,087 has been adjusted against Brought Forward Retained earnings and the details of the adjustment are stated below.

- Receipts from Government Institution with respect to the Maintenance Jobs done by CEB has been erroneously credited to the other income in the year 2009 and 2010 instead of crediting the receivable account. The Financial statement of 2009 and 2010 has been restated to correct this error. The effect of the restatement of those financial statements is summarized below. There is no effect in the financial statement of the year 2011.

	Effect On year ended 31/12/2009 Rs.'000	Effect On year ended 31/12/2010 Rs.'000	Total Rs.'000
Income Statement			
Decrease In Retained earning	13,288	26,722	40,010
Balance Sheet			
Decrease In Other Receivables	13,288	26,722	40,010

- Self Generation Rebate which has been agreed by the CEB during the period 2000/2001 has not been given to LECO and it has been set off against CEB dues, by the LECO. However the deducted amount has been recorded in CEB Books as receivable from LECO .As a result of subsequent discussion , CEB agreed to settle the Self generation rebate and accordingly the amount reflected as receivable has been adjusted against the Cost of Generation to the respective period which restating the retain earnings as summarized below. There is no effect in the financial statement of the year 2011.

	Effect On year ended 31/12/2001 Rs.'000	Effect On year ended 31/12/2000 Rs.'000	Total Rs.'000
Income Statement			
Decrease In Retained Earning	12,963	3,407	16,370
Balance Sheet			
Decrease In Other Receivables	12,963	3,407	16,370

- CEB the salary revision which is done by once in three years and was due from 01.01.2009. However the given salary revision was effective from 01.11.2009 and subsequently in the year 2011, decision was taken to pay the arrears salary from 01.01.2009 to 31.10.2009 by GM circular No 2011/ GM/ 50/ Pers. Accordingly, as per the SLAS 29 adjustment has to be made in the Financial Statement of the Year 2009 restating the retained earnings as follows. There is no effect in the Financial statement of 2011.

Notes To The Financial Statements Contd...

As at 31.12.2011

	Effect On year ended 31/12/2009 Rs.'000
Income Statement	
Decrease in Retained Earning	1,260,707
Balance Sheet	
Increase In Other Payables	1,260,707

Group

(b) LTL Holdings (Pvt) Ltd

1) Nividhu (Private) Limited

During the year company has issued 1,466,670 Ordinary Shares to LTL ESOT. This Share issue based on the subscription and Shareholders' agreement entered between LTL ESOT and its Shareholders. As per the terms setout on agreement shares were to issue at Director's discretion on successful completion of Assupiniella Project. Accordingly this transaction has been treated as Prior Year Adjustment. The effect of the restatement on this Financial Statement is summarized below.

	Effect On year ended 31/12/2010 Rs.'000
Balance Sheet	
Decrease in Retained earning	14,667
Increase In Trade and Other Payables	14,667

2) Lakdhanavi Limited

a) Method of depreciation of Operation and Maintenance Spares change to Actual Usage Method from Straight Line Method to ensure the comparability with the current year. Financial Statements of 2010 have restated and effect of the restatement on the financial Statement is summarized below. There is no effect on current financial year.

b) Contract Revenue relating construction of 300MW CCPP has been restated to ensure the better presentation of the financial statements. Financial Statements of 2010 have restated and effect of the restatement on the Financial Statement is summarized below. There is no effect on current financial year.

	Effect On year ended 31/12/2010 Rs.'000
Income Statement	
Increasing Revenue (b)	73,694
Decreasing Cost of Sales (a)	271,557
Increasing Profit After Tax (a & b)	345,251
Balance Sheet	
Increase In Property , Plant & Equipment (a)	271,557
Increase in Retained Earnings (a & b)	345,251
Increase In Trade and Other Receivables (a & b)	73,694

Notes To The Financial Statements Contd...

As at 31.12.2011

**26 CASH AND CASH EQUIVALENTS
IN CASH FLOW STATEMENT**

Components of Cash and Cash Equivalents	Group		Board	
	2011 Rs.' 000	2010 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
26.1 Favourable Cash & Cash Equivalents balance				
Cash & Bank Balances	3,039,644	3,016,047	1,479,258	1,546,976
Call Deposits	60,227	62,006	-	-
	<u>3,099,871</u>	<u>3,078,053</u>	<u>1,479,258</u>	<u>1,546,976</u>
26.2 Unfavourable Cash & Cash Equivalent Balances				
Bank Overdraft(18)	(3,715,869)	(5,628,550)	(2,657,325)	(4,649,192)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	<u>(615,998)</u>	<u>(2,550,496)</u>	<u>(1,178,067)</u>	<u>(3,102,216)</u>

Notes To The Financial Statements Contd...

As at 31.12.2011

27 ASSETS PLEDGED

27.1 The Board

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Amount Pledged		Included under
		2011 Rs.'000	2010 Rs.'000	
Laxapana Power Complex	Term Loan	18,166,000	18,166,000	Property, Plant & Equipment
		<u>18,166,000</u>	<u>18,166,000</u>	

27.2 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
		2011 Rs.'000	2010 Rs.'000	
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	45,500	} Current and Non Current Other Investment
Fixed Deposits	SMI Loan Schemes of People's Bank	87,331	80,838	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank	541,757	482,086	
Fixed Deposits	Bond against the stand by Letter of Credit facilities of West Cost Power (Pvt) Ltd to NDB Bank	-	319,000	

27.3 LTL Holdings (Pvt) Ltd

Following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2011 Rs.'000	Included under
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Fixed Deposit	First Mortgage for Loans & Borrowings	125,345	Investment
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Lakdhanavi Ltd & its Jointly Controlled Entity

Immovable Properties	USD 11,600,000	4,865,200	-	Land,Building,Plant and Machinery,Trade Debtors
Immovable Properties	USD 6,400,000 - Term Loan with HSBC	3,047,173	-	Land,Building,Plant and Machinery
Immovable Properties	USD 6,000,000 - Term Loan with Standard Chartered Bank	3,047,173	-	Land,Building,Plant and Machinery
Immovable Properties	Mortgage against the Bank Guarantees	128,028	-	Investment

Pawan Danavi (Private) Limited

Project Assets	Bank Loan	838,488	-	Property, Plant & Equipment
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Notes To The Financial Statements Contd...

As at 31.12.2011

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

Lanka Electricity Company (Pvt) Limited

The company has acquired equity share amounted to 25 Mn. from LECO Projects (Pvt) Limited on February 2012.

LTL Holdings (Pvt) Ltd

There have been no material events occurring after the balance sheet date that require adjustment 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 31.12.2011, 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 2011 amounts to Rs. 273.7 Mn (2010 - 140.467 Mn). 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 23 (2009 -24) lawsuits for which the maximum liability is estimated by the company at Rs.308.8 Mn (2010 - Rs.305.8 Mn) at the year end. Although there is no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity of the Company. Accordingly, no provision for any liability has been made in these financial statements in this regard.

Notes To The Financial Statements Contd...

As at 31.12.2011

30 CAPITAL COMMITMENTS

30.1 The Board

	2011 Rs.'000	2010 Rs.'000
Approved by the Board, but not contracts placed	47,462	88,833
Total	47,462	88,833

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 2011. (2010 - Nil).

30.3 LTL Holdings (Pvt) Ltd

30.3.1 The company has a total commitment amounting to Rs.380,750,528 towards Hatton National Bank PLC and City Bank of which Rs.380,750,528 (2010 - Rs.184,779,176), were guarantees. The Guarantees were mainly Bid and Performance Bonds. The total commitment can be broken down in to its respective beneficiaries as follows.

Name of the Company	Guarantees						Letters of Credit	2011 Total Beneficiary Rs.'000	2010 Total Beneficiary Rs.'000
	City Bank Colombo 07	HNB Cinnamon Gardens	HSBC	NDB Bank	Sampath Bank	Total Guarantees	HNB Cinnamon Gardens		
LTL Holdings (Pvt) Ltd	253,150	127,600	-	-	-	380,750	-	380,750	195,845
Lakdhnavi Ltd	188,017	128,028	-	-	-	316,045	-	316,045	293,820
Heladhanavi Ltd	-	-	-	300,000	300,000	600,000	-	600,000	300,000
LTL Galvanizers (Pvt) Ltd	-	-	-	-	-	-	112	112	3,913
Lanka Industrial Product Engineerig (Pvt) Ltd	-	-	-	-	-	-	12,802	12,802	3,490
LTL Transformers (Pvt) Ltd	-	30,075	-	-	-	30,075	22,666	52,741	18,713

Notes To The Financial Statements Contd...

As at 31.12.2011

30.3.2 Operating Lease Commitments

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.

	2011 Rs.'000	2010 Rs.'000
Within One Year	8,894	8,894
After One year but not more than 5 years	4,447	13,341
	<u>13,341</u>	<u>22,236</u>

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.

30.3.3 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 February 1996 to 18th February 2013.

	2011 Rs.'000	2010 Rs.'000
Within One Year	12,762	12,762
After One year but not more than 5 years	-	12,762
	<u>12,762</u>	<u>25,524</u>

30.3.4 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 for each

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.

Notes To The Financial Statements Contd...

As at 31.12.2011

(c) Operations & Maintenance Agreement with Lakdhanavi Limited

According to this agreement, the fixed fee payable after the final completion date is US \$ 625,000 per annum paid in equal monthly installments.

The company is liable to pay Lakdhanavi Limited an additional sum of US \$ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement.

A variable fee, depends on the Net Energy Output generated.

(d) Fuel Transport Agreement with LTL Projects (Pvt) Limited

The company has entered in to a contract during the period with LTL projects (Pvt) Ltd for the transportation of fuel. According to the arrangement, the company need to pay a fixed charge of US \$ 10,500 per month from the date of commencement of power generation in the plan.

(e) 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.

Heladanavi Ltd ("Heladanavi") 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 31.12.2011

31 RELATED PARTY TRANSACTIONS

31.1 Board

31.1.1 Directors Interest on Contracts

Board

Mr.Vidya Dilruk Amarapala was bearing the office of Chairman, CEB up to 06.06.2011. He also served as a director in the director boards of Lanka Electricity Co. (Pvt) Ltd. and LTL Holdings (Pvt) Ltd. which are subsidiary companies of CEB.

The vice Chairman Mr.Douglas Premarathne, working director Mr.Pradeep Roshan Gunawardena and the board member Mr.Amila P.Jayasinghe had resigned on 06.06.2011.

Secretary Ministry of Provincial Councils and Local Government Dr. Y.D.Nihal Jayathilaka, Dr. B.M.S.Batagoda Director General Department of Public Enterprises Ministry of Finance & Planning and Mr. W.D.Jayasinghe Additional Secretary Ministry of Industry & Commerce were remained as board members for the year 2011.

The new members were appointed on 06.06.2011, Prof. Wimaladharm Abeywicrama as the Chairman, W.D.Anura Senaka Wijayapala as the Vice Chairman, and Mr. P.P.Gunasena as the working director. Mr. K.D.Ranasinghe was appointed as the member of the board from 25.07.2011.

31.1.2 Transaction with related companies

Name of related Party/parties	Name of Directors	Relationship	Nature of Transaction	Volume of Transactions 31/12/2011 Rs.'000'
Lanka Electricity Company (Pvt) Ltd	1.Prof.W.Abeywickrama 2.Mr.Vidya Amarapala 3.Mrs.B.Jayaweera till 08/06/2011 Mr B.N.I.F.A. Wicramasooriya From 09/06/2011	Directors	Sale of Electricity purchases of meters	14,968,050 799,146
LTL Holdings (Pvt) Ltd	1.Prof.W.Abeywickrama 2.Mr.Vidya Amarapala 3.Mrs.B.Jayaweera till 08/06/2011 Mr B.N.I.F.A. Wicramasooriya From 09/06/2011	Directors	Purchase of Transformers/ galvanized items and Electricity	12,132,651
Lanka Coal Company (Pvt)Ltd	1.Prof.W.Abeywickrama	Director	Purchasing of thermal coal	8,469,920

31.1.3 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.

Notes To The Financial Statements Contd...

As at 31.12.2011

(ii) Key Management Personnel Remuneration

During the year under review, Rs.1, 779,450 (2010 - Rs.1, 132,244) incurred on behalf of key management personnel of the company.

31.2 LTL Holdings (Pvt) Ltd

31.2.1 Related Party Disclosures

Details of significant Related Party disclosures are as follows.

31.2.1.1.Transaction with the Parent & Related Entities

Nature of Transaction	Name of the Company & Relationship			
	CEB Parent 2011 Rs.'000	LTL ESOT Other related 2011 Rs'000	LTL ESOT Ltd Other Related 2011 Rs'000	Total 2011 Rs'000
As at 01 January				
Sales of Goods/ Services	898,307	(221,421)	168	677,054
Dividend Declared	7,391,694	-	-	7,391,694
Receipts of Services	(188,962)	(61,012)	(80,984)	(330,958)
Dividend Paid	-	-	-	-
Payment made during the year	125,975	-	54,000	179,975
Bad debts write-off	(49,707)	-	(168)	(49,875)
Receipts during the year	(6,883,958)	-	-	(6,883,958)
Balance as at 31 December	1,293,349	(282,433)	(26,984)	983,933

31.2.1.2 Employees Share Ownership Trust

Employees Share Ownership Trust (ESOT) was set up by a special resolution adopted by the Shareholders at an Extra-Ordinary General Meeting of the Company held on 30th March 2001.

The ESOT was set up to let the employees own a portion of the company, in appreciation of their services rendered to the company. The trust will ensure a simple & ordinary system to arrange the shares to be allotted to the employees.

1,670,000 ordinary shares representing 10.02% of the issued ordinary shares of the company as at 31st March 2001 were issued to the ESOT.

Transactions 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.

31.2.1.3 Key Management Personnel Compensation

	2011 Rs'000	2010 Rs'000
Short term Employee Benefits	24,915	24,915
Post Employment Benefits	3,737	3,737
	<u>28,652</u>	<u>28,652</u>

Notes To The Financial Statements Contd...

