



CEYLON ELECTRICITY BOARD



CEB Annual Report 2017 was forwarded to the Ministry of Power and Energy to be submitted the Parliament.





CONTENTS

OUR VISION, MISSION & CORE VALUES.....	2
OUR ENVIRONMENTAL POLICY	3
HIGHLIGHTS OF THE YEAR.....	4
CORPORATE INFORMATION.....	6
ORGANIZATION CHART 2016.....	8
CHAIRMAN'S REVIEW.....	12
GENERAL MANAGER'S REVIEW.....	15
CEB TRANSMISSION NETWORK.....	17
OPERATIONAL REVIEW.....	18
GENERATION DIVISION	18
TRANSMISSION DIVISION.....	29
DISTRIBUTION DIVISIONS	42
PROJECTS DIVISION.....	58
ASSET MANAGEMENT DIVISION.....	66
CORPORATE STRATEGY DIVISION.....	73
FINANCE DIVISION	84
FINANCIAL REVIEW.....	86
REPORT OF THE DIRECTORS	87
CONSOLIDATED INCOME STATEMENT.....	89
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	90
STATEMENT OF FINANCIAL POSITION.....	91
STATEMENT OF CHANGES IN EQUITY - GROUP	92
STATEMENT OF CHANGES IN EQUITY - THE BOARD	94
CONSOLIDATED STATEMENT OF CASH FLOWS	96
NOTES TO THE FINANCIAL STATEMENTS	97
AUDITOR GENERAL'S REPORT	146
REPLIES TO THE REPORT OF THE AUDITOR GENERAL	157
ABBREVIATIONS	173



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:

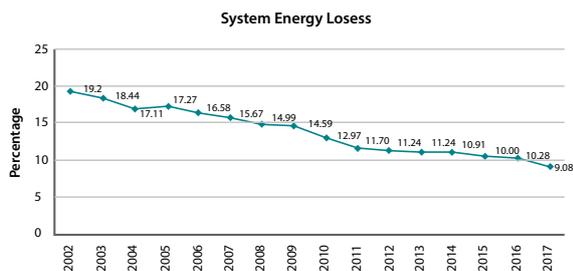
The Sri Lankan economy continues its growth momentum driven by the improved physical infrastructure including electricity. In year 2017, usage of electricity was recorded a remarkable growth of 5.1% when compared to the previous financial year. The industrial Sector has recorded a growth of 4.6%. The General Purpose Category and the Hotel Sector have followed a growth of 7.8% and 10.0% respectively.

Electrification of Households

By the end of the year, 5,425,060 of the households in the country had been provided with electricity. The average per capita electricity consumption which was at 603 units (kWh/person) at the beginning of the year had reached 626 units by the end of the year recording an increase of 23 units.

System Energy Losses

The system energy losses which have been gradually decreasing during the past decade, stood at 9.08% by the end of the year.



Consumer Growth

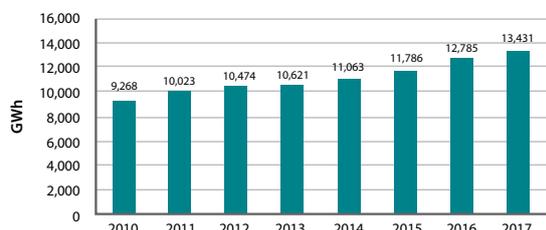
The total number of consumers stood at 6,193,131 by the end of the year indicating an annual growth rate of 3.8%. The numbers of consumers coming under different types of categories are given below:

Category	Number of Customers as at 31/12/2016	Number of Customers as at 31/12/2017
Domestic	5,243,433	5,425,060
Religious	36,382	37,999
General Purpose	623,694	667,062
Industrial	58,381	60,694
Hotel	498	507
Government	1,804	1,807
Total	5,964,192	6,193,129*

* Excludes LECO & Street Lighting

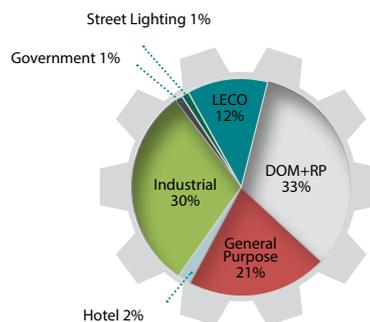
The number of new electricity connections provided during the year was 228,937 indicating in an average addition of 19,078 new customers per month.

Electricity Sales



The total electricity sales (including Sales to LECO) during the year increased from 12,785 GWh in the preceding year to 13,431 GWh resulting in a rate of increase of 5.1%. The average daily consumption of electricity in the year was 36.8 GWh as against 34.9 GWh in the previous year.

Sales by Tariff - 2017

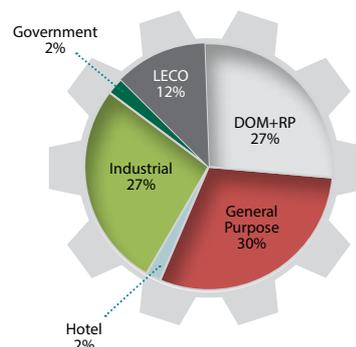


The highest energy consumption was by the consumers in the category 'Domestic and Religious Purpose' accounting for about 33% of the total consumption. This was followed by the industrial sector which accounted for 30% of the total consumption. The electricity consumption by consumers in the general purpose category was however only 21% of the total consumption indicating an annual growth of 8%.

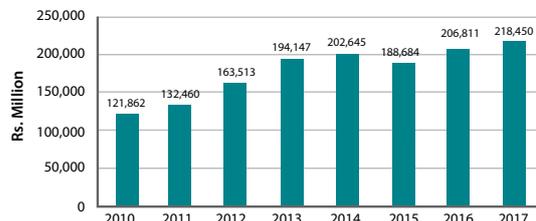
Revenue

The total annual revenue from electricity sales which stood at Rs. 206,811 million in 2016 increased to Rs 218,450 million during the year 2017 recording a growth of 5.6%.

Revenue by Tariff - 2017



Revenue from Electricity Sales



HIGHLIGHTS OF THE YEAR [CONTD.]

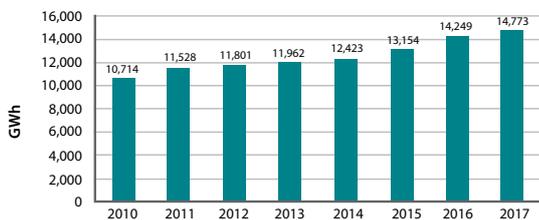
The highest revenue was from the General Purpose customers followed by Industrial Sector customers (27%). The contribution to the total revenue from the customers coming under the category 'Domestic with Religious' was 27%

Total Energy Storage

The year 2017 commenced with a total hydro storage of 473.9 GWh. This was 37.68% of the total storage of 1257.6 GWh, and 56.5% reduction compared to storage at the beginning of the preceding year. The total inflow received during the year was 3,513.1 GWh. The lowest storage recorded was 343.2 GWh on 23-05-2017.

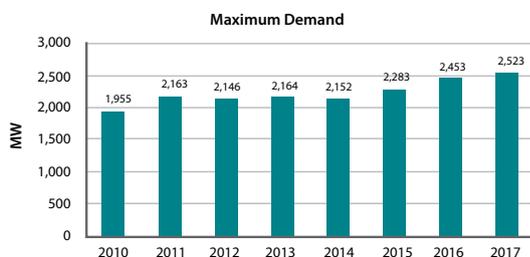
Year 2017 had one of the lowest recorded inflows due to the failure of South - West monsoon and North - East monsoon. However, around 2000 GWh was received during the period from September to December due to several atmospheric disturbances. The maximum average daily inflow of 18.5 GWh was received during the month of October. The inflow received from July to December was 2416.3 GWh which is 68.8% of total inflow of the year. Therefore, at the end of the year, the total storage had increased to 917.6 GWh.

Gross Energy Generation



By the end of the year, the total electricity generation had increased by 4%, i.e. from 14,249 GWh in 2016 to 14,773 GWh in 2017.

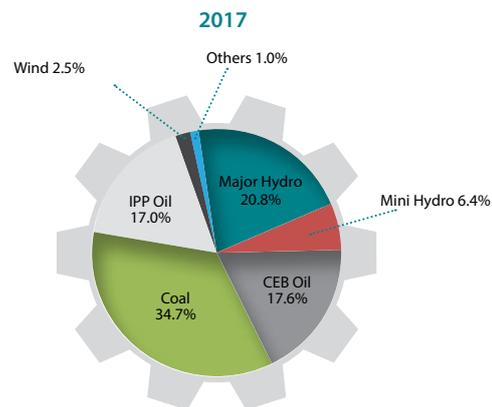
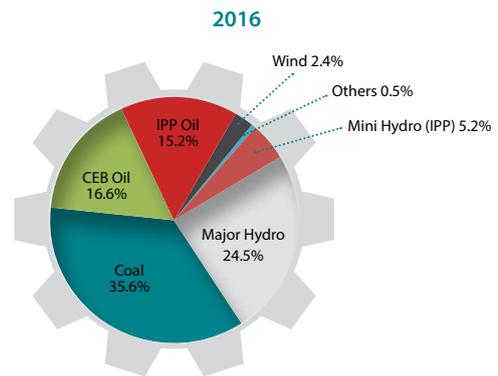
Maximum Demand



The Maximum Demand reached 2,523.2 MW in the year 2017 which was a 70.3 MW or a 2.9% increase from 2,452.9 MW in the year 2016.

Electricity Generation Sources

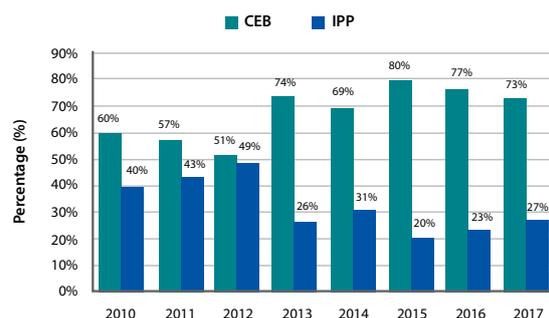
Due to drought condition during the year, the hydro power plants including mini hydro plants could contribute only 27% to the total power generation in the year. This was a decrease of 5% from what they contributed in the year 2016.



The thermal power stations contributed 69.3% to the total generated power in 2017 as against 67.4% in the preceding year.

Electricity Generation by Ownership

It is noted that the Independent Power Producers (Mini hydro and Thermal) has generated electricity 27% of the annual total generation in the year 2017 as against 23% in the preceding year (2016).



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

Mr. W.B.Ganegala (from April 27,2017)
Mr. W. D. A. S. Wijayapala (up to April 26,2017)

Vice Chairman

Mr. W.A.G. Wanasekera

Member / Working Director

Mr. W.R.G.S. Bandara

Member, representing the General Treasury

Mr. R. Semasinghe

Members

Ms. J. Kariyawasam
Mr. S. D. A. B. Boralessa
Mr. T.D.S.P. Perera (From January 27,2017)

Secretary to the Board

Ms. H.R.P. Pathberiya (Acting)

General Manager

Eng. A.K. Samarasinghe (from January 05, 2017)
Eng.(Mrs.) Y.M. Samarasinghe (up to January 04, 2017)

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. D. Thilakasena

Additional General Manager (Transmission)

Eng. P.L.G.Kariyawasam (from January 05, 2017)
Eng. D.D.K. Karunaratne (up to January 04, 2017)

Additional General Manager (Distribution Division 1)

Eng. P.C.C.Perera (from January 05, 2017)
Eng. A.K. Samarasinghe (up to January 04, 2017)

Additional General Manager (Distribution Division 2)

Eng. M. A.D.N. Gratian

Additional General Manager (Distribution Division 3)

Eng. A. D. Thilakarathne

Additional General Manager (Distribution Division 4)

Eng. D.D.K. Karunaratne (from January 05, 2017)
Eng. P.C.C. Perera (up to January 04, 2017)

Additional General Manager (Asset Management)

Eng. G.A.Jayantha (from May 16, 2017)
Eng.(Mrs.) S.P.Pathirana (from January 03, to May 15, 2017)
Eng. N.T.Colombage (up to January 02, 2017)

Additional General Manager (Corporate Strategy)

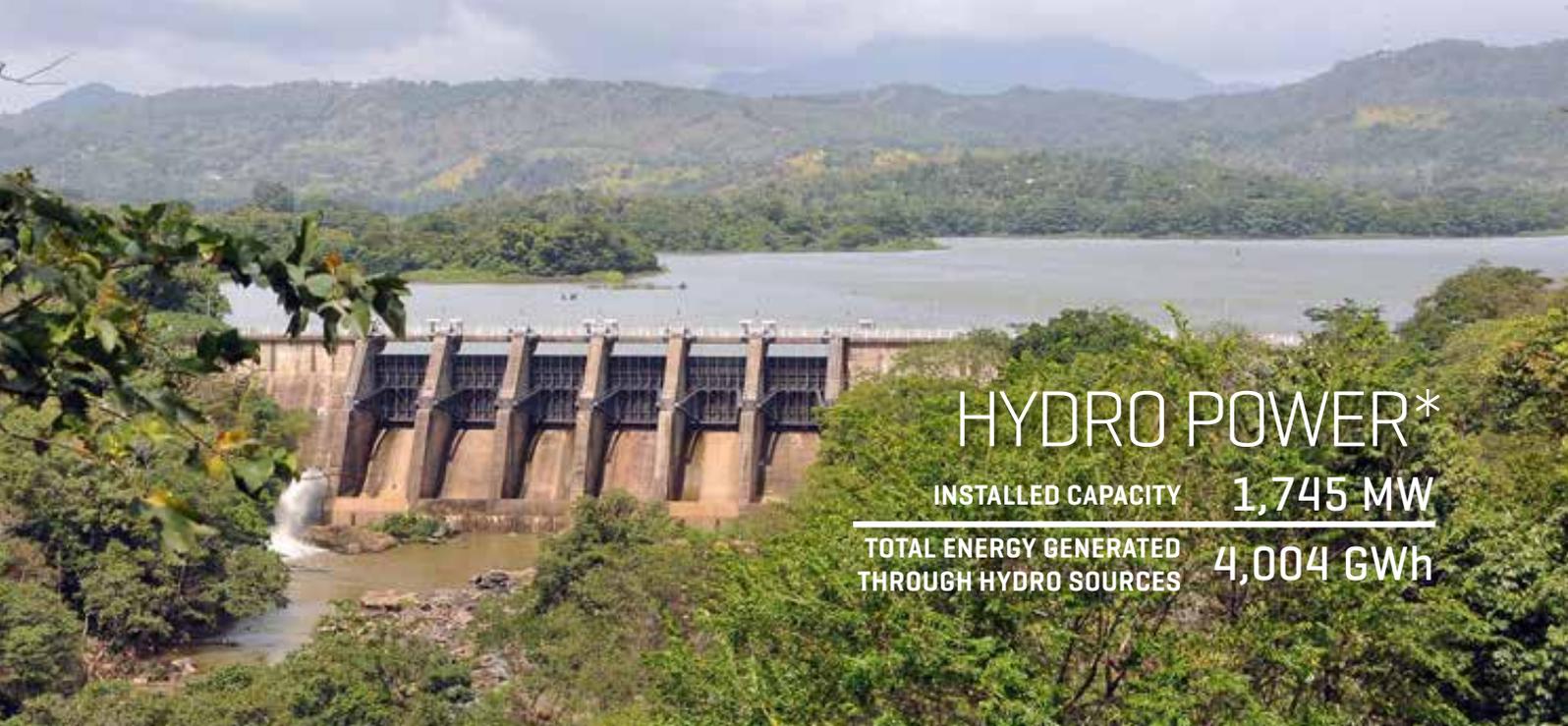
Eng.(Mrs.) N.W.K.Herath (from February 28, 2017)
Eng. H.D.S.Thimothies (from January 05, to February 27, 2017)
Eng. P.L.G.Kariyawasam (up to January 04, 2017)

Additional General Manager (Projects)

Eng. S.D.W. Gunawardena

Finance Manager

Mr.T.K. Liyanage



HYDRO POWER*

INSTALLED CAPACITY	1,745 MW
TOTAL ENERGY GENERATED THROUGH HYDRO SOURCES	4,004 GWh



THERMAL POWER*

INSTALLED CAPACITY	2,133 MW
TOTAL ENERGY GENERATED THROUGH THERMAL SOURCES	10,148 GWh



SOLAR, BIO MASS & WIND POWER*

INSTALLED CAPACITY	209 MW
TOTAL ENERGY GENERATED THROUGH SOLAR, BIO MASS & WIND SOURCES	519 GWh

* Includes CEB and IPP

ORGANIZATION CHART 2017

**CHAIRMAN &
THE MEMBERS
OF THE BOARD**

**GENERAL
MANAGER**



Additional General Manager
(Asset Management)

- Deputy General Manager(Asset Management & Corporate)
- Deputy General Manager(Civil Works & Building)
- Deputy General Manager(Occupational Health & Safety)
- Deputy General Manager(Training)
- Deputy General Manager(Work Shop & Ancillary Services)
- Manager (Security)
- Project Director(Vidulakpaya)
- Additional Finance Manager(Asset Management)

Additional General Manager
(Corporate Strategy)

- Deputy General Manager(Business & Operation Strategy)
- Deputy General Manager(Corporate Strategy & Regulatory Affairs)
- Deputy General Manager(Functional Strategy & Process Development)
- Deputy General Manager(Information Technology)
- Deputy General Manager(Research & Development)
- Project Director(ERP)

Additional General Manager
(Distribution Division 1)

- Deputy General Manager(Colombo City)
- Deputy General Manager(Commercial & Corporate)
- Deputy General Manager(Distribution Coordination)
- Deputy General Manager(North Central Province)
- Deputy General Manager(North Western Province)
- Deputy General Manager(Northern Province)
- Deputy General Manager(Planning & Development)
- Deputy General Manager(Project & Heavy Maintenance)
- Project Director (Colombo City Project)
- Project Director (Supporting Electricity Supply Reliability Improvement Project)
- Additional Finance Manager(Distribution Division 1)

Additional General Manager
(Distribution Division 2)

- Deputy General Manager (Central Province)
- Deputy General Manager (Commercial & Corporate)
- Deputy General Manager (Eastern Province)
- Deputy General Manager (Planning & Development)
- Deputy General Manager (Project & Heavy Maintenance)
- Deputy General Manager (Western Province North)
- Additional Finance Manager(Distribution Division 2)

Additional General Manager
(Distribution Division 3)

- Deputy General Manager(Commercial & Corporate)
- Deputy General Manager(Planning & Development)
- Deputy General Manager(Project & Heavy Maintenance)
- Deputy General Manager(Sabaragamuwa Province)
- Deputy General Manager(Uva Province)
- Deputy General Manager(Western Province II)
- Additional Finance Manager(Distribution Division 3)

Additional General Manager
(Distribution Division 4)

- Deputy General Manager (Commercial & Corporate)
- Deputy General Manager (Planning & Development)
- Deputy General Manager (Project & Heavy Maintenance)
- Deputy General Manager (Southern Province)
- Deputy General Manager (Western Province I)
- Additional Finance Manager(Distribution Division 4)

Additional General Manager
(Generation)

- Deputy General Manager(Asset Management Hydro Electrical(AMHE))
- Deputy General Manager(Asset Management Hydro Mechanical(AMHM))
- Deputy General Manager(Asset Management Thermal Electrical(AMTE))
- Deputy General Manager(Asset Management Thermal Mechanical(AMTM))
- Deputy General Manager(Corporate Affairs)
- Deputy General Manager(Dam Safety, Environment & Civil Structure Maint.)
- Deputy General Manager(Energy Sales)
- Deputy General Manager(Generation Projects)
- Deputy General Manager(Generation Protection)
- Deputy General Manager(Laxapana Complex)
- Deputy General Manager(Mahawela Complex)
- Deputy General Manager(Samanala Complex)
- Deputy General Manager(Thermal Complex)
- Power Plant Manager(Lakvijaya Power Station)
- Additional Finance Manager(Generation)

Additional General Manager
(Projects)

- Deputy General Manager(Corporate & Projects co-ordination)
- Deputy General Manager(Engineering Advisory Service)
- Deputy General Manager(Transmission Construction Projects)
- Deputy General Manager(Transmission Design and Environment)
- Deputy General Manager(Transmission Projects)
- Project Director(Broadlands Hydro Power Project)
- Project Director(Greater Colombo Transmission & Distribution Loss Reduction Project)
- Project Director(Green Power Dev. & Energy Efficiency Improvement Investment Prog.-Tr. 2)
- Project Director(Mannar Wind Power Project)
- Project Director(Moragolla Hydropower Project)
- Project Director(New Kalani Bridge Project)
- Project Director(NTDND & EIP)
- Project Director(Puttalam Coal Power Project - Phase II)
- Project Director(Renewable Energy Absorption Transmission Development Project)
- Project Director(Trincomalee Coal Power Project)
- Project Director(Uma Oya Hydro Power Project)
- Project Director(Upper Kotmale Hydro Power Project)
- Additional Finance Manager(Projects)

Additional General Manager
(Transmission)

- Deputy General Manager(Asset Management & Condition Performance Monitoring)
- Deputy General Manager(Communication)
- Deputy General Manager(Corporate & Regulatory Relations)
- Deputy General Manager(Energy Marketing)
- Deputy General Manager(Energy Purchases)
- Deputy General Manager(Renewable Energy Development and Performance Monitoring)
- Deputy General Manager(System Control)
- Deputy General Manager(Transmission & Generation Planning)
- Deputy General Manager(Transmission Control & Protection)
- Deputy General Manager(Transmission Operation & Maintenance)
- Project Director (System Control Centre Modernization)
- Additional Finance Manager(Transmission)

FINANCE MANAGER

- Additional Finance Manager(Corporate)
- Additional Finance Manager(Head Quarters)
- Secretary(Pension Fund)
- Secretary(Provident Fund)

- DCM (Coordination)
- DCM (Personnel)
- Chief Internal Auditor

Chief Legal Officer

Manager Investigations



MANAGEMENT REVIEWS

Chairman's Review.....	12 - 14
General Manager's Review.....	15 - 16



CHAIRMAN'S REVIEW



CEB WAS SUCCESSFUL IN BRINGING DOWN SYSTEM ENERGY LOSSES FURTHER FROM 10.28% TO 09.08% DURING THE YEAR. THE NUMBER OF ELECTRICITY CONSUMERS GREW AT A RATE OF 4% AND THE HIGHEST PERCENTAGE INCREASE IN THE NUMBER OF CONSUMERS WAS IN THE GENERAL PURPOSE CATEGORY

Ceylon Electricity Board which was established under the Act No. 17 of 1969 has now completed almost 48 years of service to the nation and the same will celebrate its Silver Jubilee in another two years. As of now the CEB is one of the largest State Owned Enterprises (SOE) in terms of its volume of work, its turnover, its income and expenditure, and its social responsibility towards the entire nation. The CEB, in my opinion, is one of the very few state owned enterprises which has reached the national target entrusted to them to be achieved within a limited period of time since its establishment. CEB is proud to announce that it has been able to cover entire island with electrification which is a significant historic record as compared to other countries in the South East Asian Region.

I would also like to mention here that even if the CEB has been authorized to function as a Commercial Enterprise by the relevant Act of Parliament, this institution over the years has been functioning as a service oriented government institution. The legal framework allows the CEB to decide on a selling price of Electricity to its consumers. This requirement has never been implemented and even now the selling price is determined by the government in order to maintain the subsidy scheme to electricity consumers throughout the country. Total value of such subsidies amount to around 60 Bn.in the past few years.

Nature of Business of CEB has been diversified later on as introduced by amendments to initial act and thereby CEB was empowered to obtain the investment and assistance from the Private Sector investors in the Generation Sector. By 2017 CEB operated with the contribution from 247 private power producers (PPP) including mini Hydro projects. In addition, CEB owns 05 Subsidiary companies namely Lanka Electricity Company Ltd. (LECO), Lanka Transformers Ltd. (LTL Holding Ltd), Trincomalee Power Company Ltd. (TPCL), Lanka Coal Company Ltd (LCC) and Sri Lanka Energies Ltd.(SLE), thus making CEB a state owned Holding Company in the field of Electricity of Sri Lanka. With the above legal, administrative, financial and structural background the year 2017 was another successful year during which the CEB could move forward making substantial progress in several strategic fronts despite certain challenges.

Out of the total installed generating capacity of 4,087 MW at the end of the year, the generating capacity of CEB owned power plants was 2,898 MW. The highest percentage contribution to this generating capacity, which was 48%, was from the 17 major hydro power plants. The contribution from the 07 oil fired thermal power plants were 21% whereas the single coal power plant at Norochcholai (Lak Vijaya Power Station -LVPS) has contributed 31%. The balance was made up by the few diesel

power plants operating in the Jaffna peninsula and the 3 MW wind power plant operating at Hambantota.

The total energy generated during the year was 14,671 GWh (net) which was 4% more than what was generated in 2016. The contribution to this total energy, hydro power sources was 31% of which 10% was from non-conventional renewable sources. Thermal power contributed 69% of which 35% came from coal power.

There was a 12.1% decrease in the hydro power generation by the major plants during the year as they could not operate at their maximum capacity during most of days of the year due to failure of monsoon rains. CEB thus had to rely more on thermal power plants and independent power producers (IPP) during the year which resulted in an increase in the average cost of generation during the year.

CEB was successful in bringing down system energy losses further from 10.28% to 09.08% during the year. The number of electricity consumers grew at a rate of 3.8% and the highest percentage increase in the number of consumers was in the general purpose category. During a month, on average, almost 20,000 additional customers were provided with electricity by the CEB and 1,200 by LECO. The electricity usage also continued to increase during the year recording a growth of 5.1% over the previous year. The highest growth rate was in the hotel sector. The average per capita electricity consumption by the end of the year, however, increased by only 23 units as compared to the 41 units recorded in the previous year.

Lanka Electricity Company Ltd. (LECO) the main subsidiary of CEB was responsible for about 12% of the electricity distribution operation (by sale volume) of the country. LECO operates up to 11 KV distribution lines and has consumers 565,474 nos. at the end of the year amounting to 8% of the total electricity consumers in the island.

Under the national electrification campaign, "Ratama Eliyai, Andura Duralai" CEB was able to provide electricity to 275,000 new customers and the electrification of the country reached almost 99%, a significant milestone in the CEB's journey towards 100% electrification of the country. There were no major breakdowns reported during the year and the customers were able to have electricity 24 hours a day throughout the year.

Realizing the relative disadvantages of depending solely on hydro power plants and the adverse impacts that thermal power plants have on the environment, preliminary assessment work on nuclear based power development was also initiated during the year.

The first hybrid power plant in Sri Lanka, a 60 kW hybrid power plant capable of generating electricity using wind power, solar power and diesel, was commissioned in Eluvathivu Island in Jaffna in February 2017 with the objective of promoting green energy.

It is encouraging to note that more and more consumers are realizing the advantages of having solar panels on their rooftops. By end of 2017, there were 7,861 households consuming/exporting solar power to the National Grid under one of the three schemes available: Net Metering, Net Accounting and Net Plus.

Work on projects such as the 35 MW Broadlands Hydropower Project, which is the first large scale hydropower plant in Sri Lanka that obtained Clean Development Mechanism (CDM) registration and which is funded by Industrial & Commercial Bank of China (ICBC) and Hatton National Bank, and the 120 MW Uma Oya Hydropower Project, a multipurpose development project, continued during the year. Rehabilitation work was carried out at the Samanala Power Station, Victoria Power Station and Kelanitissa Power Station, as well.

Arrangements were made to introduce aerial bundled cables for the 33 kV distribution lines in urban areas and environmentally sensitive areas to enhance the safety and the reliability of the distribution networks in these areas. The first two sets of cables were installed in the city area in Kurunegala and near Arachchikattuwa on Colombo -Puttalam road. These cables will also be used in the two rural electrification schemes that are to be implemented in the Moneragala District.

I am grateful to our main funding agencies, Asian Development Bank (ADB) and Japan International Corporation Agency (JICA) for the continued financial assistance they extended to us by funding several important projects. Mannar Wind Power Project; Moragolla Hydropower Project; Green Power Development & Energy Efficiency Improvement Investment Programme, Clean Energy & Network Efficiency Improvement Project and Valaichchenai and Kiribathkumbura Grid Substations Augmentation Project are some of the key projects that are being funded by ADB. JICA prepared the Electricity Sector Master Plan for Sri Lanka and funded the National Transmission & Distribution Network Development and Energy Efficiency Project and the Habarana Veyangoda Transmission Line Project. The Green Power Development & Energy Efficiency Improvement Investment Programme was jointly funded by ADB and Agence Française de Développement (AFD).

CHAIRMAN'S REVIEW [CONTD.]

CEB has always been conscious of the value of a contended workforce. About 421 employees who have completed 30 years of continuous service were awarded Long Service Awards. The employees whose innovative ideas helped to promote the productivity and job satisfaction of their fellow employees were honoured at the annual innovation awards ceremony, "Didulana Vidula", held for the sixth consecutive year in 2017. Several training programmes were conducted to different grades of staff to update their knowledge in the fields relevant to them. Senior officers of the Board were enlightened through series workshops on the Right to Information Act.

CEB re-commenced to conduct Inter-School Quiz Programme in both Sinhala and Tamil in collaboration with Sri Lanka Broadcasting Corporation (SLBC) and the Department of Education, to improve awareness and knowledge of school children on electricity (generation, transmission, distribution) energy conservation, energy efficiency, electrical safety etc. The 2015/2016 award ceremony of this quiz programme was held at the Sri Lanka Foundation Institute on February 16, 2017.

Able guidance and leadership provided by the Hon. Dr. Ranjith Siyambalapitiya as the Minister of Power & Renewable Energy and Hon. Ajith P Perera as the Deputy Minister immensely contributed to the above achievements accomplished by the CEB during the year. I must also mention here that I appreciate very much the collective contribution, co-operation and guidance provided by the members of the Board of CEB. Dedication, commitment and enthusiasm displayed by staff of all ranks led by the General Manager were always encouraging. I am grateful to all of them for contributing to the progress of CEB during the year 2017 and I wish them all success.



W B GANEGALA
CHAIRMAN

CEYLON ELECTRICITY BOARD

GENERAL MANAGER'S REVIEW



CEB WAS ABLE TO ACHIEVE A 99% ELECTRIFICATION LEVEL BY END OF YEAR 2017 WITH AN INCREASE IN SALES UNITS TO 13,431 GWh SHOWING A CONSIDERABLE GROWTH RATE OF 5.1% AGAINST PREVIOUS YEAR.

In my capacity as the General Manager and the Chief Executive Officer of the Ceylon Electricity Board (CEB) it is a pleasure for me to review the progress made by the CEB during the year 2017.

Financial Performance

The proper Power Generation Mix is a determinant factor of CEB's profitability and financial viability.

During last few decades, CEB was highly dependent on hydro power generation, consequently thermal oil power sources played a significant role in the generation mix when hydro power conditions are weakened. 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 2017 is analyzed, the coal generation stood at 35% from the total generation, and the hydro contribution with mini hydro was at 27%. Accordingly, CEB had to increase its reliance on thermal oil generation which increased to 35%. The balance 3% 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.

In financial terms, there was an increase of 25% in direct generation cost when compared to year 2016. The unexpectedly poor hydrological conditions consequently increased the cost

of sales by 17%, whereas in 2016, cost of sales was recorded at Rs. 222,097 Million and in 2017 it was escalated to Rs. 259,992 Million.

Accordingly, the average cost of generation per kWh increased from Rs.12.72 in year 2016 to Rs.14.53 in the year 2017. A turnover increase by 5.6% when compared to 2016.

In revenue terms, CEB was able to achieve a 99% electrification level by end of year 2017 with an increase in sales units to 13,431 GWh showing a considerable growth rate of 5.1% against previous year. The correspondent rupee value for the sales was recorded as Rs. 218,450 Million for the year 2017 which indicated 5.6% increase in sales in comparison to year 2016, 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 total long term borrowings as at end of the year were recorded as Rs.236,129 Million.

During the year, property, plant and equipment amounting to Rs. 28,737 million was added to the capital assets compared to Rs. 29,353 million added last year. These additions mainly related to the assets of the Transmission and Distribution Divisions.

Total fixed assets with capital work in progress, as at the balance sheet date stood at Rs. 722,877 Million. This represents 87% of total assets of CEB and a considerable amount of annual depreciation amounting to Rs. 29,969 Million too was included in the accounting profit.

CEB was financially not successful as the reported net loss at the end of year 2017 was at Rs. 47,299 Million. The operating losses for 2016 and 2017 were mainly due to increased use of liquid fuel thermal plants and low rainfalls received in the catchment area. The poor financial performance resulted in a 227% rise in loss in comparison to year 2016 which recorded a net loss of Rs. 14,456 Million.

Technical Performance:

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 99.5% electrification level. During the year number of consumers increased by 228,937 making the total number of consumers as at end of the year as 6,193,131. 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 4,293km. A total of 1,130 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 2,914 km. During the year, augmentation of Kiribathkumbura, Kilinochchi, Kelaniya and Hambanthota Grid Substations were completed increasing the grid capacity from 8,083 MVA to 8,209 MVA. The total number of grid substations in the country at the end of the year was 69.

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 stations, Victoria Power Station to meet the increasing electricity demand in the country with a more reliable service. This rehabilitation works will improve the operating conditions and increase the efficiency, capacities, output and operational lifespan of these power stations.

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 works on the 100 MW Mannar wind power project, continued uninterrupted during the year.

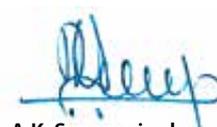
Human Resources

CEB continued to provide opportunities and support for the development of knowledge and skills of its staff, consistent with the needs of its operation. Training and development programs, covering all categories of employees were thus provided in-house, and complemented with external, local and overseas courses. This is in line with the policy of ensuring that the CEB has the requisite human resource capability at all times to meet current and future requirements.

There were total of 22,560 employees serving all the divisions of CEB as at end of the year. This include 20,343 permanent employees, 270 employed on contract basis and 1,947 employed on casual basis who were earlier providing service through man power agencies. During the year 1,552 employees were recruited which includes 25 Middle Level Technical grade employees and 1527 consisting of 478 drivers, 367 Junior Technical mates, 321 bill men, 180 security guards and 181 other subordinate grade employees

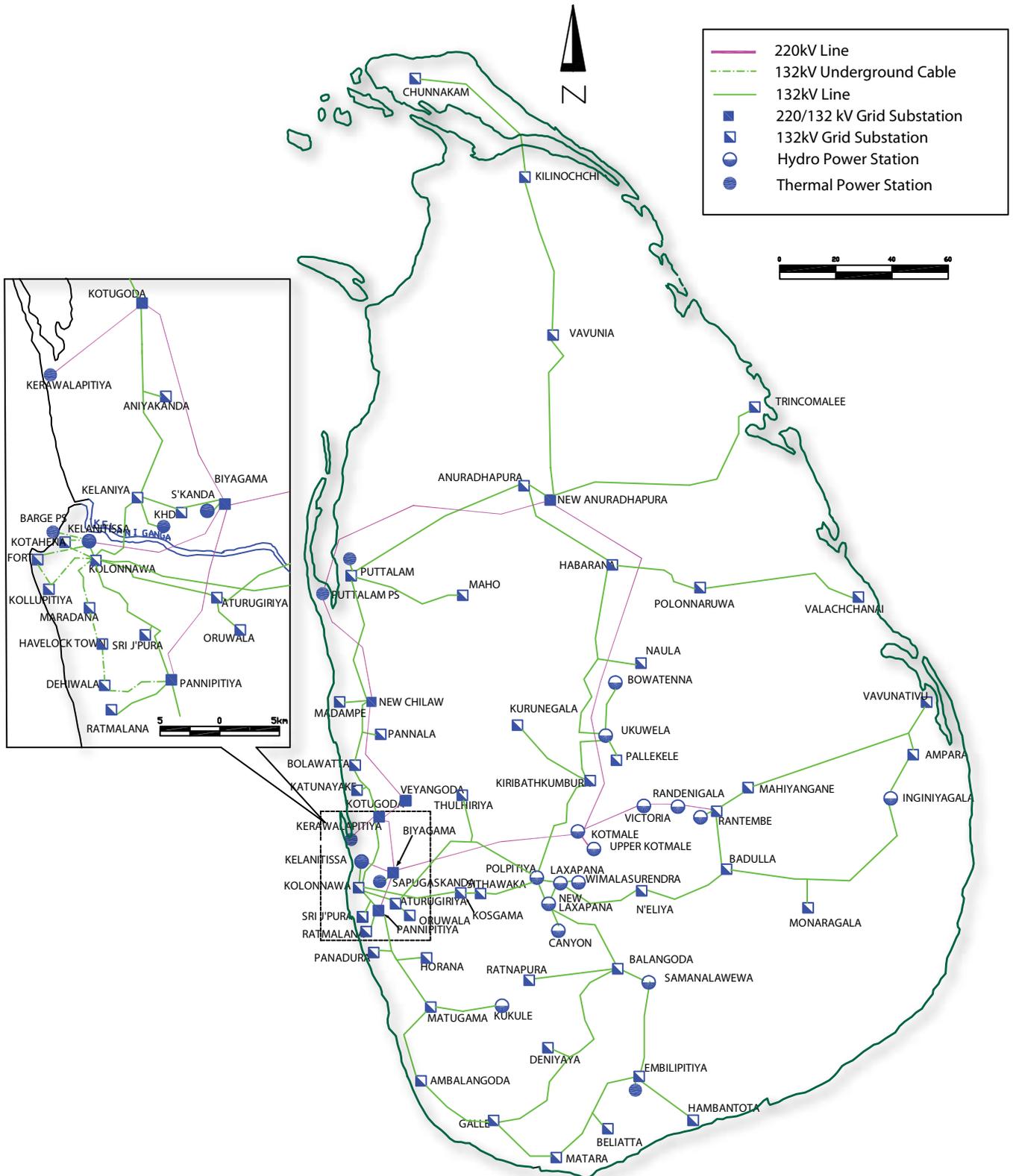
During the year, many IT solutions developed by CEB during past few years, were regularly updated as per the user requirements. Some of the main IT solutions that are in operation today supports utility billing, accounting, payment collection, material management, service connections, human resource management, outage management, call centre operations and e-mail. Our payment collection applications are now electronically linked to banks and other payment collection agents, enabling customers to make electricity bill payments through these options. In addition, CEB's own Point of Sales counters, credit card payments through web, Electric Vehicle Charging solution and KIOSK machines are in operation for accepting customer payments. The CEB's corporate web is being upgraded to accommodate multiple payment gateways. A SMS notification system is in operation to inform customers of the power interruptions and to send reminders on bill payments and disconnection notices. A SMART phone application is being developed for customers to inform their electricity breakdowns promptly. It is expected that this application will solve the call centre congestions experienced currently during peak hours considerably.

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.



A.K. Samarasinghe
General Manager

CEB TRANSMISSION NETWORK





REVIEW OF OPERATIONS GENERATION DIVISION



GENERATION DIVISION

The Generation Division operates, maintains and carryout rehabilitations of all power plants owned by Ceylon Electricity Board. The Division has 17 Hydro Power Plants with installed capacity of 1,375 MW, seven Oil-fired Thermal Power Plants having installed capacity of 576MW, one Coal-fired Power Plant having installed capacity of 900MW and a 3MW Wind Power Plant. CEB also operates few diesel plants in the surrounding islands of Jaffna Peninsula. Total installed Capacity of CEB-owned Power Plants by the end of the year were 2,854 MW.

Operational Structure

Under the Additional General Manager (Generation), there are fifteen Branches headed by Deputy General Managers and one Additional Finance Manager to carry out the different functions of the Generation Division. It has five Generation Complexes and ten other Branches namely;

- Laxapana Complex
- Mahaweli Complex
- Samanala Complex
- Thermal Complex
- Lakvijaya Power Plant (LVPP)
- Asset Management Hydro Electrical
- Asset Management Hydro Mechanical
- Asset Management Thermal Electrical
- Asset Management Thermal Mechanical
- Corporate Affairs
- Dam Safety Environment & Civil Structures Maintenance
- Energy Sales
- Generation Projects
- Generation Protection
- Finance - Generation

Highlights

- During 2017 the organization structure of LVPP was restructured aiming to enhance the operations and maintenance performances.

According to the new structure, Deputy General Manager (LVPP) was re-designated as Power Plant Manager (PPM) and four additional Class I level positions reporting to PPM were designated as Deputy Plant Manager (Operations & Maintenance), Deputy Plant Manager (Commercial & Monitoring),

Deputy Plant Manager (Projects & Development) and Deputy Plant Manager (Heavy Maintenance & Ancillary Services).

- Operate the KCCP GT on free governor mode
During the dry season availability of hydro power generation was limited. System Control Centre encounters many difficulties as there is no generator to control frequency of the network as hydro turbines are used to control frequency in general practice.

No permanent solution was proposed for this problem though it was discussed for a long time.

