

2016

ANNUAL REPORT



CEYLON ELECTRICITY BOARD



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OUR VISION

Enrich Life through Power

OUR MISSION

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

OUR CORE VALUES

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



OUR ENVIRONMENTAL POLICY

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

HIGHLIGHTS OF THE YEAR

Contribution to the National Economy:

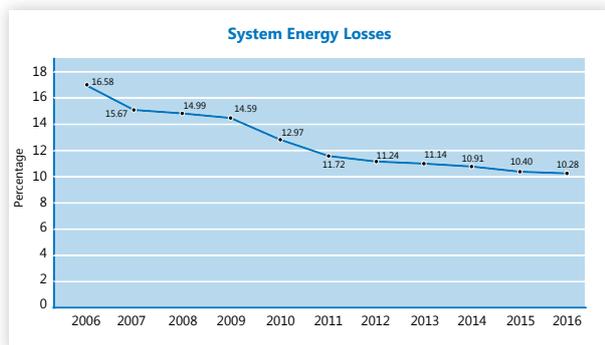
The Sri Lankan economy will continue to maintain its growth momentum through new infrastructure set up to cater to the country's increasing electricity demand. Total Electricity Generation in 2016 increased by 8.1% to 14,148 GWh (net) in comparison to 13,090 GWh (net) recorded in 2015. Usage of electricity was recorded a growth of 8.5% to 12,785 GWh from 11,786GWh recorded in 2015. Use of electricity in the industrial Sector has recorded a growth of 7%; the General Purpose Category and the Hotel Sector have followed a growth of 11% and 17% respectively.

Electrification of Households

By the end of the year, 99.3% of the households in the country had been provided with electricity. The average per capita electricity consumption` which was at 562 units (kWh/person) at the beginning of the year had reached 603 units by the end of the year recording an increase of 41 units.

System Energy Losses

The system energy losses which have been gradually decreasing during the past decade, stood at 10.3% by the end of the year.

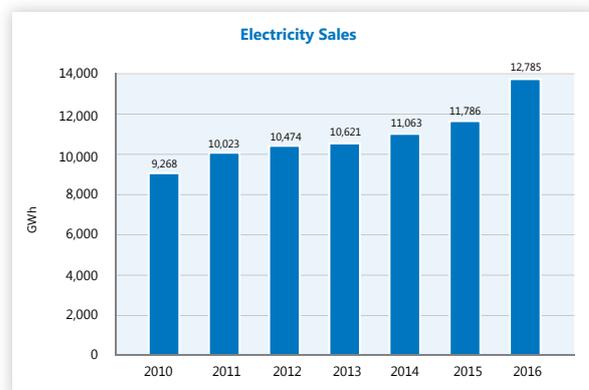


Consumer Growth

The total number of consumers stood at 5,964,194 by the end of the year indicating an annual growth rate of 5.6%. The numbers of consumers coming under different types of categories are given below:

Category	Number of Customers as at 31/12/2015	Number of Customers as at 31/12/2016
Domestic	4,966,395	5,243,433
Religious	34,710	36,382
General Purpose	588,063	623,694
Industrial	56,681	58,381
Hotel	489	498
Government	1,792	1,804
Total	5,648,130	5,964,192

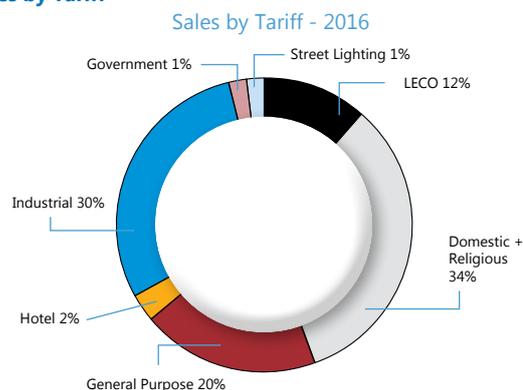
The number of new electricity connections provided during the year was 316,062 indicating in an average addition of 26,339 new customers per month.



Electricity Sales

The total electricity sales (including Sales to LECO) during the year increased from 11,786 GWh in the preceding year to 12,785 GWh resulting in a rate of increase of 8.5%. The average daily consumption of electricity in the year was 34.9 GWh as against 32.3 GWh in the previous year.

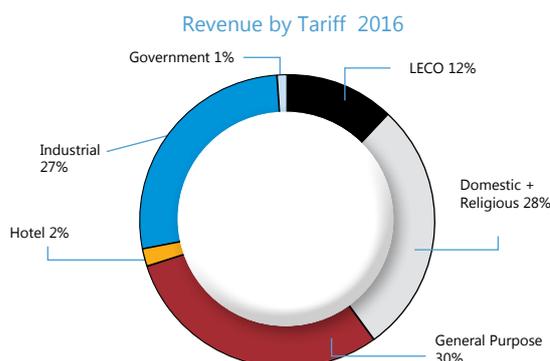
Sales by Tariff



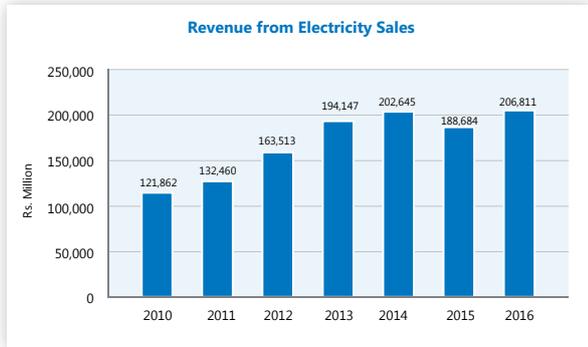
The highest energy consumption was by the consumers in the category 'Domestic and Religious Purpose' accounting for 34% of the total consumption. This was followed by the industrial sector which accounted for 30%. The electricity consumption by consumers in the general purpose category was 20% indicating an annual growth of 11%.

Revenue

The total annual revenue from electricity sales which stood at Rs. 188,684 million in 2015 increased to Rs. 206,811 million during the year, recording a growth of 9.6%.



HIGHLIGHTS OF THE YEAR (Contd.)



The highest revenue was from the general purpose customers followed by Domestic Sector with Religious purpose customers (28%). The contribution to the total revenue from the customers coming under the category 'Industrial Purpose' was 27%

Total Energy Storage

At the beginning of the year, the total hydro storage stood at 1,090 GWh. This was 86.6% of the total storage as compared to 93.8% in the preceding year.

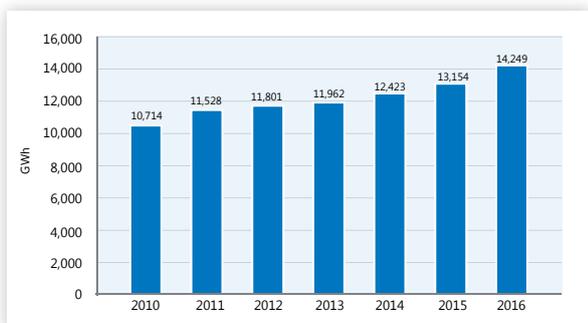
The total inflow received during the year was 2,883.58 GWh. This is the worst recorded inflow since 1992, due to the failure of both South-West monsoon and North -East monsoon.

However, around 1/3 of the annual inflow was received during the month of May following an atmospheric disturbance. Therefore, a recorded inflow of 902.4 GWh was received during the month of May.

The final quarter of the year can be considered as a driest period of time since 1990, due to lowest recorded monthly inflows for October, November and December months.

The lowest storage recorded in reservoirs was 408.4 GWh on 06-05-2016. End of year storage was 475 GWh.

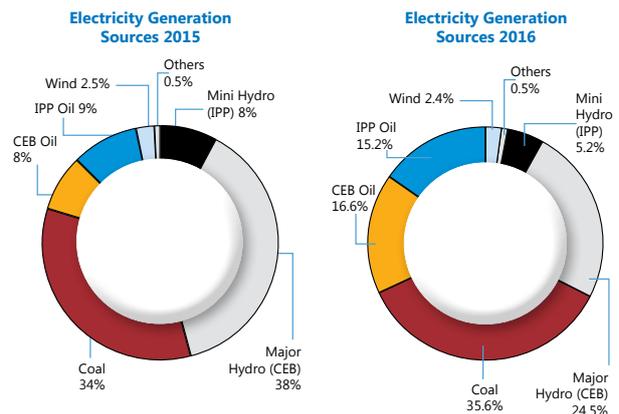
Gross Energy Generation



By the end of the year, the total gross electricity generation had increased by 8.3%, i.e. from 13,154 GWh in 2015 to 14,249 GWh in 2016.

Electricity Generation Sources

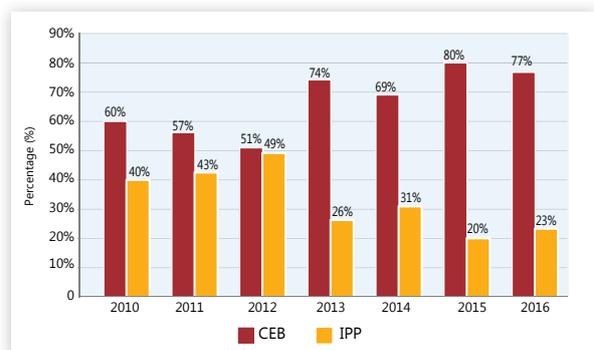
Due to drought condition during the year, the hydro power plants including mini hydro plants could contribute only 29.7% to the total power generation in the year as against 46% in the previous year. This was a decrease of 29% from what they contributed in the year 2015.



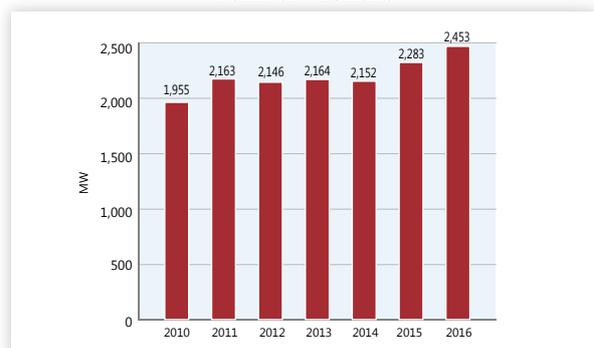
The thermal power stations contributed 67% to the total generated power in 2016 as against 51% in the preceding year.

Electricity Generation by Ownership

It is noted that the Independent Power Producers (Mini hydro and Thermal) has generated electricity 23% of the annual total generation in the year as against 20% in the preceding year.



Maximum Demand



The Maximum Demand reached 2,453 MW in the year 2016 which was a 170 MW or a 7.4% increase from 2,283 MW in the year 2015.

CORPORATE INFORMATION

Legal Form

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

Members of the Board

Chairman

Eng. W. D. A. S. Wijayapala

Vice Chairman

Mr. W.A.G. Wanasekera

Member / Working Director

Mr. W.R.G.S. Bandara

Member, representing the General Treasury

Mr. R. Semasighe

Members

Ms. J. Kariyawasam

Mr. T. M. K. B. Tennakoon

Mr. S. D. A. B. Boralessa

Secretary to the Board

Ms. D. W. Kumbalathara (up to 07/07/2016)

Ms. H.R.P. Pathberiya (Acting from 08/07/2016)

General Manager

Mrs. Y.M. Samarasinghe (from September 07, 2016)

Mr. M.C. Wickramasekara (up to September 06, 2016)

Auditors

The Auditor General

Auditor General's Department

No 306/72, Polduwa Road

Battaramulla.

Bankers

Peoples Bank

No. 75, Sir Chittampalam A Gardiner Mawatha

Colombo 2

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

Corporate Management

Additional General Manager (Generation)

Eng. Mrs. D. Thilakasena (from September 07, 2016)

Eng. A.K. Samarasinghe (up to September 06, 2016)

Additional General Manager (Transmission)

Eng. D.D.K. Karunaratne (from May 31, 2016)

Eng. W.I. Dasanayake (up to May 30, 2016)

Additional General Manager (Distribution Division 1)

Eng. A.K. Samarasinghe (from September 07, 2016)

Eng. Y. M. Samarasinghe (up to September 06, 2016)

Additional General Manager (Distribution Division 2)

Eng. M.A.D.N. Gratian (from November 10, 2016)

Eng. K.K.A.C. Samarasinghe (up to November 09, 2016)

Additional General Manager (Distribution Division 3)

Eng. Mrs. A. D. Thilakarathne (from April 11, 2016)

Eng. B.P.N. Mendis (up to March 26, 2016)

Additional General Manager (Distribution Division 4)

Eng. P.C.C. Perera

Additional General Manager (Asset Management)

Eng. N.T. Colombage (from September 07, 2016)

Eng. Mrs. D. Thilakasena (from August 15, 2016 to September 06, 2016)

Eng. W.I. Dasanayake (from May 31, 2016 to August 14, 2016)

Eng. P.J.N. Peris (from May 09, 2016 to May 30, 2016)

Eng. S.D.W. Gunawardena (up to May 08, 2016)

Additional General Manager (Corporate Strategy)

Eng. P.L.G. Kariyawasam (from October 24, 2016)

Eng. K.A. Karunasena (from April 06, 2016 to October 23, 2016)

Eng. D.K.B.S. Tilakasena (up to April 05, 2016)

Additional General Manager (Projects)

Eng. S.D.W. Gunawardena (from May 09, 2016)

Eng. L.A.S. Fernando (up to May 08, 2016)

Finance Manager

Mr. T.K. Liyanage

HYDRO POWER*

1,726 MW
TOTAL INSTALLED CAPACITY

4,220 GWh
TOTAL ENERGY GENERATED
THROUGH HYDRO SOURCES

THERMAL POWER*

2,115 MW
TOTAL INSTALLED CAPACITY

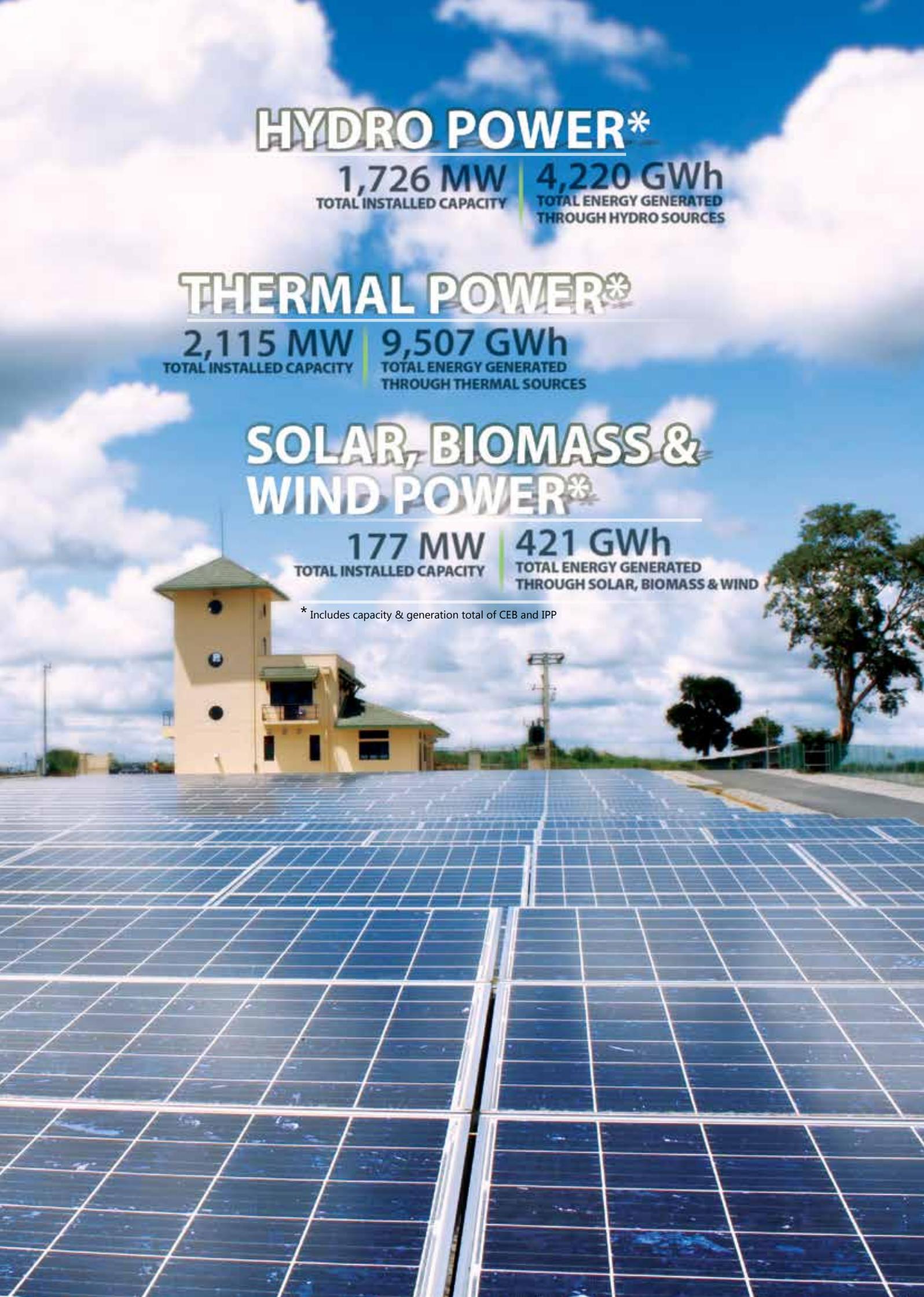
9,507 GWh
TOTAL ENERGY GENERATED
THROUGH THERMAL SOURCES

SOLAR, BIOMASS & WIND POWER*

177 MW
TOTAL INSTALLED CAPACITY

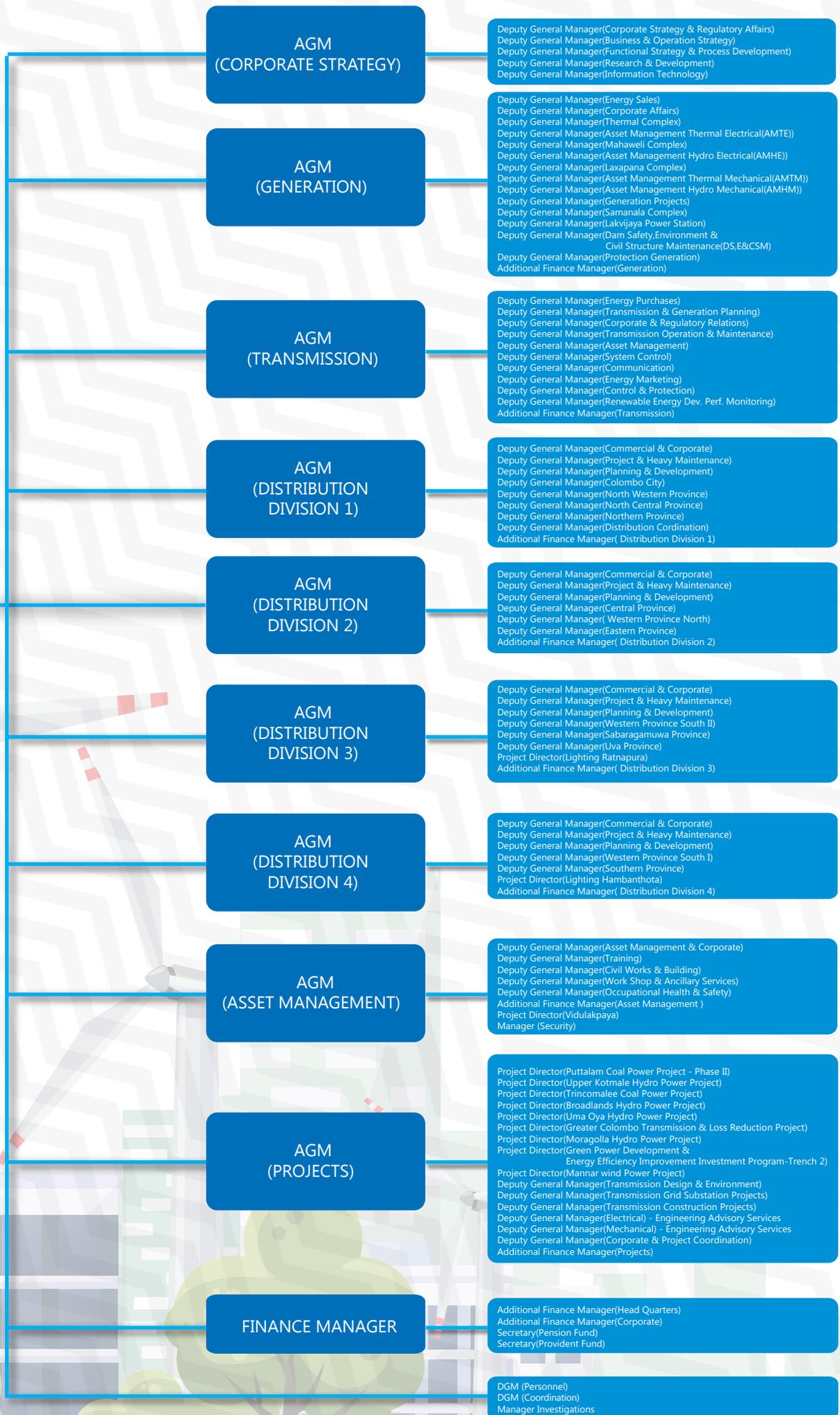
421 GWh
TOTAL ENERGY GENERATED
THROUGH SOLAR, BIOMASS & WIND

* Includes capacity & generation total of CEB and IPP

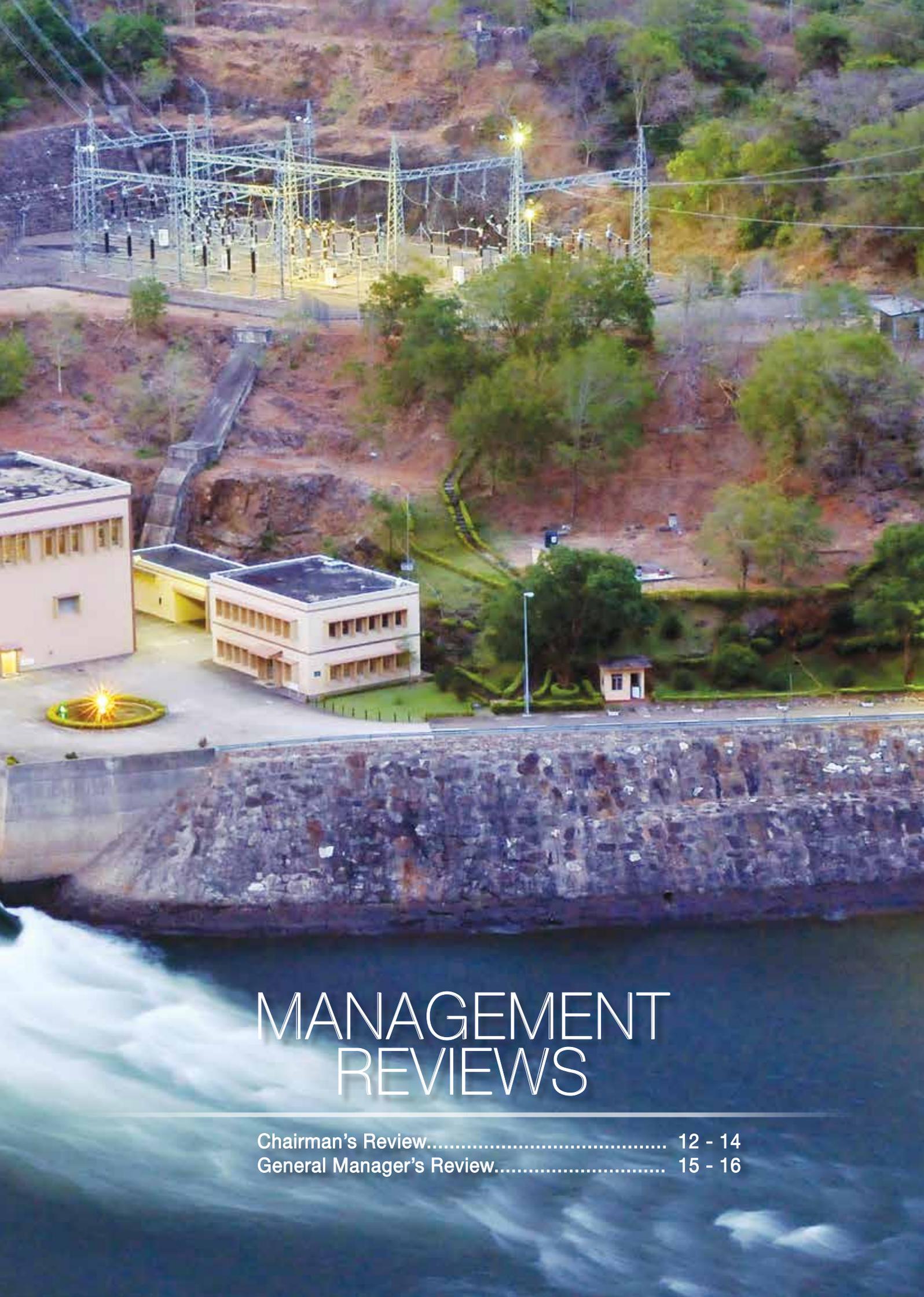


ORGANIZATION CHART 2016









MANAGEMENT REVIEWS

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CHAIRMAN'S REVIEW



THE CONTRIBUTION MADE BY THE CEB POWER PLANTS TO THE 14,250 GWH OF TOTAL ELECTRICITY GENERATED IN THE COUNTRY WERE 77%.

I am pleased to present the progress made by the Ceylon Electricity Board (CEB) in the year 2016 highlighting its key achievements.

Under the able guidance and leadership received from the Hon. Minister of Power and Renewable Energy Ranjith Siyambalapatiya, the CEB made in the year 2016 too, its share of contribution to the 'Good Governance' concept initiated by His Excellency President Maithripala Sirisena and Hon. Prime Minister Ranil Wickramasinghe.

CEB is responsible for over 88% of the electricity distribution in the country. The balance 12% electricity distribution is carried out by our own subsidiary, Lanka Electricity Company Ltd (LECO) in some selected urban and suburban areas. The distribution network in 2016 consisted of nearly 30,000 km of 33 kV lines, 11 kV lines and 400 V low voltage lines which were fed from the 132 kV and 220 kV transmission systems through grid substations.

The total installed capacity of CEB owned power plants by the end of the year was 2,891 MW of which 1,384 MW was the contribution made by hydro power plants, 604 MW by thermal power plants, 900 MW by coal fired power plants and 3 MW by a wind power plant. The contribution made by the CEB power plants to the 14,250 GWh of total electricity generated in the country were 77%. By the end of the year, the overall electricity usage by consumers recorded an increase of 8.5% with the industrial sector, general purpose sector and the hotel sector usage increasing to 7%, 11% and 17% respectively. The average per capita electricity consumption increased by 41 units to 603 kWh during the year.

By the end of the year, the CEB could increase the total amount of electricity it generated by 8.1%, provide electricity to 99.3% of the households and increase the total number of consumers fed through the national grid by 5.6%. The system energy losses which have been gradually decreasing over the years during the past decade stood at 10.3% by the end of the year. There was an 8.5% increase in electricity sales which resulted in a 9.7% growth in the revenue earned by the CEB from its electricity sales. CEB in 2016 received Rs 4,409 million from LTL Holdings (Pvt) Ltd and Rs 192 million from Lanka Electricity Company Ltd as dividend income. However, in 2016, the CEB recorded a net loss of Rs 14.5 Billion. One major contributory factor to this loss was the high expenditure the CEB had to incur in purchasing power from private entities due to drought affected hydro power generation.

The failure of both southwest and northeast monsoons reduced the inflows to the hydro power reservoirs during the year. The 2016 inflow was the worst inflow recorded since 1992. The reduced inflow resulted in a decrease in the power generated by the hydro power reservoirs during the year. Accordingly, hydro power generation could contribute only 29.7% to the total amount of power generated during the year which made the

CEB to be increasingly dependent on private power generators to ensure an uninterrupted electricity supply to its consumers. Thermal power sources contributed 32% to the total power requirement.

During the last 20 years, CEB has taken vast strides to develop renewable electricity generation, specially in the non conventional sector.

The number of non-conventional renewable power projects consisting of a mix of mini hydro, biomass, wind and solar power plants increased to 201 and their total capacity was 512 MW. All of these power plants are built, owned and operated by the private sector.

With the intention of opening up the renewable based power sector, particularly the wind and solar power, a competitive bidding process in place of the present first come first served basis, was introduced during the year.

The cabinet of ministers, in August 2016, granted its approval to launch the 'Battle for Solar Energy' (Soorya Bala Sangramaya) program to further boost the sustainable power generation in the country. The program is expected to boost clean power generation through solar rooftop photovoltaic (PV) installations to the main grid. The program was formally launched in September 2016 from the official residence of His Excellency the President Maithripala Sirisena. The government expects one million households to join this program by converting the roof tops of their houses to solar power plants through the installation of small solar PV systems. Any excess electricity generated will be channeled to the national power grid and the consumers will receive payments from CEB for this excess electricity they produce. Consumers will be able to purchase solar panels under concessionary loan schemes provided by the government. The first stage of the program is to be implemented in the Northern, Southern and Eastern Provinces. Through this program it is expected to add 200 MW and 1000 MW to the national grid by 2020 and 2028 respectively. A significant number of low income families are expected to benefit from this program by converting their rooftops to solar PV installations.

In September 2016, the Public Utilities Commission of Sri Lanka granted its approval to the revised long term generation plan 2015 - 2034 of CEB which however excluded the setting up of the 500MW Sampur coal power plant.

A tariff for charging electric vehicles at CEB charging stations was introduced and a new "time of use" tariff, with very low tariff from 10.30 pm to 5.00 am for the retail agricultural sector was launched.

For the convenience of the general public, several more bill paying kiosks were set up and the number of collection centres were increased by including Arpico and Laughs supermarkets, and Pan Asia Bank branches.

CHAIRMAN'S REVIEW (Contd.)

During the year, the staff of the CEB played an active role in restoring the electricity supply in several disaster struck areas in the country. Damages to electricity supply infrastructure at Kosgama army camp explosion, Meethotumulla Garbage yard collapse and floods and storms at several parts of the country were quickly restored back making minimum inconvenience to the public.

CEB Staff benefitted from training programs organized by different divisions. Steps were taken to publish a Safety Bulletin to make the employees aware of workplace safety and the first issue of the bulletin was released in December 2016. The annual innovation awards ceremony, "Didulana Vidula" was held for the fifth consecutive year to reward more than 750 employees for their innovative ideas focussed on promoting the productivity and job satisfaction of the employees.

During 2016 too, like in the previous year, the CEB continued to conduct the Inter-School Quiz Programme in both Sinhala and Tamil, to improve the school children's knowledge in electricity generation / transmission / distribution, energy conservation, energy efficiency, electrical safety etc.

A competition on energy conservation named "Viduli Wasana" was conducted among domestic electricity consumers during the year to promote electricity conservation.

In 2016, 721 employees were presented with long service awards as an expression of gratitude for their uninterrupted service of more than 30 years. Around 3800 employees who were hired through man power agencies and employed on casual/contract basis were absorbed to permanent cadre with effect from January 1, 2016.

I am grateful to our main funding agencies, the Asian Development Bank (ADB) and Japan International Corporation Agency (JICA) for the continued financial assistance they extended to our much needed projects. During the year, the ADB agreed to provide financial assistance to "Green Power Development and Energy Efficiency Improvement Investment Program Tranche 2 Project" and to the "Supporting Electricity Supply Reliability Improvement Project" while continuing to fund Mannar Wind Power Project, Moragolla Hydropower Project, Clean Energy & Network Efficiency Improvement Project, Construction of National System Control Centre and Installation of SCADA and Communication Systems.

Kelaniya, Sri Jayawardhanapura and Vavuniya (Kilinochchi) Grid Substations were augmented using funds provided by the Asian Development Bank under Clean Energy & Access Improvement Project.

Japan International Cooperation Agency (JICA) provided financial assistance for the Electricity Sector Master Plan (ESMP) study.

New Energy and Industrial Technology Development Organization (NEDO) of Japan provided funds to carry out site selection work for coal fired thermal power plants. Unutilized funds remaining from the financial assistance provided to Vavuniya Kilinochchi Transmission Project by JICA were utilized for the augmentation of newly constructed Kilinochchi Grid Substation and purchase of essential spare parts for the Vavuniya Grid Substation.

I will fail in my duty, if I do not mention here the role played by the Board of Directors and the staff of the CEB during 2016 in steering CEB towards progress. The guidance provided by the Board of Directors and the dedication, commitment and enthusiasm displayed by staff of all ranks led by the General Manager are commendable. I take this opportunity to extend my sincere gratitude to all of them.



W.D.A. S. Wijayapala
Chairman

GENERAL MANAGER'S REVIEW



It is a pleasure for me to review the progress made by the CEB during the year as the General Manager and the Chief Executive Officer of the Ceylon Electricity Board (CEB)

Steered by the Government's policy to provide electricity to all, the CEB during the year vigorously continued with its efforts to reduce its losses and reach out to all its prospective customers and by the end of the year, it succeeded in achieving a 99.3% electrification level and system losses from 10.40% in 2015 to 10.28% in 2016. During the year number of consumers increased by 316,062 making the total number of consumers as at end of the year as 5,964,194. The CEB throughout the year made electricity available to its customers for all 24 hours of the day except for unavoidable short term breakdowns, an achievement that the CEB could truly be proud of and an achievement which no other utility of a developing country in the region could claim.

During the year, the total length of the low voltage lines was increased by 4,950km. A total of 932 new distribution substations

were added to the system. The total route length of 220kV and 132 kV overhead transmission lines by the end of the year stood at 2,912 km. During the year, augmentation of Kelaniya, Sri Jayawardhanapura Vavuniya (Kilinochchi) Grid Substations were completed. Total capacity increased by 69MVA. The total number of grid substations in the country at the end of the year was 69.

In keeping with the policy of the Government, to absorb all man-power based employees to mainstream employment, appointment letters were awarded to absorb 3,309 casual employees to permanent cadre. In addition, CEB has recruited 54 Civil and Mechanical Engineers, 15 Accountants, 5 Human Resource Officers and 250 Middle Level Technical Grades during the year.

Many efforts to introduce IT into all areas of the CEB was vigorously promoted. Requirement of well-tailored Enterprise Management System was well recognized and actions were

initiated to procure a system. The operations of the distribution sector in several provinces were streamlined with an in house breakdown management system which could handle data and information transfer efficiently to respond to complaints and attend to breakdowns in an organized and effective manner.

Proper Power Generation Mix is also a dominant factor of CEB's profitability and financial viability. All these years, CEB was highly dependent on hydro power generation and consequently thermal oil power sources played a significant role in the generation mix when hydro power conditions are weakened, increasing the direct generation costs which were burdened by fuel cost. With the commissioning of second and the third units of the Lakvijaya coal power plant in the latter part of year 2014, the past generation mix changed, undoubtedly assisting the CEB in stabilizing its cost of generation.

When the generation mix for year is analyzed, the coal generation stood at 36% from the total generation, and the hydro contribution with mini hydro was at 30%. Accordingly, CEB had to increase its reliance on thermal oil generation which increased to 32%. The balance 2% was contributed by the wind and other Renewable Energy (ORE) sources.

During the year, CEB purchased power increasingly from private entities, to meet the energy and capacity needs of customers to provide uninterrupted electricity supply

CEB was financially not successful as the net loss was recorded at Rs. 14,500 Million. The operating losses were recorded consecutively in the latter part of the year as no sufficient rainfalls were received from South West monsoons as expected. The poor financial performance resulted in a 171% downturn in comparison to year 2015 which recorded a net profit of Rs. 20,300 Million.

In financial terms, there was an increase of 41% in direct generation cost when compared to year 2015. The unexpectedly poor hydro power conditions, consequently increased the cost of sales by 32%, whereas in 2015, restated Cost of sales was Rs. 168,781 Million whereas in 2016, it was escalated to Rs. 222,120 Million.

Accordingly, the average cost of generation per unit increased from Rs.10.24/kWh in year 2015 to Rs12.72/kWh in the year under review.

In revenue terms, with the achievement of 99.3% electrification level by end of year, Sales Units increased to 12,785 GWh showing a growth rate of 8% against previous year. The correspondent rupee value for the sales was recorded as Rs. 206,811 Million for the year 2016 which indicated 10% increase in sales in comparison to year 2015, which was a result of increase in unit sales rather than changes in the price mix as no tariff change was taken place during the year.

The liquidity of CEB was adversely affected with poor financial performances as CEB had to finance oil purchases to provide uninterrupted power supply. Further CEB had to pay Rs.3 Billion as dividend taxes to the General Treasury as a means of compensating the cost of capital infusions done by the Treasury for mega projects of CEB in past years. Further another Rs.5 Billion was released to General Treasury with the assurance of issuing a Bond to equivalent amount.

It was the first year in recent history, CEB had to increase the overdraft limit of Rs.800 Million to Rs. 3,000 Million temporarily for 03 months to finance working capital requirements including dividend taxes which were payable to General Treasury.

With the diminished liquidity position in the year, the main creditor balances were increased as at the end of year. The unsettled balance to CPC was increased to Rs. 12,434 Million, while payable to private power generators for supply of power, was increased to Rs. 21,521 Million as at the end of the financial year.

The total long term borrowings as at end of the year were recorded as Rs. 220,476 Million.

Total fixed assets with capital work in progress, as at the balance sheet date stood at Rs. 702,257 Million. This represents 87% of total assets of CEB and a considerable amount of annual depreciation amounting to Rs. 29,379 Million too was included in the accounting profit. The return on net fixed assets was negative two percent (-2%) which indicates poor financial performance.

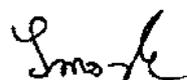
I am grateful to our funding agencies, including the Asian Development Bank (ADB) and Japan International Corporation Agency (JICA) for continuing to provide us with financial assistance in implementing our much needed transmission projects.

During the year work on transmission projects such as Green Power Development and energy efficiency improvement investment Program, National Transmission & Distribution Network development and Energy Efficiency Project, Greater Colombo Transmission & Distribution and Loss Reduction Project, The Mannar Transmission Infrastructure Project, continued.

During the year, rehabilitation work was carried out at the Polpitiya (Samanala) Power Station, new Laxapana Power station, Victoria Power Station to meet the increasing electricity demand in the country with a more reliable service.

The work on the generation capacity expansion projects such as, Broadlands Hydro Power project, Uma Oya Hydro Power Project and Moragolla Hydro Power project, the preliminary work on the 100 MW Mannar wind power project, continued uninterrupted during the year.

This technical and financial performance of the CEB during the year under review achieved amidst several constraints would not have been possible if not for the commitment and dedication shown by my predecessors, Additional General Managers, the Finance Manager and all other employees of the CEB in their own individual capacities. I pay my tribute again to all of them.

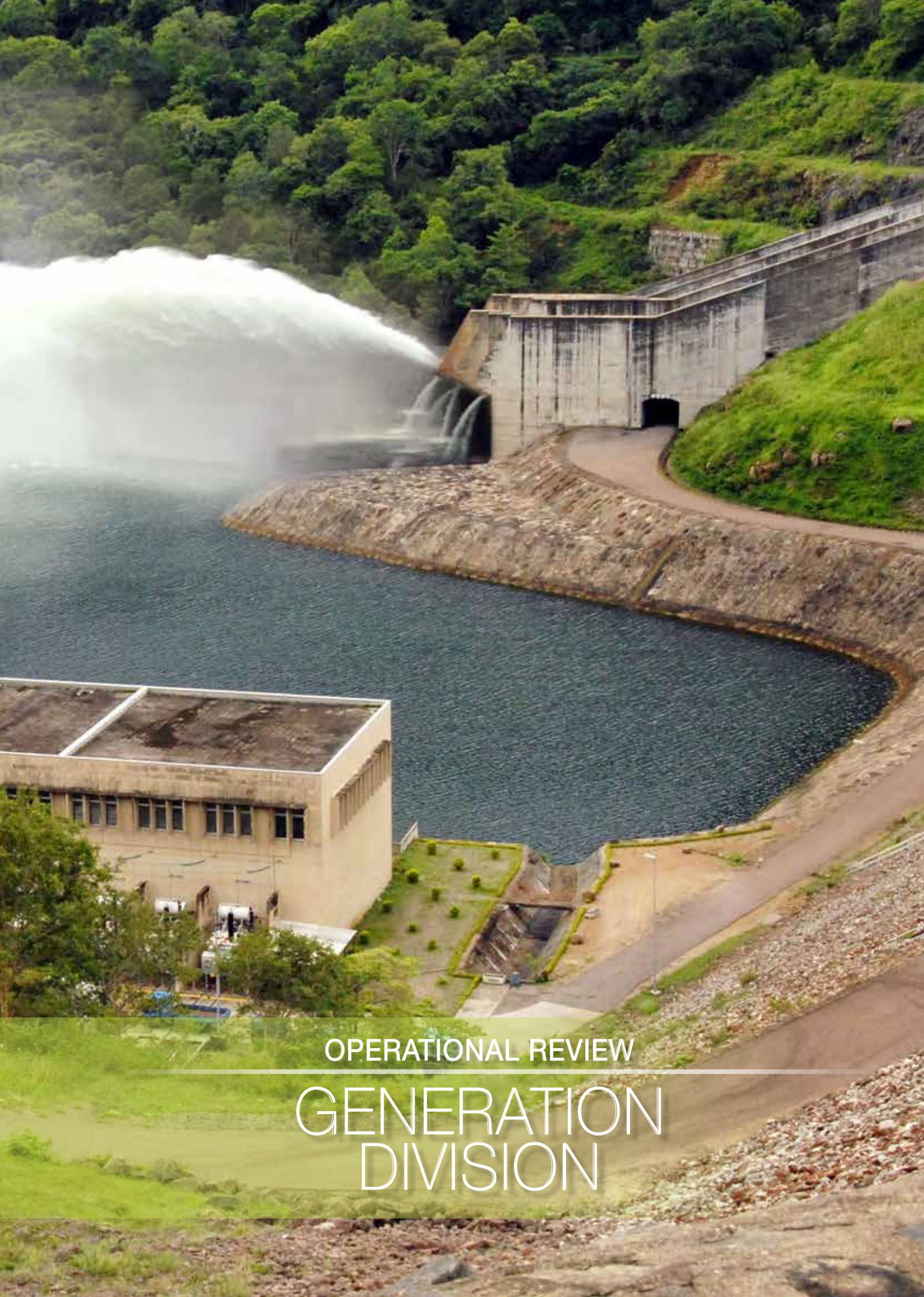


(Mrs) Y. M. Samarasinghe
General Manager

CEB TRANSMISSION NETWORK







OPERATIONAL REVIEW

GENERATION
DIVISION

GENERATION DIVISION

The Generation Division is vested with operation and maintenance of the Thermal and Hydro Power Plants and a Wind Power Plant owned by CEB. Generation Assets consist of 17 large Hydro Power Plants totalling to an installed capacity of 1,384 MW, seven large oil-fired Thermal Power Plants with an installed capacity of 604MW, one Coal-fired Power Plant with an installed capacity of 900MW and a 3MW Wind Power Plant. CEB also operates a few power plants in the isolated networks in Jaffna Peninsula and surrounding islands. Thus the total installed Capacity of CEB-owned Power Plants by the end of the year was 2,891MW. Total Energy Generated by CEB plants during the year was 10,928 GWh which is 77% of the total power generation.

The Generation Division is managed by an Additional General Manager with thirteen Deputy General Managers responsible for different functions. It has five Generation Complexes, viz: Mahaweli, Laxapana, Thermal, Samanala and Coal; and nine other Branches. Their performances during the year under review are as follows:

1. Asset Management Hydro Electrical Branch

This branch had provided technical assistance in following major overhauls, repairs & projects during the year.

1. Complete Condition Monitoring testing on Kotmale Unit 01 Generator (While stator winding repair by OEM)
 - High voltage generator winding test for Capacitance & Tan Delta
 - Generator stator core testing (ELCID)
 - Wedge Tightness Detection
 - Winding resistance for Generator stator & Rotor
 - DC withstand and DC ramp testing. etc.
2. Technical guidance provided during Ukuwela Unit 2 Generator Circuit Breaker Installation and Victoria Transformer repair.
3. Complete Condition Monitoring testing on Ukuwela Unit 02 Generator (While head cover replacement by OEM)
4. Necessary testing was performed on Canyon spare transformer and Technical guidance was provided to replace Ukuwela unit 01 transformer by Canyon spare transformer.
5. Installation of Partial Discharge (PD) monitoring system at Kotmale unit 3 Generator.
6. Commissioning testing and Technical guidance was provided during CT installations of Randenigala, Rantambe and Kukule Power Stations.
7. Canyon Unit-2 new GCB commissioning testing
8. Victoria Oil filled cable condition monitoring with OEM.

2. Asset Management Hydro Mechanical Branch

Some of the conspicuous tasks undertaken by the Branch during the year are given below;

1. Attending to the upgrading activities of the Hydro Governor of Victoria Hydro Power Station.



2. Contributing to the rectification of the malfunctioning of Spillway Gate of Kukule Ganga Hydro Power Station.
3. Participating the Dam Inspection carried out at the Samanalawewa Hydro Power Station.



4. Studying & seeking the solution for the temperature rising issue of the Thrust Bearing Pads of the Wimalasurendra Hydro Power Station.
5. Participating the Design Reviewing Activities of Rehabilitation Project of the Polpitiya Hydro Power Station.

6. Investigation the requirement of the Lubrication Oil Purification Plant for the Bowathenna Hydro Power Station & proceeding the procurement.
7. Participating the Head Cover Replacement activities of the Ukuwela Hydro Power Station.

3. Asset Management Thermal Mechanical Branch

The Major role of the Asset Management Thermal Mechanical Branch (AMTM) is providing expert services for major maintenance activities, modifications, repairs, condition monitoring, performance evaluation and re-commissioning of the thermal plants. In addition, involving in technical evaluations and concurrence process of major procurements of spares and equipment for the power stations.

Performance and Condition monitoring of the plants and equipment, mainly vibration measurement and Performance Evaluation is carried out by the AMTM branch. Capability of balancing of the rotating equipment is enhanced with the introduction of multi plane balancing equipment recently procured. For the multi plane balancing of rotating machines AMTM branch is having a dedicated and competent staff with experience. Machine alignments are duly rectified by routine checking of vibration levels and leads for proactive maintenance of the plants and equipment of power stations.

Details of the Major tasks completed by the Branch during the year

1. This branch has taken the lead role in the Lakvijaya Power Station (LVPS) Unit 01 (300MW) commissioning after its major overhaul including shutdown and startup inspections. This year, it completed the balancing and alignment of rotating equipment in flue gas path of boiler of all the units at LVPS.
2. It also provided technical advices on lifting of Gas turbine rotor of (110 MW) Kelanitissa Combined Cycle Power Station, realignment of the same to Generator, with local staffing.
3. Carried out Heat Rate Evaluation program of diesel plants according to ASME PTC codes and completed the evaluation of plants at Uthuru Janani Power Station.

4. Corporate Affairs Branch

The Corporate Affairs Branch is responsible for Human Resources Management, Development and planning of staff categories in the division. The total staff strength of the Generation Division was 2,486 persons. To build up the efficiency and productiveness of work force, the Branch conducts continuous professional development programs and workshops to enhance the knowledge, skills and attitudes of the employees. Upon achieving required knowledge, skills and attitudes, attractive promotional schemes, the salary scales and annual increment system has

been setup to enhance aspiration of the staff. During the year under review, the Branch has arranged to provide job specific training to 676 employees of the Division.