As at 31.12.2011

31.3 Lanka Electricity Company (Pvt) Limited

31.3.1 Related Party Disclosures

Details of significant Related Party disclosures are as follows.
The company carried out following transactions with following related companies.

Nature of Transaction	Name of the Company & Relationship			
	CEB Parent 2011 Rs.'000	Other major Shareholders/ Treasury 2011 Rs'000	Subsidiaries & Other Related Companies 2011 Rs'000	Total 2011 Rs'000
As at 01 January	(1,672,132)	287,437	131,862	(1,252,833)
Purchase of Electricity	(14,913,616)	-	-	(14,913,616)
Payments for Electricity	14,865,987	-	-	14,865,987
ADB Loan Repayments	-	(77,422)	-	(77,422)
Interest on Borrowings	-	33,190	-	33,190
Accrued Expenses	(515)	-	-	(515)
Interest Payments	-	(33,190)	-	(33,190)
Material Transfer	(8,062)	-	8,062	-
Receipts of Materials	-	-	-	-
Purchase of goods	-	-	(136,681)	(136,681)
Payments	-	-	147,663	147,663
Fund Transfer	-	-	(14,321)	(14,321)
Balance as at 31 December	(1,728,338)	210,015	136,585	(1,381,738)

31.3.2 . Transactions with Government Related Entities

For the purpose of this disclosure, the management has decided to disclose transactions with the entities relating to the line ministry to which company belongs to, in addition to the transactions with the government treasury, & there were no such transactions during the year (2010-Nil).

31.3.3. Transactions with Key Management Personnel of the Company or Its Parent

The company has defined , The Key Management Personnel of the company are the members of its Board of Directors and that of its parent and the Divisional Heads including General Manager.

Key Management Personnel Compensation

	2011 Rs'000	2010 Rs'000
Directors fees & short-term benefits	326	474
Remuneration of other Key Management Personnel	11,995	13,879
Total compensation paid to Key Management Personnel	<u>12,321</u>	<u>14,353</u>

Notes To The Financial Statements Contd...

As at 31.12.2011

32. Comparative Information

The presentation and classification of following items in the financial statements are amended to ensure the comparability with the current.

	As reported Previously 2010 Rs.'000	Increase	Decrease	Current Presentation 2011 Rs.'000
Balance Sheet Investments				
Investment in Subsidiaries	-	31,321	-	31,321
Balance Sheet				
Investments in Equity Securities	2,031,321	-	(31,321)	2,000,000
	<u>2,031,321</u>	<u>31,321</u>	<u>(31,321)</u>	<u>2,031,321</u>

Auditor General's Report



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எனது
My No.

EH/A/CEB/FA/2011

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உமது இல
No.

දිනය
திகதி

10 July 2013

Date

The Chairman,
Ceylon Electricity Board

REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD FOR THE YEAR ENDED 31 DECEMBER 2011 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) for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and 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. The financial statements of the subsidiaries were audited by firms of Chartered Accountants in public practice appointed by the members of the respective subsidiaries. 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 28 January 2013.

1.2 Management's Responsibility for the 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 consolidated financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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 consolidated financial

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இல. 306/72, பொல்துவ வீதி,
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Auditor General's Report Contd...

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 the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

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

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 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 2011 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

2.2.1 Lanka Electricity Company (Pvt) Ltd. (LECO)

The auditors of the Lanka Electricity Company, a 55 per cent owned subsidiary of the Ceylon Electricity Board, had issued a qualified audit opinion on the Group financial statements of the Company as follows.

The Auditors were unable to ascertain the accuracy and completeness of the infrastructure - work-in-progress balance of Rs. 590 million (approximately) at the year end included under the Property, Plant and Equipment due to unavailability of adequate information.

- (a) "Supply infrastructure" shown under the Property, Plant and Equipment amounting to Rs. 16 million is revealed using a standard formula prescribed by the lenders of the Company. This method of revaluation does not reflect the fair value of the said assets. Any resulting impact of such on the Property, Plant and Equipment, the revaluation surplus and the related depreciation charge cannot be ascertained.
- (b) The ledger balances of the Kelaniya and Galle Branches had exceeded the billing system balances by Rs. 18 million and Rs. 5 million respectively while the billing system balance of the Kalutara Branch had exceeded the ledger balance by Rs. 8 million which could not be verified due to unavailability of adequate information.
- (c) The payable balance according to confirmation received from CEB does not agree with the balance in the ledger by Rs. 14 million for which no satisfactory explanation was received. Further, a confirmation had not been received from CEB regarding the receivable balance amounting to Rs. 9 million.

Auditor General's Report Contd...

2.2.2 LTL Holdings (Pvt.) Ltd.

The following observations are made.

- (a) Individual financial statements of the Company and its Subsidiary Companies had not been furnished for audit as agreed.
- (b) Concurrence given by the Board of Directors of the CEB to form a new subsidiary company namely Pawan Danavi (Pvt) Ltd. which has been incorporated during the year was not made available to audit.

2.2.3 Deficiencies in Consolidation

A difference of Rs. 122 million was observed between the movement of the trade and other receivables shown in the cash flow statement and the computation made on the basis of information presented for audit.

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) **SLAS 5 - Inventories:** According to the Standard, the inventories shall be measured at lower of cost and net realizable value and cost of inventories shall be assigned by using the first in first out (FIFO) or weighted average cost formula respectively. Contrary to the Standard, the Board uses standard prices for valuing its inventories at Distribution Regions.

In accordance with 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 and net realizable value. According to the prevailing situation prices have only increased but not fluctuated. It was clear that the Board in most instances had overestimated their standard prices than actuals. For instance the net income recognized by overestimation of the material prices and labour rates in 2011 was Rs. 2,920 million (2010 - Rs. 1,785 million) and Rs. 803 million (2010 - Rs. 548 million) respectively. In addition to that a sum of Rs. 1,255 million (2010 - Rs. 962 million) had been charged to the cost of the jobs as overheads (computed applying standard rate for actual labour hours used) which had been recognized as an income in the income statement.

As a result, the fair valuation of the stock, work in progress, maintenance and completed jobs as at 31 December 2011 is open to question.

- (b) Required information relating to the Ceylon Electricity Board Pension Fund had not been disclosed in the financial statements as specified in paragraph 120 of the **SLAS 16 - Employee Benefits.**
- (c) The Board revalues its Property, Plant and equipment (PPE) annually by multiplying their carrying values at a rate computed based on the arithmetical simple average of the changes in the Wholesale Price Index, Import Value Index and Gross National Product ratio published by the Central Bank of Sri Lanka for the year in contrary to the revised **SLAS 18 - Property, Plant and Equipment (PPE).**

Further, according to the method followed, the PPE are being revalued only up to their estimated economic life time. Thereafter, those assets are being used for a longer period until their disposal by maintaining the asset value at a nominal value of Rs. 1.

In addition, the following information had also been not disclosed.

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- Assets classified as hold for sold or include in a disposal .
- Carrying amount of temporarily idle PPE.
- (d) **SLAS 21 - The Effect of Changing Foreign Exchange Rates:** The accounting policy for exchange differences arisen during the period of construction of capital assets financed by the foreign funded Projects had not been covered by the policy disclosed in paragraph 2.3.1 of the Accounting Policies in the financial statements.
- (e) **SLAS 24 - Accounting for Government Grant and 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 Democratic Socialist and Republic of Sri Lanka of the year 2011, the total capital contributed to the Board amounted to Rs. 51 billion and according to the financial statements of the Board that had been shown as Rs. 96 billion. Accordingly, the accounting treatment made in the financial statements for Rs. 45 billion of Government grant difference between the financial statements of the Government of Democratic Socialist and Republic of Sri Lanka and the financial statements of the Board as at 31 December 2011 had not been complied with the Standard.
- (f) **SLAS 41 - Impairment of Fixed Assets:** Impairment assessment according to the Standard had not been carried out.

2.3.2. Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Entire positive material price variance, labour rate variance and overhead variance aggregating Rs. 4,979 million (2010 - Rs. 3,295 million) had been set off against the cost of sales without distributing between the maintenance and capital jobs because those variances had arisen as a result of valuing the materials, labour and overhead used for those jobs at standard cost. Hence, the loss of the year and the value of the capital works shown in the financial statements had not been reflected an actual status.
- (b) The brought forward tax loss of Rs. 67,245 million of the Board as at 31 December 2010 had not been disclosed in the financial statements.
- (c) Some of the foreign aid loans obtained by the Government for power sector developments of the country had been sub-lent to the Board. Fifty per cent of the sub- loans aggregating Rs. 61,996 million that prevailed as at 31 December 2005 had been transferred to equity and the balance Rs. 30,998 million had been treated as a single loan according to the decision taken by the Cabinet of Ministers on 01 March 2006. However, as the Government had not communicated the interest rate and the repayment method that loan had remained as unsettled and without any interest charge in the financial statements. However, that position had not been disclosed in the financial statements.
- (d) Capital Reserves had comprised with Loan Redemption balance of Rs. 17,447 million and Other Reserve balance of Rs. 165 million (misnamed as Foreign Exchange Reserve) as at 31 December 2011. However, the details such as nature, purpose, etc. had not been disclosed in the financial statements.
- (e) Interest income derived from investment of Insurance Escrow Fund has been treated as income of the Board since the inception of the Fund without being treated as an income of that Escrow Fund. For instance the interest income of Rs. 317 million had been treated as the income of the Board for the year under review (in 2010 it was Rs. 404 million) and as a result, both loss of the Board for the year and the Insurance Escrow Fund balance as at 31 December 2011 had been understated by a similar amount.

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- (f) A programme loan amounting to Rs. 3,047 million had been accounted as receivable from the General Treasury since 2003 without evidence as receivable.
- (g) The Gratuity account had not been adjusted according to the valuation done by an Actuarial valuer on 29 February 2012 which had resulted in the understatement of the loss for the year and the gratuity liability as at 31 December 2011 by Rs. 480 million.
- (h) A sum of Rs. 57 million payable for renewable energy purchased in 2011 had not been accounted for and as a result, both loss of the year and the accrued expenditure balance shown in the financial statements as at 31 December 2011 had been understated by a similar amount.
- (i) Tariff adjustment payable to a Wind Power Company amounting to Rs. 35 million had not been accounted for. As a result, the loss and the payable balance shown in the financial statements had been understated by that amount.
- (j) Fuel cost amounting to Rs. 1,369 million had been reimbursed to a Power Generating Company computed at a rate exceeding the agreed price of Rs. 76 per Liter for the period of July - September 2011 due to the decision taken by the Ceylon Petroleum Corporation (CPC). That over payment had inappropriately been removed from the cost of sales and accounted as receivable from CPC without a formal agreement between respective parties. As a result, the loss of the year under review and other debtor balance shown in the financial statements had been understated and overstated by a similar amount respectively.
- (k) It was observed that the monthly bills are paid by consumers before the bills are posted the individual accounts and as a result, the erroneous overpayments in the individual consumer accounts have been reflected. Due to that lapse the trade debtors shown in the financial statements as at 31 December 2011 had been understated by Rs. 764 million, reflecting the posting error of Rs. 748 million out of that credit balance which was less than three months.
- (l) Normally, the excess materials issued for the jobs commenced in previous years are returned to the stores in subsequent years. However, according to the current practice, those returned stock items are taken into the stocks at current standard rates and adjusted the WIP as well accordingly without being valued at the rate that prevailed at the time of issue. Hence, both stock and WIP balances may be understated. For instance, the value of inventory items returned to the stores of the North Western Provincial Office which had been valued at the rates in 2011 was Rs. 105 million.
- (m) Provision which should have been made according to the policy of the Board for the balance outstanding from trade debtors had not been made and as a result, the trade debtors and loss shown in the financial statements had been overstated and understated by Rs. 289 million. Details are given below.

	Amount Rs. Million
Total provision according to calculation done by the Audit	2,207
Total provision according to financial statements	1,918
Under provision	289

- (n) Unusual debit and credit balances aggregating Rs. 327 million and Rs. 664 million respectively had been included under trade and other creditors and trade and other debtors respectively and as a result, both of those debtors and creditors shown in the financial statements had been understated by the same amounts.
- (o) The Work-in-progress (WIP) account of the North Western Province (NWP) Office of the Board had included jobs having both credit and debit balances as at 31 December 2011. Aggregation of those debit and credit balances together to ascertain the year end balance resulted in the understatement of the WIP by Rs. 40 million.

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It was further observed that those credit balances remained uncorrected over three months as 31 December 2011.

- (p) Value of the lands shown in the financial statements of the Distribution Region - 3 as at 31 December 2011 had not been revalued and as a result, the land value had been understated by Rs.17 million.
- (q) Properties such as lands, office buildings, transmission lines and substations, jetty for Port facilities, barges and tugboats, employees' housing compound, etc. of the Coal Power Project valued at Rs. 52,736 million had been taken over by the Board and the Phase I of the Project had already been commissioned as at 31 December 2011. However, those items had continued to remain under work-in-progress without being capitalized at least on piecemeal basis.
- (r) A sum of Rs. 2,000 million receivable from General Treasury had inappropriately been shown in the cash flow statement of the Board as Income Tax paid without being treated as a working capital movement under trade and other receivables.
- (s) The accrued expenditure shown in the financial statements had been understated by Rs. 25 million due to not providing PAYE Tax for bonus paid in December 2011.
- (t) Capital grant of Rs. 37 million received from the General Treasury for electricity rehabilitation in Jaffna Region under Jaffna Region Electricity Supply Rehabilitation Project had erroneously been accounted as Loans from Treasury and as a result the contributed capital and the loans from Treasury shown in the financial statements as at 31 December 2011 had been understated and overstated by that amount respectively.

2.3.3 Unreconciled Difference

The following unreconciled differences were observed.