During the recent upgrading work of the control system of KCCP, this functionality was requested as an added software component. But it was not properly implemented and fine-tuned to suit to the national grid requirement. AMTE Branch contributed in re-defining the functionality of the free governor mode feature to fulfill the System Control requirement during the commissioning of the same.

Operational Data

Gross generation for the year 2017 was 11,320.5GWh and the total dispatch to Transmission Division was 10,734.3GWh. 72% of the total installed capacity connected to the national grid (other than roof top solar power) is owned by the Generation Division totaling to 2831 MW.

It was observed that the year 2017 was not a pleasing year for Mahaweli complex in terms of electricity generation due to the failing of two monsoon rains significantly during the year. However, Power stations in Mahaweli Complex have generated 1,344.5 GWh, which was about 43.7% of the total CEB hydro electricity generation in 2017. It was about 9.1% of the total electricity generation of the country during 2017. However, all four power stations of Samanala Complex reached their highest energy generation figures since inception of them except wind power station.

LVPP could contribute 50% of the country's energy demand when all three units are functioning at an economical price compared to a diesel power plant.

GENERATION DIVISION [CONTD.]

Performances of Power Stations

Hydro Power Stations

Power Station	Installed capacity (MW)	Generation (GWh)	Availability factor (%)	Plant factor (%)	Fault factor (%)
Victoria	210	287.95	98.64	15.65	3.32
Kotmale	201	300.48	99.89	17.07	0.29
Upper Kotmale	150	302.41	99.99	23.01	0.02
Randenigala	122	141.71	99.87	13.26	0.43
Rantembe	50	84.23	99.39	19.62	1.45
Ukuwela	40	154.78	99.02	44.17	1.38
Bowatenna	40	66.09	99.47	18.86	1.17
Nillambe	3	6.85	99.66	23.55	1.01
MC Total	816	1,344.51			
OLPS St I	28.8	133.887	99.84	53.01	0.213
OLPS St II	25	118.16	99.88	53.97	0.123
NLPS	115	429.60	99.89	42.06	0.189
Samanala	75	349.49	67.16	53.20	0.860
Wimalasurendra	50	86.87	98.35	19.86	0.335
Canyon	60	116.67	95.02	22.19	-
LC Total	353.8	1234.69	93.35	40.715	0.334
SWPS	120	158.43	93.66	15.04	1.47
KGPS	70	306.64	96.11	48.91	0.881
UPS	4	3.24	89.11	9.22	9.74
Wind PS	3	2.21	57.41	8.4	4.76
IPS	11	11.58	98.59	11.75	4.9
SC Total	208	482.11			
Hydro Total	1374.8	3061.31			

Thermal (Oil) Power Stations

Power Station	Installed Capacity (MW)	Availability Factor (%)	Plant Factor (%)	Energy Generated (GWh)
BMPP	60	96.86	80.38	438.3
KCCPS				
Gas Turbine	110	88.9	74.82	688.3
Steam Turbine	55	83.7	56.47	272.1
KPS				
Fiat GT	115	89.35	45.12	347.9
Frame V GTT	68	48.23	9.85	53.1
Sapugaskanda - A (PIELSTICK)	66	96.73	55.8	322.6
Sapugaskanda - B (MAN)	72	73.08	58.67	370.1
Uthuru Janani	24	86	45	95.6
Total Thermal (Oil)	570			2587.8

* Max available capacity of Sapugaskanda - A was 66 MW and Sapugaskanda - B was 72 MW

Thermal (Coal) – Lakvijaya Power Plant

		Unit 01	Unit 02	Unit 03	Total
Gross Energy	GWh	1,722.31	2,067.17	1,849.13	5,639.61
Net Energy Sent Out	GWh	1,551.09	1,864.45	1,687.72	5,103.26
Auxiliary Consumption	GWh	171.22	202.72	161.41	535.35
Availability Factor	%	68	82	76	75
Capacity Factor	%	66	79	70	72
Coal Consumption	MT	653,843	760,728	671,944	2,086,515
Diesel Consumption	Ltr	1,497,359	766,068	1,861,753	4,125,180

GENERATION DIVISION [CONTD.]

Special Maintenance Works

In addition to the routine maintenance of generating units and auxiliary systems of power plants, following special maintenance activities were carried out complex wise with the participation and contribution of Asset Management Hydro Electrical/ Mechanical, Asset Management Thermal Electrical/ Mechanical and Generation Protection Branches of Generation Division.

Laxapana Complex

Temporary repair of Samanala Power Station tunnel intake
Canyon switchyard Current Voltage Transformer replacement
Canyon Power Station 12.5kV spare generator Over Current Breaker overhaul
Commissioning of Canyon Unit #1 auxiliary power protection.
Bladder replacement of Canyon Unit #1
Automation of Canyon water filter plant



Canyon Unit #1 Annual Maintenance Works



Canyon switchyard CVT replacement



Canyon 12.5KV spare generator OCB overhaul works

GENERATION DIVISION [CONTD.]



Canyon Unit #1 Transformer bladder replacement

Mahaweli Complex

- Tap Changer overhaul of Coupling Transformers at Rantembe switchyard
- Establishment of combined remote control and monitoring station at the Rantembe Control Building
- Retrofit of turbine governor of Kotmale Unit #1
- Replacement of Victoria Unit #1 Main Inlet Valve bypass valve
- Implementation of a CCTV system at all Power Stations belongs to Mahaweli Complex

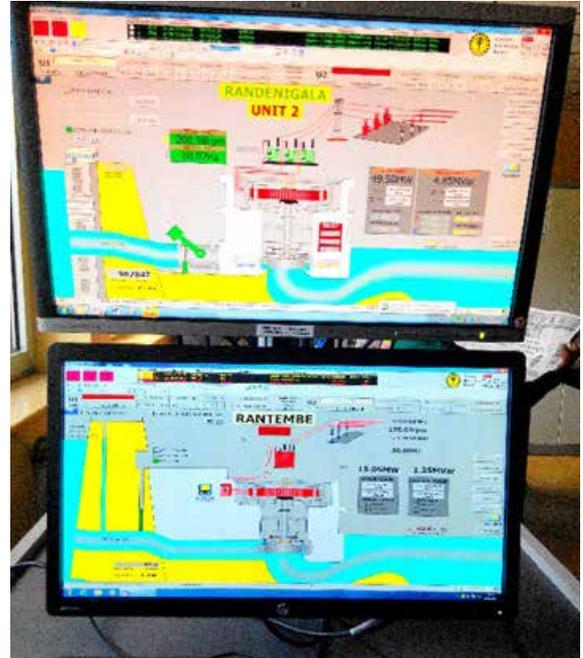


CCTV System Interface in Display Units

GENERATION DIVISION (CONTD.)



Disassembling a Diverter Switch at Rantembe switchyard



Rantemgala and Rantembe Power Stations Controls at One Desktop



Combine Control Workstation at Operations Engineers'



Retrofit of Turbine Governor of Kotmale Unit 01



MIV Bypass Valve Replacement of Unit 01 Machine at Victoria Power Station

GENERATION DIVISION [CONTD.]

Samanala Complex

- Completion of common and hydraulic mimic control panel wiring of Samanalawewa Control / SCADA rehabilitation project.
- Replacement of 71 MVA Generator Transformer of Samanalawewa Unit # 1.
- Replacement and commissioning of Condenser of Chiller No. 02 of Samanalawewa. Replacement of Condenser of Chiller No. 01.
- Refurbishment of four numbers of Generator Air Coolers at Samanalawewa.
- Installation and commissioning of 10 kVA Inverter at Samanalawewa.
- Replacement of IPB segment between Kukulaganga Unit # 1 generator and MV panel.
- Control System & SCADA Training by Andritz Hydro at the Kukule Ganga Power Station.



At a training session

Thermal Complex

- Completion of 24,000hrs major maintenance of Diesel Generator Unit #3 at Uthuru Janani Power Station.
- Combustion Inspection of Gas Turbine at Kelanitissa Combined Cycle Power Station.

Lakvijaya Power Plant

As the first coal power plant of the nation LVPP staff is dedicated to operate the plant under the guidelines stipulated by the Environment Protection License (EPL). In order to achieve this purpose a separate monitoring unit has been established in-house.



Ambient Air Quality Monitoring Mobile Vehicle

GENERATION DIVISION [CONTD.]

Special Rehabilitation and Project Works

In order to improve existing operating conditions and infrastructure to increase efficiencies, capacities, output and operational lifespan of available power stations specially identified projects are being carried out in the Generation Division under the Generation Projects Branch with the active contribution and participation of respective staff of Power Stations, Asset Management Hydro Electrical/Mechanical, Asset Management Thermal Electrical/Mechanical and Generation Protection Branch. During the year, following rehabilitations and special projects were carried out.

Rehabilitation of Samanala Power Station

Under the Project, the 49-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 completed by November 2017. Rehabilitation of the 2nd unit is expected to commence in May 2018 to be completed by September 2018

GENERATION DIVISION [CONTD.]

Victoria Power Station U-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.

CEBs' own engineers assembled the stator frame, stacked the stator core, inserted the windings, made the necessary connections, carried out testing and it is planned to install and commission the new stator during the first quarter of 2018.



Refurbishment of unit # 1 is in progress

Enhancing Handling Capacity of Coal Yard Lakvijaya Power Station

With the experience gained over the past few years on operating a coal power plant, it was identified that the reliability of the plant could be further improved if the availability of the coal stock could be increased. Therefore, in order to avoid adverse consequences of poor weather, delays in coal procurement and issues in the coal handling systems, it was decided to enhance the coal storage and handling capacity of the existing coal yard to be able to cater 1.21 MMT.

Ground work for improving the coal storage capacity was completed in 2016 as Stage 1 of the Coal Yard Handling Capacity enhancement project at a cost of LKR143 million. The total estimated cost of the entire project is approximately LKR 5.65 billion which also includes a dust suppression system and a sprinkler system and other measures to enhance plant operations.

Bidding process was completed in 2017 and construction work to commence in 2018.

Construction of Generator Monument

Construction of a generator monument at Kelanitissa power station premises, to display the first hydro power generator operated by Ceylon Electricity Board commenced in 2017. The components dismantled during rehabilitation of Old Laxapana Power Station will be exhibited in an architect designed structure to reflect the actual operational conditions of the unit.

GENERATION DIVISION [CONTD.]

Rehabilitation of Frame V gas turbines at Kelanitissa power station

Special Board approval was obtained to refurbish the unit 1,2,4 and 5 frame V gas turbines at Kelanitissa power station. The rehabilitation will be done by CEB engineers and the estimated cost of this refurbishment project is LKR 965 million. This is carried out to meet the requirements of active power supply, voltage regulation, power restoration in Colombo during blackout, frequency controlling during dry periods and stand by operation during outages of thermal power plants.

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/GWh	Average Cost of Dispatched Rs/GWh
Thermal -Oil	57,419.2	1,855.1	7,707.6	66,981.9	2,597.0	25.73	26.40
Hydro	-	346.2	8189.0	8,535.2	3,075.2	2.78	2.77
Thermal -Coal	37,921.3	436.4	11,497.4	49,855.0	5,120.6	9.74	9.74
Total	95,340.5	2,637.7	19,205.0	125,372.1	10,792.8	11.61	11.68

Corporate Social Responsibility (CSR) Activities

With the participation and contribution of our own staff LVPP has conducted a no of CSR activities in 2017. In selecting CSR activities LVPP specially focused on the surrounding environment and uplifting the condition of neighborhood.

1. Cleaning the beach area adjacent to the Jetty.



This beach was littered with plastic bottles and other debris which were carried by the waves. LVPP staff cleaned the beach.

2. Flood relief donation



Following the flood disaster in Sri Lanka in May 2017, LVPP staff donated dry ration and subsidies to the victims of the disaster.

The image is a cover page for a report. It features a background photograph of a high-voltage transmission tower on a hillside with green trees under a blue sky with light clouds. A large, semi-transparent gear graphic is overlaid on the right side of the image. The text 'OPERATIONAL REVIEW TRANSMISSION DIVISION' is centered within the gear.

**OPERATIONAL REVIEW
TRANSMISSION
DIVISION**

TRANSMISSION DIVISION

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

Mission of the Transmission Division

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

Objectives of the Transmission Division

The operational objectives of the Division are to:

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

Operational activities

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

Transmission System as at 31st December 2017

Item	Unit	Quantity
220kV overhead transmission lines	km	601
132kV overhead lines	km	2261
132kV underground cables	Km	51.5
220/132/33kV Grid Substations	Nos.	5
220/132/33kV Transformers	Nos	28
	MVA	2580
132/33 kV Grid Substations	Nos.	50
132/33kV Transformers	Nos	140
	MVA	4271

TRANSMISSION & GENERATION PLANING BRANCH

Transmission and Generation Planning Branch collaborated for the 'Project on Electricity Sector Master Plan Study in Democratic Socialist Republic of Sri Lanka' which was initiated with the assistance of Japan International Cooperation Agency (JICA) with the aim to formulate generation, transmission and

distribution development plans for the power sector. Target year for optimum power supply configuration was taken as 2040 and the draft final report is being reviewed.

Generation Planning Unit

The Long Term Generation Expansion Plan of CEB is a rolling plan prepared every two years for a period of 20 years by Generation Planning Unit, in order to methodically plan power plant development activities to provide reliable, quality electricity to the entire nation at affordable prices. The Long Term Generation Expansion Plan (LTGEP) 2018-2037 was prepared after a comprehensive study of future electricity demand, existing generating system, future power generation options, expansion scenarios/cases, Base Case with least cost plant sequence, environmental consideration and contingencies. According to the LTGEP 2018-2037, it is envisaged that 8,363 MW of generation capacity would be added to the system within next 20 years, out of which 2,700MW will be Coal and 1,500MW will be LNG Combined Cycle Power Plants as major thermal based power plants. Additionally, 425 MW will be from other thermal power plants. Major hydro development planned is around 240MW whereas Other Renewable Energy (ORE) including Wind, Solar, Mini Hydro and Biomass contribution is 2,897 MW. Further 600MW Pumped Storage Power Plant is also planned to be implemented. LTGEP 2018-2037 has submitted to the PUCSL for their approval in May 2017. PUCSL requested clarifications and additional scenarios on LTGEP 2018-2037 and CEB responded to all clarifications. On July 2017, PUCSL has given their decision on LTGEP 2018-2037 with a revised plan developed by PUCSL.

CEB has requested legal opinion from Hon. Attorney General on the procedure adopted by the commission in approving the LTGEP 2018-2037 and submitted a document to Ministry of Power and Renewable Energy (MOPRE) with the observations on the irregularities and inconsistencies of revised case presented by the PUCSL as compared to the Base Case published by CEB. The matter was referred to Parliamentary Sectoral Oversight Committee on Energy and Cabinet of Ministers. MOPRE has submitted a joint cabinet paper to decide on the composition of energy mix in future Sri Lankan Power Sector and awaiting for the confirmation.

Generation Planning Unit has made several presentations to Hon. President, Cabinet of Ministers, Cabinet Committee on Economic Management (CCEM) and Parliamentary Sectoral Oversight Committee on Energy to make aware the methodology of preparation of LTGEP, justification of Energy Mix proposed in Base Case plan of LTGEP 2018-2037 and impact on power plant implementation delays.

Other activities carried out by Generation Planning Unit

1. A study on 'Integration of Renewable Based Generation into Sri Lankan Grid 2017-2028' with the objective of investigating main challenges and to determine the optimum level of renewable energy based generation to the grid.
2. MOPRE requested assistance from International Atomic Energy Agency (IAEA) for "Establishing a Roadmap for the Nuclear Power Programme in Sri Lanka" with the objective of providing a basis for policy makers to take

decision on Nuclear Power Development in Sri Lanka including considerations on technological, financial, environmental and social sectors.

3. Study on Sri Lanka Power Sector Optimization and Enhancement was initiated with the financial assistance of World Bank and the technical assistance from PSR (Brazil) and Siemens PTI (USA). One of the main deliverable is an interlinked package of complete models including SDDP
4. Represents CEB as a stakeholder in Mahaweli Water Security Investment Programme under Ministry of Mahaweli Development and Environment which is a large scale investment program for constructing water infrastructure to transfer water from Mahaweli River to North Central Province.
5. Act as the main focal point for preparation of Seller Participation Agreement between CEB and Carbon Partnership Facility (CPF) of the World Bank for emission reduction programme considering the Renewable Energy development identified in the LTGEP.
6. Participated in the programs organized by the Sri Lanka Sustainable Energy Authority and the Climate Change Secretariat under Ministry of Mahaweli Development and Environment with related to establishment of low carbon development strategies and barrier analysis for climate change mitigation options in energy sector in order to prioritize the mitigation measures.

Generation Development Studies Unit

Master Plan Study conducted by CEB with the Tokyo Electric Power Company (TEPCO) as consultants has identified an alternative site suitable for a pumped storage power plant at Meda-Dumbara DS division in Kandy District. The preliminary site investigations and studies were carried out and it was found that the upper-pond can be located at the place called 'Wewathenna' and a small part of the Victoria reservoir can be used as the lower-pond. The hydraulic head between the upper and the lower ponds is about 700m. The estimated power capacity is 2 x 700 MW. It was estimated that the power capacity of this site is almost double compared to previously studied site at Aranayake in Kegalle District which was estimated as 3 x 200MW. However, the best site could be selected after carrying out the detailed studies for both sites.

Capacity building of stakeholder organizations related to the site selection for nuclear based power development is carrying out with the assistance of International Atomic Energy Agency (IAEA). Under this capacity building programme, the first workshop was successfully conducted with the participation of forty officials of different stakeholder institutions. The workshop was conducted by IAEA experts. The next workshop has been planned to conduct in May 2018.

Land requirement for the future LNG fired power plants in Western Province was identified and the lands were requested from the relevant state authorities. These lands are located in Kerawalapitiya area in Wattala DS Division. It is planned to develop these LNG power plants by the Government of India and the Government of Japan.

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).

Studies related to the preparation of LTTDP 2018-2027 were carried out based on the Long Term Generation Expansion Plan (LTGEP) 2018-2037, which was submitted to PUCSL for their approval in May 2017 by the Generation Planning Unit. However, the finalization of the LTTDP was withheld until a final decision on the LTGEP 2018-2037 is received from PUCSL.

Other activities carried out by Transmission Planning Unit

1. Service of the international technical consultants of Manitoba HVDC Research Centre of Canada was obtained to conduct preliminary studies on installation of a Static Var System (SVS) to Sri Lanka Transmission Network under Technical Assistance from Asian Development Bank (ADB). Transmission planning unit carried out preliminary studies including SVS sizing and location studies with the consultants and supported the Project Management Unit to finalize the bid specification for the SVS.
2. Carried out a special study during 2017 for obtaining high resolution (in sub minute range) data from recently commissioned solar plants at Hambantota area for modelling solar ramp up and ramp down rate. Further, study on assessment on impedance frequency scan at common coupling point of Mannar Wind Park was carried out using EMTDC/PSCAD software.
3. Following project proposals were prepared for the high priority projects and submitted to Ministry of Power & Renewable Energy (MOPRE) to send to ADB through ERD for consideration under Asian Development Bank 2018 loan package.
 - > Construction of Kerawalapitiya 220kV Switching Station,
 - > Construction of Hambantota-Matara 132kV Transmission Line,
 - > 220kV Development of Vavuniya Grid Substation,
 - > Reconstruction of New Anuradhapura - Trincomalee 132kV Transmission Line,
 - > Augmentation of Chunnakam 132/33kV Grid Substation,
 - > Construction of Kandy City 132/11kV Grid Substation,
 - > Homagama 132/33kV Grid Substation,
 - > Rajagiriya 132/11kV GIS Grid Substation and Tissamaharama 132/33kV Grid Substation were.
4. Carried out studies for the power evacuation of large scale renewable energy park at Pooneryn & Siyabalanduwa and prepared project proposals for funding. These proposals were also forwarded to MOPRE for obtaining necessary funds.

TRANSMISSION DIVISION [CONTD.]

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.

As at the end of the year 2017, a summary of operating Independent Private Power Producers (IPP) and Non-Conventional Renewable Energy Power Projects is as bellow.

Category	2016			2017		
	Number of Plants	Capacity (MW)	Annual Energy (GWh)	Number of Plants	Capacity (MW)	Annual Energy (GWh)
Independent Private Power Producers	04	584	2138	05	604	2471
Non-Conventional Renewable Energy Power Projects	201	512	1170	218	565	1463

Independent Power Producers

Independent Power Producers generate electricity using petroleum fuels and are operating under different types of Power Purchase Agreements. The term (period) of the agreement is decided as per the national energy requirement in the country, unit cost, future energy predictions, generation plan, etc.

Non-Conventional Renewable Energy Power Projects Commissioned NCRE Projects

Category	Commissioned in 2016		Commissioned in 2017		Cumulative Commissioned as at the end of 2017		Total Generation in 2017 (GWh)
	Number of Plants	Capacity (MW)	Number of Plants	Capacity (MW)	Number of Plants	Capacity (MW)	
Mini Hydro	16	31	13	17	185	360	949
Biomass	01	04	01	02	10	26	67
Wind	0	0	0	0	15	128	362
Solar	02	20	03	30	08	51	85
Total	19	55	17	49	218	565	1463

Agreements (SPPA) Signed NCRE Projects (not commissioned as at 2017.12.31)

Category	Cumulative SPPAs as at the end of 2017	
	Number of Plants	Capacity (MW)
Mini Hydro	70	137
Biomass	12	62
Wind	0	0
Solar	02	10
Total	84	209

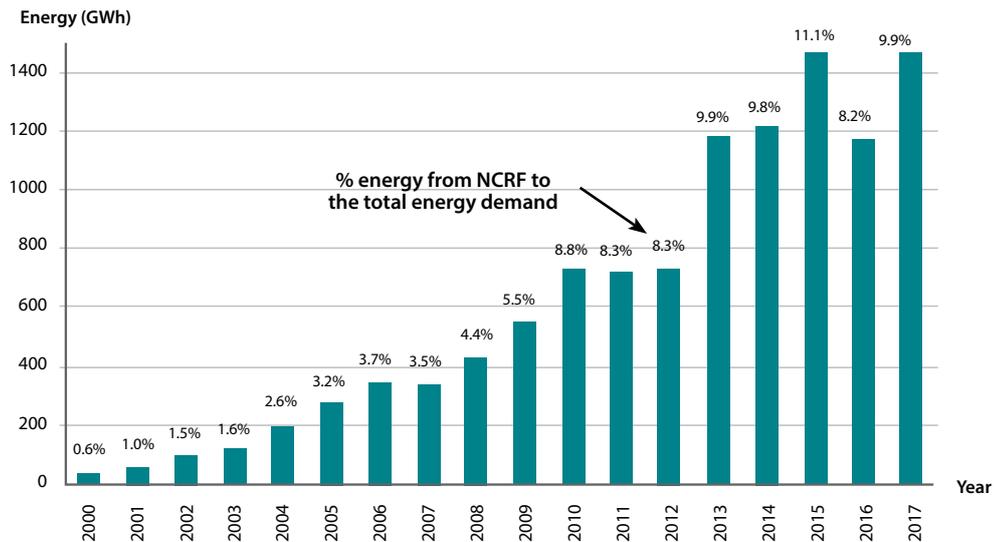
policy decision was taken by CEB to implement Solar and Wind power projects under competitive bidding process through the RED & PM Branch.

TRANSMISSION DIVISION [CONTD.]

Present Status and National Contribution

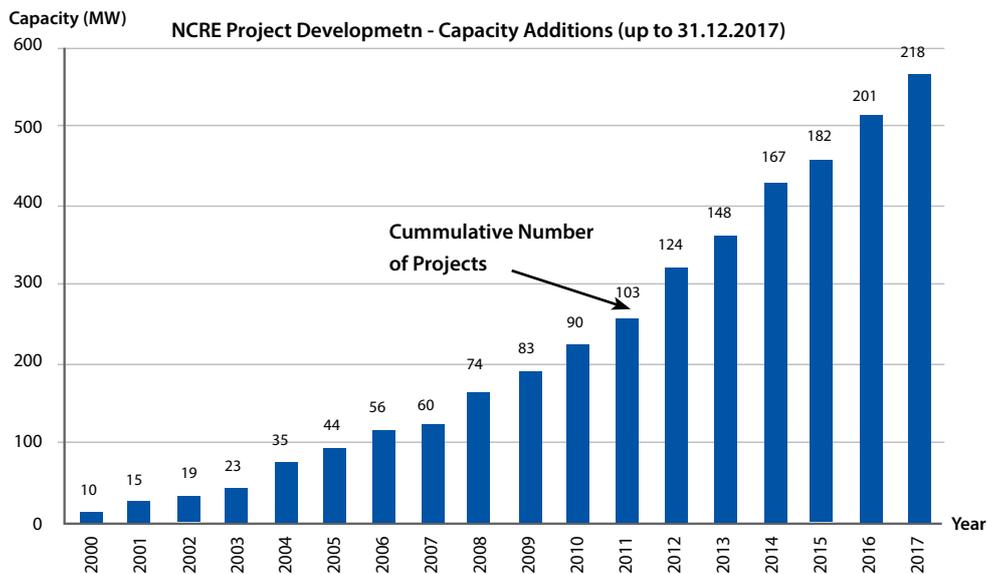
The present status and the contribution to the total demand by the Non-Conventional Renewable Energy Power Projects (less than 10MW capacity) and the annual progress of the NCRE sector in Sri Lanka is illustrated below.

Annual Energy contribution from NCRE Projects as at 2017.12.31



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
En-ergy (GWh)	43	65	104	120	206	280	346	344	435	546	727	722	730	1178	1215	1466	1170	1463

Progress of NCRE Sector as at 2017.12.31



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capacity (Mw)	12	23	31	39	73	90	115	121	165	188	222	257	320	363	431	457	512	565

RENEWABLE ENERGY DEVELOPMENT & PERFORMANCE MONITORING

RED & PM Branch was established in May 2017 under Transmission Division of CEB in order to plan, study, implement and develop Renewable Energy based power generating plants, monitor their performances, effect on power system quality and reliability and suggest suitable measures to mitigate such effects efficiently and effectively as per the Grid Code and Distribution Code.

Further, this Branch coordinate with developers and other stakeholders such as Sustainable Energy Authority of Sri Lanka, Sri Lanka Energies (Pvt) Ltd, etc, and get input from Transmission & Generation Planning Branch, Energy Purchase Branch, System Control Branch in Transmission Division and Planning & Development Branches in Distribution Division as & when required.

During year 2017, RED & PM Branch commenced following activities,

- 1- Calling of RFP for developing 2x10 MW Solar PV Plants at Vavunathivu & Valachchenai under BOO basis.
- 2- Calling of RFP for developing 90x1 MW Solar PV Plants connecting to 17 Grid Substations island wide.
- 3- Initiated feasibility study for developing following energy parks.
 - a. 100 MW Solar Energy Park at Pooneryn.
 - b. 170 MW Wind Energy Park at Pooneryn.
 - c. 100 MW Solar Energy Park at Monaragala.

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 cooperates with the Public Utilities Commission of Sri Lanka (PUCSL) on Regulatory related work including preparation of Bulk Supply Tariff on behalf of the Transmission Licensee.

During the year 2017, 100 number of Class 0.2 poly-phase static energy meters with remote reading facility were procured and all boundary energy meters are programmed based on the requirement and energy readings are downloaded remotely.

Further, it was planned to connect all the energy meters via fiber network with collaboration of the Communication Branch. Possibilities for such implementation were studied with the existing different meter makes and study was successfully completed. Hence, an implementation plan for the year 2018 was prepared.

In order to maintain the accuracy of the Energy measurements, Annual meter testing was conducted. Since, the accuracy of the measuring CT directly affects the meter reading, CT Tests are being conducted as appropriate in collaboration with PHM Units of each Distribution Division.

SYSTEM CONTROL BRANCH

The main purpose of the System Control Centre is to balance the electricity supply and demand in real time operation of

Sri Lankan electricity network, while maintaining continuous and quality power supply with the best available economical generation plan. Other than achieving this main objective, at present the System Control Branch also facilitates for optimum generation planning, power network analysis for contingency planning, data collection, analyzing and reporting.

The branch consists of Operations Planning Unit, System Operations Unit and Operations Audit Unit functioning under DGM (System Control).

Operations Planning Unit

Operations Planning Unit focuses on most economical plant dispatch strategies in order to maintain the stability of network and quality of supply, while meeting the outage requirements of power system equipments. The two main functions of Operations Planning Unit are generation planning and network analysis.

The long term generation planning involves preparing the optimum hydro-thermal generation mix to cater the forecasted energy growth for the next year. The planning tool used is the SDDP (Stochastic Dual Dynamic Programming) software version 14.7. Short term generation planning involves fine-tuning the long term generation plan while managing water levels in reservoirs to cater irrigation, drinking water and power generation requirements. Water management decisions are taken weekly basis with collaboration of MASL (Mahaweli Authority of Sri Lanka) Irrigation Department and Water Board of Sri Lanka.

Fuel forecasting for the thermal power requirement and coordinating with CPC (Ceylon Petroleum Corporation) is another component in generation planning. Other functions of generation planning include,

- Preparation of water management directive on hydro plant dispatch
- Preparation of variable operation cost of thermal power plants for merit order dispatch
- Preparation of next 12 months' energy mix on monthly basis
- Scheduling planned outages for hydro / thermal power plants
- Carrying out sensitivity analysis related to operation planning studies
- Carrying out renewable energy source integration studies
- Conducting new major thermal, hydro, pump storage plant addition/ expansion studies

The Operation Planning Unit is also responsible for analyzing the performance of power system according to the future operational and maintenance constraints, in order to maintain the stability for both steady state and dynamic conditions of the power system. PSS/E (Power System Simulator for Engineers) software version 34.0 is currently in use for more accurate results when ensuring the reliability of the transmission network. Further, Operations Planning Unit carries out following tasks.

- Analyzing and reporting operational constraints during maintenance outages
- Preparation of safe operating guidelines and contingency plans to overcome system constraints

- Recommending improvements to operational procedures
- Analyzing and carrying out studies on system disturbances
- Maintaining database of system parameters
- Assist with network improvement studies carried out by CEB Transmission Planning Branch
- Fine-tuning UFLS (Under Frequency Load Shedding) Scheme
- Revise and update black-out restoration plan

System Operations Unit

The real time network operation is carried out by the System Operations Unit.

The System Operations Unit is responsible for scheduling daily generation and dispatching both active and reactive power in the most economical method to meet the real time demand, while managing the control and switching of transmission network safely and efficiently, to satisfy operational maintenance requirements.

System Operations Unit follows the instructions and recommendations issued from Operations Planning Unit for economical dispatch of thermal power and better management of reservoirs and reliability of the power network. During emergency situations, System Operations Unit has the authority to alter any instruction given by Planning Unit in order to recover and stabilize the power system.

Daily Generation Summary is prepared by System Operations Unit including generation composition, peak demand distribution, reservoir performance and major outages of the power system. Another important report prepared by System Operations Unit is Day Ahead Dispatch Schedule, with the help of NCP version 5.2 planning software tool. Coordination of the network outages, energization of new network equipments and maintaining database of system parameters are other responsibilities of the System Operations Unit.

Operations Audit Unit

Operations Audit Unit is accountable for the overall management of statistical and system performance data and preparation of management reports. Data archiving is one of the main tasks of System Control Branch, which is accomplished by Operations Audit Unit. Functions related to Operations Audit Unit includes,

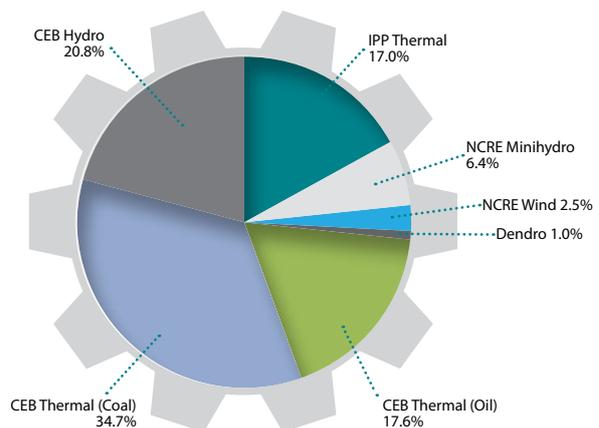
- Collection of monthly generation reports, data retrieving and validation.
- Summarizing and analyzing system equipment outages
- Evaluation of system performance parameters
- Carrying out power flow analysis on maximum peak demand
- Preparation and validation of substation single line diagrams and numbering of equipments
- Preparation of System Control Centre Annual Report
- Preparation and dispatching information of power generation, installed capacity details and estimated energy mix for forecasted demand
- Responding to information requests, related to power system data by external entities
- Assist the power system related studies by providing historical data records.

Power System Performance

Total electricity energy generated for the year 2017 was 14773.07 GWh which is an increase of 3.67% from energy generation of 2016. The contribution of non-conventional renewable energy for this year was 9.9% and total thermal generation for the year was 69.27%. Generation from major hydro plants during year 2017 was decreased 12.1% compared to generation in year 2016 due to lack of inflow during the year. Contribution of coal powered electricity generation (LVPS) was 34.66% from total energy generation of the year.

The total power loss of the network in year 2017 was 1341.86 GWh which is 9.08% when considered with gross generation of the year. The transmission network power loss for the year was 2.8% and distribution network power loss was 6.09%.

Generation Mix 2017



The annual maximum night peak occurred on 17-05-2017 at 19:00 hrs and the generation reached 2523.204 MW during the recorded maximum night peak in 2017. The day time peak of the same day was 2131.3 MW. The annual maximum day peak of the year 2017 was 2264.2 MW and occurred on 24-04-2017 at 12:00 hrs.

Reservoir Performance

The year 2017 commenced with a total hydro storage of 473.9 GWh. This was 37.68% of the total storage of 1257.6 GWh, and 56.5% reduction compared to storage as at 2016.01.01. The total inflow received during the year 2017 was 3,513.1 GWh. The lowest storage recorded was 343.2 GWh on 23-05-2017 and end of the year storage was 917.57 GWh.

Year 2017 had one of the lowest recorded inflows due to the failure of South - West monsoon and North - East monsoon. However, around 2000 GWh was received during the period from September to December due to several atmospheric disturbances. The maximum average daily inflow of 18.5 GWh was received during the month of October. The inflow received from July to December was 2416.3 GWh which is 68.8% of total inflow of the year. Therefore, at the end of the year, the total storage had increased to 917.6 GWh which is a 93.7% improvement compared with that of beginning of the year.

Variation of the Total Storage During the Year 2017



SYSTEM CONTROL CENTRE MODERNIZATION PROJECT

This project is carried out based on the Feasibility Study Report prepared in 2006 for a new System Control Centre in Sri Lanka and is funded by ADB.

The objective of the Project is to provide a National System Control Centre (NSCC) for managing the electricity transmission/generation system in Sri Lanka.

It was expected to complete the Project by end of 2016. However, major equipment were damaged due to floods in May, 2016 at Contractor's warehouse. The replacement for damaged equipment due to floods arrived in Sri Lanka in March 2017. Therefore, the completion of the project was postponed to March 2018.

TRANSMISSION ASSET MANAGEMENT & CONDITION MONITORING BRANCH

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

Work carried out during the year includes;

- Service procurement for completion of oil refilling at the cable termination of Kelanitissa 220kV Gas Insulated Switchgear (GIS).
- Completion of procurement of spares and tools worth over 400 million LKR. In addition, branch has directly catered 80% of the requests for spares from the available stocks.
- Performing DGA on Power Transformers in all the Grid Substitutions, and completion of SFRA on 60% of the same.
- Identifying potential failures in the Veyangoda GSS Transformer 03 and Pannipitiya GSS Transformer 02 through condition monitoring.
- Initiations of procurement of a new transformer to replace one of Bolawatta GSS transformer as abnormal conditions were observed.
- Finalizing of the award for the Computerized Maintenance Management System (CMMS) for the management of Assets and their Maintenance activities.

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.

Three separate units as Systems unit, Services unit and Digital bearer unit have been established under communications branch to cover the communication requirement of CEB.

Systems Unit

Systems unit is responsible for the reliable and effective operation of the Voice and Data Communications System over HV transmission network which consists of mainly the Optical Fiber Network (including 90 nos. of Fiber Optic multiplexers) and Power Line Carrier network (including 70 nos. of PLC equipment).

Special works carried out by this unit during the year consist of;

- Restoration of the Communication system at Matara GSS at minimum time which was damaged due to flood, including the replacement of 02 Nos. of 48V DC battery banks and repair of other communication equipment (The FOX 515 multiplexer, ETL 640 and ETL 42 PLC equipment, 48 V DC battery Charger, Telephones and cables)
- Following Communication related work for transmitting signals for the SCADA System of NSCC
 - Testing and Implementation of GSM based data link between Samanalawea Dam and Samanalawewa power station for monitoring reservoir level at NSCC.
 - Carrying out of necessary fiber installation and splicing work required to connect the New System Control Center on the CEB fiber optic network in between Sri Jayawardanapura GSS and Pannipitiya GSS.
 - Implementation of Displaying of Busbar Voltages of Samanalawewa power station and Biyagama grid substation at System Control Centre
 - Installation and commissioning of FOX 515 Multiplexer at NSCC to facilitate the testing work of new GE SCADA master station at NSCC.
- Designing and testing of a separate GB Ethernet network on CEB communication network increasing the bandwidth utilization of SDH network for operational data and implementation the same for few power stations of Mahweli Complex as the initial step.
- Design and implementation of an administrative LAN on the CEB communication network for connecting all grid substations comes under Transmission O & M - Kandy regional office
- Installation and commissioning of a PLC link between Habarana and Valachchena for providing teleprotection facility for Habarana - Valachchena 132 kV Tr. Line Configuration and Testing of an Ethernet link via Fiber Optic network for Remote operation of Beliatta SAS from Matara GSS

TRANSMISSION DIVISION [CONTD.]

- Installation and commissioning of a new PLC link (ETL 540) for Kurunegala direction, re-configuration of the PLC link between Ukuwela GSS and Kiribathkumbura GSS for occupying more communication channels and rerouting the essential voice and data services required for operational work on other paths to minimize the interruption time of the communication system to facilitate augmentation work at Kiribathkumbura GSS under VKA Project.
- Designing, Planning, Scoping and Technical coordination of the new PBX system implementation project at Kotmale Power station that involved in purchasing and commissioning of 2 new PBXs at Kotmale P/S office and Kotmale Control Building and linking them with VoIP trunks and providing advanced features including VoIP soft phony facilities with improved reliability.
- Design finalization and scoping of Intake SCADA & CCTV traffic transport microwave links implementation project at Victoria P/S

Services Unit

Communications Services Unit is responsible for the Master SCADA system and auxiliary supply system at System Control Center and remote SCADA equipment (including 39 RTUs and 51 Gateways) installed at grid substations and power stations. The Services unit also responsible for the identification of SCADA system requirements for new and rehabilitation projects, preparation of technical specifications and witnessing of SCADA system commissioning in transmission and generation projects.



GE 264 RTU Installed at Rantambe Power Station

Special works carried out by this unit during year consist of

- Installation and Commissioning of new GE 264 Remote Terminal Units at Randenigala & Rantembe Power Stations.
- Integration, Point to point testing, signals simulation of SICAM PMC IEC104 gateways at Rantambe PS, Randenigala PS, Kurunagala GS & Beliatta GS, GE D400 IEC104 gateways at Vaunathivu GS, Ukuwela GS and Mahiyanganaya GS, Wimalasrendra GS, Monaragala GS, Badulla GS and Norochcholai Wind Gateways and ABB MicroSCADA SYS 600 IEC 104 gateways at New Galle GS, Sri Jayawardanapra GS, Kilinochchi GS and Horana GS to facilitate SCCMP - Lot 1 project

Digital Bearer Unit

Digital Bearer Unit is responsible for wireless communication system of microwave Digital Communication Network (DCN) and VHF/UHF mobile radio network. The DCN and mobile radio networks provide operational and administrative voice/data in Generation, Transmission, Distributions and other Divisions in CEB.



CEB Communication Tower at Gongala

CONTROL AND PROTECTION 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 detailed analysis of any 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.

In 2017, Protection Development Unit prepared and published the protection and control philosophy for the 220kV and 132kV transmission lines and power transformers and is in the process of preparing protection and control philosophy for bus bar and 33kV feeders. Further the specification for control and protection equipment in Chapter 05 of the standard bid document was fully updated as per the new protection philosophy.

This unit prepared the emergency over current settings for the selected critical lines as per the request by system control branch in consultation with the Transmission Design Branch and Operation and Maintenance Branch.

Protection Development Unit is coordinating with distribution divisions to identify and rectify protection related issues in 33kV distribution feeders such as protection coordination with distribution auto-reclosers. 50 numbers of new feeder protection relays were procured and are in the process of installation at 33kV feeders to improve coordination with downstream auto-reclosers. Significant improvement of reliability of supply to the customers was experienced after the replacement of protection relays. For example, in Trincomalee GSS, average monthly tripping of feeder no.2 was reduced from 35 to 2 tripping

One of the major functions of Protection Development Unit is to assist and provide consultation for transmission expansion and rehabilitation projects. This includes identification of protection scope for new and rehabilitation projects, preparation of technical specifications, protection setting calculations and checking and approving of protection schematics submitted by the contractors. In addition, this branch witness commissioning of protection schemes in transmission and generation projects for user acceptance.