5. Dam Safety, Environment and Civil Structures Maintenance Branch

Dam Safety, Environment and Civil Structures Maintenance Branch of the Generation Division undertakes Maintenance and Continuous monitoring of Dams, Reservoirs, Power Station Tunnels and other sensitive structures contributing to the generation of electricity.

During the year, this Branch undertook following major construction works including design and procurement.

- LVPS housing complex at Victoriya Estate, Norochcholai
- Housing at Uthuru Janani Power Station at Chunnakam



Superintendents' Dormitory for Phase II of LVPS

6. Energy Sales Branch

With the introduction of regulatory framework for electricity industry in Sri Lanka, Energy Sales Branch of Generation Division is entrusted with the activities associated on the regulatory matters as per the conditions set out in the Generation Licensee issued to CEB. This includes the preparation of Capacity and Energy Prices for each CEB generation Power Plants, on annual basis and the issuing monthly transaction notes to Transmission Licensee of CEB for the electricity transferred to the Transmission Licensee. Development of a web based data uploading system is in progress with the assistance of the IT Branch.

7. Generation Projects Branch

Generation Projects branch plans and implements projects for Generation Division, focusing on improving the existing conditions of generators and auxiliary equipment through rehabilitation. Meanwhile the Indents Unit of Generation Projects Branch is responsible for handling the purchases of all foreign goods and services on behalf of the Generation Division.

• Rehabilitation of Samanala Power Station

Under the Project, the 48-year-old two generating units each of 37.5 MW capacity, are being replaced by two 43.6 MW units. During the rehabilitation, the Generators, Turbines, main inlet valves and auxiliaries will be replaced at a cost of LKR 3667 million. The

control system will be upgraded & reprogrammed to match the new components installed by CEBs own Engineers. Once commissioned, the new generators will increase the generation capacity of the power station by approx. 15%. With increased efficiencies and reduced maintenance outages. The new units will deliver more power to the National Grid at a lower operation and maintenance cost.



Rehabilitation of the 1st unit at Samanala Power Station commenced on Nov. 2016 and is expected to continue until April 2017. Existing components of unit 1 were removed to make room for the new turbine, runner and Main Inlet Valve of which are being installed.

• **Victoria Power Station Unit-03 Stator Replacement Project**

Considering the present condition of the stator of unit 3 at Victoria PS, it was decided to rehabilitate the unit with a new stator with enhanced capacity. Following a thorough evaluation process, it was decided to go ahead with the 95 MVA stator designed by Voith Hydro GmbH, Germany at a cost of LKR 510 Million.

• **Extension to Coal Yard Area & Enhancing Coal Handling Facilities**

With the experience gained over the past few years' operation it was realized that enhancing coal yard to hold a coal stock pile of 1.21 MMT is necessary for the reliable and stable operation of power plant at its full capacity under possible and also to accommodate coal for, adverse situations like delays owing to weather, delays of coal procurement and coal handling system breakdown circumstances during coal discharging period etc.

As stage 1 of the Coal Yard extension project, Coal yard ground was constructed at a cost of LKR 143 Million. Preparation of Technical Documents for the enhancement of coal handling facilities (which is the Stage-2 of the project) were also completed during the year.

• **Indents Unit**

During the year, the indents unit of generation projects branch had delivered spare parts and services to power stations through overseas suppliers' worth of LKR 4577 million.

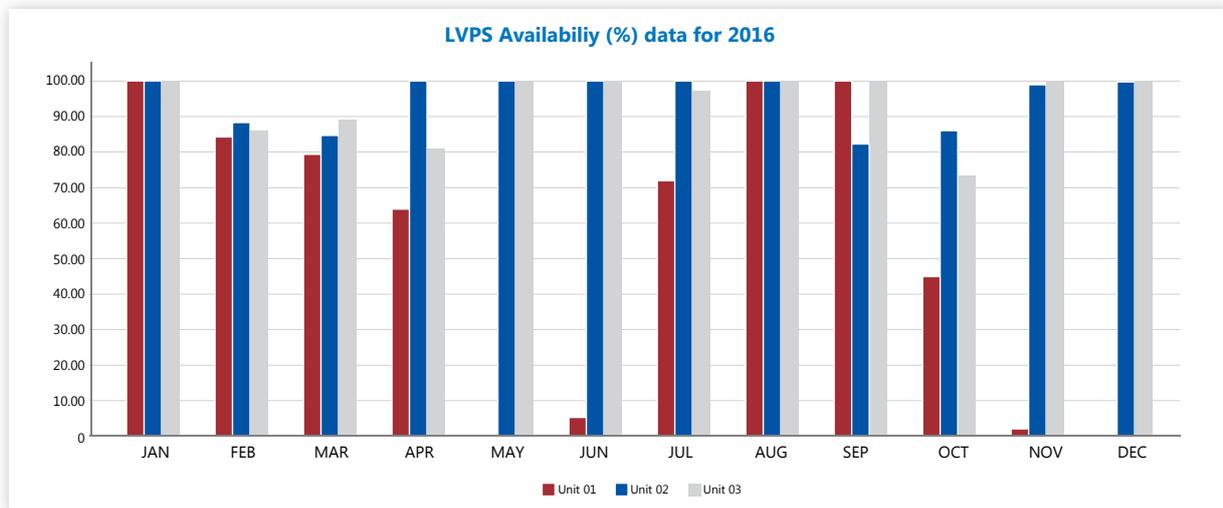
8. Lakvijaya Power Station



During the year, Lakvijaya power station (LVPS) generated 5,575.43 GWh and cater to the 35.42 % of the total Electricity Demand of the Country.

LVPS successfully completed its level-A overhaul on February 2016. Availability of generator units of LVPS for the year 2016 is 54.41%, 95.2% and 94.11% for Unit 01, 02 and 03 respectively.

Summary of Generation Data					
Description		Unit 01	Unit 02	Unit 03	Total
Gross Energy	GWh	826.96	2,383.01	2,365.46	5,575.43
Net Energy Sent Out	GWh	745.86	2,160.67	2,160.34	5,066.87
Coal Consumption	MT	301,796.81	866,970.65	835,253.15	2,004,020.61
Diesel Consumption	Litre	2,405,930.82	829,504.72	2,549,709.00	5,785,144.54
*Generation Cost(Fuel +O&M+Spares & other Maintenance Material Cost)	Rs/kWh	6.61			



2016	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Energy sent out GWh	393.87	337.88	402.44	397.04	375.34	387.60	511.26	566.56	538.61	379.17	358.09	398.76
Percentage from total generation	34%	31%	33%	34%	32%	33%	42%	45%	45%	31%	31%	33%

Unloading of Coal



LVPS successfully completed unloading 2.2 Million MT of Coal on April, 2016 for 2015/2016 coal unloading session. 2016/2017 coal unloading session was commenced on September, 2016 and completed unloading 937,391 MT of coal as at December 31, 2016.

9. Laxapana Complex

The total installed capacity of Laxapana Complex is 354MW in five main generating stations having thirteen Generator units. Laxapana Complex has generated 1,203 GWh during the year.

The rainfall of the catchment area was very low during the year and the reservoir levels of Castlereigh and Maussakele were -5' 3.5" & -5' 9.5" on 2016-01-01 and -17' 2.5" & -31' 10" on 2017-01-01 respectively.

Total rain falls and number of rainy days in Castlereigh were 2,423.0 mm for 207 days and Maussakele were 2,049.3 mm for 159 days.

Total rainfall in Norton, Canyon & Laxapana were 4,112.7 mm (207 days), 2,789.4 mm(199 days) and 3,791.7 mm(186 days) respectively.

The Rehabilitation works of Samanala Power Station was commenced on 2016-11-17.

The runner failures of turbines in the generator units of New Laxapana Power station were observed and both Runners were repaired by Original Equipment manufacturer (ALSTOM).

Generator Protection replacement of Canyon Unit 1 was completed.

The Energy Generation and Performance of the Laxapana Complex during the year are tabulated for easy reference.

GENERATION DIVISION (Contd.)

Power Station	Year of Commissioning	Installed Capacity (MW)	Running Hours	Energy generated, (GWh)	Availability factor, (%)	Fault factor, (%)
Old Laxapana -Stage I	1950	28.8 (3x9.6)	22,196	121.243	99.49	0.57
Old Laxapana -Stage II	1958	25.0 (2x12.5)	17,073	116.000	99.32	0.69
New Laxapana	1974	116.0 (2x58)	15,228	432.615	99.59	0.43
Wimalasurendra	1964	50.0 (2x25)	5,193	84.685	99.83	0.5
Polpitiya	1969	75.0 (2x37.5)	14,183	325.739	97.09	3.12
Canyon	Unit 1-1983 Unit 2-1989	60.0 (2x30)	6,518	122.734	99.83	0.45
Total		354.8	80,391	1,203.016	99.18	0.96

The fault factor indicates the forced outages and less than 1% is the best value.



Spare Hoop runner of New Laxapana.



Samanala Unit 1 Dismantling



Samanala Unit 1 Penstock Cutting for Isolation.

The outage for Rehabilitation of Unit 1 of Samanala (Polpitiya) Power Station was commenced on November 17, 2016.

Modification required for rehabilitation such as Power station door, Stator Foundation, control room, circuit bungalow and office were completed by the end of the year.

10. Mahaweli Complex

Performances of Power Stations in Mahaweli Complex during the year are as follows.

Power Station	Installed capacity in MW	Generation in 2016 in GWh	Availability factor (%)	Plant factor (%)	Fault factor (%)
Victoria	210	589.47	99.66	32.04	0.39
Kotmale	201	280.20	99.41	15.91	1.22
Upper Kotmale	150	234.81	99.86	18.08	0.40
Randenigala	122	323.71	99.25	30.29	1.18
Rantembe	49	142.68	98.35	26.14	2.59
Ukuwela	40	158.13	82.67	45.13	15.76
Bowatenna	40	42.41	99.56	12.10	0.49
Nillambe	3.2	4.31	97.91	14.82	7.82
Total	815.2	1,775.72	97.08	24.31	3.73

It was observed that the year 2016 was not a pleasing year for Mahaweli complex in terms of electricity generation due to the failing of two monsoon rains during the year. However, Power stations in Mahaweli complex generated 50% of the total CEB hydro generation and it is 12% of the total generation of the country in 2016.

Key activities carried out during the year in power stations in Mahaweli complex are described below.

1. Replacement of Faulty Battery Charger & Battery bank of the Generator at Bowatenna Power Station

Faulty, 40-year-old Battery Charger & Battery bank of the Generator was replaced by the station staff at a cost of LKR 9 million.

2. Stator Winding Repair of Generator Unit-1 at Kotmale Power Station

Insulation fault and shaft inclination error in Generator Unit-1 was successfully repaired during the granted outage from Nov. 2015 to March 2016, with the advisory supervision of the OEM, M/S Alstom Ltd. of Sweden.

3. MIV Service Seal Repair of Generator Unit-1 at Kotmale Power Station

Water leak persist in Service Seal of the MIV of Generator Unit -1 was rectified successfully with the advisory supervision of the OEM, M/S Andritz Hydro, Sweden.

4. Replacement of Faulty Generator Transformer of Generator Unit-3 at Victoria Power Station

A fault was identified in a single phase generator transformer of Unit No. 03 machine in 2015. In January 2016, that faulty transformer was replaced with a spare transformer. Subsequently, the faulty transformer was inspected and successfully repaired using in-house capability.



New Battery bank



New Battery Charger



Brazing of top knuckle connections protection



Application of end corona



Repairing Liner ring



Fixing the seal ring on valve body



Removal & Installation of the Transformer



5. Replacement of Damaged Main Transformer of Generator Unit-1 at Ukuwela Power Station

A sudden failure was occurred in the main Generator Transformer of Unit No. 01 machine. The damaged transformer was beyond repairs and no spare transformer was available at the power station. Therefore, it has to be replaced by the similar spare transformer at Canyon Power Station.

Transporting such a huge transformer of about 44 tons along a narrow road with sharp bends from Canyon Power Station at Maskeliya was a challenging task. But it was successfully transported and installed at Ukuwela power station in March 2016.



Transportation of the transformer

6. Replacement of Turbine Head Cover of Generator Unit-2 at Ukuwela Power Station

Damaged Turbine Runner and the Head Cover of Unit No. 02 machine were replaced by the CEB staff with the supervision of the OEM and the job was successfully completed on 01.11.2016.



Damaged Head Cover

New Head Cover

11. Samanala Complex

Performance of Power Stations in the Samanala Complex during the year as given below.

Power Station	Installed Capacity(MW)	Expected Annual Energy Generation (GWh)	Energy generated, (GWh)	Availability factor, (%)	Plant factor,(%)	Fault factor, (%)
Samanalawewa	120.00	403	260.525	99.38	24.71	1.29
Kukule Gnga	75.00	317	202.135	92.11	30.71	1.06
Udawalawe	6.00	8	15.549	94.53	44.37	7.99
Inginiyagala	11.25	28.7	41.782	98.46	42.28	2.43
Wind	3.00	4	2.137	50.62	8.11	27.57
Total	215.25	760.70	522.128			

In the power stations of the Samanala Complex, following major events have taken place during the year.

Samanalawewa Power Station (SWPS)

1. Unit 1, Unit2 and 132 kV Programmable Logic Controllers were successfully replaced with new iFIX SCADA system under the Samanalawewa Control / SCADA rehabilitation project.
2. During the year, ABB Thailand was awarded the Contract to supply and installation of the Replacement of 71 MVA Generator Transformers for Unit no: 02 of SWPS.
3. The turbine shaft seal and four numbers of wicket gates of unit no: 02 were replaced successfully during the period of 2016/08/09 to 2016/11/01.



GENERATION DIVISION (Contd.)

Kukule Ganga Power Station(KGPS)

Year 2016 could be reckoned as the driest year since its commissioning in 2003. Consequently, the plant has generated 203 GWh which was only two third of the annual expected energy (317GWh) generation as well as the all-time lowest. In spite of the low generation, the two machines remain healthy throughout the year recording high availability factors exceeding 90%.

The most important event took place in the year was the replacement of 132kV current transformers in the Switchyard and rehabilitation of 10MVA Transformer Bay.



Servicing of tap changer of 10MVA Transformer at switchyard of KGPS

Hambantota Wind Power Station(HWPS)

Refurbished Gear box and control panel had been procured for Tower No 05. The Refurbished gear box and panel were installed successfully by CEB staff with the assistance of OEM.



Udawalawe Power Station (UPS)

The spray valve no 03 in the right bank was out of operation due to the problem of screw bars and spray valve no 04 was drawn high current during its operation. Both spray valves were repaired by locally fabricated screw bars and nuts.



Installation of transformer protection relays (SEL 787 and SEL 551) was carried out by replacing existing electro mechanical relays.



12. Thermal Complex

Thermal Complex comprises of Sapugaskanda A and B power plants of diesel engine driven generating sets, Kelanitissa Combined Cycle Power Plant, Kelanitissa simple cycle gas turbines (Fiat GT and Frame V GTT), Uthuru Janani Power Plant of diesel engine driven generating sets and Barge Mounted Power Plant of diesel engine driven generating sets. Total installed capacity of the complex was 604MW. Energy generation of the Thermal Complex during the year was 1692.75 GWh.

Performance of Power Stations of Thermal Complex in the year as follows.

Power Station	Installed Capacity, MW	Energy Generated, GWh	Availability Factor, %	Plant Factor, %
Sapugaskanda - A	80	309.17	97.90	53.50
Sapugaskanda - B	80	475.67	98.50	75.40
Kelanitissa CCGP - GT	110	536.50	95.92	55.55
Kelanitissa CCGP - ST	55	261.00	88.60	54.02
Kelanitissa Fiat GT	115	263.20	89.45	31.37
Kelanitissa Frame V GTT	80	44.73	83.02	8.39
Uthuru Janani	24	101.58	79.58	48.50
Barge Mounted	60	367.76	98.54	67.03
Overall	604	2,359.61	91.44	49.22

Power plants at Sapugaskanda were operated on base load or cyclic load operations depending on the system requirements throughout the year except during maintenance intervals. These power plants use Heavy Fuel of 1500 Sec. Viscosity at present.

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

115 MW Fiat gas turbine and GE Frame V small gas turbines of 20 MW each at Kelanitissa premises were operated during dry periods and in emergencies to fulfil the system requirement. The operating costs of these plants were comparatively high. These gas turbines use Diesel. GE Frame V small gas turbines were also operated on synchronous condenser mode to improve the voltage of the system.

Uthuru Janani Power Plant was operated on base load or cyclic load operations depending on the system requirements throughout the year except during maintenance intervals. This power plant uses Heavy Fuel of 1500 Sec. Viscosity.

Barge Mounted Power Plant was operated on base load depending on the system requirements throughout the year except during maintenance intervals. These power plants use Heavy Fuel of 1500 Sec. Viscosity.

All the scheduled major overhauls / inspections of Sapugaskanda, Kelanitissa, Kelanitissa Combined Cycle, Uthuru Janani and Barge Mounted Power Stations were completed during the year.



Barge Mounted Power Plant

The 2nd Major Inspection (MI) of the Gas Turbine (KCCPS)

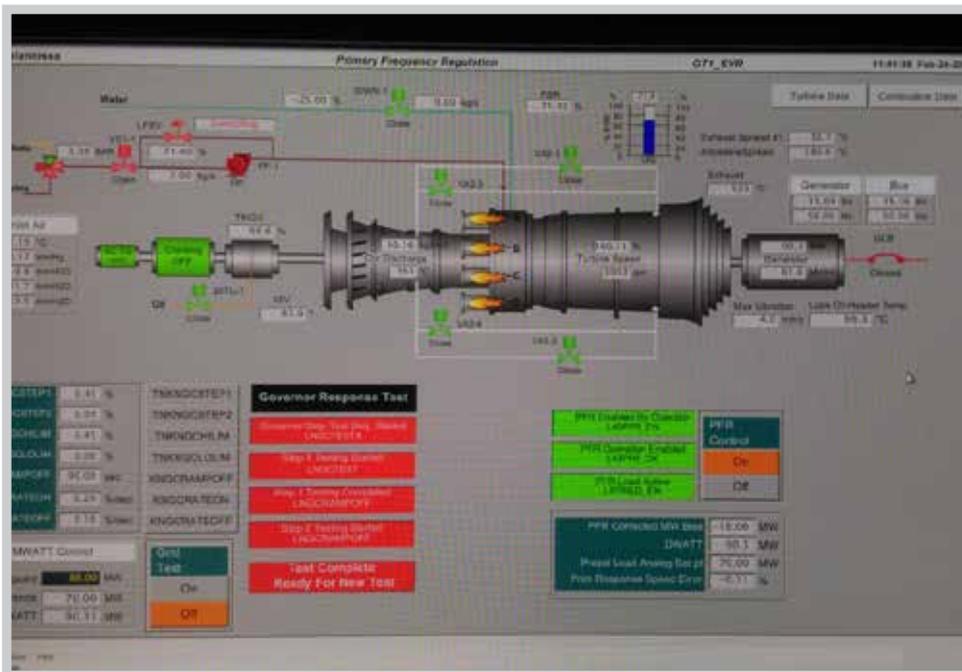


GENERATION DIVISION (Contd.)

The 1st Gas Turbine Generator Major Inspection (KCCPS)



Gas Turbine GE Mark VIe Controller upgrading Work (KCCPS)



Cost of Generation

Technology	Fuel Cost Rs. Million	Spares & Other Maintenance Material Cost Rs. Million	Other Operation & Maintenance Cost Rs. Million	Total Generation Cost Rs. Million	Units GWh	Average Cost of Generation Per Unit Rs/KWh
Thermal - Oil	49,516	1,677	6,406	57,598	2,360	24.40
Hydro	-	364	7,980	8,344	3,501	2.38
Thermal - Coal	20,762	762	11,977	33,502	5,067	6.61
Total	70,278	2,803	26,363	99,444	10,928	9.10





OPERATIONAL REVIEW

TRANSMISSION DIVISION

TRANSMISSION DIVISION

Transmission Division plans, develops, operates and maintains all transmission assets of CEB, while maintaining high reliability of Electricity Supply in Sri Lanka.

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

The operational objectives of the Division are to:

- Develop and maintain an efficient, 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 & 220 kV and frequency within $\pm 1\%$ of 50Hz of the system.

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.

TRANSMISSION & GENERATION PLANING BRANCH

The main objective of this branch is to study and plan the transmission system and generation additions in CEB power system which has hydro-thermal mix generation with adequate Non-Conventional Renewable Energy plants.

Generation Planning Unit

The PUCSL granted approval to the revised LTGEP 2015-2034 in September 2016 on the condition of not granting approval for coal power plants in Sampur, scheduled for years 2021 and 2022. LTGEP 2015-2034 was further studied and reviewed by World Bank Experts. Generation Planning Section has now initiated the process of preparing Long Term Generation Expansion Plan 2018-2037.

Electricity Sector Master Plan (ESMP) study was started with the assistance of Japan International Cooperation Agency (JICA) for the target year of 2040 to study and analyze the latest technologies according to the various circumstances surrounding the country. This study is conducted every 10 years. With the assistance of JICA, a pre-feasibility study on 'Development Planning on Optimal Power Generation for Peak Power Demand' was carried out and the final study report was received. According to the studies, it was proposed to construct

3 x 200MW of Pumped Storage Power Plant in Maha Oya having lower pond at Aranayaka area and upper pond at Ganga Ihala Korale, Gampola.

Generation Planning Unit and System Control Branch jointly carried out a study on 'Integration of Renewable Energy Based Generation in to Sri Lanka Power Grid'. This report included the Renewable Energy capacities which could be integrated in to the system during the period 2018-2028 by considering economical, technical and operational aspects.

Transmission and Generation Planning Branch initiated signing of a Seller Participation Agreement with Carbon Partnership Facility (CPF) with coordination of the World Bank for compensating emission reductions considering the Renewable Energy development identified in the LTGEP.

The mitigation and adaptation measures of climate change impacts of power sector were studied with the Climate Change Secretariat under the Ministry of Environment.

Generation Development Studies Unit

Site selection study for the development of 1200MW high efficient coal fired thermal power plants was carried out with the financial assistance from New Energy and Industrial Technology Development Organization (NEDO) of Japan. From the three sites identified at Sampoor, Hambantota and Mawella, Sampoor site was selected by the Ministry of Power & Renewable Energy for further studies.

The initial Studies for proposed 20 MW Seethawaka Ganga hydro power plants were conducted by Generation Development Studies Unit and the Project has been now handed over to a Project Management Unit for detailed feasibility study and implementation.

Ministry of Power & Renewable Energy (MOPRE) requested further assistance from IAEA for "Establishing a Roadmap for the Nuclear Power Programme in Sri Lanka" with the objective of providing a strong technological, financial, environmental and social understanding for policy makers to take firm decision on the Nuclear Power Development in Sri Lanka. MOPRE acts as the Nuclear Energy Programme Implementing Organization (NEPIO) and is currently initiating the Phase 1 of the IAEA milestones approach to prepare the comprehensive report addressing the 19 milestones by the end of 2020.

Transmission Planning Unit

Long Term Transmission Development Plan (LTTDP) of CEB is prepared by the Transmission Planning Unit and this is a rolling plan prepared every two years for a period of 10 years, based on approved Long Term Generation Expansion Plan (LTGEP).

The PUCSL granted approval to the LTGEP 2015-2034 in September 2016 on the condition of not granting approval for coal power plants in Sampur scheduled for years 2021 and 2022. Accordingly, the Long Term Transmission Development Studies were carried out for year 2015 to 2020 only. These studies have identified fifteen transmission development proposals and four power plant connection proposals.

Funds for most of the projects of high priority have been arranged during the year with lending agencies such as Japan International Cooperation Agency (JICA), Asian Development Bank (ADB) and Agence Francaise De Development (AFD).

Projects formulated during the year.

- o Green Power Development and Energy Efficiency Improvement Investment Program Tranche 2 Project was co-financed by ADB and AFD (Loan amount: USD 180 million) and loan agreement was signed in December 2016.
- o Supporting Electricity Supply Reliability Improvement Project is financed by ADB (Loan amount: USD 118.8 million) and loan agreement was signed in December 2016.
- o Funding for Installation of 105Mvar Reactor at New Anuradhapura Grid Substation, which was identified as a top priority project, was arranged utilizing the CEB funds and the project is carried out by the Transmission Construction Project Branch of CEB.

In June 2016, Transmission Planning Unit initiated testing of generators for determining dynamic parameters of power plants for accurate power system modeling, utilizing CEB funds. Accordingly, generator testing was carried out at Sapugaskanda Diesel Power Plant, New Laxapana, Victoria and Samanalawewa Hydro Power Plants in November 2016. This program will be continued for testing of generators in other power plants too.

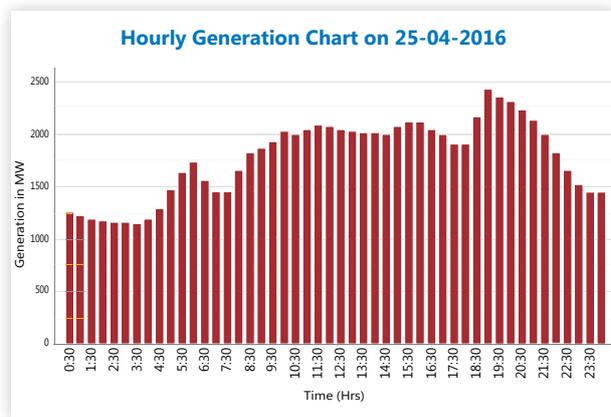
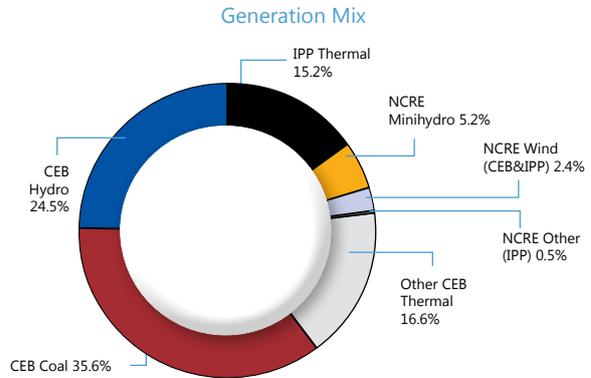
Study on short-term frequency stability and transient stability of year 2020 transmission system were carried out by the Siemens PTI with the financial assistance by World Bank.

SYSTEM CONTROL BRANCH

The highest peak demand of 2452.9 MW occurred on 2016-04-25 at 19:00 hrs. The Small Power Producer(SPP) (hydro) generation recorded for the annual peak was 46.5MW. Total energy generated for the year 2016 was 14,249.5 GWh (Gross) which is an increase of 8.3% from 2015 energy generation. The contribution of non-conventional renewable energy for this year was 8.1%.

The year 2016 commenced with a total hydro storage (highest of the year) of 1090.1 GWh, which was 86.6% of the total storage, and 7% decrease compared to storage on 2015-01-01. The total inflow received during the year was 2883.58 GWh. The lowest storage recorded in reservoirs was 408.4 GWh on 2016-05-06. End of the year storage was 475.3 GWh.

The year 2016 had the worst recorded inflow since 1992 (which was 2874 GWh) due to the failure of both South-West monsoon and North-East monsoon. However, around 1/3 of the annual inflow was received during the month of May following an atmospheric disturbance. Therefore, a recorded inflow of 902.4 GWh was received during the month of May. The final quarter of the year can be considered as a driest period since 1990, due to lowest recorded monthly inflows for October, November and December months.



SYSTEM CONTROL CENTRE MODERNIZATION PROJECT (CLEAN ENERGY & ACCESS IMPROVEMENT PROJECT)

The project which was funded by ADB, consists of two packages: Package A- Construction of National System Control Centre and Installation of SCADA and Communication Systems Package B- replacement of existing earth wire by composite fiber optic overhead ground wire (OPGW). Completed in 2014

Package A-

National System Control Centre(NSCC) building is currently under construction at Pelawatta, Battaramulla and expected to complete in 2017. As at 31st December 2016, 60% of work has been completed relevant to the structure of the building. Monitoring and Controlling capability of the grid substations of the transmission network is under commissioning and as at 31st December 2016; overall progress of the System Control Centre Modernization Project is 69%.

ASSETS MANAGEMENT BRANCH

The Asset Management Branch of the Transmission Division is responsible for achieving the maximum commercial benefit of plants and equipment in grid substations and transmission lines in CEB's transmission network, while enhancing the system reliability. Its main functions include monitoring plant performance & maintenance work and setting of maintenance policies & procedures to ensure the operational effectiveness, while maximizing the economic life of assets.

TRANSMISSION DIVISION (Contd.)

The Branch is employing in procurement of spare parts to maintain adequate spares in stocks as well as major equipment required for replacement of assets in order to cater for the entire Transmission Network. Further, planning for replacement of assets at the end of their useful lives is carried out by the Branch. It also undertakes disposal of unserviceable assets belong to transmission division.

Further, Branch conducts continuous updating of the "Transmission System Asset Database", which was developed and implemented by Asset Management Branch for collecting, compiling, extracting, and searching for information of major equipment in grid substations. This enables speedy identification of spare parts availability and timely ordering of the same.

Transmission Network Assets as at 31st December 2016 are;

132kV overhead transmission lines	-	2261 km
220kV overhead transmission lines	-	601 km
132kV underground cables	-	50 km
Grid substations	-	58

The achievements during the year;

- A new bank of Power Transformers was installed at the Kotugoda Grid Substation recovering the failure of the old transformers.
- Procurements of tools and spares worth over 400 million LKR were completed.
- Condition monitoring of major assets in grid substations was conducted, and in this aspect conditions of power transformers were assessed by Dissolved Gas Analysis (DGA) and Sweep Frequency Response Analysis (SFRA). During the year, DGA was performed on 100% of the Power Transformers in the grid substitution under the purview of the Transmission Assets, and SFRA reached 42% of the same.

TRANSMISSION OPERATION AND MAINTENANCE BRANCH

The main objective of the Operation & Maintenance Branch of Transmission Division is to operate and maintain the all the Transmission Assets in an efficient, reliable and effective manner.

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

Transmission Operation & Maintenance -Anuradhapura Region

During the year, this unit completed annual preventive maintenance of all equipment in Sixteen (16) grid substations and completed way-leave maintenance cycle of 1232 km of 220 kV and 132 kV Transmission lines. Apart from that, assistance was given to number of ongoing projects for preliminary works, design reviews, testing and commissioning and defects rectification works which are in progress at different stages at Kilinochchi GSS, Valachchenai GSS, Polonnaruwa GSS, Maho GSS, Trincomalee GSS and New Anuradhapura GSS.



OLTC Servicing at New Anuradhapura GS.

Transmission Operation & Maintenance -Galle Region

During the year, this unit had completed Annual Routine Maintenance of 10 Grid Substation (Rathnapura, Balangoda, Embilipitiya, Hambantota, Matara, Beliatte, New Galle, Deniyaya, Ambalangoda & Matugma). Further, completed way-leaves maintenance of 471 x 2 km Transmission Lines including the parts of Sinharaja Forest & Udawalawe National Park.



Samanalawewa - Embilipitiya 132kV Transmission Line - Way Leave Clearance inside Udawalawe National Park



OLTC Servicing at Balangoda GS Transformer 1 & 2



OLTC Servicing at Embilipiya GS Transformer



Oil Filtering of Kibathkumbura Transformer

Transmission Operation & Maintenance -Kandy Region

During the year, this unit completed annual preventive maintenance of all equipment in seven grid substations and successfully completed way-leave maintenance cycle of 884 km of 220 kV and 132 kV Transmission lines.



Thulhiriya MR Tap Changer service



Disassembled pneumatic unit

Transmission Operation & Maintenance Branch - Colombo Region

During the year, this unit has completed general routine/preventive maintenance activities of twenty-one (21) Grid Substations and wayleaves clearing of 380km of 220kV & 132kV transmission lines.

Replacement of defective single phase 250/3MVA 220-132/33kV Transformers at Biyagama and Kotugoda GSSS with the modification of OLTC diverter switch units were the major maintenance tasks carried out in addition to the routine maintenance work.



Mahiyangana 132kV VT replacement



Replacement of defective single phase 250/3MVA 220-132/33kV Transformers at Biyagama GS

Hot Line Maintenance Unit

Hotline Maintenance Unit in Transmission Operation and Maintenance Branch undertakes all the breakdown rectification work and live line maintenance work of 132kV and 220 kV Transmission lines in the national system. At present Sri Lankan transmission network consists of 2261 km of 132kV transmission lines and 601km of 220kV transmission lines. During the year, Transmission Hotline Maintenance Unit has completed the inspections of 2550 transmission line towers out of 7257 towers.

In addition to the inspections and routine maintenance works, Hotline maintenance unit has been engaged in rectification of severely damaged 132kV transmission lines Kosgama-Kolonnawa and Seethawaka-Kolonnawa, due to the blasting of army of the Salawa Army Camp. Seven Hot Line Maintenance Gangs were deployed to rectify the damages to these lines.

Two emergency towers were erected at Kothmale-Biyagama 220kV transmission line due to potential risk of a landslide.



132kV Tower line - Earth replacement Biyagama line.



Emergency towers erection at Kothmale



220kV Tension tower- live line maintenance



132kV Tower line - Insulator hot washing

ENERGY PURCHASES BRANCH

Energy Purchase Branch is responsible for purchases of electricity from Private Power Producers to meet the system demand at the optimum cost.

A summary of operating Independent Private Power Producers and Non-Conventional Renewable Energy Power Projects as at end of the years 2015 and 2016 is as given below.

Category	2015		2016	
	Number of Plants	Capacity (MW)	Number of Plants	Capacity (MW)
Independent Private Power Producers	03	484	04	584
Non-Conventional Renewable Energy Power Projects	180	455	201	512

Non-Conventional Renewable Energy Power Plants

The development of NCRE sector during the years 2015 and 2016 according to the energy source can be illustrated as follows.

Commissioned NCRE Projects

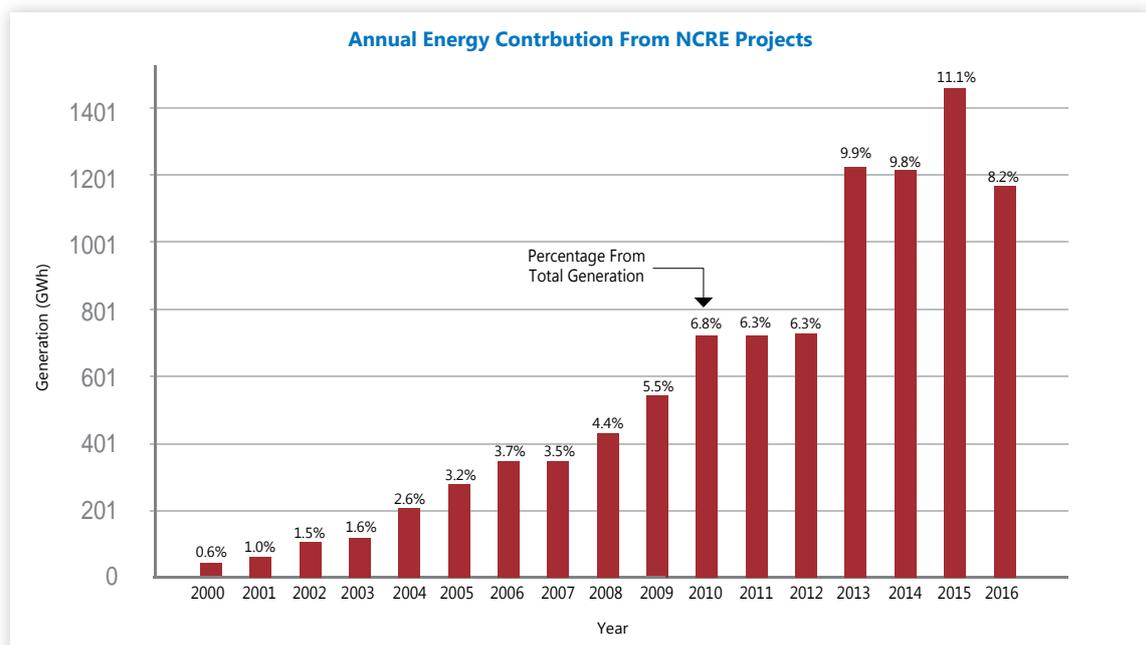
Category	Commissioned in 2015		Commissioned in 2016		Cumulative Commissioned as at the end of 2016		Total Generation in 2016 (GWh)
	Number of Plants	Capacity (MW)	Number of Plants	Capacity (MW)	Number of Plants	Capacity (MW)	
Mini Hydro	12	16	16	31	172	343	739
Biomass	02	0.1	01	04	09	24	72
Wind	01	10	0	0	15	124	355
Solar	0	0	02	20	05	21	4

SPPA Signed for NCRE Projects

Category	Cumulative SPPA as at the end of 2016	
	Number of Plants	Capacity (MW)
Mini Hydro	77	147
Biomass	16	84
Wind	0	0
Solar	03	30

A Competitive bidding process for Non-Conventional Renewable Energy (NCRE) was implemented during the year 2016. Two Letter of Intents (LOIs) have been issued for two numbers of each 10MW Wind Power projects under this scheme.

The annual generation and the contribution to the total demand by the Non-Conventional Renewable Energy Power Projects (less than 10MW capacity) in Sri Lanka is illustrated below.



Annual Energy contribution from NCRE Projects as at 2016.12.31

ENERGY MARKETING BRANCH

The Energy Marketing Branch effectively involve in activities required to measure and account of electricity transaction between Transmission and Distribution Licensees. It liaises with the Public Utilities Commission of Sri Lanka (PUCSL) on Bulk Supply Tariff preparation on behalf of the Transmission Licensee.

With the introduction of the approved Tariff Methodology by the PUCSL, Energy Marketing Branch was entrusted with the preparation of separate Bulk Supply Transaction Accounts for five Distribution Licensees. Further, Energy Marketing Branch involves in the process of preparing Bulk Supply Tariff for five (05) year tariff filing adhere to the regulation.

Energy meters with accuracy of 0.2 have been installed across boundaries to measure the Energy Transaction between Transmission and each Distribution for the purpose of preparing monthly Transaction Notes which are sent to each Distribution Licensee on monthly basis. Meters are programmed based on the requirement and energy readings are downloaded remotely.

COMMUNICATIONS BRANCH

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

Major work carried out by Communication Units during the year: -

Services Unit

Communications Services Unit is responsible for the maintenance of SCADA system and the remote station SCADA equipment and the operational communication (PLTS, Hotline system) for System Control Operations. In addition to the normal routine work, Services Unit carried out configuration of SCADA gateways at 25 Nos. stations (which were not included in the SCCMP scope of works) for communication protocol IEC 60870-5-104 and completion of infrastructure for installation of new RTUs at Randenigala & Rantembe Power Stations required for integration of the Power Stations into the NSCC.

Systems Unit

Communication Systems Unit is responsible for the Voice and Data communications network over Power Line; PLC Network, Optical Fiber Network including the end equipment, the PLTS, Hotline and Admin Telephone systems, Telephone exchanges and the auxiliary systems at Power Stations and Grid Substations throughout the country. Systems Unit attended installation

and commissioning of PLC links of type ETL 540 between Athurugiriya- Oruwala, Laxapana - Canyon and Laxapana - Nuwaraeliya for improving the reliability and quality of PLTS telephone network, design, implement and installation of frequency & voltage displays at System Control Centre in order to display bus bar frequencies & voltages of Biyagama GSS, Laxapana PS, Samanalawewa PS and Kolonnawa GIS Upgrading the existing PABX at System control center and Installation and commissioning of PABXs at Polonnaruwa GSS, Valachchena GSS in addition to the normal routine work of the unit.

Digital Bearer Unit

Digital Bearer Unit is responsible for the Microwave Communication System and the Radio (VHF & UHF) communication facility for operations and maintenance work in generation, transmission and distribution divisions. Shifting VHF Mid Band mobile radio repeater station at Gongala to Yakkalamulla for enhanced coverage of mobile radio communication in the Southern Area, procuring VHF High Band Handheld Radios 220 Nos. to distribute among various Branches/ operation units and procuring VHF Mid Band Fixed and Mobile equipment with accessories were carried out with the routine work of the unit.

CONTROL & PROTECTION BRANCH

Control & Protection Branch was formed during this year, to secure the reliability and safety of electrical assets in Transmission Division.

Following three units were formed under this Branch.

- o Protection Development Unit for development of protection system
- o Protection Systems Unit for maintenance of protection system
- o Substation Automation System (SAS) Maintenance Unit for developing and maintaining the SAS of transmission system.

Functions of Transmission Protection Maintenance and Centralized Maintenance unit that were operated under DGM Transmission Operations and Maintenance. Later these functions were distributed among Operation & Maintenance Branch and newly formed Control & Protection Branch.

Maintenance of Substation Automation Systems and Protection Maintenance were assigned to two units called Protection Systems & Substation Automation Systems. The other functions such as testing for condition monitoring & tap changer function monitoring of centralized unit were retained at Transmission Operations and Maintenance Branch.

Protection Development Unit.

The main task of the Protection Development Unit is to develop a coordinated and reliable protection system for the entire CEB power network. Identifying required protection philosophies and application of them for the protection of the existing power network and future development or rehabilitation of the power network is the responsibility of this unit. This unit 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. In addition, this unit is tasked with assisting the Protection Systems Unit in an event of protection scheme modifications due to replacement of aged protection schemes or equipment.

Detailed reports with analysis of causes and proposed remedial action were prepared for the two total failures occurred on 25th February 2016 and 13th March 2016. Analyzed and remedial measures were proposed for the partial failures occurred during the year. Protection Development Unit also coordinated with distribution divisions to identify and rectify protection related issues in 33kV distribution feeders such as protection coordination with distribution auto-reclosers. Feeder protection settings were revised based on the feedback from distribution divisions to improve the reliability of supply to the customers.

In addition to routine work, Protection Development Unit does the management of 220kV Protection Rehabilitation Project. This project is done with the financial assistance of KfW Bank of Germany. All major work under this project are completed and outstanding work is being carried out with the supervision of the staff of Protection Development Unit.

Protection Systems Unit.

Protection Development Unit successfully attended all the routine and breakdown maintenance of protection relays in the Transmission Network.

CORPORATE & REGULATORY RELATIONS BRANCH

The responsibility of Corporate and Regulatory Relations Branch is to ensure proper functioning of Transmission Division by optimum use of human resource in the division. The preparation of annual personnel plan and corporate plan for the transmission division is done by the corporate & Regulatory Relations Branch. Annual report of the Transmission Division is also prepared by this Branch.

This Branch is responsible for the performance appraisals and promotions of the Transmission Division staff and also it carries out skills development programs and training programs, both local and foreign, in co-ordination with the training Branch for executive and non-executive employees of the division. Knowledge transfer sessions were arranged for those who attended overseas training/workshop to share the experience they gained with others.

Human Resources

The Transmission Division has a total of 1,186 employees with 150 executives and 995 non-executives. During the year, 77 personnel were recruited and assigned to this division and 26 personnel were retired, 187 persons were promoted to higher grades or placed on their respective higher salary scales in conformity with CEB recruitment and promotion procedure.

Transmission Division Welfare Society

The Division has a vibrant Welfare Society with official patronage. During the year, it provided various services such as loan scheme, long service award to its members while facilitating cordial personal relationships among different categories of staff. 24 teams participated for the Annual Cricket Tournament which was conducted at the end of the year.



Champions (Hot line Unit) and Runners-up
(Protection Systems) teams





OPERATIONAL REVIEW

DISTRIBUTION DIVISIONS

DISTRIBUTION DIVISIONS

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

The distribution system of the CEB comes under four divisions. The main objective of forming the four divisions was to achieve benchmark competition that can improve the efficiency and the quality of supply to the customers.

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

Each division was headed by an Additional General Manager who reported directly to the General Manager. The provinces that come under each division are as given below:

Division 1 (DD1): Colombo City, North Western Province, North Central Province and Northern Province.

Division 2 (DD2): Western Province North, Central Province and Eastern Province

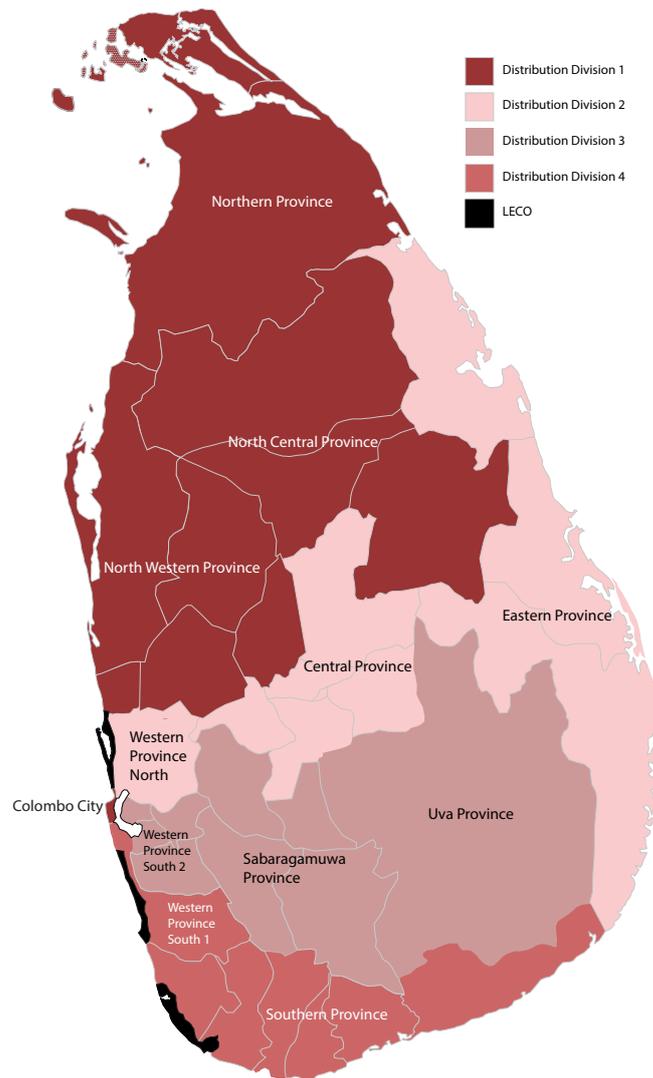
Division 3 (DD3): Western Province South II, Uva and Sabaragamuwa Provinces

Division 4 (DD4): Western Province South I and Southern Province

Key Objectives of the Division

1. Provision of a reliable electricity supply to the consumers within the Division at statutory levels
2. Sale of electricity and achieving planned revenue to meet the expenditure.
3. Provision of electricity to all.
4. Provision of all services related to electricity supply for the maximum satisfaction of the stakeholders.
5. Ensuring the development of the electricity distribution system to achieve the required level of distribution network reliability to be on par with international standards while minimizing system losses.

CEB DISTRIBUTION DIVISIONS



DISTRIBUTION DIVISIONS (Contd.)