Item in the Financial Statement	Subsidiary Record	Balance according to		Difference Rs. Millions
		Financial Statements Rs. Millions	Subsidiary Record Rs. Millions	
(a) Amount due from LECO	financial statements of LECO	1,628	1,736	(108)
(b) Amount due to LECO	financial statements of LECO	-	9	(9)
(c) Contributed Capital for the Coal Power Project (Phase - I)	the financial statements of the Project	3,586	3,570	16
(d) Property, Plant and Equipment - Region - 3	Register of Fixed assets	2,454	2,462	(8)
(e) Property, Plant and Equipment - Region - 3	General Ledger	2,454	2,487	(33)
(f) Accumulated Depreciation for Motor Vehicles and Office Equipment	Register of Fixed assets	1,205	1,186	19
(g) Accumulated Depreciation for Motor Vehicles and Office Equipment	General Ledger	1,205	1,219	(14)
(h) Receivable from Lanka Coal Company (LCC)	Financial Statements of LCC - Note 13	-	11	(11)
(i) Advance for Expenditure - LCC	Financial Statements of LCC - Note 13 (CEB Expenditure Advances)	-	1,606	(1,606)

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(j)	Trade Debtors – Region 2	Billing Summary and Age Analysis (Schedule Balance)	1,906	1,956	(50)
(k)	WIP (Non-capital) –Region 3	Age Analysis of Other Debtors	110	86	24
(l)	Other Debtors included in Other Debtors – Region 3	Age Analysis	2,049	2,045	4
Total					(1,776)

2.3.4 Accounts Receivable and Payable

The following observations are made.

- (a) Three receivable balances aggregating Rs.33 million and three payable balances aggregating Rs. 27 million in respect of the LECO in the financial statements of the Deputy General Manager's Office at Western Province South - II had remained for a long period as at 31 December 2011 without being settled.
- (b) An excess GST payment of Rs. 38 million had been carried forwarded 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) A full provision made for Rs. 447 million due from electricity debtors in Region 1 remaining outstanding for more than ten years had been carried forward year by year without taking action for recovery.
- (d) Receipt of electricity rebate recorded as receivable in the financial statements amounting to Rs. 1,622 million and street lighting amounting to Rs. 3,451 million is doubtful because the Government has given several grants and assistances as well as concessions for operations of the Board.

However, the view of the Chairman and the General Manager in this regard is as follows.

The above balances which are receivable from the Treasury are kept in the accounts for the purpose of recovery or settlement against any other payments to the Treasury. Therefore the Treasury dues could not be treated as doubtful unless the Treasury informs the appropriate decision.

- (e) According to Paragraph 14 of the Gazette Notification No 1572/25 of 24 October 2008, the Ceylon Electricity Board may obtain from all its consumers a deposit equal to the assessed cost of electricity consumption for two months against electricity consumed.

However, it was revealed that the deposits maintained by selected two Provincial Offices in Distribution Region - 1 in respect of the bulk consumers had been inadequate as against the actual amount to be deposited based on the current bill value. The shortfall of Rs. 470 million was observed from 149 consumers. In addition, another 29 bulk consumers are being dealt without any security deposit and their outstanding balance as at 31 December 2011 was Rs.10 million. Accordingly, it was revealed that the Board is being dealing with those consumers at a high credit risk.

- (f) The ordinary supplies debtor balance of Rs. 225 million in Colombo City Office remained outstanding for more than six months as at 31 December 2011 and 79 per cent of that balance had been in arrears for over three years due to the failure to take proper recovery action.
- (g) It was not possible for a balance of Rs. 78 million older than 05 years as at 31 December 2011 in the work-in-progress account of the Colombo City Office of the Board as there was only Rs. 13 million balance older than four year as at 01 January 2011. Therefore, the accuracy of the age analysis of WIP was observed in audit as doubtful.

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- (h) Amount due from LTL Transformers Ltd. (a subsidiary company of the Board) as at 31 December 2011 amounted to Rs. 11 million and that balance remained outstanding for more than three years without being recovered.
- (i) Amount receivable from religious premises amounting to Rs. 2,418 million remained outstanding for more than one year as at 31 December 2011.
- (j) Normal credit period for bulk consumers is one month. However Rs. 307 million out of the total outstanding balance of Rs. 523 million from bulk consumers in Eastern Provincial Office of the Board was outstanding for more than three months as at 31 December 2011. Hence, it was observed that the monitoring of credit control system was very poor.
- (k) The Creditor Control Account (Electricity) balance of Rs. 359 million in Eastern Provincial Office of the Board had remained for more than three months as at 31 December 2011 without being cleared.
- (l) A sum of Rs. 34 million out of the WIP non-capital amounting to Rs. 168 million in Region 4 had not been completed for more than one year as at 31 December 2011.
- (m) There is no common method of accounting for the advances and prepayments and different accounts for same purpose had been maintained. Further, long outstanding advance and prepayment balances were observed in the financial statements without being settled as at 31 December 2011. A sum of Rs. 281.888 million out of the total receivable balances of Rs. 343.104 million in those various accounts as at 31 December 2011 had not been recovered for more than one year.

2.3.5 Lack of Evidence for Audit

The following observations are made.

- (a) A sum of Rs. 8,732 million relating to the following items in the financial statements could not be satisfactorily vouched in audit due to unavailability of supporting evidence indicated against each item.

Item	Amount Rs. Millions	Evidence not made available
Treasury Loan	1,200	Connected file
Provision for Bad and Doubtful Debts	Not made available	Detailed list of specific provision made
Removed Transformer Account - Colombo City Office	160	Reasons for long delay and action taken for recovery
Other Debtors -WIP Non-capital		
- Region 2	390	} Detailed schedule and age analysis
- Headquarters	14	
Advances and Prepayments, Deposits,		
Loans to CEB Employees, Other Debtors, etc. (Western Province North -WPN)	2,490	
Other Debtors included in Other Debtors – Region 2	3,584	

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Stores discrepancies written off (WPN)	22	Detailed schedule, requisite approval and investigation reports etc.
WIP – Region - 2	138	Detailed schedule and reasons for delay of completion
Incomplete Capital Works transferred to other Divisions (Upper Kotmale Project)	815	Detailed schedule of items transferred and the name of Divisions
Total	8,732	

- (b) Even though there were foreign/government/CEB financing several transmission, distribution, generation and other projects separate accounts other than Clean Energy Access Improvement Project had not been maintained enabling to monitor the financial progress of the Projects.
- (c) A difference of Rs. 108,769 million was observed between the financial statements of the Board and the Government of Democratic Socialist Republic of Sri Lanka with regard to the total loans granted by the General Treasury as at 31 December 2011. Further, there were no sub-loan agreements in respect of three loans granted by the Treasury valued at Rs. 6,146 million and therefore the repayment schedule and the interest for those loans were not made available to audit.
- (d) The normal period for a service connection job is 6-9 months. However according to the information furnished by the Colombo City Office revealed that their jobs valued at Rs. 450 million were older than one year as at 31 December 2011. Therefore, there was a possibility of non-transferring the Service Main Deposits to Consumer Contribution Account even in the instances where the respective jobs have been completed. Therefore, a detailed analytical report in respect of those long outstanding jobs to identify reasons for the long delay in completion and to ascertain the accuracy of the Consumer Contribution as at 31 December 2011 was not made available to audit.
- (e) WIP amounting to Rs. 186 million and Rs. 196 million in North Western Provincial Office of the Board had continuously been shown in the financial statements for periods ranging from 2 to 5 years and over 5 years respectively without being cleared mainly due to unavailability of completion reports. A detailed analytical report to identify the reasons for the delay was 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)(a)** - According to the Section, the Board may establish and maintain with the General Treasury an Insurance Reserve to cover the insurance of movable and immovable property of the Board and to meet third party risks and liabilities arising under the Workmen's Compensation Ordinance that had not been complied with. However, a Self Insurance Reserve had been formed and maintained to meet the cost of the damaged property of the Board and the balance in that account as at 31 December 2011 amounted to Rs. 6,572 million.
- (ii) **Section 47 (1)(b)** - According to the Section, the Board may establish and maintain with the General Treasury a Sinking Fund in respect of the repayment of loans taken by the Board. A Loan Redemption Reserve is available but it had not been updated since the year 2000. The balance in that Reserve Account (erroneously named as balance as at the beginning of the year - refer Note No. 17.1) amounted to Rs. 17,447 million.

Auditor General's Report Contd...

- (iii) **Section 47(2)(a)** - According to the Section, the Board may establish and maintain with the General Treasury a Depreciation Reserve to cover the depreciation of the movable and immovable property of the Board. However, in contrary to that requirement the Board had formed a Depreciation Reserve in its financial statements by transferring Rs. 1 million per annum up to 31 December 2000 and thereafter no movement had taken place. A balance of Rs. 23 million accumulated on that dated has been carried forwarded in the annual financial statements.
- (iv) **Section 47(2)(b)** - According to the Section, the Board may establish and maintain with the General Treasury a General Reserve 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, contrary to that requirement the Board had formed an Other Capital Reserve in its financial statements but it had not been updated since the year 2000. The balance of that Reserve Account amounted to Rs. 165.45 million.
- (b) Contrary to the provisions in Section 46 of the Ceylon Electricity Board Act, No. 17 of 1969 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971, the Board had invested funds amounting to Rs. 3,710 million as at 31 December 2011 in the Insurance Escrow Fund based on a contribution of 0.1 percent of the total value of its gross fixed assets at the end of each year since 1989.
- (c) **Public Administration Circular No. 15/90 of 09 March 1990 and Public Enterprises Circular No. PED/12 of 02 June 2003.**
- (i) The CEB had recruited non-skilled and semi-skilled staff annually as clerks, cashiers, storekeepers, typists, drivers, office aids etc. without calling for Island-wide applications from qualified candidates through newspaper advertisements, Gazette notifications etc. as specified in circular instructions.
- (ii) 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 updated its procedure manuals prepared over 24 years ago.

3. Financial and Operating Review

3.1 Financial Review

3.1.1 Cost Structure

The following table shows an analysis of the cost of sales of the Board for the year under review as compared with the previous year.

Description	Expenditure for the year		Difference	
	2011	2010	Rs.	%
	Rs. Millions	Rs. Millions	Millions	
Power Station Fuel Account	24,982.470	16,350.498	8,631.771	53
Power Purchase from IPPs	75,276.325	57,647.289	17,629.036	31
Renewable Energy Purchase	8,867.771	8,019.195	848.576	11
Personnel Expenditure	11,745.872	11,635.701	110.171	1
Materials Costs	12,989.753	5,124.311	7,865.441	153
Accommodation Expenditure	774.031	656.127	117.904	18
Transport and Communications	2,203.607	1,970.139	233.468	12
Material Price Variance	(2,919.687)	(1,785.179)	(1,134.508)	64
Overhead Recoveries	(1,255.475)	(961.658)	(293.817)	31
Labour Rate Variance	(803.281)	(548.037)	(255.244)	47
Depreciation	18,297.458	15,990.333	2,307.126	14
Other Expenditure	2,268.827	2,069.761	199.066	10
Cost of Sales	152,427.470	116,168.481	36,258.989	31

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According to the above information, it was revealed that around 70 per cent of the total expenditure of the Board is directly related to power purchase and generation. As compared with the previous year the material cost which had been valued at standard prices had abnormally increased by 153 per cent.

3.1.2 Financial Results

According to the financial statements presented, the operations of the CEB during the year under review before taxation had resulted in a loss of Rs. 19,266 million as against the corresponding net profit of Rs. 4,832 million before taxation for the preceding year thus showing deterioration in operating result by Rs. 24,098 million. The main reasons for such deterioration are analyzed as follows.

Item	2011	2010	Increase/(Decrease)		% Contribution to the Loss
	Rs. Millions	Rs. Millions	Rs. Millions	%	
Sales	132,460	121,226	11,234	46.6	47
Fuel	(31,992)	(16,551)	15,441	93.3	-64
Power Purchase	(84,144)	(65,466)	18,678	28.5	-78
Operation and Maintenance	(22,972)	(21,456)	1,516	7.1	-06
Price Variance	4,978	3,295	1,683	51.1	07
Depreciation	(18,297)	(15,990)	2,307	14.4	-10
Cost of Sales	(152,427)	(116,168)	36,259	31.2	
Gross Profit/(Loss)	(19,967)	5,058	25,025	494.8	
Other Income	4,544	4,230	314	7.4	01
Operating Expenditure	(3,842)	(4,456)	(614)	(13.8)	03
Operating Profit/(Loss)	(19,265)	4,832	(24,097)	(498.7)	100

- Decrease in hydro power generation caused to increase in thermal power generation and finally, the Board had to incur heavy expenditure on fuel and power purchase from Independent Power Suppliers. The cost increase from those two factors in 2011 as against the previous year amounted to Rs. 15,441 million and Rs. 18,678 million which contributed to increase the total loss by 64 per cent and 78 per cent respectively.
- Due to the change of the depreciation policy in 2011 the Board had to charge an additional cost around Rs. 2 billion to the income statement which resulted in the increase of the loss by 10 per cent.
- Even though an additional income of Rs. 11,234 million had been earned as a result of the slight increase in the demand and the tariff revision in 2011 in addition to the positive price variances derived from issuing of stock items at standard costs the above reasons had resulted in the Board incurring a loss position in 2011.

3.1.3 Liquidity Position

The following ratios indicate the liquidity position of the CEB for the year under review and the preceding year.

Ratio	2011	2010
(a) Current Ratio	0.9:1	1.2:1
(b) Quick Assets Ratio	0.8:1	0.9:1
(c) Cash and Bank Balance to Current Liabilities	0.01:1	0.02:1

Ratios (a) and (b) are expected to be within a given range of 2:1 and 1:1 respectively.

According to the above analysis it was revealed that the liquidity position of the Board for the year under review had deteriorated to a certain level as against the previous year mainly due to the decrease of the hydro power generation.

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3.2. Operating Review

3.2.1 Power Generation

The following table shows the analysis of power generation details of the year under review as compared with that of the previous year.