Such services were provided for

- Clean Energy & Network Efficiency Improvement Project - Package 1, Package 2 and 3,
- Green Power Development & Energy Efficiency Improvement Project Package 2,
- Greater Colombo Transmission & Distribution Loss Reduction Project,
- Valachchenai Kiribathkumbura Grid Substation Augmentation Project,
- Uma Oya hydro power project,
- Broadlands hydropower project,
- Colombo Port City project,
- Renewable Energy Absorption Transmission Development Project, of National Transmission and Distribution Network Development and Efficiency Improvement Project Package 2,
- Habarana Veyangoda Transmission Line Project and projects carried out by the Transmission Construction Branch.

Protection Systems Unit

Work carried during the year includes;

- Protection commissioning of new cable connected at SUB

F from SUB C and Kolonnawa GSS. Commissioning work included CT testing, IED configuration, protection functional testing, three terminal tele protection testing.

- Rapid restoration work in Matara GSS when the substation went under water due to flash flooding in the Matara district in May 2017.
- Removing 132kV panel of transformer-1 in Biyagama GSS and incorporating the necessary control and protection functions for 132kV side in 220kV panel.
- Complete protection commissioning work including CT testing, IED configuration, protection functional testing in Embilipitiya and Hambantota GSS of the IEDs replaced and new bays constructed by transmission construction projects branch.
- Replacing defective IED in New Anuradhapura Kotmale line 1.
- Replacement of old static relays in 33kV feeders of Trincomalee GSS with numerical feeder protection relays.
- Control and protection wiring of Line bay at Piliyandala training center. This can be used as a dummy Transmission Line bay to provide training for CEB officers.

Substation Automation Systems Unit

Work carried during the year includes;

- Substation Automation System clause of the technical specification for control and protection equipment in chapter 05 of the standard project bid document was revised and fully updated as per the new protection philosophy.
- Following SAS defects were rectified
 - Two operator HMI workstations of Dehiwala
 - Operator HMI workstations of both SAS at Kolonnawa and Pananipitiya GSS
 - Unresolved problems in Naula GSS
 - Hardware replacement work of SAS at Matugama GS
- 75% work of the installation of transmission training facility at Piliyandala Technical Training Center was completed with the collaboration of Protection Systems Unit and Transmission Operation & Maintenance Galle Region.
- SAS related design documents were reviewed and approved for the following Transmission projects.
 - Greater Colombo Transmission & Distribution Loss Reduction Project
 - Clean Energy & Network Efficiency Improvement Project - Package 1
 - Green Power Development & Energy Efficiency Improvement Project

TRANSMISSION OPERATION AND MAINTENANCE BRANCH

Transmission Operation & Maintenance Unit - Anuradhapura

Anuradhapura Region of Tr. O&M branch successfully completed annual preventive maintenance of all equipment in Sixteen (16) Grid substations and successfully completed way leave maintenance cycle of 1232km of 220kV and 132kV Transmission lines.

TRANSMISSION DIVISION [CONTD.]

In addition to routine maintenance work following Special Maintenance Activities were also carried out:

- Assistance were given to number of ongoing projects for preliminary works, design reviews, testing & commissioning and defects rectification works at different stages, at New Anuradhapura, Pannala, Bolawatta, Kilinochchi, Trincomalee and upcoming Mannar, Old Anuradhapura, Kappalthurai and New Habarana GSS.
- Attended for witnessing the commissioning of Capacitor banks installed at Pannala and Bolawatta GSS.
- Further Transformer 220kV bushing at New Anuradhapura GSS was replaced due to oil leak in existing one. Packing of 132/33kV transformer of Habarana GSS were replaced.
- A new Auxiliary Transformer with 160kVA capacity was installed and commissioned at Chunnakam GSS.
- A new Auxiliary and Earthing Transformer of 200kVA was installed and commissioned at Old Anuradhapura GSS.
- 2 Nos. of Transformer On Load Tap Changer units at Old Anuradhapura GSS were serviced.
- Condition monitoring tests such as DGA, DERANA, Tan Delta, SFRA, Excitation and etc. were carried out on critical Transformers at New Anuradhapura, Habarana, Kilinochchi, Pannala and Bolawatta GSS and aged Transformers at Old Anuradhapura GSS.
- Transformer Oil filtering was carried out using Online and Offline filtering plants to improve the quality of transformer oil at Old Anuradhapura, Habarana and Bolawatta GSS.
- Defective Pneumatic unit of 132kV Circuit breakers were repaired successfully and put on to the operation at Madampe, Habarana, Old Anuradhapura and Old Valachchenai GSS.
- Service and repair works of Standby Generators in Chunnakam, Kilinochchi, Maho, Polonnaruwa and New Valachchenai GSS were carried out successfully by O&M - AR staff.
- Bus bar No. 02 of Old Anuradhapura was rehabilitated and energized after almost 10 years by O&M staff in order to maintain system stability.



Transmission Operation & Maintenance Unit - Colombo

During the year Transmission (O&M) Unit - Colombo had successfully completed Annual Routine Maintenance of 21 Grid Substations. Further completed way leave maintenance of 380 km Transmission Lines.

In addition to routine maintenance work following Special Maintenance Activities were also carried out

- On Load Tap Changer Servicing were carried out in Biyagama, Kotugoda with the OEM in Germany.
- All old 33 kV Oil Circuit Breakers at Biyagama GSS were replaced by the maintenance staff.
- All the existing oil leaks of Transformers Pannipitiya & Rathmalana GSS had been rectified, replacing the packing.
- Replaced the Feeder CTs of Seethawaka and Panadura GSS.
- Completely repair the all 220KV & 132 KV Surge Arrestors at Biyagama and Kotugoda GSS.
- Replace three old 132 KV Circuit Breakers at Rathmalana GSS
- Repaired and replaced GIS Circuit Breakers at Kelanitissa GIS and Kolonnawa GIS
- Carried out refilling of Oil of 220 KV GIS Bays at Kelanitissa.
- Carried out Transformer Condition Monitoring tests such as DIRANA, Tan Delta, Transformer DC winding Resistance, Tap Check, excitation current for the Transformers at Veyangoda, Aniyakanda, Kelaniya GSS.

Transmission Operation & Maintenance Unit - Galle

In year 2017, Transmission (O&M) - Galle Region had successfully completed Annual Routine Maintenance of 10 Grid Substations. Further completed way leaves maintenance of 471 km Transmission Lines including the parts of Sinharaja Forest & Udawalawe National Park.

In addition to routine maintenance work following Special Maintenance Activities were also carried out

- Transformer On Load Tap Changer Servicing were carried out in Deniyaya, Ratnapura, Matugama & Galle (Old) GSS.
- Circuit Breaker replacement of 33 kV Bus Section in Matugama GSS was done due to excessive SF6 gas leakage.
- All the existing oil leaks of Transformer 1 & 2 of Balangoda GSS, Matugama GSS, Matara GSS were rectified, replacing the packing and the over-rings.
- During the year the new Transformer 3 of Hambantota GSS was energized and connected to the system. The new 132 kV Bus Section was energized. 132 kV Circuit Breakers had been installed to the Hambantota end of the Embilipitiya - Hambantota Line 1 & 2.

Restoration Works of Matara GSS after Floods

Matara GSS was flooded with water filled up to a depth of around 3-4 feet in the switchyard and 2-3 feet inside the control room and the water remained at that level for about 3 days. The restoration works commenced immediately and were able to complete and energize the GSS within 8 days. The work had been highly commended and appreciated by the Hon. Minister of Power & Renewable Energy issuing the appreciation letters to all the employees in Tr. O & M Galle Region.

TRANSMISSION DIVISION (CONTD.)



Transmission Operation & Maintenance Unit - Kandy

Kandy region of Tr. O & M branch successfully completed annual preventive maintenance of all equipment in seven grid substations and successfully completed wayleave maintenance cycle of 884 km of 220 kV and 132 kV Transmission lines.

In addition to routine maintenance work following Special Maintenance Activities were also carried out

- Assistance was given to number of ongoing projects for design reviews, testing and commissioning and defects rectification works which are in progress at different stages at Kiribathkumbura, Kegalle, Thulhiriya, New Polpitiya GSS and System Control Modernization Project interfacing work.
- Thulhiriya Transformer 01 and 02 were fully tested due to high moisture and low BDV condition after filtering the Transformers. These two transformers are installed in 1989 and the insulation properties are degrading with the aging. Further the transformers are under investigation.
- Kiribathkumbura GSS defective capacitor units were replaced due to oil leaks.



- Transformer main tank intelligent breathers were repaired at Naula and Vaunathiv and fixing of overvoltage protection card from OEM to intelligent breathers at new GSS is in progress. Wiring intelligent breather failure alarm to the control room was commenced for the GSS lacking this facility.
- 02 nos of on load tap changer (MR) full service were done in Kurunagala GS.
- Vegetation inspection was carried out in Pallekele - Ukuwela 132 kV line by a Drone, as a pilot project with prior approvals from Civil Aviation Authority and Defense Ministry.



- Communication paths were established from Naula GS & Vaunathiv GS to Regional office at Pallekele via fiber link to send and receive official scanned documents such as circulars, roasters, time cards, electricity bills, water bills, maintenance documents etc. The process was successfully tested and to be extended to the other GSS in the region.
- Condition Monitoring Tests for Power Transformers including turns ratio, DC winding resistance + tap check, excitation current test, TF & Bushing dissipation factor & capacitance measurement & DIRANA test were carried out along with the routine maintenance at GSS of all four regions.

Transmission Line Maintenance Unit

Transmission Line Maintenance Unit of Transmission Operation and Maintenance Branch undertakes 132kV and 220kV Transmission Line Maintenance works under energize/live condition and de-energize conditions wherever necessary, including breakdown rectification works. At present Sri Lankan transmission network consists of more than 2260 km of 132kV transmission lines and 601km of 220kV transmission lines. In 2017 Transmission Line Maintenance Unit has completed the inspections of 2550 transmission line towers out of 7257 towers.



TRANSMISSION DIVISION [CONTD.]

In addition to the inspections and routine maintenance works, Transmission Line Maintenance unit has been engaged in following special maintenances and training programs.

- Reinstatement of Tower No. 04 of Kolonnawa-Kelaniya, 132kV transmission line due to the damage caused by land-slip of Meethotamulla solid waste disposal area.
- Carried out training programs on Live Line Maintenance works including Bare Hand Maintenances for 132kV and 220kV Transmission Lines. After this on-site internal training program, Transmission Line Maintenance Unit is carrying out Bare Hand Maintenances for Transmission Lines.



- Carried out First Aid Training Program to educate staff of the Transmission Line Maintenance Unit.

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.

The Transmission Division has a total of 1208 employees, consisting of 124 executives and 1084 non-executives. 56 new recruits were assigned to this Division and 33 personnel were retired, 70 persons were promoted to higher grades or placed on their respective higher salary scales in conformity with CEB recruitment and promotion procedure.

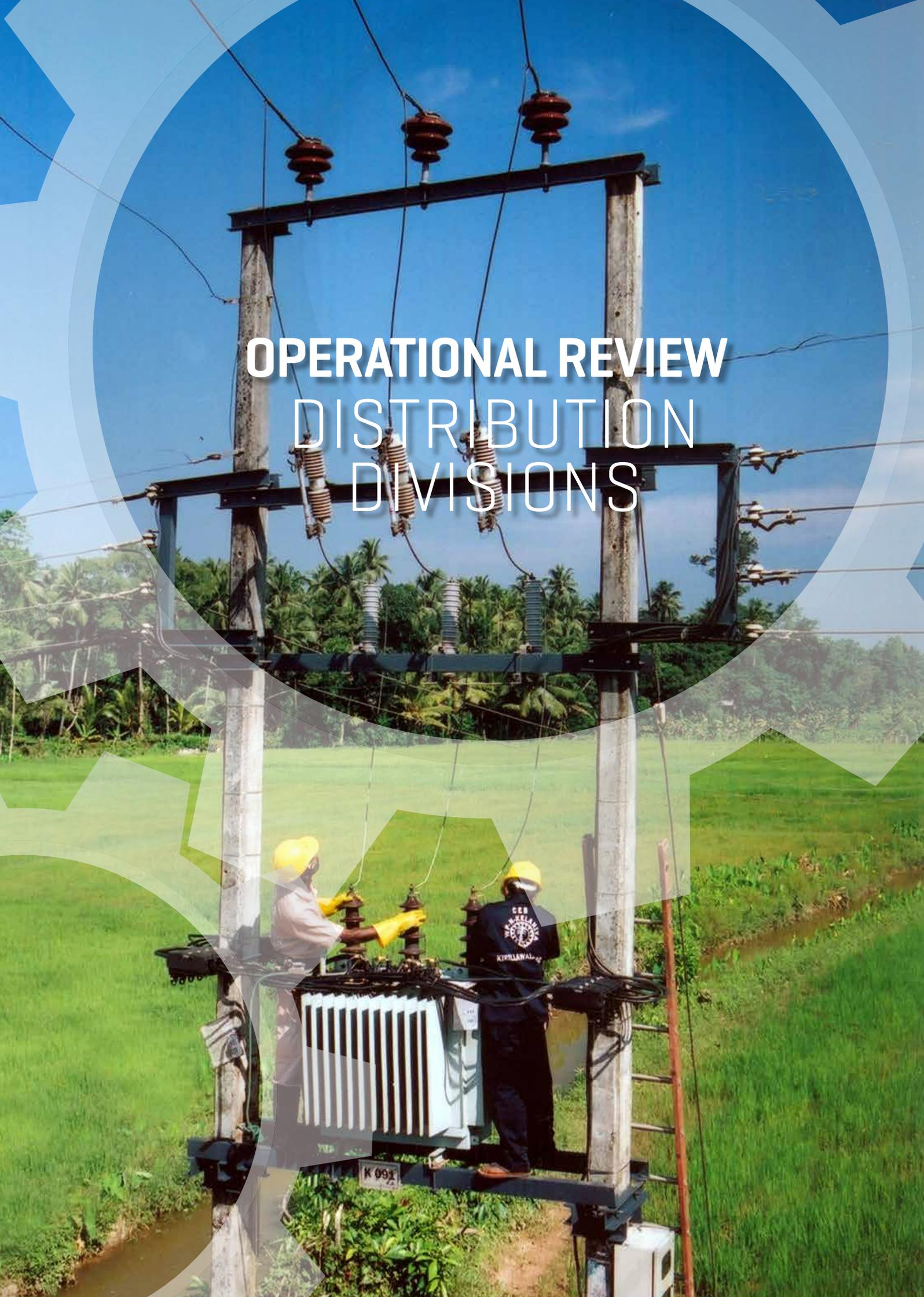
External training opportunities were provided for the staff both locally and abroad, depending on the skills development requirements.

CEB Board principally approved construction of an 8 storied building to House Headquarters for the Transmission Division at Kent Road, Colombo 9 and initiated the process of obtaining Consultancy Services for the Architectural Design and Construction Supervision for the building.

Social Events

Donated books, school bags and other necessary stationery requirements for the school children at Meepagama Junior School, Kalawana in Rathnapura District and also assisted in obtaining the electricity to the school.





OPERATIONAL REVIEW DISTRIBUTION DIVISIONS

K 092



DISTRIBUTION DIVISIONS

A major part of the electricity distribution in the country is handled by CEB amounting to 88% of the total sales volume while the rest is taken care by the Lanka Electricity Company Ltd. (LECO), a subsidiary of the CEB.

The entire CEB distribution system is geographically separated for ease of administration and operations to four Divisions namely; Distribution Division 1 (DD1), Distribution Division 2 (DD2), Distribution Division 3 (DD3) and Distribution Division 4 (DD4). Another main objective of forming the four Divisions is to achieve benchmark competition that can improve the efficiency and the quality of supply to the customers.

The distribution network consists of 33 kV and 11 kV medium voltage (MV) lines and 400 V low voltage (LV) lines transferring power from 220 kV and 132 kV transmission systems through grid substations spread island wide.

Each Division is headed by an Additional General Manager who directly reports to the General Manager. The Provinces that comes under each Division are given below:

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

Operational Structure

The Distribution Divisions are divided into Provinces and each Province is headed by a Deputy General Manager. A Province is sub-divided into several areas managed by Area Chief Engineers or Area Electrical Engineers depending on the number of consumers served by the Area. An area is further sub divided into several Consumer Service Centers (CSC) each headed by an Electrical Superintendent.

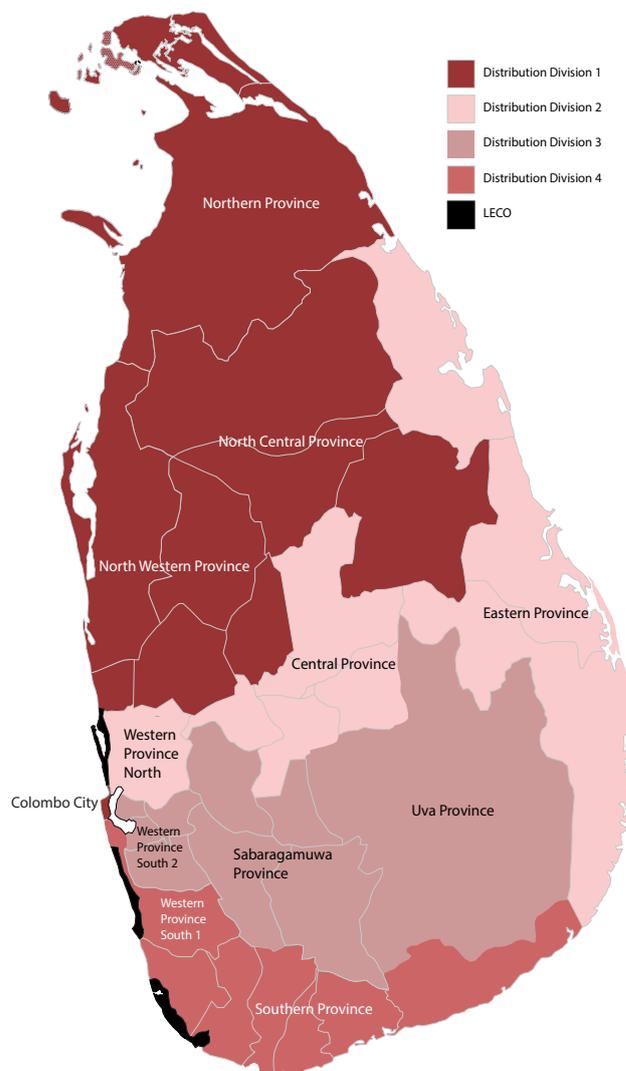
Area of Operation

Distribution Division 1 consists of three Administrative Provinces; namely North Western, North Central, Northern and Colombo Municipality Area. Both North Central Province and Northern Province are divided into three Areas each. The North Western Province is divided into seven Areas while Colombo City is divided into four areas.

Division	Province	Area
Distribution Division 1	North Western	Chilaw, Kurunegala, Kuliypatiya, Wariyapola, Wennappuwa, Puttlam and Narammala.
	North Central	Anuradapura, Kekirawa and Minneriya.
	North	Jaffna, Kilinochchi and Vavuniya
	Colombo City	Colombo North, Colombo South, Colombo West and Colombo East

Area of operation of Distribution Division 2 covers the whole of the Eastern and Central Provinces and parts of the Western and Sabaragamuwa Provinces through 22 Area Offices. Of the three Provinces Eastern Province is subdivided into four Areas, Central Province is subdivided into twelve Areas and the Western Province North is subdivided into six Areas.

CEB DISTRIBUTION DIVISIONS



DISTRIBUTION DIVISIONS [CONTD.]

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

The Distribution Division 3 is covering a part of Western Province named as Western Province South II, Sabaragamuwa Province and Uva Province. The Western Province South II is subdivided in to five areas and Sabaragamuwa Province is sub divided in to five areas covering the entire Ratnapura District and a part of the Kegalle District. Uva Province comprises of three areas covering Badulla and Monaragala administrative districts.

Division	Province	Area
Distribution Division 3	Western Province South II	Bandaragama, Homagama, Sri Jayawardenapura, Avissawella and Horana
	Sabaragamuwa	Ratnapura, Kahawatte, Ruwanwella, Eheliyagoda and Embilipitiya
	Uva	Badulla, Diyatalawa, Monaragala

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 3 Areas and Southern Province covers seven Areas.

Division	Province	Area
Distribution Division 4	Southern Province	Ambalangoda, Galle, Hambantota, Matara, Tangalle, Akuressa (formally Weligama) and Baddegama.
	Western Province South I	Ratmalana, Kalutara and Dehiwala.

Apart from the Provinces; three separate branches have been established to carry out the supporting services required to maintain the operations of each Division. They are Projects & Heavy Maintenance Branch, Planning & Development Branch and Commercial & Corporate Branch. Distribution Division 1 consists of Distribution Coordination Branch as well.

Key Objectives of the Divisions

- Provision of a reliable electricity supply to all consumers within the Division at statutory levels;
- Sale of electricity and achieving planned revenues to meet the expenditure while meeting current demand and anticipated future needs;
- Provision of electricity to all ensuring maximum consumer satisfaction with high-quality, effective and safe technologies that meets the most rigorous standards of the modern industry.
- Ensuring the development of the electricity distribution system to improve reliability, quality and efficiency of electric power supply to be in par with international standards while minimizing system losses.
- Consolidate and improve maintenance services, operational efficiency.
- Consolidate and improve research and development activities; design, protection, implement and develop new technologies for distribution of electricity.
- Produce competent workforce and maximize their opportunities for success by maintaining a safe, secure and healthy work environment.
- Dedicated in protecting and preserving the environment where operates.

Outreach of Distribution Divisions

Description	DD1	DD2	DD3	DD4
Service Area (Sq. km)*	26,929	17,855	12,178	6,870
Areas (Nos.)	17	22	13	10
Consumer Service Centers (Nos.)	57	79	45	38
CEB operated Collection Centers (POS) (Nos.)	4	19	11	23
Control Centers (Nos.)	4	3	2	0
Call Centers (Nos.)	4	1	3	2
Bulk consumers (Nos.)	4,098	3,235	1,854	1,636
Retail consumers (Nos.)	1,778,007	2,119,505	1,258,236	1,026,558
SAIDI (Minutes/Year)	3,973	4,388	4,746	6,160
SAIFI (Interruptions/Customer/Year)	16.5	32.3	49.1	37.7

* Excludes forests and islands which have no electricity network

DISTRIBUTION DIVISIONS [CONTD.]

Distribution Infrastructure

Description	Units	DD1	DD2	DD3	DD4	Total
<i>Distribution Lines</i>						
33 kV	km	10,748	9,090	7208	4,676	31,722
11 kV	km	621	503	40	310	1,474
LV	km	43,081	38,237	30,979	25,793	138,090
<i>Underground Cables</i>						
33 kV	km	42	2	-	7	51
11 kV	km	704	127	5	21	857
LV	km	684	67	6	4	761
<i>Sub Stations</i>						
132/11 kV	No.	5	-	-	-	5
33/11 kV Primary Substations	No.	33	43	12	43	131
LV Distribution Substations	No.	9,698	9,293	4,815	4,777	28,583
<i>Others</i>						
Gantries	No.	26	78	23	36	163
A/R	No.	111	109	140	38	398

Highlights of the Year 2017

Description	Units	DD1	DD2	DD3	DD4	Total
Units purchased from Transmission	GWh	3,999	4,405	2,366	1,921	12,692
Units sold within the Division*	GWh	3,657	4,096	2,169	1,743	11,665
Revenue earned from Units sold	MLKR	66,640	63,464	34,646	28,477	193,227
Average selling price	LKR	18.01	15.49	15.47	16.16	16.44
Distribution Loss	%	8.6	7.01	8.5	8.2	7.4
Receivable position	Months	1.12	1.05	0.95	0.74	0.97
No. of new connections provided	No	80,315	77,677	45,981	24,964	228,937

* Excluding street light

Operational Data

Number of Accounts by Tariff Category in 2017

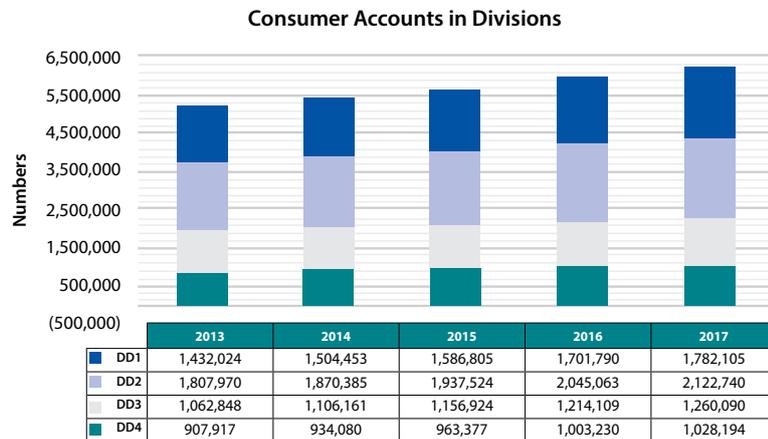
(Nos.)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,529,635	1,863,874	1,118,371	913,180	5,425,060
Religious	12,970	12,922	6,749	5,358	37,999
Industrial	31,165	14,662	8,494	6,373	60,694
Hotel	108	211	45	143	507
Government	134	127	52	1,494	1,807
General Purpose	208,093	230,944	126,379	101,646	667,062
Total	1,782,105	2,122,740	1,260,090	1,028,194	6,193,129

* Excluding Street lighting

DISTRIBUTION DIVISIONS [CONTD.]

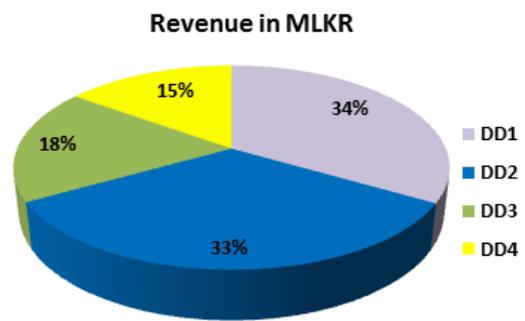
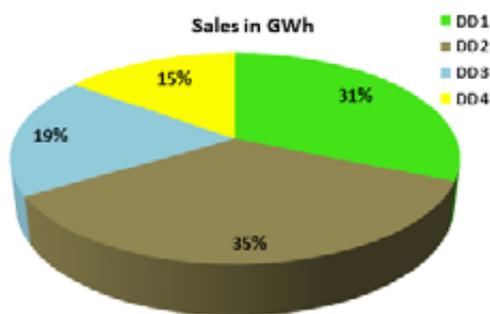
Five-year Progress of Total Number of Consumer Accounts



Sales by Tariff Category in 2017

(GWh)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,300	1,493	802	753	4,348
Religious	32	25	10	11	78
Industrial	850	1,768	899	514	4,030
Hotel	106	72	7	80	265
Government	78	51	28	29	187
General Purpose	1,291	687	423	356	2,757
Total	3,657	4,096	2,169	1,743	11,665



Revenue by Tariff Category in 2017

(MLKR)

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	19,203	19,033	10,596	10,300	59,133
Religious	236	178	71	80	565
Industrial	12,758	25,872	13,458	7,648	59,736
Hotel	1,790	1,326	139	1,420	4,675
Government	1,412	913	325	552	3,202
General Purpose	31,240	16,141	10,057	8,477	65,915
Total	66,640	63,464	34,646	28,477	193,227

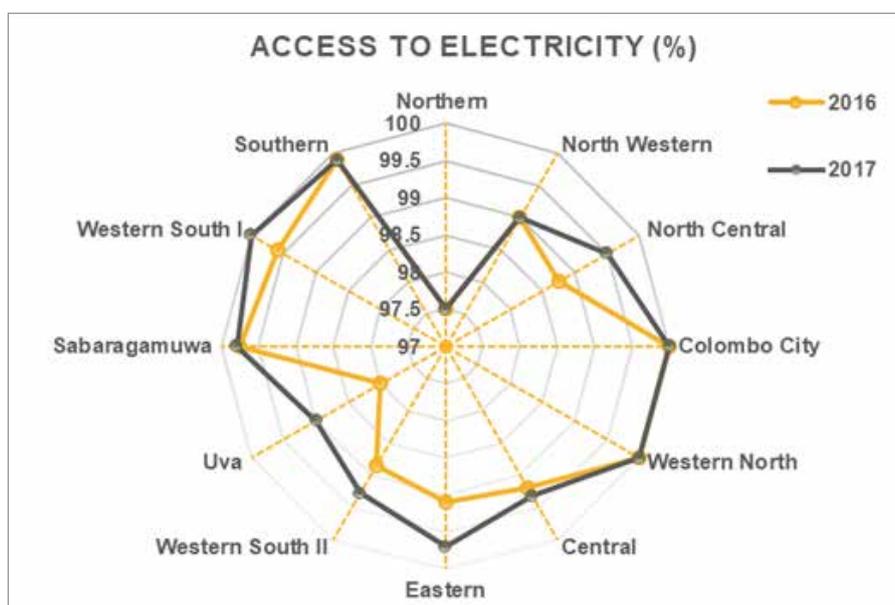
DISTRIBUTION DIVISIONS [CONTD.]

Measurements of Progress

Access to Electricity

The percentage of people in a given Province that have relatively simple, stable access to electricity vary depending on the development level of the Province. Of the twelve Provinces three provinces namely Colombo City, Western Province North, Western South I has achieved 100 % access to electricity. Considering the benefits of electrification, Rural Electrification Projects were introduced to achieve 100% access to electricity through financial commitments made by the Government of Sri Lanka (GOSL) and CEB.

Access to Electricity as at the end of the year



Electrification Schemes and extensions as at the end of the year

Division	Province	Schemes		Extensions	
		No of jobs completed	Cost in MLKR	No of jobs completed	Cost in MLKR
DD1	Northern	5	33	97	161
	North Western	4	40	1085	414
	North Central	8	54	202	137
	Colombo City	Achieved 100% Electrification			
DD2	Western North	-	-	712	75
	Central	1	32	104	143
	Eastern	3	35	103	91
DD3	Western South II	26	211	718	279
	Uva	14	182	119	136
	Sabaragamuwa	1	3	190	81
DD4	Western South I	-	-	120	38
	Southern	29	106	16	28

DISTRIBUTION DIVISIONS [CONTD.]

Construction Job Performance

Division	Province	HV (km)	LV (km)	Distribution Substation	LV line conversion (km)	Cost (MLKR)
DD1	Northern	63	39	106	24	480
	North Western	57	319	175	128	1257
	North Central	56	115	121	14	584
	Colombo City	31	15	58	.	-
DD2	Western North	32	42	139	70	535
	Central	29	62	285	74	334
	Eastern	18	104	3	76	445
DD3	Western South II	9	48	98	1	329
	Uva	81	19	64	5	698
	Sabaragamuwa	23	81	67	16	277
DD4	Western South I	20	84	72	26	415
	Southern	594	148	108	10	830

Embedded Generators in the Distribution Divisions

By the end of the year, total capacity of 501.4 MW embedded generators such as small Mini Hydro plants, Wind plants, Bio-mass plants and Dendro plants are connected to the distribution network.

Roof Top Solar Photovoltaic (PV) in Distribution Divisions

Electricity consumers are able to generate electricity at their roof top within their premises and able to synchronize their generators with CEB system and consuming/exporting energy to CEB under three schemes named as Net Metering, Net Accounting and Net Plus. Since the first PV connection of Sri Lanka in 2010, the number of connections has reached to 9,615 by 2017 showing a rapid growth in this new technology in Sri Lanka. The total installed capacity of the existing PV schemes in Sri Lanka has become nearly 69,047 kW.

Tariff Category	DD1	DD2	DD3	DD4	Total
Consumers (Nos)					
Net Metering	2,657	1,587	2,299	1,729	8,272
Net Accounting	411	314	284	241	1,250
Net Plus	34	15	31	13	93
Capacity (kW)					
Net Metering	19,946	10,664	11,485	11,891	53,986
Net Accounting	2,659	1,625	1,646	1,996	7,925
Net Plus	625	3,321	2,624	566	7,136

Network Improvements

In 2017 the following works were done by the Projects and Heavy Maintenance Branches of Distribution Divisions to enhance and improve the Distribution Network.

Description	Units	DD1	DD2	DD3	DD4
Construction of 33 kV Tower Lines	km	10	27	7	24
Installation of Auto-reclosers & LBSs	No.	11	32	19	6
Construction of 33 kV Gantries	No.	-	7	5	3
Laying of 33 kV Underground Cables	km	-	0.6	0	0.9
Installation of Metering Transformers	No.	2	0	0	4

Achievements during the year

Drawing MV Aerial Bundle Conductor lines

Sri Lanka's power distribution network mainly consists of 33 kV and 11 kV lines, but higher degree of urbanisation makes road-side environment more densely occupied with high rise buildings and hoardings creating difficulties for MV line construction. As a remedial measure Aerial Bundled Conductors (ABC) have been proposed to be used for urban areas. In addition to that suitability of these conductors were identified for places having public objections for line constructions and environmentally sensitive areas eliminating the need for removing of vegetation. Both DD1 and DD3 has completed construction of few MV ABC lines to cater the requirements of urbanized areas and environmentally sensitive areas in 2017.

As a first step experts from Malaysia and Australia visited and half a kilometre line was constructed in Kurunegala city. These personnel directly supervised drawing of ABC and making plug-in type 33kV joints by CEB employees. Later hands-on training on plug-in type terminations were given to selected personnel in NWP at Castlereigh Training Centre with a participation of foreign consultants.

- **4.5 km – 33 kV ABC line – Near Arachchikattuwa along Colombo - Puttalam highway**

A 4.5 km long 33 kV ABC line was constructed near



Arachchikattuwa along Colombo-Puttalam highway by DD1 in mid-2017. This was the first of such line with nominal voltage of 33 kV in Sri Lanka.

- **Connection of feeder no:10 from Mallawapitiya GSS**

It has been proposed to convert the existing 11 kV network of Kurunegala City to 33 kV ABC lines. While increased demand in the provincial capital requires more primary substations and 11 kV feeders; use of 33 kV ABC is an indispensable solution to overcome the limitations in 11 kV network. Distribution maintenance unit has initiated drawing of ABC along congested roads in Kurunegala municipality in year 2017. As a first step, feeder no. 10 having a capacity of 20 MVA from Mallawapitiya GSS was connected to the Udawalpola Primary Substation which is the main power supply for the city. Currently feeder 02 & 03 are feeding the Kurunegala City. Connecting Feeder 10 makes an alternative feeding arrangement in addition to these feeders.

- **Rural Electrification Monarakale and Kumaradolawaththa**

Monarakale and Kumaradolawaththa rural electrification schemes were initiated by DD3 to serve 380 families living in an isolated area surrounded by a rich vegetation forest reserve in Uva Province. One of the primary purpose of this project is to preserve the green environment without damaging its sensitive environmental commodities including natural water streams while ensuring sustainable access to grid electricity by the rural population. Both of these schemes are located at hilly mountains in a difficult terrain of Monaragala District. Hence, both the schemes were constructed using the relatively new technology to CEB; 33 kV MV Aerial Bundle Cables conductors (ABC) which does not require clearance from existing vegetation. This is the first initiative to deploy environmental friendly electrification scheme using 33 kV ABC conductors in DD3.

As the access to grid electricity becomes a vital requirement in present society context, rural population at Monarakale and Kumaradolawaththa in Monaragala district will be largely benefited with the completion of this project.

Monarakale Scheme

Monarakale scheme consist with 2.28 km of Medium Voltage line and 5.76 km of Low voltage lines with a 100 kVA transformer.



Kumaradolawaththa Scheme

Kumaradolawaththa scheme consists with 3.26 km of Medium Voltage line and 5.2 km of Low voltage lines with a 100 kVA transformer.



LECO Supply Source Enhancement Project

LECO Supply Source Enhancement Project was formed under the purview of DD4 aiming to enhance the supply source to LECO distribution network. The design, procurement, installation, testing & commissioning of the project has been carried out by CEB at a project cost of Rs. 2,100 Million. The scope included construction of six new 5 MVA unmanned PSS including remote communication facility, three new 2x10 MVA GIS PSS and augmentation of an existing PSS to 2x10 MVA.

Construction of manned PSS of Angulana 2x10 MVA has been completed and energized in December 2017.

Medium Voltage Network Efficiency Improvement Project

Long Term Distribution Development proposals, to 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 project comprises two packages. Package 04 consists of construction of five new 33 kV tower lines in three Distribution Divisions (56 km in aggregate) and construction of four new 2SSBB Gantries. Package 05 includes construction of a new 2x10 MVA PSS, augmentation of two existing PSS to 2x16 MVA and 2x10 MVA from 2x10MVA and 2x5 MVA + 2 MVA, respectively.

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. Package 04 has been advertised on February 2017 and the bidding documents of Package 05 are being reviewed by TEC.

Distribution Coordination Branch (Improving Customer Satisfaction by Establishing transparent rates)

✧ The 2017 Standard Construction Rates of overhead connected bulk customers were changed to a per kVA charged system in a linear relationship, as previously done for underground cable connected bulk consumers. The MV overhead line portion was not incorporated to this new method, and planned to convert in next Year, this will separate commercial inter phase from physical development achieving more freedom for development and reducing issues with customers.

✧ Drawbacks of providing multiple electricity supplies for multiple users in the same building structure or land has been comprehensively addressed, simplified and included in to the Standard Construction Rates -2018

New way of working -ERP

A project for formulating an Enterprise Resource Planning (ERP) system was launched by signing the contract with KPMG on 17th May 2017. This system will be designed to provide with a single application of working for all CEB businesses that fully integrates operations and financial activity. The overall aim is to standardise CEB operations and reduce operating cost base by working more efficiently and effectively so that CEB can provide better service to its' customers. New ERP system, replacing many of the key business applications into one, provides many possibilities for identifying process efficiency improvements across the organization. It also forms the foundation for a process-led organisation and a 'workplace of the future' that CEB employees can experience.

Phasing out Polychlorinated Biphenyls (PCBs) contaminated transformers

Distribution Divisions(DDs) have been working diligently in response being Sri Lanka a signatory to the Stockholm Convention in 2001 which has mandated an end-of-use deadline of year 2025 for specific electrical equipment with PCB concentrations. DDs have made significant progress since establishing PCB phasing out Plan between 2015-2020 formulated by Ministry of Mahaweli Development and Environment. Due to these efforts identified pieces of PCB-contaminated equipment are to be removed from service or had PCB-contaminated oil removed to make the equipment PCB-free by DDs.

Currently, teams have already been formed in DDs and necessary training and equipment have been deployed including a Tablet computer having an installed database of transformers. Each team is expected to visit every transformer assigned to them and upload details to the data base through the Tab. Further, samples of oil will be taken in

suspicious PCB contaminated transformers. Oil samples will be tested in the laboratories established in Kelanitissa and Kandy. Disposing of PCB contaminated transformers will be done in a latter Phase after completing the database.

• Introduction of Smart Meters

Distribution Divisions have an important role to play in introducing smart meters to customers. Installing Smart Meters will enable Divisions to record useful data creating benefits for customers. In additions, Divisions will have much more detailed information about the end points of the network.

Having understood the benefits, CEB prepared and forwarded a proposal for “Technical and Financial Assistance for Distribution Automation and Smart Metering Project” for implementation under AFD financing, to the Ministry of Power & Renewable Energy. This project proposal is already recommended by the Department of National Planning and validated by the External Resources Department for financing by AFD.

• Green Village Project – Kurunegala Area

- ✧ 14 numbers distribution transformers were selected for the project.
- ✧ Conversion of all LT network into ABC lines is still on going for the selected transformers. 80% of LT line conversion was completed during the year 2017.
- ✧ Replacing of Energy Meters (Electromechanical into Digital)
3 phase smart meters (30A & 60A supplies) were replaced during the year 2017.
- ✧ Conducting Energy Audits for the Bulk Supply Customer in the Green Village Area
40% completed during the year 2017.
- ✧ Conducting Awareness programs on Energy Management and Conservation for the customers in the Green Village Area.
- ✧ 3 numbers of Awareness Programs were conducted during the year 2017.

• Construction of 22 km long 33 kV Lynx Double Circuit Tower Line from Maho to Galigamuwa

Installing additional distribution lines is one of the effective measures to reduce resistance of distribution lines. DD1 has constructed a 22 km long 33 kV Lynx Double Circuit Tower Line from Maho to Galigamuwa aiming loss reduction by preventing overload.