Highlights of the Year

No	Description	Unit	DD1	DD2	DD3	DD4	Total
1	Units purchased from transmission during the Year	GWh	3,866	4,241	2,420	1,847	12,374
2	Units sold within the Division during the year	GWh	3,534	3,887	2,143	1,668	11,232
3	Revenue earned from Units sold	MLKR	63,801	59,315	32,432	26,848	182,396
4	Average selling price	LKR	18.05	15.26	15.14	16.10	16.24
5	Distribution loss	%	8.6	10.0*	11.5	9.6	9.2
6	Receivable position	Months	0.86	0.74	0.92	0.70	0.81
7	No. of Bulk consumers within the Division at the end of the year	No	3,871	3,064	1,856	1,532	10,323
8	No. of retail consumers within the Division at the end of the year	No	1,697,919	2,041,999	1,212,266	1,001,698	5,953,882
9	No. of new connections provided during the year	No	114,985	104,038	57,186	39,853	316,062

*Due to non-availability of Boundary Meters of some feeders

Operational Structure

The distribution divisions are divided into several branches in accordance with their functions. They are Projects & Heavy Maintenance, Planning & Development, and Commercial and Corporate Branches. In addition to this, each division was divided into provinces and each branch and a province was headed by a Deputy General Manager. A province is sub-divided into several areas, which were managed by Area Electrical Engineers. An area is further sub divided into several Consumer Service Centers each headed by an Electrical Superintendent.

Distribution Infrastructure

Description	Units	DD1	DD2	DD3	DD4	Total
33kV Distribution Lines	km	9,968	8,988	7,129	4,692	30,777
33kV Underground Cables	km	42	2	-	7	51
11kV Distribution Lines	km	627	501	40	317	1,485
11kV Underground Cables	km	671	121	5	22	819
No. of 132/11kV Primary Substations	No.	5	0	0	0	5
No. of 33/11kV Primary Substations	No.	32	82	12	41	167
LV Distribution Lines	km	45,591	37,135	30,567	25,793	139,086
LV Underground Cables	km	618	71	6	4	699
No. of LV Distribution Substations	No	9,790	8,755	4,390	4,777	27,712

Outreach of Distribution Divisions

Description	DD1	DD2	DD3	DD4
No. of Areas	17	22	13	10
No. of Consumer Service Centers	56	77	42	37
No. of Collection Centers (POS)	13	19	12	16
No. of Control Centers	4	3	3	2

Revenue Collection Centres

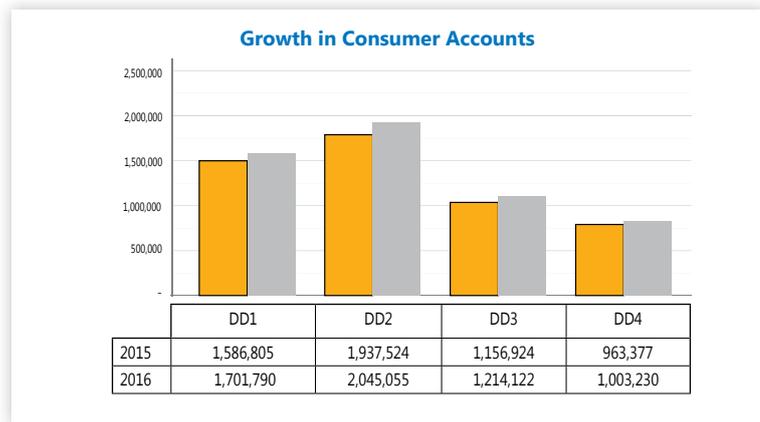
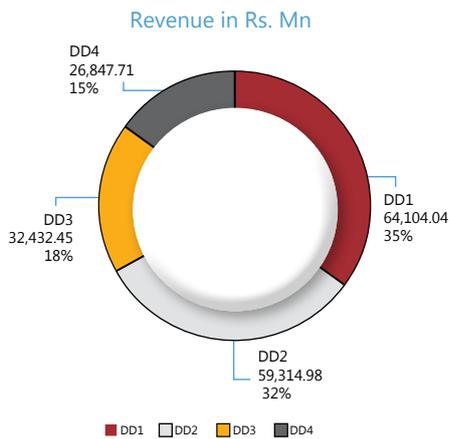
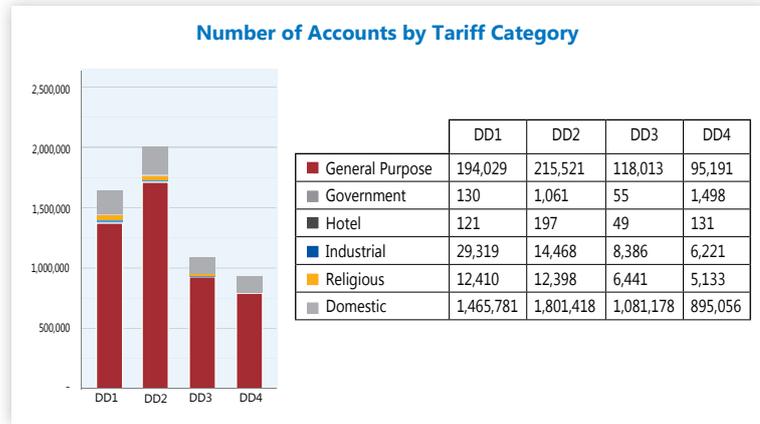
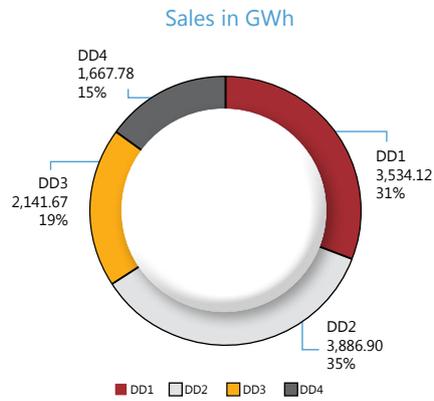
The CEB, banks and other agents indicated below operated Collection Centers during the year:

Online Real Time Payment Counters: CEB Counters and KIOSK Machines, People's Bank Branches, Cargills Food City outlets, eZ-Cash (Dialog), M-Cash (Mobitel),

Offline: Post Offices and 25 Agents

DISTRIBUTION DIVISIONS (Contd.)

Operational Data of Distribution Divisions



Rural Electrification

Rural Electrification Projects were introduced mainly to achieve 100% electrification and they were funded by the Government of Sri Lanka (GOSL) and by the CEB.

Division	Province	Schemes		Extensions	
		No of jobs completed	Cost in MLKR	No of jobs completed	Cost in MLKR
DD1	Northern	45	938	517	965
	North Western	13	143	1,986	796
	North Central	7	53	546	268
	Colombo City	Achieved 100% Electrification hence no projects			
DD2	Western North	-	-	1,146	664
	Central	17	172	27	22
	Eastern	33	546	379	453
DD3	Sabaragamuwa	1	11	275	114
	Uva	34	528	511	429
	Western South II	-	-	42	21
DD4	Western South I	-	-	151	54
	Southern	8	37	40	38

DISTRIBUTION DIVISIONS (Contd.)

Construction Job Performance

Division	Province	HV (km)	LV (km)	Distribution Substation (No)	LV line conversion (km)	Cost (MLKR)
DD1	Northern	125.35	971.20	86	0.25	2070
	North Western	46.00	593.00	129	137.00	1404
	North Central	13.26	24.22	65	66.19	259
	Colombo City	19.89	202.60	18	-	1,055
DD2	Western North	41.50	70.00	180	2,065	662
	Central	59.00	48.00	66	11	551
	Eastern	132.00	484.00	94	33	1389
DD3	Sabaragamuwa	19.16	108.70	27	7.48	297
	Uva	67.44	430.34	49	13.41	989
	Western South II	5.70	27.20	14	36.86	90
DD4	Western South I	25.40	81.90	65	25.70	531
	Southern	137.54	198.08	118	43.26	1,313

Net metering in the Distribution Divisions

Division	Province	No. of Consumers	Capacity (kW)
DD1	Northern	181	943
	North Western	266	1,141
	North Central	92	790
	Colombo City	1,525	12,887
DD2	Western North	742	4,894
	Central	158	1,962
	Eastern	74	454
DD3	Sabaragamuwa	67	499
	Uva	36	403
	Western South II	918	3717
DD4	Western South I	894	4,359
	Southern	263	2,158

Network Improvements

In 2016 the following work was done by the Projects and Heavy Maintenance Branch of each Distribution Division to enhance and improve the Distribution Network.

Description	Units	DD1	DD2	DD3	DD4
33kV Tower Lines	km	10	39.5	20.1	46.0
Nos of Auto-reclosers and Load Break Switches	No.	6	22	15	7
33kV Gantries	No.	1	10	1	5
33kV Underground Cables	km	42	0.5	0.4	1.8
Metering transformers	No.	5	5	10	4

DISTRIBUTION DIVISIONS (Contd.)

Distribution Division 1

Area of Operation

Distribution Division 1 consists of four Administrative Provinces namely North Western, North Central, Northern and Colombo City Area. Northern Province is divided into three Areas which are Jaffna, Kilinochchi and Vavuniya. North Central Province is divided into three Areas and those are Anuradapura, Kekirawa and Minneriya. The North Western Province is divided into seven Areas which are Chilaw, Kurunegala, Kuliyaipitiya, Wariyapola, Wennappuwa, Puttlam and Narammala. Colombo city is divided into Colombo North, Colombo South, Colombo West and Colombo East.

Highlights of the Year

Rural Electrification

- Electrification of Mohoththuwarama Island in Kalpitiya Peninsula by constructing 600 m pole line through the lagoon connecting Island to the National grid.



New Technology Introduced

- **Introduction of 33kV Arial Bundled Cable**

33kV Arial Bundled Cable was introduced by North Western Province for line constructions. This is the first time a CEB construction team used this cable. Distribution Maintenance Unit of NWP used this cable for rehabilitation of Kurunegala Town area.



Customer Services

- **Mobile Service in Puttalam and Vavuniya**

Along with the declaration of 100% electrification of Puttalam District, CEB Office of North Western Province organized a Mobile service to provide new connections in Puttalam, in June 2016.

As an achievement of 100% electrification in Vavuniya District of Northern Province, a mobile service program was conducted and headed by Hon. Ranjith Siyambalapatiya - Minister of Power and Renewable Energy.



- **Introduction of Self-Payment Machines to the DD1**

Two Self-Payment Machines (KIOSK) to provide 24 x7 basis bill payment facilities to consumers, were established at Puttalam Area Office and ceremonial commencement of the operation of the KIOSK was held in November 2016 is given below.



DISTRIBUTION DIVISIONS (Contd.)

- **Introducing a new Tariff for Agriculture on 2016-10-01.**

A new category of Electricity Tariff with concession for retail type Agricultural purpose consumers has been declared and launching ceremony was held at Northern Province headed by Honourable Power and Renewable Energy Minister Mr. Ranjith Siyambalapitiya



- **Ratama Eliyai Andura Dhurulai program at Vavuniya District and The launch of Sooriya Bala Sangraamaya at Jaffna on 2016-09-02.**

The Sooriya Bala Sangraamaya promotion was launched in the Office of the Deputy General Manager- Northern Province at Jaffna on 2016-09-02.



The premises of an applicant, who were applied for the service connection under the program of Rattama Eliyai Andura Durulai loan basis program at Vavuniya District, was ceremonially energized by Honourable Power and Renewable Energy Minister Mr. Ranjith Siyambalapitiya.

- **Workshop on Crimping organized by Commercial & Corporate branch - DD1**

Training for Meter Readers in Northern Province organized by the Office of Deputy General Manager Corporate and Commercial- A Workshop for Meter Readers in the Northern Province was conducted by the Office of Deputy General Manager- Commercial and Corporate

Workshop on Crimping in Colombo - A two-day workshop was conducted successfully on 19th & 20th August 2016, at Piliyandala Training School with the participation of a total of 143 (Engineers, Electrical Superintendents and Field personnel).

Workshop on Crimping in Jaffna

The second Workshop was held at Jaffna on the 19th of December 2016 in the Auditorium of the office of Deputy General Manager (NP)



DISTRIBUTION DIVISIONS (Contd.)

- **CEB Innovation Awards**

The 2015 CEB Innovation Awards Ceremony was held on 20th December 2016 at the Sri Lanka Foundation Institute with the Minister of Power and Renewable Energy, Hon. Ranjith Siyambalapatiya as the Chief Guest. The Deputy Minister Hon. Ajith P. Perera too graced the colourful occasion.

Bronze Award (Individual)-

Awarded for the Innovation of "Electricity Network Maps on Fingertips" to Mr. A.M.T.K Bandara (Electrical Engineer-Commercial Rural Electrification)

Bronze Award (Team)-

Awarded for the Innovation of "Magathota vedawala nimawa, lanveema dakmata paaribogika athangili ekway" to the Staff of Area Engineers Office Puttlam.



Distribution Division 2

Area of Operation

Area of operation of Distribution Division 2 covers the whole of the Eastern and Central Provinces and parts of the Western and Sabaragamuwa provinces including 22 Area Offices. Eastern Province is subdivided into four Areas Ampara, Batticaloa, Trincomalee and Kalmunai. Central Province is subdivided into twelve Areas Kegalle, Mawanella, Kandy City, Peradeniya, Kundasale, Katugastota, Galagedara, Matale, Dambulla, Nuwaraeliya, Ginigathena, Nawalapitiya, Nuwaraeliya and Ginigathena. The Western Province North is subdivided into six Areas Gampaha, Kelaniya, Negombo, Ja-ela, Divulapitiya and Veyangoda.

CEB Headquarter Call Centre

All administrative and functional activities of the Head Office call center (tel: 1987) are handled by the Commercial & Corporate Branch of DD2. Upgrading the Call Center with state of art Communication Infrastructure and Private Automatic Branch Exchange (PABX) with Interactive Voice Response System has been completed and this increased the efficiency and effectiveness of the customer care service. The SMS and web based complain handling concept is also currently being initiated.

Achievements of DD2

- Kandy City Area office won the Sri Lanka National Quality Award 2016 -Medium Scale Service Category.



- National Quality Award winners; Mawanella Area office, Project & Heavy Maintenance (Western Zone office), Kandy City office and Kegalle Area Office) were awarded at the CEB Innovation Award Ceromony-2016.
- Construction of Moragahakanda Gantry was completed



DISTRIBUTION DIVISIONS (Contd.)

before the target date of 2017-01-31.



Key Events

- Establishment of New Control Center in Eastern Province



- New Office Building for Gampaha Area



- Introducing of KIOSK Machine for convenience of electricity Consumers at Gampaha



- Energy Efficiency Awareness Program was conducted at Naval Base Trincomalee on 2016-07-19.



- The launch of Soorya Bala Sangramaya at Western Province North & Eastern Province



Special Contribution

- Disaster Recovery - Mawanella Samasara Kanda Land Slip



- Electricity for Meemure - Ratama Eliyai Adura Duralai Program



Distribution Division 3

Area of Operation

The Distribution Division 3 is the distribution licensee covering the Sabaragamuwa Province, Uva Province and a part of the Western Province called Western Province South II. The Western Province South II is subdivided in to five areas viz., Bandaragama, Homagama, Sri Jayawardenapura, Avissawella and Horana. Similarly, Sabaragamuwa Province is sub divided in to five areas viz., Ratnapura, Kahawatte, Ruwanwella, Eheliyagoda and Embilipitiya and covered the entire Ratnapura District and a part of the Kegalle District. Uva Province comprises of Badulla, Diyatalawa, Monaragala ares and covered, both Badulla and Monaragala administrative districts.

Key events

- **Damages to electricity network and other properties by blast at Salawa camp**

It was urgently needed to restore the electricity supply in the area to enable the residents to come back to settle as well as to repair or reconstruct their damaged properties. The electricity supply was restored within a very shorter period owing to the team spirit of those who involved in the task.

- **Electricity Supply to Shelters constructed for families displaced by the flood**

Two Consumer Service Centers, namely Malabe and Welivita which come under Sri Jayawardenapura area were among the heavily affected zones due to this flood. The restoration included rehabilitation and reconstruction of electricity network which needed a huge workforce and material. The cost of replacing of damaged electricity meters and other equipment at ordinary and bulk customer installations was about LKR 8.3 million. -



DISTRIBUTION DIVISIONS (Contd.)

- Electricity Supply to Shelters constructed for families displaced by the flood



Distribution Division 4

Area of Operation

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

There are also three separate branches to carry out the supporting services required to maintain the operations of each Division, viz., Projects & Heavy Maintenance Branch, Planning & Development Branch and Commercial & Corporate Branch and the Distribution Coordination Branch.

LECO Supply Source Enhancement Project

LECO Supply Source Enhancement Project was formed by CEB under the purview of DD4 to enhance the supply source to LECO distribution network. The project is funded by CEB and the design, procurement, installation, testing & commissioning is carried out by CEB staff. The estimated cost is RS. 2,100Mn. Construction of Angulana manned PSS under this Project commenced during the year 2016. The control room building and most of other civil constructions have been completed. The PSS is expected to be energized in August 2017. The scope includes construction of six new 5MVA unmanned PSS including remote communication facility, three new 2x10MVA GIS PSS and augmentation of an existing PSS to 2x10MVA.

Medium Voltage Network Efficiency Improvement Project

Long term Development proposals, which should be implemented to strengthen the distribution network of Sri Lanka minimizing voltage drops, high system losses, inadequate capacities, poor supply reliability and operational flexibility of

the distribution network, as identified by the Medium Voltage Distribution Development Plan 2015-2024 was encompassed into this project. The total estimated cost is LKR 4,076 million, of which, LKR 2,890 million is expected from ADB funding and LKR 1,186 million is allocated from CEB funds. The intended project duration is 3 years. The project comprises two packages. Package 01 consist of construction of five new 33 kV tower lines in three Distribution Divisions (60 km in aggregate) and construction of four new 2SSBB Gantries. Package 02 includes construction of a new 2x10 MVA PSS, augmentation of two existing PSS to 2x16 MVA and 2x10 MVA from 2x 10MVA and 2x5 MVA + 2 MVA, respectively.

Key events

- Transformer repair center was established at provincial stores premises at Ratmalana.



- Underground cable repair unit was established at provincial stores premises at Ratmalana.
- Energy management unit for WPS1 was established at Kalubowila Maintenance complex.
- Renovation of Kalubowila Consumer Service Centre and Maintenance Engineers Office



- Refurbishment of Primary Substations in Dehiwala Area, Kalubowila and Attidiya



DISTRIBUTION DIVISIONS (Contd.)

- The Provincial Stores of the Western Province South 1 located at Thelawala, Ratmalana was renovated by carpeting internal roads, constructing drainage system, interlocking outdoor storage areas, landscaping open areas etc.



- **Service Quality Improvements**

Deniyaya-Lankagama; a highly inaccessible village was finally lighted with a huge effort by Construction Unit of Southern Province. 340 households were lighted by constructing a 7 km HT line and 25 km of LT ABC lines.



- **Bill payment kiosk**

Bill payment kiosk was installed at Southern Province DGM Office to provide better service to the customers. Installation in all the other Areas of the division is in progress.

- **Consumer Awareness Programs**

The Energy Management unit of the Southern Province organized awareness program for bulk supply consumers of the Galle, Matara and Hambantota districts regarding energy conservation and electrical safety.



In addition, several energy conservation programs were carried out by Energy Management Unit of Southern Province in government institutions, schools, consumer societies in order to promote and educate efficient utilization of electricity. Energy Conservation promotion leaflets were distributed in above programs, mobile services and exhibitions etc.



Energy Management unit investigated theft and illicit tapping incidents of ordinary consumers in the urban areas.

- **“Ratama Eliyai -Andura Duralai Jathika Viduli Sathkaraya” Mobile Service - Matara District & Galle District Programs**

Matara District and Galle District Mobile Service conducted to attend consumer complaints at remote areas in Southern Province.



DISTRIBUTION DIVISIONS (Contd.)



Coporate Social Responsibility







OPERATIONAL REVIEW

PROJECTS DIVISION

PROJECTS DIVISION

The year 2016 had been a challenging year for the Projects Division, with the fast track installation and commissioning of new 2x250 MVA, 220/132/33 kV Transformer at Kotugoda on an urgent basis in place of the totally damaged transformers subsequent to a total system failure.

As a whole, Projects Division handled and carried out projects work worth of LKR 11.6 billion during the year under review.

It was broadly discussed in many forums on the options available for future power generation projects and predominantly said to be greener than ever due to global warming and connected other issues during the year. Accordingly, CEB is looking forward much greener project than ever now. Descriptions of the Projects that are in hand are as follows:

Mannar Wind Power Project (MWPP)

The Mannar Wind Power Project with associated facilities is to be implemented with Asian Development Bank (ADB) funds. Required statutory clearances such as Environmental Approval and Energy Permit have been obtained. Preliminary design of Wind Park has been completed and necessary draft bidding documents have been prepared and are being reviewed in addition to due diligence of the project by consultants appointed by ADB with their funds under Project Preparatory Technical Assistance (PPTA).

Based on the findings, Mannar Island has been identified as one of the best region for wind power development in Sri Lanka. Estimated onshore wind electric potential in the region is approximately 300MW with potential to generate more than 1000 GWh of electricity annually.

It has been planned to develop the wind resource in Mannar region in phases. The Phase I development envisaged on developing 100MW of Wind Farm along the southern coast of Mannar Island and project is scheduled to be commissioned in Third Quarter of 2019.



Project Area Reserved for MWPP

Broadlands Hydropower Project (BHPP)

The Broadlands Hydropower Project is a run-of-river type project is constructed 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 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 Environment clearance for the project has been already received. This project is the first large scale hydropower plant to obtain CDM registration in Sri Lanka. The construction of main and diversion tunnels is in progress. The Financial Agreements were signed in 2013 with both the Banks. Construction works of the project has commenced and it is planned to complete the project in year 2019.



Broadlands Tunneling in progress

Moragolla Hydro Power Project (MHPP)

Moragolla Hydropower Project is one of several hydropower projects identified by the Government of Sri Lanka (GoSL) to reduce the role of fossil-fuelled power generation, which has outstripped hydropower over the past 30 years as readily exploitable locations have been utilized. The Executing Agency of the project is the Ministry of Power and Renewable Energy (MoPRE) and the Implementing Agency is the Ceylon Electricity Board (CEB). Financial assistance is given by the Asian Development Bank (ADB).

The detailed engineering design and the preparation of the bidding documents have been completed. Supplementary EIA report was sent for approval of the Project Approving Authority, Mahaweli Authority Sri Lanka. ADB has also given both Social and Environmental clearance.

It is expected to commence project construction work in 2017. The overall project construction period would be 5 years and it is expected to complete the project work by December 2021.

Uma Oya Hydropower Project (UOHPP)

Uma Oya Multipurpose Development Project was implemented by the Ministry of Irrigations & Water Management in coordination with the Ministry of power and Energy and CEB. The estimated capacity of the project is 120MW and the expected annual energy production is 231 GWh. The project consists of two small reservoirs near Puhulpola and Dyraaba and a link tunnel to connect the two reservoirs. A trans basin tunnel that will divert the water from Uma Oya to Kirindi Oya via the underground Power Station located at Randeniya. The power plant will be connected via a 27km 132kV Transmission line to Badulla Grid Substation. The total cost of the project is 529 million USD and 6 billion LKR. The Government of Iran provides 450 million USD through Export Development Bank of Iran as a loan. Construction works of the project has commenced already and taking the progress towards completion.



Dyraaba Dam

Seethawaka Ganaga Hydro Power Project (SGHPP)

Seethawaka Ganaga Hydro Power Project was lounged during the year after it had been identified as a hydropower potential in the Master Plan for Electricity supply of Sri Lanka, produced by CEB in 1988. The development of the project was initiated in 2009 and it was decided a single 20 MW project. The estimated annual energy of the project is 50GWh.

The proposed project is to be in Kegalle District of Sabaragamuwa Province.

The Civil Engineering Consultancy will be obtained from Central Engineering Consultancy Bureau (CECB). The feasibility study is planned to start in March, 2017 and project completion is expected in year 2022.



Prospective Location of Seethawaka Ganga-Location near Dam site

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 2)

The project scope involves 220 KV transmission development in Mannar to evacuate energy generated from proposed Wind Power Project and Southern network development for voltage improvement & control. It also comprises of distribution and Demand Side Management (DSM) components including energy efficiency including development of an innovative smart grid and metering pilot subproject.

All the provinces in Sri Lanka excluding Uva Province will be directly benefitted by the implementation of transmission, distribution and demand side management components of this program.

The total investment cost of the tranche 2 is USD 260 million. ADB will provide USD 150 million while AFD will provide USD 30 million as a loan directly to Ceylon Electricity Board (CEB) under a treasury guarantee. The loan agreement between ADB & CEB was signed on 27th December 2016. Advance procurement has been approved for the project.

National Transmission & Distribution Network Development and Energy Efficiency Project

JICA provided JPY 24 billion for the identified scope of the National Transmission & Distribution Network Development and Energy Efficiency Project. Loan agreement was signed on August 2015 & preparations of tender documents are in progress.

Under this project new Grid Substations would be constructed at Kiridiwala and Battaramulla and augmentations would be carried out at several existing Grid Substation. Furthermore, four new transmission lines would be constructed, Kotmale-New Polpitiya, Veyangoda-Kirindiwala, Kirindiwala-Padukka and Kirindiwala-Kosgama. The existing Polpitiya-Habarana and Kolonnawa-Pannipitiya-Ratmalana transmission lines would also be reconstructed.

Greater Colombo Transmission & Distribution and Loss Reduction Project

The Greater Colombo Transmission and Distribution Loss Reduction Project (GCT&DLRP) is planned to strengthen the transmission and distribution network in Greater Colombo area in order to improve the reliability, reduce system losses and cater growing electricity demand due to mega development activities planned in the Colombo City. Under the project scope, capacity of the Greater Colombo power network will be doubled through new 220kV underground transmission cable network. Further, project would improve the existing power network by construction of three new Grid Substations, augmentation of five existing Grid Substations, extension of two Grid Substation, laying of 34 km cable route length of underground transmission cables, laying of 31 km cable route length of underground distribution cables and installation of 88 Nos. of new 11kV distribution panels. In addition to that, project will supply specialized vehicles required for maintenance work of distribution networks.

Major portion of procurement activities, land acquisition, finalization of cable routes/approval for same from local authorities and finalization of detailed design finalized during the year. The most of the construction works commenced and expect to complete in 2019.



Duct Laying Inside the Port Premises

Transmission Projects Branch

Year 2016 had been active year for Transmission Projects Branch. Brief description of work carried out by each project during the year is given below:

During the year, augmentation of Kelaniya, Sri Jayawardhanepura and Vavuniya (Kilinochchi) Grid Substations were completed funded by Asian Development Bank under Clean Energy & Access Improvement Project. Augmentation of Kiribathkumbura GSS is in progress and expected to be completed by mid-2017 under the Sustainable Power Sector Support Project.

Further, Asian Development Bank has provided funding for all three packages of Clean Energy & Network Efficiency Improvement Project. The details are as follows:

The scope of the Mannar Transmission Infrastructure Project consists of construction of 132/33kV Mannar Grid Substation and connecting the same to the national grid by constructing Mannar-Vavuniya-New Anuradhapura 220kV constructed (132kV operated) 70km + 55km transmission lines. The 220kV construction would enable the development of full potential of wind power in Mannar area. All Construction activities were in progress and expected to be completed in 2017.

The scope of the 132 kV Transmission Infrastructure Project consists of construction of 132/33kV Grid Substations at Kegalle and connecting the same through a 22km 132kV transmission line. Furthermore, it would also include the construction of Polpitiya-New Polpitiya, Athurugiriya-Padukka 132kV transmission lines, Re-construction of Athurugiriya to Kolonnawa - 15 km, transmission lines and installation of 160MVar of Capacitor Banks at 7 existing Grid Substations. All Construction activities were in progress and expected to be completed in 2017.

The scope of the 220kV Infrastructure Project consists of construction of 220/132/33kV new Grid Substations at Polpitiya and Padukka and 70km Polpitiya-New Polpitiya-Padukka-Pannipitiya 220kV Transmission line. The transmission system would enable the smooth transfer of power between western load centres and Laxapana Complex. All Construction activities were in progress and expected to be completed in 2017.

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 1) Part 2 - Transmission Project is co-finance by ADB (23.9 M USD) and AFD (30.0 M USD). Under this project New 132/33kV Grid Substations would be constructed at Kappalthurai, Anuradhapura, Kalutara and Kesbawa. Augmentation would be carried out at existing 123/33kV Grid Substations at Trincomalee, Katunayaka, New Anuradhapura and 220/33kV Kerawalapitiya Grid Substation. Furthermore, transmission lines would be constructed to connect the new Grid Substations to the transmission network. Approval for most of the procurement activities received during the year and the construction work is expected to start in the second quarter of 2017.

Japan International Cooperation Agency (JICA) has provided saving from the funds allocated to Vavuniya Kilinochchi Transmission Project for the augmentation of newly constructed Kilinochchi Grid Substation and purchase of essential spare parts for Vavuniya Grid Substation. All procurement activities were completed during the year of 2016.

Transmission Construction Projects Branch

Transmission Construction Projects Branch had following activities during the year:

On the request of the management, the Grid Substation Construction Projects (GSCP) unit under took the challenging assignment of installation and commissioning of 2x250 MVA transformers at Kotugoda to complete within a record short period despite the fact that this is the largest Grid Substation transformer due to confidence placed on the activities of

PROJECTS DIVISION (Contd.)

Projects Division in its capability. In the similar fashion, GSCP unit had to undertake installation and commissioning of 2x31.5 MVA Transformers at Biyagama over and above their routine projects work.

It was decided to install another 220/132 kV, 105 MVA transformer in parallel with the existing 220/132 kV, 105 MVA transformer to cater the demand and improve the reliability of Rantembe switching station which act as a hub to connect Mahaweli Generation and 132 kV transmission lines connecting Uva and Eastern Provinces.

Augmentation of Hambanthota GSS was lounged to improve the reliability of power supply to the future industries at Hambanthota area such as Hambanthota Port, Mattala International Airport, Mirijjawila Industrial Park, salt base industries, oil refinery.

Construction 220kV transmission line from Mannar Grid Substation via Vavuniya 220kV Grid Substation terminating at New Anuradhpura Grid Substation was entrusted with GSCP unit to improve reliability and flexibility of the operation.

Two numbers of 31.5 MVA, 132/33 kV transformers at the Biyagama GSS was commissioned during the year to face any emergency situation to ensure supply to customers served by that substation.



Biyagama Grid Substation Construction Work

Augmentation of Kiribathkumbura Grid Substation is in progress.

Another two numbers of 250 MVA, 220/132/33 kV Transformer Bank at Kotugoda GSS was commissioned during the year on urgent basis to face any emergency to ensure supply to customers served by that substation.



Kotugoda Grid Substation Construction Work

Under the Transmission Line Construction Projects, a project has been in p[rogress for in increasing of line height of 132kV line from Embilipitiya GSS to Matara GSS at Thihagoda to facilitate the Extension of Southern Highway Project - Section 1 - From Matara to Beliatta. The Project is in progress and to be completed in May 2017.

The Shifting of 132kV line from Embilipitiya GSS to Hambanthota GSS at Sooriyawewa to facilitate the Extension of Southern Highway Project - Section 3 - From Wetiya to Andarawewa is in progress and to be completed in November 2017.

The existing 132kV single circuit transmission line from Badulla Grid Substation to Inginiyagala power station is of Oriole conductor was built in 1963 and the present condition of the line is very poor. To improve the power supply reliability of the Monaragala Grid Substation, it is proposed to enhance the capacity of the Badulla - Medagama 32.5km, 132kV transmission line section with double circuit, Zebra transmission line. The both the above project are in progress and to be completed in November 2019.

Under the Renewable Energy Absorption Transmission Development Project, most of mini hydro power projects to be developed are located in and around Maliboda, Deraniyagala, Balangoda, Rathnapura, Padiyapalalla, Ragala, Nuwara Eliya and Kothmale areas. However, the absorption capacity of mini hydro projects to the existing Grid Substations located in the above areas has already exceeded. Hence, to facilitate the absorption of new renewable energy to the National Grid, the electricity network in the above areas should be enhanced.

Construction of new Grid Substations at Maliboda, Wewalwatta, Nawalapitiya and Ragala and related transmission lines were identified for this scope of the project.

The whole project will be carried out by CEB. Procuring goods and works from several contracts deviating from the "Turnkey" concept. All primary electrical designs, some of the electrical secondary designs and all civil designs will be carried out by CEB engineers. Project is expected to be completed in 2018.

Liquefied Natural Gas Power Projects (LNGP)

Request for Proposals (RFP) Development for 300 MW Multi Fuel Combined Cycle Power Plant at Kerawalapitiya called from interested bidders were called during the year for the development of a 300 MW multi fuel combined cycle power plant on BOOT basis. The RFP document is structured in such a way the plant to operate initially on diesel fuel or heavy fuel oil and later to operate on re-gasified liquefied natural gas when available at the site boundary. The power plant will be constructed on the 13 Hectare CEB land located at Kerawalapitiya by the successful bidder with a long-term lease.

The power plant is required to achieve the commercial operation of the open cycle in June 2019 and the combined cycle in June 2020.

Draft Request for Proposal (RFP) for the Development of 170 MW HFO/LNG fired Power Plant at Hambantota & Embilipitiya is being prepared for two power plants of 70 MW at Hambantota and 100 MW in Embilipitiya on Built Operate and Transfer (BOT) basis. The document prepared awaits the approval for calling proposals. The power plants are required to achieve the commercial operation in December 2018.

Trincomalee Coal Power Project (TCPP)

A 500 MW power station constructed on Built Own and Operate (BOO) basis at a cost of approximately US\$ 500 million is to be located in Sampoor. The Central Environmental Authority granted its approval for the project. This project requires main peripheral developments namely the transmission line from power station at Sampoor to Veyangoda and the coal unloading jetty. The procurement activities of the works were placed under low profile during the year due to concentration of other fuel options available.

However, the 220/400kV transmission system from Kappalthurai -Sampoor - Habarana - Veyangoda is been developed with the assistance of JICA.

Engineering Advisory Services (EAS) Branch

With the establishment of Engineering Advisory Services Branch on Electrical and Mechanical disciplines during the year made a leap jump on engineering consultancy services by the CEB with the intent of avoiding out flow of foreign currency from Sri Lanka by way of under taking all Electrical/Mechanical consultancy services from within CEB for all projects to be implemented by CEB in the future. All Electrical/Mechanical Experts who could provide immense contribution towards future project were absorbed into this branch. During the year, it has already started providing advisory services to Morogolla HPP and Seethawaka HPP.

Corporate and Projects Coordination (C&PC) Branch

With the establishment of Corporate and Projects Coordination Branch under a newly appointed DGM during the year made all corporate and projects coordination matters so far handled by the Divisional Head was relieved to give more priority and concentration on Projects related technical matters, logistic issues and ample time to coordinate with the higher ups and external agencies such as funding and monitoring agencies.





OPERATIONAL REVIEW

ASSET MANAGEMENT DIVISION

ASSET MANAGEMENT DIVISION

Asset Management is a part of transformation of infrastructure development. The division plays a vital role in CEB for its economic growth, social advancement and environmental development.

Assets Management & Corporate Branch

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

- Preparation of Asset Register of Lands and Buildings belonging to CEB and Updating & maintenance of the Master Plan data base of CEB Land & Buildings.
- Valuation of 2695 Lands and Buildings (1,203 Lands during the year)
- Obtaining ownership documents for lands acquired, vested and outright purchased for CEB.
- Identification & preparation of Survey Plans for 3021 lands (880 Lands during the year) used by CEB, without any Title Deeds or Survey Plans. Re-demarcation of boundaries of CEB Lands where disputes of boundaries due to encroachments.
- Development & Maintenance of the Vehicle Database to manage the Vehicles of CEB.
- Leasing of Castlereagh and Upper Kotmale Hydro Reservoirs for tourism and recreational activities such as operation of float planes (217 landings during the year) and operation of boat services.
- Technical Supports on Tender Handling, Evaluations and Web Publishing of Asset Management Division Tenders.
- Macro Plan development for CEB Buildings for future extensions and modifications.
- Coordinating the work related to the disposal and removing of unserviceable transformers at Kahapola yard, Piliyandala and Development of CEB Transformer Inventory List. Coordinating the activities related to development of the transformer inventory under the project on disposal of PCB containing equipment in Sri Lanka.
- Corporate functions of Asset Management Division.

Training Branch

Over the years Training Branch has taken steps to build up a competent work force by means of appropriate Education, Training & Skills Development to effectively carry out work involved in modern integrated industry.

Training Branch consists of following main Units.

- Training Centre, Piliyandala
- Internal Training Unit
- Systems Training Unit
- Training Centre, Castlereagh
- External Training Unit at CEB Head Quarters, Colombo
- Examination Unit

CEB Training Centre - Piliyandala

Details of Training provided during the year are given below.

No.	Course Name	No. of Programs	Participants
01	CPD Courses for CEB Engineers & Executives	08	414
02	Induction Training Programs for Executives/Junior Executives	04	149
03	Induction Training Programs for Middle Level Technical Service	06	303
04	Training Provided for Field Service Employees	76	2501
05	Training Provided for Employees of Outside Organizations	03	54
06	Training Provided for Clerical & Allied Services & Security Service Office Employee Service & drivers	55	1244
07	System Training Programme	49	2180

Local Training provided for CEB Employees at External Institutes

Total of 24 employees including Engineers, MLTS, Clerical & Allied Services & Field Service were given the opportunity to undergo training related to their duties through training programmes conducted by External Training Institutes.

In-Plant Training

Category	Discipline	No. of Students
Undergraduates	Electrical	266
	Mechanical	19
	Chemical	06
Diploma Students	Electrical	97
	Marine	12
	Civil	01

Training Centre- Castlereagh

The Castlereagh training center which was founded in 1966, celebrated its Golden Jubilee on 9th December, 2016, with the participation of General Manager (CEB), Additional General Manager (Assets Management), Deputy General Manager (Training) together with other officials from different branches

of CEB by conducting an Overnight Pirith Chanting Ceremony, followed by an Alms Giving program and Tree Planting Ceremony.

Details of the training programs and Career Progress Development courses conducted are given in Table below.

	Programmes	No. of Programs	Participants
1.	Programs conducted for field service employees as per CEB Recruitment & Promotion scheme (SORP)	19	977
2.	Continuous Professional Development (CPD) courses	07	181

External Training Unit

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

Programme	No. of Participants
Pre-shipment inspection of goods to be procured	240
Scholarships, Training & Study Tours	315
Workshops, Seminars, Conferences & Meetings	177
Sports Activities	40

Workshop & Ancillary Services Branch

The Workshops & Ancillary Services branch consists of 04 operational units which provide various kinds of services.

(A). Power Plant Unit

Summary of the Jobs carried out during the year

Category of the job	Nos. of Job	Estimated Cost/Rs millions
Annual Maintenance	172	129.7
Repair/Rehabilitation	62	27.6
Generator hiring - CEB	64	128.3
Generator hiring - PVT,PSD,PMSD	293	72.8
Generator Installation	11	69.4
Other Jobs	36	6.1

(B) Air Conditioning & Refrigeration Unit

This unit provides air conditioning and refrigeration services to the Government Hospitals, Government institutes and CEB offices located island wide. Jobs done by this section during the year as given below;

Job Category	Government Jobs		CEB Jobs	
	No. of Jobs	Total Estimated Cost, Rs.million	No. of Jobs	Total Estimated Cost, Rs.million
1 Annual Maintenance	47	178	160	23
2 New Installations	7	35	50	15
3 Repair	13	9	19	4
Total	67	222	229	42

(C) Lift Unit

This unit comprise of electronic workshop, electrical workshop and the Government Hospital depots.

Performance of Lifts Branch during the year

Service & Maintenance

85 elevators were maintained by 06 Private contractors/local agents under CEB supervision. 57 elevators are maintained by CEB employees in addition to the operation and standby duties.

Major Maintenance/ Repair works

Replacement of hoisting ropes - General Hospital Jaffna, Awissawella base hospital & 2 bed lifts at Provincial General hospital Karapitiya. Replacement of bearing - boiler lift at LVCP & Awissawella base hospital. Repairs to controller & motor at Pension Department. Replacement of 2 landing doors at Eye hospital.

Rehabilitation and Modernizations works

Rehabilitation of no 02 Bed lift at General Hospital- Matara, 01 passenger lift at 6 story Nurses quarters of Lady Ridgway Hospital. Rehabilitation of Power distribution- Machine rooms- New Medical wards of NHSL. Rehabilitation of classic passenger lift at Ministry of Foreign affairs. Face Up lift of Patenoster at CEB Head Office Building

New Installations

New passenger lift was installed and handed over for Building extension to Central Province DGM Office-Kandy

Consultancy Service

Consultancy works were rendered for Ministry of Finance (replacement of 4 passenger lifts), Ministry of Education (installing 5 lifts), Register General Office (installing 1 passenger lift) and CEB area offices (01 passenger lift for Colombo North area Office, 01 passenger lift for Gampaha CE office, 01 Passenger lift at Mahaweli Assets management, 01 Service lift at Boiler 01-LVCP).



Repairs to controller & motor at Pension Department



Replacement of bearings of traction motor- No 02 Boiler lift-LVCP

(D) Central Workshops & Garage Unit

Jobs Completed during the year

No	Job Category	Estimated cost - Rs millions
1	Mechanical	8.44
2	Electrical	2.11
3	Production	4.21
4	Vehicle Service	4.22
5	Fuel Test	0.22
Total estimated cost		19.2

Specific projects completed during the year - Improving the burner system of the nonferrous foundry

The old burner and crucible were used to melt 25kg of scrap Aluminum and took around 2 hours to reach the pouring stage. The new burner can melt Aluminum scrap up to 100kg using waste engine oil as the fuel. The time for melting is reduced up to 1.5hours at the full charge of 100 kg of scrap.



Old burner

New burner

Civil Works and Building Branch

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

No	Activities	Estimated Cost (Rs.)
1	Construction of CSC at Delgoda, Veyangoda and Wattala. Construction of 4 Storeyed Building for Chief Electrical Engineer's Office Gampaha, 2 Storied Staff Quarters at Wattala and Area Office at Kalmunai	204m
2	Renovation of Security Hostel at Kolonnawa, Circuit Bungalow at Kandy and Anuradhapura. Construction of Boundary Wall at Waragoda and Office Building at Castlereigh. Renovation of Engineer's Quarters and Old Workers Quarters at Aniyakanda, Construction of Boundary Wall at Kiribathgoda and Aniyakanda	54.81m
3	Head Office renovation work <ul style="list-style-type: none"> • Stage 1- Water Proofing of Roof Terrace, Lift well & Paternoster. • Stage 2- Renovation of Toilet Areas. • Other improvement work. 	58.32m

Facility Management Unit

Facility Management Unit is responsible to carry out maintenance work in CEB Head Office and upgrading of Circuit Bungalows.

Project Management Unit (Vidulakpaya)

Project Management Unit was established for the purpose of liaison and project management activities connected with the construction of proposed new CEB Head Office Building Vidulakpaya, in a land owned by CEB at Narahenpita. Initial cost estimate of Rs.1936 Million has been revised to Rs.2541 Million in year 2015. The project is funded by CEB. Constructions of 400 nos piles and testing have been completed. Board of Directors of CEB has decided to terminate present Consultancy Service Contract with Project Consultancy Unit of Department of Architecture, University of Moratuwa. With the procurement of new Consultancy Service, the expected project completion is rescheduled to end year 2020.

Occupational Health and Safety Branch

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

The OH & S Branch has been playing the role of an internal safety regulator to monitor and facilitate safety and adopt a high standard/practice of safety across all Divisions such that to achieve the above mentioned objective. The Branch is to provide support services with respect to Occupational Health & Safety to all Divisions through the Coordinating Officers appointed in each Division to liaise with the same. Key functions of the Branch are as follows:

- Maintaining the central safety and accidents statistics.
- Carrying out safety audits.
- Maintaining specifications of all Personal Protective Equipment (PPE).
- Monitoring the adequacy and quality of safety equipment.
- Ensuring adequate safety related training is given to all required staff.
- Ensuring periodical testing of all equipment that requires mandatory safety inspections.
- Ensuring prevention of injuries due to sub-standard material use.
- Issuing a periodical safety bulletin, indicating any major accidents/near misses with analysis.
- Issuing and updating safety related circulars.
- Ensuring that CEB staff is not exposed to conditions that could lead to known occupational health issues.
- Coordinating on safety aspects with the Public Utilities Commission of Sri Lanka (PUCSL) who issues the licenses to CEB.

Safety Bulletin

Occupational Health and Safety Branch has also taken steps for publishing and distributing a periodical Safety Bulletin for improving the awareness on workplace safety among CEB employees. The bulletin is titled as “Arakshava” and the Volume I was published in December, 2016.

The Branch is geared up to perform a continuous key role in CEB to create an accident free safe working environment and a healthy work force in the coming years.

Security Unit

Security Section of CEB is responsible for security of lives & property of all the vulnerable locations and premises of CEB including Power Stations, Reservoirs, Grid Substations, Stores, Cash Counters, CEB Head Office & Official Premises of Power & Energy Ministry.

CEB Security Units are deployed to provide the security for the main Divisions of CEB, namely Generation, Transmission, Distribution, Asset Management and Projects. Presently there are total number of 98 security units functioning under the above main divisions. In addition to that the private security services deployed island wide at some premises of CEB are also being supervised and observed by the CEB security section.

The available strength of the CEB Security Section at present comprises of 830 security personnel including Acting Deputy Manager Security, three Senior Security officers and 22 Security Officers under the Manager Security who is the Head of the Security Section.

Training programs, workshops & seminars have been conducted for CEB security personnel to enhance and upgrade their knowledge, skills which also assist to develop their efficiency, discipline, motivation in performing their duties with high productivity in a professional manner.

Training Programs

No	Programmes	Participant Category	No. of Programmes	No. of Participants
01	Occupation Health & safety	Field Staff	20	1162
02	Occupation Health & safety Ergonomics	Engineers	01	49
03	Hazard Identification Risk Assessment and Controls	Safety Representatives	02	109
04	Electrical Safety/ Earthing	Engineers/ Superintendents	01	73





OPERATIONAL REVIEW

CORPORATE STRATEGY
DIVISION

CORPORATE STRATEGY DIVISION

Business & Operational Strategy Branch

Formulating strategies for CEB's key business and operational activities, monitoring the organizational performance on strategy execution and improvement of corporate image of CEB are the key activities falling under the purview of the Business & Operational Strategy Branch of the Corporate Strategy Division.

Operational review of Corporate Balanced Score Card (BSC) is done quarterly and due to benchmarking, Distribution level Scorecards are expected to bring in better response and results than the corporate level scorecards. CEB management is now able to monitor organizational performance online from anywhere in the country. Preparation of Generation and Transmission Balance Score Cards are being progressed.

2015 Innovation Competition and Award Ceremony was held 2016-12-20 successfully. Decision has been taken to popularize use of innovations in CEB.



Implementation of 5S to satisfactory level in CEB Head office is being carried out by our Branch. Most of the unit and branches of HQ are implemented 5S in satisfactory level. This will be ongoing task. New ID cards for CEB employees were introduced under the standardization program in CEB. Quiz organized by CEB with assistance of Sri Lanka Broadcasting Corporation and Department of Education was with the view of promoting energy conservation, efficient utilization and public safety was held in 2016 and Finals 2015/16 & Awards ceremony scheduled in December 2016 was rescheduled to January 2017. B&OS branch has initiated legal actions against adverse, wrong & defamatory media reports on CEB and few cases are pending against press.

B&OS Branch organized Leadership program for public utility managers at AIT, Thailand for CEB executives. Under the theme of improvement of corporate image and performance, personal grooming and social & business etiquette training programs for CEB non-executives were organized in Kandy(5 programs), Galle (4 programs) and Ratnapura (6 programs) districts. This program will continue for coming 2-3 years to cover 10,000 non-executives of CEB. Several trial programs on effective communication skills and time management were held for CEB executives and decided to continue in each province.