Source	2011		2010		Difference	
	Giga Watt hours (GWh)	%	GWh	%	GWh	%
Hydro	4,018	35	4,988	46	-970	-11
Thermal	5,748	50	4,994	47	754	3
Coal	1,038	9	0		1,038	9
Hydro Mini	604	5	646	6	-42	-1
Wind	3	0	3	0	0	0
Non-Conventional Renewable Energy (NCRE)	118	1	83	1	35	0
Total	11,529	100	10,714	100	815	0

According to the above information following observations are made.

- Hydro power generation of the year under review as compared with the previous year had dropped to 4,018 GWh from 4,988 GWh reflecting 11 per cent decrease due to low rainfall. However, that decrease had been replaced by thermal and coal power which resulted in the increase of the total power generation of the year 2011 by 815 GWh as compared with the previous year enabling the CEB to continue its operation without power cuts.
- The Board could have been able to generate 53 per cent of entire electricity demand of the country from green energy sources in 2010 but had been reduced to 41 per cent in 2011 indicating a decrease of 12 per cent.

3.2.2 Electricity Sales

The following table shows the information relating to the sales income classified under various types of consumers both in values and quantities obtained from the Statistical Digest of the Board for the year 2011.

Consumer Type	Consumers		Sales			Selling Price per (Kilo Watt hours -KWh) Unit	
	Number	%	Qty in GWh	%	Rs. Millions	%	Rs.
Domestic	4,165,738	88	3,379	34	33,131	25	9.80
Religious	28,320	1	51	0	359	0	7.03
General Purpose	475,380	10	1,927	19	41,674	32	21.63
Industrial and Hotel	48,008	1	3,290	33	42,328	32	12.87
LECO	1	0	1,267	13	14,968	11	11.81
Street Lighting	1	0	109	1	-	-	-
	4,717,448	100	10,023	100	132,460	100	13.22

According to the above analysis, the domestic consumers who use electricity for day to day domestic purposes had represented 88 per cent of the total consumer portfolio and consumed 34 per cent of the units sold in 2011 by contributing 25 per cent to total revenue of the Board but the average selling price for that purpose was very low. Therefore, awareness programmes for energy saving are of utmost important to maintain the consumption at a lower level.

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The consumers such as Banks, Companies, and Government Offices etc. have been categorized as General Purpose users and they represented 10 per cent of the total consumer portfolio and consumed 19 per cent of the total units sold of the year 2011 by contributing 32 per cent to the revenue of the Board.

Industries and hotels had represented only one per cent of the consumer portfolio in 2011 and their consumption was 33 per cent of the total units sold but contributed 32 per cent to the revenue of the year.

The balance one per cent represented all other consumer categories who consumed 14 per cent of the total units sold by contributing 11 per cent to the revenue of the year 2011.

3.3 Matters of 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 the 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 adopted such circulars as the administrative rules of the CEB. A few such examples are given below.
 - (i) The following observations are made in respect of the payment of special interim allowance paid to the entire employees of the Board since 01 July 2008.
 - The original decision was taken to pay the allowance as an advance and absorb that allowance with the proposed salary revision with effect from 01 January 2009. However, it was observed that the allowance is being still continued and Rs. 235 million accumulated in the Advance against Salary Increase Account as 31 December 2010 had been transferred to the salary account with the approval of the General Manager who has no authority to do so.
 - The payment has been made contrary to the provisions in the Public Enterprises Circular No. 95 of 04 June 1994.
 - Details about the allowance had not been produced to the Salaries and Cadres Commission to consider in two salary revisions made in 2009 and 2012.
 - (ii) Instead of granting vehicle loans at 10 per cent - 14 per cent in terms of the Public Enterprises Circular No 130 of 08 March 1998, the Board has granted loans at 4.2 per cent. Further, it was observed that the staff loans have been paid without any control even creating severe liquidity problems to the Board.
 - (iii) The Board is bearing the PAYE tax which should be borne by its employees by overriding the Cabinet Decision taken on 13 December 2007 vide Decision No CP/07/2116/332/050 to shift the PAYE tax liability to employees since the next salary revision. The PAYE tax paid by the Board overriding said Cabinet Decision as at 31 December 2010 amounted to Rs. 712 million.
 - (iv) 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 thirty nine various staff allowances have been paid by the Board as approved by the Board of Directors from time to time. The audit test check carried out revealed that such allowances amounting to Rs. 426 million had been paid in the year 2011.
- (b) According to the information available, the Finance Manager of the Board had decided against fresh investment of the Insurance Fund externally from the year 1990 although the Board had not delegated him the powers for taking investment decisions.

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- (c) According to the Cabinet Decision dated 31 March 2008, ten per cent of the renewable energy cost of the Board should be refunded by Sustainable Energy Authority (SEA). However, such renewable energy cost which should be receivable to the Board according to the above mentioned arrangement since 2008 had not been refunded by the SEA. Total refundable amount as at 31 December 2011 amounted to Rs. 897 million. However, the SEA had not even recorded it as a liability in its financial statements and the CEB had not obtained confirmation of balance.
- (d) The shortfall observed between the Insurance Reserve Fund balance and Investment of Insurance Reserve Fund as at 31 December 2011 amounting to Rs. 2,545 million had not been invested in terms of the self-insurance policy of the Board.
- (e) Even though the Board has sold electricity to LECO over several years there is no sales agreement between those two parties. In addition, there is no formal arrangement for fuel purchase from Ceylon Petroleum Corporation, as well.
- (f) A sum of Rs. 51,139 million out of Rs. 60,133 million due to the Ceylon Petroleum Corporation as at 31 December 2011 was in arrears for more than one year. Approval of the Cabinet of Ministers had been granted for the General Treasury to issue Treasury Bonds with maturity periods of 5, 10, and 20 years to the value of Rs. 52 billion of the above mentioned long outstanding balance on 28 July 2011 enabling the CEB to settle the bond value over a period of 15 years commencing from 2015 by an annual installment of Rs. 3 billion and to enter into an agreement between the General Treasury and the CEB for recovering the cost of the bonds back. Accordingly, the Department of Treasury Operations had issued Treasury Bonds to Bank of Ceylon on 09 January 2012 for the settlement of Rs. 50.5 billion due to the CPC from CEB and informed the Board by letter No PD/DS&A/PD/09/468 dated 11 January 2012 of that Department. However, the above position had not been disclosed in the financial statements.

3.4 Management Inefficiencies

The following observations are made.

(a) Finalized Debtors - Ordinary Supplies

Trade debtor balance as at 31 December 2011, according to the financial statements presented to audit, amounted to Rs. 11,193 million and Rs. 1,062 million of that was outstanding from the customers whose meters had been removed by the Board due to not paying their dues within the minimum of six months period from the last payment date. In this connection the following observations are made.

- (i) The Board is not in position to take legal action against the consumers whose outstanding balance as at 31 December 2011 amounted to Rs. 47 million due to time bar period of six years has already elapsed.

Further, the recovery of another outstanding balances aggregating Rs. 450 million is also doubtful as the time bar period of 6 years will elapse shortly. However, adequate action for the recovery of those balances had not been taken even up to 31 December 2012.
- (ii) In addition to the above mentioned Rs. 497 million, the recoverability of Rs. 126 million out of Rs. 655 million outstanding as at 31 December 2011 was also doubtful as the recovery process specified in the Circular No. 1999 - 12 issued by the Deputy General Manager (Consumer Services) on 24 December 1999 had not been complied with. However, disciplinary action against the officers responsible for the lapses had not been taken.
- (iii) According to Sub-section 1(4) of the Schedule II of the Ceylon Electricity Act, No 20 of 1999, no new connection to other premises of a consumer shall be given until his or her arrears are fully settled. However, contrary to that requirement, new connections had been given ignoring their bill in arrears.

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However, no action had been taken against those misconducts, to date. A few such instances are given below.

Provincial Office	Account Number		Amount Outstanding Rs.
	Old Connection	New Connection	
Eastern	2402187506	2470100143	536,851
	3594268918	3594268810	361,309
	3504463309	3504463309	322,541
Uva	3503514900	3570101614	833,004
	2304483003	2304291503,2304291309, 2304291406,2304251005, 2309048305, 2305402805	306,615

According to the above observations, it was revealed that not only the credit control over debtors but taking disciplinary action against the officers responsible for the failure to take timely action for the recovery of dues from consumers is very poor. Ultimate result of allowing to misappropriation of public funds without taking suitable and periodical action over a longer period is writing them off from the books of account giving reasons such as no information, accounting error, unable to find the consumer etc. A few such recent write offs are given below.

Year of Board Decision taken to write off	Description of the balance	Amount written Off Rs. millions
2001	57,389 balances of ordinary supplies less than Rs. 4,000 for each relating to the period 1989 - 1998	37.78
2007	9,675 balances of ordinary supplies greater than Rs. 4,000 for each relating to the period 1989 - 1998	206.03
2007	21,544 balances of ordinary supplies greater than Rs. 4,000 for each relating to the period 1999 - 2001	123.26
2007	314 bulk supplies balance relating to the period 1999 - 2001	80.90
Total		447.97

In addition to the above, another Board Paper to write off Rs. 401 million of trade debtors is in progress.

- (b) Stock shortages amounting to Rs. 22 million remained uncleared for more than one year without being investigated to identify and fix responsibility.
- (c) The Board had spent a sum of Rs. 114 million for procurement of Port Tugs and Barges for the Coal handling in the Puttalam Port and the cost of those assets are still in the work-in-progress under the Coal Power Project in the financial statements of the Board. However, the Lanka Coal Company (a subsidiary of the Board) uses those assets for their Port handling and US \$ 2.00 per coal metric ton handled is charged to the Board. The charged so made by the Company as at 31 December 2011 amounted to Rs. 102 million.

Further, there was no lightering equipment in the balance sheet of the Company as at 31 December 2011 for coal handling. However, the Company charges US \$ 1.70 per coal metric ton as depreciation of lightering

Auditor General's Report Contd...

equipment. The amount so charged as at 31 December 2011 amounted to Rs. 87 million.

The funds so collected by the Company through invoices raised to the Board have been used to establish Reserves for Replacement of Lightening Equipment and Maintenance of Lightening Equipment without self-financing as the Lanka Coal Company (a subsidiary of the Board) as a separate body. The Board has also paid such unnecessary expenses even it is facing severe financial problems.

- (d) The Board had made advance payments amounting to Rs. 443 million to the Lanka Coal Company for purchase of 45,000 metric tons of deaf coal in the year 2010. But the entire consignment had not been supplied by the Company and a sum of Rs. 76 million and Rs. 159 million out of the advances granted had been holding by the Lanka Coal Company Ltd. and the Ceylon Shipping Company Ltd. respectively till the end of the year 2011. However, the Board had not taken action to recover the advances.
- (e) Due to the improper fund management of the CEB, the Company had earned an investment income of Rs. 55 million by investing the funds collected from the Board through the methods as mentioned in paragraphs (c) and (d) above.
- (f) The Board had not entered into commercial agreement or a Memorandum of Understanding with the Lanka Coal Company for coal purchase even though the Board continues to purchase coal from the Company from the year 2009.
- (g) The Construction Branch in each Region maintains the records relating to the electrification jobs undertaken by them at the originally estimated values and quantities whereas the Financial Division maintains their records at actual values and quantities. Therefore, those two records cannot be reconciled.

3.5 Identified Losses

Bad debt written off during the year under review and the previous year which can be treated as identified losses amounted to Rs. 226 million and Rs. 1,513 million respectively. Details are given below.

	2011 Rs. Million	2010 Rs. Million
Trade Debtors		
Region - 1	41	-
Headquarters	160	1,510
Other Debtors		
Headquarters	25	3
Total	226	1,513

3.6 Delay in Projects

The following observations are made.

- (a) Samanalawewa Mini Hydro Project -10 GWH per annum had commenced before 2006 and it had been suspended due to a water leak. The total cost estimated for rectification the Project amounted to Rs. 200 million and it had been under study level even at the end of the year under review.
- (b) The Government had allocated a sum of Rs. 4,022 million under the Ministry of Power and Energy to the CEB for 9 electrification projects by the Budget Estimates for the year 2011. However, no utilisation whatsoever had been made from that provision in the year 2011.

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3.7 Human Resource Management

The following observations are made.

- (a) The cadre revision had not been done after 2007.
- (b) A data base for HRM had not been maintained.
- (c) Vacancies in 173 key posts in technical grades existed as at 31 December 2011.
- (d) There was no approved cadre for Contract, temporary and outsourced employees deployed by the Board.
- (e) The employees deployed by the Board in lower grades such as labour, office aid, and allied posts are, as a practice, promoted subsequently, to higher posts such as clerical grades on the results of an internal examination. This practice had resulted to in employing persons without the skills in the relevant posts which had adversely affected the efficient management. As such the Board had been procuring competent man power from external sources in addition to payment of overtime, etc. to its permanent staff.
- (f) Proper succession plan other than selecting personnel purely based on seniority for the key post was not observed. The officials have been promoted for very short periods, as favours for retiring personnel, without considering adverse impact on the entity.
- (g) It was not observed a strong transfer policy for higher posts.

3.8 Corporate Plan

Corporate Plan of the Board had not been updated in terms of the Public Enterprises Circular No PED / 12 of 02 June 2003.

3.9 Audit Committee

The Audit Committee of the Board comprised four Board Members of whom three are non-executives representing Government institutions. The Committee is chaired by the Treasury representative and six meetings were held in the year under review. The following observations are made in this connection.

- (a) Internal Audit reports and the Auditor General's reports had not been fully reviewed.
- (b) Interim financial statements, investigation reports, monthly financial and physical progresses, budgetary controls, follow-up action on the implementation of Board decisions, Action Plan, Procurement Plan, etc. had not been reviewed.

3.10 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 from time to time. Special attention is needed in respect of the following areas of control.

- (a) Assets Management

- (b) Receivables and Payables
- (c) Inventory Control and Stock Management
- (d) Human Resources 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 REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD FOR THE YEAR ENDED 31 DECEMBER 2011 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. Opinion

2.2 Comments in Groups and Group Financial Statements

2.2.1 Lanka Electricity Company (Pvt) Ltd. (LECO)

(Non-availability of adequate information - work in progress balance approximately Rs. 590 million.