• New and Renewed Work places

DD2 has opened a new Area office building for Electrical Engineer Galagedara Area, Central Province. Few CSCs namely Delgoda, Wattala and Veyangoda CSC in Western Province North in 2017 aiming to provide better customer service and working environment to employees. Further, Office of the Area Chief Electrical Engineer (Ampara) had been renovated and ceremonially opened on 2017.12.12



The Chief Electrical Engineer's office located in Weligama, (DD4) was shifted to new premises at Akuressa on 2017.12.04. The Akuressa area consists of 5 Consumer Service Centers with 122,000 consumers being served. This new location is situated in the boundaries of Galle, Rathnapura, Hambanthota District and in the center of all the consumer service centers (Morawaka, Deniyaya, Pasgoda, Weligama, Akuressa) of the area. Therefore, it is expected that this new establishment will be convenient for consumer transactions.



Further, DD4 has Renovated Matugama and Kaldemulla (Rathmalana) Consumer Service Centers.

DISTRIBUTION DIVISIONS [CONTD.]

Mathugama Consumer Service Center



Kaldemulla (Ratmalana) Consumer Service Center



• CEB Headquarters Call Centre

All administrative and functional activities of the Head Office call center (1987) are handled by DGM (C&C)-DD2 branch. 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 has increased the efficiency and effectiveness of the customer care services. The SMS and web based complain handling concept is also currently being initiated.

• Staff Training

Commencing from the third quarter of the year office of DGM(C&C) has started providing technical & non-technical training programs for every category of staff in the areas which are not covered by CEB training centers.

No.	Subject of Training	Target Group
1	Awareness Programme on Regulation made under section 54 of the Sri Lanka Electricity Act	All Executives and All ESs in DD 2
2	Communication and Leadership Workshop	Engineers , Accountants, HRO, HRA, ESs, Secretaries
3	Basic Electrical Engineering Concept, Power Generation, Transmission and Distribution Systems	Accountants, Account Assistants, Human resource Officers, Human resource Assistants, IT Executives
4	Distribution Earthing and Transformer Maintenance	All Engineers attached to DD 2
5	Organization structure and Human Resource activities of CEB	Clerical and Data Entry staff of DD 2
6	Renewable power generation, Grid Connection and testing of installation	Chief Engineers and Engineers of Areas, Commercial and Energy Management of DD 2



• **Installing of 60 kW solar panel at office of DGM SP**

A 60 kW solar panel was installed on the rooftop of Deputy General Manager's Office Complex of Southern Province at a cost of LKR 7.3 million. No of installed solar panels are 207 Nos. with a capacity of 290 Wp per panel. Three Inverters (27.6 kW, 17 kW, 17 kW) have been installed and the annual expected power generation is 82080 kWh/year. This was connected to the main system in June, 2017 as an encouragement to consumers for using renewable energy sources.



• **Technology at work**

Launch of 'Meter Assist' – meter reader android app and Breakdown Assist' pilot project in Central Province.



Significant Events in 2017

05
Jan

Construction of State of art meter Laboratory for DD3

Long waited requirement of a state of the art high precision calibration and test facilities for energy meters connected within the Division 3; as per National and International Standards was realized on 05th January 2017. Turning the first sod for a two story new building was done at the construction site in Malabe by AGM(DD3) in a simple ceremony held amidst the invitees. The laboratory will be equipped with fully automatic test benches of high precision reference standards for accurate meter calibration and testing in future.



10
Feb

Opening Ceremony of hybrid power system

Eluvaithivu is a small island located on the Western side of the Jaffna peninsula. In order to ensure environment friendliness and to have Green energy, wind (21 kW), solar (46 kW) hybrid power system has been introduced as a project funded by GOSL and ADB grant. Hon. Ranjith Siyambalapitiya, Minister of Power and Renewable Energy has opened this system on 10th February 2017.



At the same day, Electricity Consumer Service Centre (Jaffna City) which was shifted to the new location at the Jaffna Town also opened by Honorable minister.

Project Site Offices of LTL Holdings (Pvt) Limited for 2x10 MW Chunnakam wind power plants were also opened by Hon. Minister Ranjith Siyambalapitiya

06
Mar

Annual Pan Poojawa

The annual 'Pan Pooja' ceremony of CEB was held at the Jaya Sri Maha Bodhi, Anuradhapura on 6th March 2017 to invoke blessings for bountiful rain in the forthcoming season to fill the hydro reservoirs ending the dry spell prevalent in the country. Pots of water collected from hydro reservoirs were brought in a special motorcade to the Ruwanweli Seya premises amid chanting of Seth Pirith by the Maha Sangha for offering at this Pooja. After exhibiting the pots of water at the Ruwanweli Seya they were brought and offered at the Jaya Sri Maha Bodhi by devotees led by the Maha Sangha invoking blessings for rain this season.



12 - 14
Mar

Green Concept Exhibition (Brown to Green) 2017

The Green Concept Exhibition was held on 12th, 13th and 14th of March 2017. This was organized by the North Western Provincial Chief Secretariat Office. Energy Management Unit of NWP presented following items in the exhibition.

- o Model house for the Green Village Concept
- o Energy Management and conservation exhibits

DISTRIBUTION DIVISIONS [CONTD.]

29 Mar
02 Apr

The Yowun Puraya 2017

A four-day Youth Camp program resumed in Trincomalee was provided with Electricity successfully by the DGM (Eastern) Province. Around 6000 local as well as 100 foreign youths participated in the Camp this year.



03
Jun

Flood relief

Donated dry rations, water and mattresses for the people in flood affected areas in Sothern Province by AGM (DD4).



16
Jun

Construction of Corporate Headquarters of DD4

Ground breaking was done on 16th June 2017 to initiate the construction works of Cooperate Headquarters of DD4. This will house AGM (DD4) office, DGM (WPS1) Office, CE (Dehiwala) Office, Distribution Control Centre and Council Lane Primary Substation. Construction works are going on and structural work has been completed up to 3rd floor.



06
Jul

Site Visit by Hon. Minister

Special site visit was done by Hon. Minister Ranjith Siyambalapitiya to ensure the suitable place for the implementation of hybrid energy park at poonaryn consisting of 240 MW wind and 800 MW solar on 6th July 2017.



08
Oct

Katina Pooja

Contributed for Katina Pooja Pinkama at Morawaka Sri Wijaya Piriwen Viharaya which was in flood affected area, by AGM-DD4 office complex



DISTRIBUTION DIVISIONS [CONTD.]

09
Nov

Katina Pooja

The Blood donation camp organized by welfare society of Southern province was held in November 2017 for the 13th time at Deputy General Manager's office complex of Southern Province.



29
Nov

Aftermath of Cyclone Ockhi

On November 29th a very severe cyclonic storm hit the Southern part of the country accounting heavy damages to the distribution system. As a result, several areas of DD4 were under dark for few days. Falling trees and damage to power lines resulted in power outages in affected areas. The Cyclone affected 585,181 customers at DD4. The approximate total cost incurred to CEB for repair work, including material, labour and other overhead is LKR 230 Million. The Most affected consumer Service Areas were Kalutara, Baddegama, Ambalangoda, Weligama and Matara. Restoration work successfully completed within 12 days.

HT Damages		LV Damages		Transformers Damaged (Nos.)	Meter Damaged (Nos.)	Total Cost (MLKR)
Poles (Nos.)	Lines (km)	Poles (Nos.)	Lines (km)			
178	6.25	4034	90	20	370	230



Power Restoration Due to Flood and Earth slip



06
Dec

Blood donation - Northern Province

A blood donation camp was arranged by CEB NP Staff Welfare & Sports Society on CEB's birthday. Many CEB employees contributed in the event.





OPERATIONAL REVIEW
PROJECTS DIVISION



PROJECTS DIVISION

The year 2017 had been another challenging year for the Projects Division, as it handled and carried out projects work worth of SLRs. 23.6 billion during the year under review.

It was broadly discussed in many forum on the options available for the future power generation projects and predominantly said to be greener than ever due to global warming and connected other issues. Accordingly, CEB is looking forward much greener projects than ever. Description of the Projects that had been carried out is as follows:

Mannar Wind Power Project (MWPP)

MWPP is the first ever large scale nonconventional renewable energy project to be implemented by CEB. 100 MW wind farm and associated facilities will be constructed in the southern coastal belt of the Mannar island of Sri Lanka under the project. Mannar wind farm is expecting to deliver 320GWh of green energy annually, to the national grid while eliminating discharge of 250,000 metric tons of greenhouse gasses of CO₂ annually in to the environment. This is to serve the purpose of harnessing environment friendly and low-cost energy resources towards sustainable development in the country and to serve the government's energy policy to accommodate 20% of the energy demand by renewable energy sources by year 2020.



Artistic view of the proposed wind farm

CEB has already completed the project planning and integrating phases and obtained all the statutory approvals. Asian Development Bank has assured finance assistance worth of 200 million USD towards the cost of the project and other infrastructure. Loan agreement was signed between Asian Development Bank and CEB on 22nd November 2017.

The project is to be implemented on Engineering, Procurement and Construction (EPC) basis and qualified internationally eligible bidders have been requested to submit their proposals in view of engineering design, supply of plant and equipment, construction, testing and commissioning of the wind park. Evaluation and selection of a responsive bidder and equipment supplier is in progress and construction works have been planned to be commenced in the 2nd quarter of 2018. Acquiring of lands for the wind farm is also in progress.

MWPP is to be implemented as a benchmark project with advanced features such as semi dispatching facilities, wind forecasting system to predict wind power availability, modern

bird monitoring system to avoid bird collisions and impacts to migrant birds, advanced bio diversity management plan to safeguard the nature and environment and many others with a committed desire for social welfare and safeguard in the area. The project also expects to obtain certified emission reduction rates under Clean Development Mechanism (CDM).

Broadlands Hydropower Project (BHPP)

The BHPP is a run-of-river type power plant to build in the Kelani River. The key objective of the project is to harness the hydro potential downstream of the existing Polpitiya Power Station. The project will have an installed capacity of 35 MW. The main sites of the project are located about 90km north - east of Colombo, near the town Kithulgala. The main components included in the projects are Main dam, Diversion dam, Main Tunnel, Diversion Tunnel, Power Station with two 17.5MW Turbine Generator units, Switch Yard and Transmission Line. The Broadlands plant is planned to generate 126 GWh of electrical energy annually. However, Ceylon Electricity Board has decided to maintain a firm water release to safeguard White Water Rafting sport in Kithulgala area and as a result there will be a reduction in the annual energy generation. The water release is done through a Mini Hydropower Plant to minimize the loss in generation.

The total project cost is USD 82 million. The 85% of funding is provided by Industrial & Commercial Bank of China (ICBC) and the balance was obtained from Hatton National Bank. The construction work is in Progress in parallel at Main Dam Site, Main Tunnel, Diversion Tunnel and Power House Site and the project is scheduled to complete in year 2019.

The BHPP is the first large scale hydropower plant which has obtained CDM registration in Sri Lanka.



Main Dam



Power Station

Moragolla Hydro Power Project (MHPP)

The MHPP is one of several hydropower projects identified by the Government of Sri Lanka (GoSL) to reduce the role of fossil-fueled 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). Project is expected to generate 100 GWh of energy with an installed capacity of 30.2 MW.

Supplementary EIA report was approved by the Project Approving Authority, Mahaweli Authority Sri Lanka. The Consultants to the project was appointed and the preparation of the bidding documents has been completed. Construction of the resettlement housing scheme for the Project Affected Persons (PAPs) was commenced. Contract for the Preparatory Works is to be awarded by April 2018.

Overall project construction period would be 5 years and it is expected to complete the project by December 2022.



Construction of resettlement housing scheme of MHPP

Uma Oya Hydropower Project (UOHP)

The UOHP is a Multipurpose Development Project implemented by the Ministry of Irrigations & Water Management in coordination with the Ministry of Power and Renewable Energy and CEB.



Power House

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 25km 132kV Transmission line to Badulla Grid Substation. It is expected to complete the project by December 2020.



Turbine Installation

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

Green Power Development and Energy Efficiency Improvement Investment Programme - Tranche 2 consists of three components, namely, Transmission infrastructure enhancement, Efficiency improvement of medium voltage network and Demand-side management improvement for energy efficiency including development of an innovative smart grid and metering pilot subproject.

The project scope involves 220 KV transmission development in Mannar to evacuate energy generated from proposed Wind Power Project and network development for voltage improvement & control in Western and Southern Provinces. 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.

Transmission Infrastructure Enhancement component is funded by ADB & AFD with USD 154.6 million. There are 8 lots under three packages in this component. By end of 2017, two lots of the project component has been awarded and rest of the lots are in the final stage of the procurement process and to be awarded in 2018.

National Transmission & Distribution Network Development and Energy Efficiency Project (NT&DND&EEP)

The NT&DND&EEP is funded by Japan International Cooperation Agency (JICA) under the Loan No.: SLP 113.

Project Scope includes construction of 220/132 kV Krindiwela Switching Station, 132/33kV Kirindiwela Grid Substation, 132/33 kV Battaramulla Indoor Substation and augmentation works at several existing Grid Substations. Also, project scope includes construction of 220kV Kotmale-New Polpitiya, 220kV Veyangoda-Kirindiwala, 400kV Kirindiwala-Padukka, 132kV Thulhiriya-Veyangoda and 132kV Kirindiwala-Kosgama transmission lines and reconstruction of existing 132kV Polpitiya-Habarana and 132kV Kolonnawa-Pannipitiya-Ratmalana transmission lines. In addition to that project scope includes underground electricity distribution development at Dehiwala, Mount Lavinia and Battaramulla area.

Pre-qualification process for three packages and the preparation of the bidding documents have been completed. Bids invited for Package 2: Construction of Substations in the year 2017 and technical proposal evaluation completed. Expect to complete bidding process and award contracts during the year 2018.

Greater Colombo Transmission & Distribution and Loss Reduction Project (GCT&DLRP)

The 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, detailed design works and approval for cable routes from relevant authorities are almost completed. Civil construction work of all three new grid substations is substantially completed and installations of electrical equipment are already commenced. Augmentation works of five existing grid substations are in progress. Laying of Transmission and distribution cables are in progress. Specialized vehicles procured under this project are already delivered to the relevant branches of CEB. At the end of the year 2017, overall project completion is 74.9%. It is expected to complete the major packages of the project during the year 2018.



250MVA Transformer Installation Work at Grid Substation "L"



220kV Cable Pulling Work at Port Premises

Renewable Energy Absorption Transmission Development Project (REATDP)

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, and to cater the increasing electricity demand in Central and Sabaragamuwa provinces, it has decided to construct new Grid Substations at Maliboda, Wewalwatta, Nawalapitiya and Ragala and related transmission lines under Renewable Energy Absorption Transmission Development Project.

The Project will be carried out by CEB, procuring goods and works from fifteen contracts deviating from the "Turnkey" concept. Seven contracts have been signed by end of year 2017. Primary designs and some of the secondary designs is carried out by CEB engineers. Project is scheduled to be completed in early 2020.

Transmission Projects Branch

Transmission Projects Branch also had an active year during the year 2017. Brief description of each project during the year is given below:

Under the Valachchenai and Kiribathkumbura Grid Substations Augmentation Project, enhancement of the capacity of 132/33kV grid substation at Valachchenai from 31.5MVA to 63MVA and augmentation of Kiribathkumbura 132/33kV Grid Substation with replacement of all 132kV & 33kV switchgears, auxiliary supply systems and construction of new control building are involved in the scope of the project. Capacity improvement of Valachchenai GS completed utilizing ADB funds (Loan no. 5219) of LKR 801Mn. Augmentation of Kiribathkumbura GS was commenced with the savings of ADB Loan No. 2733-SRI. The project cost is LKR 1176.0 Million. ADB financed LKR 878.5 Million and the balance is met through CEB funds.

Construction of three storied new control building is completed and 36kV indoor gas insulated switchgear (GIS) bays, control panels, protection panels and all the other auxiliary supply panels have been installed and commissioned. 02 nos. of 31.5MVA, 132/33kV transformers supplied under this project were commissioned, energized and connected to new GIS. Augmentation of 4 nos. of 132kV bays have been completed and integrated into new Substation Automation System (SAS). Augmentation of the remaining 132kV bays are in progress. Switchgear replacement works carried out with minimal interruptions to the consumers.

Physical and financial progress of the project at the end of year 2017 are 92.0% and 85% respectively.

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 has been changed to construct 220kV/33kV Mannar Grid Substation and connecting the same to the national grid by constructing Mannar-Vavuniya-New Anuradhapura 220kV constructed (220kV operated) 70km + 60km 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 2019.

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, Athurugiriys-Padukka 132kV transmission lines, Re-construction of Athurugiriya to Kolonnawa - 15 km, transmission lines and installation of 160MVA of Capacitor Banks at 7 existing Grid Substations. Polpitiya-New Polpitiya line was energized in November 2017 and Re-construction of Athurugiriya-Kolonnawa line is on hold since line was not released for the work. All other Construction activities were in progress and expected to be completed in 2018.

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 2018.

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 1) Part 2 – Transmission Project is funded by ADB (23.9 M USD) and co-finance by AFD (30.0 M USD). Under this project New 132/33kV Grid Substations would be constructed at Anuradhapura, Kalutara, Kesbawa and 220kV/33kV Grid Substation at Kappalthurai. Augmentation would be carried out at existing 123/33kV Grid Substations at Trincomalee, Katunayaka, New Anuradhapura and 220/33kV Grid Substations at Kerawalapitiya. Furthermore, transmission lines would be constructed to connect the new Grid Substations to the transmission network. During the year, major portion of procurement activities and detail designs were completed. Construction activities are in progress at all sites and expected to be complete in 2018.

Transmission Construction Projects Branch

Under the Grid Substation Construction Projects Unit, Augmentation of Hambantota GSS was launched to improve the reliability of power supply to the future industries at Hambantota area such as Hambantota Port, Mattala International Airport, Mirijawila Industrial Park, salt base industries, oil refinery. This project was completed during the year.



Hambantota Grid Substation Augmentation 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. Erection of transformers and bay equipment has been completed during the year.

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

To manage reactive power at New Anuradhapura Grid Substation and as backup for reactive power management of new Wind Power Plants at Mannar, GSCP unit has commenced the preliminary work related to Installation 60MVAR reactors at Mannar GS and 2x50MVAR Reactor banks at New Anuradhapura Grid Substation.

As per request of Distribution Division 01, rehabilitation of two (02) 33kV line feeders at Puttalam Grid Substation for future growth requirement is also executing by GSCP unit.

In line with the installation of Capacitor Banks by Clean Energy and Network Improvement Project – Package 02 (CENEIP – P2) at Sapugaskanda Grid Substation, it has been identified the requirement of construction of Two (02) 33kV Feeder Bays at the Substation. This was also assigned to GSCP unit.

Under the Transmission Line Construction Projects, a project has been done for 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 was completed in July 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 was completed in January 2018.

The existing 132kV double circuit transmission line from Bolawatte Grid Substation to New Chillaw Grid Substation is of Lynx conductor was built in 1963. To improve current carrying capacity and reliability of the line, it is proposed to enhance the capacity of the New Chillaw – Bolawatte 22km, 132kV transmission line section with double circuit, Zebra transmission line. The above project is in progress. 132kV line section from New Chillaw to Pannala will be completed in March 2018 and 132kV line section from Bolawatte to Pannala is to be completed in May 2019.

The existing 132kV single circuit transmission line from Badulla Grid Substation to Inginiyagala power station is of Oriole conductor was built in 1963. To improve the current carrying capacity and reliability of the line, it is proposed to reconstruct the Badulla – Medagama 32.5km, 132kV transmission line section with double circuit, Zebra transmission line. The above project is in progress and to be completed in November 2019.

Liquefied Natural Gas Power Projects (LNGPP)

Request for Proposals (RFP) for the Development of a 300 MW Multi Fuel Combined Cycle Power Plant at Kerawalapitiya on BOOT basis were called from interested bidders. The proposals have been received to operate the plant initially on diesel fuel and later to operate on Re-gasified Liquefied Natural Gas (RLNG) when available at the site boundary. The power plant will be built, own and operate by the successful bidder for a tenure of 20 years and transferred to CEB at the end of 20-year period. The plant will be constructed on the CEB land located at Kerawalapitiya.

The Power Plant is required to achieve the commercial operation of the Open Cycle in 2019 and the Combined Cycle in 2020.

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 was to be located in Sampoor. The Environmental Authority granted its approval for the project. However, the project was suspended. The procurement activities of the main peripheral developments of the project namely, the 400kV transmission line from power station at Sampoor to Habarana, 220kV Transmission line from Sampoor to Kappalthurai and the coal unloading jetty were suspended during the year until a power plant is finalized.

Habarana Veyangoda Transmission Line Project (HVTLP) which is required for power system improvements is implemented with the assistance of JICA. The contract for the construction of 148km long 220kV Transmission line from Veyangoda to New Habarana grid substation and the associated line diversions is awarded and work is proceeding with a progress of around 25%.

Further a new 220kV/132kV/33kV Grid substation is to be constructed at Habarana and augmentation work is to be done at Veyangoda with the addition of two 220kV bays. The tender has been awarded. Preliminary activities such as site clearing and layout approval are in progress.

Transmission Design & Environment Branch

Activities carried out during the year 2017 are as follows.

The Transmission Design Unit had prepared tender documents for implementation of National Transmission and Distribution Network Development and Efficiency Improvement Project Package I, Package II, Package III, (NT&DND &EIP), Green Power Development and Energy Efficiency Improvement Investment Program Project (GPD&EEIIPP) Tranche 2 and Renewable Energy Absorption Transmission Development Project (REATDP). Further, transmission design unit completed preparation of Tender documents including technical specification for SVC to be installed at Biyagama Grid Substation and installation of Reactors at New Anuradhapura and Mannar Grid Substations. Reviewed Technical specification prepared by Consultants of Colombo Port City Development for the compliance of CEB requirements.

Review of designs included for the following projects, CE&NEIP-P1, P2 & P3, NKBP, GPD&EEIIPP- Tranche 1, UOHPP - Transmission Line, GCT&DLRP, REATDP, HVTP, re-construction of Bolawatta New Chilaw 132kV Transmission Line during the year.

The Environment Unit is the focal point for most of the environmental activities of CEB. The main responsibilities of the Environment Unit include conducting the Environmental Approval Process for development projects of CEB, preparation of Environmental Safeguard documents as per National Environmental Act (NEA) as well as the guidelines of the funding agencies (if applicable), obtaining the relevant environmental approvals, and conducting environmental awareness programs for CEB and its stakeholders.

Engineering Advisory Services (EAS) Branch

During the year, Engineering Advisory Services Branch provided expert services in the fields of electro-mechanical, hydro-mechanical, electrical, mechanical and utility for following generation projects, replacing national and international consultants:

- ✧ Project Management and Supervisory Support for the Construction of MHPP Plant.



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.

Operational Structure

There are eight Branches under the Additional General Manager (Asset Management) to carry out the different functions of the Division namely:

- DGM (Asset Management & Corporate)
- DGM (Training)
- DGM (Occupational Health & Safety)
- DGM (Workshop & Ancillary Service)
- DGM (Civil Works & Building)
- PD (Vidulakpaya)
- AFM (Asset Management)
- Manager (Security)

Assets Management & Corporate Branch

The responsibility of the Branch is to ensure proper functioning of the Asset Management Division by optimum use of human resource. Other than the corporate functions of 734 employees, the Branch handling Assets Management related functions of CEB. The core activities 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.
- Obtaining ownership documents for lands acquired, vested and outright purchased for CEB.
- Valuation of 3523 Lands and Buildings (828 Land plots during the year)
- Identification & preparation of Survey Plans for 5202 lands (1993 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 Kothmale Hydro Reservoirs for tourism and recreational activities such as operation of float planes (286 landings during the year) and operation of boat services.
- Technical Supports on Tender Handling, Evaluations and Web Publishing of Asset Management Division Tenders.

Training Branch

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.

1. Training Centre, Piliyandala
2. Training Centre, Castlereagh
3. Technical Training - Unit
4. External Training Unit at CEB Head Quarters, Colombo
5. Examination Unit
6. Internal Training Unit
7. Systems Training Unit

CEB Training Centre- Piliyandala

Details of Training provided for Engineers, Accountants, Middle Level Technical Service Officers, Clerical & Allied Service Employees and Field Service Employees during the year is given below.

	Course Name	No. of Programmes	Participants
01	Workshop on "Communication Skills" for Class I Executives Carder	01	28
02	Workshop on "Expansion vision & Influence" for Executives	03	295
03	Workshop on "Expansion vision & Influence" for ES,MS,CS in CEB	03	343
04	Workshop on "Procurement Management" for CEB Executives - Part - I	01	110
05	Workshop on "Procurement Management" for CEB Executives - Part - II	01	95
06	Workshop on "Microsoft Project" for CEB Engineers	01	44
07	Workshop on "Good Governance Practices in Utility Industries Electricity Utility Industry" for CEB Executives	02	103
08	Workshop on "Analysing Power Quality Measurement" for EE & ES	01	64
09	Workshop on "ABC Accessories, Transformer Ratio Tester, Earthing Equipment, Fluke Testing & Measuring Instrument " for CEB Engineers	01	75

Local Training provided for CEB Employees at External Institutes

Total of 211 employees including Engineers, MLTS, Clerical & Allied Services & Field Service were given the opportunity to undergo training related to their duties attending training programmes conducted by External Training Institutes.

ASSET MANAGEMENT DIVISION [CONTD.]

In-plant Training

Details of In-plant Training provided to Undergraduates form all universities including IESL, SLIIT & KDU and Diploma Students mainly from Institutes of Technology - University of Moratuwa (ITUM), Advance Technological Institutes - ATI, Institutes of Engineering Technology - IET and University College of Ratmalana are giving below:

Institutes	Discipline	No. of Students
Undergraduates	Electrical	273
	Mechanical	13
	Chemical	06
	Mechatronics	01
	Marine	05
	Total	298
Diploma Students	Electrical	117
	Marine	12
	Civil	02
	Total	131

Training Centre – Castlereagh

The Castlereagh Training Centre conducts training programs for CEB employees to meet their promotional requirements. Further, it conducts career progress development courses to CEB employees and for external individuals.

Details of the programs conducted for field service employees during the year as per CEB recruitment and promotional guidelines are shown as below:

Programs	Participants	Duration	Number of Programs Conducted	No of Participants
Induction Training Program	Newly Recruited TJTM(N6)/JTM(N5) of CEB	2 weeks	12	392
Training Program for field service employees	Technical Mates (N4)	One month	02	50
	Junior Technical Mate (N5)	One month	07	192
Total Participants				634

Castlereagh Training Center offered nine number of career progress development (CPD) courses during the year, as detailed below.

- Maintenance of Hydraulic Systems
- Hydraulic Symbols & Circuits
- LV ABC Line Construction & Maintenance
- LV Line Construction Theory & Practice
- CEB Systems & Procedures
- Attitude Development
- Fire Fighting & Emergency Evacuation
- MV Line Construction
- Distribution Substation Construction

External Training Unit

Programme	No. of Participants
Pre-shipment Inspection of goods to be procured	274
Scholarships, Training & Study programs	354
Workshops, Seminars, Conferences	66
Sports Activities	38
Training, Inspection & Workshop	11

Workshop & Ancillary Services Branch

The Branch consists of 04 operational units which provide various kinds of services.

(A). Power Plant Unit

01. This unit mainly hire generators for CEB divisions, private sector, President and Prime Minister's security divisions and Summary of the Jobs Completed during the year is given below:

S/N	Category of the job	Nos. of Job	Estimated Cost/Rs MLKR
1	Annual Maintenance	170	126.1
2	Repair/ Rehabilitation	55	23.8
3	Generator Hiring - CEB	47	70.0
4	Generator Hiring - Private, President's, Security Division, Prime Ministers' Security Division	350	87.4
5	Generator Installation	01	3.9
6	Other Jobs	15	6.3

(B) Air Conditioning & Refrigeration Unit

Air conditioning and Refrigeration (AC & R) unit provides air conditioning and refrigeration services for the Government Hospitals, Government institutes and CEB operational units located island wide. Details of the jobs done by this unit during the year is tabulated below.

S/N	Job Category	Government Jobs		CEB Jobs	
		Nos of Jobs	Total estimated cost. M. LKR	Nos of Jobs	Total estimated cost. M. LKR
1	Annual Maintenance	42	190	178	22.0
2	New Installation	2	17	55	24.5
3	Repair	12	6	24	1.2
	Total	56	213	257	47.7

(C) Lift Unit

The main office at Meethotamulla comprises with 01 depot, small workshop, stores and a Depot located at the National Hospital of Sri Lanka serves 24 hrs. The total human strength of Lifts unit was 22 although the requirement is nearly 35.

Works performed by Lifts Unit during the year

- **Service & Maintenance**
An income of LKR 66 million was generated from services and maintenance works of 145 elevators which were maintained both by private contractors and CEB in addition to the operation and standby duties.
- **Major Maintenance/ Repair works**
Nearly 30 repair jobs worth of LKR 7.2 million were completed. Some of works are given below.

No.	Work Done	Location
1	Rehabilitation of Traction machine & replacement of hoisting ropes	Temple Trees
2	Rehabilitation of traction machine	President House -Fort
3	Rehabilitation of Traction machine & replacement of hoisting ropes	Doctors' quarters
4	Replacement of Bearings of Traction machine	Boiler No 02 of LVCP
5	Repairs to Traction motor	Teaching hospital-Peradeniya
6	Repairs and modernization of goods hoist	Veterinary research institute - Gannoruwa
7	Repairs to Hydraulic cargo lift	BMICH
8	Fabrication and installation of Pump control panel	Ministry of Public Administration
9	Replacement of traction machine	No 07 Lift at N.H.S.L.
10	Replacement of traction sheaves at Block B	Bandaranayaka wards-N.H.S.L.
11	Replacement of Traction sheave and ropes	Cancer wards

- **Rehabilitation and Modernizations works**
Second phase Restoration and Face Up lift of Paternoster at CEB Head office was done in Nov. 2017.
- **New Installations**
Works commenced for procurement of 01 passenger lift for SAARC cultural center-Matara.

Initial lift shaft designs and estimates were intimated for 03 Passenger lifts proposed for CEB buildings.
- **Consultancy Service**
Consultancy works were continued for Ministry of Finance, Ministry of Education, Galadari Hotel and a Hotel complex in Colombo 03

- **Social and welfare activities**

1. Displaying Wesak Lantern at N.H.S.L. using disposed vaccine bottles (Picture 3)
2. Dengue prevention activities (Picture 4)
3. Workshop on food waste management (Picture 5)
4. Donations to flood victims

Training

Continued training course for 2nd Batch of NVQ trainees



ASSET MANAGEMENT DIVISION [CONTD.]

(D) Central Workshops & Garage Unit

Jobs completed during the year

No.	Job Description	Estimated cost - Rs millions
1	Mechanical	0.31
2	Electrical Motor Rewinding	1.70
3	Production of T clamps/ D brackets etc	0.56
4	Vehicle Repairs	7.189
5	Vehicle Services	2.067
6	Fir System Maintenance at CEB HQ	0.410
Total Estimated Cost of Jobs Completed		12.24

Specific jobs completed during the year.

A total rehabilitation was done on the auger crane lorry bearing 42-9314 at an estimated cost of LKR 3.6 Million.



Civil Works and Building Branch

The Branch has been carried out construction and renovation work at a total cost of Rs. 173.84 million during the year as follows.

Activities	Estimated Cost (MLKR)
Construction of <ul style="list-style-type: none"> • Four Storied Building for Area Office at Gampaha • CSCs at Veyangoda and Wattala • Staff Quarters at Wattala. • Area Office at Kalmunai. • DGM Office at Anuradhapura. • Circuit Bungalow at Minneriya 	87.25

Activities	Estimated Cost (MLKR)
Renovation of <ul style="list-style-type: none"> • Circuit Bungalows at Anuradhapura and Kalawana • Technical Training Centre at Kalawana. • Area Office at Ampara. • Circuit Bungalows at Ampara and Kandy . 	41.76
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. • Stage 3 - Renovation of Canteen Building. • Stage 4(a) - Renovation of Lobby Areas and Staircases from Ground Floor to 7th Floor and Machine Room. 	44.83

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, 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.

The Cabinet granted approval to get the service of PCU only as a Design Consultant of the project. Further the Cabinet granted approval to select a Contractor for a "Design and Build Contract" through Open Competitive Bidding process to complete the project.

Occupational Health and Safety Branch

Occupational Health and Safety (O&HS) Branch was set up in the CEB 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 a vital 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 provides 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.

Training Programs

The details of training programs conducted during the year for Engineers, Middle Level Technical Service Officers and Field Service Employees are given below.

Sr No	Programmes	Participant Category	No. of Programmes	No. of Participants
01	Occupation Health & Safety	Field Staff	63	3346
02	Occupation Health & Safety Ergonomics	Power Station Staff	12	614
03	Hazard Identification Risk Assessment and Controls	Safety Representatives	01	41

Medical Check Up

OH&S Branch conducted a medical check-up for employees of Sapugaskanda Power Station as a pilot project to identify employees with occupation related health issues with the intention of ensuring a healthy work force. Audiogram Test, Check of Vision and a General Medical Examination including respiratory, cardiovascular and nervous systems were conducted for 179 employees of Sapugaskanda Power Station. This program is intended to be expanded throughout the CEB in the coming years.

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 for the security of the main Divisions of CEB, namely Generation, Transmission, Distribution, Asset Management and Projects. Total of 115 sub security unites are functioning under the above main units. The Private Security Services deployed island wide at some premises of CEB are also supervised and observed by the CEB Security Section. The present strength of the CEB Security Section comprises around 984 Security Personnel, including Acting Deputy Manager Security, Three Senior Security Officers and 26 Security Officers under the Manager Security who is the Head of the Security Section of CEB. During the year, 182 new security guards Enlisted to CEB Security Section.

Training programmes, workshops and 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.

Special Training was provided to Security Personnel during the year on Weapons Handling, Firing, Fire Protection, Cash Escort and VIP Escort Duties, First-aid, Disaster Evacuation Drill, Leadership and Management.

CEB Security Guards represented specially in the events of Athletic, Volley ball and Cricket in National Trade Service Sports Meets and National Meets.



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.

Inter School Quiz Programme Finals (2016/2017) and Awards Ceremony was held in February 2017. 2017 Innovation Competition was held in November & December 2017 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. B&OS branch has initiated legal actions against adverse, wrong & defamatory media reports on CEB and few cases are pending against press.

Workshop was held for class I officers on RTI Act and the role of the Information officer. CEB stall was presented to four national & international exhibition held in Sri Lanka during 2017.

B&OS Branch organized Strategy Management and Implementation program at AIT, Thailand & Vietnam for CEB strategy and C&C executives. Under the theme of improvement of corporate image and performance, personal grooming and social & business etiquette training programs (30 programs) for CEB non-executives were organized in Kandy, Galle, Ratnapura, Kuliypitiya and Colombo. This program will continue for coming 1-2 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.

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 also 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 make CEB officials aware on new regulations and conducted several one-day workshops to educate CEB officials on the content on Electricity (Distribution) Performance Standards, Electricity (Transmission) Performance Standards, Electricity (Safety, Quality and Continuity) Regulation, Electricity Act, Electricity Procurement Rules and Electricity (Utility-Driven Demand Side Management) Regulation. Also, Regulatory Affairs Unit worked with PUCSL and licensees to improve few guidelines which are parts of current Supply Services Codes of CEB distribution licensees and obtained the approval of the commission for the improved version. In addition to the usual submissions, a draft Grid Code was submitted for the approval of the commission.

As there were delays and problems observed both in lowering the cost of generation by acquiring low cost generation and also in passing down the actual cost to end use customers by way of tariffs, the best remaining strategy was shifting consumption from times where cost of electricity is high to times of the day where cost of electricity is low. In order to do achieve this, in 2017 the Time of Use (ToU) tariff was extended to all domestic consumers as an optional tariff. The necessary PUCSL approvals were received in May 2017 and the tariff was announced to public in July after sufficient stocks of ToU enabled meters are available. As public awareness on the ToU tariff option is low, the ground work to launch a media campaign was laid during 2017. It is expected to launch the media campaign in 2018.

2017 also marked the change of the bi-annual tariff cycle period from October to March and April to September to January to June and July to December. Though the previous tariff cycle, which spans across two years was selected to avoid the tariff fluctuating due to typically wet and dry weather during first and second halves of a year, the same was found to be difficult to administer and accurately forecasted due to other financial and budgetary cycles confined to calendar years. Additionally, all the regular tariff submission as required as per Tariff Methodology was carried out during the year.

In line with corporate strategy function, the Branch undertook the task of compiling and publishing of the corporate documents of CEB including Action Plan 2017, Annual Report – 2016, Statistical Digest – 2016, Sales and Generation Data Book – 2016, Performance 2017 and Programs for 2018 etc.

Functional Strategy & Process Development Branch

FS&PD Branch was successfully engaged in the production of some of the important Manuals such as Salary Manual, DGM (Distribution Planning and Development) Manual, DFM (Distribution Division) Manual etc., during the year 2017, despite staff shortages and shifting of the Branch Office to new location. However, these documents were still under preparation at the time of this reporting as it is a relatively a long process that does not produce regular annual returns as most of this

documentation may extend more than a year or two of work to produce from scratch. However, the Branch managed to reprint some of the important Manuals, such as AFM (Distribution) and CEB Rules of Disciplinary Procedures (Handbook Version).

FS&PD Branch was also engaged in the process of several Functional Strategy Development exercises, such as the development of the concept of Engineering Audit and the overall concept of Auditing in CEB. Two concept papers were also developed for the same purpose. The Branch was engaged in proposing some of the important changes to the Organization Structure of CEB. Some of these changes were implemented by the management while others still require attention. Further, FS&PD Branch provided all its assistance for the IT Branch in their efforts to restructure the IT Branch by developing the Job Descriptions for the proposed posts as well as for revisiting the Job Descriptions of the existing posts.

In coordination with the IT Branch, the FS&PD Branch was able to finalize the implementation of the new Circulars, Manuals and Documents System (CMDS), which is under the test run. The new system replaces the old Circular Management system which was found to be lacking user-friendliness. The new system was developed to overcome all the drawbacks in the old system, while incorporating facilities to upload not only the Circulars but also Manual and other important documents.

The Branch Office was shifted from the road-side of the building to the sea-side, to facilitate the long-sought space requirements of the Branch. The space vacated by the IT Branch was modified at least cost to suit the needs of the Branch, before shifting. The previously occupied space was shared with the B&OS Branch and CS&RA Branch, while securing some areas for Record Room, Consultant's Working Space and for Conference Room. The Conference Room was under construction with the assistance of the Civil Branch.

Information Technology (IT) Branch

Information Technology Branch is responsible for understanding the CEB's business processes and aligning them to appropriate technology in order to bring efficiency and customer satisfaction.

Over the years, many IT solutions have been developed by the IT branch and are regularly updated as per the user requirements. Some of the main IT solutions that are in operation today supports utility billing, accounting, payment collection, material management, service connections, human resource management, outage management, call centre operations and e-mail. Our payment collection applications are now electronically linked to banks and other payment collection agents, enabling customers to make electricity bill payments through these options. In addition, CEB's own Point of Sales counters, credit card payments through web, Electric Vehicle Charging solution and KIOSK machines are in operation for accepting customer payments. The CEB's corporate web is being

upgraded to accommodate multiple payment gateways. A SMS notification system is in operation to inform customers of the power interruptions and to send reminders on bill payments and disconnection notices. A SMART phone application is being developed for customers to inform their electricity breakdowns promptly. It is expected that this application will solve the call centre congestions experienced currently during peak hours considerably.

Several IT infrastructure projects are currently in progress to accommodate growing volumes of corporate data in a more secure and reliable facility that can also cater for business continuity targets of the organization. A consolidated virtual server infrastructure, that can bring many benefits such as high availability, flexibility, advances intelligence and operation cost reduction combined with business continuity to IT systems and data, will be placed at the Head Office data centre.

The WAN of CEB now has about 500 nodes connected by leased data lines and our own fibre. Significant cost reductions have been achieved in procuring leased data lines due to stiff competition among telecommunication service providers. IT branch has started to upgrade the Local Area Networks to the industry standard with facilities to cater mobile users. Security controls of the CEB IT network is to be strengthened by brining advance control devices to make the CEB IT network robust that can withstand the ever changing security landscape.

IT branch has envisioned to provide superior working environment supported by industry proven technologies to its employees so that operational efficiency of the organization will improve. With that vision IT branch of CEB has designed a project to improve the current Email services, implement a collaboration and unified communication Infrastructure, collaborative document management portal and client device management.

We have identified the requirement of training the users of many applications regularly. Many training programs are conducted through the training branch for this purpose. In addition, it is also identified the importance of training our IT staff with appropriate technology as per the needs of the systems supported. We need to have a confident and motivated IT staff to bring in new technology to achieve the corporate goals of CEB.

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) in Eastern Province and smart metering pilot DSM project are being conducted.

Art and Creative Electrical Energy Saving Tips competition was conducted among school children on electrical energy efficiency in order to promote energy efficiency concept/measures among young generation. 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. Five hundred numbers of Poly Phase Smart Electronic Energy Meters were manufactured and are being under field testing.