Ceremony for handing over of appointment letters to casual, temporary and contract employees of CEB by HE the President held in October, 2016 was organized and coordinated through B&OS Branch.

Corporate Strategy & Regulatory Affairs Branch

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

Regulatory Affairs Unit worked very closely with Licensees as well as with PUCSL to finalize the draft regulations on Electricity (Distribution) Performance Standards, Electricity (Transmission) Performance Standards, Electricity (Safety, Quality and Continuity) and Electricity (Utility-Driven Demand Side Management). Further, draft Grid Code, bi-annual Bulk Supply Tariff filings, Retail tariff filings and Allowed Charges proposal for 2017 were submitted for the approval of the commission. Regulatory Affairs unit also conducted a one-day workshop to educate CEB officials the content of Electricity (Distribution) Performance Standards Regulation on December 06, 2016.

In 2016, the branch jointly with the Research & Development branch was able to calculate and publish a tariff applicable for charging Electric vehicles at CEB owned DC rapid charging stations. Also, a new "Time of Use" tariff for retail Agriculture industry was formulated and offered on the request of the Ministry of Power & Renewable Energy. A series of educational sessions were conducted around the country to educate CEB provincial staff on the regulatory structure and various tariff and non-tariff regulations, rules and guidelines in force. Three-day electricity tariff training session was conducted to staff from Transmission and distribution licensees.

In line with corporate strategy function, the Branch undertook the task of compiling and publishing of the corporate documents of CEB including Action Plan 2016, Annual Report - 2015, Statistical Digest - 2015, Sales and Generation Data Book - 2015, Historical Data Book 1969-2015, Performance 2016 and Programs for 2017 etc.

Functional Strategy & Process Development Branch

The 2016 was a year of outputs for Functional Strategy & Process Development (FS&PD) Branch. One of the main objectives of the FS&PD Branch is to document the CEB processes for the benefit of sharing the best practices and standardizing the same across CEB as well as engaging in the discussion for further development and fine tuning of those practices. It is relatively a long process that does not produce regular annual returns as most of this documentation may extend more than a year or two or work to produce from scratch. As such, many documents started during previous years, and on which a lot of hard work was thrown in, were culminated in the under mentioned documents, in 2016.

The FS&PD Branch adopted a new electronic **Document Control Procedure (DCP)**, with the patronage of the then AGM (CS). With this new procedure, the previously existed tedious procedure that called for maintaining hard Control Copies at key offices across CEB and updating them manually, time to time, was eliminated. The new DCP is based on electronic versions of documentation, in which each time an update is envisaged for a document, a completely new standalone document, with a new version number, is produced so that there wouldn't be a necessity for control copies. Though, the printed copies would be produced at the beginning, the objective of the system is to do away with the hard copies and promote electronic version, with time. To complement these objectives, all new publications of the Branch would be uploaded to CEB intranet, for the reference of any employee of the CEB.

In March 2016, the **Operating Manual for Area Electrical Engineers** was published, with the approval of the General Manager. This was a culmination of a long time effort of FS&PD Branch with the support of a team of resource persons drawn from across the Distribution Divisions. This manual serves as an important resource for Area Engineers as well as for other employees who work in association with them.



Parallel to the Area Engineers Manual, the **Operating Manual for DGM (Province)** was prepared and reviewed by a team of resource persons from the Distribution Divisions who contributed through their valuable inputs for shaping and fine tuning of the document. Together with the Area Engineers Manual, the DGM (Province) Manual fulfills the major documentation requirements of the Distribution Divisions as guidance for its activities.



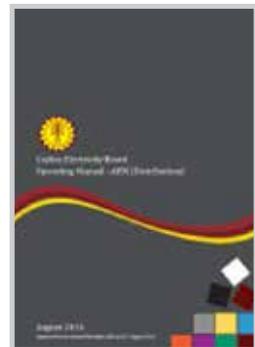
Another important document that was published in March 2016 was the **Leave Regulations**. This is an updated version by incorporating the clauses from the latest circulars. Printing of this document, in all three languages in a booklet form, increased the accessibility of the same to all employees of CEB. It has increased the awareness of the employees of their rights and obligations when they avail of their leave benefits.



The **Rules of Disciplinary Procedures** was published with the approval of the Board. The document underwent rigorous steps of revisions to incorporate latest rules, regulations and procedures as well as to eliminate many of the ambiguities prevailed in the previous document. This document is a very useful reference material for all the Officials of CEB who engage in the administration of disciplinary matters.



The **Operating Manual for AFM (Distribution)** was prepared and reviewed by a team of resource persons across CEB. This Manual was approved by the General Manager and published in August 2016. The purpose of this Manual is to unify all the practices related to financial matters across all the Distribution Divisions as well as to serve as the reference material for financial and non-financial officers.



The FS&PD Branch pledges to continuously update these Manuals as and when sufficient changes are accumulated, through new versions. These manuals shall be followed by the relevant officials to standardize and benchmark their duties to perform efficiently and effectively.

Research & Development Branch

Research & Development Branch comprises of Demand Side Management Unit, Research & Development Unit, and Regional Centre for Lighting.

Demand Side Management Unit

The Electricity system load profile of Sri Lanka has a high evening peak, and recently, some steps have been taken to mitigate this, including the new tariff structure, but annual load factor, which shows the ratio between peak demand and average demand, continue to show a clear increasing trend. Therefore, studying the system load profile and finding further options to flatten the system load curve is a timely requirement. Demand side Management (DSM) Unit has been established in order to address these issues.

A Load Research Programme (LRP) was conducted in Gampaha district. Three pilot DSM projects are being conducted, namely, smart metering, smart building and cold thermal storage.

A reward scheme on energy efficiency named "Viduli Wasana" was conducted to encourage the customers to conserve electricity. DSM unit conducted awareness programs on energy efficiency in Galle, Matara and Hambanthota. Further conducted walk through energy audits on the request of customers. "The food quality with the variation of the temperature inside the refrigerators" was got done by the Unit.

R&D Branch conducted seminars on Power Quality in the light of higher solar penetration in electricity network, and comprehensive testing methodology were discussed and highlighted.

Research and Development Unit

With the expectation of nourishing the research and developmental activities conducted in CEB, R&D unit coordinates researches in variety of identified research topics.

Forums of presentation for presenting research work/thesis by post graduates of CEB were conducted at the auditorium of the Research & Development Branch in each month. Completed fifty-six researches from the sectors of distribution, transmission, generation and finance were presented by the CEB post graduates.

A CEB research team actively involved on a research Project of "Development of a Poly Phase Smart Electronic Energy Meter with total facilitation from R&D Branch. Primary design was completed and prototypes were constructed. Manufacturing of 500 Nos. of meters is in progress.

CEB has decided to embark on electric vehicle charging stations in order to regulate the business. Electrical Vehicle charging station at Kelanitissa was established and was opened to public. The EV charging station at Kelanitissa comprises of DC fast charging unit and Level 2 charging unit. Many such charging stations has planned to be installed within this year.

Implementation of an e-card for payments in EV Charging was implemented with the assistance of IT Branch.

Regional Centre for Lighting (RCL)

The objectives of RCL are to increase the awareness and affordability of energy efficient, reliable and clean lighting technologies and their applications to reduce electricity demand by lighting, to catalyze regional manufacturing of energy efficient lighting products to improve the economy of the region and to make lighting affordable to many under privileged citizens and to train and educate necessary workforce in the region to create sustainable lighting in South Asia.

Training & Education

RCL has conducted a two-day training program on "LED Street Lighting Design and Maintenance". Professionals of lighting industry participated in the event.

Product Testing

RCL has a fully equipped accredited photometry laboratory. It has two integrating spheres with diameters 1m and 2m and a goniometer as major equipment. This is the first ever goniometer in Sri Lanka and which is capable of capturing intensity distribution of luminaires. Moreover, bigger integrating sphere will enable us to measure the photometric parameters of lengthy linear light sources in addition to normal light sources.

RCL performs testing of photometric and electrical parameters of conventional lighting products and solid state lighting (SSL) products. At present, a labelling programme is enforced on all imported CFL bulbs by Sri Lanka Standards Institution. All CFLs have to meet the requirements of SLS 1231 and SLS 1225. RCL performs the role of testing of the imported CFL samples for their compliance with above mentioned SLS standards. Moreover, RCL conducts testing of LED products as per the standard LM 79.

Consultancy Services

R&D Branch provides consultancy services on DSM related assignments including energy auditing, lighting related assignments including lighting designing.

Information Technology (IT) Branch

Information Technology Branch provides the enablers for the organization business processes digitization with information security, policy and industry standards. The branch develops information systems, manages information system operations and provides electronic data processing and network services to the whole of CEB. IT solutions are mainly focused on billing, accounting, cash collection, material management, service connections, construction, human resource management, outage management, support desk, e-mails and maintaining CEB web.

The development of a completely new billing system for CEB was started. IT Branch has initiated a project to revamp the IT support desk solution to enhance responsiveness, effectiveness and transparency in servicing internal service requests. A project for complete revamping of datacenter infrastructure, including a Disaster Recovery Site, has been initiated. Upgrading the datacenter to industry standards and reducing the carbon footprint of the datacenter is expected at the commissioning. Moreover, action is planned to revamp the network facilities at the Head Office of CEB and the network throughput is expected to be improved at the commissioning. Network access at critical locations such as payment counters, billing centres, Provincial DGM Offices, etc, has been improved by providing redundant links that operate on load sharing basis.

Human Resource Information Management System was revisited and action was taken to amend the performance appraisal, leave and information management modules. The training module is being developed to automate the application process of the foreign training and local training requirements. The foreign training module was deployed for data uploading and testing. Circuit Bungalow Reservation System(CBRS) was introduced and the reservation process is now automated. Further improvements on the CBRS system are currently addressed. It is expected to open the CBRS to cater for pensioners. The application for uploading the manuals/circulars/documents was completed and is now available in the Intranet. Application for Electric Vehicle Charging including a mobile application was completed and it is now in commercial operation. The Library application was developed and tested to be used by the Librarian for issuing the books. Action was taken to address SMS application for better performance. Cash payment KIOSKs were successfully installed in the Western Province South 1, Western Province North, Southern Province and North Western Province. Vehicle fleet management system was also initiated.





OPERATIONAL REVIEW

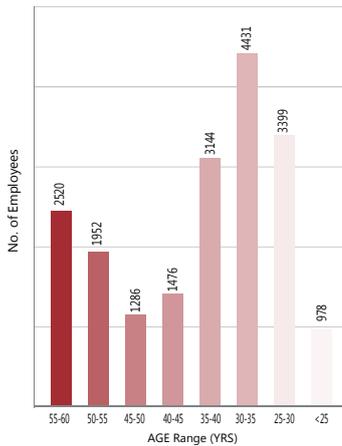
Personnel Branch
Legal Unit
Special Investigation Unit
Internal Audit Branch

PERSONNEL BRANCH

The Personnel Branch is committed to supply the CEB with, and maintain at all times a fully trained, competent and responsible managerial staff and work force operating at a high level of performance and at optimal levels of remuneration. In order to fulfil those commitments, the Personnel Branch undertakes recruitment of staff, assists staff training and promotions, handles annual transfers, formulates human resource policies, conducts disciplinary procedures etc.

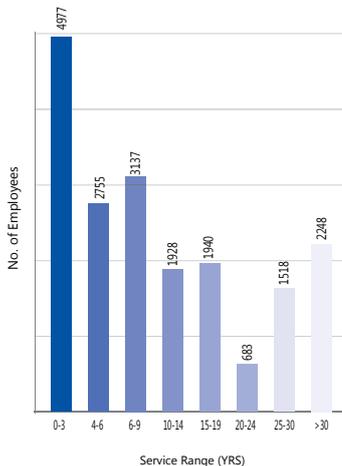
During the year, 880 personnel were recruited for permanents cadre. In addition, 3,309 personnel who provided service on casual/contract basis and came as man-power-service providers; were absorbed to permanent cadre with effect from 2016-01-01. Another 614 personnel were recruited for 4 years Apprenticeship Training. During the year, 549 employees were retired and 63 employees have left the service as a result of resignations, deaths and terminations. Therefore, the total number of permanent employees at the end of the year was 19,186.

Age Analysis of Employees



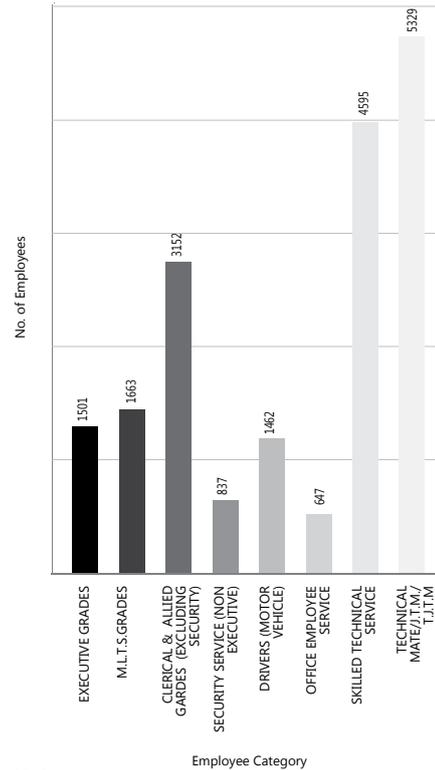
The employees are in different lengths of service. Their service analysis is given in Graph 2.

Service Analysis of Employees



CEB consists of employees in many categories such as executive officers, middle level technical officers, employees of other technical services, clerical and allied services etc. The analysis of the employees as per the service categories is given in Graph 3.

Distribution of Employees



Welfare Unit

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

A network of CEB Circuit Bungalows is maintained by CEB, at important locations such as Hatton & Bandarawela in upcountry, religious/archaeological cities such as Anuradhapura, Minneriya, Kandy Kataragama and Jaffna. Circuit Bungalows are opened at Batticaloa, Thalawakela, Habarana and Hambanthota.

This facility was one of the major benefits available to employees which they could make use of when they look for vacation. Continuous improvements were being made to the facilities provided at these bungalows with a view to providing the best service to the occupants.

As a means of encouraging the religious activities of its employees, the CEB annually makes contributions for Vesak, Poson & Christmas festivals that are organized by the employees through various societies such as CEB Buddhist Society and the Christian Association. The board also organizes annually, activities at Dalada Maligawa, Kandy in the month of August; Saman Devalaya, Moussakele in the month of December; Mihintale in the month of June & Kataragama Kirivehera in the month of August every year.

PERSONNEL BRANCH (Contd.)

The Welfare unit organized the Wimalasurendra Day on September 17, 2016 to commemorate the 143rd birth anniversary of Mr.D.J.Wimalasurendra and ceremonies were also held to commemorate the CEB day on November 1, 2016.

The board as a service to its employees provided funds to maintain Montessori school at all Power Stations coming under the Generation Division which are at remote locations.



Winners of the Inter-CEB Day & Night Cricket Tournament

Long Service Award

The Long service award is a symbol of gratitude to CEB employees who have dedicated a major part of their lives towards the benefit of the entire country and also it is 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 had 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. 721 Nos. of employees have been awarded under this programme during the year 2016. 6,830 employees have so far been awarded under this programme.

LEGAL UNIT

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

The first category covers:

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

The second category covers:

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

Disputes between the Board and the employees, employee matters relating to termination of employment, vacation of

post notices and grievances were attended to at the following Tribunals according to prevailing laws.

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

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

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

- Notarial work
 - Perusal of Lease Agreements
 - Deeds of Transfer in instances when CEB purchases properties from outside parties.
 - Legal Opinion - Providing legal opinions in respect of all matters relevant to the CEB.
- Arbitrations
 - Arbitrations - Disputes between the CEB and outside parties that are referred to Arbitration in terms of Arbitration Act No. 11 of 1995. Three Arbitration matters have been attended to by the Legal Section in the year 2016.
- Land matters
 - Land matters - Asset Management Branch is being advised/assisted in making regular the properties of CEB in various ways.

SPECIAL INVESTIGATION UNIT

Special Investigation Unit headed by the Manager Investigation was established in 1995 to expedite the investigations on illegal tapping of electricity or meter tampering and preliminary investigations on irregularities of CEB employees. Eighteen flying squad Teams have been deployed in the provinces to carry out investigations.

The progress by the SIB unit during the year 2016 as given below.

Type	No of Successful Cases	Court Fine (LKR Million)	CEB Loss(LKR Million)	Total(LKR Million)
Meter tampering	2105	10.549	110.894	121.440
Illicit Tapping	512	3.659	6.949	10.608
Total	2617	14.208	117.843	132.048

Apart from the above, several investigations have been conducted into the irregularities, referred through various sources to the SIB and disciplinary actions have been taken against the offenders.

INTERNAL AUDIT BRANCH

Internal Audit Branch

Internal Audit Performance

The mission of the Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

The Internal Audit Branch check for compliance with policies procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any noncompliance. The operating staff comprises of twenty-nine executives, forty-eight non-executives and other thirteen supportive employees.

Audits are carried out on all units and branches, the frequency of which is determined by the level of the risk assessed and the available staff

During the year 2016, following audits had been carried out by the Internal Audit branch.

Routine Audits	19
Revenue Audits	11
Systems Audits	35
Special Investigations	15
Total	80

Audit committee

The audit committee comprises four independent directors having sound skills and extensive experience in finance, audit and related area and the details are given under the Director's Report. During the year 2016 Audit committee reviewed the Internal Audit reports and the Auditor General's reports and provides guidance and directions to smoothen internal control systems and procedures of CEB.



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FINANCIAL INFORMATION

FINANCE DIVISION

In order to support the expanding business activities, it has become a necessity to drive the operational and management processes of CEB in a more financially efficient manner to be in par with the economic development of the country as the electricity plays a significant role in the economic development.

Proper financial planning, budgetary control, continuous monitoring and supervision of financial activities are key measures taken by the finance division to smooth functioning of CEB operations.

Further, negotiations with financial institutions for favorable financing options, financial evaluation of mega projects have gained more importance as the CEB is now carrying out investment management functions by its own with the assistance of the General Treasury.

To enrich the liquidity position, continuous efforts were made to upgrade the revenue collection which reaches almost 100% of the revenue generated for the year.

To provide the convenience for consumers in bill settlements, CEB was able to include Arpico, Laugfs and Pan Asia Bank to the list of collecting agents, enhancing the payment options to the consumers. Further Kiosk machines were introduced to several areas. Apart from the improvements to third party collection facilities, CEB itself increased its collection centers from 51 to 54 during the year enabling the consumers to pay their bills easily.

To be in par with the consumer requirements, electric vehicle charging points are introduced by the R&D Branch during the year with a top up card system for payments.

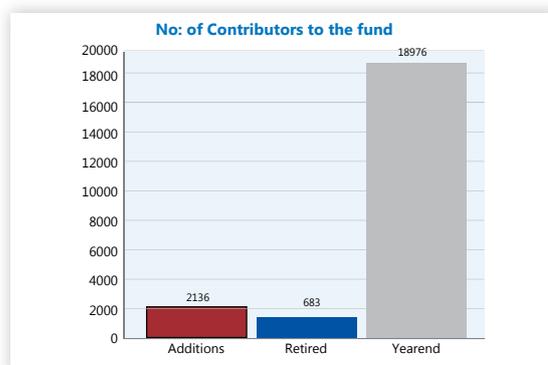
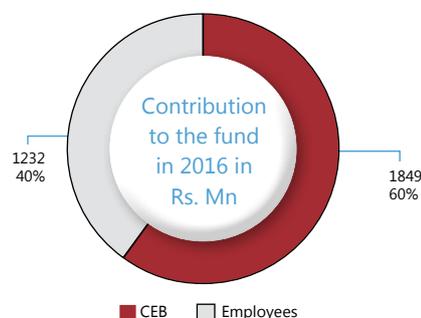
The established strategic alliance with the People's Bank for On Line Real Time (OLRT) payment system through the Internet/SMS gateways, continued to thrive in year 2015 with new registrations to the OLRT facility for electricity bill payments for further customer convenience.

As the stake holder reporting requirements are continuously at flux, the Accounting regulatory bodies are more vigilant on the transparency of the financial reporting and financial operations for a better management of finance. In year 2016, the Finance Division made a remarkable effort to pave the path to Regulatory Accounts under stipulated guidelines which were issued in May 2016 by PUCSL. As the first phase, training sessions were conducted in August 2016 with the consultants of PWC India and it is planned a pilot run of regulatory Accounts for the year 2015. Major part of the field work is successfully completed where the remaining part of finalization is accelerated. CEB is committed to do the first submission of Regulatory Accounts by mid of year 2017, and continue to submit the same to PUCSL bi-annually.

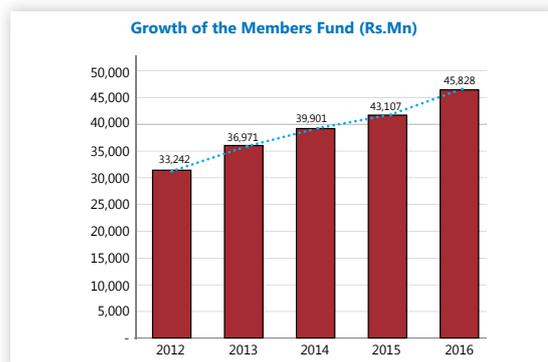
CEB continued to provide skill and knowledge to Accountants, where local and foreign training was provided to improve the capacity to comply with regulatory frame works in electricity industry as well as the reporting requirements of the Accounting bodies.

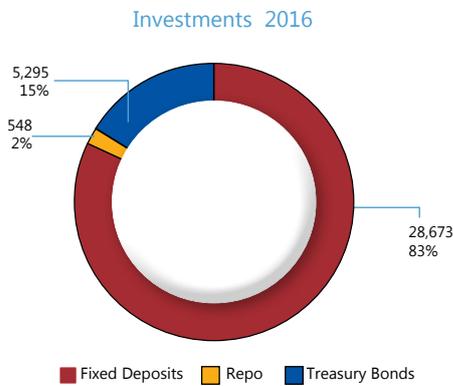
CEB Provident Fund

Ceylon Electricity Board Provident Fund operates as a private provident fund under the provisions of Employees Provident Fund Act No.15 of 1958. It is administered by a Committee of Management consisting of seven members. The Chairman of the Committee is the ex-officio of Chairman of CEB and the ex-officio Deputy Chairman is the General Manager of CEB. The Finance Manager and Deputy General Manager (Personnel) are ex-officio members. Other three members are nominated by Board. The Secretary & Accountant of the fund is Appointed by Board to be responsible for the day to day administration. The Secretary & Accountant shall also be the Treasurer of the Fund.



The total contribution to the fund during the year amounted to Rs. 3,081 million, out of which, Rs. 1,232 million has been contributed by the employees of the Board. The total members of the fund as at the end of the year were 18,976 out of which 2,136 were newly appointed members. During the year 683 members have retired from the service.





The total funds accumulated as at 31st December 2016 amounted Rs. 42,150 Million, which is an increase of 6.87% over the previous year.

The fund has earned an income of Rs. 3,919 million during the year by its investments and a dividend of 9.03% has been declared for 2016. Total Loans granted to its members during the year 2016 was Rs. 2,201 million. During the year, a sum of Rs. 4,038 million has been refunded from the fund to members who have retired from the service.

The main income of the fund is investing money in treasury bills & bonds, fixed deposits in state bank and loans to members.

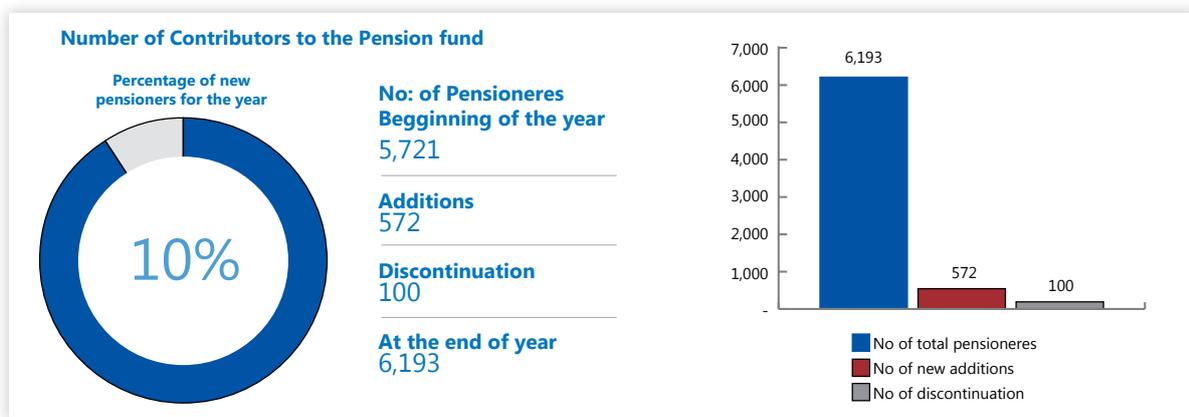
The investments were predominantly made in Fixed Deposits and Treasury Bonds where the risk is lower which represent 83% and 15% of the investment portfolio respectively.

A sum of Rs. 291 million has been paid as income tax on the earnings of the fund for the year 2016.

Pension Fund

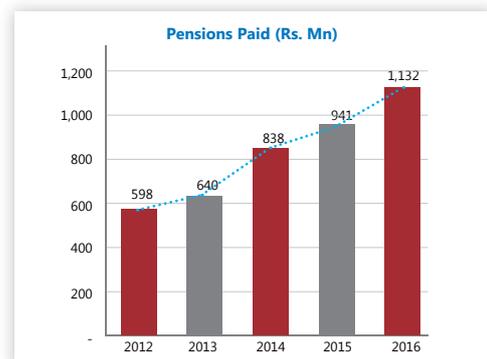
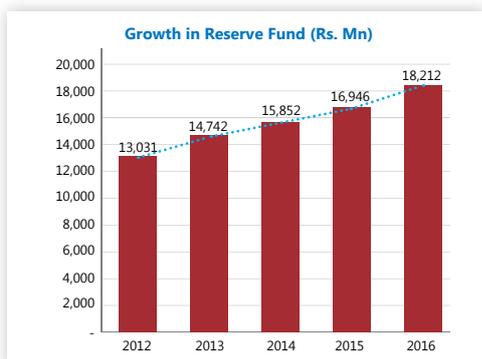
The beneficiaries of the CEB Pension Fund are the retired employees who have served the CEB for 20 years or more. They are paid 30% to 34% of their last drawn salary as pension commensuring with number of years served for CEB and payments are continued until the death of the employee.

The pension fund is managed by a committee of management, which is chaired by the chairman of CEB. The other members are the General Manger, Finance Manager and the Deputy General Manager (Personnel) with three nominated members. The Accountant & Secretary to the fund is responsible for administration of pension fund. However, the functional responsibilities directly lie with the Accountant & Secretary who report the Deputy Finance Manager (Pension fund & Provident fund) in the Finance Division.



In the year, the number of retired employees added to the fund was 572 and 100 were discontinued due to the death. The total beneficiaries of the fund as at end of the year 2016 were 6,193.

The net assets of the fund as at 31st December 2016 amounted to Rs. 18,212 Million. The income, derived from investment of the fund, during the year was Rs. 1,499 Million.



FINANCIAL REVIEW

Financial Performance

The year 2016 was financially unsuccessful for CEB as the net loss was recorded at Rs. 14,500 Million. The operating losses were recorded consecutively in the latter part of the year as no sufficient rainfalls were received from South West monsoons as expected. The poor financial performance resulted in a 171% downturn in comparison to year 2015 which recorded a net profit of Rs. 20,300 Million.

During the year, CEB purchased power increasingly from private entities, to meet the energy and capacity needs of customers to provide 24/7 electricity supply. As CEB was highly dependent on hydro power generation, consequently thermal oil power sources played a significant role in the generation mix when hydraulic conditions are weakened. Even the Lakvijaya Power Station undoubtedly assisted CEB in stabilizing its cost of generation, worsen hydro generation, curtail the cost savings received from coal power station.

When the generation mix for year 2016 is analyzed, the coal generation stood at 36% from the total generation, and the hydro contribution with mini hydro was at 30%. Accordingly, CEB had to increase its reliance on thermal oil generation to 32%. The balance 2% was contributed by the wind and other Non-conventional Renewable Energy (NCRE) sources.

In financial terms, there was an increase of 41% in direct generation cost when compared to year 2015. The unexpectedly poor hydraulic conditions, consequently increased the cost of sales by 32%, whereas 2015, Cost of sales was Rs. 168,781 Million and in 2016 it was escalated to Rs. 222,120 Million.

The above re-markable change increased the average cost of generation per Kwh from Rs. 10.24/kwh in year 2015 to Rs. 12.72/kwh in the year under review.

In revenue terms, with the achievement of 99.3% electrification level by end of year 2016 with an increase in Sales Units to 12,785

GWh showing a considerable growth rate of 8% against previous year. The correspondent rupee value for the sales was recorded as Rs. 206,811 Million for the year 2016 which indicated 10% increase in sales in comparison to year 2015, which was a result of increase in unit sales rather than changes in the price mix as no tariff change was taken place during the year.

Financial Position

The liquidity of CEB was adversely affected with poor financial performances as CEB had to finance oil purchases to provide interrupted power supply. Further CEB had to pay Rs. 3 Billion as dividend taxes to the General Treasury as a means of compensating the cost of capital infusions done by the Treasury for mega projects of CEB in past years. Further another Rs. 5 Billion is paid which is yet to be decided to set off with a bond issue.

It was the first year in recent history, CEB had to increase the overdraft limit of Rs. 800 Million to Rs. 3,000 Million temporarily for 03 months to finance working capital requirements including dividend taxes which were payable to General Treasury.

With the diminished liquidity position in the year, the main creditor balances were increased as at the end of year. The unsettled balance to CPC was increased to Rs. 12,434 Million, while payable to private power generators for supply of power, was increased to Rs. 21,521 Million as at the end of the financial year.

The total long term borrowings were recorded as Rs. 220,476 Million in 2016.

Total fixed assets with capital work in progress, as at the balance sheet date stood at Rs. 702,257 Million. This represents 87% of total assets of CEB and a considerable amount of annual depreciation amounting to Rs. 29,379 Million too was included in the accounting profit. The return on net fixed assets was negative 2% which indicates poor financial performance.

Highlights of Financial Performance and Position of the Board

Profit & Loss	2016 Rs.Millions	2015(Restated) Rs. Millions	2014(Restated) Rs. Millions	2013 Rs. Millions	2012 Rs. Millions
Turnover	206,811	188,684	202,645	194,147	163,513
Direct Cost	(222,120)	(168,781)	(213,646)	(165,508)	(222,419)
Gross Profit /(Loss)	(15,309)	19,903	(11,001)	28,638	(58,906)
Administration Expenses	(4,452)	(4,087)	(3,146)	(2,556)	(2,997)
Other Income	10,323	8,292	5,871	5,107	6,354
Operating Profit / (Loss)	(9,438)	24,108	(8,277)	31,190	(55,549)
Finance Cost- Net	(3,796)	(4,700)	(6,726)	(8,924)	(5,898)
Profit / (Loss) Before Taxation	(13,234)	19,409	(15,003)	22,266	(61,447)
Income Tax & Deferred Tax Expense	(263)	(.61)	900	(1,325)	(16,198)
Profit / (Loss) for the year	(13,497)	19,348	(14,102)	20,939	(77,496)
Other Comprehensive Income	(1,002)	951	(3,182)	(39)	(124)
Total comprehensive income for the year	(14,500)	20,300	(17,285)	20,900	(77,589)

Balance Sheet	2016 Rs.Millions	2015 (Restated) Rs. Millions	2014 (Restated) Rs. Millions	2013 Rs.Millions	2012 Rs.Millions
Total Assets	803,264	775,708	764,036	746,759	727,728
Capital & Reserves	411,922	428,209	394,831	227,099	197,300
Non - Current Liabilities	299,606	287,640	286,143	430,008	393,072
Current Liabilities	91,735	59,859	83,062	89,652	137,356
Cash	(4,008)	(1,636)	(2,249)	(1,431)	(17,813)
Sales (GWh)	12,785	11,786	11,063	10,621	10,474
Generation (GWh)	14,249	13,154	12,423	11,962	11,801

REPORT OF THE DIRECTORS

The Board of Directors of the Ceylon Electricity Board present their Report and Consolidated Financial Statements for the Year ended 31st December 2016.

Principal activities

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

Members of the Board

The names of the persons who held the office as Directors of the Board as at 31 December 2016 are given below:

Name of Director	Position	Date of appointment
Mr. W.D.A.S Wijaypala	Chairman	2015.01.20
Mr. W. A. G. Wanasekara	Vice Chairman	2015.10.30
Mr. W.R.G. Sanath Bandara	Board member	2015.11.12
Ms. Jeewani Kariyawasam	Board member	2015.01.23
Mr. R. Semasinghe	Board member	2015.01.28
Mr. T.M.K.B. Tennakoon	Board member	2015.10.30
Mr. S.D.A.B. Boralessa	Board member	2015.11.16

Directors' Interest in Contract with the Board

Mr. W.D.A.S Wijaypala was appointed as the Chairman of CEB on the 20th January 2015 and served as the Chairman during the year 2016. Mr. Wijayapala has also served as a Director of the Lanka Electricity Company (Pvt) Ltd., LTL Holdings (Pvt) Ltd., Lanka Coal Company (Pvt) Ltd., Sri Lanka Energies (Pvt) Ltd. which are the Subsidiaries of CEB and the Trincomalee Power Co. Ltd, which is a Joint Venture of CEB, during the year in concern.

Mr. W. A. G. Wanasekara was appointed as the Vice Chairman of CEB on the 30th October 2015 and served CEB during the year. Mr. Wanasekara was also appointed as a Director to the Board of Sri Lanka Energies (Pvt) Ltd. on the 28th December 2015 and to the Trincomalee Power Co. Ltd, on 08th February 2016.

Mr. W.R.G. Sanath Bandara was appointed as a Board member and the Working Director of CEB on the 12th November 2015 and he served CEB during the year 2016.

Ms. Jeewani Kariyawasam was appointed as a member of the Board on 23rd January 2015 and she served CEB during the year 2016.

Mr. R. Semasinghe, Director General, Department of Public Enterprises of the Ministry of Finance & Planning was appointed as a member of Board on the 28th January 2015 and he served CEB during the year 2016.

Mr. T.M.K.B. Tennakoon, Secretary, Ministry of Industry and Commerce was appointed on 30th October 2015 and served as a member of the Board during the year 2016.

Mr. S.D.A.B. Boralessa, Additional Secretary, Ministry of Provincial Councils and Local Government was appointed on the

16th November 2015 and served as a member of the Board during the year ended 31st December 2016.

The Directors have no direct or indirect interest in any contract or proposed contract with the Board for the year ended 31 December 2016 other than those disclosed in Note 35 to the financial Statements.

Board Sub - Committees

The following sub committees have been appointed by the Board to focus in details on a particular issue and ensure that sufficient attention is being paid to specific issues.

- Audit and Management Committee
- Employees Grievances Committee
- Disciplinary Appeal Board

Audit and Management Committee

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

The audit committee comprises four independent directors having sound skills and extensive experience in finance, audit and related area. The composition of the Audit committee for the year is as follows.

Mr. R. Semasinghe	-	Chairman
Mr. T M K B Tennakoon	-	Member
Mr. S D A B Boralessa	-	Member
Ms. Jeevani Kariyawasam	-	Member

Head of Internal Audit serves as a convener to the committee.

The committee formally met four times during the year. General Manager as CEO, Finance Manager and representative from Auditor General's Department attended the meeting by invitation.

Employees Grievances Committee

Employees Grievances Committee (EGC) which is a sub-committee of the Board to handle individual grievances of employees/ex-employees of the CEB. The Committee formally met 04 times during year 2016 (February, June, September, December) and reviewed and considered 24 nos of individual grievances of employees/ex-employees of the CEB. The committee minutes were tabled at the subsequent Board Meeting to take necessary action to implement the Committee recommendations.

The Grievances Committee comprises two Board Members and assists by several executives of CEB as committee members. The composition of the Committee for the year is as follows.

Mr. W A G Wanasekara	- Chairman / Vice Chairman, CEB
Mr. W R G S Bandara	- Member / Working director, CEB
Mr. K K S Dassanayake	- Member / DGM (Personal), CEB
Mr. A S K Darmadasa	- Member / DGM (Commercial & Corporate - DD 1)
Mrs. S P Pathirana	- Member / DGM-Corporate Affairs Generation
Mr. P K Kulatunga	- Member / AFM (Corporate), CEB
Mr. G Weerasekara	- Member / Chief Engineer (Policy), CEB
Ms. D Kumbalathara	- Convener (From 2016/1/1 to 2016/6/30)
Mrs. H R P Pathberiya	- Convener (From 2016/6/30)

Disciplinary Appeal Board

The Disciplinary Appeal Board which is a sub-committee of the Board. The committee is formed to handle disciplinary matters of Employees of CEB. The committee formally met 09 times during the financial year 2016.

The Disciplinary Appeal Board comprises three Board Members of CEB and one Management consultant outside the CEB as committee members. The composition of the Committee for the year is as follows.

Mr. Sanath Bandara	- Chairman / Working Director, CEB
Mr. W. A. G. Wanasekara	- Member / Vice Chairman, CEB
Miss. Jeewani Kariyawasam	- Member / Board Member, CEB
Mr. Ranjith Korale	- Member / Management Consultant
Miss. Darshani Kumbalathara	- Convener (From 2016/1/1 to 2016/6/30)
Mrs. H R P Pathberiya	- Convener (From 2016/06/30)

Financial Results

A turnover increase of 9.61% and Net Loss of Rs. 14,500 million were recorded at the end of the year. The Power Generation Mix is the determinant feature of CEB's profitability and financial viability. CEB was highly dependent on hydro power generation. CEB incurred losses from August 2016 on continual basis due to dry weather conditions prevailed in the country.

Investment

CEB has invested 100% of shares in Sri Lanka Energies (Pvt) Ltd., 63% of shares in LTL Holding (Pvt) Ltd, 60% of shares in Lanka Coal Company (Pvt) Ltd., 55.2% of shares in Lanka Electricity Company (Pvt) Ltd. and CEB has a 50% investment in Trincomalee Power Company Ltd which is a joint venture of CEB and NTPC India.

A dividend of Rs. 7,000 million was declared by LTL Holding (Pvt) Ltd for the year 2015 / 16 out of which Rs. 4,409 million was recognize as dividend income by CEB. The Lanka Electricity Company (Pvt) Ltd also declared a dividend of Rs.350 million for the year 2015 and Rs 192 million was received by CEB as dividend income during the year.

Self-Insurance Reserve

Ceylon Electricity Board maintains its own insurance fund for its fixed assets and annually appropriate 0.1% of the gross fixed assets value at the end of each financial year. The total accumulated funds of this insurance as at the Balance Sheet date amounted to Rs. 6,495 million.

Addition to Property Plant & Equipment

During the year, property, plant and equipment amounting to Rs. 29,353 million was added to the capital assets compared to Rs. 39,424 million added last year. These additions mainly related to the assets of the Transmission and Distribution Divisions.

Borrowings

The interest bearing loans and borrowings stood at Rs. 220,476 million as against Rs. 214,299 million last year

Human Resource

3,309 Employees of Man-power and Meter Readers of contracting companies were placed in the permanent carder of the CEB during the year.

Statutory payment and compliance with laws and Regulations

The Directors confirm that to the best of their knowledge all taxes and duties and levies payable by the Board and its subsidiaries have been paid or where relevant provided for in the Financial Statements.

Board of Directors has approved to prepare and present the Regulatory Financial statement in accordance with PUCSL guideline from the year 2017 onwards.

Dividend

The Government institutions are subject to 25% out of balance profit after deducting Income Tax as dividend. Board has paid Rs. 3,000 million in the year 2016 out of the profit of year 2015 as dividend to the Treasury.

CONSOLIDATED INCOME STATEMENT

Year Ended 31st December 2016

(All amounts in Sri Lanka Rupees Thousands)

Continuing Operation	Note	2016	Group 2015 Restated	2016	Board 2015 Restated
Revenue	3	229,074,466	207,014,577	206,811,393	188,683,984
Cost of Sales		(236,529,138)	(181,746,409)	(222,120,410)	(168,781,309)
Gross Profit / (Loss)		(7,454,672)	25,268,168	(15,309,017)	19,902,675
Other Operating Income and Gain	4	8,192,300	10,273,728	10,322,777	8,292,373
Distribution Cost		(101,701)	(71,800)	-	-
Other Expenses		(270,964)	(323,790)	-	-
Administrative Expenses		(7,574,473)	(6,536,653)	(4,452,030)	(4,086,604)
Operating Profit/(Loss)		(7,209,510)	28,609,653	(9,438,270)	24,108,444
Finance Income	5.1	2,196,199	1,545,314	515,664	434,406
Finance Cost	5.2	(5,415,744)	(6,214,365)	(4,311,553)	(5,134,059)
Finance Cost-Net		(3,219,545)	(4,669,051)	(3,795,889)	(4,699,653)
Share of Profit/(loss) of Joint Venture	11	(10,423)	2,333	-	-
Profit/(Loss) before Income Tax	6	(10,439,478)	23,942,935	(13,234,159)	19,408,791
Income Tax Expense	7.1	(2,079,904)	(995,952)	(263,183)	(60,573)
Deferred Tax (Charge)/Reversal	7.2	(24,692)	(304,789)	-	-
Profit/(Loss) for the year from continuing operation		(12,544,074)	22,642,194	(13,497,342)	19,348,218
Non Controlling Interest		(2,820,704)	(3,043,610)	-	-
Profit/(Loss) for the Year		(15,364,778)	19,598,584	(13,497,342)	19,348,218

The Notes on Pages 95 through 148 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31st December 2016

(All amounts in Sri Lanka Rupees Thousands)

	2016	Group 2015 Restated	2016	Board 2015 Restated
Profit/ (Loss) for the year from continuing operation	(12,544,074)	22,642,194	(13,497,342)	19,348,218
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	(915,932)	961,157	(1,002,318)	951,942
Exchange differences on translation of foreign subsidiary operations	177,814	368,799	-	-
Fair value gain on available for sale financial assets	7,323	(63,105)	-	-
Deferred Tax Impact on Actuarial gain / loss	(24,180)	2,885	-	-
Total Comprehensive Income for the year, net of tax	(13,299,049)	23,911,930	(14,499,660)	20,300,160
Attributable to:				
Equity Holders of the Parent	(16,260,526)	20,639,851		
Non Controlling Interest	2,961,477	3,272,079		
	(13,299,049)	23,911,930		

The Notes on Pages 95 through 148 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 31st December 2016

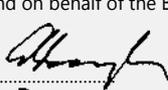
(All amounts in Sri Lanka Rupees Thousands)

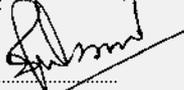
	Note	2016	Group 2015 Restated	2014 Restated	2016	Board 2015 Restated	2014 Restated
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	8	718,368,958	708,965,259	701,125,731	702,256,593	693,278,427	681,471,080
Premium Paid on Leasehold Land		12,493	13,205	6,984	-	-	-
Intangible assets	9	385,050	71,480	16,521	-	-	-
Investments in Subsidiaries	10	-	-	-	911,813	911,813	784,813
Investment in Joint Venture	11	230,330	240,753	59,814	328,606	328,606	150,000
Finance Lease Receivables	12	9,066,186	8,756,103	4,144,203	-	-	-
Other Non Current Financial Assets	13	19,008,484	19,430,862	13,620,718	4,402,251	4,457,515	2,290,925
Investments of Insurance Reserve	14	6,495,821	6,036,934	5,653,841	6,495,821	6,036,934	5,653,841
Total Non-Current Assets		753,567,322	743,514,596	724,627,812	714,395,084	705,013,295	690,350,659
Non Current Assets held for sale	15	1,022,423	2,531,553	1,023,292	1,022,423	1,025,037	1,023,292
Current Assets							
Property, Plant & Equipment-Heladhanavi Ltd	8.8	10,884	10,884	808,339	-	-	-
Inventories	16	37,765,608	36,993,524	40,044,917	31,772,515	31,902,840	35,257,063
Trade and Other Receivables	17	54,142,861	37,045,975	35,524,462	46,430,133	30,179,551	31,122,627
Amounts Due from Related Parties	18	-	-	-	5,494,157	3,853,465	1,611,393
Finance Lease Receivables	12	425,205	805,078	355,086	-	-	-
Other Current Financial Assets	13	22,307,854	18,925,224	19,674,511	2,657,862	2,093,837	3,127,564
Tax Refund Due		-	-	6,346	-	-	-
Cash and Bank Balances	28	6,429,395	8,422,557	4,416,678	1,491,439	1,640,292	1,543,366
Total Current Assets		121,081,807	102,203,242	100,830,339	87,846,106	69,669,985	72,662,013
Total Assets		875,671,552	848,249,391	826,481,443	803,263,613	775,708,317	764,035,964
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	19	302,694,797	302,227,824	289,037,751	302,694,797	302,227,824	289,037,751
Reserves	20	38,084,347	35,928,422	34,137,411	30,266,301	28,458,689	27,434,341
Retained Earnings / (Loss)		92,804,381	113,532,099	95,164,341	78,960,570	97,522,830	78,359,014
Equity Attributable to the Equity Holders of the Parent		433,583,525	451,688,345	418,339,503	411,921,668	428,209,343	394,831,106
Non Controlling Interest		22,419,758	24,111,030	23,456,390	-	-	-
Total Equity		456,003,283	475,799,375	441,795,893	411,921,668	428,209,343	394,831,106
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	21	210,889,290	208,080,715	207,997,707	201,752,027	198,344,040	202,820,980
Consumer Deposits	22	12,753,072	11,484,253	10,458,306	12,753,072	11,484,253	10,458,306
Provisions and Other Deferred Liabilities	23	8,087,929	6,957,351	7,341,042	7,262,380	6,115,644	6,571,579
Deferred Income	24	81,916,240	75,541,646	69,808,549	77,838,650	71,696,325	66,292,438
Deferred Taxation	25	970,881	920,382	605,121	-	-	-
Total Non-Current Liabilities and Deferred Income		314,617,412	302,984,347	296,210,725	299,606,129	287,640,262	286,143,303
Current Liabilities							
Trade and Other Payables	26	75,108,164	42,492,620	59,447,259	69,420,651	38,733,182	57,043,035
Dividend Payables		3,211,457	1,115,280	628,949	-	-	-
Amounts Due to Related Parties	27	-	-	-	1,926,463	1,293,096	3,017,956
Interest Bearing Loans & Borrowings	21	23,635,989	21,074,807	23,312,580	18,724,023	15,955,262	18,915,024
Income Tax Payable		3,095,247	4,782,962	5,086,037	1,664,679	3,877,172	4,085,540
Total Current Liabilities		105,050,857	69,465,669	88,474,825	91,735,816	59,858,712	83,061,555
Total Equity and Liabilities		875,671,552	848,249,391	826,481,443	803,263,613	775,708,317	764,035,964

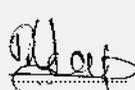
The Notes on Pages 95 through 148 form an integral part of the Financial Statements

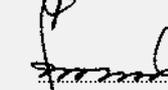
The Board of Directors and management are responsible for the preparation and presentation of these financial statements.