The breakdown is as follows:

BRANCH	AMOUNT (RS.Mn)
Kotte	39.0
Nugegoda	87.1
Kelaniya	29.8
Moratuwa	111.3
Galle	20.0
Kalutara	58.8
Negombo	36.5
Head Office	210.0
	<u>592.5</u>
Less: LECO Projects	2.4
Total Rs Mn.	<u>590.1</u>

A detail study was carried out during the year 2012 for the reconciliation of the schedule of Work-In-Progress and the ledger balance, and to expedite the transfer of completed jobs to the asset accounts. Now the schedule of work-in-progress and the ledger balance is the same. There are no differences. Action has been already initiated to transfer completed jobs expeditiously.

(a) Method of revaluation does not reflect the fair value of the assets.

The supply infrastructure reflected under Property Plant & Equipment is revalued using a Standard formula prescribed by the lenders (ADB) to the Company. The Auditors opinion is that this method of revaluation does not reflect the fair value of the said asset. If a revaluation by Professional Valuer is undertaken, it is a complicated assignment and would cost a considerable amount of money to the Company.

Replies To Report Of The Auditor General Contd...

From the year 2012 with the implementation of "IFRS" this method of revaluation has been replaced by replacement cost method, which reflects the market value of the assets.

(b) Differences of ledger balances and billing system balances.

There are differences observed in total debtor balance in the Billing System and the total debtor balance appearing in the debtors control account. This is mainly due to the different dates considered for billing cycle and preparation of Accounts by considering billing cycle sales for accounting purposes. This has now been rectified.

(c) The payable balance as per confirmation received from CEB does not agree.

The un-reconciled balances are the old balances that relating to meter reading disputes. Action has already been taken to initiate a dialogue with CEB to eliminate the un-reconciled amounts from the books.

2.2.2 LTL Holdings (Pvt.) Ltd.

(a) Individual financial statements of the Company and its Subsidiary Companies had not been furnished for audit as agreed.

Since LTL Holdings and CEB have different statutory reporting dates, LTL Holdings, CEB and the Dept. of Auditor General agreed that LTL Holdings, for consolidated purposes, should carry out an audit as at 31st March, for the consolidated transactions based on materiality limit informed by CEB. This audit is a special purpose audit only for the consolidation purposes. Therefore LTL's auditors give an opinion on this only.

As had been the practice throughout the past, no audited financial statements are produced, as at 31st December, for the company or its subsidiaries.

(b) Concurrence given by the Board of Directors of the CEB to form a new subsidiary, Pawan Danavi (Pvt) Ltd.

The board of LTL Holdings (pvt) Ltd has the power to incorporate its subsidiaries. Concurrence of the Board of Directors of CEB is not required to form a new subsidiary. LTL Holdings (pvt) Ltd board has duly approved the incorporation of Pawan Danavi (pvt) Ltd.

As per the sec. 106 and 109 Of the Articles of Association of LTL Directors of LTL have the power to form a new business. Further two officials of CEB represent the Director Board of LTL.

2.2.3 Deficiencies in Consolidation.

Movement of the trade and other payables shown in the cash flow statement had been overstated by Rs.122 million.

Difference has been adjusted.

2.3 Comments on Financial Statements of the Ceylon Electricity Board.

2.3.1 Sri Lanka Accounting Standard (SLAS) and Accounting Policies.

(a) **SLAS 5 - Inventories.**

The Standard Price is used for the valuation of inventory and to comply with the standard and the directions issued by CA Sri Lanka, a provision for price variance is made to minimize the gap between the standard and actual cost of closing inventory balance as at the balance sheet date.

CEB as one entity undertakes Power Generation, Transmission and Distribution however the nature of these main three activities cannot be compare with each other in terms of cost and revenue.

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Furthermore, in respect of purpose and objective of maintaining of inventories are also varied, hence a single accounting policy cannot be applied throughout in these Divisions.

In Generation divisions inventories are maintained only for operation and maintenance purposes, and not use for any construction or to produce a finished product for resale. Inventories are nature of consumable items, past moving spares, fuel and special spare parts for maintenance.

In Transmission division inventories are also spares and balance materials hand over after completion of turnkey projects.

Inventories maintain at the Distribution Divisions are mainly for construction work and maintenance work. In order to maintain uniform pricing for construction jobs, service main jobs and maintenance estimate, the standard material price is applied for all categories of work. This standard material price is maintained over the last 30 years, which minimize malpractices and pricing errors. If a difference pricing method such as FIFO or weighted average prices is to be applied, the material price has to be updated regularly that could be led to pricing errors, malpractices and difficult to compare the estimate and actual cost as the material prices are constantly change.

In order to minimize the gap between the Standard Price and the Market price, action is being taken to adjust the price variation.

- (b) SLAS 16 - (Employee Benefits) Required information relating to the Ceylon Electricity Board Pension Fund had not been disclosed.

Noted for future compliance.

- (c) The Board revalues its Property, Plant and Equipment (PPE).

As per the recommendation given by the consultant of the SLFRS convergence process of CEB, the accounting policy of valuing PPE has been changed from 1/1/2011 from revaluation method to cost method and the necessary adjustment will be incorporated in the final accounts (SLFRS adjusted) in the year 2012 onwards.

- (d) SLAS 21 -The effect of Changing Foreign Exchange Rates.

The accounting policy on in the financial statement of CEB as referred in the note under section 2.31 stated that "the foreign exchange profit/loss arisen from the foreign exchange fluctuation in respect of capital and interest on loan is not taken in to account since they are born by the GOSL".

The foreign exchange loss appeared in the account is arisen in relation to the IPP payments done by the Energy Purchase Branch of Transmission Division. Therefore it does not cover under the above policy.

- (e) SLAS 24 -Accounting for Government Grant and Government Assistance.

Any Government Capital Contributions received by CEB from the Treasury for the Capital Projects other than term loans, has been accounted as Contributed Capital in the books of CEB since 1971. However, the procedure adopted by the CEB was discussed and agreed by the Department of Public Enterprises at the meeting held on 22.06.2012. And also the Department of Public Enterprises agreed to adjust their books for the differences of Rs.44, 891,730,058.10 as contributed capital. The adjustment has been confirmed by the department of public enterprises on 21st March 2013.

- (f) SLAS 41 -Impairment of Fixed Assets.

Impairment test of the CEB Assets are been carried out in the SLFRS Implementation process and any impact relevant to the Assets impairment will be incorporated /adjusted in the 2012 (SLFRS adjusted) Accounts and the test will be continuously done thereafter.

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2.3.2. Accounting Deficiencies.

- (a) The positive material price variance, labor rate variance and overhead variance aggregating Rs. 4,979 million (2010 - Rs. 3,295 million) had been set off against the cost of sale .

Positive Material price variance of Rs. 2,435 Mn This represent net price variance of the following two accounts.

- material price variance account of Rs. 2919 Mn Cr
- standard price variance account of Rs: 484 Mn Dr

Stocks of Distribution group of CEB are valued at standard price at the time of purchase and unutilized stocks are shown in the balance sheet at the fair value after adjusting for provision for price variance.

Material purchase in distribution division is used for following purposes.

- Maintenance
- Capital Jobs

With the amount of material usage in the respective year the standard price variance impact will spread over the following accounts proportionately.

- WIP
- Property Plant and Equipment
- Inventory
- Maintenance Expenditure

Therefore the total price variance will not represent in the capital working progress account.

Positive Labor rate variance of Rs.803 Mn Labor cost variance reflect the difference of the standard rate and the actual labor cost. As in the case of material price variance, the total labour rate variance will not reflect only in the capital WIP and the impact will spread over the following accounts proportionately.

- WIP
- Property Plant and Equipment
- Maintenance Expenditure

Similar to material price variance, it is very impracticable to identify the exact effect of the WIP, PPE and maintenance separately. On the other hand most of the capital jobs, SMC jobs and Contraction jobs are done by outside contractors and the actual labor payment taken as the labor cost.

The jobs done by CEB employees are mainly maintenance jobs. Therefore the cost effect to WIP and PPE due to the labor rate variance will not be significant.

Overhead Recoveries Of Rs. 1,255 Mn (Positive) The balance of the over head recoveries Accounts created due to the accounting entry passing for accounting overhead cost for individual jobs.

Accounting entry		
	Debit	Credit
WIP	****	
Overhead Recoverable		****

Therefore the credit balances in the overhead recoveries account arise not due to the difference in actual expenditure and standard rate.

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Hence WIP or loss of the year has not been understated or overstated by the balance appeared in overhead recoveries amounting Rs: 1,255 Mn.

- (b) The Board had a brought forward tax loss of Rs. 67,245 Mn.

This has been corrected in the adjusted account of year 2011.

- (c) Some of the foreign aid Loans obtained by the Government for power sector developments.

Action will be taken to disclose the position of the Government Loan in 2012 account. It is expected to provide interest for the Government loan from 2014 onwards once agreement is reached with the General Treasury.

- (d) Capital Reserves had comprised with Loan Redemption balance of Rs. 17,447 million and Other Reserve balance of Rs. 165 Mn.

It is noted that the capital reserve amounting Rs.182 million (Loan redemption balance Rs.17.4 million and other reserves balance Rs.165 million) has been correctly classified as Loan Redemption Reserve in the financial statements of year 2011.

According to CEB Act, the following reserves are established;
Loan redemption reserve amounting Rs.17.4 million is generally maintained by CEB to utilize for the repayment of Treasury Loans.

But from 1999, CEB could not be made any provision to this reserve from the Appropriation Account as there were no sufficient profits to make such a provision since then.

Other reserve of the Rs.165 million has been created based on value related to unrepresented cheques.
Noted for future compliance.

- (e) Interest income of Rs. 317 million (in 2010 it was Rs. 404 million) derived from investment of Insurance Escrow Fund.

Adjustment has been made to transfer the Interest income of Insurance Escrow Fund to insurance reserve in 2012 Accounts.

- (f) A programme loan amounting to Rs. 3,047 million had been accounted as receivable from the General Treasury since 2003 without real cause of receipt.

After the examination of relevant correspondence of above program loan, initial steps has been taken to submit the board paper to the Board of CEB to write off the balance and it will be adjusted in the accounts.

- (g) The Gratuity account had not been adjusted according to the valuation done by an actuarial valuer.

As per the actuarial valuation report prepared for 2012, provision for gratuity has been created in the 2012 accounts based on this report prepared by the Professional Valuer. Therefore, under provision of year 2011 also has been adjusted.

- (h) A sum of Rs. 57 million payable for renewable energy purchased in 2011.

- (i) Cost of renewable energy purchased from the following producers have been accounted as expenditure for the year 2011.

Agalawatta Plantations	Rs. 469,445/-
SEA (Gannoruwa phase - II)	Rs. 1,115,730/-

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(ii) Lemastota Power Station started their commercial operations in June 2011 & 1st invoice has been received in March 2012. Therefore CEB was not in a position to make a provision without having proper information.

(iii) Invoices of the following producers were received in March 2012.
Due to difficulty in forecasting, a forecasted figure was not accrued.

Ulagalla Wallauwa Resort	Rs. 54,419/-
Tokyo Cement Factory	Rs. 28,377,274/-

The total power Purchase cost in the year 2011 is Rs. 84, 144,096,033/-.

(i) Tariff adjustment payable to a Wind Power Company amounting to Rs. 35 million.

Tariff adjustment is computed based on the delivered energy Kwh of the previous operational year. For that an operational year must be completed. Operational year of the Senok wind power was completed on 31st May 2012.

(j) A sum of Rs. 1,369 million of fuel cost had been reimbursed to a Power Generating Company - payment had inappropriately been removed from the cost of sale and accounted as receivable from CPC.

As per Secretary Ministry of Power & Energy letter ref: PE/IA/27 dated 19th March 2012 addressed to the Chairman CEB it has been stated that the CPC has agreed to re-adjust the fuel prices from July 2011 onwards.

CEB has an agreement with AES Kelanitissa (Pvt) Ltd. and not with the Ceylon Petroleum Corporation. As per the agreement entered with AES Kelanitissa (Pvt) Ltd, CEB should reimburse fuel invoices of the CPC.

However Ceylon Petroleum Corporation has invoiced the fuel prices at Rs. 76/-per liter from October 2011 onwards but has not revised the previous invoices.

(k) It was observed that the monthly bill values are paid by consumers before posting them to the individual accounts.

The monthly bill is paid by some consumers as soon as they receive the manual bill by the Meter Reader. Therefore such payments are credited to the customer's accounts before the debit entries are entered in the customer's account. The billing cycle of ordinary supply consumers will normally extend from 25th of a month to 24th of the succeeding month (eg 25th December to 24th January). However, there can be instances where the meter readers have carried out the next month bill (January Bill) reading during the following month but within the previous month billing cycle period. (Eg 1st to 24th of January). If the consumer has paid the next month bill during that period itself, the collection for the December Bill cycle will include the collection in respect of January Bill cycle. Hence the collection from the consumer is credited to their account without the corresponding revenue being debited resulting in a credit balance in the debtors account. Since the system does not support to identify the exact bill cycle to which the payment is made, it is difficult to identify the over payment that has been made in relation to next billing cycle unless the system is modified accordingly.

However the same impact shown in the query could happen at the beginning of the period and therefore the net impact could not be material.

(l) The excess materials issued for the jobs commenced in previous years are returned to the stores in subsequent years.

Most of the material returns added to the inventory account in year 2011 have been issued in the same year. However, there can be instances where the materials will be returned in subsequent years due to extended construction work. But when the materials are returned it is difficult to identify the exact year in which the materials are issued in order to recognize at the same cost due to the high volume of transactions and lack of adequate system support in the MITFIN system. This requirement of MITFIN system enhancement has been identified.

(m) Provision which should have been made according to the policy of the Board for the balance outstanding from trade debtors.

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The total provision represents the individual computation made by the respective distribution divisions. They have confirmed that the computation was made according to the instructions given by the circular No. CEB/DFM (consolidation)/ Cir.3 dated 01.06.2007. However they have been requested to recheck the computation and reconcile with the computation done by the auditor.