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. Construction work of many such charging stations is being in progress.

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.

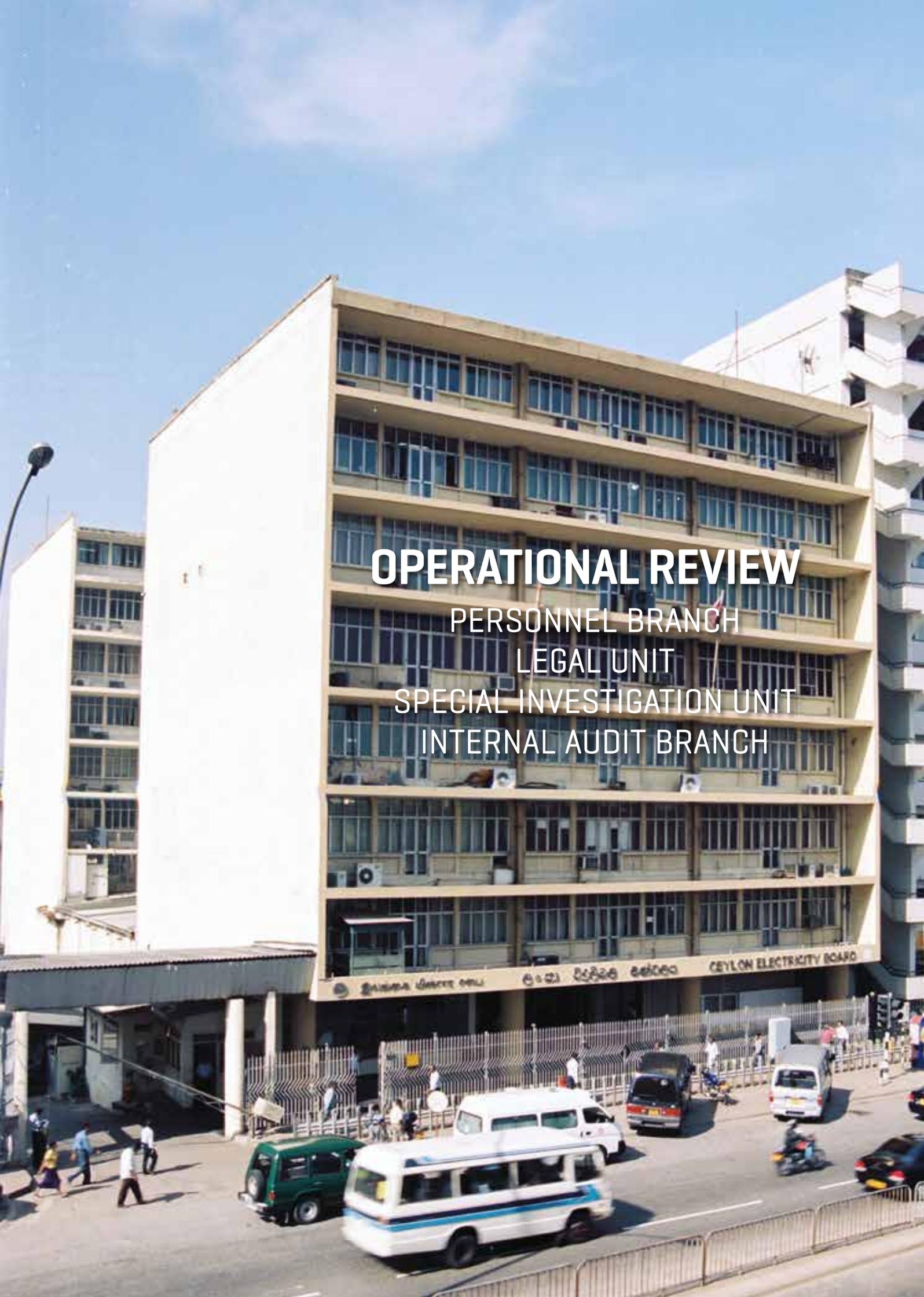
Product Testing

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 IEC 62612 and LM 79.

Consultancy Services

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



OPERATIONAL REVIEW

PERSONNEL BRANCH

LEGAL UNIT

SPECIAL INVESTIGATION UNIT

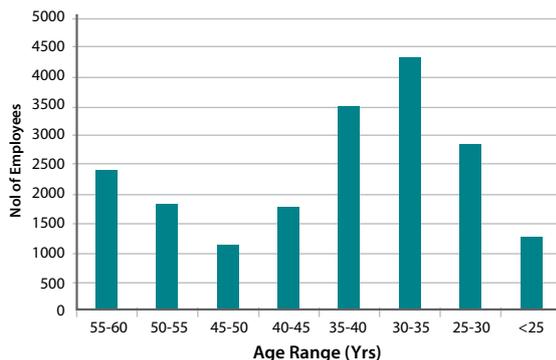
INTERNAL AUDIT BRANCH

PERSONNEL BRANCH

The Personnel Branch of CEB is committed to recruit, train and retain the human resource at an optimal level to assist the various core functions of the organization. To achieve this target, Personnel Branch is carrying out various HR functions such as HR planning, recruitment, placement, promotions and transfers, formulating various human resource policies, reward management and handling disciplinary matters.

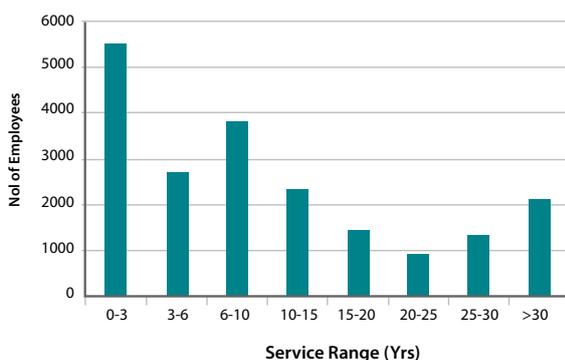
In year 2017, the total number of new recruitments were 1552 and under 4-year Apprenticeship Training scheme 1414 trainees were absorbed into the organization. Moreover 418 number of employees have retired during this period and 64 employees have left the organization due to various reasons such as resignations, deaths and terminations. The total number of permanent employees at the end of the year was 20,343. These employees are falling into various age groups from 18 years to 60 years. Following graph shows the age analysis of the employees at the end of year 2017.

Age Analysis of Employees



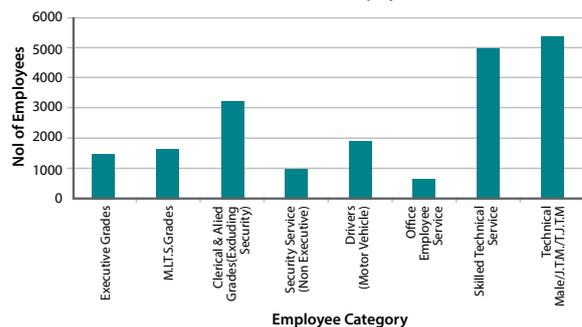
Due to the diverse workforce, CEB has employees who are counting a service less than 3 years to more than 30 years. The forthcoming chart indicates the service experiences of entire CEB staff against their number of years served in the organization.

Service Analysis of Employees



The entire workforce of CEB can be classified into various grades namely executives, middle level technical service, skilled technical service, junior and unskilled technical service, clerical and allied services and other non-technical staff service grades. The analysis of the employees as per their service categories is stated below.

Distribution of employees



Welfare Unit

The welfare unit was established to facilitate the well-being of the CEB employees. In order to fulfill this objective, this unit performs various tasks such as maintenance & administration of Circuit Bungalows, a canteen for head office building, organizing and conducting Long Service Award Function, Samanala Arana Saman dewalaya, Vesak, Poson and Christmas celebrations etc...

There are 30 number of CEB Circuit Bungalows owned and maintained by CEB throughout the country. Those Circuit Bungalows are located at important places of the country like Anuradhapura, Minneriya, Katharagama, Jaffna and also at the most scenic places of the country like Nuwara Eliya, Bandarawela, Castlereagh and Kandy.

This facility is one of the major welfare facilities available to employees when they are looking for a perfect vacation. Continuous improvements have been done to made these facilities in par with the standards of the hospitality industry to give an unforgettable experience for employees who are visiting these places.

To encourage the religious activities among the employees, CEB is doing annual programs for Vesak, Poson and Christmas celebrations that are organized by the employees through various societies namely CEB Buddhist Society and the Christian Association. CEB also organizes annual activities at Kandy Sri Dalada Maligawa in the month of August, at the Saman Dewalaya Maussakele in the month of December, at the Mihinthale Viharaya in the month of June and at the Katharagama Kirivehera in the month of August.

The Welfare unit organized the Wimalasurendra Day on September 17, 2017 to commemorate the 143th Birthday anniversary of Eng. D. J. Wimalasurendra. Ceremonies were also held to commemorate the CEB day on November 1st, 2017.

PERSONNEL BRANCH [CONTD.]

To extend the welfare facilities to employees, CEB maintains Montessori schools by utilizing its own funds at all Power Stations which are located in remote areas.

Long Service Award Ceremony



Long Service Award 2017

The Long Service award is a symbol of gratitude to CEB employees who have dedicated majority of their lives towards the betterment of the country and further it is an acknowledgement for their valuable service rendered to the development of CEB.

The tradition of Long Service Awards was initiated way back in year 1984 by awarding the employees who had completed 30 years of their service in the Department of Government Electrical Undertakings and in the CEB. From the year 1991 onwards, this award was granted to the employees who have completed 30 years of continuous service. About 421 employees have been awarded under this program in year 2017. So far until 2017, about 7,251 employees have been awarded under this program.

LEGAL UNIT

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

The first category covers:

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

The second category covers:

- a) Actions instituted against disconnections and revision of bills.
- b) Injunctions/Stay orders against drawing of electricity lines over third party properties/claiming damages caused to the said properties, lands, trees/vegetation etc.
- c) Tender/contract matters against breach, violation of procedure, claiming of damages.
- d) 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 Unit 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 Unit 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 Investigations was established in 1995 to expedite the investigations on illegal tapping of electricity and meter tampering. Eighteen flying squads team have been deployed in the provinces to carry out investigations.

The progress by the SIB, during the year 2017.

Cases	Successful Cases	Court Fine (Rs. M)	CEB Loss (Rs. M)	Total (Rs. M)
Meter Cases	1960	9.42	105.45	114.87
Hook Cases	204	1.46	3.59	5.05
Total	2164	10.88	109.04	119.92

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

INTERNAL AUDIT BRANCH

Internal Audit Performance

Internal Audit Branch is headed by the Chief Internal Auditor and presently comprised of a staff of eighty-seven. The operating staff comprises of twenty-seven executives, forty-five non-executives and other fifteen supportive employees. The major function of the branch is to assist the Board and Management in their corporate governance responsibilities as well as to improve and promote effective and efficient business including the operational processes within the entity.

The Internal Audit Branch check for compliance with the applicable policies procedures and the effectiveness of the internal control systems on an ongoing manner using samples and rotational procedures and highlights significant findings in respect of any noncompliance.

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

During the year 2017, following audits had been carried out.

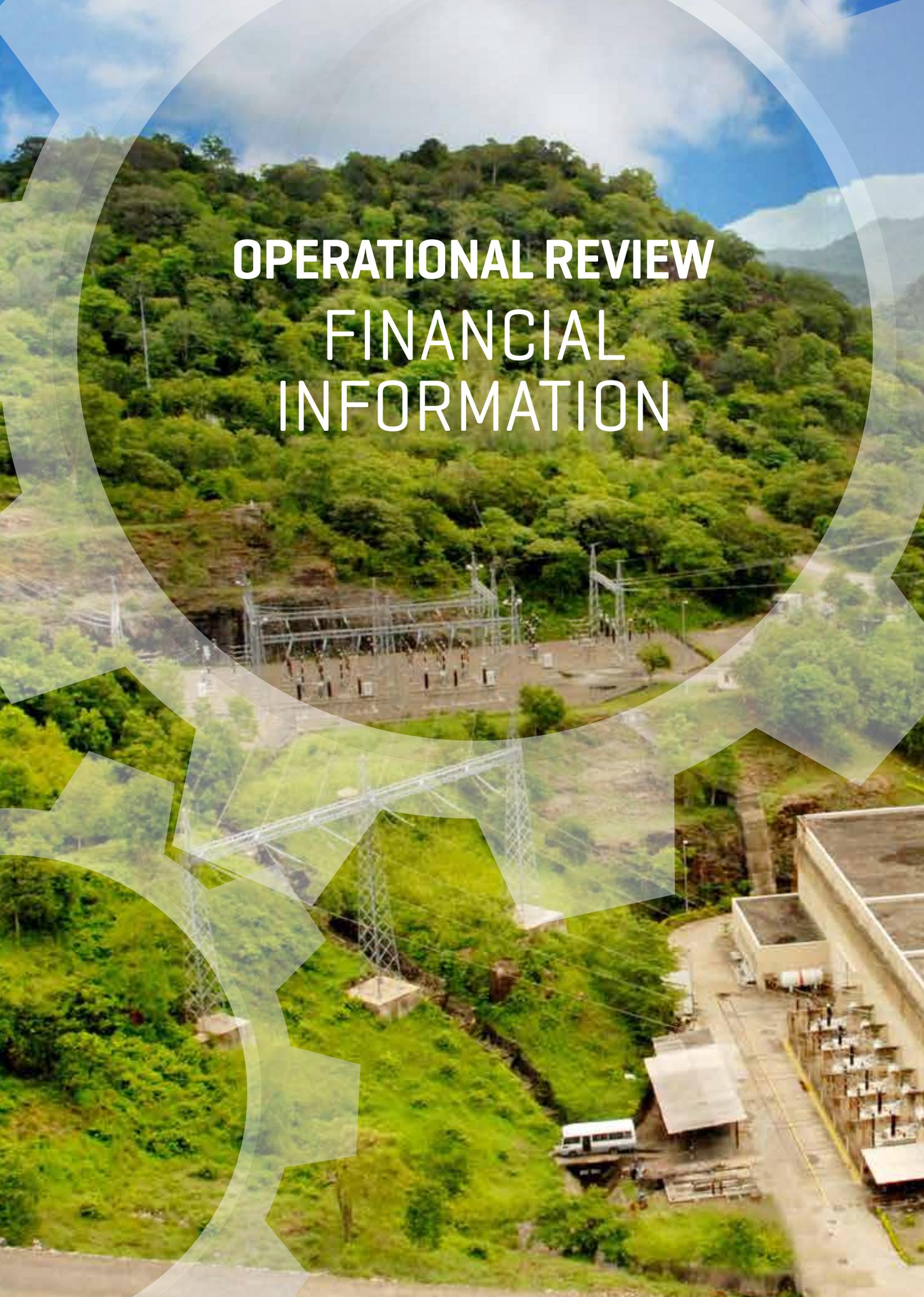
Routine Audits	23
Revenue Audits	07
Systems Audits	44
Special Investigations	12
Total	86

Audit committee

The audit committee comprises four independent directors having sound skills and extensive experience in finance, audit and related area and the Head of Internal Audit serves as a convener to the committee. General Manager as CEO, Finance Manager and representative from Auditor General's Department and Ministry of Power & Renewable Energy attended the meeting by invitation.

The Audit committee review and discuss the reports submitted by the Internal Audit and External audit carried out in the areas of operational and financial reviews. Audit committee review these reports using their extensive experience and expertise, recommend 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 review the internal audit functions with a specific emphasis pertaining in to the planning, scope and quality of the audits.

The committee formally met four times during the year 2017 and reviewed internal audit reports and the Auditor General's reports and provided guidance and directions for further strengthening the internal control systems and procedures of CEB.

An aerial photograph of a power substation situated in a lush, green valley. The substation features several tall metal towers and a complex network of power lines. In the foreground, there are buildings, a white van, and other infrastructure. The background shows a dense forest covering a hillside under a blue sky with scattered clouds. A large, semi-transparent gear graphic is overlaid on the image, framing the central text.

OPERATIONAL REVIEW FINANCIAL INFORMATION



FINANCE DIVISION

In year 2017 the growth in the electricity industry was flourished at a rate of 5.1% in electricity demand, when compared to the previous financial year. The general purpose class has grown by 7.8% and Industry and Hotel sector have followed the growth momentum at a rate of 4.6% and 10% respectively.

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.

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

To furnish the convenience for consumers in bill settlements and to enhance the payment options to the consumers, additional 19 Kiosk machines were installed in different places in the year 2017. At the end of the year 32 Kiosk machines were in operation in different places of the country. Further, to improve the collection facilities, CEB increased its collection centers from 54 to 56 during the year enabling the consumers to pay their bills easily.

As the early stage of the learning curve of implementing of Regulatory Accounting (RA) in the year 2016-2017, further improvement of RA guidelines were requested. Accordingly, PUCSL introduced amended RA guidelines.

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

Fitch Rate

Fitch Ratings Lanka Ltd has published Ceylon Electricity Board's National Long Term Rating of 'AAA (lka)' stable outlook their periodic review of the large banks peer group which was announced by the Fitch recently. This is a significant achievement for the CEB. Further, AAA (lka) National Long-Term Rating of CEB is stable, as National Rating reflects the highest credit quality, with exceptionally strong protection for the timely repayment of principal and interest. The structure of the industry in which the CEB operates is strong, and the outlook for future profitability is favorable.

Establishment of Tax Unit in the Finance Division

Tax administration and planning has become a challenging and complex function to the large organizations like CEB which is subject to various taxes such as VAT, NBT, ESC, PAYE, Stamp Duty and taxes related to importation of goods. Due to introduction of new taxes and changes in tax rates and tax bases within a shorter period, the determination of effective dates and application of such changes has become a more challenging task. Most of the times, these changes affect smooth operation of the organization due to unplanned and unexpected tax payments.

Tax administration and planning is kind of a specialized function of the Accounting profession which require special skills to handle the tax matters with proper understanding and interpretation of terminologies according to the tax laws. Hence, these technical and time consuming functions are difficult to be performed effectively by an Accountant parallel to the daily operations assigned.

Thereby, a separate Unit was established under the Additional Finance Manager (Headquarters) in the Finance Division with the objective of establishing an effective tax management system in CEB.

Establishment of Treasury Management Branch (TMB) in the Finance Division

CEB is operating for last several years with negative cash flow mainly due to subsidized tariff structure and non-implementation of cost reflective tariff. To meet this situation CEB has adopted various strategies with the assistance of the line Ministry and Government Treasury. Most of the instances, CEB has borrowed short and long term funds from various financial institutions mainly from government banks. However conventional borrowing pattern within the limited scope will increase the borrowing cost which in turn add extra burden to the CEB as whole. Government required CEB to formulate self-financing model for future capital investments.

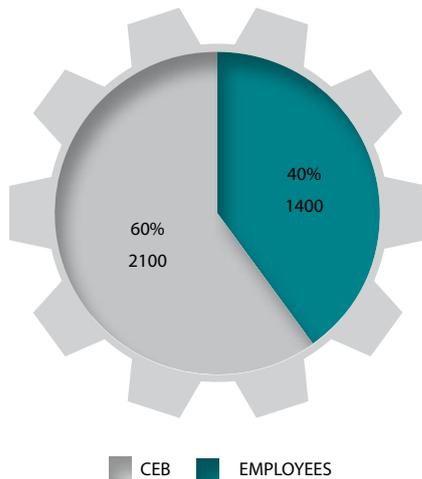
Based on the above developments Board of Directors of CEB with a view of managing the CEB's investments, cash flow required for the business and to achieve the optimum utilization whilst reducing the finance cost, granted approval in principle to setup a separate Treasury Management Branch (TMB) in the Finance Division.

CEB Provident Fund

CEB 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 CEB is the ex-officio of Chairman of the Committee and the General Manager of CEB ex-officio Deputy Chairman of the Committee. 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 Fund during the year amounted to Rs. 3,500 million, out of which, Rs. 1,400 million has been contributed by the employees of the Board.

Contribution to the Fund in 2017 in Rs. Mn



At the end of the year, the total members of this Fund were 23,583 out of this 3,634 were newly appointed members, while 739 members have retired from the service.

The total funds accumulated as at 31st December 2017 amounted Rs. 50,393 million, which is an increase of 9.78% over the previous year.

The main income of the fund is investing money in treasury bills & bonds, fixed deposits in state banks and loans to members. The fund has earned an income of Rs. 5,591 million during the year by its investments and a dividend of 10% has been declared for 2017. Total Loans granted to its members during the year 2017 was Rs. 2,169 million. During the year, a sum of Rs. 4,225 million has been refunded from the fund to members who have retired from the service.

A sum of Rs. 205 million has been paid as income tax on the earnings of the Fund for the year 2016/2017.

Pension Fund

CEB Pension Fund was established under the provisions of section 12 (j) of the Ceylon Electricity Board Act No. 17 of 1969. The Pension Fund is governed by the rules of the CEB Pension Fund Rules which came to effect on January 1st 1994. These rules published by the Extra Ordinary Gazette Notification No. 1321/18 dated 31st December 2003 were set out in the Schedules to Regulation cited as CEB (Pension Fund) Regulations, 2003.

CEB is the custodian Trustee of the Pension Fund and the Pension Fund is managed by a committee of Management appointed by Board. Main Objective of the fund is providing a monthly pension to the employees of CEB on retirement from services as rules given in the above Extra Ordinary Gazette Notification.

CEB is contributing 8% of employees’ salary as contribution to Pension fund on a monthly basis. A commuted pension is also paid on retirement to employee as per the details of Pension Award of Employee Retirement. The determination of the value of the benefits and required contributions is based on periodic actuarial valuations of the pension fund liabilities.

The Committee is empowered to advise the Trustee to invest funds as per its Rules. The net increase in funds after tax is periodically capitalized with the net assets available for benefits.

	2017	2016
• No of pensioners at the beginning of the year	6005	5596
• Additions during the year	533	572
• Discontinuation during the year	315	163
• No of pensioners at the end of the year	6223	6005
• Net Assets of the Fund (Rs. million)	19,865	17,016
• The interest income (Rs. million)	2,132	1,227

FINANCIAL REVIEW

Financial Performance 2017

When the generation mix for year 2017 is analyzed, the coal generation stood at 35% from the total generation, and the hydro contribution with mini hydro was at 27%. Accordingly, CEB had to increase its reliance on thermal oil generation which increased to 35%. The balance 9% was contributed by the wind and other Renewable Energy (ORE) sources.

CEB began purchasing 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 hydrological conditions are weakened.

In financial terms, there was an increase of 25% in direct generation cost when compared to year 2016. The unexpectedly poor hydrological conditions consequently increased the cost of sales by 17%, whereas in 2016, cost of sales was recorded at Rs. 222,097 million and in 2017 it was escalated to Rs. 259,992 million.

The above remarkable change increased the average cost of generation per kWh from Rs.12.72 in year 2016 to Rs.14.53 in the year under review.

CEB was financially not successful as the reported net loss was at Rs. 47,299 million for the second consecutive year of 2017. The operating losses for 2016 and 2017 were mainly due to increased use of liquid fuel thermal plants and low rainfalls received in the catchment area. The poor financial performance resulted in a 227% rise in loss in comparison to year 2016 which recorded a net loss of Rs.14,456 million.

In revenue terms, CEB was able to achieve a 99% electrification level by end of year 2017 with an increase in sales units to 13,431 GWh showing a considerable growth rate of 4% against previous year. The correspondent rupee value for the sales was recorded as Rs. 218,450 million for the year 2017 which indicated 5% increase in sales in comparison to year 2016, which was a result of increase in unit sales rather than changes in the price mix as no tariff change was taken place in the year.

Highlights of Financial Performance and Position of the Board

Profit & Loss	2017 Rs. millions	2016 (Restated) Rs. millions	2015(Restated) Rs. millions	2014(Restated) Rs. millions	2013 (Restated) Rs. millions
Turnover	218,450	206,811	188,684	202,645	194,147
Direct Cost	(259,992)	(222,097)	(168,781)	(213,646)	(165,509)
Gross Profit /(Loss)	(41,541)	(15,286)	19,903	(11,001)	28,638
Administration Expenses	(5,117)	(4,965)	(4,087)	(3,146)	(2,556)
Other Income	8,143	10,323	8,292	5,871	5,107
Operating Profit / (Loss)	(38,516)	(9,928)	24,108	(8,277)	31,189
Finance Cost- Net	(7,214)	(3,263)	(4,700)	(6,726)	(8,924)
Profit / (Loss) Before Taxation	(45,729)	(13,191)	19,409	(15,003)	22,264
Income Tax & Deferred Tax Expense	(232)	(263)	(.61)	900	(1,325)
Profit / (Loss) for the year	(45,961)	(13,454)	19,348	(14,102)	20,939
Other Comprehensive Income	(1338)	(1,002)	952	(3,182)	(39)
Total comprehensive income/(loss) for the year	(47,299)	(14,457)	20,300	(17,285)	20,900
Total Assets	832,369	804,452	776,852	764,185	746,759
Capital & Reserves	367,506	413,395	429,627	377,703	227,099
Non - Current Liabilities	319,550	299,606	287,640	307,329	430,008
Current Liabilities	145,314	91,451	59,585	79,153	89,652
Cash & Cash Equivalent	(9,407)	(4,008)	(1,636)	(2,249)	(1,431)

Non-financial information

	2017	2016	2015	2014	2013
Sales (GWh)	13,431	12,785	11,786	11,063	10,621
Generation (GWh)	14,773	14,249	13,154	12,423	11,962

REPORT OF THE DIRECTORS

In terms of the Section 49 of the Ceylon Electricity Board Act No. 17 of 1969, the Board of Directors of the Ceylon Electricity Board has pleasure in presenting audited Consolidated Financial Statements for the year ended 31st December 2017.

Principal activities

The principle activities of the Board were generation, procurement, transmission, effective distribution and sale of electricity. The Company has not engaged in any activity which contravene with laws and regulations of the Country.

Board of Directors

The names of the persons who held the office as Directors of the Board as at 31 December 2017 are given below:

Name of Director	Position	Date of appointment
Mr. W B Ganegala	Chairman	2017.04.27
Mr. W A G Wanasekara	Vice Chairman	2015.10.30
Mr. W R G Sanath Bandara	Working Director	2015.11.12
Mr. R Semasinghe	Board member	2015.01.28
Mr. S D A B Boralessa	Board member	2015.11.16
Mr. T D S P Perera	Board member	2017.01.27
Ms. Jeewani Kariyawasam	Board member	2015.01.23

Directors' Interest in Contract with the Board

Mr. W D A S Wijayapala was the chairman up to 26 April 2017 and Mr. W B Ganegala was appointed as the Chairman on 27 April 2017 in place of Mr. Wijayapala. Both these Chairmen have served as directors of the Lanka Electricity Company (Pvt) Ltd., LTL Holdings (Pvt) Ltd., and Sri Lanka Energies (Pvt) Ltd. which are the Subsidiaries of CEB. Trincomalee Power Co. Ltd (TPCL) which is a Joint Venture between CEB and NTPC-India functioned under the Chairmanship of both Mr. W D A S Wijayapala and Mr. W B Ganegala during their term as Chairman-CEB.

Mr. W A G Wanasekara was appointed as the Vice Chairman of CEB on the 30 October 2015 and he served CEB during the year 2017. Mr. Wanasekara was also appointed as a Director of Sri Lanka Energies (Pvt) Ltd. on 28 December 2015 and to the Trincomalee Power Co. Ltd, on 08 February 2017.

Mr. W R G Sanath Bandara was appointed as a Board member and the Working Director of CEB on the 12 November 2015 and he served CEB during the year 2017.

Mr. R Semasinghe, Additional Secretary, Ministry of Finance & Planning was appointed as a member of Board on the 28 January 2015 and he served CEB during the year 2017

Mr. S D A B Boralessa, Additional Secretary, Ministry of Provincial Councils and Local Government was appointed on 16 November 2015 and he served as a member of the Board during the year 2017.

Mr. T M K B Tennakoon, Secretary, Ministry of Industry and Commerce served as a member of the Board until 31 December 2016 and Mr. T D S P Perera, Additional Secretary, Ministry of Industry and Commerce was appointed as a Board member on 27 January 2017 in place of Mr. Tennakoon and he served the Board during year 2017.

Ms. Jeewani Kariyawasam was appointed as a member of the Board on 23 January 2015 and she served CEB during the year 2017.

The Directors have no direct or indirect interest in any contract or proposed contract with the Board for the year ended 31 December 2017 other than those disclosed in Note 36 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 committee formally met four times during the year 2017 and reviewed internal audit reports and the Auditor General's reports and provided guidance and directions for further strengthening the internal control systems and procedures of CEB.

The composition of the Audit committee for the year 2017 is as follows.

Mr. R. Semasinghe	-	Chairman
Mr. T D S P Perera	-	Member
Mr. S D A B Boralessa	-	Member
Ms. Jeevani Kariyawasam	-	Member

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 Grievances Committee comprises of Mr. W A G Wanasekara, Vice Chairman, CEB as Chairman of the Committee and Mr. W R G S Bandara Working Director, CEB as a member and assisted by seven executives of CEB representing wider cross section of the CEB as committee members.

The Committee formally met 06 times during year 2017 and reviewed and considered 12 no 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.

Disciplinary Appeal Board

The Disciplinary Appeal Board is a sub-committee of the Board. The committee was formed to handle disciplinary matters of Employees of CEB. The committee had formally met 04 times during the financial year.

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

Mr. Sanath Bandara	- Chairman/Working Director, CEB
Mr. Gamini Wanasekara	- Member/Vice Chairman, CEB
Miss. Jeewani Kariyawasam	- Member / Board Member, CEB
Mr. Ranjith Korale	- Member/Management Consultant
Mrs. H R P Pathberiya	- Convener/ Board Secretary

Financial Results

A turnover increase of 5.63% and net loss of Rs. 47,299 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.

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 final dividend of Rs. 3,000 million was declared by LTL Holding (Pvt) Ltd for the year 2017/18 out of which Rs. 1,890 million was recognize as dividend income by CEB. The Lanka Electricity Company (Pvt) Ltd also declared a dividend of Rs. 700 million for the year 2017 and Rs. 274 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 invested as at the Balance Sheet date amounted to Rs. 7,246 million (2016 - Rs. 6,495 million).

Addition to Property Plant & Equipment

During the year, property, plant and equipment amounting to Rs. 28,737 million was added to the capital assets compared to Rs. 29,353 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. 236 billion as against Rs. 220 billion previous 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

Board has not declared or paid any dividend in the Year 2017 due to loss incurred in the year 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year Ended 31st December 2017

(All amounts in Sri Lanka Rupees Thousands)

Continuing Operation	Note	Group		Board	
		2017	2016 Restated	2017	2016 Restated
Revenue	3	265,479,221	229,074,466	218,450,400	206,811,393
Cost of Sales		(298,292,342)	(236,500,153)	(259,991,556)	(222,097,429)
Gross Profit / (Loss)		(32,813,121)	(7,425,687)	(41,541,156)	(15,286,036)
Other Operating Income and Gain	4	7,912,876	8,192,371	8,143,044	10,322,777
Distribution Cost		(353,583)	(101,701)	-	-
Other Expenses		(247,406)	(270,965)	-	-
Administrative Expenses		(9,018,448)	(8,087,555)	(5,117,448)	(4,965,018)
Operating Profit/(Loss)		(34,519,682)	(7,693,537)	(38,515,560)	(9,928,277)
Finance Income	5.1	3,114,815	2,729,165	1,201,544	1,048,630
Finance Cost	5.2	(9,568,183)	(5,415,745)	(8,415,442)	(4,311,553)
Finance Cost-Net		(6,453,368)	(2,686,580)	(7,213,898)	(3,262,923)
Share of loss of Joint Venture	11	(182,484)	(10,423)	-	-
Profit/(loss) before Income Tax	6	(41,155,534)	(10,390,541)	(45,729,458)	(13,191,200)
Income Tax Expense	7.1	(1,796,405)	(2,079,904)	(231,614)	(263,183)
Deferred Tax (Charge)/Reversal	7.2	263,885	(24,692)	-	-
Profit/(Loss) for the year from continuing operation		(42,688,054)	(12,495,136)	(45,961,072)	(13,454,383)
Non Controlling Interest		(2,848,827)	(2,820,704)	-	-
Profit/(Loss) for the Year		(45,536,881)	(15,315,840)	(45,961,072)	(13,454,383)

The Notes on Pages 97 through 145 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31st December 2017

(All amounts in Sri Lanka Rupees Thousands)

	2017	Group 2016 Restated	2017	Board 2016 Restated
Profit/ (Loss) for the year from continuing operation	(42,688,054)	(12,495,136)	(45,961,072)	(13,454,383)
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	(1,459,894)	(915,932)	(1,338,108)	(1,002,318)
Exchange differences on translation of foreign subsidiary operations	(95,221)	177,814	-	-
Fair value gain on available for sale financial assets	2,468,571	7,323	-	-
Revaluation of Land and Building	349,855	-	-	-
Deferred Tax Impact on Actuarial gain / loss	34,100	(24,180)	-	-
Total Comprehensive Income for the year, net of tax	(41,390,643)	(13,250,112)	(47,299,180)	(14,456,701)
Attributable to:				
Equity Holders of the Parent	(45,406,555)	(16,211,588)		
Non Controlling Interest	4,015,911	2,961,476		
	(41,390,643)	(13,250,112)		

The Notes on Pages 97 through 145 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 31st December 2017

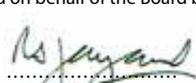
(All amounts in Sri Lanka Rupees Thousands)

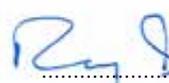
	Note	2017	Group 2016 Restated	2015 Restated	2017	Board 2016 Restated	2015 Restated
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	8	740,484,674	719,533,272	710,101,558	722,877,207	703,415,870	694,414,728
Premium Paid on Leasehold Land		210,250	12,493	13,205	-	-	-
Intangible assets	9	382,294	385,051	71,480	-	-	-
Investments in Subsidiaries	10	-	-	-	911,813	911,813	911,813
Investment in Joint Venture	11	47,847	230,330	240,753	328,606	328,606	328,606
Finance Lease Receivables	12	8,362,533	9,066,186	8,756,102	-	-	-
Other Non Current Financial Assets	13	20,826,069	18,409,219	18,821,215	4,242,828	3,810,351	3,847,868
Other Non-Current Assets	14	2,001,270	1,902,561	896,017	973,018	949,260	896,017
Investments of Insurance Reserve	15	7,246,251	6,495,821	6,036,934	7,246,251	6,495,821	6,036,934
Total Non-Current Assets		779,561,188	756,034,933	744,937,264	736,579,723	715,911,721	706,435,966
Non Current Assets held for sale	16	655	1,022,423	2,531,553	655	1,022,423	1,025,038
Current Assets							
Property, Plant & Equipment-Heladhanavi Ltd	8.7	10,884	10,884	10,884	-	-	-
Inventories	17	44,060,531	37,765,608	36,993,524	37,694,965	31,772,515	31,902,840
Trade and Other Receivables	18	55,484,259	53,417,481	37,073,805	47,967,581	46,458,963	30,186,554
Amounts Due from Related Parties	19	-	-	-	6,368,750	5,494,157	3,853,465
Finance Lease Receivables	12	418,140	425,205	805,078	-	-	-
Other Current Financial Assets	13	21,479,986	21,780,534	18,638,854	2,241,238	2,300,502	1,807,466
Cash and Bank Balances	29	5,604,492	6,429,395	8,422,557	1,516,230	1,491,439	1,640,292
Total Current Assets		127,058,292	119,829,107	101,944,702	95,788,764	87,517,576	69,390,617
Total Assets		906,620,135	876,886,463	849,413,519	832,369,142	804,451,720	776,851,621
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	20	302,694,797	302,694,797	302,227,824	302,694,797	302,694,796	302,227,824
Reserves	21	42,621,967	38,101,416	35,932,315	32,783,237	30,283,371	28,462,582
Retained Earnings / (Loss)		45,735,380	94,252,852	114,931,629	32,027,490	80,416,902	98,936,198
Equity Attributable to the Equity Holders of the Parent		391,052,144	435,049,065	453,091,768	367,505,524	413,395,069	429,626,604
Non Controlling Interest		24,445,959	22,446,741	24,145,697	-	-	-
Total Equity		415,498,103	457,495,806	477,237,465	367,505,524	413,395,069	429,626,604
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	22	222,562,927	210,889,290	208,080,715	214,564,097	201,752,027	198,344,040
Consumer Deposits	23	13,556,567	12,753,072	11,484,253	13,556,567	12,753,072	11,484,253
Provisions and Other Deferred Liabilities	24	9,682,116	8,087,929	6,957,351	8,622,011	7,262,380	6,115,645
Deferred Income	25	87,112,848	81,916,240	75,541,646	82,807,194	77,838,650	71,696,325
Deferred Taxation	26	1,336,539	970,881	920,382	-	-	-
Total Non-Current Liabilities and Deferred Income		334,250,997	314,617,412	302,984,347	319,549,869	299,606,129	287,640,263
Current Liabilities							
Trade and Other Payables	27	124,882,984	75,111,475	42,499,578	118,526,665	69,416,279	38,740,141
Dividend Payables		2,650,767	3,211,457	1,115,280	-	-	-
Amounts Due to Related Parties	28	-	-	-	3,557,973	1,926,463	1,293,096
Interest Bearing Loans & Borrowings	22	26,340,112	23,635,989	21,074,807	21,564,431	18,724,023	15,955,263
Income Tax Payable		2,997,172	2,814,323	4,502,042	1,664,681	1,383,757	3,596,254
Total Current Liabilities		156,871,035	104,773,042	69,191,707	145,313,750	91,450,522	59,584,754
Total Equity and Liabilities		906,620,135	876,886,463	849,413,519	832,369,142	804,451,720	776,851,621

The Notes on Pages 97 through 145 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
2019-02-15

STATEMENT OF CHANGES IN EQUITY - THE GROUP

Year Ended 31st December 2017

	Contributed Capital	Capital Reserve	Revaluation Reserve	Depreciation Reserve
Balance as at 01st January 2016 (Restated)	302,227,825	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 Equivalization Reserve	-	65,779	-	-
Total Comprehensive income	302,227,825	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	302,694,798	18,345,931	741,689	23,000
Prior Year Adjustment made during the Period	-	-	-	-
Balance as at 01st January 2017 (Restated)	302,694,798	18,345,931	741,689	23,000
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Revaluation of land and building	-	-	193,120	-
Net gain loss on available for sale Financial Assets	-	-	-	-
Exchange Equivalization Reserve	-	(20,401)	-	-
Total Comprehensive income	302,694,798	18,325,530	934,809	23,000
Interest income from Insurance Reserve Fund	-	-	-	-
Transfer from other Divisions	-	-	-	-
Transfer to self insurance reserve	-	-	-	-
Fund received from ADB for the RHCP project.	-	313,714	-	-
Investment Reserve	-	-	-	-
Fixed Assets Replacement Reserve	-	-	-	-
Final Dividends - LTL	-	-	-	-
Dividend payment -LECO	-	-	-	-
Balance as at 31 December 2017	302,694,798	18,639,244	934,809	23,000

The Notes on Pages 97 through 145 form an integral part of the Financial Statements

STATEMENT OF CHANGES IN EQUITY - THE GROUP

Year Ended 31st December 2017

(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
242,486	1,587,701	10,743,894	4,713,955	113,532,100	24,111,030	475,799,377
-	-	-	-	(15,315,840)	2,820,704	(12,495,136)
-	-	-	-	(968,148)	28,036	(940,113)
-	-	-	42,214	-	34,262	76,477
-	-	-	(35,594)	-	(33,560)	(69,154)
-	-	-	-	-	112,035	177,814
242,486	1,587,701	10,743,894	4,720,576	97,248,112	27,072,506	462,549,264
-	-	543,072	-	-	-	543,072
-	-	(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)	-	-
-	-	-	-	(56,280)	(125,737)	(182,017)
-	-	-	-	-	2,540	2,540
-	-	-	-	(3,000,000)	-	(3,000,000)
-	-	-	-	-	(4,377,712)	(4,377,712)
-	-	-	-	-	(159,522)	(159,522)
255,008	1,851,092	12,164,121	4,720,576	92,853,320	22,412,075	456,061,608
-	-	-	-	1,399,532	34,666	1,434,198
255,008	1,851,092	12,164,121	4,720,576	94,252,852	22,446,741	457,495,806
-	-	-	-	(45,536,881)	2,848,827	(42,688,054)
-	-	-	-	(1,388,709)	(37,085)	(1,425,794)
-	-	-	-	-	156,735	349,855
-	-	-	1,346,316	-	1,122,255	2,468,571
-	-	-	-	-	(74,820)	(95,221)
255,008	1,851,092	12,164,121	6,066,892	47,327,262	26,462,653	416,105,162
-	-	884,015	-	-	-	884,015
-	-	211,904	-	-	-	211,904
-	-	1,090,232	-	(1,090,232)	-	-
-	-	-	-	-	-	313,714
-	483,301	-	-	(483,301)	-	-
18,349	-	-	-	(18,349)	-	-
-	-	-	-	-	(1,788,834)	(1,788,834)
-	-	-	-	-	(227,860)	(227,860)
273,357	2,334,392	14,350,273	6,066,892	45,735,380	24,445,959	415,498,103