Signed and on behalf of the Board by:


Chairman


Vice Chairman


General Manager


Finance Manager

Colombo
2018-03-12

STATEMENT OF CHANGES IN EQUITY - GROUP

Year Ended 31st December 2016

	Contributed Capital	Capital Reserve	Revaluation Reserve	Depreciation Reserve
Balance as at 31 December 2014	289,037,751	17,703,551	741,979	23,000
Prior Year Adjustment made during the Period			(290)	
Balance as at 01st January 2015 (Restated)	289,037,751	17,703,551	741,689	23,000
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Revaluation of land and building	-	-	-	-
Net gain loss on available for sale Financial Assets	-	-	-	-
Fair Value gain on quoted /unquoted shares	-	-	-	-
Exchange Equalization Reserve	-	122,606	-	-
Total Comprehensive income	289,037,751	17,826,157	741,689	23,000
Interest income from Insurance Reserve Fund	-	-	-	-
Damages Charged During the Period	-	-	-	-
Transfer to self insurance reserve	-	-	-	-
Fund received from ADB for the RHCP project.	-	49,540	-	-
Jaffna Rehabilitation Project	94,442	-	-	-
Naganahira Navodaya	245,060	-	-	-
Kilinochchi Chunnakam Transmission Project	168,381	-	-	-
Sustainable Power Sector Support Project	290,124	-	-	-
Greater Colombo Extension Project	66	-	-	-
Habarana Veyangoda Electrification Project	89	-	-	-
Vavuniya Kilinochchi Transmission Line Project	331,328	-	-	-
Demand Side	373,136	-	-	-
RE 8 Extension	160,436	-	-	-
Debt to equity conversion	11,527,011	-	-	-
Pending Share Allotment to NCI	-	-	-	-
Adjustment on reinstatement of fully depreciated assets	-	-	-	-
Super Gain Tax	-	-	-	-
Investment Reserve	-	-	-	-
Fixed Assets Replacement Reserve	-	-	-	-
Acquisition of NCI	-	-	-	-
Final Dividends - LTL	-	-	-	-
Dividend payment -LECO	-	-	-	-
Balance as at 31 December 2015	302,227,824	17,875,697	741,689	23,000
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on available for sale Financial Assets	-	-	-	-
Fair Value gain on quoted /unquoted shares	-	-	-	-
Exchange Equalization Reserve	-	65,779	-	-
Total Comprehensive income	302,227,824	17,941,476	741,689	23,000
Interest income from Insurance Reserve Fund	-	-	-	-
Damages Charged During the Period	-	-	-	-
Transfer to self insurance reserve	-	-	-	-
Fund received from ADB for the RHCP project.	-	404,455	-	-
Jaffna Rehabilitation Project	45,004	-	-	-
Sustainable Power Sector Support Project	128,234	-	-	-
Greater Colombo Extension Project	2,851	-	-	-
Habarana Veyangoda Electrification Project	138	-	-	-
Vavuniya Kilinochchi Transmission Line Project	294,696	-	-	-
RE 8 Extension	(3,950)	-	-	-
Investment Reserve	-	-	-	-
Fixed Assets Replacement Reserve	-	-	-	-
Acquisition of NCI	-	-	-	-
Acquisition of Subsidiaries	-	-	-	-
Dividend Paid to Treasury	-	-	-	-
Final Dividends - LTL	-	-	-	-
Dividend payment -LECO	-	-	-	-
Balance as at 31 December 2016	302,694,797	18,345,931	741,689	23,000

The Notes on Pages 95 through 148 form an integral part of the Financial Statements

STATEMENT OF CHANGES IN EQUITY - GROUP (Contd.)

(All amounts in Sri Lanka Rupees Thousands)						
Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Available for Sale Reserve	Retained Earnings	Non Controlling Interest	Total
231,975	914,737	9,769,076	4,753,382	77,740,195	23,215,973	424,131,619
				17,424,147	240,417	17,664,274
231,975	914,737	9,769,076	4,753,382	95,164,342	23,456,390	441,795,893
-	-	-	-	19,598,584	3,043,610	22,642,194
-	-	-	-	958,086	5,956	964,042
-	-	-	-	-	-	-
-	-	-	(102,790)	-	(83,424)	(186,214)
-	-	-	63,365	-	59,743	123,108
-	-	-	-	-	246,193	368,799
231,975	914,737	9,769,076	4,713,957	115,721,012	26,728,468	465,707,822
-	-	397,120	-	-	-	397,120
-	-	(448,915)	-	-	-	(448,915)
-	-	1,026,613	-	(1,026,613)	-	-
-	-	-	-	-	-	49,540
-	-	-	-	-	-	94,442
-	-	-	-	-	-	245,060
-	-	-	-	-	-	168,381
-	-	-	-	-	-	290,124
-	-	-	-	-	-	66
-	-	-	-	-	-	89
-	-	-	-	-	-	331,328
-	-	-	-	-	-	373,136
-	-	-	-	-	-	160,436
-	-	-	-	-	-	11,527,011
-	-	-	-	-	223,046	223,046
-	-	-	-	54,853	32,216	87,069
-	-	-	-	(569,526)	(323,033)	(892,559)
-	672,963	-	-	(672,963)	-	-
10,510	-	-	-	(10,510)	-	-
-	-	-	-	35,846	(117,824)	(81,978)
-	-	-	-	-	(2,339,564)	(2,339,564)
-	-	-	-	-	(92,279)	(92,279)
242,485	1,587,700	10,743,894	4,713,957	113,532,099	24,111,030	475,799,375
-	-	-	-	(15,364,778)	2,820,704	(12,544,074)
-	-	-	-	(968,148)	28,036	(940,112)
-	-	-	42,215	-	34,262	76,477
-	-	-	(35,594)	-	(33,560)	(69,154)
-	-	-	-	-	112,035	177,814
242,485	1,587,700	10,743,894	4,720,578	97,199,173	27,072,507	462,500,326
-	-	526,002	-	-	-	526,002
-	-	(185,445)	-	-	-	(185,445)
-	-	1,062,600	-	(1,062,600)	-	-
-	-	-	-	-	-	404,455
-	-	-	-	-	-	45,004
-	-	-	-	-	-	128,234
-	-	-	-	-	-	2,851
-	-	-	-	-	-	138
-	-	-	-	-	-	294,696
-	-	-	-	-	-	(3,950)
-	263,391	-	-	(263,391)	-	-
12,522	-	-	-	(12,522)	-	-
-	-	-	-	(56,279)	(118,055)	(174,334)
-	-	-	-	-	2,540	2,540
-	-	-	-	(3,000,000)	-	(3,000,000)
-	-	-	-	-	(4,377,712)	(4,377,712)
-	-	-	-	-	(159,522)	(159,522)
255,007	1,851,091	12,147,051	4,720,578	92,804,381	22,419,758	456,003,283

STATEMENT OF CHANGES IN EQUITY - THE BOARD

Year Ended 31st December 2016

	Contributed Capital	Capital reserves
Balance as at 31 December 2014 (Restated)	289,037,751	17,492,768
Prior year adjustment made during the period	-	-
Balance as at 01 January 2015 (Restated)	289,037,751	17,492,768
Profit/(Loss) for the period	-	-
Interest income from Insurance Reserve Fund	-	-
Damages Charged During the Period	-	-
Transfer to self insurances reserve	-	-
Fund received from ADB for the RHCP project.	-	49,530
Jaffna Rehabilitation Project	94,442	-
Naganahira Navodaya	245,060	-
Kilinochchi Chunnakam Transmission Project	168,381	-
Sustainable Power Sector Support Project	290,124	-
Greater Colombo Extension Project	66	-
Habarana Veyangoda Electrification Project	89	-
Vavuniya Kilinochchi Transmission Line Project	331,328	-
Demand Side	373,136	-
RE 8 Extension	160,436	-
Debt to equity conversion	11,527,011	-
Super Gain Tax	-	-
Balance as at 31 December 2015	302,227,824	17,542,298
Profit/(Loss) for the period	-	-
Interest income from Insurance Reserve Fund	-	-
Damages Charged During the Period	-	-
Transfer to self insurance reserve	-	-
Movement in ADB for the RHCP project.	-	404,455
Jaffna Rehabilitation Project	45,004	-
Sustainable Power Sector Support Project	128,234	-
Greater Colombo Transmission Project	2,851	-
Habarana Veyangoda Electrification Project	138	-
Vauniya Kilinochchi Transmission Line Project	294,696	-
RE 8 Extension	(3,950)	-
Dividend paid to treasury	-	-
Balance as at 31 December 2016	302,694,797	17,946,753

The Notes on Pages 95 through 148 form an integral part of the Financial Statements

STATEMENT OF CHANGES IN EQUITY - THE BOARD (Contd.)

(All amounts in Sri Lanka Rupees Thousands)				
Capital Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
165,446	23,000	9,753,127	61,231,385	377,703,477
			17,127,629	17,127,629
165,446	23,000	9,753,127	78,359,014	394,831,106
-	-	-	20,300,161	20,300,161
-	-	397,120	-	397,120
-	-	(448,915)	-	(448,915)
-	-	1,026,613	(1,026,613)	-
-	-	-	-	49,530
-	-	-	-	94,442
-	-	-	-	245,060
-	-	-	-	168,381
-	-	-	-	290,124
-	-	-	-	66
-	-	-	-	89
-	-	-	-	331,328
-	-	-	-	373,136
-	-	-	-	160,436
-	-	-	-	11,527,011
-	-	-	(109,732)	(109,732)
165,446	23,000	10,727,945	97,522,830	428,209,343
-	-	-	(14,499,660)	(14,499,660)
-	-	526,002	-	526,002
-	-	(185,445)	-	(185,445)
-	-	1,062,600	(1,062,600)	-
-	-	-	-	404,455
-	-	-	-	45,004
-	-	-	-	128,234
-	-	-	-	2,851
-	-	-	-	138
-	-	-	-	294,696
-	-	-	-	(3,950)
-	-	-	(3,000,000)	(3,000,000)
165,446	23,000	12,131,102	78,960,570	411,921,668

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2016	2015	2016	2015
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	(10,439,478)	23,942,935	(13,234,159)	19,408,791
Adjustments for				
Depreciation -Charged for the year	30,727,437	28,845,218	29,378,815	27,596,786
Consumer Contribution - Amount Amortised During the year	(3,320,386)	(3,037,642)	(2,988,572)	(2,730,786)
Government Grant - Amount Amortised During the year	(16,329)	(12,642)	(12,391)	(12,391)
Income from Investments	381,092	(1,207,378)	(4,601,073)	(2,629,200)
(Profit)/Loss on sales of Property, Plant & Equipment	(48,606)	(259,004)	(50,083)	(80,980)
Finance Costs	5,415,744	6,222,357	3,989,397	4,643,359
Provision for Obsolete & Unserviceable Cost	49,583	86,789	(111,719)	109,807
Provision for Price Variance	3,287,231	816,994	3,287,231	1,195,341
Provision for Impairment of Debtors	236,702	283,464	259,699	355,716
Bad Debt Write off	53,948	-	53,948	-
Share of (Profit)/ loss of Joint Venture	10,423	(2,333)	-	-
Amortization of Intangible Assets	18,343	1,992	-	-
Finance Income	(2,196,199)	(1,545,313)	(515,562)	(434,405)
Dividend Income	(1,453,007)	(1,948,470)	-	-
Defined Benefit Plans	983,579	812,235	860,289	836,192
Personnel Cost on Pension Fund	(37,194)	(551,570)	(37,194)	256,601
Gain on bargaining purchase	(12,399)	-	-	-
Operating Profit/(Loss) before Working Capital Changes	23,640,484	52,447,632	16,278,626	48,514,831
(Increase)/ Decrease in Inventories	(4,341,414)	2,147,607	(3,284,797)	2,796,663
(Increase)/ Decrease in Trade and Other Receivables	(16,980,430)	(1,803,723)	(16,338,202)	(2,787,573)
Increase/(Decrease) in Trade and Other Payables	29,919,927	(18,549,558)	28,604,579	(21,612,581)
Cash Generated from Operations	32,238,567	34,241,958	25,260,206	26,911,340
Finance Cost paid	(5,415,745)	(6,222,357)	(3,939,435)	(4,582,752)
Retirement Benefit Obligation	(730,813)	(644,061)	(678,677)	(596,787)
Income Tax Paid	(3,767,613)	(2,191,595)	(2,230,740)	(378,682)
Net Cash From/(Used in) Operating Activities	22,324,396	25,183,945	18,411,354	21,353,119
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(41,531,881)	(42,521,934)	(39,297,248)	(40,546,945)
Acquisition of Intangible Assets	(961)	(906)	-	-
Investment in Joint Ventures	-	(178,606)	-	(178,606)
Investment in Subsidiaries	-	-	-	(127,000)
Investment in Insurance Reserves Fund	(458,887)	(383,093)	(458,887)	(383,093)
Interest Received from Insurance Reserves Fund	526,002	397,120	526,002	397,120
Investment in Financial Assets	259,519	(5,030,646)	-	-
Acquisition of Non-Controlling Interest	(978,915)	(81,978)	-	-
Income on Foreign Investment	(381,092)	1,207,274	-	-
Dividend Received	1,453,007	1,948,470	3,341,325	2,629,200
Interest Received	2,196,199	1,545,313	515,562	434,405
Sale Proceeds of Fixed Assets Disposals	323,821	2,074,700	55,272	125,594
Dividend Paid to Treasury	(3,000,000)	-	(3,000,000)	-
Dividend Paid	(2,441,057)	(1,945,512)	-	-
Net Cash Flows from/(Used in) Investing Activities	(44,034,245)	(42,969,798)	(38,317,974)	(37,649,325)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	470,923	1,663,062	470,923	1,663,061
Consumer Contribution	12,402,475	10,250,008	11,834,454	9,724,934
Funds received for RHCP Project	51,296	49,540	51,296	49,540
Grant -Received	-	111,244	-	-
Consumer deposit - refund	(205,605)	(292,227)	(205,605)	(292,227)
Consumer deposit Received	1,474,424	1,318,174	1,474,424	1,318,174
Net Movement in Lease Creditors/(Lease Payment)	(169,673)	(104,681)	(167,923)	(164,415)
Proceeds From Interest Bearing Loans & Borrowings	21,755,977	28,154,440	18,819,124	20,474,795
Repayment of Interest Bearing Loans & Borrowings	(17,577,242)	(16,922,366)	(14,742,090)	(15,864,692)
Finance Lease Receivables	69,789	(811,459)	-	-
Redemption of preference shares	(340,271)	-	-	-
Share Allotment	-	223,048	-	-
Tax Refund Received	-	22,337	-	-
Premium paid on Leasehold land	-	(7,068)	-	-
Net Cash Flows from/(Used in) Financing Activities	17,932,093	23,654,052	17,534,603	16,909,170
Net Increase/(Decrease) in Cash and Cash Equivalents	(3,777,756)	5,868,199	(2,372,017)	612,964
Cash and Cash Equivalents at the beginning of the year	4,004,424	(1,863,775)	(1,636,100)	(2,249,064)
Cash and Cash Equivalents at the end of the year	226,668	4,004,424	(4,008,117)	(1,636,100)

The Notes on Pages 95 through 148 form an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

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, transmission, effective distribution and sale of electricity. The principal activities of the Board's Subsidiaries were as follows.

Lanka Electricity Company (Pvt) Ltd

During the year, the principal activities of the company were purchasing electricity from Ceylon Electricity Board and retailing to domestic and industrial customers through the company's branches located at Galle, Kalutara, Moratuwa, Kelaniya, Nugegoda, Kotte and Negombo.

LTL Holdings (Pvt) Ltd

During the year, the principal activities of the company were manufacturing and export of transformers and strategic investment in group companies in the pursuit of accomplishing business goals.

Lanka Coal Company (Pvt) Ltd

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

Sri Lanka Energies (Pvt) Ltd

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

Joint Venture

Trincomalee Power Company Limited

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

1.3 Parent Entity and the ultimate parent of the Board

The Board is under the purview of the Ministry of Power & Renewable Energy. In the opinion of the Directors, the Board's ultimate parent undertaking and controlling party is the Government of Sri Lanka.

1.4 Date of Authorization for Issue

The Financial statements of the Ceylon Electricity Board, for the period ended 31 December 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 2018.03.12.

2.0 GENERAL POLICIES

2.1 Basis of Preparation

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

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

The preparation of financial statements in conformity with the SLFRS /LKAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Areas involving higher degree of judgement or complexity, or areas where assumption and estimation are significant to the financial statements are disclosed.

2.1.1 Statement of Compliance

The consolidated financial statements of the Group has been prepared in accordance with Sri Lanka Accounting Standards. (SLFRS)

2.1.2 Basis of Consolidation

The Group accounts comprise the consolidated accounts of the Ceylon Electricity Board (CEB) and the subsidiaries and sub-subsidiaries, if any of the following companies.

Name of the Subsidiary	Percentage of Holding
LTL Holdings (Pvt) Ltd (LTL)	63%
Lanka Electricity Co.(Pvt) Ltd (LECO),	55.2%
Lanka Coal Company (Pvt) Ltd (LCC),	60%
Sri Lanka Energies (Pvt) Ltd (SLE)	100%

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

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

Lakdhanavi Bangla Power Company Ltd is a partially owned subsidiary of LTL Holdings (Pvt) Ltd and

having its registered office at No. 67, Shahara Centre, 9th Floor, 37/A, Kakrial VIP Road, Dhaka#1000, Bangladesh. Asiatic Electrical & Switchgear (Pvt) Ltd an unlisted company in India was acquired by LTL Holding (Pvt) Ltd on 31st August 2016 and its registered office is situated at A-58, Naraina Industrial Area, Phase -I, New Delhi, Delhi-110028, India.

The principal place of business of Lakdhanavi Limited and Lanka Industrial Products (Pvt) Ltd are situated at Lindel Industrial Estate, Sapugaskanda, and Nividu (Pvt) Ltd at BelihulOya, Balangoda. The principal place of business of Nividu Assupiniella (Pvt) Ltd is at Aranayaka and Pawan Danavi (Pvt) Ltd at Illanthadiya, Norachchola.

The registered office of the LTL Energy (Pvt) Limited is No; 67, Park Street Colombo 02 and the principal place of business, is situated at No;08, Rosmead Place Colombo 07. LTL Energy (Pvt) Ltd acquired the controlling interest of Makarigad Hydropower (Pvt) Ltd, an unlisted company in Nepal on 02nd August 2016 and the registered office of the company is located at Ward No: 03, Panipokhari, Metropolitan City, Kathmandu, Nepal.

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

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

The registered offices of Sri Lanka Energies (Pvt) Ltd and its subsidiaries, Kumbalgamuwa Mini Hydro (Pvt) Ltd and Sri Lanka Energies HR (Pvt) Ltd are situated at No: 50, Sir Chittampalam A Gardiner Mawatha Colombo 02 and their principal place of business is located at 11th floor, Sethsiripaya Stage II, Baththaramulla.

The Trincomalee Power Company Limited is a joint venture between the Ceylon Electricity Board (CEB) and the NTPC Limited of India. The registered office is at Third floor, No 240, High Level Road, Kirulapone.

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

The total profits and losses of the subsidiary companies are included in the consolidated Income

Statements, and proportions of the profit or loss after taxation applicable to outside shareholders, adjusted under the heading of Minority Interest in arriving at the profit or loss attributable to the equity share holders of the of Ceylon Electricity Board.

All the assets and liabilities of the Board and its subsidiaries are included in the Consolidated Statement of Financial Position. The interest of the outside shareholders in the net assets of the subsidiaries is shown separately in Consolidated Statement of Financial Position under the heading of Non-Controlling Interest. Inter Group balances and transactions and any unrealized gains/losses resulting from inter Group transactions and dividends, are eliminated in preparing the consolidated financial statements.

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

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

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls and investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of a voting or similar rights of an investee, the

Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statement of assets and liabilities, equity, income, expenses and cash flows relating to the transaction between the members if the Group are eliminated in full on consolidation. A change in the ownership interest of the subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any result in gain or loss is recognized in profit or loss. Any investment retained is recognised at fair value.

2.1.3 Going Concern

The directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease trading except for the following

Going Concern – Heladhanavi Limited

The Power Purchase Agreement (PPA) dated 09 May 2009 signed between Heladhanavi Ltd and Ceylon Electricity Board expired on 08 December 2014. From the entity point of view there is a material uncertainty about the entity's ability to continue as a going concern upon expiry of the agreement.

The directors have made an assessment of the entity's ability to continue as a going concern as at the reporting date and they decided that there is a significant doubt on the entity's ability to continue as a going concern. Therefore, the going concern assumption is not appropriate in the preparation of financial statements of Heladhanavi Limited.

Going Concern – Lanka Industrial Products Engineering (Pvt) Limited

The directors have decided to cease its operations with effect from 01 November 2015 and to transfer its operations to LTL Transformers (Pvt) Ltd. Hence, the going concern assumption has not been adopted in preparing financial statements of Lanka Industrial Products Engineering (Pvt) Ltd.

Basis of Preparation

Financial statements of Heladhanavi Limited and Lanka Industrial Products Engineering (Pvt) Ltd have been prepared in the following basis.

- Fixed Assets are stated at the lower of cost and recoverable amount. Potential unrealized gains on disposal are not taken into account
- Provisions are made for further liabilities that may arise such as redundancy cost, breach of contract claims, disposal costs and any commitments under leases.
- Long term Liabilities are reclassified as current liabilities.
- Prepayments are expensed unless they represent a future cash refund, in which case it was reclassified them as debtors
- Deferred tax is not relevant; hence, the financial statements include only any actual tax liability that may arise.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Jointly Control Entity

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Trincomalee Power Company Limited is a jointly controlled entity between Ceylon Electricity Board and NTPC Limited. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Board's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Board's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually. The income statement reflects the Board's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Board's OCI.

In addition, when there has been a change recognized directly in the equity of the joint venture, the Board recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Board and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Board's share of profit or loss of a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the joint venture.

2.2.2 Foreign Currency Translation

a). Functional and presentation currency

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

b). Transactions and balances

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

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

c). Foreign operations

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

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

2.2.3 Taxation

a). Current Taxes

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

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

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

b). Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, except where the timing

of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

2.2.4 Borrowing Costs

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

2.2.5 Inventories

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

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

Ceylon Electricity Board

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

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

2.2.6 Cash and Cash Equivalents

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

2.2.7 Property, Plant and Equipment

a) Cost & Valuation

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

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

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

b) Capital work in progress

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

c) De-recognition

The carrying amount of an item of Property Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or losses arising from de-recognition of an item of Property Plant & Equipment is included in the statement of profit or loss when the item is derecognized.

When replacement costs are recognized in the carrying amount of an item of Property Plant & Equipment the remaining carrying amount of the replaced parties recognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

One such asset is identified as “non-current assets held for sale” it should be disposed within 06 months from the Board decision. If not disposed it should be reclassified under Property Plant & Equipment (PPE) again along with the depreciation adjustment for the period ceased for depreciation.

d) Restoration Cost

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

e) Depreciation

Depreciation is calculated by using straight line basis over the useful life of the asset when the asset is

available for use other than free hold land. Building on Leasehold land is depreciated over the shorter of the estimated useful life of the asset and lease term. The useful lives of the assets are estimated as follows;

Ceylon Electricity Board

Freehold Buildings & Lease hold Land & Buildings	40 Years
Civil Works:	
Spillways & Dams	100Years
Steel water pipes & pens stock	40Years
Substation & Switch Yard	35 Years
Generation Plants:	
Power Stations including Plant (Hydro)	35 Years
Power Stations including Plant (Thermal)	25 Years
Power Stations including Plant (Diesel)	15 Years
Power Stations including Plant (Gas Turbine)	12 Years
Power Stations including Plant (Coal)	30 Years
Power Stations including Plant (Wind)	15 Years
Transmission Lines at 220Kv, 132Kv, and 66Kv	35 Years
Distribution Lines:	
HT Underground-33	50 Years
HT Underground-132	50 Years
HT Underground-11	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	35 Years
Service Main	35 Years
SCADA (Central Facilities) & Communication Equipment	15 Years
Vehicles	07 Years
Motor Boats	07 Years
Machinery & Tools	05 Years
Office Equipment	05 Years
Furniture & Fittings	05 Years

LTL Holdings (Pvt) Ltd

Buildings	over 25 - 50 years
Plant & Machinery	over 8 - 15 years
Power Plant	over 10 - 15 years
Factory Equipment	over 10 years
Intercom Equipment	over 10 years
Fire Fighting Equipment	over 10 years
Office Equipment	over 03-10 years
Furniture and Fittings	over 03- 10 years
Motor Vehicle	over 04 years
Heat Recovery Unit	over 06 years
Operation and maintenance spares	Actual Usage

Lanka Electricity Co. (Pvt) Ltd.

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

Lanka Coal Co. (Pvt) Ltd.

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

Trincomalee Power Company Limited

Furniture and fittings	5 years
Equipment	5 years
Laptop and Computers	3 years

Assets which cost up to Rs.15, 000 are fully depreciated

2.2.8 Leases

a) Finance Leases

Finance Leases, which transfer the substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance lease charges and reduction of the leased

liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged and reflected in the Income Statement. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets which are owned as described in 2.2.7 (e)

The Group is of the view that the substance of the arrangement between the Raj Lanka Power Company Limited and Bangladesh Power Development Board falls within the purview of "IFRIC 4 -Determining Where an Arrangement Contains a Lease" and to be accounted as a lease under "LKAS 17-Leases" due to the satisfaction of following criterion;

- The fulfilment of the arrangement under the Power Purchase Agreement is depended on the exclusive use of the specific power plant of the Group situated in Rajshahi, Bangladesh
- Bangladesh Power Development Board has the right to operate the power plant or direct others to operate the power plant in a manner it determines while controlling entire output of the power plant
- It is impossible for any other party than Bangladesh Power Development Board to take any output of power generated by the power plant of the company and the capacity charge per unit paid by Bangladesh Power Development Board is not based on the output

The provision of IFRIC 4 is applied with retrospective effect as if the company has applied from its commercial operation date.

b) Operating Leases

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

c) Group as a Lessor – LTL

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

2.2.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following

initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embedded in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

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

Gain or losses arising from recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement when the asset is derecognised.

Computer Software

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

2.2.10 Financial Instruments- Initial Recognition and Subsequent Measurement

2.2.10.1 Financial Assets

a) Initial Recognition and Measurement

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

b) Subsequent Measurement

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

Financial assets at fair value through profit and loss

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

Loans and Receivables

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

Available for Sale Financial Investment

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

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

The Group evaluates its available – for – sales financial assets to determine whether the ability and intention

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

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

Held to Maturity Investment

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

c) Derecognition

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

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

When the Group has transferred its rights to receive cash flows from and asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards

of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.2.10.1.1 Impairment of Financial Assets

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

Financial assets at amortised cost

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

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

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

Available - for –sale Financial Investments

For available -for –sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired. In the case of equity investments classified as available-for- sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

2.2.10.2 Financial Liabilities

a) Initial Recognition and Measurement

b) Financial Liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit and loss, Loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs. The Group’s financial liabilities include trade & other payables, bank Overdrafts, loans and borrowings, other financial liabilities.

c) Subsequent Measurement

The measurement of financial liabilities depends on the classification as follows.

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains are recognised in the income statement when the liabilities are recognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

De-recognition

A final liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.2.10.3 Offsetting of Financial Instruments

Financial assets and financial Liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2.10.4 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active market at each reporting date is determined by reference to quoted market prices or dealer price quotations.(Bid price for long position and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions: reference to the current fair value of another instrument that is substantially the same: a discounted cash flow analysis or other valuation models.

2.2.10.5 Impairment of Non – Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an

individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the assets are carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.11 Provisions

Provisions are recognised when the Group has a present obligations (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where

appropriate, the risks specific to the liability, Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.2.12 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

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

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using actuarial valuation technique which is based on the Projected Unit Credit method (PUC). Actuarial gains and losses are recognized in full in the period in which they occur in the income statement. The gratuity liability is not externally funded. This item is grouped under other Defined Benefit Liabilities in the Balance Sheet.

b) Defined Benefit Plan – Pension Obligation

Define benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and remuneration.

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

Actuarial gain and losses arising from experience adjustment and charges in actuarial assumption are charged or credited to equity in other comprehensive income in the period in which they arise.

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

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

Employees are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective Statutes and Regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively except of the Ceylon electricity Board where it contributes 15% of gross emoluments of employees to Ceylon Electricity Board Provident Fund.

2.2.13 Self Insurance Reserve

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

2.2.14 Deferred Income

a) Consumer Contribution

The Board

The consumer contributions of CEB are deferred and amortized to the income statement over 35 years being the period over which the related assets are depreciated.

Lanka Electricity Co. (Pvt) Ltd.

Contributions from consumers to defray the cost of assets installed to establish new service connections are recognised as deferred obligations. The new service connection assets are depreciated over a period of 20 years. The corresponding consumer contributions are amortised to the Income Statement over a similar period of 20 years up to 31st December 2008. Commencing from 1st January 2009, receipt of Consumer Contribution is amortized over a period of 8 years, and receipt of Consumer Contribution before 31st December 2008 is amortised over 20 years.

b) Government Grants

Government Grant received for acquisition of Plant & Machinery are treated deferred income Government grant in note 21.2 represent the value of Grid substation and Transmission lines located at Seethawaka Industrial Park received from the Ministry of Industrial development which is to be amortised over 35 years based on the income approach.

2.2.15 Revenue Recognition

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

sales taxes. Revenue of Lakdhanavi Limited and Heladhanavi Limited will be adjusted for capacity charges for Minimum Guaranteed Energy Amount (MEGA) at the end of the calendar year. The following specific criteria are used for the purpose of recognition of revenue.

a) Rendering of Services

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer: with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer, with the company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

c) Interest

Interest Income is recognised as the interest accrues unless collectability is in doubt.

d) Dividends

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

e) Others

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of re-valued property, plant & equipment, the amount remaining in Revaluation Reserve relating to that asset is transferred directly to Accumulated Profit. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.3 SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGEMENTS AND ESTIMATES

In the process of applying the Group accounting policies, management is required to make judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial statements. Further management is required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a

significant risk of a using a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements. The key items as such are discussed below.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use asset, even if that right is not explicitly specified in an arrangement. Accordingly the thermal power plants in which the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating lease. The Group exercised significant judgment in determining criteria that individually or combination would lead to lease being classified as a finance lease or operating lease.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be from active markets, their fair value is determined using valuation techniques including the discounted cash flow mode. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Reviews of Impairment Losses on non financial assets

The Group determines whether assets have been impaired by performing an impairment review. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Impairment Losses on Trade and Other Receivables

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

prices indices, country risk and the performance of different individual Groups).

Taxes

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

Useful lives of Property, Plant & Equipment

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

Defined Benefit Plans-Gratuity

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

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

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 December 2016.

2.4.1 SLFRS 15 – Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. SLFRS 15 will become effective on 1 January 2018. Pending the completion of the detail impact analysis, possible impact from SLFRS 15 is not estimable as of the reporting date.

2.4.2 SLFRS 9 – Financial Instruments

In December 2014, the Institute of Chartered Accountant of Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the financial instruments project and

replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement of impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Group's Financial Assets, but no impact on the classification and measurement of the Group's Financial Liabilities. Pending completion of the detail impact analysis, possible impact from SLFRS 9 is not estimable as of the reporting date.

2.4.3 SLFRS 16- Leases

The Institute of Chartered Accountant of Sri Lanka issued the new standard for accounting for leases - SLFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognize most leases on their balance sheets as lease liabilities, with the corresponding right of- use assets. Lessees must apply a single model for all recognized leases, but will have the option not to recognize 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized separately in the statement of profit or loss.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, SLFRS 15, is applied on the same date. Lessees must adopt SLFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting SLFRS 16 and pending the completion of the detail impact analysis.

2.4.4 Amendments to LKAS 7 Statement of Cash Flows

In September 2016, the Institute of Chartered Accountant of Sri Lanka issued amendments to LKAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017.

The Group is currently evaluating the impact of these amendments.

2.4.5 Amendments to IAS 12 Income Taxes

In September 2016, through issuing amendments to LKAS 12, the Institute of Chartered Accountant of Sri Lanka clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Group does not anticipate that adopting the amendments would have an impact on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3. REVENUE

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2016	2015	2016	2015
Sales	229,074,466	207,014,577	206,811,393	188,683,984
	229,074,466	207,014,577	206,811,393	188,683,984

3.1 Segmental Revenue

	Group		Board	
	2016	2015	2016	2015
Sale of Electricity	211,943,213	192,573,684	206,811,393	188,683,984
Manufacturing of Transformers	2,667,192	2,501,254	-	-
Galvanizing Operations	989,789	622,499	-	-
Construction Services	1,173,389	428,140	-	-
Income on Hiring of Power Plants	2,643	2,951	-	-
Finance Lease & Power Generation	9,540,887	9,112,578	-	-
Operational & Maintenance Services for Power Plants	2,725,398	1,765,996	-	-
Other Operations	31,955	7,475	-	-
	229,074,466	207,014,577	206,811,393	188,683,984

4. OTHER OPERATING INCOME AND GAIN

	Group		Board	
	2016	2015	2016	2015
Income on Foreign Investment	381,092	1,207,274	-	-
Dividend Income	1,453,007	1,948,366	4,601,073	2,629,096
Penalty on Electricity Consumption	11,036	10,536	11,036	10,536
Recoveries from Consumers	271,655	317,564	-	-
Profit on Disposal of Property Plant and Equipment	188,011	259,004	189,488	150,976
Deferred Income on Consumer Contribution	3,320,386	3,037,642	2,988,572	2,730,786
Deferred Income on Government Grant	16,329	12,642	12,391	12,391
Miscellaneous Income	1,107,469	1,055,465	1,089,301	1,042,416
Government Department Income	347,500	501,918	347,500	501,918
Liquidated Damages	122,897	329,867	122,897	329,867
Sale of Ash	390,092	336,151	390,092	336,151
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	27,215	10,932	27,215	10,932
Income on Cost Recovery jobs	111,657	18,565	111,657	18,565
Service Main Application Fee	9,270	12,868	9,270	12,868
Surcharge on Electricity Bills	422,163	505,871	422,163	505,871
Electric Vehicle Energy Card Sale	122	-	122	-
Depreciation Reversal on Power Plant - Heladhanavi Ltd	-	130,730	-	-
Reversal of Impairment on Power Plant Heladhanavi Ltd	-	578,333	-	-
Gain on Bargaining Purchase*	12,399	-	-	-
	8,192,300	10,273,728	10,322,777	8,292,373

* Gain on Bargain purchase

The gain on bargaining purchase consists of the gain received through acquisition of Makarigad Hydropower (Pvt) Ltd by LTL Holding (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

5.1 FINANCE INCOME

(All amounts in Sri Lanka Rupees Thousands)

	2016	Group 2015	2016	Board 2015
Interest on Other Deposits	1,321,634	776,904	-	-
Interest on Administration Borrowings by Treasury	-	38,791	-	-
Interest on Government Securities	342,245	271,582	-	-
Interest Income from Investments	57,001	80,114	66,295	79,148
Interest Income from Staff Loans	301,725	276,334	274,984	253,385
Interest on Samurdhi Loans	173,491	101,589	173,491	101,589
Interest Income on Related Party Loans	-	-	791	284
Interest on Other consumer Loans	103	-	103	-
	2,196,199	1,545,314	515,664	434,406

5.2 FINANCE COST

	2016	Group 2015 Restated	2016	Board 2015 Restated
Interest Expense on Overdrafts	119,582	147,167	23,126	23,522
Interest Expense on Loans and Borrowings	4,924,043	5,515,809	3,916,308	4,559,231
Lease Interest	49,962	60,690	49,962	60,607
Delayed Interest on IPP Payments	188,309	348,478	188,309	348,478
Delayed Interest on CPC Payments	35,015	38,523	35,015	38,523
Samurdhi Loan Interest Expenditure Account	98,833	103,698	98,833	103,698
	5,415,744	6,214,365	4,311,553	5,134,059

6. PROFIT/(LOSS) BEFORE TAX

	2016	Group 2015 Restated	2016	Board 2015 Restated
Stated after Charging /(Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	16,117	9,849	6,150	2,583
Director's Emoluments	5,665	4,303	4,505	3,478
Depreciation	30,727,437	28,839,011	29,378,815	27,596,786
Personnel Costs includes				
- Defined Benefit Plan Costs -Gratuity	983,580	951,646	860,289	836,192
- Defined Contribution Plan Costs - EPF & ETF	2,375,810	2,233,065	2,149,866	2,022,092
- Other Staff Costs	24,803,070	23,197,194	22,624,574	21,226,567
(Profit)/Loss on Disposal of Property, Plant and Equipment	(48,606)	(26,538)	(50,083)	(80,980)
Amortization of Computer Software	18,344	3,683	-	-
Public Relation and Advertising	144,423	227,016	120,967	213,079
Impairment of obsolete and slow moving inventories	45,410	112,861	(111,718)	109,806
Provision for Impairment of Other Debtors	52,578	20,300	52,578	20,300

7. INCOME TAX EXPENSE

	2016	Group 2015	2016	Board 2015
7.1 Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (7.3)	2,006,980	1,115,194	109,313	60,573
Under/(Over) Provision of Current Taxes in respect of Prior Years	72,924	(119,242)	153,870	-
	2,079,904	995,952	263,183	60,573
7.2 Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (25)	24,692	304,789	-	-
Income Tax Expense reported in the Income Statement	2,104,596	1,300,741	263,183	60,573

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

7.3 Reconciliation between current tax expenses and Accounting Profit	Group		Board	
	2016	2015	2016	2015
Profit before tax	(10,439,479)	23,942,936	(13,234,159)	19,408,791
Disallowable Expenses / (Income) for Taxation	30,174,125	28,644,084	28,589,156	26,242,844
Net impact of Pension Fund	(37,193)	256,601	(37,193)	256,601
Allowable Expenses / (Income) for Taxation	(50,177,721)	(45,990,288)	(48,840,441)	(45,076,775)
Non business income/Exempted income	(7,891,532)	(5,669,975)	(4,841,751)	(2,810,116)
Consolidation adjustments	4,615,170	2,631,692	-	-
Business loss for the year	(38,364,388)	(1,978,655)	(38,364,388)	(1,978,655)
Taxable Business Profit for the year	4,607,758	5,793,705	-	-
Other sources of Income	2,178,518	1,693,760	600,621	332,819
Total Statutory Income	6,786,276	7,487,465	600,621	332,819
Qualifying Payments	(36,940)	(63,608)	-	-
Tax loss utilized during the year	(210,381)	(117,575)	(210,217)	(116,487)
Taxable Income	6,538,955	7,306,282	390,404	216,332
Income tax expense at				
Corporate Tax rate at 28%	1,115,708	672,547	109,313	60,573
Concessionary Tax rates	117,858	123,566	-	-
Dividend Tax at 10%	773,414	319,081	-	-
Current Tax charge	2,006,980	1,115,194	109,313	60,573

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

7.3.1 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 28% except for the following businesses of the subsidiaries which enjoy full or partial exemptions and concessions.

Subsidiary/subsubsidiary	Business operation	Tax rate
LTL Holdings (Pvt) Ltd	Export of Transformers	12%
Nividu (Pvt) Ltd	Electricity Generation	12%
Nividu Assupiniella (Pvt) Ltd	Electricity Generation	12%
Sri Lanka Energies HR (Pvt) Ltd	Supply of Labour	10%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

8 PROPERTY, PLANT & EQUIPMENT

(All amounts in Sri Lanka Rupees Thousands)

8.1 Group

8.1.1 Freehold Assets

Gross Carrying Amounts At Cost or Valuation

	Balance as at 01.01.2016 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Freehold Land	11,149,961	18,407	-	-	-	-	11,168,368
Leasehold Land	1,514	-	-	-	-	-	1,514
Building	16,765,496	162,840	-	-	(32,925)	331	16,895,742
Civil Works	221,686,363	74,189	-	-	-	-	221,760,552
Plant & Machinery	1,210,251	280,899	-	-	-	(7,658)	1,483,492
Generation Power Plant	280,305,896	3,514,954	-	-	-	321,077	284,141,927
Transmission & Distribution Lines	494,551,606	23,957,187	-	-	(552,370)	33,269	517,989,692
Motor Vehicles	8,427,911	1,473,023	-	-	(245,228)	(56,057)	9,599,649
Other Supply Infrastructure	20,713,698	776	-	-	576,304	-	21,290,778
Office & Other Equipment	2,813,182	358,866	-	-	(83,270)	(67,587)	3,021,191
Furniture and Fittings	268,854	32,133	-	-	-	58,071	359,058
Machinery and Tools	5,727,747	391,635	-	-	(455)	16,634	6,135,561
Container Accommodation	6,744	-	-	-	-	-	6,744
	1,063,629,223	30,264,909	-	-	(337,944)	298,080	1,093,854,268

8.1.2 Project Assets

Gross Carrying Amount At Cost or Valuation

	Balance as at 01.01.2016 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Freehold Land	107,920	-	-	-	-	-	107,920
Building	-	35,905	-	-	(34,062)	-	1,843
Civil Works	-	-	-	-	-	-	-
Plant & Machinery	5,092	-	-	-	(5,092)	-	-
Motor Vehicles	918,981	486,505	-	-	(332,212)	51,031	1,124,305
Office & Other Equipment	64,811	26,759	-	-	(11,984)	(831)	78,755
Furniture and Fittings	20,201	581	-	-	(322)	34	20,494
Machinery and Tools	13,114	16,278	-	-	(1,799)	(823)	26,770
	1,130,119	566,028	-	-	(385,471)	49,411	1,360,087

8.1.3 Lease Hold Assets

	Balance as at 01.01.2016	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Motor Vehicles	562,379	8,330	-	-	(4,990)	-	565,719
	562,379	8,330	-	-	(4,990)	-	565,719
Total Value of Depreciable Assets	1,065,321,721	30,839,267	-	-	(728,405)	347,491	1,095,780,074

8.1.4 In the Course of Construction

	Balance as at 01.01.2016 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance as at 31.12.2016
Capital Work in Progress	71,535,533	38,290,422	(26,983,769)	(1,521,804)	81,320,382
Total Gross Carrying Amount	71,535,533	38,290,422	(26,983,769)	(1,521,804)	81,320,382

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

(All amounts in Sri Lanka Rupees Thousands)

8.1.5 Depreciation

	Balance as at 01.01.2016 Restated	Charge for the year	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Freehold Assets							
Freehold Land	-	-	-	-	-	-	-
Leasehold Land	597	757	-	-	-	-	1,354
Building	5,359,373	505,185	-	-	-	-	5,864,558
Civil Works	63,519,626	3,198,290	-	-	-	-	66,717,916
Plant & Machinery	778,630	191,500	-	-	-	(1,741)	968,389
Generation Power Plant	129,839,390	10,675,680	-	-	-	-	140,515,070
Transmission & Distribution Lines	204,375,189	13,151,044	-	-	(175,068)	(133)	217,351,032
Motor Vehicles	4,611,588	1,427,243	-	-	(144,413)	4,866	5,899,284
Other Supply Infrastructure	13,336,834	716,900	-	-	(33,519)	-	14,020,215
Office & Other Equipment	2,048,809	299,417	-	-	(51,663)	(38,566)	2,257,997
Furniture and Fittings	190,556	41,672	-	-	-	37,724	269,952
Machinery and Tools	2,919,042	778,276	-	-	-	5,792	3,703,110
Container Accommodation	6,744	-	-	-	-	-	6,744
	426,986,378	30,985,964	-	-	(404,663)	7,942	457,575,621

8.1.6 Depreciation

	Balance as at 01.01.2016 Restated	Charge to WIP / Transfers	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Project Assets							
Freehold Land	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-
Civil Works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation Power Plant	-	-	-	-	-	-	-
Transmission & Distribution Lines	-	-	-	-	-	-	-
Motor Vehicles	574,905	251,864	-	-	(184,299)	129,690	772,160
Office & Other Equipment	50,231	8,505	-	-	(1,263)	(2,070)	55,403
Furniture and Fittings	18,464	985	-	-	(155)	(127)	19,167
Machinery and Tools	5,732	2,157	-	-	(431)	(799)	6,659
	649,332	263,511	-	-	(186,148)	126,694	853,389

8.1.7 Depreciation

Lease Hold Assets	Balance as at 01.01.2016	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Motor Vehicles	256,285	91,903	-	-	(4,172)	(41,528)	302,488
	256,285	91,903	-	-	(4,172)	(41,528)	302,488
Total Value of Depreciable Assets	427,891,995	31,341,378	-	-	(594,983)	93,108	458,731,498

8.1.8 Net Book Value

	2016	2015
At Cost or Valuation	637,048,576	637,429,726
Capital Work in Progress	81,320,382	71,535,533
Total Carrying Amount of Property, Plant & Equipment	718,368,958	708,965,259

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

(All amounts in Sri Lanka Rupees Thousands)

8.2 Board

8.2.1 Gross Carrying Amounts

Freehold Assets At Cost or Valuation

	Balance as at 01.01.2016 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Freehold Land	9,292,960	18,407	-	-	-	9,311,367
Leasehold Land	-	-	-	-	-	-
Building	15,812,639	117,702	-	(32,925)	331	15,897,747
Civil Works	221,686,363	74,189	-	-	-	221,760,552
Plant & Machinery	679,613	47,116	-	-	(7,658)	719,071
Generation Power Plant	277,420,148	2,920,101	-	-	321,077	280,661,326
Transmission & Distribution Lines	494,551,606	23,957,187	-	(552,370)	33,269	517,989,692
Motor Vehicles	7,299,882	989,280	-	(233,841)	(56,057)	7,999,264
Office & Other Equipment	2,079,891	245,289	-	(82,057)	(67,587)	2,175,536
Furniture and Fittings	251,212	26,045	-	-	58,071	335,328
Machinery and Tools	3,430,123	391,635	-	(455)	16,634	3,837,937
Total	1,032,504,437	28,786,951	-	(901,648)	298,080	1,060,687,820

8.2.2 Project Assets

Gross Carrying Amount At Cost or Valuation

	Balance as at 01.01.2016 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Freehold Land	107,920	-	-	-	-	107,920
Building	-	35,905	-	(34,062)	-	1,843
Civil Works	-	-	-	-	-	-
Plant & Machinery	5,092	-	-	(5,092)	-	-
Generation Power Plant	-	-	-	-	-	-
Transmission & Distribution Lines	-	-	-	-	-	-
Motor Vehicles	918,981	486,505	-	(332,212)	51,031	1,124,305
Office & Other Equipment	64,811	26,759	-	(11,984)	(831)	78,755
Furniture and Fittings	20,201	581	-	(322)	34	20,494
Machinery and Tools	13,114	16,278	-	(1,799)	(823)	26,770
Total	1,130,119	566,028	-	(385,471)	49,411	1,360,087

8.2.3 Lease Hold Assets

	Balance as at 01.01.2016	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2016
Motor Vehicles	556,729	-	-	(4,990)	-	551,739
	556,729	-	-	(4,990)	-	551,739
Total Value of Depreciable Assets	1,034,191,285	29,352,979	-	(1,292,109)	347,491	1,062,599,646

8.2.4 In the Course of Construction

	Balance as at 01.01.2016 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance as at 31.12.2016
Capital Work in Progress	70,546,960	37,320,922	(25,729,388)	(1,484,809)	80,653,685
Total Gross Carrying Amount	70,546,960	37,320,922	(25,729,388)	(1,484,809)	80,653,685

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

(All amounts in Sri Lanka Rupees Thousands)

8.2.5 Depreciation

At Cost or Valuation	Balance as at 01.01.2016 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance as at 31.12.2016
Freehold Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Building	5,178,491	483,656	-	-	-	5,662,147
Civil Works	63,519,626	3,198,290	-	-	-	66,717,916
Plant & Machinery	454,309	70,354	-	-	(1,741)	522,922
Generation Power Plant	129,128,474	10,562,356	-	-	-	139,690,830
Transmission & Distribution Lines	204,375,189	13,151,044	-	(175,068)	(133)	217,351,032
Motor Vehicles	3,907,044	1,270,548	-	(133,026)	4,866	5,049,432
Other Supply Infrastructure	-	-	-	-	-	-
Office & Other Equipment	1,470,014	243,905	-	(50,529)	(38,566)	1,624,824
Furniture and Fittings	180,897	37,139	-	-	37,724	255,760
Machinery and Tools	2,340,742	621,972	-	-	5,792	2,968,506
	410,554,786	29,639,264	-	(358,623)	7,942	439,843,369

8.2.6 Depreciation

Project Assets

At Cost or Valuation	Balance as at 01.01.2016 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers Discontinued	Adjustments	Balance as at 31.12.2016
Freehold Land	-	-	-	-	-	-
Building	-	-	-	-	-	-
Civil Works	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-
Generation Power Plant	-	-	-	-	-	-
Transmission & Distribution Lines	-	-	-	-	-	-
Motor Vehicles	574,905	251,864	-	(184,299)	129,690	772,160
Office & Other Equipment	50,231	8,505	-	(1,263)	(2,070)	55,403
Furniture and Fittings	18,464	985	-	(155)	(127)	19,167
Machinery and Tools	5,732	2,157	-	(431)	(799)	6,659
	649,332	263,511	-	(186,148)	126,694	853,389

8.2.7 Depreciation

Lease Hold Assets	Balance as at 01.01.2016	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance as at 31.12.2016
Motor Vehicles	255,697	89,981	-	(4,172)	(41,528)	299,978
	255,697	89,981	-	(4,172)	(41,528)	299,978
Total Depreciation	411,459,815	29,992,756	-	(548,943)	93,108	440,996,736

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

8.2.8 Net Book Value

(All amounts in Sri Lanka Rupees Thousands)

At Cost or Valuation	2016	2015 Restated
Freehold Land	9,419,287	9,400,880
Leasehold Land	-	-
Building	10,237,443	10,634,148
Civil Works	155,042,636	158,166,737
Plant & Machinery	196,149	230,396
Generation Power Plant	140,970,496	148,291,674
Transmission & Distribution Lines	300,638,660	290,176,417
Motor Vehicles	3,301,977	3,736,914
Other Supply infrastructure	-	-
Office & Other Equipment	574,064	624,457
Furniture and Fittings	80,895	72,051
Machinery and Tools	889,542	1,096,763
Container Accommodation	251,761	301,032
	621,602,910	622,731,469
Capital Work-In-Progress (8.2.9)	80,653,683	70,546,958
Total Carrying Amount of Property, Plant & Equipment	702,256,593	693,278,427

8.2.9 Capital Work in Progress as at 31 December 2016 represent the following projects

	2016	2015 Restated
Generation Projects	3,686,358	3,659,562
Transmission projects	1,638,547	1,023,928
Distribution Projects	30,092,845	30,402,709
Upper Kothmale Hydro power project	746,134	552,467
Colombo City Electricity Distribution Development Project	-	59,158
Broadland Hydro power project	4,706,301	2,836,725
Puttalam Coal power Project	521,962	246,315
Trincomalee Coal power Project	894,204	725,377
AGM Project	36,444,865	29,864,806
Vidulakpaya Project	418,372	401,446
Jaffna power plant	-	-
Others (W&AS)	19,020	22,506
Greater Colombo transmission and distribution loss reduction project	1,485,075	751,959
Total Value of Capital Work-In-Progress	80,653,683	70,546,958

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

(All amounts in Sri Lanka Rupees Thousands)

8.3 Capital Work in Progress as at 31 December 2016 Represents the following.

Projects	Group		Board	
	2016	2015 Restated	2016	2015 Restated
Generation Projects	3,686,358	3,659,562	3,686,358	3,659,562
Transmission projects	1,638,547	1,023,928	1,638,547	1,023,928
Distribution Projects	30,092,845	30,402,709	30,092,845	30,402,709
Upper Kothmale Hydro power project	746,134	552,467	746,134	552,467
Colombo City Electricity Distribution Development Project	-	59,158	-	59,158
Broadland Hydro power project	4,706,301	2,836,725	4,706,301	2,836,725
Puttalam Coal power Project	521,962	246,315	521,962	246,315
Trincomalee Coal power Project	894,204	725,377	894,204	725,377
AGM Project	36,444,865	29,864,806	36,444,865	29,864,806
Vidulakpaya Project	418,372	401,446	418,372	401,446
Jaffna power plant	-	-	-	-
Others (W&AS)	19,020	22,506	19,020	22,506
Greater Colombo transmission and distribution loss reduction project	1,485,075	751,959	1,485,075	751,959
Work in progress-LECO	562,897	431,870	-	-
Work in progress-LTL	101,169	7,064	-	-
Work in progress-SLE	2,633	549,640	-	-
Total Value of Capital Work-In-Progress	81,320,382	71,535,532	80,653,683	70,546,958

8.4 Ceylon Electricity Board

All the motor vehicles are fair valued as at 01.01.2011 by the independent technical team of the board. Property, Plant & Equipments were not pledged for any liabilities of the board.