(n) Understatement of debtors and creditors balances.

Bulk Consumers - Colombo City - Rs. 20,241,766.

The normal procedure is to agree the debtors balance as per the ledger to the billing system of the province. Hence the billing system needs to be modified to identify the credit balances in the debtors separately in order to reclassify them under creditors. However, the consumer account becomes credit only due to an over payment made by the consumer which will be adjusted with the next billing revenue is recognized. Hence it is a temporary credit balance which has been created.

Other Debtors- REP Rs. 205,555,155.

This balance is relevant for RE projects in cost center 760 (DGM-REP Region 1) in relation to material imports for project work. Action has been taken to systemize the method of accounting of material imported for RE projects from year 2012 onwards.

This has been rectified.

Other Debtors - Region 2 Corporate.

This balance related to the other debtors amount of Region 2 and occurred due to the consolidation of three provinces and corporate office. This situation was arise due to a credit balance reflect in the Eastern province collection control account.

Collection Control Account - Electricity - Central Province.

The normal procedure is to agree the debtors balance as per the ledger to the billing system of the province. Hence the billing system needs to be modified to identify the credit balances in the debtors separately in order to reclassify them under creditors. However, the consumer account becomes credit only due to an over payment made by the consumer which will be adjusted with the next billing revenue is recognized. Hence it is a temporary credit balance which has been created.

Credit Control Account - PIV - Eastern Province.

Accounts office of the Eastern province separately shown debit balances and credit balances of the debtor's ledger. When consolidating Region 2 accounts due to an oversight both credit and debit balances were taken together as debtors.

Action has been taken to not to repeat this in future.

WIP - Region 2 Corporate.

As at 01.01.2011, opening balance of ADB jobs included some jobs related to System Augmentation (SYA). During the year 2011 SYA jobs which were under ADB, separated from ADB and added to the SYA category. This credit amount is occurred due to this error correction.

Stock Adjustment Account - Eastern Province - Rs. 4,260,190 / Rs.3, 316,015.

Rs.4,260,190 consists from the cost center wise creditor's schedule & Rs. 3,316,015 coming from creditor's age

Replies To Report Of The Auditor General Contd...

analysis. As per the given accounting format both debit & credit balances taken together for the consolidation of accounts.

Other Debtors - Credit Balance - Rs. 38,265,434 - Region 3.

These credit balances are in respect of funds received from debtors during the period which have been shown as credit balances in the age analysis. This error has been rectified in 2012.

Other Debtors Sabaragamuwa - Rs. 16,703,835.

This amount is included in the above amount of Rs., 38,265,434 and has already been rectified in 2012.

- (o) The Work-in-progress account had comprised with the jobs having both credit and debit balances as at 31 December 2011.

There is a negative adjustment in WIP additions amounting to Rs. 16.6 due to the followings.

- There were some jobs classified as capital which were to be classified as maintenance and all such completed jobs were closed and transferred to maintenance.
- There were some jobs classified as capital which were to be classified as CR and all such completed jobs were closed and transferred to R1370 - Net Income on CR Jobs.
- Some jobs were cancelled and returned the materials previously obtained and there were some negative balances in such cancelled jobs due to the material price changes.

All the above adjustments were done under WIP addition column in the reconciliation statement. As a result of this presentation it shows a negative impact on WIP.

- (p) Value of the lands shown in the financial statements of the Distribution Region 3 - Rs.17 million.

Revaluation of Land - Action has been taken to rectify this in 2012.

- (q) Rs. 52,736 million worth of properties: remained under work-in-progress without being capitalized. (Generation - Coal Power Project).

Though the project commercial operations were commenced in 2011, due to various technical reasons the project could not be capitalized until such time the rectification of same to be carried out by CMEC (Contractor) within the defect liability period. However the project WIP has been capitalized in 2012 after rectification some major defects .Further there are some payments to be made that have not been ascertained yet by the CMEC & CEB due to prevailing conditions of the plant.

An amount of Rs. 49,355 Million has been transferred from Coal Power Project to the Lakwijaya Power Station and it is been capitalized in final accounts 2012.

- (r) Rs.2,000 million receivable from General Treasury.

Noted.

- (s) Accrued expenditure had been understated by Rs 25 million.

The difference is due to under provision of PAYE Tax for the month of December and related to bonus which was not provided in the accounts, but subsequently adjusted in 2012 accounts.

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- (t) Capital grant of Rs. 37 million.
This has been corrected in the year 2012.

2.3.3 Unreconciled Difference.

- (a) Amount due from LECO

As per CEB Financial Statement	1628 Mn
As per subsidiary record	1736 Mn
	<u>108 Mn</u>

The above difference is reconciled and the necessary adjustments have been made in the group financial statements.

- (b) Amounts Due to LECO Rs. 9 Mn. as per financial statement of LECO.

This is a dispute balance which there is no record in CEB as payables. Noted for future settlement of the dispute.

- (c) Contributed capital for the Coal Power Project (Phase - I) - 16 Mn.

The GOSL contributed capital of the Coal Power Project is Rs. 3,570 Mn as per the individual financial statements of Coal Power Project. In the CEB financial statement Rs. 3,585 Mn. has been recorded as follows.

	Rs. 000
Coal Power	604,516
Coal Power Project	636,852
Government Grant	2,344,590
	<u>3,585,958</u>
Difference	<u>15,927</u>

The erroneous classification has been corrected in the adjusted accounts and action will be taken to reconcile the difference of Rs. 15,927 Mn and to correct the accounts.

- (d) Property, Plant and Equipment - Fixed asset register - Region - 3.

These have been corrected in the year 2012.

- (e) Property, Plant and Equipment - General ledger - Region - 3.

These have been corrected in the year 2012.

- (f) Accumulated depreciation for motor vehicles and office equipment - Fixed asset register.

These have been corrected in the year 2012.

- (g) Accumulated depreciation for motor vehicles and office equipment - General ledger.

These have been corrected in the year 2012.

- (h) Receivable from Lanka Coal Co. (LCC) 11Mn.

This reflected the salaries paid to the CEB staffs who were engaged in the Coal Co. Ltd.

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(i) Advance for Expenditure - LCC.

LCC had recorded 11 Mn, Out of that 3Mn has been recorded as receivables in the CEB Financial statement and set off under inter company transaction in the group financial statements. The difference of 8 Mn will be reconciled in future.

(j) Trade debtors - Region 02.

This was related to Western Province North. The age analysis balance includes only ordinary and bulk supply balances while Billing summary contains LECO & area suspense balances in addition to above. Total of the LECO and Area suspense account balance is Rs.50 Mn.

(k) WIP (Non-capital) -Region 3.

These have been corrected in the year 2012.

(l) Other Debtors included in Other Debtors - Region 3.

Noted.

2.3.4 Accounts Receivable and Payable.

(a) Three receivable balances aggregating Rs.33 million and three payable balances aggregating Rs. 27 million in respect of the LECO.

The net amount after setting off the Receivable and Payable balances in LECO is Rs. 11Mn. The FAC amount of Rs. 18 Mn has been paid by LECO to the Transmission Division in 2012. Action is being taken to recover the balance.

(b) An excess GST payment of Rs. 38 million had been carried forwarded in the financial statements as recoverable since January 2002.

Several requests have been made for setting off against any tax liability of the Board, but Department of Inland Revenue (IRD) has not responded. Action will be taken to request from the General Treasury to inform to IRD to set-off this balance against any tax liabilities.

(c) A full provision for Rs. 447 million due from electricity debtors remained outstanding for more than ten years had been made and carry forwarded year by year without taking any recovery action. (Region - 1).

Before decentralization, all the revenue accounting function had been carried out in one division, AFM (Distribution) branch. When the decentralization was carried out, the debtor's balances had been transferred to respective provinces according to the billing summary totals. The decentralization process was carried out in around 4 years (2001 to 2005) and at the end of the process a balance was remained in the ledger which did not correspond to any billing summary of CEB. Therefore, a consumer wise break up was unable to be ascertained and hence the recovery actions were unable to be initiated. A full provision was made in this regard and a Board Paper has been presented, seeking approval of the Board to write off the long outstanding balance.

(d) Receiving of electricity rebate recorded as receivable in the financial statements amounting to Rs. 1,622 million and street lighting of Rs. 3,451 million is doubtful.

The above balances which are receivable from the Treasury are kept in the accounts for the purpose of recovery or settlement against any other payments to the treasury.

Therefore the treasury dues could not be treated as doubtful unless the treasury informs the appropriate decision.

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- (e) Consumers deposit equal to the assessed cost of electricity consumption for two months against electricity consumed.

Such instances had occurred due to certain political interferences and other legal implications made in the past. However as per the present instructions, such deposits are sought from new connections as well as from those who seek amendments to existing accounts.

- (f) The ordinary supplies debtor balance of Rs. 225 million in Colombo City Office.

The recovery process of disconnecting the defaulters had been practiced in Colombo City successfully for the last few years and the long outstanding balances are due to various reasons such as disputes and legal implications. However, continuous effort is being made to recover the long outstanding balance from the consumers.

- (g) It was impossible to having a balance of Rs. 78 million in the work-in-progress (Colombo City).

Noted and rectified.

- (h) Amount due from LTL Transformers Ltd. (a subsidiary company of the Board) as at 31 December 2011 was Rs. 11 million.

Project and Heavy Maintenance.

The balance of Rs. 11 Mn is in the REP branch (Cost Centre Code 760) and it is outstanding for more than 15 years. There are no any supporting documents for this long outstanding balance. However, request letters have been sent to the related company where no response had been received so far.

- (i) Amount receivable from religious premises amounting to Rs. 2,418 million.

This balance consists of the electricity consumption charges from various prestigious religious premises and need to be recovered from the Government.

- (j) Normal credit period for bulk consumers is one month. However Rs. 307 million out of the total outstanding balance of Rs. 523 million.

Out of the long outstanding amount, approximately Rs.292 Mn consists of 8 Government organizations (Hospitals & Armed Services) & 1 Semi Government organization (National Paper Corporation). Continuous action has been taken for recovery of these receivables.

- (k) The Creditor Control Account (Electricity) balance of Rs. 359 million had - (EP).

Creditors control accounts Rs.359 mn balance has to be reviewed. Action already been taken to clear this accounts in the year 2013.

- (l) Sum of Rs 34 million out of the WIP -Non Capital amounting to Rs 168 million in Region 04.

As at 31/12/2012, Rs. 24 million of WIP outstatnding balance has been cleared. Balance Rs. 10 Mn will be cleared in 2013.

- (m) There is no common method of accounting the advances and prepayments.

It is noted to issue clear accounting classification instruction to avoid this kind of issues in future.

Prepayments - Other Divisions - Rs.17,027,801

Region 1 - Rs.4,179,892

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This Balance mainly consists of the prepayments made for the rented buildings in each province which are accounted under the account code - 3750.

Region 4 - Rs.2,262,008.

This has been cleared in 2012.

Generation - Rs. 10,552,781.

This comprises of Rs. 4,873,086 of Mobilization advance and Rs. 2,743,052 of Contract Advance which had been erroneously classified as prepayments. However the contract advance has been cleared in the year 2012.

Asset Management.- Rs.33,120.

This is a prepayment made for against rent expenditure 2012.

Prepayments - Other Divisions Region 3 - Rs. 11,516,414.

Action will be taken to rectify this.

Recurrent Exe. Made in Advance - Region 1 - Rs. 31,659,895.

This is an advance made to LECO metering Company for the purchase of meters in the 1st semester 2012 and accounted in code 3750. However, a wrong description has been made and was rectified subsequently.

It is noted to issue a clear accounting classification instruction to avoid this kind of issues in future.

Advances & prepayment (Prepayment- A3750) - Rs.3,315,776.

Region 2- Rs.1,449,516.

Out of the total amount of Rs.1,449,516 an amount of Rs. 1,388,958 has been cleared and action will be taken to clear the balance of Rs. 60,558.

Transmission -Rs.1,866,259

This amount represents the Petrol Deposits and classified under Other Debtors (non electricity) - Deposits.

Miscellaneous Advance - Rs. 80,599.

This has been cleared in 2012.

Advance paid to CEB Pension Fund - Head Quarters - Rs.30,000,000.

CEB initially released a sum of Rs.30 million as an imprest for the payment of pensioners gratuity.(commuted pension) It is noted that the imprest fund is continuously maintained as an amount by making reimbursement at the time of payment made.

Job Advance - Region 3 - Rs.12,940,199.

These are advances paid for construction work and the advances are fully recovered only when the construction is over. This amount has been reduced to Rs. 9 Mn in 2012.

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2.3.5 Lack of Evidence for Audit.

(a) Following items in the financial statements could not be satisfactorily vouched or accepted in audit due to non-availability of supporting evidence indicated against each item.

(i) Treasury Loan AFM HQ Rs.1,200 Mn.
Evidence not made available - Connected file.
Available documents are attached.

(ii) Provision for Bad and Doubtful Debt.
Evidence not made available - Detailed list of specific provision made.
All divisional AFM's confirmed that the breakups of provisions made by each province is available with Provincial Accountants.

(iii) Removed Transformer Account Region 1- Colombo City Office.
The balance represents the transformer values which had removed from the electricity lines but information as to whether they have disposed or taken to stocks are not available. However, a list of such transformers will be sent to each province in order to obtain the details and to do the necessary adjustments.
Action will be taken to clear them from the books of accounts.

(iv) Other Debtors.
Evidence not made available - Detailed schedule and age analysis.

- Other Debtors -WIP non-capital - Rs. 390 Mn. - Region 2.

Except Corporate office, detailed schedules and age analysis for respective balances are available with relevant provincial accountant's offices for reference. It is noted to submit those from 2012 accounts.

- Other Debtors -WIP non-capital - Rs. 14 Mn.

The CEB has made several requests to recover the money spent for the electricity supply for the Security Lights and Government Installations. But the Treasury has not settled the dues up to 31-12-2011.