STATEMENT OF CHANGES IN EQUITY - THE BOARD

Year Ended 31st December 2017

	Contributed Capital	Capital reserves
Balance as at 01 January 2016	302,227,824	17,542,298
Profit/(Loss) for the period	-	-
Interest income from Insurance Reserve Fund (Restated)	-	-
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	302,694,796	17,946,753
Prior year adjustment made during the period	-	-
Balance as at 01 January 2017 (Restated)	302,694,796	17,946,753
Profit/(Loss) for the period	-	-
Interest income from Insurance Reserve Fund	-	-
Transfer from other Divisions	-	-
Transfer to self insurance reserve	-	-
Movement in ADB for the RHCP project.	-	313,714
Balance as at 31 December 2017	302,694,796	18,260,467

The Notes on Pages 97 through 145 form an integral part of the Financial Statements

STATEMENT OF CHANGES IN EQUITY - THE BOARD

Year Ended 31st December 2017

(All amounts in Sri Lanka Rupees Thousands)

Capital Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
165,446	23,000	10,727,945	97,522,830	428,209,343
-	-	-	(14,456,701)	(14,456,701)
-	-	543,072	-	543,072
-	-	(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	12,148,172	79,003,529	411,981,697
-	-	-	1,413,373	1,413,373
165,446	23,000	12,148,172	80,416,902	413,395,070
-	-	-	(47,299,180)	(47,299,180)
-	-	884,015	-	884,016
-	-	211,904	-	211,904
-	-	1,090,232	(1,090,232)	-
-	-	-	-	313,714
165,446	23,000	14,334,322	32,027,490	367,505,524

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31st December 2017

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2017	2016	2017	2016
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	(41,155,534)	(10,390,540)	(45,729,458)	(13,191,200)
Adjustments for				
Depreciation -Charged for the year	31,422,161	30,704,456	29,969,543	29,355,834
Amortization of Consumer Contribution	(3,561,648)	(3,320,386)	(3,213,287)	(2,988,572)
Amortization of Government Grant	(31,657)	(16,329)	(14,718)	(12,391)
Income from Investments	(221,656)	(381,092)	-	-
(Profit)/Loss on sales of Property, Plant & Equipment	972,011	(48,606)	1,053,626	(50,083)
Finance Costs	6,564,380	5,415,745	4,660,765	3,989,397
Provision for Obsolete & Unserviceable Cost	160,997	49,583	164,257	(111,719)
Provision for price Variance	(1,513,804)	3,287,231	(1,513,804)	3,287,231
Provision for Impairment of Debtors	243,623	236,702	427,816	259,699
Bad Debt Write off	2,288	53,948	2,288	53,948
Revaluation Gain on PPE	(5,036)	-	-	-
Share of (Profit)/ loss of Joint Venture	182,484	10,423	-	-
Amortization of Intangible Assets	14,755	18,343	-	-
Finance Income	(3,114,815)	(2,204,847)	(639,275)	(515,562)
Dividend Income	(942,919)	(1,453,007)	(2,163,843)	(4,601,073)
Defined Benefit Plans	1,072,991	983,579	920,541	860,289
Personnel Cost on Pension Fund	(273,122)	(37,194)	(273,122)	(37,194)
Gain on bargaining purchase	-	(12,399)	-	-
Operating Profit/(Loss) before Working Capital Changes	(10,184,501)	22,895,610	(16,348,673)	16,298,604
(Increase)/ Decrease in Inventories	(4,417,381)	(4,341,414)	(4,138,415)	(3,284,797)
(Increase)/ Decrease in Trade and Other Receivables	5,328,463	(16,990,020)	(899,047)	(16,346,851)
Increase/(Decrease) in Trade and Other Payables	42,638,246	29,908,597	50,354,631	28,593,249
Cash Generated from Operations	33,364,827	31,472,773	28,968,496	25,260,205
Finance Cost paid	(5,788,766)	(5,415,745)	(4,635,951)	(3,939,435)
Retirement Benefit Obligation	(665,576)	(730,813)	(625,896)	(678,677)
Income Tax Paid	(1,699,181)	(3,767,613)	(36,609)	(2,230,740)
Net Cash From/(Used in) Operating Activities	25,211,304	21,558,602	23,670,040	18,411,353
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(52,413,009)	(41,536,921)	(50,283,561)	(39,297,248)
Acquisition of Intangible Assets	(12,082)	(961)	-	-
Re- Investment in Insurance Reserves Fund	(750,429)	(458,887)	(750,429)	(458,887)
Interest Received from Insurance Reserves Fund	884,016	526,002	884,016	526,002
Investment in Financial Assets	282,207	259,519	-	-
Acquisition of Non-Controlling Interest	-	(978,915)	-	-
Income on Foreign Investment	221,656	381,092	-	-
Dividend Received	942,919	1,453,007	274,221	3,341,325
Interest Received	3,114,815	2,204,848	639,280	515,562
Sale Proceeds of Fixed Assets Disposals	91,673	323,821	63,246	55,272
Dividend Paid to Treasury	-	(3,000,000)	-	(3,000,000)
Dividend Paid	(3,873,739)	(2,441,057)	-	-
Net Cash Flows from/(Used in) Investing Activities	(51,511,974)	(43,268,452)	(49,173,227)	(38,317,974)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	-	470,923	-	470,923
Consumer Contribution	9,329,668	12,402,475	8,736,304	11,834,454
Funds received for RHCP Project	313,714	51,296	313,714	51,296
Grant -Received	46,804	-	46,804	-
Consumer deposit - refund	(366,373)	(205,605)	(366,373)	(205,605)
Consumer deposit Received	1,169,868	1,474,424	1,169,868	1,474,424
Net Movement in Lease Creditors/(Lease Payment)	(144,645)	(169,673)	(109,029)	(167,923)
Proceeds From Interest Bearing Loans & Borrowings	26,241,333	21,755,977	22,442,924	18,819,124
Repayment of Interest Bearing Loans & Borrowings	(17,627,828)	(17,577,242)	(12,129,764)	(14,742,090)
Finance Lease Receivables	710,718	69,789	-	-
Redemption of preference shares	511,900	(340,271)	-	-
Net Cash Flows from/(Used in) Financing Activities	20,185,158	17,932,094	20,104,447	17,534,603
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,115,512)	(3,777,756)	(5,398,740)	(2,372,018)
Cash and Cash Equivalents at the beginning of the year	226,668	4,004,424	(4,008,118)	(1,636,100)
Cash and Cash Equivalents at the end of the year	(5,888,844)	226,668	(9,406,858)	(4,008,118)

The Notes on Pages 97 through 145 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 and domiciled in Sri Lanka. The Head Office of the Board is situated at No.50, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

1.2 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 and the Joint Venture were as follows.

1.2.1 Subsidiaries

a) Lanka Electricity Company (Pvt) Ltd

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

b) 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.

c) Lanka Coal Company (Pvt) Ltd

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

d) Sri Lanka Energies (Pvt) Ltd

The principal activities of the Company are to engage in the business of constructing transmission lines and grid sub 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.

1.2.2 Joint Venture

Trincomalee Power Company Limited

The company was incorporated with the intention of the generation and sale of electricity to the national grid of Ceylon Electricity Board. The company has now abandoned the project started to construct a coal power plant.

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 Ceylon Electricity Board, for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 2019-02-15.

2.0 GENERAL POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the group have been prepared on an accrual basis under the historical cost convention except for financial instruments – fair value through profit or loss and financial instruments – available for sale that are measured at fair value.

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 which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash flows together with the Accounting policies and Notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards. (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Basis of Consolidation

The consolidated financial statements of the group comprise of the financial statements of Ceylon Electricity Board (CEB) and its subsidiaries ("The group) for the year ended 31 December 2017. The details of the subsidiaries are given below.

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

The following sub-subsidiaries of LTL Holdings (Pvt) Ltd have been incorporated outside Sri Lanka.

Name of the Subsidiary	Country of Incorporation
Bright International Power (Pvt) Ltd	Singapore
Raj Lanka Power Co. Limited	Bangladesh
Lakdhanavi Bangla Power Company Ltd	Bangladesh
Makarigad Hydropower (Pvt) Ltd	Nepal
Asiatic Electrical & Switchgear (Pvt) Ltd	India

Ceylon Electricity Board, Lanka Electricity Co. (Pvt) Ltd, Lanka Coal Co. (Pvt) Ltd Sri Lanka Energies (Pvt) Ltd have a common financial year ending 31st December whereas the financial year of LTL Holdings (Pvt) Ltd and Trincomalee Power Co Limited 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 Statements of Profit or Loss, and proportions of the profit or loss after taxation applicable to outside shareholders, adjusted under the heading of Non-controlling Interest in arriving at the profit or loss attributable to the equity share holders of the 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 2017. 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 recognize 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 subsidiary, which are foreign operation, are to be translated to Group's presentation currency as follows.

- Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date.
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

- Income and expenses are translated at the average exchange rate for the period, unless this average rate is not a reasonable approximation of the rate prevailing at the transaction date, in which case income and expenses are translated at the exchange rate ruling at the transaction date.
- The exchange differences arising on transaction for consolidation are recognised in other comprehensive income.

2.2.3 Taxation

a). Current Taxes

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

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

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 components, 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 re placed 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 are de-recognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is de-recognized.

Once an 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	100 Years
Steel water pipes & pens stock	40 Years
Substation & Switch Yard	35 Years
Generation Plants:	
Power Stations including Plant (Hydro)	35 Years

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

Power Stations including Plant (Thermal)	25 Years	Over from Local Authorities & CEB Substations, Overhead lines & Service Lines	10 years
Power Stations including Plant (Diesel)	15 Years	Constructed by LECO	20 – 25 years
Power Stations including Plant (Gas Turbine)	12 Years	Motor Vehicles	05–07 years
Power Stations including Plant (Coal)	30 Years	Computers	03– 05 years
Power Stations including Plant (Wind)	15 Years	Office Equipments	03– 07 years
Transmission Lines at 220Kv, 132Kv, and 66Kv	35 Years	Plant & Machinery	03– 04years
Distribution Lines:		Lanka Coal Co. (Pvt) Ltd.	
HT Underground-33	50 Years	Furniture & Fittings	5 years
HT Underground-132	50 Years	Equipments	4 years
HT Underground-11	40 Years	Motor Vehicles	4 years
HT Overhead Lines	35 Years	Computers	4 years
LT Underground	40 Years	Leasehold Improvements	2 years
LT Overhead Lines	35 Years	Trincomalee Power Company Limited	
LT Feeder Pillar	35 Years	Furniture and fittings	5 years
Consumer Substation	35 Years	Equipment	5 years
HT Switchgear	35 Years	Laptop and Computers	3 years
Primary & Grid Substation	35 Years	Assets which cost up to Rs.15, 000 are fully depreciated	
Service Main - (Overhead)	35 Years		
Service Main - Underground	40 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 –20 years		
Factory Equipment	over 10 years		
Intercom Equipment	over 10 years		
Fire Fighting Equipment	over 10 years		
Office Equipment	over 03-10 years		
Furniture and Fittings	over 03- 10 years		
Motor Vehicle	over 04 years		
Heat Recovery Unit	over 06 years		
Operation and maintenance spares	Actual Usage		
Solar PV Plant	over 15 years		
Lanka Electricity Co. (Pvt) Ltd.			
Buildings	40 years		
Leasehold Land	over lease period		
Supply of Infrastructure			
Substations, Overhead lines & Service Lines taken			

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 Statement of profit or loss. 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 statement of profit or loss based on energy output for the period which is more representative of the time pattern in which use benefits derived from leased assets are diminished. Cost including depreciation incurred in earning the lease income is recognised as an expense. The depreciation policy for depreciable leased assets is consistent with Group's depreciation policy for similar assets.

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 statement of profit or loss 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 de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss when the asset is derecognised.

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 Investments

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 Investments

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group’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 are 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 asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

Available - for -sale Financial Investments

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

2.2.10.2 Financial Liabilities

a) Initial Recognition and Measurement

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

attributable transaction costs. The Group's financial liabilities include trade & other payables, bank overdrafts, loans and borrowings, other financial liabilities.

b) Subsequent Measurement

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

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Gains are recognised in the Statement of Profit or Loss 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 Statement of Profit or Loss.

c) De-recognition

A Financial 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 Statement of Profit or Loss.

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 Statement of Profit or Loss 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 changes in actuarial assumption are charged or credited to equity in other comprehensive income in the period in which they arise.

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

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

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

2.2.13 Self Insurance Reserve

CEB transfers to a self Insurance Reserve each year, at the rate of 0.1% of the gross re-valued fixed assets at the end of the year. Losses and damages to Property, Plant and

Equipment of CEB are charged to this Insurance reserve. The funds for this purpose are met from the monies invested in a separate account at a Bank.

2.2.14 Deferred Income

a) Consumer Contribution

The Board

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 amortized 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 grants are recognised initially at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the Statement of Profit or Loss and Other Comprehensive Income as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss on a systematic basis over the useful life of the asset.

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 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

3. REVENUE

(All amounts in Sri Lanka Rupees Thousands)

	2017	Group 2016	2017	Board 2016
Sales	265,479,221	229,074,466	218,450,400	206,811,393
	265,479,221	229,074,466	218,450,400	206,811,393

3.1 Segmental Revenue

	2017	Group 2016	2017	Board 2016
Sale of Electricity	248,998,904	211,943,213	218,450,400	206,811,393
Sale of Transformers	4,667,773	2,667,192	-	-
Galvanizing Operations	1,206,115	989,789	-	-
Construction Services	486,768	1,173,389	-	-
Income on Hiring of Power Plants	2,698	2,642	-	-
Finance Lease & Power Generation	6,776,046	9,540,887	-	-
Operational & Maintenance Services for Power Plants	3,275,587	2,725,398	-	-
Other Operations	65,330	31,956	-	-
	265,479,221	229,074,466	218,450,400	206,811,393

4. OTHER OPERATING INCOME AND GAIN

	2017	Group 2016	2017	Board 2016
Income on Foreign Investment	221,656	381,092	-	-
Dividend Income	942,919	1,453,007	2,163,843	4,601,073
Penalty on Electricity Consumption	5,574	11,036	5,574	11,036
Recoveries from Consumers	295,032	271,655	-	-
Profit on Disposal of Property Plant and Equipment	237,998	188,011	156,383	189,488
Deferred Income on Consumer Contribution	3,561,648	3,320,386	3,213,287	2,988,572
Deferred Income on Government Grant	31,657	16,329	14,718	12,391
Miscellaneous Income	1,101,280	1,107,539	1,079,162	1,089,301
Government Department Income	412,115	347,500	412,115	347,500
Liquidated Damages	136,072	122,897	136,072	122,897
Sale of Ash	284,633	390,092	284,633	390,092
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	51,407	27,215	51,407	27,215
Income on Cost Recovery jobs	244,544	111,657	244,544	111,657
Service Main Application Fee	8,151	9,270	8,151	9,270
Surcharge on Electricity Bills	373,097	422,163	373,098	422,163
Electric Vehicle Energy Card Sale	57	123	57	122
Revaluation Gain on PPE	5,036	-	-	-
Gain on Bargaining Purchase	-	12,399	-	-
	7,912,876	8,192,371	8,143,044	10,322,777

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

5.1 FINANCE INCOME

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2017	2016	2017	2016
Interest on Deposits	1,869,823	1,321,635	-	-
Interest on Administration Borrowings by Treasury	1,524	-	-	-
Interest on Government Securities	-	342,245	-	-
Interest Income from Investments	10,658	65,651	4,342	74,946
Interest Income from Staff Loans	889,678	826,042	853,408	799,301
Interest on Samurdhi Loans	336,630	173,491	336,630	173,491
Interest Income on Related Party Loans	-	-	662	791
Interest on Other consumer Loans	6,502	101	6,502	101
	3,114,815	2,729,165	1,201,544	1,048,630

5.2 FINANCE COST

	Group		Board	
	2017	2016 Restated	2017	2016 Restated
Interest Expense on Overdrafts	908,541	119,583	846,356	23,126
Interest Expense on Loans and Borrowings	4,863,249	4,924,043	3,789,595	3,916,308
Interest Expense on consumer deposits	16,902	-	-	-
Lease Interest	24,814	49,962	24,814	49,962
Delayed Interest on IPP Payments	1,519,057	188,309	1,519,057	188,309
Delayed Interest on CPC Payments	2,156,298	35,015	2,156,298	35,015
Samurdhi Loan Interest Expenditure Account	79,322	98,833	79,322	98,833
	9,568,183	5,415,745	8,415,442	4,311,553

6. PROFIT/(LOSS) BEFORE TAX

	Group		Board	
	2017	2016 Restated	2017	2016
Stated after Charging /(Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	16,322	16,117	6,610	6,150
Director's Emoluments	8,880	5,665	5,272	4,505
Depreciation	31,422,161	30,704,456	29,969,543	29,355,834
Personnel Costs includes				
- Defined Benefit Plan Costs -Gratuity	1,072,398	983,580	920,541	860,289
- Defined Contribution Plan Costs - EPF & ETF	2,751,046	2,375,810	2,479,900	2,149,866
- Other Staff Costs	28,511,868	24,803,070	26,080,864	22,624,574
(Profit)/Loss on Disposal of Property, Plant and Equipment	972,011	(48,606)	1,053,626	(50,083)
Amortization of Intangible Assets	14,755	18,344	-	-
Public Relation and Advertising	28,747	144,423	-	120,967
Impairment of obsolete and slow moving inventories	(3,260)	45,410	-	(111,718)
Provision for Impairment of Other Debtors	-	52,578	-	52,578

7. INCOME TAX EXPENSE

	Group		Board	
	2017	2016	2017	2016
7.1 Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	1,793,250	2,006,980	228,020	109,313
Under/(Over) Provision of Current Taxes in respect of Prior Years	3,155	72,924	3,594	153,870
	1,796,405	2,079,904	231,614	263,183
7.2 Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (25)	(263,885)	24,692	-	-
Income Tax Expense reported in the Income Statement	1,532,520	2,104,596	231,614	263,183

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	
	2017	2016	2017	2016
Profit before tax	(41,155,534)	(10,390,540)	(45,729,458)	(13,191,200)
Disallowable Expenses / (Income) for Taxation	30,795,854	30,174,125	29,232,251	28,589,156
Net impact of Pension Fund	(273,122)	(37,193)	(273,122)	(37,193)
Allowable Expenses / (Income) for Taxation	(51,277,555)	(50,177,721)	(50,688,943)	(48,840,441)
Non business income/Exempted income	(7,096,329)	(7,891,532)	(2,511,978)	(4,841,751)
Consolidation adjustments	5,427	4,615,170	-	-
Business loss for the year	(69,971,250)	(38,321,429)	(69,971,250)	(38,321,429)
Taxable Business Profit for the year	3,316,318	4,613,738	-	-
Other sources of Income	2,772,021	2,178,518	1,051,708	600,621
Total Statutory Income	6,088,339	6,792,256	1,051,708	600,621
Qualifying Payments	-	(36,940)	-	-
Tax loss utilized during the year	(368,745)	(210,381)	(368,098)	(210,217)
Taxable Income	5,719,594	6,544,935	683,610	390,404
Income tax expense at				
Corporate Tax rate at 28%	1,428,446	1,115,708	191,411	109,313
Concessionary Tax rates	122,913	117,858	36,609	-
Dividend Tax at 10%	241,891	773,414	-	-
Current Tax charge	1,793,250	2,006,980	228,020	109,313

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 01.01.2017 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Freehold Land	11,168,368	32,248	900,570	-	-	-	12,101,186
Leasehold Land	1,514	-	-	-	-	-	1,514
Building	16,895,743	995,709	51,468	-	(192,429)	-	17,750,490
Civil Works	233,761,368	105,592	-	-	-	-	233,866,960
Plant & Machinery	1,483,492	113,453	-	-	(1,362)	-	1,595,583
Generation Power Plant	272,141,111	2,101,631	-	-	-	-	274,242,742
Transmission & Distribution Lines	517,989,692	23,527,646	-	-	(818,634)	73,781	540,772,485
Motor Vehicles	9,587,029	1,206,138	-	(16,510)	(296,685)	192,459	10,672,431
Other Supply Infrastructure	21,290,778	1,284,398	-	-	(726,354)	-	21,848,822
Office & Other Equipment	3,021,194	124,932	-	-	(157,436)	(1,058)	2,987,631
Furniture and Fittings	359,058	590,285	-	-	(2,413)	21	946,951
Machinery and Tools	6,135,560	158,582	-	-	(590)	-	6,293,552
Container Accommodation	6,744	-	-	-	-	-	6,744
Solar PV Plant	-	66,524	-	-	-	-	66,524
	1,093,841,651	30,307,138	952,038	(16,510)	(2,195,904)	265,204	1,123,153,616

8.1.2 Project Assets

Gross Carrying Amount At Cost or Valuation

	Balance as at 01.01.2017 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Freehold Land	107,920	30,197	-	-	-	-	138,117
Building	1,843	278	-	-	-	-	2,121
Motor Vehicles	1,124,305	163,787	-	-	(81,982)	-	1,206,110
Office & Other Equipment	78,755	10,266	-	-	(3,528)	(15)	85,478
Furniture and Fittings	20,494	208	-	-	(83)	-	20,619
Machinery and Tools	26,770	10,650	-	-	(588)	(360)	36,472
	1,360,087	215,386	-	-	(86,181)	(375)	1,488,917

8.1.3 Lease Hold Assets

	Balance as at 01.01.2017	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Motor Vehicles	551,736	-	-	-	-	(192,468)	359,268
	551,736	-	-	-	-	(192,468)	359,268
Total Value of Depreciable Assets	1,095,753,474	30,522,524	952,038	(16,510)	(2,282,085)	72,360	1,125,001,801

8.1.4 In the Course of Construction

	Balance as at 01.01.2017 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance as at 31.12.2017
Capital Work in Progress	81,325,421	47,473,178	(24,844,388)	(583,234)	103,370,976
Total Gross Carrying Amount	81,325,420	47,473,178	(24,844,388)	(583,234)	103,370,976

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 01.01.2017 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Freehold Assets						
Freehold Land	-	-	-	-	-	-
Leasehold Land	1,354	160	-	-	-	1,514
Building	5,864,557	452,165	-	(181,692)	-	6,135,031
Civil Works	68,718,053	3,580,133	-	-	-	72,298,186
Plant & Machinery	968,442	117,151	-	(737)	-	1,084,856
Generation Power Plant	138,514,934	10,375,129	-	-	(50,150)	148,839,913
Transmission & Distribution Lines	216,232,567	13,935,726	-	(381,801)	46,162	229,832,654
Motor Vehicles	5,885,998	1,424,006	(15,878)	(208,202)	131,047	7,216,971
Other Supply Infrastructure	14,020,215	737,550	-	(658,378)	-	14,099,387
Office & Other Equipment	2,257,945	338,436	-	(41,993)	(170)	2,554,219
Furniture and Fittings	269,952	32,408	-	(881)	(15)	301,463
Machinery and Tools	3,703,110	580,187	-	(298)	(2,515)	4,280,482
Container Accommodation	6,744	-	-	-	-	6,744
Solar PV Plant	-	3,306	-	-	-	3,306
	456,443,871	31,576,358	(15,878)	(1,473,983)	124,359	486,654,726

8.1.6 Depreciation

	Balance as at 01.01.2017 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Project Assets						
Freehold Land	-	-	-	-	-	-
Building	-	57	-	-	-	57
Motor Vehicles	772,160	222,009	-	(60,407)	8,134	941,896
Office & Other Equipment	55,403	8,684	-	(383)	-	63,704
Furniture and Fittings	19,167	635	-	-	-	19,802
Machinery and Tools	6,659	6,573	-	-	-	13,232
	853,389	237,958	-	(60,790)	8,134	1,038,691

8.1.7 Depreciation

Lease Hold Assets	Balance as at 01.01.2017	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Motor Vehicles	248,362	77,371	-	-	(131,047)	194,686
	248,362	77,371	-	-	(131,047)	194,686
Total Value of Depreciable Assets	457,545,622	31,891,687	(15,878)	(1,534,773)	1,446	487,888,103

8.1.8 Net Book Value

	2017	2016
At Cost or Valuation	637,113,698	638,207,852
Capital Work in Progress	103,370,976	81,325,420
Total Carrying Amount of Property, Plant & Equipment	740,484,674	719,533,272

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 01.01.2017 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Freehold Land	9,311,367	26,428	-	-	-	9,337,795
Leasehold Land	-	-	-	-	-	-
Building	15,897,747	718,771	-	(18,108)	-	16,598,411
Civil Works	233,761,368	105,592	-	-	-	233,866,960
Plant & Machinery	719,071	-	-	-	-	719,071
Generation Power Plant	268,660,510	2,101,143	-	-	-	270,761,653
Transmission & Distribution Lines	517,989,692	23,527,646	-	(818,634)	73,781	540,772,485
Motor Vehicles	7,972,664	959,077	(16,510)	(181,948)	192,459	8,925,743
Office & Other Equipment	2,175,536	451,039	-	(26,496)	(1,058)	2,599,020
Furniture and Fittings	335,328	43,660	-	(2,413)	21	376,597
Machinery and Tools	3,837,937	588,414	-	(590)	-	4,425,761
	1,060,661,221	28,521,770	(16,510)	(1,048,188)	265,204	1,088,383,496

8.2.2 Project Assets

Gross Carrying Amount At Cost or Valuation

	Balance as at 01.01.2017 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Freehold Land	107,920	30,197	-	-	-	138,117
Building	1,843	278	-	-	-	2,121
Motor Vehicles	1,124,305	163,787	-	(81,982)	-	1,206,110
Office & Other Equipment	78,755	10,266	-	(3,528)	(15)	85,478
Furniture and Fittings	20,494	208	-	(83)	-	20,619
Machinery and Tools	26,770	10,650	-	(588)	(360)	36,472
	1,360,087	215,386	-	(86,181)	(375)	1,488,917

8.2.3 Lease Hold Assets

	Balance as at 01.01.2017	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance as at 31.12.2017
Motor Vehicles	551,736	-	-	-	(192,468)	359,268
	551,736	-	-	-	(192,468)	359,268
Total Value of Depreciable Assets	1,062,573,044	28,737,156	(16,510)	(1,134,369)	72,360	1,090,231,681

8.2.4 In the Course of Construction

	Balance as at 01.01.2017 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance as at 31.12.2017
Capital Work in Progress	80,653,685	46,210,734	(24,011,029)	(551,198)	102,302,192
Total Gross Carrying Amount	80,653,685	46,210,734	(24,011,029)	(551,198)	102,302,192

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 01.01.2017 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance as at 31.12.2017
Freehold Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Building	5,662,147	424,734	-	(7,370)	-	6,079,511
Civil Works	68,718,053	3,580,133	-	-	-	72,298,186
Plant & Machinery	522,922	21,698	-	-	-	544,620
Generation Power Plant	137,690,694	10,192,274	-	-	-	147,882,967
Transmission & Distribution Lines	216,232,567	13,935,726	-	(381,801)	46,162	229,832,654
Motor Vehicles	5,033,633	1,250,470	(15,878)	(116,680)	131,046	6,282,592
Office & Other Equipment	1,624,824	265,321	-	(11,717)	(170)	1,878,258
Furniture and Fittings	255,760	30,177	-	(881)	(15)	285,041
Machinery and Tools	2,968,506	373,768	-	(298)	(2,515)	3,339,461
	438,709,105	30,074,301	(15,878)	(518,748)	174,508	468,423,288

8.2.6 Depreciation

Project Assets

At Cost or Valuation	Balance as at 01.01.2017 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers Discontinued	Adjustments	Balance as at 31.12.2017
Freehold Land	-	-	-	-	-	-
Building	-	57	-	-	-	57
Motor Vehicles	772,160	222,009	-	(60,407)	8,134	941,896
Office & Other Equipment	55,403	8,684	-	(383)	-	63,704
Furniture and Fittings	19,167	635	-	-	-	19,802
Machinery and Tools	6,659	6,573	-	-	-	13,232
	853,389	237,958	-	(60,790)	8,134	1,038,691

8.2.7 Depreciation

Lease Hold Assets

Lease Hold Assets	Balance as at 01.01.2017	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance as at 31.12.2017
Motor Vehicles	248,362	77,371	-	-	(131,047)	194,686
	248,362	77,371	-	-	(131,047)	194,686
Total Depreciation	439,810,857	30,389,630	(15,878)	(579,538)	51,595	469,656,666

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

8.2.8 Net Book Value

(All amounts in Sri Lanka Rupees Thousands)

At Cost or Valuation	2017	2016 Restated
Freehold Land	9,475,912	9,419,287
Building	10,520,964	10,237,443
Civil Works	161,568,774	165,043,315
Plant & Machinery	174,451	196,149
Generation Power Plant	122,878,685	130,969,817
Transmission & Distribution Lines	310,939,831	301,757,125
Motor Vehicles	3,071,948	3,594,550
Office & Other Equipment	742,537	574,064
Furniture and Fittings	92,374	80,895
Machinery and Tools	1,109,540	889,542
	620,575,016	622,762,187
Capital Work-In-Progress (8.2.9)	102,302,191	80,653,683
Total Carrying Amount of Property, Plant & Equipment	722,877,207	703,415,870

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

	2017	2016 Restated
Generation Projects	6,100,511	3,686,358
Transmission projects	1,945,473	1,638,547
Distribution Projects	30,167,600	30,092,845
Upper Kothmale Hydro power project	920,648	746,134
Renewable Energy Absorption Transmission Development Project	279,662	-
Broadland Hydro power project	7,375,917	4,706,301
Puttalam Coal power Project	582,305	521,962
Green Power Dev. & Energy Efficiency Improvement Project	218,995	-
AGM Project	43,105,587	37,339,069
Vidulakpaya Project	441,047	418,372
Others (W&AS)	79,225	19,020
Greater Colombo transmission and distribution loss reduction project	11,085,221	1,485,075
Total Value of Capital Work-In-Progress	102,302,191	80,653,683

8.2.10 All the motor vehicles are fair valued as at 01.01.2011 by the independent technical team of the board.

8.2.11 Property Plant & Equipments were not pledged for any liabilities of the Board.

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	
	2017	2016 Restated	2017	2016 Restated
Generation Projects	6,100,511	3,686,358	6,100,511	3,686,358
Transmission projects	1,945,473	1,638,547	1,945,473	1,638,547
Distribution Projects	30,167,600	30,092,845	30,167,600	30,092,845
Upper Kothmale Hydro power project	920,649	746,134	920,649	746,133
Renewable Energy Absorption Transmission Development Project	279,662	-	279,662	-
Broadland Hydro power project	7,375,917	4,706,301	7,375,917	4,706,301
Puttalam Coal power Project	582,306	521,962	582,306	521,962
Green Power Dev. & Energy Efficiency Improvement Project	218,995	894,204	218,995	-
AGM Project	43,105,587	36,444,865	43,105,587	37,339,069
Vidulakpaya Project	441,047	418,372	441,047	418,372
Others (W&AS)	79,225	19,020	79,225	19,020
Greater Colombo transmission and distribution loss reduction project	11,085,222	1,485,075	11,085,222	1,485,075
Work in progress-LECO	816,343	562,897	-	-
Work in progress-LTL	114,109	101,169	-	-
Work in progress-SLE	138,331	7,671	-	-
Total Value of Capital Work-In-Progress	103,370,976	81,325,420	102,302,193	80,653,682

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.

During the financial year, the board acquired Property, Plant and Equipment to the aggregate value of Rs 50,283 Mn (2016-Rs.39,297 Mn) in cash.

8.5 Lanka Electricity Company (Pvt) Limited

The fair value of the land and buildings were determined by the Department of Valuation of Sri Lanka. The valuations were carried out as at 31st December 2017.

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.

	Land		Buildings		Total	
	2017	2016	2017	2016	2017	2016
Cost	582,942	582,942	370,823	332,984	953,765	915,926
Less : Accumulated Depreciation	-	-	125,603	125,603	125,603	125,603
Carrying Value	582,942	582,942	245,220	458,587	828,162	790,323

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(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. 6 Mn. During the financial year, the company acquired Property, Plant and Equipment to the aggregate value of Rs 2,254 Mn (2016- Rs.1,339 Mn). Cash payment amounting to Rs. 2,228Mn (2016 - Rs. 1,035Mn) 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.571,338,134 /- (2016- Rs 333,238,320 /-) of which cash payments amounting to Rs 571,338,134/-(2016- Rs. 97,629,061/-) 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.232,991,840/- (2016 - Rs.368,461,840/-)

8.7 Group -Current Assets

Property plant and equipment - Heladhanavi Limited

	Freehold Land	Building	Office Equipment	Furniture and	Fire Fighting Fittings	Motor vehicles equipments	Total 2017	Total 2016
Cost	10,884	9,436	2,047	366	2,282	996	26,011	26,011
Accumulated Depreciation								
At 01 January	-	9,436	2,047	366	2,282	996	15,127	15,127
As at 31 December	-	9,436	2,047	366	2,282	996	15,127	15,127
Net book Value	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

	2017	2016
Power Plant as at 01 January	-	1,506,516
Disposed during the year	-	(1,506,516)
Balance as at 31 December	-	-

Heladhanavi 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	
	2017	2016	2017	2016
As at 1 January	96,313	90,105	-	-
Acquired / incurred during the period	12,082	6,289	-	-
As at 31 December	108,395	96,394	-	-
Amortisation				
As at 1 January	36,971	18,625	-	-
Amortized during the period	14,755	18,343	-	-
As at 31 December	51,727	36,969	-	-
Goodwill				
As at 1 January	325,625	-	-	-
Acquired / incurred during the period	-	325,625	-	-
Impairment	-	-	-	-
As at 31 December	325,625	325,625	-	-
Net Book Value	382,294	385,051	-	-

LTL Holdings (Pvt) Ltd

Intangible assets of the group consists of the software purchased by LTL Transformers (Pvt) Ltd, Raj Lanka Power Company (Pvt) Ltd, Makarigad Hydropower (Pvt) Ltd and Asiatic Electrical and Switchgear (Pvt) Ltd.

Lanka Electricity Company (Pvt) Ltd

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

Goodwill 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 Non-Quoted	Holding %	Group		Board	
		2017	2016	2017	2016
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

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

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	Supply of required quantity of high quality coal at the right price to Lakvijaya Coal Power Plant at Norochcholai
Sri Lanka Energies (Pvt) Ltd	100	100	Constructing transmission lines and grid stations, construction, maintaining renewable energy projects.
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	52		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	41		Produced independent hydro power and transmit to feed the National grid.
Raj Lanka Power Company Ltd	39		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	34		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.
Daduruoya Mini Hydro (Pvt) Ltd	100		Produce electricity energy using hydro resources. The power plant is still under construction

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

- 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

(Trincomalee Power Company Ltd)

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2017	2016	2017	2016
As at 01 January	230,330	240,753	328,606	328,606
Investment Made During The Year	-	-	-	-
Share of pre-operating loss	(182,484)	(10,423)	-	-
	47,847	230,330	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 year 2016.

Along with the cession of the development activities of the Sampoor coal power plant project, the company do not have a mean of realising the previous expenses capitalized under work-in-progress and hence, an amount of Rs 355,807,636/- has been impaired and written off which is included in the share of loss of the joint venture.

Cabinet approval has been received to set up a 50MW solar power plant by TPCL on the land provided to construct the coal power project in Sampoor. Further, cabinet approval has also been granted to develop a 500MW LNG power plant at Kerawalapitiya by TPCL.

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	
	2017	2016	2017	2016
Gross Investment in finance leases receivables				
Current				
Less than one year	418,140	425,205	-	-
Non Current				
Between one and five years	2,080,953	2,256,140	-	-
More than five years	6,281,580	6,810,046	-	-
	8,362,533	9,066,186	-	-
Net investment in finance leases	8,780,673	9,491,391	-	-

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

14. OTHER NON-CURRENT ASSETS

	2017	Group		Board	
		2016	2017	2016	2016
Other receivables*	775,978	775,977	-	-	-
Prepaid Staff Cost	1,217,928	1,119,220	973,018	949,260	-
Investment in Ash Bricks Project**	7,364	7,364	-	-	-
	2,001,270	1,902,561	973,018	949,260	

Other receivables*

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

Investment in Ash Bricks Project**

On 27th July 2012, Sri Lanka Energies (Pvt) Ltd, one of the subsidiaries has entered in to a joint venture agreement with Amtrad Holdings (Pvt) Ltd for the purpose of building a brick factory in Norochcholai. However, the joint venture of the group has not commenced its operations and is stated at the cost. The management has terminated the Joint venture agreement on 27 March 2014.

15. INVESTMENT OF INSURANCE RESERVE

	2017	Group		Board	
		2016	2017	2016	2016
Balance at the beginning of the period	6,495,822	6,036,934	6,495,822	6,036,934	
Investments made during the year	750,429	458,887	750,429	458,887	
Withdrawals During the year	-	-	-	-	
Balance at the end of the period	7,246,251	6,495,821	7,246,251	6,495,821	

16. NON CURRENTS ASSET HELD FOR SALE

	2017	Group		Board	
		2016 Restated	2017	2016 Restated	2016 Restated
Balance at the beginning of the period	1,022,423	2,531,554	1,022,423	1,025,038	
Transfer from PPE	632	-	632	-	
Disposal during the period	(1,022,400)	(1,509,131)	(1,022,400)	(2,615)	
Balance at the end of the period	655	1,022,423	655	1,022,423	

17. INVENTORIES

	2017	Group		Board	
		2016 Restated	2017	2016 Restated	2016 Restated
Raw Materials	1,708,468	1,282,728	-	-	
Finished Goods	224,773	315,038	-	-	
Consumables & Spares	24,324,642	22,298,525	21,539,916	19,939,722	
Work in Progress	1,636,712	1,764,963	-	-	
Fuel	16,385,995	12,625,280	16,385,995	12,625,280	
Goods in Transit	3,587,792	3,219,607	3,254,420	2,622,301	
Less: Provision for Obsolete & Unserviceable Stock	(1,607,739)	(1,448,304)	(1,285,254)	(1,122,559)	
Provision for price Variance	(2,200,112)	(2,292,229)	(2,200,112)	(2,292,229)	
	44,060,531	37,765,608	37,694,965	31,772,515	

18. TRADE AND OTHER RECEIVABLES

	2017	Group		Board	
		2016 Restated	2017	2016 Restated	2016 Restated
Trade Debtors	24,220,238	19,836,727	18,157,116	15,045,564	
Less: Provision for impairment	(4,585,460)	(4,021,827)	(3,912,667)	(3,453,570)	
	19,634,779	15,814,900	14,244,449	11,591,994	
Other Debtors	33,796,433	36,067,380	32,822,921	33,988,631	
Advances and Prepayments	2,295,902	1,809,865	1,143,065	1,153,001	
Less: Provision for impairment	(242,854)	(274,664)	(242,854)	(274,663)	
	55,484,259	53,417,481	47,967,581	46,458,963	

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

19 AMOUNTS DUE FROM RELATED PARTIES

(All amounts in Sri Lanka Rupees Thousands)

	Relationship	Group		Board	
		2017	2016	2017	2016
Lanka Electricity Company (Pvt) Ltd	Subsidiary Company	-	-	5,100,369	4,895,020
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	1,198,181	538,995
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	70,200	60,142
		-	-	6,368,750	5,494,157

20 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.

	2017	2016
Balance at the beginning of the period	302,694,797	302,227,824
RE 8 Extension	-	(3,950)
Vauniya Kilinochchi Transmission Line Project	-	294,696
Sustainable Power Sector Support Project	-	128,234
Greater Colombo Transmission Project	-	2,851
Jaffna Rehabilitation Project	-	45,004
Habarana Veyangoda Electrification Project	-	138
Balance at the end of the period	302,694,797	302,694,797

21 RESERVES

	Group		Board	
	2017	2016	2017	2016
Summary				
Capital Reserves (21.1)	18,639,244	18,345,931	18,425,914	18,112,200
Revaluation Reserve (21.2)	934,809	741,689	-	-
Available for Sale Reserve (21.3)	6,066,892	4,720,576	-	-
Depreciation Reserve (21.4)	23,000	23,000	23,000	23,000
Self Insurance Reserve (21.5)	14,350,273	12,164,121	14,334,323	12,148,171
Asset Replacement Reserve (21.6)	273,357	255,008	-	-
Investment Reserve (21.7)	2,334,392	1,851,092	-	-
	42,621,967	38,101,416	32,783,237	30,283,371

21.1 Capital Reserves

	Group		Board	
	2017	2016	2017	2016
Balance as at the beginning of the Year	18,345,931	17,875,697	18,112,200	17,707,745
Movement during the period				
Exchange Equalization Reserve **	(20,401)	65,779	-	-
RHCP Loan Reserve	313,714	404,455	313,714	404,455
Balance as at the end of the Year	18,639,244	18,345,931	18,425,914	18,112,200

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

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.