8.5 Lanka Electricity Company (Pvt) Limited

The fair value of land and buildings was determined by means of a revaluation during the financial year 31st December 2014. The valuation are performed by Mr .P.P.T. Mohideen, a Chartered Valuation Surveyor who is an accredited independent valuer with valuation experience for similar Land and Building in Sri Lanka for more than 30 years. Fair value of the Land and Building were determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

Significant unobservable valuation input

Land : Price per perch

Building : Price per Square Meter

Range

Rs. 125,000 - Rs.4,000,000

Rs. 100 - Rs.7,450

Land and Building of the company are located at Kelaniya , Kalutara ,Nugegoda, Moratuwa, Narahenpita, Negambo, Galle, Kotte, Nuwaraeliya , Waskaduwa, Ekala, Ja-Ela, Hikkaduwa, Peliyagoda, Rajagiriya, Ambalangoda, Bandaragama and Maharagama.

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	Cumulative Depreciation, If assets were carried at cost	Net carrying Amount 2016	Cost	Cumulative Depreciation, If assets were carried at cost	Net carrying Amount 2015
Building	332,984	116,332	216,652	320,143	100,386	219,757
Land	582,942	-	582,942	582,942	-	582,942
	915,926	116,332	799,594	903,085	100,386	802,699

(All amounts in Sri Lanka Rupees Thousands)

Property Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amount of Rs. 4 Mn

During the financial year ,the company acquired Property, Plant and Equipment to the aggregate value of Rs 1,339 Mn (2015- Rs.916 Mn). Cash payment amounting to Rs. 1,035Mn (2015 - Rs. 834 Mn) were made during the year for the purchase of property, plant & equipment Company's Land include a Land situated at No. 953/1 , Sri Jayewardenepura Mawatha , Ethul Kotte which has a carrying value of 69.5 Mn. According to the gazette notification 1869/7 dated 01 July 2014, Land acquisition notices mentioned that the government intends to acquire the above land for the public purpose. However, subsequently a letter issued by the Divisional Secretariat of Sri Jayawardenapura Kotte, it has been stated the land will be handed back to the subsidiary company.

8.6 LTL Holdings (Private) Limited

During the period, the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 333,238,320 /- (2015 Rs 228,622,556/-) of which cash payments amounting to Rs 97,629,061/-(2015 Rs. 228,622,556/-) were made during the period for purchase of Property, Plant & Equipment.

Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 368,461,840/- (2015 - Rs.330,162,245/)

8.7 Sri Lanka Energies (Private) Limited

During the financial year ,the company acquired Property, Plant and Equipment to the aggregate value of Rs 548,572,471/- (2015 -Rs 54,690,542/-) which were acquired by means of cash payments.

8.8 Group -Current Assets

Property plant and equipment - Heladhanavi Limited

(All amounts in Sri Lanka Rupees Thousands)

	Freehold Land	Building	Office Equipment	Furniture and Fittings	Power Plants	Fire Fighting equipments	Motor vehicles	Total 2016	Total 2015
Cost	10,884	9,436	2,047	366	-	2,282	995	26,010	5,983,330
Accumulated Depreciation									
At 01 January 2016	-	9,436	2,047	366	-	2,282	995	15,126	5,174,993
Depreciation Reversal	-	-	-	-	-	-	-	-	(130,730)
Impairment reversal (8.8.1)	-	-	-	-	-	-	-	-	(578,333)
As at 31 December 2016	-	9,436	2,047	366	-	2,282	995	15,126	4,465,930
Reclassified to Assets held for sale (8.8.1)	-	-	-	-	-	-	-	-	1,506,516
Net book Value At 31 Dec 2016	10,884	-	-	-	-	-	-	10,884	10,884

The above property , plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 15,126,534 /-

8.8.1 Asset Held For Sale

	2016	2015
Power Plant as at 01 January 2016	1,506,516	-
Provision for the year	-	1,506,516
Disposed during the year	(1,506,516)	-
Balance as at 31 December 2016	-	1,506,516

Heladanavi Limited, a subsidiary of the group, has entered in to an Engineering Services and Sale of Equipment Contract ("Contract") dated on 26 May 2015 with AKSA Energy Uretim A.S , a company registered in Istanbul Turkey, to sell the Power Plant equipment consisting of 6x17.0 MW HFO fired diesel generating sets and other auxiliary components (Presented under the Power Plant of the Property Plant and equipment note of the financial statements). The Company has been granted the approval by Board of Investment (BOI) of Sri Lanka on 12 May 2015 as per the provisions of Clause no.(11) of Part I of the agreement signed with the BOI on 28 August 2003, for this purpose.

During the year the entity fully transferred the risks and rewards of the power plant to the buyer upon full receipt of agreed payments therefore, disposal is recognised.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

9 INTANGIBLE ASSETS	At cost	Group		Board	
		Cost 2016	Cost 2015	Cost 2016	Cost 2015
	As at I January	90,105	31,443	-	-
	Acquired / incurred during the period	6,288	58,662	-	-
	As at 31 December	96,393	90,105	-	-
	Amortisation				
	As at I January	18,625	14,890	-	-
	Amortized during the period	18,343	3,735	-	-
	As at 31 December	36,968	18,625	-	-
	Goodwill				
	As at I January	-	-	-	-
	Acquired / incurred during the period	325,625	-	-	-
	Impairment	-	-	-	-
	As at 31 December	325,625	-	-	-
	Net Book Value	385,050	71,480	-	-

Lanka Electricity Company (Pvt) Ltd

Intangible assets of the group consists of the software purchased and the technical know-how which is amortised over 15 years.

The intangible assets acquired during the period mainly consists of the computer software of Asiatic Electrical & Switchgear (Pvt) Ltd acquired through business combination

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

Goodwill acquired through business combination is allocated to Asiatic Electricals & Switchgear (Pvt) Ltd Cash Generating Unit (CGU), which is operating segment, for impairment testing.

The recoverable amount of the Asiatic Electrical & Switchgear (Pvt) Ltd CGU is determined based on a value in use calculation using cash flow projection from financial budgets. As a result of the analysis the management did not identify an impairment for this CGU.

10 INVESTMENT IN SUBSIDIARIES	At cost	Holding	Group		Board	
			2016	2015	2016	2015
	Non-Quoted	Percentage				
	Lanka Electricity Company (Pvt) Ltd	55.2	-	-	628,003	628,003
	LTL Holdings (Pvt) Ltd	63	-	-	96,900	96,900
	Lanka Coal Company(Pvt)Ltd	60	-	-	12,000	12,000
	Sri Lanka Energies (Pvt) Ltd	100	-	-	174,910	174,910
	Total Non-Quoted Investments in Subsidiaries		-	-	911,813	911,813

10.1 Details of those companies in which Ceylon Electricity Board ,held a controlling interest, directly or indirectly are set out below.

Name of Company	Percentage of Share holding		Description of business
	Group	Board	
Subsidiaries			
LTL Holdings (Pvt) Ltd	63	63	Manufacture and sale of transformers to export markets
Lanka Electricity Company (Pvt) Ltd	55.2	55.2	Sale of energy.
Lanka Coal Company(Pvt)Ltd	60	60	Coal Purchases for Lakvijaya coal power plant
Sri Lanka Energies (Pvt) Ltd	100	100	Constructing transmission lines and grid stations, construction, maintaining renewable energy projects.
Lakdhanavi Limited,;	52		Undertaking Engineering, Procurement and construction (EPC) contracts, Heavy Engineering Services for the Power Plants and other operation & maintenance of Power Plants
LTL Energy (Pvt) Ltd	63		Providing Energy efficiency Improvement Services.
Lanka Industrial Products Engineering(Pvt)Ltd	63		Production of Industrial Products
LTL Transformers (Pvt) Ltd	63		Manufacturing & Repair of transformers, manufacturing of Feeder Pillars
LTL Galvanizers (Pvt) Ltd	63		Steel fabrication & Galvanizing Operations
Bright International Power (Pvt) Ltd	51.7		Power plant Operation and supply of Power generation ancillaries
Infra & Engineering (Pvt) Ltd	52		Heavy engineering service for the power plants and other operation and maintenance of power plants
Pawan Danavi (Pvt) Ltd	32		Produced independent wind power and transmit to feed the National grid
Nividu (Pvt) Ltd	41		Produced independent hydro power and transmit to feed the National grid.
Nividu Assupinella (Pvt) Ltd	30		Produced independent hydro power and transmit to feed the National grid.
Raj Lanka Power Company Ltd	41		Produced independent power and transmit to feed the national grid of Peoples Republic of Bangladesh
Lakdhanavi Bangla Power Company Ltd	26		Produce independent thermal power and transit to feed the national grid of People's republic of Bangladesh
Asiatic Electrical & Switchgear (Pvt) Ltd	62		Manufacture and sale of electrical switchgears and control gears items
Makarigad Hydro Power (Pvt) Ltd	54.4		Produced independent power and transmit to feed the national grid of Nepal and the commercial operations are yet to be started.
LECO Projects (Pvt) Ltd	55.2		Providing Infrastructure Facilities for electricity distribution.
Ante LECO Metering Company (Pvt) Ltd	38.5		To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market
Sri Lanka Energies HR (Pvt) Ltd	100		Recruitment and supply of man power service for CEB
Kumbalgamuwa Mini Hydro (Pvt) Ltd	100		Produce electricity energy using hydro resources. The company is constructing a hydro power plant at Samanalawawa

10.2 All of these companies were incorporated in Sri Lanka except for Bright International Power (Pvt) Ltd, Lakdhanavi Bangla Power Company Ltd, Raj Lanka Power Company (Pvt) Ltd, Asiatic Electrical & Switchgear (Pvt) Ltd and Makarigad Hydro Power (Pvt) Ltd

11. INVESTMENT IN JOINT VENTURE

(All amounts in Sri Lanka Rupees Thousands)

(Trincomalee Power Company Ltd)	Group		Board	
	2016	2015	2016	2015
As at 01 January	240,753	59,814	328,606	150,000
Investment Made During The Year	-	178,606	-	178,606
Share of pre-operating loss	(10,423)	2,333	-	-
	230,330	240,753	328,606	328,606

The Joint Venture company was operated with the sole purpose of developing a 500MW coal power plant in Sampoor area near Trincomalee. Along with a decision taken by the Government of Sri Lanka to not to pursue the project, the company ceased its development activities of the Sampoor coal power plant during the current financial year.

However, a joint work group has been appointed by the relevant authorities of the Government of Sri Lanka and India to consider the possible alternatives including other power generation projects it may undertake in the future.

12. FINANCE LEASE RECEIVABLE

The Raj Lanka Power Company Ltd, subsidiary of the LTL group has the legal ownership of the Power Plant at Rajshahi, Natore, Bangladesh. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board and the company, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as finance lease which is accounted for in accordance with LKAS 17 "Leases".

The Lakdanavi Bangalar Power Company Limited, subsidiary of the group has the legal ownership of the Power Plant at Jangalia, Commila. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and the company, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as finance lease which is accounted for in accordance with LKAS 17 "Leases".

As per the guideline provided in LKAS 17 "Leases", the company has been identified as the lessor and Bangladesh Power Development Board has been identified as the lessee. Under the Power Purchase Agreement (PPA), in substance, the company (as lessor to the lease arrangement) will recover the total capital invested via the capital recovery component of the capacity charge.

Accordingly, the capital recovery component included in the capacity charge has been treated as future minimum lease rentals.

Total lease receivable (capital recovery component of the capacity charge) is as follows.

	Group		Board	
	2016	2015	2016	2015
Gross Investment in finance leases receivables				
Current				
Less than one year	425,205	805,078	-	-
Non Current				
Between one and five years	2,256,140	3,769,220	-	-
More than five years	6,810,046	4,986,883	-	-
	9,066,186	8,756,103	-	-
Net investment in finance leases	9,491,391	9,561,181	-	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

13. OTHER FINANCIAL ASSETS

(All amounts in Sri Lanka Rupees Thousands)

	2016	Group 2015	2016	Board 2015
Summary				
13.1 Loans and receivables				
Refundable Deposits	49,045	27,574	-	-
Investment in Fixed Deposits	12,287,670	14,521,341	-	-
Investment in Repurchase Agreements	819,667	1,622,177	-	-
Administrative Borrowings by Department of Treasury Operations	-	570,000	-	-
Investment in Other Deposit	7,318,551	2,087,718	-	-
Loans to Company Officers	7,966,554	7,329,208	7,060,113	6,551,351
Loans to Consumers	71,192	10,546	-	-
	28,512,679	26,168,564	7,060,113	6,551,351
	2016	Group 2015	2016	Board 2015
13.2 Held to maturity Investments				
Investments in Debentures	1,302,887	772,646	-	-
	1,302,887	772,646	-	-
13.3 Financial Assets at Fair value through Profit or Loss				
Investment in Equity Funds	244,271	165,698	-	-
	244,271	165,698	-	-
13.4 Available for Sale Investments				
Investments in Unquoted Equity Shares				
Lanka Broad Band Network (Pvt) Ltd Ordinary Shares	5,000	5,000	-	-
Preference Shares	15,000	15,000	-	-
West Coast Power (Pvt) Ltd Ordinary Shares	11,249,137	11,241,814	-	-
Less: Impairment of Investments	(20,000)	(20,000)	-	-
Investments in joint Venture (Amtrad Holdings)	7,364	7,364	-	-
Investment in Subsidiary-Kumbalgamuwa Mini Hydro (Pvt) Ltd	-	-	-	-
Investments in Joint Venture (Heladhanavi Ltd)	-	-	-	-
	11,256,501	11,249,178	-	-
Total Other Financial Assets				
Other Financial Assets - Non Current	19,008,484	19,430,862	4,402,251	4,457,515
Other Financial Assets - Current	22,307,854	18,925,224	2,657,862	2,093,837
	41,316,338	38,356,086	7,060,113	6,551,352

Loans and Receivables

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

Available- for sale investments

LTL Holdings (Pvt) Ltd

The Available for sale financial Assets consist of a 4.77% Investment in equity shares of Non - listed company, West Coast (Pvt) Ltd, which is valued based on Discounted Cash Flow method

Lanka Electricity Company (Pvt) Ltd

The available for sale financial assets consists of 18.18% investments in equity shares of a non listed company , West Coast Power (Pvt) Ltd which is valued based on discounted cash flow method.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

14. INVESTMENT OF INSURANCE RESERVE

(All amounts in Sri Lanka Rupees Thousands)

	2016	Group 2015	2016	Board 2015
At the beginning of the year	6,036,934	5,653,841	6,036,934	5,653,841
Investments made during the year	458,887	383,093	458,887	383,093
Withdrawals During the year	-	-	-	-
At the end of the year	6,495,821	6,036,934	6,495,821	6,036,934

15. NON CURRENTS ASSET HELD FOR SALE

	2016	Group 2015 Restated	2016	Board 2015 Restated
Balance at the beginning of the period	2,531,554	2,529,809	1,025,038	1,023,293
Transfer from PPE	-	4,478	-	4,478
Disposal during the period	(1,509,131)	(2,388)	(2,615)	(2,388)
Re-Classified (Note 8.8.2)	-	(345)	-	(345)
Balance at the end of the period	1,022,423	2,531,553	1,022,423	1,025,037

16. INVENTORIES

	2016	Group 2015 Restated	2016	Board 2015 Restated
Raw Materials	1,207,456	1,100,602	-	-
Finished Goods	213,635	152,981	-	-
Consumables & Spares	22,475,200	27,043,127	19,939,722	24,671,681
Work in Progress	1,764,963	1,500,338	-	-
Fuel	12,625,280	10,575,557	12,625,280	10,575,557
Goods in Transit	3,219,607	1,579,334	2,622,301	1,463,243
Less: Provision for Obsolete & Unserviceable Stock	(1,448,304)	(1,398,721)	(1,122,559)	(1,247,947)
Provision for price Variance	(2,292,229)	(3,559,694)	(2,292,229)	(3,559,694)
	37,765,608	36,993,524	31,772,515	31,902,840

17. TRADE AND OTHER RECEIVABLES

	2016	Group 2015 Restated	2016	Board 2015 Restated
Trade Debtors	19,836,726	18,589,325	15,045,563	14,069,943
Less: Provision for impairment	(4,021,827)	(3,785,124)	(3,453,570)	(3,246,438)
	15,814,899	14,804,201	11,591,993	10,823,505
Other Debtors	36,798,918	20,891,774	33,945,131	13,052,007
Advances and Prepayments	1,789,036	1,558,297	1,153,001	6,512,336
Less: Provision for impairment	(274,663)	(222,968)	(274,663)	(222,968)
Transit Account	14,671	14,671	14,671	14,671
Opening restated amount	-	-	-	-
	54,142,861	37,045,975	46,430,133	30,179,551

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

18 AMOUNTS DUE FROM RELATED PARTIES

(All amounts in Sri Lanka Rupees Thousands)

Relationship		Group		Board	
		2016	2015	2016	2015
Lanka Electricity Company (Pvt) Ltd	Subsidiary Company	-	-	4,895,020	3,305,410
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	538,995	520,657
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	60,142	27,398
		-	-	5,494,157	3,853,465

19 CONTRIBUTED CAPITAL

The Capital contributed represents the value of net assets taken over by CEB from the Department of Government Electrical Undertakings (DGEU) on the formation of CEB in 1969 as per CEB Act NO: 17 Of 1969 and contributions made by GOSL to finance the specific capital (Development) projects as follows.

	2016	Restated 2015
Balance As at 01 January (Restated)	302,227,824	289,037,751
RE 8 Extension	(3,950)	160,436
Vauniya Kilinochchi Transmission Line Project	294,696	331,328
Kilinochchi Chunnakaum Transmission Project	-	168,381
Naganahira Navodaya (RE 4 Extension)	-	245,060
Sustainable Power Sector Support Project	128,234	290,124
Greater Colombo Transmission Project	2,851	66
Jaffna Rehabilitation Project	45,004	94,442
Debt to equity conversion (Refer note 21.2)	-	11,527,011
Clean Energy & Access Improvement Project (Demand side municipal Street Lightening Project)	-	373,136
Habarana Veyangoda Electrification Project	138	89
Balance As at 31st December 2016	302,694,797	302,227,824

20 RESERVES

	Group		Board	
	2016	2015	2016	2015
Summary				
Capital Reserves (20.1)	18,345,931	17,875,697	18,112,201	17,707,750
Revaluation Reserve (20.2)	741,689	741,689	-	-
Available for Sale Reserve (20.3)	4,720,576	4,713,956	-	-
Depreciation Reserve (20.4)	23,000	23,000	23,000	23,000
Self Insurance Reserve (20.5)	12,147,051	10,743,894	12,131,101	10,725,945
Asset Replacement Reserve *	255,007	242,485	-	-
Investment Reserve	1,851,091	1,587,900	-	-
	38,084,347	35,928,422	30,266,301	28,458,689

Lanka Electricity Company (Pvt) Ltd

* Asset Replacement Reserve

This represents the amount transferred from the retained earnings to cover losses & damages to property, plant and equipment and inventories of the company.

20.1 Capital Reserve

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2016	2015	2016	2015
Balance as at the Beginning of the Year	17,875,697	17,703,551	17,707,750	17,658,206
Movement during the period				
Foreign Exchange Reserve *	-	-	-	-
Exchange Equalization Reserve **	65,779	122,606	-	-
ADB-RHCP Project	404,455	49,540	404,451	49,544
Balance as at the end of the Year	18,345,931	17,875,697	18,112,201	17,707,750

Ceylon Electricity Board

Capital Reserves

Loan Redemption Reserve

Loan Redemption Reserve has been established under the provisions of Section 47 (1) (b) of the CEB Act No.17 of 1969 which states that CEB may maintain a sinking fund. The nature and the purpose of the sinking fund is the repayment of loans taken by the Board. No additional appropriations were made since year 2000 due to the operational losses incurred by CEB throughout the period. The balance carried forward since year 2000 is Rs. 17,447Mn.

Other Capital Reserve

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

RHCP Loan Reserve

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

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 Equalization Reserve**

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

20.2 Revaluation Reserve

	2016	Group 2015	2016	Board 2015
On: Property, Plant & Equipment				
Balance as at the beginning of the year (restated)	741,689	587,185	-	-
Transfer of surplus during the year	-	154,504	-	-
Revaluation surplus on disposals	-	-	-	-
Deferred Tax on Revaluation Reserve	-	-	-	-
Land Written off	-	-	-	-
Balance as at the end of the year	741,689	741,689	-	-

Lanka Electricity Company (Pvt) Ltd

The above Revaluation Surplus consist of net surplus resulting from the revaluation of PPE.

20.3 Available for Sale Reserve

	2016	Group 2015	2016	Board 2015
Balance as at the beginning of the year	4,713,956	4,753,382	-	-
Net Gain / (Loss) on available for sale assets	6,620	(39,426)	-	-
Balance as at the end of the year	4,720,576	4,713,956	-	-

Available for sale reserve includes the fair value changes in the Available for sale finance assts of LTL Holding (Pvt) Ltd and Lanka Electricity Company (Pvt) Ltd

20.4 Depreciation Reserve

	2016	Group 2015	2016	Board 2015
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) (b) 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.

20.5 Self Insurance Reserve

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2016	2015	2016	2015
Balance at the beginning of the period	10,743,894	9,769,076	10,727,944	9,753,127
Transfers from the retained earnings	1,062,600	1,026,613	1,062,600	1,026,613
Damages charged during the period	(185,445)	(448,915)	(185,445)	(448,915)
Income received from investment	526,002	397,120	526,002	397,120
Balance at end of the period	12,147,051	10,743,894	12,131,101	10,727,945

20.6 Investment Reserve

Dividend received from the West Coast Power (Pvt) Ltd has been identified as dividend income and created a reserve to the same amount since the company is liable to pay such dividend to the Government of the Democratic Socialist Republic of Sri Lanka if any technical error in the construction of Kerawalapitiya power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.

21. INTEREST BEARING LOANS & BORROWINGS

Group	2016		2016 Total	2015		2015 Total
	Repayable Within 1 year	Repayable After 1 year		Repayable Within 1 year	Repayable After 1 year	
Bank Loans (21.1)	16,693,416	27,876,771	44,570,187	15,878,009	37,100,425	52,978,434
Project Loans (21.2)	-	180,427,837	180,427,837	-	167,859,687	167,859,687
Loans from Samurdhi Authority (21.3)	183,680	717,807	901,487	183,680	853,254	1,036,934
Lease Creditors (21.4)	94,779	145,190	239,969	126,502	212,488	338,990
Bank Overdrafts	6,202,727	-	6,202,727	4,418,133	-	4,418,133
Redeemable Preference Shares	461,387	1,721,685	2,183,072	468,483	2,054,861	2,523,344
	23,635,989	210,889,290	234,525,279	21,074,807	208,080,715	229,155,522
The Board	2016		2016 Total	2015		2015 Total
	Repayable Within 1 year	Repayable After 1 year		Repayable Within 1 year	Repayable After 1 year	
Bank Loans (21.1.1)	12,959,143	20,509,410	33,468,553	12,376,943	29,447,278	41,824,221
Project Loans (21.2)	-	180,427,837	180,427,837	-	167,859,689	167,859,689
Loans from Samurdhi Authority (21.3)	183,680	717,807	901,487	183,680	853,254	1,036,934
Lease Creditors (21.4)	81,644	96,973	178,617	118,247	183,819	302,066
Bank Overdrafts	5,499,556	-	5,499,556	3,276,392	-	3,276,392
	18,724,023	201,752,027	220,476,050	15,955,262	198,344,040	214,299,302

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

21.1 Bank Loans

(All amounts in Sri Lanka Rupees Thousands)

21.1.1 The Board

Term Loans	Interest rate		As At	Loans	Repayment	As At	Repayable	Repayable
			01.01.2016	Obtained		31.12.2016	Within 1 Year	After 1 Year
People's Bank (Rs. 5000 Mn)	2010.06.22	9.53%	413,000	-	(413,000)	-	-	-
People's Bank (Rs. 4110 Mn)	2013.04.02	9.53%	2,544,286	-	(587,143)	1,957,143	587,143	1,370,000
People's Bank (Rs. 17650 Mn)	2013.01.30	9.53%	10,510,000	-	(2,520,000)	7,990,000	2,520,000	5,470,000
People's Bank (Rs. 18000 Mn)	2013.01.08	9.53%	9,300,000	-	(3,600,000)	5,700,000	3,600,000	2,100,000
People's Bank (Rs. 2000 Mn)	2013.07.15	9.53%	992,000	-	(992,000)	-	-	-
People's Bank (Rs. 2000 Mn)	2014.03.28	9.53%	1,166,000	-	(1,166,000)	-	-	-
People's Bank (Rs. 10000 Mn)	2014.04.21	9.53%	6,455,500	-	(2,502,000)	3,953,500	2,502,000	1,451,500
People's Bank (Rs. 2000Mn)	2014.07.02	9.53%	1,374,500	-	(1,374,500)	-	-	-
NSB (Rs 10 000 Mn)	2014.09.30	8.96%	8,750,000	-	(1,250,000)	7,500,000	1,250,000	6,250,000
People's Bank (Euro 2087 Mn)	2015.04.30	9.03%	318,935	1,048,975	-	1,367,910	-	1,367,910
People's Bank Treasury (Rs.5000 Mn)	2016.12.30	14.52%	-	5,000,000	-	5,000,000	2,500,000	2,500,000
			41,824,221	6,048,975	(14,404,643)	33,468,553	12,959,143	20,509,410

21.1.2 Lanka Electricity Company (Pvt) Ltd

Borrowing Bank	Interest rate %	Repayment Period	Value of Instalment	As At 01.01.2016	Loans Obtained	Repayment	As At 31.12.2016
Asian Development Bank	Project 2	10.5%	20 Years	22,253	22,253	-	(22,253)
	Project 3	13.0%	15 Years	16,458	33,773	-	(33,773)
					56,026	-	(56,026)
Lanka Electricity Company (Pvt) Ltd							
	2016 Repayable Within 1 year	2016 Repayable After 1 year	2016 Total	2015 Repayable Within 1 year	2015 Repayable After 1 year	2015 Total	
Bank Overdraft	66,126	-	66,126	58,239	-	58,239	
	66,126	-	66,126	58,239	-	58,239	

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

21.1.3 LTL Holdings (Pvt) Ltd

(All amounts in Sri Lanka Rupees Thousands)

Borrowing Bank	Interest rate	On demand	Less than 3 months	Maturity			Total
				3 to 12 months	1 to 5 Years years	> 5 years	
Standard Bank Ltd	EUROLIBOR						
LTL Holdings (Pvt) Ltd USD 6,500,000	+2.75%	-	-	114,291	871,918	-	986,209
HNB-S/T Loan	AWPLR						
LTL Holdings (Pvt) Ltd Rs.575,000,000	+0.5%	-	1,160,000	-	-	-	1,160,000
Standard Bank Ltd -							
Asiatic Electrical & Switchgear Pvt Ltd	10%	-	286,728	-	-	-	286,728
Canara Bank -							
Asiatic Electrical & Switchgear Pvt Ltd	9.25%	-	196,776	-	-	-	196,776
HNB- Pawan Danavi (pvt) Ltd-Rs.795.9 Mn	AWDR +2%	-	28,721	86,162	232,815	-	347,698
NDB- Pawan Danavi (pvt) Ltd-Rs.475,000,000	AWDR+4%	-	18,952	54,331	124,034	-	197,317
DFCC-Pawan Danavi (pvt) Ltd-Rs.400,000,000	AWDR+5%	-	15,231	45,692	101,538	-	162,461
Term Loan HNB USD 8MN	3Month LIBOR+5%	-	59,885	179,655	140,031	-	379,571
Secured Bank Loan Lakdhanavi							
Bangala Power Ltd USD 35,000,000	3Month LIBOR+4.5%	-	181,477	472,083	2,517,778	1,349,072	4,520,410
Working Capital Loan							
Lakdhanavi Bangala Power Ltd	10%	-	463,701	-	-	-	463,701
Secured Bank Loan Raj Lanka USD 19,000,000	3Month LIBOR + 4.5%	-	92,647	277,940	1,475,870	94,304	1,940,761
		-	2,504,118	1,230,154	5,463,984	1,443,376	10,641,632

21.1.4 Sri Lanka Energies (Pvt) Ltd

	Repayable Within 1 year	Repayable After 1 year	2016	Repayable Within 1 year	Repayable After 1 year	Total 2015
Long Term Loan	-	460,000	460,000	-	-	-
Bank Overdraft	-	-	-	307,140	-	307,140
	-	460,000	460,000	307,140	-	307,140

21.2 Project Loans

21.2.1 Loans From Treasury The Board

	Provider of funds	Interest Per annum (%)	2016	2015
Puttalam Coal Power project	EXIM BANK	6%	51,653,381	51,653,381
Puttalam Coal Power project -phase 11	EXIM BANK	6%	107,530,806	107,530,806
New Laxapana & Wimalasurendra Rehabilitation project	FRENCH	10%	39,395	-
Energy Diversification Enhancement Project	ADB	-	-	-
Clean Energy Access Impro. Project (SLA I)	ADB	10%	3,728,645	2,704,885
Clean Energy Access Impro. Project (SLA II)	ADB	10%	230,083	139,426
Sustainable Power Support Project	ADB	10%	3,525,023	1,496,325
Habarana Veyangoda Transmission Line project	JICA	Not Finalized	56,984	25,348
Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Finalized	2,108,812	208,965
Clean Energy Net Work Efficiency Improvement Project	ADB	10%	6,499,835	1,486,156
National Transmission & Distribution Network Development			34,803	-
Green Power Development & Energy Efficiency Improvement Project	ABD	Not Finalized	501,276	110,106
			175,909,043	165,355,398

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

21.2.2 Loans From Bank

		Interest Rate	As At 01.01.2016	Loans Obtained	Repayment	As At 31.12.2016	Repayable Within 1 Year	Repayable After 1 Year
Broadland Hydro Power Project (HNB)	2015.07.19	Floating LIBOR rate 6 Months + 6.3%	1,638,299	-	-	1,638,299	-	1,638,299
			865,990	1,676,164		2,542,154	-	2,542,154
Broadland Hydro Power Project (CNEEC)	2015.10.02	6%EURIBOR + Margin	-	338,341	-	338,341	-	338,341
			2,504,289	2,014,505	-	4,518,794	-	4,518,794
Total Project Loan							2016	2015
Amount Payable within one year							-	-
Amount Payable after one year							180,427,837	167,859,689

21.3 Loans From Samurahi Authority

The Board	As At 01.01.2016	Loans Obtained	Repayment	As At 31.12.2016	Repayable Within 1 Year	Repayable After 1 Year
Term Loan for "Viduli Athwela" Programme	1,036,935	202,000	(337,448)	901,487	183,680	717,807
	1,036,935	202,000	(337,448)	901,487	183,680	717,807

21.4 Lease Creditor

21.4.1 The Board

	2016 Repayable Within 1 year	2016 Repayable After 1 year	Total 2016	2015 Repayable Within 1 year	2015 Repayable After 1 year	Total 2015
Merchant Bank Of Sri Lanka						
Lease Creditor	108,571	112,238	220,809	171,243	220,959	392,202
Interest in Suspense	(26,927)	(15,265)	(42,192)	(52,996)	(37,140)	(90,136)
	81,644	96,973	178,617	118,247	183,819	302,066

21.4.2 LTL Holdings (Pvt) Ltd

	2016 Repayable Within 1 year	2016 Repayable After 1 year	Total 2016	2015 Repayable Within 1 year	2015 Repayable After 1 year	Total 2015
Lease Creditor	14,971	49,699	64,670	11,332	30,690	42,022
Interest in Suspense	(4,142)	(8,116)	(12,258)	(4,355)	(5,657)	(10,012)
	10,829	41,583	52,412	6,977	25,033	32,010

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

21.4.3 Sri Lanka Energies (Pvt) Ltd

	2016 Repayable Within 1 year	2016 Repayable After 1 year	Total 2016	2015 Repayable Within 1 year	2015 Repayable After 1 year	Total 2015
Lease Creditor	2,914	8,386	11,300	1,490	4,239	5,729
Interest in Suspense	(609)	(1,753)	(2,362)	(212)	(602)	(814)
	2,305	6,633	8,938	1,278	3,637	4,915
Total (Group)	94,779	145,190	239,969	126,502	212,488	338,990

22 CONSUMER DEPOSITS

	2016	Group 2015	2016	Board 2015
Balance as at Beginning of the year	11,484,253	10,458,306	11,484,253	10,458,306
Deposit Received during the year	1,474,424	1,318,174	1,474,424	1,318,174
Refunds Made during the year	(205,605)	(292,227)	(205,605)	(292,227)
Balance as at the end of the year	12,753,072	11,484,253	12,753,072	11,484,253

23. PROVISIONS AND OTHER DEFERRED LIABILITIES

	2016	Group 2015	2016	Board 2015
Retirement Benefits Obligation- Gratuity (23.1)	6,007,807	5,890,194	5,182,258	5,048,487
Pension Benefits (23.2)	2,050,122	1,037,387	2,050,122	1,037,387
Commutated Pension Fund Liability-Non Funded	30,000	29,770	30,000	29,770
	8,087,929	6,957,351	7,262,380	6,115,644

23.1 Retirement Benefits Obligation- Gratuity

	2016	Group 2015	2016	Board 2015
Balance as at 1st January	5,890,196	5,743,405	5,048,488	4,952,555
Transferred during the year	(927)			
Charge for the year (23.1.1)	849,351	790,851	812,447	692,719
Payments made during the year	(730,813)	(644,061)	(678,677)	(596,787)
	-	-	-	-
Closing Balance	6,007,807	5,890,194	5,182,258	5,048,487

23.1.1 Charge for the year

	2016	Group 2015	2016	Board 2015
Interest Cost	636,887	613,480	555,334	544,781
Current service Cost	346,692	337,644	304,955	291,411
Actuarial (gain)/ loss	(134,228)	(160,273)	(47,842)	(143,473)
	849,351	790,851	812,447	692,719

(All amounts in Sri Lanka Rupees Thousands)

23.1.2 Retirement Benefits Obligation- Gratuity

The Board

Messrs. Acturial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Board.

The principal assumptions used are as follow

	2016	2015
Discount rate assumed (%) (per Annum)	11%	11%
Further salary increase (%) -once in three years	30%	30%
Retirement age	60	60

Lanka Electricity Company (Pvt) Ltd

The provision for retirement benefit obligations is based on the actuarial valuation carried out by professionally qualified Actuaries, Messer, Actuarial & Management Consulatants. The liability ois not externally funded. Key Assumptions used for the calculation are as following

	2016	2015
Discount rate assumed (%) (per Annum)	12%	9%
Salary Increase Rate (%) (per Annum)	9.2%	8.5%
Normal Retirement Age		
- Appointments up to 31 December 2006	65 years	65 years
- Appointments after 01 January 2007	57 years	57 years
Staff Turnover		
- Upto age 50	0.64%	0.67%
- Age above 50	0%	0%

LTL Holdings (Private) Limited

Messes Piyal S. Gunathilake and Associates actuaries carried out and actuarial valuation of the defined benefit plan gratuity as at December 2016 and December 2015 for the respective plan years.

Principal Assumptions

	2016	2015
Discount rate assumed (%) (per Annum)	12.5%	10%
Salary Increase Rate (%) (per Annum)	5%	5%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	55 Years	55 Years

Lanka Coal Company (Pvt) Ltd

Principal Assumptions

	2016	2015
Discount rate assumed (%) (per Annum)	11.50%	11.50%
Salary Increase Rate (%) (per Annum)	10%	10%
Staff Turnover (%) (per Annum)	11%	-
Retirement Age	60	60

(All amounts in Sri Lanka Rupees Thousands)

23.2 Pension Benefit

Group/Board

The Board operates defined benefit pension plan on employee pensionable remuneration and length of service.

The amount recognize in the Statement of Financial Position are determined as follows.

	2016	2015
Present Value of Obligations (23.2.1)	20,473,947	18,107,672
Fair Value of plan assets (23.2.2)	18,423,825	17,070,285
Deficit of funded plans	2,050,122	1,037,387
Contribution receivables		
Present Value of unfunded obligations		
Liability / Assets in the Statement of Financial Position	2,050,122	1,037,387

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

	2016	2015
At beginning of the year	18,107,672	17,485,753
Current Service Cost	629,574	610,970
Interest Cost	1,810,767	1,748,575
Actuarial Gain/ (Losses)	1,057,667	(796,983)
Benefit Paid	(1,131,733)	(940,643)
At end of the year	20,473,947	18,107,672

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

	2016	2015
At beginning of the year	17,070,285	15,896,796
Expected Return on Plan Assets	1,504,166	1,181,367
Actuarial Losses	7,507	11,486
Contribution Paid (Employee + Employer)	973,600	921,279
Benefit Paid	(1,131,733)	(940,643)
At end of the year	18,423,825	17,070,285

The amounts recognized in the income statement are as follows

Current service cost	629,574	610,970
Interest Cost	1,810,767	1,748,575
Expected return on plan assets	(1,504,166)	(1,181,367)
Recognized in income statement	936,175	1,178,178

The principal actuarial assumptions were as follows

Discount Rates	10%	10%
Expected return on plan assets	8.81%	7.43%
Future Salary Increases	25%	30%
Future Pension Increases	0%	0%
Retirement Age	60	60

Plan assets are comprised as follows

Fixed Deposits	13,060,558	11,583,247
Treasury Bonds	4,364,043	4,624,785
Treasury Bills	-	-
Other	1,000,083	837,814
Total	18,424,684	17,045,846

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

27. AMOUNTS DUE TO RELATED PARTIES

	Relationship	2016	Group 2015	2016	Board 2015
LTL Holdings (Pvt) Ltd	Subsidiary Company	-	-	412,591	511,643
Lanka Electricity Co.(Pvt) Ltd	Subsidiary Company	-	-	-	-
Ante Leco Metering Co.(Pvt) Ltd	Sub-subsiary Company	-	-	78,229	71,520
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	1,435,643	709,933
		-	-	1,926,463	1,293,096

28. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	2016	Group 2015	2016	Board 2015
28.1 Favourable Cash & Cash Equivalents balance				
Cash & Bank Balances	3,646,982	4,117,769	1,491,439	1,640,292
Cash in Transit	125,513	115,304	-	-
Call Deposits	-	-	-	-
Current portion of other investments-LECO	2,656,900	4,189,484	-	-
	6,429,395	8,422,557	1,491,439	1,640,292
28.2 Unfavourable Cash & Cash Equivalent Balances				
Bank Overdraft(21)	(6,202,727)	(4,418,133)	(5,499,556)	(3,276,392)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	226,668	4,004,424	(4,008,117)	(1,636,100)

29. MATERIALLY PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interest is provided below.

29.1 Proportion of equity interest held by non-controlling interest

Name of the Subsidiary	Country of incorporation and operation	2016	2015
LTL Holdinbg (Pvt) Ltd	Sri Lanka	37%	37%
Lanka Electricity Company (Pvt) Ltd	Sri Lanka	45%	45%
Lanka Coal Company (Pvt) Ltd	Sri Lanka	40%	40%

29.2 Profit allocated to material non-controlling interests

LTL Holdinbg (Pvt) Ltd	1,011,108	1,303,051
Lanka Electricity Company (Pvt) Ltd	764,752	559,763
Lanka Coal Company (Pvt) Ltd	-	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

29.3 The summarised financial information of these subsidiaries provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for : 2016	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Revenue	29,741	17,946,213	44,058
cost of sales	(25,452)	(12,630,489)	-
Gross Profit	4,289	5,315,724	44,058
Other Income & Gains	1,346	1,105,646	6,578
Administrative Expenses	(2,320)	(715,523)	(51,220)
Other Operating Expenses	(1,943)	(271,755)	-
Finance Income	931	739,141	652
Finance Cost	(35)	(1,045,877)	(68)
Profit before Tax	2,268	5,127,356	-
Income tax	(567)	(1,262,103)	-
Profit for the year from continuing operations	1,701	3,865,253	-
Total Comprehensive Income			
Attributable to non-controlling interest	764,452	1,011,108	-
Dividends paid to non-controlling interests	158,046	2,590,882	-

29.4 Summarised statement of profit or loss for : 2015

Revenue	26,774,028	15,511,881	32,118
cost of sales	(23,407,018)	(11,818,491)	-
Gross Profit	3,367,010	3,693,390	32,118
Other Income & Gains	1,179,278	2,715,331	6,883
Administrative Expenses	(1,808,266)	(581,696)	(39,284)
Other Operating Expenses	(1,775,009)	(319,054)	-
Finance Income	560,937	663,074	424
Finance Cost	(15)	(1,194,218)	(141)
Profit before Tax	1,523,935	4,976,827	-
Income tax	(360,644)	(875,498)	-
Profit for the year from continuing operations	1,163,291	4,101,329	-
Total Comprehensive Income			
Attributable to non-controlling interest	559,763	1,303,051	-
Dividends paid to non-controlling interests	90,400	1,480,400	-

29.5 Summarised statements of financial position as at 31st December 2016

Inventories and Cash and bank balances (current)	4,167,413	5,089,791	8,983
Property, Plant and equipment and other non-current	19,344,417	13,840,560	3,051
Financial assets (non-current)	2,000,000	4,426,652	-
Trade & other Payables (current)	4,994,062	2,595,139	27,479
Interest-bearing loans and borrowings and deferred tax	424,715	10,439,753	65,475
Liabilities (non-current)	4,786,502	9,353,326	1,897
Total Equity			
Attributable to :			
Equity holders of parent	14,218,950	8,753,230	42,316
Non- controlling interest	11,540,017	5,140,786	28,211

(All amounts in Sri Lanka Rupees Thousands)

29.6 Summarised statements of financial position as at 31st December 2015

Inventories and Cash and bank balances (current)	5,886,462	4,298,876	3,561
Property, Plant and equipment and other non-current	18,885,015	13,205,925	2,086
Financial assets (non-current)	2,923,949	3,946,295	-
Trade & other Payables (current)	2,780,492	872,097	972
Interest-bearing loans and borrowings and deferred tax	382,946	8,058,930	65,475
Liabilities (non-current)	4,566,000	10,036,095	1,468
Total Equity			
Attributable to :			
Equity holders of parent	13,165,679	11,469,028	42,316
Non- controlling interest	10,685,188	6,735,778	28,211

29.7 Summarised cash flow information for the year ending 31 December 2016

Operating	2,922,065	3,249,544	22,236
Investing	(4,381,327)	5,399,220	(1,674)
Financing	(351,476)	(5,976,616)	-
Net increase/(decrease) in cash and cash equivalents	(1,810,738)	2,672,148	20,562

29.8 Summarised cash flow information for the year ending 31 December 2015

Operating	759,110	4,206,573	1,633
Investing	2,371,470	(2,317,506)	(1,527)
Financing	(201,879)	(91,514)	(989)
Net increase/(decrease) in cash and cash equivalents	2,928,701	1,797,553	(883)

30 PRIOR YEAR ADJUSTMENTS

The group prior year adjustments had been made due to the following reasons.