(v) Advances and Prepayments, Deposits, Loans to CEB Employees, Other Debtors, etc. (WPN) Rs. 2,409 Mn.

Evidence not made available - not mentioned.

All schedules, Breakups and age analysis for respective balances are available with WPN office for reference.

(vi) Other Debtors included in Other Debtors Region 2 - Rs. 3,584 Mn.

All schedules, Breakups and age analysis for respective balances are available with relevant provincial offices and corporate office.

(vii) Stores discrepancies written off (WPN) - Rs.22 Mn.
Evidence not made available - Detailed schedule, requisite approval and investigation reports etc.

Detailed schedules, requests approvals and investigation reports are available with WPN office for reference.

(viii) WIP - Region - 2 Rs.138 Mn.

Evidence not made available - Detailed schedule and reasons for delay of completion.

Detailed schedules for respective balances are available with relevant provincial accountant's offices and corporate

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office. Reasons for delays will submit for the 2012 accounts onwards.

- (ix) Incomplete Capital Works transferred to other Divisions (Upper Kotmale Projects - Rs. 815 Mn. Evidence not made available - Detailed schedule of items transferred and the name of Divisions.

This credit balance in WIP is not the completed assets transferred to other divisions of CEB as stated. Represent mainly the exchange variances and other income which arisen on demolition of building and structures acquired related to project.

- (b) Foreign/government/CEB financing projects - several separate financial statements other than Clean Energy Access Improvement Project had not been furnished for audit.

Proper accounting records are being maintained at each division where the project work is carried out and they are included in the CEB consolidated accounts. The separate project financial statement is submitted for the Clean Energy & Access Improvement Project as per the terms and conditions of ADB agreement and it is not required by other Donor Agencies.

- (c) There were no sub-loan agreements in respect of four loans granted by the Treasury to the value of Rs. 6,182 Mn.

The Direction for the preparation of Subsidiary Loan Agreements for the Old Laxapana Rehabilitation Project (Rs. 1245.82 million) and New Laxapana Wimalasurendra Project (Rs. 4892.95 million) has been received from the ERD in the year 2013 and action has been taken to submit the draft subsidiary Loan Agreement to ERD to finalize the SLA within the year. It is further noted that the credit facility of Jaffna Region Electricity Supply Rehabilitation Project (Rs. 37.17 million) has been arranged by the Treasury as grant hence it was recorded as Government Capital Contribution in year 2011. The draft Subsidiary Loan Agreement in connection to Upper Kotmale Hydro Power Project Phase II for Rs. 7.2 million was forwarded to External Resources Department to get their concurrence to finalise said agreement.

- (d) Colombo City Office revealed that there was Rs. 450 million worth of jobs.

As per the financial statements of Colombo City province, over 1 year WIP balance as at 01st January 2011 and 31 December 2011 are Rs. 450Mn and 82 Mn respectively. (It seems to be that the audit report has interchanged the two balances). That indicates that more than 80% of the balance has been transferred to PPE. Further, when the completed jobs are transferred to PPE, the respective consumer deposits will also be transferred to consumer contribution which will be cross checked at the corporate office level. Hence, it is very remote that the consumer contribution is not properly recognized.

- (e) WIP amounting to Rs. 186 million and Rs. 196 million in NWP had continuously been shown in the financial statements for periods ranging from 2 to 5 years.

Many reasons have caused to held jobs in WIP account without being transferred to the asset account and some of the reasons have been shown below.

- I. Objections made by the people to construct the lines.
- II. The problems of clearing of way leaves and compensation.
- III. Non submission of excess materials and bills by contractors at the due dates.
- IV. Heavy work load at the construction unit caused to leverage monitoring of construction progress.

In order to reduce the long outstanding jobs in WIP account further, possible actions are now being implemented to transfer the jobs which has been completed and energized. As a result of this works, Rs. 103 million worth of jobs out of 196.3 million in 2011, have been transferred to asset account in year 2012.

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2.3.6 Non-compliance with Laws, Rules, Regulations and Management Decisions.

(a) Ceylon Electricity Board Act No. 17 of 1969.

(i) **Section 47 (1)(a)** - The Insurance Reserve to cover the insurance of movable and immovable property - Rs. 6,572 Mn.

The practice of the CEB for past several years is to be maintained the insurance reserve in the CEB Accounts and also to be invested in insurance reserve funds as per the Board decision taken out in order to meet the loss on Fixed Asset.

(ii) **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 provision for loan redemption reserve has not been continued after the year 2000 due to operational loss met by CEB over the period.

(iii) **Section 47(2)(a)** - Depreciation Reserve to cover the depreciation of the movable and immovable property of the Board.

Due to operational loss of CEB after year 2000 provision has not made to depreciation reserve.
Noted for future action.

(iv) **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. 165.45 million.

Please refer the answer given under item 2.3.2.(d).

(b) Rs. 3,710 million as at 31 December 2011 in the Insurance Escrow Fund based on a contribution of 0.1 percent of the total value of its 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 accounts with Treasury. The Escrow Fund was formed with funds which are immediately required for the purpose of indemnifying a loss that may occur at any given time.

(c) Public Administration Circular No.15/90 of 09 March 1990 and Public Enterprises Circular No. PED/12 of 02 June 2003.

(i) Recruited non-skilled and semi-skilled staff annually as clerks, cashiers, storekeepers, typists, drivers, office aides 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 Directors of CEB. Applications of those who fulfilled the qualifications mentioned in the Recruitment & Promotion Scheme were short-listed and selection of suitable candidates from these short-listed applications for certain non-executive grades is done on the results of competitive examinations conducted by a Government Organization on behalf of CEB. Final selection was done by an interview on the basis of results of the competitive examination. This entire recruitment procedure is very similar to criteria introduced by the Public Administration Circular 15/90.

(ii) Paragraph 7.2 of the Public Enterprises Circular No. PED/12, of 02 June 2003.

During 1985 - 1987 as a first attempt, CEB prepared operating and functional manuals for the all key posts of CEB.

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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 was already taken to update procedure manuals and updated manuals will be issued in due course.

3. Financial and Operating Review.

3.1 Financial Review.

3.1.1 Cost Structure.

Informative

3.1.2 Financial Results.

Informative

(a) Hydro Power generation in year 2011.

Informative

(b) Due to the changing the depreciation policy in 2011 the Board had to charge an additional cost around Rs. 2 billion to the income statement.

Informative

(d) Board loss position in 2011.

Informative

3.1.3 Liquidity Position.

Informative

3.2. Operating Review.

3.2.1 Power Generation.

Informative

(a) Hydro Power generation of the year under review.

Informative

(b) Power generation from green energy sources.

Informative

3.2.2 Electricity Sales.

Informative

3.3 Matters of Contentious Nature.

(a) Ceylon Electricity Board Act No. 17 of 1969 as amended by Act No.31 of 1969, that the Treasury Circulars and Public

Replies To Report Of The Auditor General Contd...

Administration Circulars issued by the Government.

- (i) Observations are made in respect of the payment of special interim allowance paid to the entire employees of the Board since 01 July 2008.

This situation was informed to the Board and 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 this decision the Board endeavor to resolve this through the collective agreement. Accordingly this will be included in the Collective Agreement which will be entered with the Trade Unions.

- (ii) Instead of being granting vehicle loans at 10% - 14% as per the Public Enterprises Circular No 130 of 08 March 1998, the Board is being granted it at 4.2 per cent.

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.

- (iii) The Board is being 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 P & E and Salaries and Cadre Commission in several times and discussions were held with Trade Unions. But no consensus was reached.

However the Board wishes to discuss this matter with the employees Trade unions before the proposed collective agreement is entered into.

- (iv) 39 various staff allowances have been paid by the Board as approved by the Board of Directors.

Cabinet approval was received on 2008.04.09 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 in the Collective Agreement which will be entered with the Trade Unions.

- (b) Finance Manager of the CEB had taken sole decisions on investment of insurance reserve since 1990.

Board approval had been granted on 26th November 1986 for authorizing to invest in Insurance fund in the People's Bank and Chairman, GM and FM had been authorize to operate the fund.

- (c) Receivable from Sustainable Energy Authority (SEA) - 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 the full amount based on tariff should be paid by CEB and amount in excess of 90% of avoided cost should be reimbursed by Sustainable Energy Authority (SEA) to CEB. CEB has been informing monthly the amount to be reimbursed by SEA. An amount of Rs. 897,025,999.00 is receivable from SEA as at 31.12.2010. Accordingly CEB has recorded it as receivable from SEA. CEB by letter ref: DGM(EPT)/SEA/NCRE Subsidy 2008 dated 16th January 2012 has requested SEA to inform their decision regarding this. But a response has not been received to date.

- (d) The short fall observed between the Insurance Reserve Fund balance amounting to Rs. 2,545 million.

Due to adverse liquidity situation of the Board, the short-fall of the insurance fund could not be invested and action will be taken as per Board decision to invest when the liquidity position is improved.

Replies To Report Of The Auditor General Contd...

- (e) Since several years there is no sales agreement between CEB & LECO. No formal arrangement for fuel purchase from 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 may not required as the supply terms are determined with the Government policy.

- (f) A sum of Rs. 51,139 million out of Rs. 60,133 million due to Ceylon Petroleum Corporation as at 31 December 2011 was in arrears.

Department of Treasury Operation has issued Treasury Bonds to BOC on 09.11.2012 in settlements of Rs. 50.5 billion dues to the CPC from CEB. (the letter no. PD/DS&A/PD/09/468, dated 11.01.2012 of Department Treasury Operation is attached). As per the letter no. PE/STB/60/EST dated 30.03.2012 issued by Director General of the Department of Public Enterprises, this amount to be repaid to the Treasury by CEB in 15 years period (3.37 billion * 15) from year 2015. Accordingly the books of accounts of CEB have been adjusted in the year 2012.

CEB has requested from the General Treasury the final Draft agreement regarding the repayment of loan by his letter no. CEB/FB/AP/TOD dated 31.10.2012.

3.4 Management Inefficiencies.

- (a) Finalized Debtors - Ordinary Supply.

- (i) The Board is not in position to take legal action against for the Consumers whose outstanding balance as at 31 December 2011 was Rs. 47 Mn.

Strict procedures are followed in relation to finalized accounts of the region and the DGMM of the province directly involve in such decisions. In this process, it needs to substantiate the balances outstanding firmly, prior to pursuing a legal action. Hence, the provincial officers are in the process of taking the recovery actions.

- (ii) Recoverability of Rs. 126 million out of Rs. 655 million outstanding.

Provincial officers are in progress of collection these long out standing balances. Apart from that some of the balances are send for legal action.

- (iii) New connections had been given ignoring their arrears bill amount.

Finalized Accounts. - Uva Province.

The balances in Account Numbers 3594268918, 3504463309 and 3503514900 have been recovered in 2012. Action is being taken to recover the balance in account no. 2304483003 of which a part has already been recovered.

Board Paper to write of Rs. 401 million of trade debtors is in progress.

Before decentralization, all the revenue accounting function had been carried out in one division, AFM (Distribution) branch. When the decentralization was carried out, the debtor's balances had been transferred to respective provinces according to the billing summary totals. The decentralization process was carried out around 4 years (2001 to 2005) and at the end of the process a balance was remained in the ledger which did not correspond to any billing summary of CEB. Therefore, a consumer wise break up was unable to be ascertained and hence the recovery actions were unable to be initiated. A full provision was made in this regard and a Board Paper has been presented to the Board, seeking approval to write off the long outstanding

Replies To Report Of The Auditor General Contd...

balance. The above mentioned board approvals have been granted to write off the long outstanding identified debtors and not an unreconciled balance.

- (b) Stock shortages amounting to Rs. 22 million remained unclear for more than one year without being investigated to identify the responsibility.

Stock Shortages - Region 01

As per the financial statements of 2011 there was Rs: 328,537.75 of stock shortage in North Central province. This balance consists of Rs. 12,060.00 of recoverable amount and Rs. 316,477.75 of unrecoverable amount. The person who has responsible for the unrecoverable stock shortage Rs. 316,477.75 has been dismissed and also there were no any possibility to recover this balance from him and hence, this balance still remained outstanding. Therefore, necessary provision has been made in 2012 financial statements for this debtor balance.

Stock Shortages - Region 02

Out of the stock shortage of Rs.22 Mn, Rs: 280,743.82 of stock shortage relevant to the R2, Western Province North. Monthly deduction is been made to recover these balance from the person who has responsible for this.

Stock Shortages - Region 03

Action will be taken to clear this.

Stock Shortages - Region 04

Stock shortages amounting to Rs.7.9 million is outstanding as at 31.12.2011 in the Southern Province. Rs.3.36 million has been cleared in 2012. The balance Rs 4.59 million is an old outstanding balance aged over 5 years.

- (c) The Board had spent a sum of Rs. 114 million for procurement of Port Tugs and Barges for the Coal - Lanka Coal Company uses those assets for their Port handling and US \$ 2.00 per coal metric ton - Rs. 102 million.

A sum of Rs.114 Million had been spent on Tugs and Barges being Port Expenses, Administrative and handling fees and expenses of ships to Ceylon Shipping Corporation Limited for the period Tugs and Barges anchored at the Port of Trincomalee until mobilize them to Puttalam (Norochcholai) in 2011.

CEB has spent Rs. 2,513 Mn. to procure Tugs and Barges as at 31.12.2012 and this cost was transferred to generation at the end of year 2012.

- (d) A sum of Rs. 236 million out of Rs. 443 million of advance payment made by the Board for deaf coal purchase in.

Supply of Deaf Coal is handled by Lanka Coal Company Limited (LCCL)
LCCL has supplied Deaf Coal as follow up to now

1st Consignment	DCT1-001 25.01.2011	19,892 MT
2nd Consignment	DCT1-002 12.07.2012	9,640 MT
3rd Consignment	DCT1-003 15.11.2012	14,750 MT
4th Consignment	DCT1-004 15.11.2012	10,275 MT

A sum of Rs.236 Million paid as Advances have been recovered and a sum of Rs.116 Million is due to LCCL on the above Coal procurements as at 31.12.2012. There is an occasion that some Deaf Coal had been returned/unloaded due to unexpected sea wave changes.