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.

21.2 Revaluation Reserve

	Group		Board	
	2017	2016	2017	2016
On: Property, Plant & Equipment				
Balance as at the beginning of the year (restated)	741,689	741,689	-	-
Transfer of surplus during the year	193,120	-	-	-
Balance as at the end of the year	934,809	741,689	-	-

Lanka Electricity Company (Pvt) Ltd

The above Revaluation Surplus consist of net surplus resulting from the revaluation of PPE.

21.3 Available for Sale Reserve

	Group		Board	
	2017	2016	2017	2016
Balance as at the beginning of the year	4,720,576	4,713,956	-	-
Net Gain / (Loss) on available for sale assets	1,346,316	6,620	-	-
Balance as at the end of the year	6,066,892	4,720,576	-	-

Available for sale reserve includes the fair value changes in the Available for sale finance assets of LTL Holding (Pvt) Ltd and Lanka Electricity Company (Pvt) Ltd

21.4 Depreciation Reserve

	Group		Board	
	2017	2016	2017	2016
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.

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

21.5 Self Insurance Reserve

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2017	2016	2017	2016
Balance at the beginning of the period	12,164,121	10,743,894	12,148,171	10,727,944
Transfers from the retained earnings	1,090,232	1,062,600	1,090,232	1,062,600
Transfers from other divisions	211,904	-	211,904	-
Damages charged during the period	-	(185,445)	-	(185,445)
Income received from investment	884,016	543,072	884,016	543,072
Balance at end of the period	14,350,273	12,164,121	14,334,323	12,148,171

21.6 Asset Replacement Reserve

	Group		Board	
	2017	2016	2017	2016
Balance at the beginning of the period	255,008	242,486	-	-
Transfers from the retained earnings	18,349	12,522	-	-
Balance at end of the period	273,357	255,008	-	-

This represents the amount transferred from the retained earnings to replace property, plant and equipment of Lanka Electricity Company (Pvt) Ltd and to replace high value equipments in LTL Transformers (Pvt) Ltd

21.7 Investment Reserve

	Group		Board	
	2017	2016	2017	2016
Balance at the beginning of the period	1,851,092	1,587,701	-	-
Transfers from the retained earnings	483,301	263,390	-	-
Balance at end of the period	2,334,392	1,851,092	-	-

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.

22. INTEREST BEARING LOANS & BORROWINGS

Group	2017		2017 Total	2016		2016 Total
	Repayable Within 1 year	Repayable After 1 year		Repayable Within 1 year	Repayable After 1 year	
	Bank Loans (22.1)	13,914,809		19,891,323	33,806,132	
Project Loans (22.2)	-	200,192,143	200,192,143	-	180,427,837	180,427,837
Loans from Samurdhi Authority (22.3)	183,680	393,557	577,237	183,680	717,807	901,487
Lease Creditors (22.4.1)	65,642	73,578	139,219	94,779	145,190	239,969
Redeemable Preference Shares	682,645	2,012,327	2,694,972	461,387	1,721,685	2,183,072
Bank Overdrafts	11,493,336	-	11,493,336	6,202,727	-	6,202,727
	26,340,112	222,562,927	248,903,039	23,635,989	210,889,290	234,525,279
The Board	2017		2017 Total	2016		2016 Total
Repayable Within 1 year	Repayable After 1 year	Repayable Within 1 year		Repayable After 1 year		
Bank Loans (22.1.1)	10,408,643	13,933,017		24,341,660	12,959,143	
Project Loans (22.2)	-	200,192,143	200,192,143	-	180,427,837	180,427,837
Loans from Related Party (22.3)	-	-	-	-	-	-
Loans from Samurdhi Authority (22.4)	183,680	393,557	577,237	183,680	717,807	901,487
Lease Creditors (22.4.2)	49,021	45,381	94,401	81,644	96,973	178,617
Bank Overdrafts	10,923,087	-	10,923,087	5,499,556	-	5,499,556
	21,564,431	214,564,097	236,128,528	18,724,023	201,752,027	220,476,050

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

22.1 Bank Loans

(All amounts in Sri Lanka Rupees Thousands)

22.1.1 The Board

Term Loans	Loan grant date	Interest rate	As At 01.01.2017	Loans Obtained	Repayment	As At 31.12.2017	Repayable Within 1 Year	Repayable After 1 Year
People's Bank (Rs. 5000 Mn)	2010.06.02	14.55%	-	-	-	-	-	-
People's Bank (Rs. 4110 Mn)	2013.04.02	13.55%	1,957,143	-	587,143	1,370,000	587,143	782,857
People's Bank (Rs. 17650 Mn)	2013.01.30	13.55%	7,990,000	-	2,520,000	5,470,000	2,520,000	2,950,000
People's Bank (Rs. 18000 Mn)	2013.01.08	13.55%	5,700,000	-	3,600,000	2,100,000	2,100,000	-
People's Bank (Rs. 10000 Mn)	2014.04.21	13.55%	3,953,500	-	2,502,000	1,451,500	1,451,500	-
NSB (Rs 10 000 Mn)	2014.09.30	13.89%	7,500,000	-	1,250,000	6,250,000	1,250,000	5,000,000
People's Bank (Euro 2087 Mn)	2015.04.30	13.05%	1,367,910	1,241,649	-	2,609,559	-	2,609,559
People's Bank Treasury (Rs.5000 Mn)	2016.12.30	13.55%	5,000,000	-	1,250,000	3,750,000	2,500,000	1,250,000
People's Bank (Rs. 10000 Mn - Coal purchases)	2017.12.12	12.92%	-	1,340,601	-	1,340,601	-	1,340,601
			33,468,553	2,582,250	11,709,143	24,341,660	10,408,643	13,933,017

22.1.2

The Group

Company	Lending Institution	Interest Rate	2017 Repayable Within 1 year	2017 Repayable After 1 year	2017 Total	2016 Repayable Within 1 year	2016 Repayable After 1 year	2016 Total
LTL Holdings (Pvt) Ltd	Standard Bank Ltd	EUROLIBOR+2.75%	250,322	762,353	1,012,674	114,291	871,918	986,209
	HNB	AWPLR+0.5%	201,027	-	201,027	1,160,000	-	1,160,000
Pawan Danavi (Pvt) Ltd	HNB	AWPLR	115,526	120,014	235,540	114,883	232,815	347,698
Pawan Danavi (Pvt) Ltd	NDB	0.0925	72,429	47,925	120,354	73,282	124,034	197,317
Pawan Danavi (Pvt) Ltd	DFCC	AWDR +2%	60,923	40,615	101,538	60,923	101,538	162,462
	HNB	AWDR+4%	-	-	-	239,540	140,031	379,571
Lakdhanavi Bangala Power Ltd	Secured Bank Loan	AWDR+5%	659,131	3,325,931	3,985,062	653,560	3,866,850	4,520,410
Lakdhanavi Bangala Power Ltd	Working Capital Loan	3Month LIBOR+5%	67	-	67	463,701	-	463,701
Raj Lanka	Secured Bank Loan	3Month LIBOR+4.5%	712,867	887,780	1,600,647	370,587	1,570,174	1,940,761
Asiatic Electrical & Switchgear (Pvt) Ltd	Canara Bank	0.1	-	-	-	196,776	-	196,776
	Standard Bank Ltd	3Month LIBOR + 4.5%	-	-	-	286,728	-	286,728
	Standard Bank Ltd	USD 4.22%	58,757	258,756	317,513	-	-	-
	Standard Bank Ltd	0.105	68,881	-	68,881	-	-	-
	Yes Bank Ltd	0.0305	55,860	-	55,860	-	-	-
	Standard Bank Ltd	0.0659	40,000	-	40,000	-	-	-
LTL Transformers (Pvt) Ltd	Sampath Bank	AWPLR+1.1%	5,004	41,243	46,247	-	-	-
LTL Transformers (Pvt) Ltd	HNB	3M LIBOR +3.25%	306,450	-	306,450	-	-	-
LTL Transformers (Pvt) Ltd	HNB	3M LIBOR +3.25%	125,306	-	125,306	-	-	-
Raj Lanka	Discounted LOC-		746,015	-	746,015	-	-	-
Sri Lanka Energies (Pvt) Ltd	Sampath Bank		27,600	473,689	501,289	-	460,000	460,000
			3,506,167	5,958,306	9,464,472	3,734,273	7,367,361	11,101,634
Total Bank Loans of the Group			13,914,809	19,891,323	33,806,132	16,693,416	27,876,771	44,570,187

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

22.2 Project Loans

(All amounts in Sri Lanka Rupees Thousands)

22.2.1 Loans From Treasury

The Board/Group	Provider of funds	Interest Per annum (%)	2017	2016
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	39,395
Old Laxapana Rehabilitation Project	JICA/JBIC	0.1%	-	-
Clean Energy Access Impro. Project (SLA I)	ADB	10%	3,970,201	3,728,645
Clean Energy Access Impro. Project (SLA II)	ADB	10%	615,223	230,083
Sustainable Power Support Project	ADB	10%	3,712,370	3,525,023
Habarana Veyangoda Transmission Line project	JICA	Not Finalized	1,329,619	56,984
Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Finalized	10,114,267	2,108,812
Clean Energy Net Work Efficiency Improvement Project	ADB	10%	12,043,466	6,499,835
National Transmission & Distribution Network Development			84,810	34,803
Green Power Development & Energy Efficiency Improvement Project	ADB	Not Finalized	1,743,534	501,276
Green Power Dev. & Energy Efficiency Improvement Project	AFD	6% EURIBOR + Margin	1,147,496	338,341
			193,984,569	176,247,384

22.2.2 Loans From Bank

Loan grant date	Interest Rate	As At 01.01.2017	Loans Obtained	Repayment 31.12.2017	As At 31.12.2017	Repayable Within 1 Year	Repayable After 1 Year
Broadland Hydro Power Project (HNB) 2015.07.19		1,638,299	-	96,371	1,541,928	-	1,541,928
Broadland Hydro Power Project (ICB) 2013.06.06	Floating LIBOR rate	2,542,154	1,634,935	-	4,177,089	-	4,177,089
Green Power Dev. & Energy Efficiency Improvement Project (ADB) 2017.07.10	6 Months + 6.3%	-	143,932	-	143,932	-	143,932
Supporting Elec. supply reliability improvement project (ADB) 2016.12.19		-	344,624	-	344,624	-	344,624
		4,180,453	2,123,491	96,371	6,207,573	-	6,207,573
Total Project Loan						2017	2016
Amount Payable within one year						-	-
Amount Payable after one year						200,192,143	180,427,837

22.3 Loans From Samurधि Authority

The Board/Group

	As At 01.01.2017	Loans Obtained	Repayment 31.12.2017	As At 31.12.2017	Repayable Within 1 Year	Repayable After 1 Year
Term Loan for "Viduli Athwela" Programme	901,487	-	324,250	577,237	183,680	393,557
	901,487	-	324,250	577,237	183,680	393,557

22.4 Lease Creditor

22.4.1 The Group

	2017 Repayable Within 1 year	2017 Repayable After 1 year	Total 2017	2016 Repayable Within 1 year	2016 Repayable After 1 year	Total 2016
Lease Creditor	82,649	80,230	162,879	126,457	170,324	296,781
Interest in Suspense	(17,007)	(6,652)	(23,659)	(31,678)	(25,134)	(56,812)
	65,641	73,578	139,219	94,779	145,190	239,969

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

22.4.2 The Board

	2017 Repayable Within 1 year	2017 Repayable After 1 year	Total 2017	2016 Repayable Within 1 year	2016 Repayable After 1 year	Total 2016
Lease Creditor	61,057	50,722	111,779	108,571	112,238	220,809
Interest in Suspense	(12,036)	(5,341)	(17,378)	(26,927)	(15,265)	(42,192)
	49,021	45,381	94,401	81,644	96,973	178,617

23 CONSUMER DEPOSITS

	2017	Group 2016	2017	Board 2016
Balance as at Beginning of the year	12,753,072	11,484,253	12,753,072	11,484,253
Deposit Received during the year	1,169,868	1,474,424	1,169,868	1,474,424
Refunds Made during the year	(366,373)	(205,605)	(366,373)	(205,605)
Balance as at the end of the year	13,556,567	12,753,072	13,556,567	12,753,072

24. PROVISIONS AND OTHER DEFERRED LIABILITIES

	2017	Group 2016	2017	Board 2016
Retirement Benefits Obligation- Gratuity (24.1)	6,805,808	6,007,807	5,745,703	5,182,258
Pension Benefits (24.2)	2,846,308	2,050,122	2,846,308	2,050,122
Commuted Pension Fund Liability-Non Funded	30,000	30,000	30,000	30,000
	9,682,116	8,087,929	8,622,011	7,262,380

24.1 Retirement Benefits Obligation- Gratuity

	2017	Group 2016	2017	Board 2016
Balance as at 1st January	6,007,806	5,890,196	5,182,258	5,048,488
Transferred during the year	-	(927)		
Charge for the year (24.1.1)	1,463,578	849,351	1,189,341	812,447
Payments made during the year	(665,576)	(730,813)	(625,896)	(678,677)
Closing Balance	6,805,808	6,007,807	5,745,703	5,182,258

24.1.1 Charge for the year

	2017	Group 2016	2017	Board 2016
Interest Cost	407,119	636,887	350,493	555,334
Current service Cost	665,872	346,692	570,048	304,955
Actuarial (gain)/ loss	390,587	(134,228)	268,800	(47,842)
	1,463,578	849,351	1,189,341	812,447

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

24.1.2 Retirement Benefits Obligation- Gratuity

The Board

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Board.

The principal assumptions used are as follow

	2017	2016
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 Consultants. The liability is not externally funded. Key Assumptions used for the calculation are as following

	2017	2016
Discount rate assumed (%) (per Annum)	12%	10%
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		
- Upton age 50	0.40%	0.64%
- 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 2017 and December 2016 for the respective plan years.

Principal Assumptions

	2017	2016
Discount rate assumed (%) (per Annum)	10.3%	12.5%
Salary Increase Rate (%) (per Annum)	10%	5%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	55 Years	55 Years

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

24.2 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.

	2017	2016
Present Value of Obligations (24.2.1)	22,803,708	20,473,947
Fair Value of plan assets (24.2.2)	19,957,400	18,423,825
Deficit of funded plans	2,846,308	2,050,122
Contribution receivables		
Present Value of unfunded obligations		
Liability / Assets in the Statement of Financial Position	2,846,308	2,050,122

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

	2017	2016
At beginning of the year	20,473,947	18,107,672
Current Service Cost	725,805	629,574
Interest Cost	2,047,395	1,810,767
Actuarial Gain/ (Losses)	949,842	1,057,667
Benefit Paid	(1,393,281)	(1,131,733)
At end of the year	22,803,708	20,473,947

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

	2017	2016
At beginning of the year	18,423,824	17,070,285
Expected Return on Plan Assets	2,017,156	1,504,166
Actuarial Losses	(119,466)	7,507
Contribution Paid (Employee + Employer)	1,029,167	973,600
Benefit Paid	(1,393,281)	(1,131,733)
At end of the year	19,957,400	18,423,825

The amounts recognized in the income statement are as follows

Current service cost	725,805	629,574
Interest Cost	2,047,395	1,810,767
Expected return on plan assets	(2,017,155)	(1,504,166)
Recognized in income statement	756,045	936,175

The principal actuarial assumptions were as follows

Discount Rates	10%	10%
Expected return on plan assets	8.81%	8.81%
Future Salary Increases	25%	25%
Future Pension Increases	0%	0%
Retirement Age	60	60

Plan assets are comprised as follows

Fixed Deposits	17,561,544	13,060,558
Treasury Bonds	1,858,634	4,364,043
Treasury Bills	-	-
Other	418,865	1,000,083
Total	19,839,043	18,424,684

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

25. DEFERRED INCOME

	Group		Board	
	2017	2016	2017	2016
Consumer Contribution (25.1)	86,773,949	81,592,627	82,564,314	77,627,995
Government Grant (25.2)	338,759	323,613	242,740	210,655
Prepaid Electric Vehicle charging Revenue (25.3)	140	-	140	-
	87,112,848	81,916,240	82,807,194	77,838,650
25.1 Consumer Contribution				
Balance at the beginning of the year	81,592,626	75,201,705	77,627,994	71,473,280
Consumer Contribution received During the year	8,742,972	9,711,308	8,149,608	9,143,287
Amount Amortised During the year	(3,561,648)	(3,320,386)	(3,213,287)	(2,988,572)
Balance at the end of the year	86,773,949	81,592,627	82,564,314	77,627,995
24.2 Government grant				
Balance at the beginning of the year	323,612	339,942	210,654	223,046
Received During the year	46,804	-	46,804	-
Amount Amortised during the year	(31,657)	(16,329)	(14,718)	(12,391)
Balance at the end of the year	338,759	323,613	242,740	210,655

25.2.1 The Grant received during the period includes the funds received from Asian Development Bank (ADB) for the Wind-Solar Hybrid Pilot Project located at the Eluvathivu Island, Sri Lanka. The grant will be amortized over the useful life of the asset created through the grant.

	Group		Board	
	2017	2016	2017	2016
25.3 Prepaid Electric Vehicle Charging Revenue				
Balance at the beginning of the Period	-	-	-	-
Cash received for prepaid e-Cards	498	-	498	-
Utilization for the year	(358)	-	(358)	-
Balance at the end of the Period	140	-	140	-

26. DEFERRED TAXATION

	Group		Board	
	2017	2016	2017	2016
Balance at the beginning of the year	970,883	920,382	-	-
Deferred Tax Charged to Income Statement	(263,884)	24,691	-	-
Deferred Tax Adjusted to Equity	629,540	25,808	-	-
Balance at the end of the year	1,336,539	970,881	-	-
	2017	2016	2017	2016
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes	1,316,225	1,266,921	-	-
Revaluation Reserve	597,146	51,952	-	-
Net change in fair value of available for sale investments	66,493	-	-	-
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(119,920)	(123,557)	-	-
Employment Retirement Benefits	(291,450)	(224,434)	-	-
Other provisions	(231,900)	-	-	-
	1,336,594	970,882	-	-

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

27. TRADE AND OTHER PAYABLES		Group		Board	
		2017	2016 Restated	2017	2016 Restated
Trade Payables	80,197,089	38,060,602	78,788,912	36,638,671	
Other Payables	11,129,140	5,234,352	6,836,843	1,980,550	
Sundry Creditors Including Accrued Expenses	14,201,965	12,487,594	13,546,121	11,468,132	
Deposits(27.1)	21,081,756	20,146,168	21,081,756	20,146,168	
Loan Balance pending confirmation from ERD	4,256	620,650	4,256	620,650	
Stock Adjustment	(1,731,223)	(1,437,892)	(1,731,223)	(1,437,892)	
	124,882,984	75,111,475	118,526,665	69,416,279	
27.1 Deposits					
Service mains deposits	16,987,480	16,400,784	16,987,480	16,400,784	
Tender Deposits	359,545	347,431	359,545	347,431	
Security Deposits	219	158	219	158	
Other Deposits	3,734,512	3,397,795	3,734,512	3,397,795	
	21,081,756	20,146,168	21,081,756	20,146,168	
28. AMOUNTS DUE TO RELATED PARTIES					
Relationship		Group		Board	
		2017	2016	2017	2016
LTL Holdings (Pvt) Ltd	Subsidiary Company	-	-	512,157	412,591
Ante Leco Metering Co.(Pvt) Ltd	Sub-subsidiary Company	-	-	41,156	78,229
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	3,004,660	1,435,643
		-	-	3,557,973	1,926,463
29 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT					
Components of Cash and Cash Equivalents					
		Group		Board	
		2017	2016	2017	2016
29.1 Favourable Cash & Cash Equivalents balance					
Cash & Bank Balances		3,052,969	3,646,982	1,516,066	1,491,439
Cash in Transit		317,336	125,513	-	-
Call Deposits		164	-	164	-
Current portion of other investments-LECO		2,234,023	2,656,900	-	-
		5,604,492	6,429,395	1,516,230	1,491,439
29.2 Unfavourable Cash & Cash Equivalent Balances					
Bank Overdraft (Note 22)		(11,493,336)	(6,202,727)	(10,923,087)	(5,499,556)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		(5,888,844)	226,668	(9,406,857)	(4,008,117)

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

30. MATERIALLY PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interest is provided below.

30.1 Proportion of equity interest held by non-controlling interest

Name of the Subsidiary	Country of incorporation and operation	2017	2016
LTL Holding (Pvt) Ltd	Sri Lanka	37%	37%
Lanka Electricity Company (Pvt) Ltd	Sri Lanka	45%	45%
Lanka Coal Company (Pvt) Ltd	Sri Lanka	40%	40%

30.2 Profit allocated to material non-controlling interests

LTL Holding (Pvt) Ltd	2,018,629	2,035,441
Lanka Electricity Company (Pvt) Ltd	830,197	785,262
Lanka Coal Company (Pvt) Ltd	-	-

30.3 The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for 2017	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Revenue	30,573,686	17,375,870	31,953,254
Cost of sales	(27,850,711)	(11,475,125)	(31,909,924)
Gross Profit	2,722,975	5,900,745	43,330
Other Income & Gains	737,148	1,191,656	4,871
Administrative Expenses	(2,468,280)	(1,345,393)	(50,116)
Other Operating Expenses	-	(596,519)	-
Finance Income	1,309,082	596,499	1,915
Finance Cost	(19,235)	(1,072,602)	-
Profit before Tax	2,281,690	4,674,386	-
Income tax	(446,311)	(854,596)	-
Profit for the year from continuing operations	1,835,379	3,819,791	-
Total Comprehensive Income			
Attributable to non-controlling interest	830,197	2,018,629	-
Dividends paid to non-controlling interests	227,860	1,788,834	-

30.4 Summarised statement of profit or loss 2016

Revenue	29,740,583	17,946,213	27,576,237
cost of sales	(27,395,358)	(12,630,489)	(27,532,179)
Gross Profit	2,345,225	5,315,724	44,058
Other Income & Gains	1,345,941	1,118,045	6,578
Administrative Expenses	(2,320,358)	(734,416)	(51,288)
Other Operating Expenses	-	(373,456)	-
Finance Income	931,412	739,141	652
Finance Cost	(8,421)	(1,045,877)	-
Profit before Tax	2,293,799	5,019,160	-
Income tax	(566,622)	(1,262,103)	-
Profit for the year from continuing operations	1,727,177	3,757,057	-
Total Comprehensive Income			
Attributable to non-controlling interest	785,262	2,035,441	-
Dividends paid to non-controlling interests	159,522	4,377,712	-

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

30.5 Summarised statements of financial position as at 31st December 2017	Lanka Electricity Company (Pvt) Ltd	LTL Holdings (Pvt) Ltd	Lanka Coal Company (Pvt) Ltd
Inventories and Cash and bank balances (current)	4,234,911	4,369,271	2,648
Property, Plant and equipment and other non-current	12,680,394	13,432,130	780,187
Financial assets (non-current)	12,269,276	4,233,965	80,000
Trade & other Payables (current)	1,346,281	1,562,952	3,406,450
Interest-bearing loans and borrowings and deferred tax	830,341	12,772,553	-
Liabilities (non-current)	5,196,901	166,639	1,576
Total Equity			
Attributable to :			
Equity holders of parent	16,221,681	8,851,637	42,316
Non- controlling interest	13,165,423	5,198,580	28,211
30.6 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
30.7 Summarised cash flow information for the year ending 31 December 2017			
Operating	1,354,376	738,574	58,968
Investing	(1,934,371)	(720,617)	(65,305)
Financing	593,364	(551,926)	(6,337)
Net increase/(decrease) in cash and cash equivalents	13,369	(533,969)	(12,674)
30.8 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	20,563

31 PRIOR YEAR ADJUSTMENTS

The group prior year adjustments had been made due to the following reasons.

31.1 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.

31.2 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.

31.3 Sri Lanka Energies (Pvt) Ltd

Recording of Deduruoya Mini Hydro (Pvt) Ltd balances to the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

31.3.1 Impact to the prior year adjustment for the group as at 31 December 2016. Statement of Financial Position

	2016 Before Restatement	2016 CEB Adjustments	2016 LECO Adjustments	2016 SLE Adjustments	2016 After Restatement
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	718,368,958	1,159,274	-	5,040	719,533,272
Premium Paid on Leasehold Land	12,493	-	-	-	12,493
Intangible assets	385,051	-	-	-	385,051
Investments in Subsidiaries	-	-	-	-	-
Investment in Joint Venture	230,330	-	-	-	230,330
Finance Lease Receivables	9,066,186	-	-	-	9,066,186
Other Non Current Financial Assets	19,001,120	(591,900)	-	-	18,409,220
Other Non Current Assets	953,300	949,261	-	-	1,902,561
Investments of Insurance Reserve	6,495,821	-	-	-	6,495,821
Total Non-Current Assets	754,513,258	1,516,635	-	5,040	756,034,933
Non Current Assets held for sale	1,022,423	-	-	-	1,022,423
Current Assets					
Property, Plant & Equipment -Heladhanavi	10,884	-	-	-	10,884
Inventories	37,765,608	-	-	-	37,765,608
Trade and Other Receivables	53,366,884	28,830	20,827	940	53,417,481
Amounts Due from Related Parties	-	-	-	-	-
Finance Lease Receivables	425,205	-	-	-	425,205
Other Current Financial Assets	22,137,894	(357,360)	-	-	21,780,534
Tax Refund Due	-	-	-	-	-
Cash and Bank Balances	6,429,395	-	-	-	6,429,395
Total Current Assets	120,135,870	(328,530)	20,827	940	119,829,107
Total Assets	875,671,551	1,188,106	20,827	5,980	876,886,463
EQUITY AND LIABILITIES					
Capital and Equity					
Contributed Capital	302,694,797	-	-	-	302,694,797
Reserves	38,084,346	17,070	-	-	38,101,416
Retained Earnings / (Loss)	92,804,381	1,456,330	(13,839)	5,980	94,252,852
Equity Attributable to the Equity Holders of the Parent	433,583,524	1,473,400	(13,839)	5,980	435,049,065
Non Controlling Interest	22,412,075	-	34,666	-	22,446,741
Total Equity	455,995,599	1,473,400	20,827	5,980	457,495,806
Non-Current Liabilities and Deferred Income					
Interest Bearing Loans & Borrowings	210,889,289	-	-	-	210,889,289
Consumer Deposits	12,753,072	-	-	-	12,753,072
Provisions and Other Deferred Liabilities	8,087,929	-	-	-	8,087,929
Deferred Income	81,916,240	-	-	-	81,916,240
Deferred Taxation	970,881	-	-	-	970,881
Total Non-Current Liabilities and Deferred Income	314,617,411	-	-	-	314,617,412
Current Liabilities					
Trade and Other Payables	75,115,847	(4,372)	-	-	75,111,475
Dividend Payables	3,211,457	-	-	-	3,211,457
Amounts Due to Related Parties	-	-	-	-	-
Interest Bearing Loans & Borrowings	23,635,989	-	-	-	23,635,989
Income Tax Payable	3,095,249	(280,922)	-	-	2,814,323
Total Current Liabilities	105,058,541	(285,294)	-	-	104,773,244
Total Equity and Liabilities	875,671,551	1,188,106	20,827	5,980	876,886,463

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

31.3.2 Impact of the prior year adjustment for the group as at 31 December 2016.

Statement of Comprehensive Income

	2016 Before Restatement	2016 CEB Adjustments	2016 SLE Adjustments	2016 After Restatement
Continuing Operation				
Revenue	229,074,466	-	-	229,074,466
Cost of Sales	(236,529,138)	22,981	6,004	(236,500,153)
Gross Profit / (Loss)	(7,454,672)	22,981	6,004	(7,425,687)
Other Income and Gain	8,192,301	-	70	8,192,371
Distribution Cost	(101,701)	-	-	(101,701)
Others	(270,964)	-	-	(270,964)
Administrative Expenses	(7,574,473)	(512,987)	(94)	(8,087,555)
Operating Profit/(Loss)	(7,209,510)	(490,006)	5,980	(7,693,537)
Finance Income	2,196,199	532,966	-	2,729,165
Finance Cost	(5,415,745)	-	-	(5,415,745)
Finance Cost-Net	(3,219,546)	532,966	-	(2,686,580)
Share of loss of Joint Venture	(10,423)	-	-	(10,423)
Profit/(loss) before Income Tax	(10,439,479)	42,959	5,980	(10,390,539)
Income Tax Expense	(2,079,904)	-	-	(2,079,904)
Deferred Tax Charge/(Reversal)	(24,692)	-	-	(24,692)
Profit/Loss for the year from continuing operation	(12,544,075)	42,959	5,980	(12,495,135)
Non Controlling Interest	(2,820,704)	-	-	(2,820,704)
Profit/(Loss) for the Year	(15,364,779)	42,959	5,980	(15,315,839)

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

31.3.3 Impact of the prior year adjustment for the group as at 31 December 2015. Statement of Financial Position

	2015 Before Restatement	2015 CEB Adjustments	2015 SLE Adjustments	2015 After Restatement
ASSETS				
Non-Current Assets				
Property, Plant & Equipment	708,965,259	1,136,299	-	710,101,558
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	8,756,102	-	-	8,756,102
Other Non Current Financial Assets	19,430,862	(609,647)	-	18,821,215
Other Non-Current Assets	-	896,017	-	896,017
Investments of Insurance Reserve	6,036,934	-	-	6,036,934
Total Non-Current Assets	743,514,596	1,422,669	-	744,937,264
Non Current Assets held for sale	2,531,553	-	-	2,531,553
Current Assets				
Property, Plant & Equipment-Heladhanavi Ltd	10,884	-	-	10,884
Inventories	36,993,524	-	-	36,993,524
Trade and Other Receivables	37,045,974	7,003	20,828	37,073,805
Amounts Due from Related Parties	-	-	-	-
Finance Lease Receivables	805,078	-	-	805,078
Other Current Financial Assets	18,925,224	(286,370)	-	18,638,854
Cash and Bank Balances	8,422,557	-	-	8,422,557
Total Current Assets	102,203,240	(279,367)	20,828	101,944,702
Total Assets	848,249,389	1,143,302	20,828	849,413,519
EQUITY AND LIABILITIES				
Capital and Equity				
Contributed Capital	302,227,824	-	-	302,227,824
Reserves	35,928,422	3,893	-	35,932,315
Retained Earnings / (Loss)	113,532,100	1,413,368	(13,839)	114,931,629
Equity Attributable to the Equity Holders of the Parent	451,688,346	1,417,261	(13,839)	453,091,768
Non Controlling Interest	24,111,030	-	34,667	24,145,697
Total Equity	475,799,376	1,417,261	20,828	477,237,465
Non-Current Liabilities and Deferred Income				
Interest Bearing Loans & Borrowings	208,080,715	-	-	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	920,382	-	-	920,382
Total Non-Current Liabilities and Deferred Income	302,984,347	-	-	302,984,347
Current Liabilities				
Trade and Other Payables	42,492,620	6,958	-	42,499,578
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	4,782,959	(280,917)	-	4,502,041
Total Current Liabilities	69,465,666	(273,959)	-	69,191,707
Total Equity and Liabilities	848,249,389	1,143,302	20,828	849,413,519

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

32 ASSETS PLEDGED

The Board

There is no assets pledged as at the date of the Statement of Financial Position .

32.1 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
		2017	2016	
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	144,360	132,517	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	820,444	783,662	

32.2 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
		2017	2016	
Lakdhanavi Ltd				
Investment in Fixed Deposits	Mortgage against the Bank Guarantees	1,172,252	1,116,739	Other Financial Assets
Pawan Danavi (Private) Limited				
Wind power plant, Free Hold land and Lease Hold Land.	Primary Concurrent Mortgage Bond	2,081,443	2,219,065	Property Plant & Equipment
Ordinary shares 51% Held by LTL Holdings Pvt Ltd.	Primary Concurrent Mortgage Bond	540,600	540,600	Stated Capital

32.3 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
		2017	2016	
Projects assets together with all the permits, licenses issued by the regulatory bodies in respect of Kumbalgamuwa Mini Hydro Power Project	Mortgage	450,000	450,000	Property, Plant & Equipment
100% shares of Kumbalgamuwa Mini Hydro (Pvt) Ltd	Mortgage	10,000	10,000	Stated Capital

(All amounts in Sri Lanka Rupees Thousands)

33 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.

34 CONTINGENCIES

34.1 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 31.12.2017, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.4,389.3 Mn.

34.2 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 (2016 – 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 (2016 -12) lawsuits and from which five (5) lawsuits (2016-15) have estimated a possible obligation of Rs.13.6 Mn (2016 - Rs.13.6 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.
- (b) The Company has a possible NBT liability which could arise if the proposed MBT (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.

34.3 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 favour of the Company on 29 October 2013 by the Honourable Arbitral Tribunal in the matter of Heladhanavi Limited Vs Ceylon Electricity Board.

Judgement for the above case was pending on 19 July 2017, however, it was not ready on that due date and the cases were postponed to 10 November 2017. On 10 November 2017, the High Court granted the enforcement application in favour of the subsidiary company

HC (Civil) ARB /268/2013- Heladhanavi Limited Vs. Ceylon Electricity Board

Ceylon Electricity Board field 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.

Judgement for the above case was pending on 19 July 2017, however, it was not ready on that due date and the cases were postponed to 10

November 2017. On 10 November 2017, the High Court delivered the judgement rejecting the application by CEB to set aside the Award.

Supreme Court Appeal No SC/HC/LA Application 142/2017 - Final Appeal by CEB against enforcement of award in favour of Heladhanavi Ltd

CEB is not entitled to directly appeal against the judgment granted in favour of Heladhanavi; However, it is permitted to appeal to Supreme Court by way of Special Leave to appeal with the permission of SC having been obtained first. Supreme Court has fixed this appeal for hearing .

34.4 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.

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

35 CAPITAL COMMITMENTS

35.1 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 2017.(2016 - Nil).

35.2 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 2017.(2016 - Nil).

35.3 LTL Holdings (Pvt) Ltd

Leases

Finance Lease commitments the Group as lessee is disclosed in Note 22.5

Finance Lease receivable the Group as lessor is disclosed in Note 12

Letter of Credits

Bank	2017	2016
Hatton National Bank PLC	35,943	265,602
Standard Chartered Bank	44,755	-
	80,698	265,602

Guarantee

Bank	2017	2016
Hatton National Bank PLC	765,935	449,310
Canara Bank - India	5,622	
Standard Chartered Bank	154,221	-
Commercaill bank of Ceylon PLC	61,828	-
	987,606	449,310

Import Bills

Bank	2017	2016
Hatton National Bank PLC	133,295	11,125
Standard Chartered Bank	55,860	-
	189,155	11,125

LTL Holding (Private) Limited has provided corporate guarantees totalling to Rs 2,130,928,704 for a bank loan obtained by subsidiaries (2016:Rs2,053,488,704/-)

Lakdhanavi Limited has committed guarantees totalling to Rs 3.7Bn, USD 2.5Mn and EURO .5Mn for various banks.

35.4 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

	2017	2016
Within One Year	12,230	12,230
After One year but not more than 5 years	6,115	18,345
	18,345	30,575

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

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.

	2017	2016
Within One Year	321	321
After One year but not more than 5 years	1,606	1,606
More than five years	4,118	4,440
	6,045	6,367

35.5 Other Commitments

Lakdhanavi Limited

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 117,844,860 as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly the Company has provided the above guarantee from The City Bank Limited for the equivalent of Tk 117,844,860. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the company shall be required to pay to BPDB.

Raj Lanka Power Co. Limited

As per Power Purchase Agreement (PPA), the Company shall furnish Bangladesh Power Development Board (BPDB) an irrecoverable and unconditional bank guarantee by a schedule bank in Bangladesh, for the sum specified, two months capacity payments as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly, the Company has provided the above guarantee from Standard bank Ltd- Bangladesh for the equivalent of TK 110,163,300. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the Company shall be required to pay to BPDB.

36 Related Party Disclosures

36.1. Transactions with the Government of Sri Lanka and its related entities.

Since the Government of Sri Lanka directly controls the CEB, the Group has considered the Government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as related parties according to LKAS 24, "Related Party Disclosures".

The Group and the Board entered into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transactions have been reported in follows.

Nature of Transaction	Group		Board	
	2017	2016	2017	2016
Ceylon Petroleum Corporation Purchase of Fuel	59,758,230	36,885,000	59,758,230	36,885,000
Department of Public Enterprises Obtain Project Loans	17,737,183	10,553,645	17,737,183	10,553,645
Peoples Bank Obtain Bank Loans	2,582,250	6,048,975	2,582,250	6,048,975
Peoples Bank Investments	11,185,929	11,618,659	1,516,230	-
Bank of Ceylon Investments	1,426,937	951,248	-	-
State Mortgage & Investment Bank Investments	820,444	783,662	-	-
Ceylon Shipping Corporation Freight Charges	4,769	4,842	-	-
Director General of Irrigation Contract Revenue	-	21,273	-	-
Central Cultural Fund Contract Revenue	-	(4,606)	-	-
Sri Lanka Development Board Investments	-	382,836	-	-

NOTES TO THE FINANCIAL STATEMENTS [CONTD.]

(All amounts in Sri Lanka Rupees Thousands)

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
- 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)"

36.2 Related Party Transactions with the related companies of CEB

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

	Relationship	Nature of the Transaction	2017	2016
Lanka Electricity Company	Subsidiary	Sale of Electricity	25,182,113	24,608,763
		Cash receipts for electricity sales	(24,974,520)	(22,827,681)
		Dividend Income	274,221	191,954
		Dividend receipt	(274,221)	(191,954)
		Loan Settlement	2,222	1,758
LTL Holdings (Pvt) Ltd	Subsidiary	Dividend Income	1,889,622	4,409,118
		Dividend receipt	(1,259,748)	(3,149,370)
Lanka Coal Company (Pvt) Ltd	Subsidiary	Purchase of Coal	31,909,924	20,160,026
		Reimbursement of net expenditure	43,330	44,000
Sri Lanka Energies (Pvt) Ltd	Subsidiary	-	-	-
LTL Transformers Ltd	Sub-subsidiary	Purchase of Goods	1,025,029	1,787,527
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary	Receipt of Services	175,766	153,879
Nividu (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	41,557	65,690
Nividu Assupinella (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	183,271	92,426
Pawan Danavi Limited	Sub-subsidiary	Purchase of Electricity	660,013	656,846
ANTE LECO Metering Co (Pvt) Ltd	Sub-subsidiary	Purchase of Goods	806	948,067
Sri Lanka Energies HR (Pvt) Ltd	Sub-subsidiary	Receipt of Services	10,590	879,834
Kumbalgamuwa Mini hydro (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	92,372	90,464

36.3 Related Party Transactions among the group companies

Nature of the transaction	LTL Holding and subsidiaries	Lanka Electricity Company and subsidiaries	2017 Total	2016 Total
	Sale of Goods & Services	567,160	196,928	764,088
Dividend	1,427,594	4,369	1,431,963	3,403,488
Other Services		13,188	13,188	
Operational & Engineering Services	329,524		329,524	300,313

(All amounts in Sri Lanka Rupees Thousands)

36.4 Transaction with Key Management Personnel of the Group

The Key Management Personnel's (KMPs) of the Board are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Board. Such key management personal of the Board are the members of its Board of Directors, and Chief Executive Officer.

Key Management of the group was considered as the Board of Directors of the subsidiaries, Joint venture and Ceylon Electricity Board as the parent.

Independent transactions with Key Management Personal and transactions with the close family members (CFMs) of the KMPs, if any, also have been taken into consideration in the following disclosure.

a) Key Management personnel Compensation

	Group		Board	
	2017	2016	2017	2016
Short- term employee benefits	75,002	121,025	5,272	4,505
Post - Employment benefits	8,208	8,838	-	
	83,210	129,863	5,272	4,505

In addition to above compensation, the company also provides non cash benefits to Key Management Personnel in terms of employment contracts with them.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 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.

37.2 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.

37.3 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.

(All amounts in Sri Lanka Rupees Thousands)

37.4 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.

37.5 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 and available for sale investments.

37.5.1 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.

37.5.2 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 தீ.எ. }
My No. }

POE/C/CEB/CFA/2017

ඔබේ අංකය
உமது தீ.எ. }
Your No. }

දිනය
திகதி }
Date }

31 May 2019

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 2017 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 2017 comprising the statement of financial position as at 31 December 2017 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 and by me, 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, පොල්දඬු පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - - இல. 306/72, பொல்தூறு வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34

+94-11-2887223

oaggov@sltnet.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 Ceylon Electricity Board (CEB) and the consolidated financial statements of the CEB and its Subsidiaries give a true and fair view of the financial position as at 31 December 2017, 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.

2.2.1.1 The auditor of the Trincomalee Power Company Limited (TPCL) has emphasized the following matter paragraph on its financial statements.