30.1 Ceylon Electricity Board

The project cost of New Laxapana and Wimalasurendra projects which was in work-in-progress was capitalized from the date of available for use and the depreciation was adjusted from that date onwards. Further, the deferred tax liability recognized in year 2014 onwards with a view that the tax losses in the tax exempted period cannot be set off with future taxable profits, was reversed.

30.2 Lanka Electricity Company (Pvt) Ltd

Correction of erroneously stated income tax expense/liability of the company and the deferred tax impact in considering the revaluation amount as a permanent difference at the transition to SLFRS.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

30.3.1 Impact to the prior year adjustment for the group as at 31 December 2015.

Statement of Financial Position

	2015 Before Restatement	2015 CEB Adjustments	2015 LECO Adjustments	2015 SLE Adjustments	2015 After Restatement
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	710,432,914	(1,475,591)	-	7,936	708,965,259
Premium Paid on Leasehold Land	13,205	-	-	-	13,205
Intangible assets	71,480	-	-	-	71,480
Investments in Subsidiaries	-	-	-	-	-
Investment in Joint Venture	240,753	-	-	-	240,753
Finance Lease Receivables	8,756,103	-	-	-	8,756,103
Other Non Current Financial Assets	19,430,862	-	-	-	19,430,862
Investments of Insurance Reserve	6,036,934	-	-	-	6,036,934
Total Non-Current Assets	744,982,251	(1,475,591)	-	7,936	743,514,596
Non Current Assets held for sale	2,531,553	-	-	-	2,531,553
Current Assets					
Property, Plant & Equipment -Heladhanavi	10,884	-	-	-	10,884
Inventories	36,187,750	805,774	-	-	36,993,524
Trade and Other Receivables	37,045,001	-	-	-	37,045,001
Amounts Due from Related Parties	-	-	-	-	-
Finance Lease Receivables	805,077	-	-	-	805,077
Other Current Financial Assets	18,925,224	-	-	-	18,925,224
Tax Refund Due	975	-	-	-	975
Cash and Bank Balances	8,422,557	-	-	-	8,422,557
Total Current Assets	101,397,468	805,774	-	-	102,203,242
Total Assets	848,911,272	(669,817)	-	7,936	848,249,391
EQUITY AND LIABILITIES					
Capital and Equity					
Contributed Capital	302,227,824	-	-	-	302,227,824
Reserves	35,928,712	-	(290)	-	35,928,422
Retained Earnings / (Loss)	96,817,613	16,473,425	242,046	(985)	113,532,099
Equity Attributable to the Equity Holders of the Parent	434,974,149	16,473,425	241,756	(985)	451,688,345
Non Controlling Interest	23,914,822	-	196,208	-	24,111,030
Total Equity	458,888,971	16,473,425	437,964	(985)	475,799,375
Non-Current Liabilities and Deferred Income					
Interest Bearing Loans & Borrowings	208,079,263	1,452	-	-	208,080,715
Consumer Deposits	11,484,253	-	-	-	11,484,253
Provisions and Other Deferred Liabilities	6,957,351	-	-	-	6,957,351
Deferred Income	75,541,646	-	-	-	75,541,646
Deferred Taxation	21,647,950	(20,999,981)	272,413	-	920,382
Total Non-Current Liabilities and Deferred Income	323,710,462	(20,998,529)	272,412	-	302,984,347
Current Liabilities					
Trade and Other Payables	42,445,014	38,685	-	8,921	42,492,620
Dividend Payables	1,115,280	-	-	-	1,115,280
Amounts Due to Related Parties	-	-	-	-	-
Interest Bearing Loans & Borrowings	21,074,807	-	-	-	21,074,807
Income Tax Payable	1,676,737	3,816,602	(710,377)	-	4,782,962
Total Current Liabilities	66,311,839	3,855,287	(710,377)	8,921	69,465,669
Total Equity and Liabilities	848,911,272	(669,821)	-	7,936	848,249,391

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

30.3.2 Impact of the prior year adjustment for the group as at 31 December 2015.

Statement of Comprehensive Income

	2015 Before Restatement	2015 CEB Adjustments	2015 LECO Adjustments	2015 SLE Adjustments	2015 After Restatement
Continuing Operation					
Revenue	207,014,577	-	-	-	207,014,577
Cost of Sales	(181,273,419)	(472,990)	-	-	(181,746,409)
Gross Profit / (Loss)	25,741,158	(472,990)	-	-	25,268,168
Other Income and Gain	10,273,834	(106)	-	-	10,273,728
Distribution Cost	(71,800)	-	-	-	(71,800)
Others	(323,790)	-	-	-	(323,790)
Administrative Expenses	(6,533,613)	5,881	-	(8,921)	(6,536,653)
Operating Profit/(Loss)	29,085,789	(467,215)	-	(8,921)	28,609,653
Finance Income	1,545,314	-	-	-	1,545,314
Finance Cost	(6,222,301)	-	-	7,936	(6,214,365)
Finance Cost-Net	(4,676,987)	-	-	7,936	(4,669,051)
Share of loss of Joint Venture	2,333	-	-	-	2,333
Profit/(loss) before Income Tax	24,411,135	(467,215)	-	(985)	23,942,935
Income Tax Expense	(995,952)	-	-	-	(995,952)
Deferred Tax Charge/(Reversal)	(19,118)	(186,991)	(98,680)	-	(304,789)
Profit/Loss for the year from continuing operation	23,396,065	(654,206)	(98,680)	(985)	22,642,194
Non Controlling Interest	(3,087,819)	-	44,209	-	(3,043,610)
Profit/(Loss) for the Year	20,308,246	(654,206)	(54,471)	(985)	19,598,584

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

30.3.3 Impact of the prior year adjustment for the group as at 31 December 2014.

Statement of Financial Position

	2014 Before Restatement	2014 CEB Adjustments	2014 LECO Adjustments	2014 SLE Adjustments	2014 After Restatement
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	701,774,032	(648,301)	-	-	701,125,731
Premium Paid on Leasehold Land	6,984	-	-	-	6,984
Intangible assets	16,521	-	-	-	16,521
Investments in Subsidiaries	-	-	-	-	-
Investment in Joint Venture	59,814	-	-	-	59,814
Finance Lease Receivables	4,144,203	-	-	-	4,144,203
Other Non Current Financial Assets	13,620,718	-	-	-	13,620,718
Investments of Insurance Reserve	5,653,841	-	-	-	5,653,841
Total Non-Current Assets	725,276,113	(648,301)	-	-	724,627,812
Non Current Assets held for sale	1,023,292	-	-	-	1,023,292
Current Assets					
Property, Plant & Equipment-Heladhanavi Ltd	808,339	-	-	-	808,339
Inventories	39,538,138	506,779	-	-	40,044,917
Trade and Other Receivables	35,532,491	(8,029)	-	-	35,524,462
Amounts Due from Related Parties	-	-	-	-	-
Finance Lease Receivables	355,086	-	-	-	355,086
Other Current Financial Assets	19,674,511	-	-	-	19,674,511
Tax Refund Due	6,346	-	-	-	6,346
Cash and Bank Balances	4,416,678	-	-	-	4,416,678
Total Current Assets	100,331,589	498,750	-	-	100,830,339
Total Assets	826,630,994	(149,551)	-	-	826,481,443
EQUITY AND LIABILITIES					
Capital and Equity					
Contributed Capital	289,037,751	-	-	-	289,037,751
Reserves	34,137,701	-	(290)	-	34,137,411
Retained Earnings / (Loss)	77,740,194	17,127,629	296,518	-	95,164,341
Equity Attributable to the Equity Holders of the Parent	400,915,646	17,127,629	296,228	-	418,339,503
Non Controlling Interest	23,215,973	-	240,417	-	23,456,390
Total Equity	424,131,619	17,127,629	536,645	-	441,795,893
Non-Current Liabilities and Deferred Income					
Interest Bearing Loans & Borrowings	207,996,255	1,452	-	-	207,997,707
Consumer Deposits	10,458,306	-	-	-	10,458,306
Provisions and Other Deferred Liabilities	7,341,042	-	-	-	7,341,042
Deferred Income	69,808,549	-	-	-	69,808,549
Deferred Taxation	21,618,360	(21,186,971)	173,732	-	605,121
Total Non-Current Liabilities and Deferred Income	317,222,512	(21,185,519)	173,732	-	296,210,725
Current Liabilities					
Trade and Other Payables	59,355,518	91,741	-	-	59,447,259
Dividend Payables	628,949	-	-	-	628,949
Amounts Due to Related Parties	-	-	-	-	-
Interest Bearing Loans & Borrowings	23,312,580	-	-	-	23,312,580
Income Tax Payable	1,979,816	3,816,598	(710,377)	-	5,086,037
Total Current Liabilities	85,276,863	3,908,339	(710,377)	-	88,474,825
Total Equity and Liabilities	826,630,994	(149,551)	-	-	826,481,443

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

31 ASSETS PLEDGED

The Board

There is no assets pledged as at the date of the Statement of Financial Position.

31.1 Lanka Electricity Company (Pvt) Limited

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2016	2015	
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	45,500	} Current and Non Current } Other Investments
Fixed Deposits	SMI Loan Schemes of People's Bank	132,517	124,891	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	783,662	829,856	

31.2 LTL Holdings (Pvt) Ltd

Following assets have been pledged as security for interest bearing borrowing and Letter of Credit Facilities of respective companies of the Group.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2016	2015	
Immovable Properties	First Mortgage for Loans & Borrowings	-	-	Property plant & Equipment
Lakdhanavi Ltd & its Jointly Controlled Entity				
Investment in Fixed Deposits	Mortgage against the Bank Guarantees	1,116,739	1,875,380	Other Financial Assets
Short term Investment	Overdraft - Heladanavi	-	-	Other Financial Assets
Short term Investment	Overdraft - Raj Lanka	-	-	Other Financial Assets
Jointly Venture Company-Heladanavi Limited				
Land,Building,Plant & Machinery & Trade Receivables	Term Loan	-	-	Property plant & Equipment
Pawan Danavi (Private) Limited				
Wind power plant, Free Hold land and Lease Hold Land.	Primary Concurrent Mortgage Bond	2,219,065	1,413,900	Property Plant & Equipment
Ordinary shares 51% Held by LTL Holdings Pvt Ltd.	Primary Concurrent Mortgage Bond	540,600	485,000	Stated Capital
	Corporate Guarantee from LTL Holdings (Pvt) Ltd on behalf of company.	-	2,466,000	Property ,Plant & Equipment

31.3 Sri Lanka Energies (Pvt) Ltd

Following assets have been pledged as security for interest bearing borrowings obtained by Kumbalgamuwa Mini Hydro (Pvt) Ltd

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2016	2015	
Projects assets together with all the permits, licenses issued by the regulatory bodies in respect of Kumbalgamuwa Mini Hydro Power Project	Mortgage	450,000	-	Property ,Plant & Equipment
100% shares of Kumbalgamuwa Mini Hydro (Pvt) Ltd	Mortgage	10,000	-	Stated Capital

(All amounts in Sri Lanka Rupees Thousands)

32 EVENTS OCCURRING AFTER THE STATEMENT OF THE FINANCIAL POSITION

There have been no material events occurring after the statement of financial position that require adjustments to or disclosure in the financial statements of the Group.

33 CONTINGENCIES

33.1 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 31.12.2016, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.164.3 Mn.

33.2 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. 273.7Mn (2014 – 273.7Mn). However, the written clearance has not yet been received by the company from the relevant tax authorities. No provision has been made in the financial statements in this regard.
- (b) The Company is a defendant respondent in 15 (2015 -12) lawsuits for which the maximum liability is estimated by the company at Rs.13.6 Mn (2015 - Rs.19.9 Mn) at the year end. Although there is no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity of the Company. Accordingly, no provision for any liability has been made in these financial statements in this regard.
- (c) The Company has a possible NBT liability which could arise if the proposed NBT (amendment) bill is not enacted. The company has not submitted NBT returns to the Inland Revenue based on the understanding that the proposed amendment bill will be enacted. This liability has been provided for in the financial statements. However, the possible penalty that could be imposed for non-submission of the NBT returns has not been provided for the financial statements.

**33.3 LTL Holdings (Private) Limited
Legal Claim Contingencies**

Heladhanavi Limited

HC (Civil) ARB /185/2014- Heladhanavi Limited Vs. Ceylon Electricity Board

The entity has filed this Application seeking to enforce an arbitral award delivered in favor of the Company on 29 October 2013 by the Honorable Arbitral Tribunal in the matter of Heladhanavi Limited Vs Ceylon Electricity Board.

This Application is still pending and is being called on 27 March 2017 for inquiry.

HC (Civil) ARB /268/2013- Heladhanavi Limited Vs. Ceylon Electricity Board

Ceylon Electricity Board filed this Application against the entity seeking inter alia for an order to set aside the arbitral award mentioned above in the matter of Heladhanavi Limited Vs Ceylon Electricity Board dated 29 October 2013.

This Application is still pending and is being called on 27 March 2017 for inquiry.

33.4 Lanka Coal Company (Pvt) Ltd

The company has filed a case against Liberty Commodities for the amount over claimed by Liberty Commodities . The case is awaiting arbitration decision. The carrying value of the claim as at the balance sheet date is Rs. 236Mn.

34 CAPITAL COMMITMENTS

34.1 The Board

The Board does not have material purchase commitments for acquisition of Property , Plant and Equipment incidental to the ordinary course of business as at 31st December 2016.(2015 - Nil).

34.2 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 2016.(2015 - Nil).

(All amounts in Sri Lanka Rupees Thousands)

34.3 LTL Holdings (Pvt) Ltd

Leases

Finance Lease commitments the Group as lessee is disclosed in Note 21.4

Finance Lease receivable the Group as lessor is disclosed in Note 12

Letter of Credits

Parent/Subsidiary/Joint Venture Company	Bank	2016	2015
LTL Holdings (Pvt) Ltd LTL Transformers (Pvt) Ltd	Hatton National Bank PLC Hatton National Bank PLC	265,602	191,165
		265,602	191,165

Guarantee

Parent/Subsidiary/Joint Venture Company	Bank	2016	2015
LTL Transformers (Private) Ltd LTL Holdings (Private) Ltd LTL Galvanizers (Private) Ltd LTL Holdings (Private) Ltd	Hatton National Bank PLC Hatton National Bank PLC Hatton National Bank PLC City Bank	449,310 -	647,925 104,108
		449,310	752,033

LTL Holding (Private) Limited has provided corporate guarantees totalling to Rs 2,053,488,704 for a bank loan obtained by subsidiaries (2015:Rs 2,007,968,704/-)

Lakdhanavi Limited has committed guarantees totalling to Rs 3.7Bn, USD 4.8Mn and EURO .5Mn for various banks.

34.4 Operating Lease Commitments - Group as a lessee

LTL Holdings (Private) Limited

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

	2016	2015
Within One Year	12,230	12,230
After One year but not more than 5 years	18,345	30,574
	30,575	42,804

Infra Engineering (Pvt) Ltd

Nature

The company has entered into an operating lease agreement with Ms.Hikkaduwa Liyanage Chithralatha for a period of 22 years commencing from 26th September 2014 to 25th September 2036.

	2016	2015
Within One Year	321	321
After One year but not more than 5 years	1,606	1,606
More than five years	4,440	4,761
	6,367	6,688

(All amounts in Sri Lanka Rupees Thousands)

34.5 Other Commitments

LTL Holdings (Pvt) Limited

The company has a commitments towards the Director general of Irrigation on Deduru Oya Rs. 53,617,060/= equivalent to 84% of the completion.

Lakdhanavi Limited

The company has a commitment towards Hatton National Bank and City Bank for Rs. 51,400,385/- and 288,120,000/- respectively as guarantees

The Company is liable to the government of the Democratic Socialist Republic of Sri Lanka, equivalent to the amount that dividends received from West Coast Power (Private) Limited, if any technical error in the construction of Kerawalapitiya Power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.

Lakdhanavi Bangala Power Limited

As per PPA, the Company shall furnish BPDB an irrecoverable and unconditional bank guarantee by a schedule bank in Bangladesh, for the sum specified, two months capacity payments equaling Tk 122,000,000 as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly the Company has provided the above guarantee from The City Bank Limited for the equivalent of Tk 122,000,000. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the company shall be required to pay to BPDB.

Raj Lanka Power Co. Limited

As per Power Purchase Agreement (PPA), the Company shall furnish Bangladesh Power Development Board (BPDB) an irrecoverable and unconditional bank guarantee by a schedule bank in Bangladesh, for the sum specified, two months capacity payments as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly, the Company has provided the above guarantee from Standard bank Ltd- Bangladesh for the equivalent of TK 116,204,000. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the Company shall be required to pay to BPDB.

35 Related Party Disclosures

35.1 The Board

35.1.1 Directors Interest in Contracts

Mr. W.D.A.S Wijayapala was appointed as the Chairman of CEB on the 20th January 2015 and served as the Chairman during the year 2016. Mr.Wijayapala has also served as a Director of the Lanka Electricity Company (Pvt) Ltd., LTL Holdings (Pvt) Ltd., Lanka Coal Company (Pvt) Ltd., Sri Lanka Energies (Pvt) Ltd. which are the Subsidiaries of CEB and the Trincomalee Power Co. Ltd, which is a Joint Venture of CEB, during the year in concern.

Mr. W. A. G. Wanasekara was appointed as the Vice Chairman of CEB on the 30th October 2015 and served CEB during the year 2016. Mr. Wanasekara was also appointed as a Director to the Board of Sri Lanka Energies (Pvt) Ltd. on the 28th December 2015 and to the Trincomalee Power Co. Ltd, on 08th February 2016.

Mr. W.R.G. Sanath Bandara was appointed as a Board member and the Working Director of CEB on the 12th November 2015 and he served CEB during the year 2016.

Ms. Jeewani Kariyawasam was appointed as a member of the Board on 23rd January 2015 and she served CEB during the year 2016.

Mr. R. Semasinghe, Director General, Department of Public Enterprises of the Ministry of Finance & Planning was appointed as a member of Board on the 28th January 2015 and he served CEB during the year 2016.

Mr. T.M.K.B. Tennakoon, Secretary, Ministry of Industry and Commerce was appointed on 30th October 2015 and served as a member of the Board during the year 2016.

Mr. S.D.A.B. Boralessa, Additional Secretary, Ministry of Provincial Councils and Local Government was appointed on the 16th November 2015 and served as a member of the Board during the year ended 31st December 2016.

(All amounts in Sri Lanka Rupees Thousands)

35.1.2 The Board carried out following transactions with following related companies.

	2016	2015
a) Sales of Goods & Services		
Electricity Sales Heavy Supply LECO	24,608,763	22,884,328
b) Purchase of Goods & Services		
LTL Transformers Ltd	1,787,527	1,494,333
LTL Galvanizers (Pvt) Ltd	153,879	195,677
ANTE LECO Metering Co (Pvt) Ltd	948,067	580,163
Nividu (Pvt) Ltd	65,690	175,198
Nividu Assupinella (Pvt) Ltd	92,426	280,698
Pawan Danavi Limited	656,846	615,092
Lanka Coal Company (Pvt) Ltd	20,204,026	26,776,943
Sri Lanka Energies (Pvt) Ltd	-	427,428
Sri Lanka Energies HR (Pvt) Ltd	879,834	362,823
Kumbalgamuwa Minihydro (Pvt) Ltd	90,464	-

35.1.3 Transactions with the Government of Sri Lanka and its related entities.

Since the Government of Sri Lanka directly controls the CEB, the CEB has considered the Government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as related parties according to LKAS 24, "Related Party Disclosures".

The CEB enters into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transaction have been reported in follows.

	Nature of Transaction	2016	2015
Ceylon Petroleum Corporation	Purchase of Fuel	36,885,000	19,772,020
Department of Public Enterprises	Obtain Project Loans	10,553,645	17,406,566
Peoples Bank	Obtain Bank Loans	6,048,975	318,935

35.1.4 Transaction with Key Management Personnel

Key management personnel comprise the Directors of the Board.

(i) Loans to Directors

No loans have been given to the Directors of the Board.

(ii) Key Management Personnel Remuneration

During the year under review, Rs 4,505,250/- (2015 - Rs 2,452,818/-) incurred on behalf of key management personnel of the Board.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(All amounts in Sri Lanka Rupees Thousands)

35.2 LTL Holdings (Private) Limited

Details of significant related party disclosures are as follows ;

35.2.1 Transactions with the parent and related entities

Nature of Transaction	Name of the Company and Relationship		Entity with significant influence over the Company & Other Related			Total
	CEB Parent					
	2016	2015	2016	2015	2016	2015
As at 1st January	800,754	2,770,132	(1,108,680)	(271,958)	(307,926)	2,498,174
Sale of goods/Services	2,756,127	2,789,209	-	-	2,756,127	2,789,209
Opening receivables of Heladhanavi Ltd.	-	-	-	-	-	-
Dividend Declared	(4,409,118)	(2,519,496)	(4,094,991)	(1,990,068)	(8,504,109)	(4,509,564)
EPC Sales	-	-	-	-	-	-
Advances set off	-	-	-	-	-	-
Dividend Paid	3,149,370	2,834,496	1,998,918	1,153,346	5,148,288	3,987,842
Receipts during the year	(2,844,268)	(5,073,587)	-	-	(2,844,268)	(5,073,587)
Payment made during the year	-	-	-	-	-	-
Balance As At 31st December	(547,135)	800,754	(3,204,753)	(1,108,680)	(3,751,888)	(307,926)

During the year the group has entered into construction contract of Rs. Rs.425,000,500 & USD 846,170/- (2014 - Nil) with Kumbalgamuwa Mini Hydro (Pvt) Ltd and receivable/ payable at reporting date is Rs. 141,885,624/- (2014 - Nil)

The group also had transactions with Lanka Electricity Company (Pvt) Ltd as follows

	2016	2015
Supply of Transformers	193,877	145,350
Trade Receivables as at 31 December	52,242	47,258
Sale of Freehold land & building	-	60,000

35.2.2 Transactions with the Government of Sri Lanka and its Related Entities

Since the Government of Sri Lanka Directly controls the Group's parent, the Group has considered the government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the government of Sri Lanka as Related Parties according to LKAS 24, " Related party Disclosures".

The Group enters transactions, arrangements and agreement with the Government of Sri Lanka and its other related entities and significant transaction have been reported as follows,

Nature of the transaction	2016	2015	
Ceylon Petroleum Corporation	Purchase of fuel by Heladhanavi	-	-
Peoples Bank	Investments & Cash Balances	1,793,338	1,661,661
Bank of Ceylon	Investments & Cash Balances	938,248	6,837,585
Director General of Irrigation	Contract Revenue	21,274	404,177
Central Cultural Fund	Contract Revenue	(4,607)	16,399
Sri Lanka Development Bond	Investments	382,836	-

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

Payment of statutory rates, taxes.

Payment for utilities mainly comprising of telephone, electricity and water.

Payment for employment retirement benefit- EPF and ETF.

payment for insurance premiums to Sri Lanka Insurance Corporation.

Investments, Current Accounts and Borrowings with Banks that have ownership interest to the Government (HNB, NDB, Commercial Bank and DFCC Bank)

(All amounts in Sri Lanka Rupees Thousands)

35.2.3 Transaction with Key Management Personnel of the Company or parent

The Key Management Personnel's (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Such key management personal of the company are the members of its Board of Directors, that of its parent, and Chief Executive Officer, Independent transactions with Key Management Personal and transactions with the close family members (CFMs) of the KMPs, if any, also been have taken into consideration in the following disclosure.

a) Key Management personnel Compensation

	2016	2015
Short- term employee benefits	66,708	58,230
Post - Employment benefits	8,838	8,555
	75,546	66,785

In addition to above compensation, the company also provides non cash benefits to Key Management Personnel in terms of employment contracts with them.

35.3 Lanka Electricity Company (Pvt) Limited

Details of significant related party disclosures are as follows;

35.3.1 The company carried out following transactions with following related companies ;

	Parent Company Ceylon Electricity Board		Other Major Share Holders		Subsidiaries & Other Related Companies	
	2016	2015	2016	2015	2016	2015
Purchase of Electricity	(24,401,763)	(22,884,223)	-	-	-	-
Payment for Electricity	22,827,681	22,572,034	-	-	-	-
Accrued Expenses	(691)	(691)	-	-	-	(583)
Dividend Declared	(191,975)	(109,688)	(152,462)	(87,121)	-	-
Dividend paid	191,975	109,688	152,462	87,121	-	-
Sale of Goods	6,846	-	-	-	-	-
Purchase of Goods	-	(22,984)	-	-	(100,595)	228,496
Cash paid for purchases	-	-	-	-	70,890	-
Loan Capital Instalments Receipt	-	(2,265,000)	(608,791)	-	-	-
Transfer of Sub Station	7,796	216,323	-	-	-	-
Cash received for five double cabs	(17,194)	-	-	-	-	-
Loan interest Receivable	-	115,642	-	38,791	-	-
Loan interest Received	-	(145,254)	-	-	-	-
Loan Received	-	(8,960)	-	-	-	-
Balance as at 31st December	(3,258,274)	(1,680,639)	-	608,791	6,687	78,597

35.3.2 Transactions with the Government of Sri Lanka and its Related Entities

Since the Government of Sri Lanka Directly controls the Group's parent, the Group has considered the Government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the government of Sri Lanka as Related Parties according to LKAS 24, " Related party Disclosures".

The Group enters transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transaction have been reported as follows,

	Nature of the transaction	2016	2015
Administrative Borrowing by Government Treasury	Loans and Receivables	-	570,000
Peoples Bank	Deposits	9,825,321	4,348,390
State Mortgage and Investment Bank	Investment for loans given to employees	783,662	49,499
Bank of Ceylon	Deposits	13,000	5,000

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

- Maintaining bank accounts and entering in to Banking transactions with Bank of Ceylon and Peoples Bank
- Payments of statutory rates, taxes.
- Payment for employment retirement benefit-EPF and ETF
- Payment for utilities mainly comprising of telephone, electricity and water
- Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation

(All amounts in Sri Lanka Rupees Thousands)

35.3.3 Transactions with the Key Management Personnel of the Company or its parent

The Company has defined, the Key Management Personnel of the Company are the members of its Board of Directors and that of its parent.

Key management Personnel Compensation	2016	2015
Directors Fees and Short term Benefits	2,990	1,386
Total Compensation pay to Key Management Personnel	2,990	1,386

35.4 Sri Lanka Energies (Pvt) Ltd

Details of significant related party disclosures are as follows;

35.4.1 The company carried out following transactions with following related companies ;

	Parent Company		Subsidiaries & Other Related Companies	
	Ceylon Electricity Board	Ceylon Electricity Board	2016	2015
	2016	2015	2016	2015
Balance as at 01st January	101,140	-	75,565	-
Services rendered	970,298	402,657	-	-
Settlements received	(1,042,193)	(144,824)	-	-
Settlement received by subsidiary	-	(156,693)	-	-
Share purchased in subsidiary	-	-	-	67,166
Expenses incurred	-	-	53,927	(142,414)
Gratuity Transferred	-	-	-	13,875
Assets Transferred	-	-	-	(5,611)
Share Application money payable	-	-	-	7,000
Fund transferred	-	-	(6,650)	135,548
Balance as at 31st December	29,245	101,140	122,842	75,564

35.4.2 Transactions with the Key Management Personnel of the Company or its parent

The Company has defined, the Key Management Personnel of the Company are the members of its Board of Directors that of its parent and ultimate parent. There are no compensation paid to Key Management Personnel during the period other than disclosed.

Key management Personnel Compensation	2016	2015
Short Term Employee Benefits	7,120	7,120
Total Compensation pay to Key Management Personnel	7,120	7,120

35.5 Lanka Coal Company (Pvt) Ltd

Details of significant related party disclosures are as follows;

35.5.1 The company carried out following transactions with following related companies ;

	Parent Company		Major Shareholder	
	Ceylon Electricity Board	Ceylon Electricity Board	2016	2015
	2016	2015	2016	2015
Expense reimbursements	44,000	32,000	-	-
Freight charges paid	-	-	3,823,000	3,700,000
Lightering Charges paid	-	-	1,019,000	957,000

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 Overview

The Group has exposure to the following risks from its use of financial instruments.

Credit Risk
Liquidity Risk
Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, procedures and processes for measuring and managing risk and the Group's management of capital.

36.2 Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and effective oversight of the Group's risk management framework. The Group's risk management procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Board of Directors oversee how management monitors in compliance with the Group's risk management procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Directors are assisted in their oversight role by the senior management.

36.3 Credit risk

Credit risk is the risk that one party to a financial instrument will causes a financial loss for the other party by failing to discharge an obligation.

The credit policy of Ceylon Electricity Board and Lanka Electricity Company (Pvt) Ltd is as follows:

For bulk consumers 15 days credit period is allowed to settle the bills and thereafter, a disconnection notice will be issued and further 10 days granted from the day of notice, if not acceded to this supply will be disconnected.

Ordinary consumers will be given 30 days credit period to settle the bill. Subsequent to this a red notice will be issued and further 10 days given after 40 days if not acceded to this a disconnection order will be issued for the disconnection of supply.

Individual characteristics of each customer is considered by analysing the credit worthiness before granting the credit facility. And the group has implemented an effective credit control process, whereby age wise analysis of outstanding debtors are carried -out for effective control and timely recovery.

36.4 Liquidity risk

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

The group has implemented a strategic working capital management plan across all sectors whereby the receivables are closely monitored and debtors' period is minimized. Careful vendor evaluations and procurement strategies ensure that correct prices are paid for inputs and maximum credit periods are negotiated to optimize the working capital cycle.

The group ensures its liquidity is maintained by investing in short, medium term financial instruments to support operational and other funding requirements. The short term liquidity problems are mitigated through negotiation with the bank to increase the overdraft limits at concessionary interest rates.

36.5 Market risk

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises Currency risk and Interest rate risk. The financial instruments affected by the market risk includes loans & borrowings, deposits an available for sale investments.

36.5.1 Foreign currency risk

The Group is exposed to currency risk on sales / purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated in U.S. Dollars or Euro currencies. The currency risk is minimized by the Group by internally hedging against any exchange rate transactions, over time. Amount equivalent to future payments are placed in short term income generating instruments for appropriate currencies such that the same is utilized for payments as and when they fall due.

36.5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages interest rate risk on its borrowings by maintaining a mix of fixed rate and floating rate facilities as well as maintaining deposits, which would cover against market fluctuations. Ceylon Electricity Board, being a government organization negotiates with the bank for favourable interest rates to minimise the exposure in interest rates.

AUDITOR GENERAL'S REPORT



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

POE/C/CEB/FA/2016

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

31 May 2018

The Chairman

Ceylon Electricity Board

Report of the Auditor General on the Financial Statements of the Ceylon Electricity Board and the Consolidated Financial Statements of the CEB and its Subsidiaries for the year ended 31 December 2016 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of the financial statements of the Ceylon Electricity Board ("the CEB") and the consolidated financial statements of the CEB and its Subsidiaries ("the Group") for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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. My comments and observations, which I consider should be published with the Annual Report of the Board in terms of Section 14(2) (c) of the Finance Act, appear in this report. The financial statements of the Subsidiaries other than the Lanka Coal Company (Pvt.) Ltd. were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries, while the financial statements of the Lanka Coal Company (Pvt.) Ltd. were audited by me.

1.2 Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the CEB's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CEB's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



+94-11-2887028-34



+94-11-2887223



oaggov@slt.net.lk



www.auditorgeneral.gov.lk

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2 Financial Statements

2.1. Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements of the CEB and the consolidated financial statements of the Group give a true and fair view of the financial position as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Comments on Consolidated Financial Statements

The following observations are made.

- (a) The auditor of the Trincomalee Power Company Limited has expressed a qualified opinion on its financial statements based on the following matter.

Property, plant and equipment shown in the statement of financial position included a capital work- in -progress of Rs. 328,109,272 relating to the abandoned Sampoor Coal Power Plant Project. A detailed impairment assessment was not performed by the management as at 31 December 2016 to assess the possible impairment that may have arisen.

In addition to that, the following matter has been emphasized.

The Company ceased development activities of the Sampoor Coal Power Plant during the year under review. Hence, this indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

- (b) The Qualified Opinion on the financial statements of the Lanka Coal Company (Pvt.) Ltd for the year ended 31 December 2016 had been expressed by me based on the followings.

- (i) The tax receivables in relation to Value Added Tax (VAT), Economic Service Charges (ESC) and Withholding Tax amounting to Rs. 26,506,918, Rs. 894,150 and Rs. 77,718 respectively and tax payables in relation to Income Tax, Nation Building Tax (NBT) and VAT amounting to Rs. 11,703,151, Rs. 3,371,326 and Rs. 12,758,801 respectively shown under Notes 10 and 14 to the financial statements could not be satisfactorily verified due to non-availability of sufficient documentary evidence such as tax computation details and tax returns etc.

Similarly, income tax liabilities shown as opening balance of the year under review, under Note - 17 to the financial statements aggregating Rs. 65,474,540 were not agreed with the balance shown in the record of the Department of Inland Revenue. Further, the reliability and accuracy of that liability could not be scrutinized in audit due to non-availability of information such as computation details and tax returns etc.

- (ii) The amount payable to the Ceylon Shipping Corporation Limited as at 31 December 2016 as per the financial statements of the Company was Rs. 170,378,808 whereas according to the confirmation received from the Ceylon Shipping Corporation Limited it was shown as Rs. 788,958,985. Hence, an un-reconciled difference of Rs. 618,580,177 was observed between those two records. Therefore, the accuracy of this balance could not be ascertained in audit. In addition to that, the following matter has been emphasized.

According to the agreement entered into between the Ceylon Electricity Board (CEB) and the Company on 05 September 2013, the main function of the Company is procuring coal from international market (the Ceylon Electricity Board pays for Letters of Credit opened by the Company on its own name) and selling them back to the CEB without keeping any profit margin. Further, the all the operating expenditure of the Company which remained after setting off against any other income earned by the Company (i.e. net overhead cost of the Company) will be met by the CEB. However, the Company had failed to recognize the sales revenue, cost of sales, and operating expenditure etc. arisen from its main function in the financial statements prepared for the year under review.

2.2.2 Comments on Financial Statements of the CEB

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

- (a) The CEB is applying the standard cost for valuing labour, material and overhead cost for its capital and maintenance jobs instead of the actual costs. As a result, the favorable price variance and labour and overhead rate variances aggregating Rs.5, 750,127,816 and unfavorable stores price variance of Rs. 3,287,230,903 had been brought to the financial statements together with the following lapses.
 - (i) Applying the standard prices for valuing the stocks and work-in progress, and property, plant and equipment was not complied with the provisions in LKAS 2-Inventories, LKAS 16 – Property, Plant and Equipment respectively.
 - (ii) The operating results, assets, liabilities and equity of the CEB have been affected significantly due to high financial involvement in relation to the capital jobs. However, the impact to the financial statements thereon could not be ascertained in audit due to non-availability of required information relating to those Capital Jobs.
- (b) LKAS 39 - Financial Instruments Recognition & Measurement
Staff debtors aggregating Rs. 6,970,878,902 had not been shown in the financial statements at its fair value as per the requirements of this Standard.
- (c) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
The Board had accounted the spare parts worth Rs. 408,763,137 and Rs. 440,056,229 as operational expenses and capital expenses respectively as instructed by Additional General Manager (Generation) without taking a firm policy decision by the Board of Directors of the CEB. Hence, reasonability of the basis applied for such classification could not be accepted in audit. Further, the basis applied for the classification also had not been disclosed with the financial statements.

2.2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The CEB had recorded the operational and maintenance cost of the year 2014 and 2015 amounting to Rs. 1,525,188,997 relating to Lakvijaya Power Station as expenditure of the year under review instead of restating the financial statements. Hence, the loss of the CEB during the year under review had been overstated by that amount.
- (b) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs. 403,717, 966 and interest thereon amounting to Rs. 51,399,687 is in doubt due to non-existence of these financial instruments. However, no adjustment or provision in this connection had been made in the financial statements for the year under review.
- (c) Property, Plant and Equipment (PPE) and depreciation thereon had been overstated by Rs. 46,884,422 and Rs. 6,697,775 respectively as a result of accounting six vehicles belong to the Ministry of Power and Energy as property of the CEB. Hence, PPE as at 31 December 2016 and the loss of the year under review had been overstated by those amounts respectively.
- (d) Ten vehicles costing Rs. 3,542,566 released to then line Ministry of Power and Renewable Energy had misplaced since several years ago. Nevertheless, those vehicles had remained in the books of accounts of the CEB without taking prompt actions.
- (e) A debit balance of Rs. 223,211,703 (stock shortage) and a credit balance of Rs. 18,143,015 (stock excess) had remained in the stock adjustment account for more than one year without being cleared. As a result, the Current Assets shown in the financial statements of the year under review had been overstated by Rs. 205,068,688.
- (f) Expenditure such as commission, clearing charges etc. relating to foreign indent amounting to Rs. 224,554,623 had remained in Goods-in-Transits Account of the Lakvijaya Power Station over a period of one year without absorbing to the relevant expense or asset accounts.

2.2.2.3 Un-reconciled Differences

The following observations are made.

- (a) A difference of Rs. 789,308,344 was observed between the payable balance of Rs. 12,434,413,663 shown in the financial statements of the CEB and the corresponding balance of receivable amounting to Rs. 13,223,722,007 shown in the financial statements of the Ceylon Petroleum Corporation (CPC) as at 31 December 2016.

The Chairman of the CEB had reported in this regard as follows.

"As per the decision taken at the meeting chaired by the Secretary to the Treasury on 30 September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20 April 2013. However, the delayed interest payment of Rs. 753,610,829 was relevant to fuel purchase before 20 April 2013 by CEB. Therefore, it is not required to carry out reconciliation for this difference since the CEB does not liable."

- (b) Un-reconciled differences aggregating Rs. 423,369,454 was observed between the balances of bulk and ordinary debtors as at 31 December 2016 shown in the billing system and the financial statements of the year under review. In sample audit, it was observed that some balances of finalized trade debtor included in the billing system had not been included in the debtor balances shown in the financial statements and some balances of finalized trade debtor included in the financial statements had not been included in the debtor balances shown in the billing system.
- (c) According to the financial statements of the Lanka Coal Company the net amount receivable from the CEB as at 31 December 2016 was Rs. 143,351,210. However, the corresponding amount shown in the financial statements of the CEB as payable was Rs. 1,435,642,785. Hence, a difference of Rs. 1,292,291,575 was observed between those two amounts.
- (d) The balance payable to Heladhanavi Limited as at 31 December 2016 as per the financial statements of the LTL holdings was Rs. 270,498,308. However it was shown in the consolidated financial statements for the year under review as Rs. 330,071,158. Hence, an un-explained difference of Rs. 59,572,850 was observed between those amounts.

2.3 Accounts Receivable and Payable

The following observations were made.

- (a) Out of trade debtor balance of Rs. 15,045,563,295 as at 31 December 2016, a balance of Rs. 3,196,567,076 relating to both ordinary and bulk supplies had remained outstanding for over one year and of them Rs. 1,770,191,480 had remained outstanding for more than five years without being recovered.
- (b) A sum of Rs. 46,548,248 due from the LECO had remained outstanding for more than five years without taking any recovery action. Further, balances of other receivable aggregating Rs. 2,280,397,073 had remained unrecovered for more than five years as at 31 December 2016. The details are given below.

Name of Debtor	Amount Rs.	Description
Wood Group Gas Turbine LTD	8,264,352	Payments made for constructing an access road to the West Coast Power Plant.
The Ministry of Power and Energy	6,142,277	Payments made for the opening ceremony of Kerawalapitiya Combined Power Plant.
Sri Lanka Sustainable Energy Authority	897,025,999	Tariff adjustment paid by the CEB to the Mini Hydro Developers.
AES Kelanithissa (Pvt) Ltd	1,368,964,445	Amount to be recovered on payment of price differences.
Total	<u>2,280,397,073</u>	

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following instances of non-compliance were observed in audit.

- (a) Ceylon Electricity Board Act, No. 17 of 1969
- (i) **Section 47 (1)(b)** – The CEB may establish and maintain a Sinking Fund with the General Treasury in respect of the repayment of loans taken by the CEB. Although a balance in this Fund was shown in the financial statements, it had not been updated since the year 2000. The balance in that Reserve Account as at 31 December 2016 was Rs. 17,447 million.
 - (ii) **Section 47(2) (a)** - The Board may establish and maintain a Depreciation Reserve with the General Treasury in order to cover the depreciation of the movable and immovable property of the CEB. However, in contrary to that requirement, the CEB had established a Depreciation Reserve in its financial statements by transferring Rs. 1 million per annum up to 31 December 2000 and thereafter no movement had been taken place. A sum of Rs. 23 million being accumulated on that date had been carried forwarded in the financial statements continuously without any review.
 - (iii) **Section 47(2)(b)** - The CEB may establish and maintain a General Reserve with the General Treasury for the purpose of financing to its capital works from revenue by ensuring the financial stability of the CEB, and for such other purposes as the CEB may from time to time determine. However, in contrary to that requirement, the CEB had established an Other Capital Reserve in its financial statements and it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2016 was Rs. 165.45 million.
 - (iv) **Section 46 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971** -The CEB had invested its funds amounting to Rs. 6,496 million as at 31 December 2016 in the Insurance Escrow Fund as contribution of 0.1 per cent of the total value of the gross fixed assets at the end of each year since 1989 contrary to the provisions in the Acts.
- (b) The CEB had not paid interest for consumer deposits as specified in Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009 and according to the computation made by audit based on the rate reported by the Public Utility Commission of Sri Lanka for the year 2016, the interest thereon was Rs. 800 million.
- (c) An amount of Rs. 5,635 million relating to the Insurance Reserve Fund as at 31 December 2016 had not been invested as per the self-insurance policy of the CEB. Further, a proper financial management was not in operation in the CEB in order to implement such statutory requirements.

3. Financial Review

3.1 Financial Results

According to the financial statements presented for audit, the operations of the CEB and the Group during the year under review had resulted in a pre-tax net loss of Rs. 13,234 million and Rs. 10,439 million respectively as against the pre-tax net profit of Rs. 19,409 million and Rs. 23,943 million respectively for the preceding year, thus indicating a deterioration of Rs. 32,643 million and Rs. 34,382 million respectively in financial results of the year under review. Increase of thermal and coal power generation expenditure by 96 per cent and 14 per cent respectively due to decrease of hydro power generation by 29 per cent was the main reason attributed for this deterioration in the financial results.

However, the value addition of the Group for the year under review after taking into account the personnel emoluments, tax expenditure and depreciation aggregating Rs. 65,467 million was Rs. 62,901 million and it had decreased by Rs. 25,916 million or 29 per cent as compared with the previous year.

3.2 Analytical Financial Review

3.2.1 Working Capital Management

The Working Capital of the Group as at 31 December 2016 was Rs. 16,031 million. However, it was Rs. 32,736 million in the previous year. Hence it had been deteriorated by 51 per cent as compared with the previous year. The main reason for this deterioration was increase of trade creditors by Rs. 32,616 million.

3.2.2 Debt to Equity

Equity of the Group had been decreased by 4 per cent as compared with the previous year due to net loss of the year under review. Further, thirty per cent or Rs. 234.52 billion of the total capital employed by the Group as at 31 December 2016 had been financed through borrowings. As a result, the Debt to Equity Ratio of the Group had increased to 0.51 per cent in the year under review from 0.48 per cent in the previous year.

3.2.3 Profitability

The average unit cost of the year under review was Rs. 18.06 as compared with Rs. 15.01 in the year 2015 and sold at an average price of Rs. 16.18 per unit (previous year average selling price was Rs. 16.00 per unit). Accordingly, the gross loss per unit of the year under review was Rs. 1.88 and it was 298 per cent decrease as compared with the previous year average gross profit of Rs. 0.95 per unit. The following table shows the tariff category and the contribution per unit (kWh) of electricity sold in the year under review as compared with the previous year.

Category	Contribution per unit (kWh)	
	2016 Rs.	2015 Rs.
Domestic	(4.64)	(2.13)
Religious	(10.91)	(7.88)
General Purpose	5.84	8.93
Industrial	(3.43)	2.74
Government	0.28	(0.24)
Hotels	(0.32)	3.32
Street Lighting	(18.06)	(15.01)
Sales to LECO	<u>(2.29)</u>	<u>0.42</u>
Contribution	<u>(1.88)</u>	<u>0.95</u>

Accordingly, the tariff category of General Purpose and Government were only the positive contributor to the total contribution of the year under review. The tariff on industrial and domestic category were the highest negative contributor to the total contribution of the year under review and the tariff on domestic, religious, industrial, hotel and sales to LECO had also shown unfavorable contributions thereto.

3.3 Irregular Transactions

The following observations are made.

- (a) The Cabinet of Ministers has taken decisions on 13 December 2007 at the time of salary revision and on 20 May 2015 at the time of consideration of Collective Agreement, to shift the Pay As You Earn (PAYE) tax liability to employees. However, the CEB had paid the PAYE tax of Rs. 2,617,839,903 from its owned fund without deducting it from the salaries of the respective employees during the period of 2010 to 2016 by contravening to the above decisions taken by the Cabinet of Ministers.

The value of non-cash benefits specified by the Commissioner General of Inland Revenue in terms of the Gazette Notification No. 1706/18 dated 20 May 2001, had to be considered when calculating the PAYE tax of each employee. However, the CEB had not taken into account the non-cash benefits such as provision of quarters, apartments and motor vehicles for private use etc.

- (b) Various staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board in contrary to the decision taken by the Cabinet of Ministers on 14 November 2007 and at the audit test checks, it was revealed that such allowances amounting to Rs. 1,222 million had been paid in the year 2016 as compared with Rs. 1,144 million paid in 2015.
- (c) Instead of granting vehicle loans at the rate of interest ranging 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 of 08 March 1998, the CEB had granted these loans at an interest rate of 4.2 per cent. Further, it was observed that the staff loans have been paid without any control even though the CEB faces severe liquidity problems.

3.4 Identified Losses

A sum of Rs. 59,750,592 had been deducted by the lending agency in 2016 as commitment charges from the loans given for implementing the foreign funded projects of the CEB due to un-utilization of the funds in timely manner.

3.5 Matters of Contentious Nature

The following observations are made.

- (a) Even though the CEB had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there are no sales and purchase agreements entered with those two parties in order to smooth operation of the individual institutions.
- (b) Impact to the CEB from the major issues identified in procurement of coal by the Lanka Coal Company (private) Ltd during the year 2016 for the Lakvijaya Power Plant are summarized as shown below.
 - (i) The Draft Agreement included in the original bidding documents of coal procurement had been amended when the Company entered into the agreements with coal suppliers. As a result, price penalties of Rs. 461,453,005 for deviation of size consist could not be recovered.
 - (ii) Prices of the coal had been adjusted as per the quality analysis report issued at loading port instead of considering the quality analysis report issued at discharging port. As a result, the Company had incurred a loss of Rs. 170,189,090 that could be chargeable to the supplier.
 - (iii) Letters of Acceptance pertaining to 16 shipments which procured 935,082 metric tons of coal had been issued prior to arrival of ships to the anchorage port. Hence, payments were released to the supplier even before obtaining coal analysis reports from discharging port.