- (e) Company had earned an investment income of Rs. 55 million by investing the Funds collected from the Board through

Replies To Report Of The Auditor General Contd...

the methods as mentioned in paragraphs (c) and (d) above.

Comment given by LCC.

Income of Rs.55 Million is not earned from investment of CEB funds alone. Out of the income of Rs. 55 million a sum of Rs. 22 is the surplus of lightering equipment rental and maintenance cost. The interest income was Rs. 33 million and earned by investing surplus funds inclusive of share capital and load port demurrages received from the suppliers.

- (f) The Board had not entered into commercial agreement or signed a Memorandum of Understanding with the Coal Company for coal purchase.

This has been discussed on many occasions and still it remains unresolved.

- (g) The Construction Branch in each Region maintains the records relating to the electrification jobs undertaken by them at the originally estimates values.

Construction branch Estimates are prepared according to the standard parameters and the standard rate approved by the CBB at the beginning the year. But the actual cost incurred recorded in the accounts in the finance branch in respect of a job may vary according to actual material requirement, labour contract rates etc.

Hence, those to information are not comparable. However, the significant deviations + or - 10% of the estimates are investigated when completing the respective job.

3.5 Identified Losses.

Bad debt written off during the year under review Rs. 226 million and Rs. 1,513.

Region 01

The amount of Rs. 41 mn is the interest waived off for the hospital in Jaffna based on a DCC approval.

Head Quarters

Noted.

3.6 Delay in Projects.

- (a) Samanalawewa Mini Hydro Project -10 GWH p.a. had commenced before 2006 and it had been suspended due to a leak.

Samanalawewa Mini Hydro Project under study due to the leakage.

- (b) The Government, under the Ministry of Power and Energy - Rs. 4,022 million to the CEB for 09 electrification projects by the Annual Estimates, no utilisation whatsoever.

Lighting Sri Lanka (Hambantota - Beliatta) - Rs 315 Mn.

Rs 1297mn had been allocated to CEB, for the project - Lighting Sri Lanka Southern Province (Galle ,Matara ,Hambantota) in the Government Printed Estimates for the year 2011. In 2011, a sum of Rs 1172 mn has been received by the CEB and utilized by these projects in 2011.The balance funds of Rs 125 mn was not received in 2011 although requests had been made.

Distribution Development Project - Dehiwala /Mt Lavinia - Rs 46 Mn.

Funds not utilized as project has been deferred pending finalization of funding source.

Replies To Report Of The Auditor General Contd...

Lighting Sri Lanka Eastern Province - Negenahira Navodaya.

Contract for the "Supply & Delivery of the Materials Through buyers credit terms to implement Lighting Sri Lanka Eastern Province to electrify Rural Villages in Trincomalee and Batticaloa districts" has been awarded to M/s. Shanghai Electric Power Transmission & Distribution Engineering Co. Ltd. of China on 12.11.2010. The contract agreement has been signed on 21.02.2011.

The loan agreement between Exim Bank of China & GOSL signed on 16.01.2012 and the loan effectiveness declared on 25.07.2012.

Sustainable Power Sector Support Project 2 - Expansion of Rural Electrification & Distribution System Improvement.

The loan agreement between ADB & GOSL signed on 20.06.2011. For the procurement of materials, initially they were divided into 11 lots. Bids were closed on 11.05.2011 for the lots 1 to 5. Bids were closed on 06.06.2011 for the lots 6 and 7. Bids were closed on 22.06.2011 for the lots 8 to 11. But due to the complexity of lots bidders did not submitted offers. Then the lots were further divided as lot 1 to lots 1A and 1B; lot3 to lots 3A, 3B and 3C; lot 6 to 6A I, 6A II, 6B, 6C and 6D; lot 7 to lots 7A and 7B.

Trincomalee Integrated Infrastructure Project.

Explanation called from responsible officers for the delay.

119-2-4-2302-6-12 KCTP (Kilinochchi Chunnakam Transmission Project).

The total allocation for this project was 350Mn for the year 2011. Out of that 216Mn was utilised during the year. It was planned to award the contract of Chemmuni Grid Substation and the associated transmission line in November 2011 and to make the advance payment out of the above allocated fund of LKR 350 Mn. As this project was stopped, the funds could not be disbursed as planned.

119-2-4-2302-20-11 AGSAREP (Augmantation of Grid Substations for Absorption of Renewable Energy Project).

In the year of 2011 LKR 650Mn was allocated to this project and LKR 380Mn was utilised during the year. Due to the delay of construction work of Rantambe and Wimalasurendra Grid substations, balance fund was unable to utilise.

119-2-3-2302-6-12 BHP (Broadlands Hydropower Project).

The allocated funds to this project could not be utilized due to the delay in signing the loan agreement with the Chinese Bank. (Industrial Commercial Bank of China-ICBC) The relevant documents as evidence were submitted to Audit division directly on their request during last month.

The Moragolla Hydropower Project.

The Moragolla Hydropower Project is carried out with the financial assistance of ADB loan 2733 SRI, under the loan package of Sustainable Power Sector Support Project. The procurement committee, (CACPC) for the project has been appointed in December 2010 and the present Secretary MPE was appointed as the CACPC Chairman.

The first CACPC meeting was held in December and following activities were carried out since then in 2011.

- CSRN (Consultant selection recruitment notice) was published in national Papers as well as in ADB web site on 09.02.2011. It has gone as planned.
- 28 EQI were received and were evaluated and short listed according to the approved criteria by the CACPC. The short list was approved by the CACPC on 09.05.2011. This activity took 3 months but was originally planned for 10 days which was not practicable at all due to other official commitments of the members in the CACPC.

Replies To Report Of The Auditor General Contd...

- Thereafter ADB took four months to review the short listing and the concurrence for short listing was received on 06.09.2011. Originally this was planned for 15 days.
- RFP was issued on 03.10.2011. Originally it was planned for 7 days after activity 3.
- Proposal submission was closed on 30.11.2011. It had taken nearly two months because short listed consultancy firms were given 3 weeks , extension for their proposal submission.

During 2011 the CACPC was able to complete only 5 advanced procurement activities according to the ADB as well as NPA Procurement guide line. The major delays occurred in activity 2 & 3 that were beyond PMU control. The CAPC was unable to select a contractor for this procurement activity during 2011. Based on this allocated funds were not utilized.

Uva Udanaya.

Funds received for Uva Udanaya has been utilized.

Rehabilitation of Old Lakxapana Power Station.

The disbursement scheduled on this project was planned on supply of tools and accessories. As the site mobilization planned in April 2012, the contractor has rescheduled the supply of tools and accessories in the year 2012, which does not have any effect on completion of the contract on scheduled date.

Under these circumstance the planned disbursement (Rs. 35M) for the year 2011 could not be affected.

Rehabilitation of Ukuwela Power Station.

Net allocation for 2011 under financial code 14 was Rs. 59 Mn and actual disbursement was Rs. 100.94 Mn which was exceeding the allocation. Therefore additional fund transfer has occurred during the year 2011.

Ukuwela Power station was rehabilitated and handed over to CEB on 04th May 2011 as per the schedule without any delays.

3.7 Human Resource Management.

(a) The carder revision had not been done after 2007.

Considering the expansions in the Distribution and Transmission, piece meal basis approvals were sought for increase of the cadre for certain categories and approval were received. However, action was taken to revise cadre for all categories in 2012 and Board approval was granted for CEB 2012 Personnel Plan. MSD approval was sought for same through Ministry of Power & Energy on 11.07.2012. This 2012 Personnel Plan was prepared considering outsourcing of services of the Distribution sector of CEB. Accordingly, approval of the Department of Management Services of Government Treasury received for urgent requirement of 888 posts.

(b) A data base for HRM had not been maintained.

Since 2003, HR functions were decentralized and separate data bases were maintained in divisions. Accordingly, each division is maintained their Data Base and quarterly returns of change in staff position are send to Head Office. However, Centralized computerized data base System (Human Resource Information Management System) for CEB is being implemented at present.

(c) 173 key posts in technical grades had been vacant.

There were vacancies in the technical grades as at 31.12.2011. However, 95 Engineers, 144 middle level technical service personnel were recruited during the year 2012.

Replies To Report Of The Auditor General Contd...

(d) No approved cadre for Contract, temporary, outsourced employees deployed by the Board.

Board approved Personnel Plan for year 2011/2012 was prepared considering outsourcing of services of the Distribution sector of CEB. Outsourcing of manpower was made to reduce cost to ease the financial burden.

Following services to be outsourced as per the Personnel Plan 2012.

- | | | |
|--|---|---------------------------|
| <ul style="list-style-type: none"> - Service Connection Work (Service Contract) - 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 - Clerical Service - Office Employee - K.K.S. - Typing work (Sinhala/English/Tamil) - Receptionist/Telephone Operator/Consumer Service Aid - Call Centre Staff | } | Through Manpower Agencies |
|--|---|---------------------------|

Based on these policies, it is estimated that service providers from Manpower Agencies to be about 4500.

(e) The employees deployed for lower grades such as labour, office aid, and allied services from the list of the Minister have been promoted for higher posts.

The basis for the observation made is not stated and such a comment requires detailed analysis of promotion schemes and efficiency of a random sample of externally recruited and promoted employees. In the Recruitment and Promotion scheme currently in practice, has promotional path to most of the lower grade employees. However, this comment will be referred to the Recruitment & Promotion Scheme review committee.

(f) Proper succession plan other than selecting personnel purely based on seniority for the key post was not observed.

Promotions and recruitment were done when posts fell vacant, according to the criteria set up in the Recruitment & Promotion Scheme of CEB.

(g) It was not observed a strong transfer policy for higher posts.

All CEB employees are expected to serve in any part of the Island as a condition of service. However, transfers will not be effected 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.

Replies To Report Of The Auditor General Contd...

3.8 Corporate Plan.

Corporate plan of the Board had not been updated as per the Public Enterprises Department Circular No PED / 12 of 02 June 2003.

The assignment was given to Post Graduate Institute of Management to prepare a corporate plan for CEB for the year 2014-2018 in February 2013. It is expected to complete within three months.

3.9 Audit Committee.

(a) Internal audit reports and the Auditor General's reports had limitedly been reviewed.

Important audit queries, repeated queries of Auditor General's report, Observations on COPE reports have been discussed in the six meetings held during the year 2011. It is difficult to review all internal and external audit reports in the committee and only important reports and items have been discussed. Follow up actions have been taken and reviewed in the subsequent committee meeting.

(b) Follow-up action on the implementation of Board decision, action plan, procurement plan, etc. had never been reviewed.

Action has been taken to review monthly progress reports, budgetary controls in this committee from 2013 onwards. In 2011, two Board papers prior to Board meetings which had been submitted to the committee had been reviewed.

3.10 Budgetary Control.

Significant variances were observed between the budget and the actuals.

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.

Revenue Variance.

In 2011 budgeted sales was Rs. 129,975 Mn and actual sales was Rs. 132,460 Mn, where CEB achieved 2% favorable sales variance. Further brake up of this variance represents favorable volume variance of Rs. 6,242 Mn due to the increase of No. of units sold by 459 Mn units. However, there was an unfavorable rate variance of Rs. 3,757 Mn was reported due to lower actual selling price by Rs. 0.37 per unit from the budgeted selling price of Rs. 13.59 to Rs.13.22 per unit.

Expenditure variance.

Total budgeted expenditure was Rs. 150,033 Mn but the actual was Rs. 156,269 Mn as a result unfavorable variance of Rs. 6236 Mn was reported. Total budgeted direct generation cost was Rs. 103,657 Mn. But the actual was Rs. 116,136 Mn which resulted for unfavorable variance of Rs. 12,479 Mn as 12% of budgeted cost. This direct generation cost cannot be entirely control by CEB due to the nature of generation mix associated with other variable factors such as weather condition, oil price and the dispatch order.

The category wise and divisional wise O & M budget and the actual given below shows the favorable variance achieved during the year 2011.

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Operation & Maintenance Cost Category-wise O & M Cost

	Actual (Rs. Mn)	Budget (Rs. Mn)	Variance			2010 Rs. Mn
			(Rs. Mn)	%		
Personnel	12,259	14,503	2,244	15%	F	12,443
Material	3,084	4,847	1,763	36%	F	3,350
Accommodation	940	1,079	139	13%	F	794
Transport & Communication	2,373	2,494	121	5%	F	2,059
Other cost	2,488	2,706	218	8%	F	2,253
Overhead Recoveries	(1,255)	-	1,255			(962)
Sub Total before Finance Cost	19,890	25,629	5,739	22%	F	19,937
Finance cost	1,828	2,909	1,081	37%	F	2,605
Sub Total before Depreciation	21,717	28,538	6,821	24%	F	22,543
Depreciation	18,416	17,838	(578)	-3%	A	16,064
Total	40,133	46,376	6,243	13%	F	38,607

Division-wise O & M Cost (Without Depreciation)

	Actual (Rs. Mn)	Budget (Rs. Mn)	Variance			2010 Rs. Mn
			(Rs. Mn)	%		
Generation	5,228	5,194	(34)	-1%	A	4,557
Transmission	1,402	2,055	653	32%	F	1,638
Distribution Region 01	3,158	4,473	1,315	29%	F	3,133
Distribution Region 02	3,930	5,203	1,273	24%	F	4,096
Distribution Region 03	2,194	3,060	866	28%	F	2,681
Distribution Region 04	2,423	2,953	530	18%	F	2,461
Corporate	1,826	3,130	1,304	42%	F	1,692
Interest on Bank OD & Loans	1,226	2,170	944	44%	F	2,017
Interest on IPP Delayed Payments	332	300	(32)	-11%	A	267
Total	21,717	28,538	6,821	24%	F	22,543

4. Systems and Controls

Noted


Chairman
Ceylon Electricity Board
08 May 2013


General Manager
Ceylon Electricity Board

Illuminating the lives of all...



CEYLON ELECTRICITY BOARD

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