3.6 Management Activities

The following observations are made.

- (a) Approval of the Board of Directors had not been obtained for the revised manuals such as Operating Manual-DGM (Province) and Area Electrical Manual, etc.
- (b) Two transformers with useful economic life time of 35 years purchased for Rs. 18,254,550 in 2005 had been decommissioned within 5-7 years due to inability to withstand the short circuit conditions which can be identified within the procurement process. However, any action had not been taken to investigate in this regard.
- (c) Three thousand insulators (Pin 33KV) procured at a cost of Rs. 7,221,707 on 11 September 2014 had not been utilized due to quality issue and they were remained idle at the stores even as at 31 January 2018 without replacing . It was further observed that the validity period of the performance bond obtained in this connection had been lapsed on 26 February 2016.
- (d) A special investigation had been carried out by the Internal Audit Branch in respect of stock shortage of Rs. 52,550,929 identified in 2014 under project of Uthuruwasanthaya which finalised by 17 April 2017. However, no action had been taken against the officers those who responsible for this shortage even as at 31 January 2018. Further, a court case (Case no B/1164/15) had been filed in Magestrict Court, Trincomalee by the Criminal Investigation Department in 2015 in this regard. However, information relating to present position of the court case was not made available for audit.
- (e) The staff loans such as distress, transport, festival advance and special advance to the value of Rs. 5,821,247 had remained outstanding for more than 5 years without being taking any recovery action.

3.7 Human Recourses Management

The following observations are made.

- (a) Scheme of Recruitments and Promotions (SOR) of the CEB had not been updated for a longer period.
- (b) Even though the Key post in the HR Division is DGM (Personnel), required qualifications and experience for that post had not been specified in the Scheme of Recruitments and Promotions (SOR) and keeping the posts open to other services, especially, for electrical engineers.

- (c) According to the existing SOR, 50 per cent of the total cadre of Human Recourse Officers (HRO) is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent. However, it was not observed a clear promotion path for those externally recruited employees in the promotion scheme as two engineers covered the functions of the Divisional Head over a longer period of the CEB's history.
- (d) Experience required for direct recruitment of Human Resource Manager (HRM) and Human Resource Officer (HRO) is 06 years in the field of HR in an organization having more than 100 employees which inadequate as compared with the staff strength need to be handled in the CEB.

4. Operating Review

4.1 Performance

- (a) Power Generation and Direct Cost

The power generation, and a summary of direct cost incurred for the generation of electricity and power purchases during the year under review as compared with the previous year is shown in the following table.

- (i) Power Generation

Source	Power Generation During the year		Increase/(Decrease)	
	2016	2015	GWh	Percentage
	GWh	GWh		
Hydro	4,220	5,969	(1,749)	29
Thermal	4,461	2,275	2,186	96
Coal	5,047	4,443	604	14
Non-Conventional Renewable Energy	421	402	19	5
Total	14,149	13,089	1,060	8

Accordingly, the CEB had spent significant amount of Rs.22,682 million for thermal power purchase from Independent Power Producers in 2016 due to decrease of hydropower generation by 1,749 GWh due to drought prevailed in the country. Although the coal power generation was increased by 604GWh, the cost had been decreased by Rs.437 million as compared with the previous year due to declining the coal prices.

- (ii) Direct Cost

Description	2016		2015	
	Rs. million	Percentage	Rs. million	Percentage
Fuel	50,074	28	23,114	18
Power Purchase	81,752	46	63,732	48
Coal	20,204	11	20,641	16
Operation and Maintenance	12,083	7	10,771	8
Depreciation	<u>14,797</u>	8	<u>13,792</u>	10
Direct cost	<u>178,910</u>	<u>100</u>	<u>132,050</u>	<u>100</u>

According to the above information, it was revealed that the direct cost of power purchases and generation for the year 2016 had increased by Rs. 46,860 million or 35 per cent as compared with the previous year. Further, it was revealed that, the fixed cost of power generation is unavoidable in term of conditions in the power purchase agreements and as a result, the CEB is not able to achieve one of its most important objectives of supplying power at low cost to the general public.

5. Accountability and Good Governance

5.1 Social Responsibilities

The CEB had paid Rs.12,526,000 as compensation for environmental issues pertaining to the Lakvijaya power station during the year under review. Further, Environmental Protection Licence (EPL) had not been issued by the Provincial Environmental Protection Authority since July 2017.

5.2 Budgetary Control

Significant variances were observed between the budgeted and the actual items of accounts, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the CEB in time to time. Special attention is needed in respect of the following areas of control.

(a)	Assets Management	<ul style="list-style-type: none"> i. Long delay in completing the capital works in the Distribution Divisions. ii. Expedite to survey, valuation and protection of lands of the CEB scattered Island wide. iii. Maintenance of updated data base for vehicles.
(b)	Receivables and Payables	<ul style="list-style-type: none"> i. Timely recover the debtors and other receivables. ii. Update the security deposits on Bulk Supply in timely manner.
(c)	Human Resources Management	Management of human resources according to the role and the extent for achievement of the objectives of the entity.
(d)	Procurement	<ul style="list-style-type: none"> i. Preparing procurement plan realistically to made use as a control instrument. ii. Strengthening coal purchasing process in order to minimize losses and to maintain quality of coal.
(e)	Inventory Control	<ul style="list-style-type: none"> i. Maintenance of stock records properly. ii. Establishment and maintenance of appropriate controls over the coal stock handling to avoid stock shortage.
(f)	Project Management and Control	<ul style="list-style-type: none"> i. Conducting internal audit for project activities. ii. Preparation of engineering estimate realistically.
(g)	Investments and Control over Subsidiaries	Parent Company should maintain control over its investments in order to increase the Return On Investments.



H.M. Gamini Wijesinghe
Auditor General

REPLIES TO THE REPORT OF THE AUDITOR GENERAL

REPLIES TO THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BOARD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT NO. 38 OF 1971

1.2 Board's Responsibility for the Financial Statements

Informative

1.3 Auditor's Responsibility

Informative

1.4 Basis for Qualified Opinion

Informative

2. Financial Statements

2.1. Opinion

Informative

2.2 Comments on Financial Statements

2.2.1 Comments on Consolidated Financial Statements

- (a) Trincomalee Power Company Limited (TPCL) included an amount of Rs.328,109,272 for capital work- in -progress relating to the abandoned Sampoor Coal Power Plant Project

The development of Sampoor Coal Power Project has been initially suspended and subsequently abandoned as a result of the decision taken by the Government of Sri Lanka. By that time, there was a possible impairment loss as of the balance sheet date 31st December 2016 and 31st December 2017. However, decision was not taken how this Joint venture between NTPC Ltd India and CEB would be continued in the future. An impairment test was not commenced as at end of financial year 31st December 2016 as it was under discussion. The impairment process was started now and it is expected to take appropriate adjustment in the accounts as of 31st December 2017 once the board decision is firmed.

- (b) The qualified opinion on the financial statements of the Lanka Coal Company (Pvt) Limited (LCC) was issued based on the followings

- (i) The tax receivables and tax payables shown under Notes to the financial statements could not be satisfactorily verified due to non-availability of sufficient documentary evidence.

VAT receivable of Rs.26, 506,918 is an over payment of VAT to customs due to erroneous declaration of a higher valuation for shipment by Ceylon Shipping Corporation Limited (CSCL). A claim was already lodged with customs to recover the above payment.

Tax payment of ESC was not able to set off against income tax as no Income tax liability in the year 2016.

NBT and VAT liabilities had been settled in full as agreed by Department of Inland Revenue. The amounts disallowed in respect of NBT and VAT will be cleared in the accounts.

Income tax liabilities shown as opening balance of the year under review under Note to the financial statements were not agreed with the balance recorded by the Department of Inland Revenue.

Reconciliation of the difference is in progress with the officers of the Inland Revenue Department.

- (ii) The amount payable to the Ceylon Shipping Corporation Limited (CSCL) as at 31 December 2016 as per the financial statements of the Company was Rs.170,378,808 whereas according to the confirmation received from the CSCL it was Rs.788,958,985.

The difference between the inter-company balance between LCC and CSCL was mainly due to timing difference in booking entries by the respective companies.

For example, CSCL issues the freight invoice to LCC upon departure of the vessel from the port of loading. However, LCC is supposed to issue the corresponding claim invoice for freight to CEB about 3-4 days before the date due for arrival of the ship at the port of discharge. LCC's policy is to book the payable to CSCL only after issuance of the invoice to CEB for corresponding receivables. Accordingly, there is a timing difference leading to a difference in account balances.

Apart from above there are certain charges for which LCC create a payable to CSCL only after the party responsible for confirmation of payment and acceptance of the charge. LCC take steps to minimize the difference.

The Company (LCC) had failed to recognize the sales revenue, cost of sales, and operating expenditure etc. in the financial statement prepared for the year under review

A new agreement was signed on 2018-03-07. Therefore, the business model changed to that of a cost reimbursement between CEB and LCC. Accordingly, CEB has been making reimbursement of both direct costs and net overheads (Gross overheads – other income generated by LCC)

Operationally, the activities of LCC encompass agency functions. These activities include connecting buyers and sellers of coal, overseeing the actual shipping involved, acting as an intermediary for settlement of demurrage and test charges etc. As per existing management agreement with CEB, LCC is entitled for net overhead costs as management fee for the services rendered. The above facts are the reasons for recognizing net overhead reimbursements only as revenue of LCC.

In future, revenue will be recognized based on the introduction of a full price per metric ton invoicing to CEB. Therein, cost of goods sold will be recognized corresponding to revenue. This proposed presentation will reflect a relationship of seller and buyer between CEB and LCC in compatible with the contents of the latest agreement.

2.2.2 Financial Statements of the Ceylon Electricity Board

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

- (a) CEB is applying the standard costs for valuing labour, material and overhead cost incurred for its capital and maintenance jobs instead of the actual costs.

LKAS 02 -“Techniques for the measurement of the cost of inventories, such as the standard cost method or the retail method, may be used for convenience if the result approximates the cost”

LKAS 02 has permitted to use standard cost, method for the valuation of inventories, if the results approximate to the cost. The reason for using the standard cost method for valuation of inventory by CEB is that, there should be a standard cost base to each customer in any area irrespective of the price changes of the materials. Further, large number of inventory items being used for line construction and other business activities where it is practically difficult to find actual cost. Labour rate is calculated based on actual average direct labour cost and it is absorbed to capital and maintenance jobs. Overhead rate is calculated using directly attributable overhead related to respective capital or maintenance jobs.

The PUCSL guidelines for “Methodology for Charges” also defined that “Each licensee shall calculate Standard Prices for all items of material used for the provision of electricity supply services in the operational area. The standard prices so calculated shall be valid for a period of one year starting from 01st January to 31st December of any year”

Material price variance

In distribution divisions stocks and the working progress balances are recorded based on the standard prices which is the prevailing valuation policy of CEB. Such decision has been taken by the management in order to avoid complexity and to maintain uniformity of job costing.

Labour Rate variance

Labour cost is recognized for capital and non-capital jobs using labour recovery rate specified as per the circular issued by the Chairman – Distribution Coordinating Committee each year which is calculated based on the existing salary scales. The difference between actual labour cost and standard cost is recognized in the Labour rate variance account which is not significant and it is derived mainly due to the quantity (no of hours) estimated for jobs.

The Labour rate variance shown in the Generation Division was a part of the cost related to Chunnagam Power Plant incurred and transferred by the DGM (NP) in the Distribution Division. Otherwise there is no labour rate variance in Generation Division.

Recovery of Overhead

Overhead cost for individual jobs are also recognized using standard rate specified as per the circular issued by the Chairman – Distribution Coordinating Committee each year.

- (i) Applying the standard prices for valuing of stocks and WIP and PPE, was not complied with the LKAS 2-Inventories, LKAS 16 -Property Plant and Equipment respectively.

Refers to the Para 21/LKAS 02, it is permitted to value the stocks at standard cost if it is approximately closer to the actual cost. Therefore applying the method of standard costing for valuing the inventory of CEB does not violating the LKAS 02.

As per para 19 of LKAS 16, it is agreed that the administration and other General Overhead is not allowed to capitalize to Property Plant & Equipment (PPE). However the overhead absorption rate is calculated by considering of the overhead costs which are directly attributable to the construction of the related asset and excluding the indirect administration and general overhead of CEB.

The method of computation adopt to established of overhead recovery rate for Service Main Connection (SMC) and other jobs carried out at area level and overhead recovery rate for construction jobs carried out by provincial levels are not the same.

The nature and the process to carry out Service Main Connection (SMC), cost paid and construction jobs from beginning to end involve different levels of management / administrative effort at the various proportions. This include prepare and approval of estimates, procurement of material, and consultant services, accepting of payments, attend for the resolution of disputes in the service connection and construction lines including way leaves energizing the lines, transferring completed jobs, recording the transaction, update of computer system that are directly attributable to such jobs.

After studying the contribution of the above activities by the functional levels the following basis had been adopted for the year 2016 to establish of the appropriate Overhead Recovery Rate.

Overhead Recovery Rate –SMC & Other Jobs carried out at area Level	Overhead Recovery Rate – Construction Jobs
30% - Area Cost Centers	100% - Construction Cost Centers
20% - DGM Cost Centers	20% - DGM Cost Centers
10% - Corporate Office excluding P&HM	35% - Corporate Office excluding P&HM

This process is reviewed annually by the committee appointed for this purpose. Therefore the PPE is recorded in line with the LKAS 16.

- (ii) The operating results, assets, liabilities and equity of the CEB have been affected significantly due to high financial involvement in relation to the capital jobs.

The present system does not support to split the price variances related to the capital jobs and the maintenance jobs due to the high volume of such jobs in the Distribution Divisions. This issue has been highlighted and discussed at the process study for the proposed ERP system. Action will be taken to find a solution for this issue with the implementation of ERP system in the future.

- (b) LKAS 39 - Financial Instruments-Recognition & Measurement

Staff Debtors

A committee was appointed to develop procedure to be adopted in this regard. Based on the committee report implementation was given to another subcommittee. Due to the complexity and types of loans in CEB, all necessary action has been taken to carry out this exercise in the year 2018.

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

Stock purchase under foreign indent by Generation Division had not been properly valued due to non-identification of the cost of stock properly

In the past, the cost of spare parts procured by Generation Division was treated as recurrent expenses as per the CEB policy on spare parts. However, in-line with the Sri Lanka Financial Reporting Standards (SLFRS), to ensure the fair presentation of financial statements, it is required to recognize the assets component-wise facilitating the depreciation based on the useful lifetime of each component. Based on this recognition of the cost of the major spares in the carrying value of asset was also required.

Accordingly, as an initial step at the Executive Team (ET) meeting of the Generation Division held on 2014-09-05, it was decided the major spares with a value of greater than Rs. 10 Mn. and expected life time of more than one year.

Subsequently, it was highlighted by the DGMM of the Generation Division that the cost of spare parts of hydro power plants is relatively low and hence it was decided at the ET meeting to reduce the threshold value to Rs. 1 Mn.

Further, a committee consisting 3 DGMM and AFM (Gen) has already been appointed to review and submit possible practical solutions taking in to consideration the complexity, volume and value of the spare parts.

After finalizing the committee report, along with the concurrence of the Finance Manager, necessary steps will be taken to obtain the approval of the Board of Directors of CEB for any policy changes.

2.2.2.2 Accounting Deficiencies

- (a) The CEB has recorded Rs.1,525,188,997 which is relevant for the year 2014 and 2015 as operational and maintenance cost of Lakvijaya Power Station (LVPS)

China Machinery & Engineering Corporation (CMEC) has undertaken the operation and maintenance support service for Lakvijaya Power Station. CEB records the CMEC payable balances using an estimate to effect the provision in the accounts. The final amount to be settled requires several steps of recommendation and approvals such as a special committee recommendation, approval of the line ministry and finally the cabinet for the initial payment period of 2014 to 2016. The provision had been finalized in the following manner. Therefore, finally no any under / over provisions at the end of the period of 2014 to 2016.

Year	Payable		Provisions made in Final Accounts LKR	Difference LKR
	USD	LKR		
2014	12,263,709.00	1,859,914,228.68	0.00	1,859,914,228.68
2015	18,892,752.00	2,865,274,768.32	3,200,000,000.00	(334,725,231.68)
2016	13,427,708.00	2,036,446,074.00	3,561,635,071.00	(1,525,188,997.00)
Total	44,584,169.00	6,761,635,071.00	6,761,635,071.00	0.00

- (b) Recoverability of investment made by the Pension Fund of the Board amounting to Rs.403,717,966 and its accumulated interest amounting to Rs.51,399,687 is in doubt due to non-existence of these financial instruments.

An investment amounting to Rs.403,717,966 and its accumulated interest amounting to Rs.51,399,687 had not been recognized as impairment due to the reason that the initiatives have been taken by the Central Bank for a reasonable settlement plan in this regard.

Further the matter has already been investigated by Financial Crimes Investigation Division (FCID). In addition to this, Board of Directors have taken legal action against Entrust Securities PLC the primary dealer.

- (c) Six vehicles which registered under the name of the Ministry of Power and Energy in the year 2009 had continually been shown in the financial statements as the assets of the CEB and depreciated accordingly.

Six vehicles which are registered under the name of the Ministry of Power and Renewable Energy have been shown in the financial statements as at 31st December 2016. The balance is laying in the accounts for long period of time and continuously shown in the financial statements of CEB. In this regard, several discussions were held at the line Ministry Audit and Management Committee meeting chaired by the secretary, Ministry of Power and Renewable Energy, and once the proper instructions are received, action will be taken to update Asset Registers accordingly.

- (d) Ten vehicles, costing Rs. 3,542,566 released to the line Ministry had gone missing since several years ago.

Ownership details and current status of licensing of ten vehicles were already collected from Department of Motor Traffic and accordingly, actions are being taken to get details of present usage of the vehicles from relevant parties

- (e) The debit balance of Rs. 223,211,703 (stock shortage) and credit balance of Rs. 18,143,015 (stock excess) had remained in the stock adjustment account more than one year without being cleared.

Action has been taken by the respective Division to clear the stock adjustment account as an annual accounting adjustment.

- (f) Balance in the goods in transits account

Balance in the goods in transits account was reduced to Rs. 97,178,445.70 as at 2016-12-31 and necessary action has already been taken to clear this amount in the subsequent years.

2.2.2.3 Un-reconciled Differences

- (a) A difference of Rs.789,308,344 was observed between the payable and receivable balances of Rs.12,434,413,663 and Rs.13,223,722,007 shown in the financial statements

This is a repeated audit query since year 2013 CEB stands for the previous answer which is reproduced below

As per the decision taken at the meeting chaired by secretary to Treasury on 30th September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20th April 2013. However the delayed interest payment of Rs.753,610,829 is relevant to fuel purchases before 20th April 2013 by CEB. Though it is appeared in the books of accounts of CPC, CEB does not bear any liability in this regard. Therefore it is not required to carry out reconciliation for this difference since CEB does not liable.

- (b) Un-reconciled differences aggregating Rs.423, 369,454 was observed between the balances of bulk and ordinary debtors as at 31 December 2016.

The process of recording billing transaction in the CEB billing system and the financial transactions record in the General Ledger will not be agreed at any given date. Distribution Divisions carry out a reconciliation to determine the reasons to such differences.

Heavy supply debtor's ledger balance includes active debtors, finalized debtors. However billing report extract from IT branch, includes only active debtors balance. Therefore difference between billing report extract from IT branch balance and the ledger balance is mainly due to finalized debtors.

Ordinary supply debtor's ledger balance includes active debtors, finalized debtors and area suspense account. Balance extract from the report generated by IT Branch shows only active debtors balance and finalized debtors balance. Therefore area suspense account shows as a difference between two balances.

- (c) The net amount receivable from CEB as at 31 December 2016 as per the financial statements of the Lanka Coal Company was Rs.143, 351,210.

Both LCC & CEB uses different accounting bases for recording of coal transactions. CEB used average pricing method to account for coal transactions and LCC has used different method. This matter was discussed with LCC and agreed to use Performa invoice value by both entity until final commercial invoices are issued by LCC. The confirmed receivable and payable balance of LCC & CEB as at 2017-12-31 is being reconciled. Therefore no difference at present with LCC & CEB balances.

- (d) The balance payable to Heladhanavi Limited as at 31 December 2016 as per the financial statements of LTL holdings and CEB records had been differed

As per CEB records the payable balance to Heladhanavi (Pvt) Ltd as at 2016-12-31 was Rs. 270,498,307.84. However as per their records the balance receivable from CEB was Rs. 330, 071,158.44 and the total difference was Rs. 59,572,850.60. From that difference an amount of Rs. 12,233,901 was due to taxes which were disallowed by CEB as they failed to produce supporting documents at that time. Further an amount of Rs. 47,312,519.88 was arose due to dividend taxes which was not covered under the court proceedings and was disallowed by CEB. Further in this payable balance a dispute amount of Rs. 55,321,553 is included and not yet settled between parties.

2.3 Accounts Receivable and Payables

- (a) Debtor balance relating to both ordinary and bulk supplies had remained outstanding.

Trade receivable is a function coming under Distribution Divisions except bulk sale to LECO which is coming under the preview of Transmission Division. Monitoring of collection and recoveries of trade debtors is a Key Performance Indicator of Distribution Divisions. The recovery position of debtors is falls within 95% -100%. The trade debtors represent large amount of finalized balances amounting Rs.2, 260 million during the 2016.

Finalised balances when the consumers are default, even after issuing red notices to them the meter is removed and supply is disconnected. Though the service is physically disconnected and recognises as finalise accounts the receivable amount will not write off from the books of account immediately and further action taken including legal action to recover these finalized balances until such time those balances are in the trade debtors account.

Further most of the outstanding balances represent interest charge on the outstanding balances on the public sector organization such as hospitals, security camps, police stations, etc. By considering the important national service provide by the government organization and due to the payment proceeding followed by those institutions recovering of long outstanding balances and recovering the outstanding interest is certain extent beyond the control of CEB management.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL (Contd.)

- (b) Amount of Rs. 46, 548,248 due from the LECO was remained outstanding without being recovered for more than five years.

Even though the committee is appointed, committee did not finalize the issue. Later this matter was discussed with LECO officers and was unable to arrive a decision since those outstanding balances are coming from more than 10-15 years. Therefore it is in the process of obtain the Board approval to write off the balances or to intervene management to amicable settlement for this long outstanding issue.

Balance of other receivable remained outstanding for more than five years

Name of the Debtor	Amount (Rs.)	Remarks
Wood Group Gas Turbine LTD	8,264,352	An amount of Rs. 8,264,352/- to be recovered from Wood Group Co. Ltd as per contract as shown in transfer voucher and this matter was referred to Attorney General for legal opinion. However, in the year 2012, chief Legal officer, by her letter dated December 12, 2012 addressed to Finance Manager, has informed that she couldn't trace any document or any proof to the extent that arbitration had been commenced. As no Company is exist in the country at present and with the answer of Legal Officer referred above, a decision was taken to write off this balance and this will proceed in the future.
Ministry of Power and Renewable Energy	6,142,277	The above payment has been made to Ministry of Power & Renewable Energy for the transactions in connection with opening ceremony expenses of Kerawalapitiya combined power plant. These expenses need to be reimbursed by the Ministry. However, Additional Secretary (Admin & Proc.) to the ministry of Power & Renewable Energy has request to the West Coast Power (Pvt) Ltd, on his letter dated 2018-01-04 to take necessary measures to reimburse the outstanding payment related to the above opening ceremony to CEB. West coast power (Pvt) Ltd response by their letter dated 30 th January 2018 is not a favorable response.
Sri Lanka Sustainable Energy Authority	897,025,999	At the time of formulating the Cost Based Tariff for Renewable Energy, it was decided that CEB should bear only the portion equivalent to 90% of avoided cost. It was further agreed that full amount based on tariff should be paid by CEB and the amount in excess of 90% of Avoided cost to be reimbursed by Sustainable Energy Authority (SEA) to CEB. CEB had been informing SEA monthly amount to be reimbursed. Since no replies were received from SEA the reminder sent by CEB, a decision was taken to withhold the payment to SEA for purchasing energy generation until the payment is settled. Accordingly, payment were hold from August 2015 to July 2016 and thereafter based on the Ministry Audit and Management Committee decision full amount is being settled irrespective of recoverable amount.
AES Kelanithissa (Pvt) Ltd	1,368,964,445	With reference to the letter dated 19 th March 2012, addressed to the chairman of Ceylon Electricity Board, the secretary of the Ministry of Power & Energy has informed that with effect from July 2011 retail prices applicable to auto diesel will be applied for auto diesel already supplied and to be supplied in future for power generation to CEB/IPP. CPC will re-adjust the invoices accordingly. As CEB has an agreement with AES Kelanithissa (Pvt) Ltd. and fuel price is a pass through cost of the power producers' it could be recovered after CPC credit that benefit to the Power Producers only. However, Ceylon Petroleum Corporation invoiced the fuel prices as Rs. 76/-per liter from October 2011 onwards but not revised the previous invoices. Therefore, it was recorded as amount receivable from CPC. But, it was corrected in the month of February 2015 and recorded as receivable from AES Kelanithissa (Pvt) Ltd. But CEB can recover it from AES Kelanithissa (Pvt) Ltd, once CPC adjust the fuel price difference and offer that credit to the above company only.
Total	2,280,397,073	

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

(a) Section 47 (1)(b), Section 47(2)(a), Section 47(2)(b) of Ceylon Electricity Board Act No. 17 of 1969

Board has reconsidered its decision at the meeting held on 2014-12-15 under the minute No.15.09.119C, which has given a decision to maintain the reserve and transfer of fund from appropriation could be made when the adequate liquidity is available.

Section 46 and Section 11 (a) and (b) of Part II of the Finance Act, No.38 of 1971 – CEB had invested fund amounting to Rs. 6,496 million in Insurance Escrow Fund

The insurance escrow fund was formed with funds which are immediately required for the purpose of indemnifying a loss that may occur at any given time. Board has decided to invest in low risk financial institution as per the negotiation had with the World Bank in 1987. Since then this Insurance Escrow Fund is operate at the Peoples' Bank.

A Board paper No.CEB/FM dated 2014-09-17 submitted in this regard was referred to the Audit and Management Committee. The Audit and Management Committee report dated 2014-12-15 has considered the recommendation of the Board paper and it was confirmed by the Board Meeting held on 2015-05-25 under the minute No. 15.09.119C and it was agreed to maintain the relevant reserve as mentioned in the original Board Paper

(b) Contrary to the Paragraph 3 of Section 28 of Sri Lanka Electricity Act, No.20 of 2009, interest which should have been paid by the Board on consumer deposits had not been provided in the financial statements.

The distribution licensee has to pay interest to the consumers against on security deposit made by them in terms of the Section 28 (3) of Sri Lanka Electricity Act .No.20 of 2009. Further the guideline on Payment on security deposit has been approved by the commission (PUCSL) Meanwhile, General Manager CEB has made a submission to Director General of PUCSL on 2017-03-03 mentioning the practical difficulties which could be faced by CEB in managing finance and recommends holding the aforesaid interest payment until the financial situation of CEB is improved.

(c) The shortfall of Rs.5,635 million between the balances in the Insurance Reserve Fund and Investment of Insurance Reserve Fund as at 31 December 2016 had not been invested as per the self-insurance policy of the CEB.

Theoretically, Insurance Reserve Fund balance and Investment of Reserve Fund (Insurance Escrow Fund) should be equal as of 31 December 2016 if the provision had been invested annually. The shortfall of Rs. 5,635 million was due to non-investment in the Insurance Reserve Fund as a result of adverse financial situation and continuous loss of CEB. According to the Government policy CEB has to provide uninterrupted electricity supply at any cost. CEB faced constant losses per unit of electricity sales. As there is no cost pass through price mechanism, it is not reasonable to state in the audit query 'there was no proper financial management' as the situation is completely beyond the control of CEB management.

3. Financial Review

3.1 Financial Results

Informative

3.2 Analytical Financial Review

Informative

3.3 Irregular Transactions

(a) The PAYE tax paid by the Board overruling Cabinet Decision as at 31 December 2015 was Rs. 2,617,839,903.

The PAYE Tax liability of CEB employees have been borne by the CEB since its employees were made liable for PAYE Tax. This was informed to the Ministry of Power and Renewable Energy and Salaries and Cadre Commission in several times and discussions were held with Trade Unions. However no consensus was reached. The Collective Agreement signed on 2014-12-01 has been approved by the Cabinet on 2015-05-20. It appears now a violation of the collective agreement to change the agreed remuneration and would create further legal repercussions.

The value of non-cash benefits specified by the Commissioner General of Inland Revenue, certain non-cash benefits such as provision of quarters, apartments and motor vehicles for private mileage have not been considered due to inability for obtaining exact information through the system. However, the action will be taken by considering the rules and regulations mentioned in new Inland Revenue Act No. 24 of 2017.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL (Contd.)

- (b) Different staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board of Directors in contrary to the decision of the Cabinet of Ministers on 14 November 2007 Rs.1,222 million had been paid in the year 2016 as compared with Rs.1,144 million paid in 2015.

Cabinet approval has been received on 2008-04-09 for the payment of allowances to the CEB employees as per the recommendation of the salaries and Carder commission. It is not clear what are the allowances referred under this item, and therefore comprehensive answer is not possible.

- (c) Instead of granting vehicle loans at 10 per cent to 14 per cent interest as per the Public Enterprises Circular No 130 of 08 March 1998, the Board had granted it at 4.2 per cent interest.

Vehicle loans for CEB employees were granted as per terms and conditions stipulated by the Board at concessionary rate of interest.

3.4 Identified Losses

A sum of Rs.59,750,592 had been deducted by the lending agency as commitment charges.

Commitment Charges - 01.01.2016 - 31.12.2016			
	Loan Name	Name of The Project	US \$
1	2518 - SRI	Clean Energy and Access Improvement Project	42,376
	2519 - SRI		
2	2733 - SRI	Sustainable Power Sector Support Project	53,999
	2734 - SRI		
3	3146 - SRI	Green Power Development & Energy Efficiency Improvement Project	89,810
	3147 - SRI		89,445.61
4	2892 - SRI	Clean Energy and Network Efficiency Improvement Project	125,138
	2893 - SRI		
Total (US\$)			400,768.61
Exchange rate as at 2016.12.31			149.09
Total (Rs.)			59,750,592

As per records in Project accounts that coming under purview of AGM (Projects) under the above loan numbers, there were no commitment charges incurred during the period of year 2016.

However, it is note to state here that the commitment charges could not be avoided even the project is on schedule due to stringent loan covenants in the loan agreements. Commitment charges accrue from the 60th day of the loan effectiveness on the undisbursed balance of the loan

3.5 Matters in Contentious Nature

- (a) Even though the Board had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there are no sales and purchase agreements entered with those two parties

The audit findings observed that there is no fuel supply agreement between CEB and CPC to smoothen the fuel procuring process. It should be noted that there is a planning and forecasting of fuel requirement between CEB & CPC. Eg : the forecasted five weeks fuel requirement is submitted to CPC on weekly basis at the weekly CPC stock review meeting while next two months fuel forecast is submitted to CPC at the beginning of every month so that CPC can plan the fuel ordering and supply the required fuel stocks accordingly. All IPP's (As Private Parties) has a fuel Supply Agreement with CPC but CEB being a state own entity (SOE) doesn't have required such agreement.

Initiation has been taken to enter into power purchase agreement between the Transmission licensee of CEB and the LECO. A committee with the participation of high ranking officers of both CEB and LECO has prepared an agreement with attorney general's opinion and submitted for AGM (Transmission). General Manager CEB has forward this report for General Manager, LECO and waiting for a feedback.

(b) Impact to the CEB from the major issues identified in procurement of coal by the LCC for the year 2016 for the Lakvijaya Power Plant.

(i) The draft agreement included in the original bidding documents of coal procurement had been amended when the LCC entered into the agreement with suppliers

As indicate in the question itself the original bidding document included the draft agreement with a provision of any changes if required. This amendment was done on the given instructions of SCAPC

(ii) Prices of the coal had been adjusted as per the loading port quality analysis report instead of discharging port quality analysis report

LVPS certified the coal payment as per the CEB & LCC coal supply agreement. When LCC supply coal they purchase them on FOB terms and assign Ceylon Shipping Corporation for the transportation. When advertising the bids, it was mentioned payments are done as per the load port analysis report, since this is in FOB terms.

(iii) Letters of acceptance pertaining to 16 shipments which procured 935,082 metric tons of coal had been issued prior to arrival of ships to the anchorage port.

In the CEB & LCC coal supply agreement it was clearly stated, Letter of Acceptance should have to issue 7 days before arriving the ships to the load port anchorage. Those conditions were approved by the SCAPC and the Cabinet of Ministers

3.6 Management Activities

The following observations are made.

(a) Approval of Board had not been obtained for revised manuals.

As per the Subsection 5 (2) of the Ceylon Electricity Board Act No, 17 of 1969: General Manager of Board has the power to approve the revised Manual. The following steps followed to finalize the Manual by DGM (FS & PD) Branch.

The first sets of operating manuals of CEB were prepared as a one – time assignment for a consultancy, to an external consultant. As such, the approval of the Board of members of CEB had been obtained for the same.

However, upon establishment of the Corporate Strategy Division within CEB, the importance of continuously updating the Operating Manuals as well as other Manuals were realized and the responsibility of the same was entrusted to the newly formed Functional Strategy and Process Development Branch, under the CS Division, by the Board. As such, one of the major functions of the FS & PD Branch is to revise the existing Operating and other Manuals as well as to produce new Manuals as and when necessary. Especially, in case of the Operating Manuals, this is a continuous process, where the Manuals are continuously updated as per the contemporary operational practices, based on the administrative and operational circulars, issued time to time, as well as the best practices identified time to time. Since they are mostly operational, the approving authority shall have the necessary expertise and experience to scrutinize the same.

The said operating manuals for DGM (Province) and Area Electrical Engineer are related to operational activities of the Board. They had been prepared and updated as per the existing, approved practices as per the circulars of the General Manager.

Hence, once such operating manuals are produced or updated, the approval of the General Manager is obtained compliance with good governance as well as the general practices within the Board. Therefore, no such requirements are foreseen for obtaining the approval of the Board, for such operational matters, which the Board, by virtue of the CEB Act, charges General Manager (CEB) the powers with.

(b) Two transformers which have 35 years life time and purchased at Rs.18,254,550 in 2005 had been decommissioned.

These transformers were installed at Sri Jayewardenepura GSS through Greater Colombo Grid Substation Project in 2006. An investigation had been done in June 2013 on this failure by a committee appointed by the Chairman – CEB.

(c) Three thousands of insulators (Pin 33KV) procured at Rs.7,221,707 on 11 September 2014 had not been used due to quality issue.

This incident has been discussed before the Audit and Management Committee and as per the Audit & Management Committee minutes in November 2017, the Audit and Management Committee has directed to GM of the CEB to appoint a committee to carry out an inquiry and forward the inquiry report to the Audit & Management Committee. Accordingly, committee has been appointed and inquiry is in progress.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL (Contd.)

- (d) Special investigation carried out by Internal Audit Branch on stock shortage of Rs. 52,550,929 identified in 2014 under project of Uthuruwasanthaya had been finalised as at 17 April 2017.

Description	Amount (Rs.)	Responsible persons	Actions taken up to date
Stock Shortage - 2014	46,330,071.90	Mr.U.P.Udara Gunarathne (P.F.No 37475)	Store Keeper had been interdicted and waiting for court decision (Case No. B/1164/15)
Stock Shortage - 2015/2016	6,220,855.50	Mr. Asanka Jeyakodi (P. F. No. 37432)	Rs.4,212,810.00 has been cleared by using adjustment accounting entries. Balance Rs.2, 008,045.50 remaining and waiting decision of the committee appointed by the DGM(NP) through a letter No. NP/DGM/HRO/Inquiry Dated 2017-05-04.
Total	52,550,927.40		

Further, detailed information is available at the office of DGM (NP) Branch in this regard.

- (e) The employment loan such as distress, transport, festival advance and special advance value of Rs.5,821,247 had been remained more than 5 years without being recovered.

Most of the outstanding loan balances over five years are mainly due to non-finalization of terminal dues to the employees who were under VOP, dismissed or interdicted. Once the inquiries are finalized these dues will be recovered from their terminal benefit.

3.7 Human Recourse Management

- (a) Scheme of Recruitment (SOR) of the board had not been updated for a longer period.

Revised SORP was submitted to the Board for approval in June 2016. The Board has requested the Management to circulate the draft SORP among all the CEB Trade Unions for their views and suggestions. Accordingly, reviewed SORP after considering the suggestions of Trade Unions, was submitted to the Board in 2017.

- (b) The Key post in the HR Division

This matter was taken at the COPE and the Committee appointed on the COPE recommendations have revealed that it is effective the DGM (P) position be held by a senior Engineer of a DGM level.

- (c) According to the existing SOR, 50 per cent of the total cadre of HRO Service is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent.

SORP has a promotion path and it is clearly defined in it. The two Engineers involve in important functions delegated by the GM on his behalf. Those two Engineers do GM defined functions and therefore these posts have not been a hindrance to HR promotions

- (d) Experience required for direct recruitment of (HRM) and (HRO).

This issue was addressed in the revised draft SORP which was submitted to the Board along with the SORP referred in 3.7 (a) above.

4. Operating Review

4.1 Performance

- (a) Power Generation and Direct Cost

Under the referred report, it has been highlighted the high expenditure on IPP thermal generation in year 2016 compared to the 2015. The contribution from the hydro generation due to the drought was the main reasons for increase of thermal power generation in year 2016.

It is also to be noted that annual inflows received in 2016 was the lowest record since 1992 and hence following the dry weather experienced, we were completed to restrict hydro generation while maximizing thermal generation resulting high generation cost with around 8% demand growth. Further mini-Hydro contribution in 2015 was 1065 GWh compared 739Gwh in 2016, which was significantly low due to very dry condition during the year 2016.

Further it should be noted that coal unit 01 was not available for generation during the first part of the year 2016 and accordingly, we had to dispatch high cost thermal plants specially during the first quarter of the year (very dry period) where high demand is experienced, to meet the part of unserved coal generation during the affected dry period resulting increased thermal generation cost.

5. Accountability and Good Governance

5.1 Social Responsibility

The Board had paid Rs.12,526,000 as compensation for environmental issues during the year under review.

In every consignment of coal tested by independent accredited laboratory at load port and unload port. CEB carefully studies the contents of these reports and if there is any low quality coal CEB acts according to the conditions of the CEB & LCC coal supply agreement. The highlighted environmental pollution has no relation with coal quality.

One of the NGO in Sri Lanka has filed a court case against CEB, PUCSL, and Provincial Environmental Authority (NWD) etc. Therefore issuing of Environment Protection License (EPL) is temporary suspended by the relevant authority. At present these problems were discussed in several meetings and commonly agreed for acceptable criteria. (CEB, Environmental Authority, PUCSL, NGO). It may possible to obtaining the court consent for the issuing of EPL at the next hearing in April 2018.

5.2 Budgetary Control

Significant variances were observed between the budget and the actual thus indicating that the budget had not been made use of as an effective instrument of management control.

The annual budget is prepared based on the estimated figures derived using a trend analysis of actual figures. Prior to approve any expenses the Vote register is checked and make sure the expense were under the budgeted limit. Every month CEB Finance Division prepares a report which compares the actual operating results with the approved budget of that year and submits it to the Board of Directors.

In addition, a Performance Review Report is submitted to Corporate Management Team (CMT) every month which carries both recurrent and capital actual expenditure against the approved budget.

In the given variance analysis, it is noted that the variance of material (indirect) has not been considered. However, it must be considered to calculate the total variance analysis accurately.

The direct generation cost (CEB Thermal Oil & Coal and IPP & NCRE) is moved par with the generation mix of the year under review.

Generation Mix	Actual (GWh)	%	Approved Budget 2016 (GWh)	%	Revised Budget 2016 (GWh)	%
Hydro	4,220	30	4,981	37	4,745	34
CEB Thermal Oil	2,297	16	1,068	8	1,600	11
CEB Thermal Coal	5,047	36	5,340	40	5,005	36
IPP	2,164	15	426	3	1,326	10
NCRE	421	3	1,635	12	1,266	9
Total	14,149	100	13,450	100	13,942	100

When analyse the generation mix, the hydro contribution expected at the initial budget preparation as well as the revision of the budget is very much higher than the actual situation. Therefore, that low hydro contribution is set off by the high cost IPP in order to maintain the uninterrupted power supply within the country.

When analyse the operating expenditure, budgeted Other Expenditure and the Personnel Expenditure show the significant differences with actual figures. Under other expenditure, it was identified that the cost budgeted for the payment for Engineering Services at Lakvijaya Power Station was significantly higher than the actual payment. (Budget – Rs. 6,024 Mn. Actual – Rs. 3,563 Mn.)

Under personnel expenditure, the cost budgeted for the gratuity payment was significantly higher than the actual payment. (Budget – Rs. 2,000 Mn. Actual – Rs. 860 Mn.)

6. Systems and Controls

(a) Asset Management

(i) Capital Work In Progress in the Distribution Division

The process of transfer of the completed jobs is one of the regular monitoring activities by the respective Provincial DGMs and the Divisional AGMs at their executive team meetings.

(ii) Valuation of Land and Building in CEB

Survey of Land of CEB commence in year 2014. Priority was given to sample the Distribution lands which is scattered throughout the country. Gathering information related to identification of CEB land was very complex exercise. The following table shows the progress of this process.

S/N	Division	Total Valuation Amount (Rs)	Number of Land Identified	No. of Lands valued	Completion (%)
01	Distribution Division 01	10,215,156,700.00	783	783	100%
02	Distribution Division 02	4,493,646,900.00	1575	835	53%
03	Distribution Division 03	1,360,746,000.00	1405	662	47%
04	Distribution Division 04	2,910,862,610.00	1228	1,228	100%
05	Transmission	381,326,000.00	24	12	50%
06	Generation	-	-	-	-
07	Asset Management	2,074,768,000.00	4	3	75%
08	Projects	-	-	-	-
Total		21,436,506,210.00	5019	3,523	70%

(iii) Updated Data Base for Vehicles

All the divisions maintain CEB owned vehicle details in their fixed Assets Register. In addition to that Asset Management Division of CEB maintains central data base for the vehicle belongs to CEB and hired vehicles. Instructions have been issued to submit relevant information to update this data base regularly by AGM (AM) by his letter Ref. No AGM/AM/CC/24 dated 2017-01-18.

(b) Receivables and Payables

(i) Debtors and other Receivables

Monitoring of collection and recoveries of trade debtors is a Key Performance Index of Distribution Divisions. The recovery position of debtors is falls within 95% to 100%.

With respect of trade debtors related to Assets Management division, actions are being taken to speed up the recovery process by DGM (Work Shop & Ancillary Services). Accordingly, other receivable balance amounting to Rs. 492,594, 178.70 as at 31 December 2015 has been reduced to Rs. 208,915,885.92 as at 31 December 2017.

(ii) Security Deposits on Bulk Supply

CEB maintains proper procedure to accept and record the security deposit on bulk supply by following the principle of 'segregation of duties'. Chief Engineer - Commercial in the distribution provinces decides the amount of security deposit based on the guideline and the procedure then it is accepted and records are maintained by Accountant Revenue in the province independently.

(c) Human Resources Management

The CEB being the utility responsible for providing electricity within its territory, has achieved almost 100% electrification and maintained electricity supply round the clock which is a much better service compared with the neighboring countries in the sub-continent. This itself justifies the level of achievement of the objectives, and the level of achievement would not have been acquired if human resource management was in failure.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL (Contd.)

(d) Procurement

(i) Procurement Plan

CEB prepare procurement plan annually and obtained the Board approval. CEB follows the NPA guideline and the guideline issued by respective Donor Agencies. Eg: ADB Guideline

(ii) Strengthening coal Purchasing Process

On behalf of CEB coal procurement is undertaken by Lanka Coal Company (LCC) Limited after identifying weaknesses LCC has strengthen their procurement process, recruited professionals to handle the procurement and a new agreement has been signed on 2018-03-07.

(e) Inventory Control

(i) Maintenance of stock Records

CEB follows Generally Accepted Accounting Principles (GAAP). For stock valuation in Generation, Assets Management and Transmission Divisions use FIFO while Distribution Division follows standard pricing method. All stock related transaction records are maintain through the inventory module in the MITFIN System

(ii) Establishment and Maintenance of appropriate controls over stock

Stock controls are one of the activities that has been computerized first to minimize errors and frauds. Optimal steps have been taken to minimize losses and frauds.

(f) Project Management and Control

All the project activities and reporting requirements are being monitored by the AGM Project division.

(g) Investments and Control over Subsidiaries

CEB being the state utility service provider the main objective is to provide electricity for all at affordable price. All the associate investment and subsidiaries were also formed based on the same principle, therefore ROI will not be the main objective of such investment.



W B Ganegala

Chairman
Ceylon Electricity Board

ABBREVIATIONS

ADB	Asian Development Bank	NCRE	Non-Conventional Renewable Energy
AFD	Agence Francaise Developement	NEDO	New Energy and Industrial Technology Development Organization
AGM	Additional General Manager	NN	Negenahira Nawodaya
BIQ	Basic Information Questionnaire	NSCC	National System Control Centre
BSC	Breaker Switched Capacitor	OEM	Original Equipment Manufacture
BSF	Board Special Fund	OLTC	On Load Tap Changer
C&P	Control and Protection	O&M	Operation & Maintenance
CE	Chief Engineer	OPGW	Optical Fiber Ground Wire
CP	Central Province	PABX	Private Automatic Branch Exchange
CPF	Carbon Partnership Facility	PCB	Provincial Council Budget
CSC	Consumer Service Center	PD	Partial Discharge
CT	Current Transformer	PHM	Projects & Heavy Maintenance
CVT	Current Voltage Transformer	PLC	Power Line Carrier
DC	Direct Current	PLTS	Party Line Telephone System
DC	Double Circuit	POS	Point of Sales
DCB	Decentralized Budget	PRV	Pressure Relief Value
DD1	Distribution Division 1	PS	Power Station
DD2	Distribution Division 2	PSS	Primary Substations
DD3	Distribution Division 3	PT	Potential Transformer
DD4	Distribution Division 4	PTI	Power Technologies International
DGA	Dissolved Gas Analysis	PUCSL	Public Utilities Commission of Sri Lanka
DGM	Deputy General Manager	RE	Rural Electrification
EIA	Environmental Impact Assessment	RTU	Remote Terminal Unit
EP	Eastern Province	SC	Single Circuit
ESMP	Electricity Sector Master Plan	SCADA	Supervisory Control & Data Acquisition
GCB	Generator Circuit Breakers	SCCMP	System Control Centre Modernization Project
GSS	Grid Substation	SFRA	Sweep Frequency Response Analysis
GT	Gas Turbine	SIP	Signal Interface Panel
IAEA	International Atomic Energy Agency	SPP	Small Power Producers
JICA	Japan International Cooperation Agency	SPPA	Standardized Power Purchase Agreements
LOI	Letter of Intents	SVC	Static Var Compensator
LSE	Lighting Sri Lanka East	UG	Under Ground
LTGEP	Long Term Generation Expansion Plan	UU	Uva Udanaya
LTDP	Long Term Transmission Development Plan	VHF & UHF	Very High Frequency & Ultra High Frequency
LV	Low Voltage	WPN	Western Province North
MCPC	Ministry Consultancy Procurement Committee		
MLKR	Million Sri Lankan Rupees		
MOPRE	Ministry of Power & Renewable Energy		
MV	Medium Voltage		