The company, which operated with the sole purpose of developing a 500 MW Coal Power Plant in Sampur has ceased the development activities of that Power Plant and the expenses previously capitalized has been written off during the year under review. Instead, Cabinet approval has been received to setup a 50 MW Solar Power Plant by TPCL on the same land provided to construct the Coal Power Plant in Sampur. Further, Cabinet approval has also been granted to develop a 500 MW LNG Power Plant at Kerawalapitiya. Accordingly, 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.

2.2.1.2 The Qualified Opinions on the financial statements of the following companies for the year ended 31 December 2017 had been expressed by me based on there under.

(a) Lanka Coal Company (Pvt.) Ltd

- (i) Value Added Tax (VAT), Economic Service Charges (ESC) and Withholding Tax receivable amount aggregating Rs.27,478,787 and Tax payable amounting to Rs.11,703,151 had been shown in the financial statements. In the meantime, abnormal debit balances of Rs.3,371,326 and Rs. 12,758,801 had been shown as Nation Building Tax (NBT) and VAT respectively under the creditors in the financial statements. During the audit, these balances could not be satisfactorily verified in audit due to non-availability of sufficient and appropriate audit evidence such as details of tax computation and tax returns etc. Further, the Company had not taken effective action to clear those balances after negotiating with the Department of Inland Revenue even as at 31 October 2018.
- (ii) As per the financial statements, the income tax liability as at the end of the reporting period was Rs. 65,474,540. However, it was shown as Rs.4,046,601 in the records of the Department of Inland Revenue. Hence, the income tax liability shown in the financial statements had been overstated by Rs.61,427,939.
- (iii) The Company is liable to pay ESC on the value of coal supplied to the Ceylon Electricity Board. However, the Company had failed to make a provision of Rs. 159,790,628 in this regard in the financial statements.
- (iv) According to the Value Added Tax (Amendment) Act, No.20 of 2016, the VAT exemption granted on "importation and supply of coal" had been removed with effect from 01 November 2016. Therefore, the Company is liable to pay VAT on importation and supply of coal. However, the Company had not been accounted the input VAT and output VAT amounting to Rs.5,071,823,613 and Rs.4,790,535,258 respectively. Further, disallowable VAT amount of Rs.281,288,355 had not been treated as expense of the year under review. As a result, Cost of Sale had been understated by same amount. And also, disallowable VAT amount had not been invoiced by the Company to the Ceylon Electricity Board. Therefore, the revenue of the Company had been understated by Rs.281,288,355 and tax liability thereon amounting to Rs. 42,193,253 had not been recorded.
- (v) According to the detailed schedule submitted to audit, the Note -19 to the financial statements included an amount of Rs.478,179,795 as payable to Ceylon Electricity Board. However, as per the Note - 10 to the financial statements, the corresponding amount receivable from Ceylon Shipping Corporation Ltd with regard to short

delivery of coal and other receivables was as Rs.539,192,079. Hence, an un-reconciled difference of Rs.61,012,284 was observed between those two figures. However, the Company had failed to recover this receivable balance from Ceylon Shipping Corporation Ltd, even though five years has been elapsed from the transaction date. The recoverability of the above mentioned balance could not be ensured in audit and the Company has not recognized provision for the above mentioned receivable balance, which is affect to the fair presentation of the financial statements.

(b) Consolidated Financial Statements of the Sri Lanka Energies (Private) Limited and its Subsidiaries

- (i) The Company entered into a joined agreement with Amtrad Holdings (Private) Limited on 27 July 2012 to establish a Joint Venture in Sri Lanka for the manufacture and sale of cement based products using fly ash and bottom sludge. An investment of Rs.7,364,447 has been made by the Company as at 31 December 2014. However, the Board decided to terminate the agreement on 27 March 2014. I am unable to obtain sufficient appropriate evidence on the recoverability of the costs incurred in this regard. Consequently, I am unable to determine whether any impairment needs to be recognized in relation to that investment.
- (ii) In the absence of independent confirmations or other transactional supports/ proper valuations/physical inventory verification sheets, I am unable to satisfy myself as to the existence and the valuation of balance of the inventory meter enclosure amounting to Rs. 7,505,626 reflected in the financial statements as at the reporting date.
- (iii) It was observed that Rs.642,434 recorded under retirement benefit obligation at the end of the year under review was the brought forward balance from the previous year and the gratuity amounting to Rs.438,231 in retain for the year under review has not been reflected in the financial statements as at 31 December 2017.
- (iv) In accordance with paragraphs 111-124 of Sri Lanka Accounting Standards 1, the Group has to disclose its significant accounting policies comprising (a) the measurement basis or bases used in preparing the financial statements and (b) the other accounting policies used that are relevant to an understanding of the financial statements. There was no such accounting policy provided in the financial statements.
- (v) In accordance with paragraph 49 of Sri Lanka Accounting Standards 8, the Group has to disclose the prior period errors comprising (a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable; (c) the amount of correction at the beginning of the earliest prior period presented. There was no such disclosure provided in the financial statements.
- (vi) In accordance with paragraphs 12-14 and 15-20 of Sri Lanka Accounting Standards 12, the Group has to recognize the current tax liability/asset and deferred tax liability/asset for each financial period along with the respective charge/ reversal to statement of profit or loss. However, the Group has not accounted for above in the financial statements as at 31 December 2017.
- (vii) In accordance with paragraphs 13, 14,18,19,25 and 26 of Sri Lanka Accounting Standards 24, the Group is required to disclose the related party transactions which are transfer of resources, services or obligations between the reporting entity and related party, regardless of whether a price is charged. However, there was no such disclosure note provided in these financial statements.
- (viii) In accordance with paragraph 17 of Sri Lanka Accounting Standards 24, the Group has to disclose the compensation to key management personnel those who are the people having authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly in total and for each of the following categories: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment. However there was no such disclosure note provided in these financial statements.

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.

The following observations are made.

(a) LKAS 2- Inventories and LKAS 16 – Property, Plant and Equipment

The CEB is applying the standard cost method for valuing of labour, material and overhead costs of its capital and maintenance jobs, instead of applying the actual costs as per the provisions in the above Standards. As a result, the favorable material price variance and labour and overhead rate variances aggregating Rs.5,918,929,637 and unfavorable stores price variance of Rs.1,053,069,877 arisen thereon had been brought to the financial statements.

As a result of that, the operating results, assets, liabilities and equity of the CEB have been significantly affected 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 8 – Accounting Policies, Changes in Accounting Estimates and Errors

(i) The spare parts worth of Rs.31,604,054 and Rs.1,618,736,079 had been accounted under operational expenses and capital expenses respectively as per the instruction given by the Additional General Manager (Generation) without taking a firm policy decision by the Board of Directors of the CEB. Hence, the reasonability of the basis applied for such classification could not be accepted in audit. Further, the basis applied for the classification had not been disclosed in the financial statements.

(ii) The useful lifetime of fully depreciated non-current assets which are being continuously utilized by the CEB had not been reviewed as mentioned in the accounting policies. For instance, fully depreciated four power stations costing Rs.23,932,093,328 are being still used for power generation without revaluing.

(c) **LKAS 27- Provisions, Contingency Liabilities and Contingency Assets** Recoverability of Rs.2,312,756,993 invested in financial instruments by Employee Provident Fund (EPF) of the Board is doubtful due to non-existence of those financial instruments. The CEB is the custodian trustee of the Employee Provident Fund and therefore, ultimate responsibility for contingencies (if any) is remained with the Board. However, no any provision or disclosure had been made in the financial statements of the Board regarding this contingency.

2.2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

(a) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs.403,717,966 and interest thereon amounting to Rs.16,045,328 were in doubt due to non-existence of those financial instruments. However, neither adjustment nor provision had been made in the financial statements in this regard.

(b) The balance of the Property, Plant and Equipment (PPE) as at 31 December 2017 and the loss of PPE in the year under review shown in the financial statements had been overstated by Rs.14,605,980 and Rs.2,086,567 respectively due to accounting of two vehicles belong to the Ministry of Power and Renewable Energy as the assets of the CEB.

(c) A debit balance of Rs.1,473,735,676 (stock shortage) and a credit balance of 16,654,669 (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.

(d) Expenditure on foreign purchases such as commission, clearing charges etc. aggregating Rs.746,546,369 had remained in Goods-in-transits Account of the Lakvijaya Power Station since 2013 without absorbing to the relevant expense or asset accounts.

- (e) As per the Decision No. 10/2434/423/034 of the Cabinet of Ministers, the CEB should repay the loan and interest thereon for the loan amount of Rs.159,184,187,965 obtained for the construction of Lakwijaya Power Plant to the General Treasury. However, the CEB had not paid or made provisions in its accounts for the above payments although the Department of External Resources of the General Treasury had paid an amount of Rs.3,398,152,185 during the year under review and Rs.18,567,893,780 up to 31 December 2016 as interest for the said loan to the lending bank. Therefore, loss for the year under review had been understated by Rs.3,398,152,185 and retained earnings as at 31 December 2017 had been overstated by Rs.21,966,045,965.
- (f) The expenses incurred on behalf of Employee Provident Fund maintains by the CEB amounting to Rs.35,220,599 had been treated as expenses of the CEB without being treated as receivable and as such, the loss for the year under review had been overstated by a similar amount.
- (g) A loan of USD 5,412,000 equivalent to Rs.820,969,500 received as per the decision No.15/0228/613/012 dated 19 March 2015 taken by the Cabinet of Ministers and interest of Rs.5,602,295 thereon had not been brought to the financial statements. Therefore, the liabilities and loss of the year under review had been understated by Rs.820,969,500 and Rs.5,602,295 respectively.
- (h) The jobs carried out by the CEB for supply, maintain and repair of power generators, lifts and air conditioners of the government institutions prior to the year 2013 had been valued at cost and accounted them accordingly instead of accounting based on their invoice values. As a result, the receivables and retained earnings shown in the financial statements had been understated by Rs.66,987,761.

2.2.2.3 Un-reconciled Differences

The following observations are made.

- (a) A difference of Rs.786,222,430 was observed between the balance of Rs.49,468,844,000 shown as payable to the Ceylon Petroleum Corporation in the financial statements of the CEB as at 31 December 2017 and the corresponding balance of Rs.50,255,066,432 shown as receivable in the financial statements of the Ceylon Petroleum Corporation as at that date.

The Chairman of the CEB states 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 the CEB. Therefore, it is not required to carry out reconciliation for this difference since the CEB does not liable."

However, this dispute had not been cleared even as at 31 December 2017 though it has been reiterated in audit reports since 2013 continuously.

- (b) Un-reconciled differences aggregating Rs.331,154,817 was observed between the balances of bulk trade debtors as at 31 December 2017 shown in the billing system of the Distribution Divisions 1, 2, 3 and 4 and the corresponding amount shown in the financial statements of the year under review due to omission of some balances in billing system and as well as in the financial statements.

2.3 Accounts Receivable and Payable

The following observations were made.

- (a) Out of trade debtor balance of Rs.18,203,663,608 as at 31 December 2017, a balance of Rs.3,826,334,673 relating to both ordinary and bulk supplies had remained outstanding for over one year and of them Rs.1,929,746,044 had remained unrecovered for more than five years. Further, an amount of Rs.423,764,624 is remained as unidentified since 2012.
- (b) A sum of Rs.32,765,469 due from the Lanka Electricity Company (Private) Limited (LECO) had remained outstanding for more than five years without taking any recovery action.
- (c) The following other receivable balances aggregating Rs. 2,505,397,073 had remained unrecovered for more than five years as at 31 December 2017 even it was continuously reiterated in my previous audit reports.

Name of Debtor	Amount Rs.	Description
General Treasury	225,000,000	Recovering cost of street lightening & maintenance.
Wood Group Gas Turbine Ltd.	8,264,352	Payments made to Fiagioli Italy for the use of their trailer to transport Wood group gas turbine from Colombo Fort to Pannipitiya site.
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 (Private) Ltd.	1,368,964,445	Amount to be recovered on payment of price differences.
Total	2,505,397,073	

- (d) Treasury Bonds which were agreed to be issued against the special levy of Rs.5 billion charged by the General Treasury in 2016 and shown as other debtors in the financial statements had not been received by the Board even at the end of the year 2017.

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 2017 was Rs.17, 447 million.
- (ii) Section 47(2)(a) - The CEB 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 2017 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 only Rs.7,246 million as at 31 December 2017 in the Insurance Escrow Fund although it was stated that a contribution of 0.1 per cent of the total value of the gross fixed assets as at the end of each year since 1989 should be transferred to that Fund.

- (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 2017, the interest to be paid thereon was Rs.1,163 million and unpaid accumulated interest as at 31 December 2017 was Rs.1,963 million.

- (c) An amount of Rs.7,088 million relating to Insurance Reserve Fund as at 31 December 2017 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. 45,729 million and Rs. 41,156 million respectively as against the pre-tax net loss of Rs. 13,191 million and Rs.10,391 million respectively for the preceding year, thus indicating a deterioration of Rs. 32,538 million and Rs. 30,765 million respectively in financial results of the year under review. Increase in cost of coal by 86 per cent due to price hike and impose of Value Added Tax (VAT) on importation of coal were the main reasons attributed for this deterioration.

However, the value addition of the CEB for the year under review after taking into account the personnel emoluments, tax expenditure and depreciation aggregating Rs.63,741 million was Rs.26,210 million and it had decreased by Rs.21,243 million or 44 per cent as compared with the previous year.

3.2 Analytical Financial Review

3.2.1 Working Capital Management

The Working Capital position of the Group as at 31 December 2017 was a negative value of Rs.29,813 million whereas it was a positive value of Rs.15,056 million as at the end of the previous year. Hence, the working capital position of the year under review had been deteriorated by 298 per cent. The main reason for this deterioration was increase in balance payable to the Ceylon Petroleum Corporation by Rs.37,004 million. Further, the CEB had paid an overdraft interest of Rs.846 million in the year under review and it was an increase of 3,560 per cent as compared with the previous year.

3.2.2 Debt to Equity

Equity balance of the Group as at 31 December 2017 had been decreased by 9 per cent as compared with the corresponding decrease of 4 per cent due to continuous net loss of the Group. As a result, the Debt to Equity Ratio of the Group had increased to 60 per cent in the year under review from 51 per cent in the previous year. Further, 37 per cent or Rs.249 billion of the total capital employed by the Group as at 31 December 2017 had been financed through borrowings.

3.2.3 Profitability

The average cost per unit of the year under review was Rs.20.34 as compared with Rs.18.08 in the year 2016 and sold at an average price of Rs.16.26 per unit (previous year average selling price was Rs.16.18 per unit). Accordingly, the gross loss per unit of the year under review was Rs.4.08 and it was 114 per cent increase as compared with the previous year average gross loss of Rs.1.90 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)	
	2017 Rs.	2016 Rs.
Domestic	(6.86)	(4.66)
Religious	(13.13)	(10.93)
General Purpose	3.40	5.82
Hotel	(2.61)	(0.34)
Industrial	(5.57)	(3.45)
Government	(2.08)	0.26
Bulk Supplies to LECO	(4.55)	(2.31)
Street Lighting	(20.34)	(18.08)
Contribution per Unit	(4.08)	(1.90)

Accordingly, the tariff category of General Purpose was only the positive contributor to the total contribution of the year under review. Positive contribution of the government category in previous year had become negative in this year. 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 religious, hotel, government, sales to LECO and street lightening had also shown unfavorable contributions thereto.

4. Operating Review

4.1 Performance

4.1.1 Power Generation and Cost of Generation (Excluding Distribution and Transmission Cost)

The following observations are made.

- (a) Although the main objective of the CEB is to supply of power at low cost to the country, the CEB was unable to achieve this objective due to unfavorable conditions in the Power Purchase Agreements, high cost incurred for generation of Thermal Power and less contribution from Wind and Other Non-conventional Renewable Energy Sources.

Further, Significant delays were observed in implementation of the activities included in the Long Term Generation Plan and the Transmission Plan of the CEB. As a result, the CEB had made emergency power purchases (1,240 GWh worth of Rs.26,628 million) which were badly affected to the least cost objective of the CEB.

The position of power generation in 2017 as compared with the previous year is given below.

Source	2017	2016	Percentage of Contribution to the Total Generation	
	GWh	GWh	2017	2016
Hydro	4,004	4,220	27	30
Thermal	5,045	4,461	34	31
Coal	5,103	5,047	35	36
Wind	367	345	3	2
Other Non-Conventional Renewable Energy	152	76	1	1
Total	14,671	14,149	100	100

(b) Direct Cost

It was revealed that the cost of the coal power generation had significantly increased by Rs.17,301 million during the year under review as compared with the previous year although there was no significant increase in coal power generation in this year. Further, cost of power purchases and fuel cost for the year 2017 had increased by Rs.7,502 million and Rs.7,768 million or 9 per cent and 15 per cent respectively as compared with the previous year while the thermal power generation increased by only 13 per cent in the year under review. The details of direct cost involved in power generation are given below.

Description	2017		2016	
	Rs. million	Percentage	Rs. million	Percentage
Fuel	57,842	27	50,074	28
Power Purchase	89,254	42	81,752	46
Coal	37,505	18	20,204	11
Operation and Maintenance	11,727	6	12,083	7
Depreciation	14,476	7	14,797	8
Total Direct Cost	210,804	100	178,910	100

4.2 Management Activities

The following observations are made.

- (a) Two transformers purchased for Rs.18,254,550 in 2005 with a useful economic lifetime of 35 years had been decommissioned within 5 years and 7 years respectively due to inability to withstand the short circuit conditions identified in procurement process. Subsequently, it was decided to dispose them with the Board approval. However, no action had been taken to investigate and identify the persons responsible for this transaction.
- (b) Three thousand insulators (Pin 33KV) procured at a cost of Rs.7,221,707 on 11 September 2014 had not been utilized due to inferior quality issue and it was remained idle without replacing at the stores up to 30 September 2018. It was further observed that the validity period of the performance bond obtained in this connection had been lapsed on 26 February 2016.
- (c) 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 in April 2017. However, no action had been taken against the officers those who responsible for this shortage even up to 30 September 2018. Further, a court case (Case no B/1164/15) had been filed in Magistrate Court, Trincomalee by the Criminal Investigation Department in 2015 in this regard. Further, information relating to present position of the court case was not made available for audit.
- (d) The prompt actions had not been taken by the Board up to 16 August 2018 against the person who liable for stock shortages of Rs.3,674,861 which had been occurred during the period of 20 November 2006 to 20 February 2012, in Asset Management Division (Power Plant) even the formal investigation was over. Further, the same employee had committed a fraud in another office and his duty has been terminated after recovering Rs.99, 155 as the value of the fraud.
- (e) An officer who liable for the stock shortage of Rs.3,789,893 had been allowed to be retired on 15 October 2011 without being recovered the loss as recommended by the committee appointed for investigate. Further, the above material amount has remained in the books of account without being taken any remedial action.
- (f) The staff loans such as distress, transport, festival advance and special advance to the value of Rs.4,860,885 had remained outstanding without being taking any recovery action.

4.3 Operating Inefficiencies

A sum of Rs.2,051,605,881 representing 11 per cent of the total consumable stock of Rs.17,936,845,512 had been shown in financial statements as slow moving, non-moving and damaged stock as at 31 December 2017. Maintaining this much of non-moving and slow moving stock may cause the increase in damages, cost of holding and fraud etc.

4.4 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.3,294,348,130 from its owned fund without deducting it from the salaries of the respective employees during the period of 2010 to 2017 in contravening to the above decisions taken by the Cabinet of Ministers. The amount so paid during the year under review was Rs.676,508,227.

Further, the value of non-cash benefits specified by the Commissioner General of Inland Revenue in the Gazette Notification No.1706/18 dated 20 May 2001 should 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. for this purpose.

- (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 the provisions in the Management Services Circular No. 39 of 26 May 2009. At the audit test checks, it was revealed that such allowances totaling Rs.1,930 million and Rs.1,222 million had been paid in the year 2017 and 2016 respectively.

- (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.

4.5 Transactions 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 were no sales and purchase agreements entered with those two parties in order to ensure the smooth operations between these two Institutions.
- (b) The CEB had not paid an interest of Rs.2,171,027,353 to the General Treasury as per the conditions in Sub-loan Agreements and an additional interest ranging from 1 per cent to 2 per cent per annum have to be paid on delaying the above interest payment. Further, the agreements with regard to four sub-loans to the total value of Rs.13,090,107,000 were not made available for audit.

4.6 Identified Losses

A sum of Rs.41,829,697 had been deducted by the lending agency in 2017 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.

4.7 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.

5. Achievement of Sustainable Development Goals

Ensure access to affordable reliable, sustainable and modern energy services" is the 7th goal out of 17 goals in the "Sustainable Development Agenda 2030" introduced by the United Nations and this goal is falling within the scope of the CEB. Hence, the CEB is responsible to ensure the achievement of this goal by 2030 in Sri Lanka. However, the CEB had not identified the targets and milestones to achieve this goal yet.

6. Accountability and Good Governance

6.1 Social Responsibilities

Environmental Protection License (EPL) had not been issued by the Provincial Environmental Protection Authority since July 2017 for Lakvijaya Coal Power Station.

6.2 Unresolved Audit Paragraphs

Thirty two audit paragraphs raised in previous year audit reports had been brought forwarded without being resolved even in the year under review.

7. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Board in time to time. Special attention is needed in respect of the following areas of control.

(a)	Assets Management	(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 database for vehicles.
(b)	Receivables and Payables		Timely recover of debtors and other receivables.
(c)	Human Resources Management		Management of human resources according to the role and the extent for achievement of the objectives of the entity.
(d)	Inventory Control	(i)	Maintenance of stock records properly.
		(ii)	Establishment and maintenance of appropriate controls over the coal stock handling to avoid stock shortages and excesses.
(e)	Project Management and Control	(i)	Completion of the project within the time frame.
		(ii)	Preparation of engineering estimate realistically.
(f)	Accounting System		Continuously restate the financial statements of the CEB since the year 2013 due to weaknesses in the internal controls remained in the accounting system.



W.P.C. Wickramaratne
Auditor General

REPLIES TO THE REPORT OF THE AUDITOR GENERAL

REPLIES TO THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BORD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2017 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

2.2.1.1 The auditor of the Trincomalee Power Company Limited (TPCL) has expressed an emphasis of matter paragraph on its financial statements.

A joint working group (JWG) has been established by Governments of Sri Lanka and India comprising their Power Secretaries of the Ministries to consider development of possible alternative generation projects in place of Coal Power project to be developed by TPCL. In the meantime Cabinet approval has also been granted to develop 50 MW solar power project at proposed Sampur coal power project site and a 500MW LNG power project in West Coast of Sri Lanka. JWG is in the process of arriving at modalities for the development of aforesaid power projects. Further, Project agreements are being prepared by the two shareholders, namely Ceylon Electricity Board and NTPC Ltd India.

2.2.1.2 The qualified opinion on the financial statements of the following companies for the year ended 31 December 2017 had been expressed.

(a) Lanka Coal Company (Pvt) Ltd (LCC)

(i) Value Added Tax (VAT), Economic Service Charges (ESC) and withholding Tax receivable aggregating Rs. 27,478,787 and Tax payable Rs.11, 703,151 had been shown as receivables and payables respectively in the financial statements.

Value Added Tax (VAT) Rs.27,478,787

This is an overpayment to Sri Lanka Customs which has arisen due to over valuation of a consignment for VAT purposes by the clearing agent. LCC have already filed a refund claim and has been following up constantly to collect the refund.

Tax Payable Rs. 11,703,151

Department of Inland Revenue has confirmed that the tax payable is only Rs. 4,046,601. Therefore, the above payable is no longer required and was adjusted with the permission of the board in 2018.

NBT Rs.3,371,326

NBT paid had been accounted as a receivable. Since this amount is not recoverable it was adjusted in 2018 with the permission of the board.

VAT Rs.12,758,801

Excess input VAT has been recorded as receivable. Inland Revenue Department by their letter dated 2018-06-14 intimated that excess input VAT shall not be refunded.

Accordingly, the amount was adjusted with the permission of the board in 2018.

(ii) As per the financial statements, the income tax liability as at the end of the reporting period was Rs.65,474,540. However, it was shown as Rs.4, 046,601 in the records of the Department of Inland Revenue

Inland Revenue Department confirmed that the outstanding Income tax liability was only Rs.4,046,601. Therefore, the above payable is no longer required and was adjusted in 2018 accounts.

- (iii) The Company is liable to pay ESC on the value of coal supplied to the Ceylon Electricity Board. However, the Company had failed to make a provision of Rs. 159,790,628 in this regard in the financial statements

LCC has made full provision for ESC in the 2018 financial statements. LCC has submitted a claim to CEB on 2018-08-10 to receive funds to settle the liability and awaiting the release of funds for the said purpose.

- (iv) The Company had not been accounted the input VAT and output VAT amounting to Rs. 5,071,823,613 and Rs. 4,790,535,258 respectively

There is no excess irrecoverable input VAT since input VAT to customs is reimbursed in full by CEB. LCC has created a VAT receivables/ payables control account in order to apply accounting treatment.

- (v) As per the Note - 19 to the financial statements, the corresponding amount was as Rs.539,192,079 from Ceylon Shipping Corporation Ltd (CSC) with regard to short delivery of coal and other receivables.

According to CSC a committee has been appointed by the respective ministry in order to arrive at a negotiated settlement for the amount receivable. The committee report has been submitted to the cabinet as disclosed by CSC and a decision is awaited to resolve the matter.

This amount will remain as receivable until LCC is notified of the committee decision.

- (b) **Consolidated Financial Statements of the Sri Lanka Energies (Private) Limited and its Subsidiaries (SLEL)**

- (i) Joint Venture Agreement between the Company and Amtrad Holdings

The Board of SLEL in 2016 had taken a decision to hand over the said buildings to CEB, having done a valuation and to propose how best to utilize the existing building.

- (ii) Existence and Valuation of balance of inventory meter enclosure

As per the recommendation of the Audit Committee of SLEL action will be taken to invite a member from Ernst & Young (E&Y) Chartered Accountants as an Independent Party to review the subject matter.

- (iii) Retirement benefit obligation had not been reflected in the Financial Statements of SLEL

As per the recommendation of Audit Committee of SLEL action will be taken to include required disclosure in the financial statements.

- (iv) Non-disclosure of Accounting Policy used that are relevant to understanding of Financial Statements

As per the recommendation of Audit Committee of SLEL action will be taken to include required disclosure in the financial statements for the year 2018.

- (v) Disclosure on prior period errors had not been made in the financial statements of SLEL

As per the recommendation of Audit Committee of SLEL action will be taken to include required disclosure in the financial statements.

- (vi) Recognition of current tax liability/asset and deferred tax liability/asset for each financial period

As per the recommendation of Audit Committee of SLEL action will be taken to include required disclosure in the financial statements.

- (vii) Non-disclosure of Related Party Transactions (RPT)

As per the recommendation of Audit Committee of SLEL action will be taken to include required disclosure in the financial statements.

- (viii) Compensation to Key Management Personnel (KPI)

As per the recommendation of Audit Committee of SLEL action will be taken to include required disclosure in the financial statements.

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) LKAS 2- Inventories and LKAS 16 – Property, Plant and Equipment

The CEB is applying the standard cost for valuing labour, material and overhead cost for its capital and maintenance jobs, instead of applying 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 price 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.

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.

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 2017 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.

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.

Applying standard prices for valuing the stock is permitted by the LKAS 02- Inventory only if the prices are close proximity to the actual. However due to the complexity of the nature of the business, material price variance balance has been reported in the financial statement.

A committee appointed to study the most appropriate method for valuation of inventory has recommended to apply "Weighted Average pricing method". Meanwhile CEB is in the process of implementing ERP system with the Weighted Average inventory valuation method. When ERP system introduce in CEB these issues will be eliminated.

(b) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

(i) The basis applied for the classification of spare parts could not be accepted in audit and the basis applied for classification had not been disclosed in the financial statements.

After in depth study instructions were issued by a Circular No. GHQ/AGM (G)/Circular /2018/01 dated 2018-09-17 on "Spare Parts of Generation Division – Demarcation of Capital Expenditure and Operating Expenditure" which is effective from 2019-01-01.

(ii) The useful lifetime of non-current assets had not been reviewed as mentioned in the accounting policies.

Non-current assets of Generation Division, such as power plants are unique and complex in nature and there is no specific institution / guideline to carry out the reassessment of the life of the assets & Valuation. This issue will be further study.

(C) Recoverability of Rs.2,312,756,993 invested in financial instruments by Employee Provident Fund (EPF) of the Board is doubtful due to non-existence of those financial instruments.

A Civil Cases has been filed by CEB Provident Fund against Entrust Securities PLC in the District Court of Colombo under the Case Numbers DMR/1405/2018 to recover the Face Value and the Defaulted Coupon Interest Payments. Case No: DMR/1405/2018 has been fixed for the Answers of the Respondent and the next hearing date is April 30, 2019.

In addition to legal action, a settlement plan is being negotiated with Central Bank of Sri Lanka in which CBSL proposed to repay 50% of the Invested amount with the Default Coupon Payments and settle the remaining balance in Four (04) equal installments. In response to the said proposal, Chairman-CEB, by his letter dated October 4, 2017, expressed CEB's consent to the said proposal without prejudice to the right of the CEB to institute any legal action against Entrust Securities PLC to recover any unpaid value of the total investment. Several reminders have been sent inquiring the current status of the aforesaid Settlement Plan, CBSL has mentioned that the proposed settlement plan has been referred to Monetary Board of CBSL for approval.

2.2.2.2 Accounting Deficiencies

(a) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs. 403,717,966 and Rs. 16,045,328 of interest thereon is in doubt due to non-existence of those financial instruments

A Civil Case has been filed by CEB Pension Fund against Entrust Securities PLC in the District Court of Colombo under the Case Number DMR/1029/2018 to recover the Face Value and the Defaulted Coupon Interest Payments. Case No: DMR/1029/2018 has been fixed for Summons Returnable and the next hearing date is April 05, 2019.

In addition to legal action, a settlement plan is being negotiated with Central Bank of Sri Lanka in which CBSL proposed to repay 50% of the Invested amount with the Default Coupon Payments and settle the remaining balance in Four (04) equal installments. In response to the said proposal, Chairman-CEB, by his letter dated October 4, 2017, expressed CEB's consent to the said proposal without prejudice to the right of the CEB to institute any legal action against Entrust Securities PLC to recover any unpaid value of the total investment. Several reminders have been sent inquiring the current status of the aforesaid Settlement Plan, CBSL has mentioned that the proposed settlement plan has been referred to Monetary Board of CBSL for approval.

Based on the above fact provision has not been made in the Financial Statements of CEB.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL [CONTD.]

- (b) Accounting of two vehicle belong to the Ministry of Power and Renewable Energy (MOPRE) as the assets of CEB.
- MOPRE has agreed to handover the vehicle no. KW – 5863 hold by the MOPRE to CEB after purchasing of vehicles by MOPRE. The vehicle bearing no. KI – 0563 is used by the Atomic Energy Regulatory Council.
- Action will be taken by the Ministry to reimburse the lower of the market value of the vehicle or the cost.
- (c) A debit balance of Rs. 1,473,735,676 (stock shortage) and a credit balance of Rs. 16,654,669 (stock excess) had remained in the Stock Adjustment Account for more than one year without being cleared.
- Action has been taken by the respective division to clear the stock adjustment account. Frauds, shortages which are on legal action.
- (d) Expenditure on foreign purchases such as commission, clearing charges etc. amounts aggregating Rs.746,546,369 had remained in Goods-in-transits Account of the Lakvijaya Power Station since 2013.
- The total outstanding amount up to 2017 were cleared as at 31 December 2018.
- (e) A provision had not been made for the interest of the loans obtained under a sub-loan agreements entered with the Government for constructions of the Lakvijaya Power Plant.
- At the meeting held on 2018-01-11 organized by the Department of Public Enterprises, It was decided to transfer the already paid amount of loan (Capital + interest) up to 31 December 2017 with the necessary approval of the Cabinet of Ministers.
- CEB was not informed by the Department of Public Enterprises the amount of repayment made by the Treasury until 31 December 2017 as per the State accounts (including interest paid by Treasury). Once necessary approval is received books of Accounts will be adjusted.
- (f) The expenses relating to Employee Provident Fund of the CEB amounting to Rs.35,220,599 had been treated as expenses of the Board.
- According to the CEB Provident Fund rule of the gazette notification which has been gazette by No. 1321/18 dated 2003-12-31 states that Administrative and Management Expenses of CEB Provident Fund shall be charged as CEB expenses. Accordingly, such expenses are not part of Provident Fund. Therefore, it is legitimate to incorporate with CEB expenditure.
- (g) The cost of loan received as per the Cabinet Decision No 15/0228/613/012 dated on 19 March 2015 amount of USD 5,412,000 equivalent to Rs.820, 969,500 and relevant interest amount of Rs.5, 602,295 had not been brought to the financial statements.
- As per records in Project accounts Euro 5,000,000 equivalent to Rs.820,969,500 had been accounted in the year 2018.
- (h) The receivable value of the jobs carried out for the supply and maintenance of Power Generators, Lifts and air conditioners to government institutions had been accounted to the cost value instead of its invoice value for the period prior to year 2013.
- It had been the practice of units coming under the purview of DGM (W&AS) serving the engineering estimates to government institutions in relation to the annual maintenance jobs carried out by CE (Power Plants), CE (AC & Ref.) and CE (Lifts), and recording the actual cost incurred by CEB until the estimated value is being recovered from the relevant government institutions, as the government institutions are very much reluctant to make the payments due to CEB on annual maintenance jobs. As a result, the CEB started issuing an invoice on quarterly basis to its clients for the work done from 2015.
- However, persistent efforts have been taken to recover at least the cost incurred by CEB from the government institutions that were outstanding from year 2005 and it was unsuccessful.
- Finally, due to the inability of taking legal action against the government institutions to recover the dues, as cited by the Attorney General, a full bad debt provision had been made in the Statement of Comprehensive Income of 2017 in this regard.
- As such, it is not agreeable with the statement that the Current Assets and retained earnings stated in the Financial Statements had been understated by Rs. 66,987,761.

2.2.2.3 Un-reconciled Differences

- (a) A difference of Rs.786,222,430 was observed between the payable balance of Rs.49,468,844,000 as shown in the financial statements of the CEB and the corresponding receivable balance of Rs.50,255,066,432 as shown in the financial statements of the Ceylon Petroleum Corporation (CPC) as at 31 December 2017.

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 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 is relevant to fuel purchases before 20 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.331,154,817 was observed between the balances of bulk trade debtors as at 31 December 2017 shown in the billing system of the Distribution Divisions 01,02,03 & 04 and the financial statements of the year under review.

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.

2.3 Accounts Receivable and Payable

- (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.

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.

An amount of Rs. 423,764,624 was remained as unidentified since 2012

Rs. 126,688,305 out of Rs 423,764,624 was cleared during the year 2018

- (b) A sum of Rs.32,765,469 due from the LECO had remained outstanding for more than five years without taking any recovery action.

CEB is a bulk supplier for energy to LECO and Metering points are located in Western Province North, Western Province South I & II. LECO bill amount will be based on energy consumption units and KVA charge. At the metering point joint meter readings were taken by CEB officials as well as LECO officials. There were instances where metering point meters are defect or not working properly, estimated units and KVA charge were estimated by CEB, and LECO officials did not agreed with those estimated bill amounts. There were situations where both parties had not come to a conclusion during the period the disputes have been occurred, and therefore unresolved balances are still appearing in the books of accounts in CEB.

CEB has received Rs. 13,782,779.12 out of the Rs. 46, 548,248 due from LECO. A board paper was submitted to write off the remaining balance.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL [CONTD.]

(c) Balance of other receivable remained outstanding for more than five years

Name of Debtor	Amount Rs.	Description
General Treasury	225,000,000	Recovering cost of street lightening & maintenance. The receivable amount of 225Mn could not be cleared from the books of CEB from year 2015 as the compliance with direction given by the department of Treasury operations in the Ministry of Finance and it should be set off through the repayment of sub loans payable to General Treasury.
Wood Group Gas Turbine Ltd.	8,264,352	As no such company is exist in the country at present and with the reply of legal officer, action will be taken to write off with the Board approval.
Ministry of Power and Energy	6,142,277	Chairman to the CEB has requested from west coast power (Pvt) Ltd by his letter CEB/CH/BS/Aud. Gen/17 dated 2018-07-18 to settle this amount.
Sri Lanka Sustainable Energy Authority	897,025,999	Tariff adjustment paid by the CEB to the Mini Hydro Developers. Draft Board paper has considered the Audit and Management Committee and recommended to write off the receivable balance amounting to Rs. 897,025,999 from Sri Lanka Energy subject to the approval of General Treasury as per the Public Finance Circular No. 02/2016 dated 2016-02-12. Accordingly, with the Request of General Manager – CEB the Secretary to the Ministry of Power, Energy & Business Development has forwarded a letter ref: PE/DEV/02/08/2007 II dated 2019-01-31 to Director General of Public Enterprises – General Treasury requesting approval to write off the outstanding receivable amount in CEB books of accounts. However, approval has not yet been received.
AES Kelanithissa (Private) Ltd.	1,368,964,445	Amount to be recovered on payment of price differences. With reference to the letter dated 19 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. And 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	2,505,397,073	

(d) A special levy of Rs.5 billion charged by the General Treasury in 2016 had been accounted as other debtors in the financial statements.

As per the instructions of Treasury and the Secretary of MOPRE, CEB paid Rs. 5 billion to the Treasury through a term loan obtained from Peoples' Bank to meet the urgent fund requirement of the government subject to the condition that the Treasury will issue a bond for the value of Rs. 5 billion. Further, it was decided to pay the interest rate difference to the CEB with regard to term loan and the Treasury bond. However, Treasury has not issued the bond of Rs. 5 billion to date. CEB is paying interest and capital to the Peoples' Bank for term loan. Hence, it is prudent to record Rs. 5 billion as receivable in CEB Financial Statements under current Assets, until proper instruction is issued by the Treasury.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions, etc.

(a) Ceylon Electricity Board Act, No. 17 of 1969

(i) Section 47 (1)(b) of Ceylon Electricity Board Act No.17 of 1969

Section 47-1(b) the Board has power to establish & maintain sinking fund or loan redemption reserve with the General Treasury in respect of repayment of loans taken by Board. However, the year 2000 to date appropriations has not been made due to continuous operation losses and negative cash flows experienced by CEB. As a result, this reserve has not been updated since the year 2000.

(ii) Section 47(2)(a) of Ceylon Electricity Board Act No.17 of 1969

The Board may establish and maintain a Depreciation Reserve with the General Treasury by transferring Rs. 1 million Reserve balance was Rs. 23 million as at 2000-12-31. Thereafter no provisions has been made due continuous losses incurred by the CEB.

(iii) Section 47(2)(b) of Ceylon Electricity Board Act No. 17 of 1969

This is also repeated audit query since many years. The Board established a reserve called other capital reserve to finance for capital works with the objective of ensuring the financial stability of CEB. This reserve has also not been updated due to continuous losses incurred by CEB.

(iv) 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.7, 246 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. 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) The CEB had not paid interest for consumer deposits as specified in Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009.

As per the clause No. 3 (d) and No. 30 of Sri Lanka Electricity Act No. 2009 the electricity tariff shall be sent by PUCSL. However the prevailing electricity tariff is not generating sufficient cash to run the business of CEB. The relevant clause in the Act as follows;

3(1) The function of the Commission shall be to act as the economic, technical and safety regulatory for the electricity industry in Sri Lanka, and – (d)To regulate tariffs and other charges levied by licensees and other electricity undertakings, in order to ensure that the most economical and efficient service possible is provided to consumers;

30(1) This section shall apply to –

- a) Tariffs or charges levied by the transmission licensee for the transmission and bulk sale of electricity (hereinafter referred to as "Transmission and bulk sale tariffs"); and
- b) Tariffs or charges levied by the distribution licensee for the distribution and supply of electricity (herein after referred to as "Distribution and supply tariffs")

(2) Transmission and bulk sale tariffs and distribution and supply tariffs, as the case may be, shall, in accordance with conditions specified in the relevant license –

- a) Be set by the relevant licensee in accordance with a cost reflective methodology approved by the commission;
- b) Permit the relevant licensee to recover all reasonable costs incurred in the carrying out of the activities authorized by its license on an efficient basis,
- c) Be approved by the Commission in accordance with the policy guideline approved by the Cabinet of Ministers under section 5; and
- d) Be published in such manner as may be required by the Commission, in order to ensure public knowledge.

As per Clause No 28 (3) of Sri Lanka Electricity Act No.20 of 2009 each Distribution License (DL) has to pay the interest for security deposits to its customers. The relevant clause in the Act. is as follows;

clause 28 (3) "Where any sum of money is provided to a distribution licensee by a way of security in pursuance of this section. The licensee shall pay interest on such sum of money at such rate as may from time to time be fixed by the licensee with the approval of the commission, for the period in which it remains in the hands of the licensee."

Presently, CEB is not receiving sufficient cash collection to run its business and as a result CEB is using the security deposits of its customers as a part of its working capital and balance working capital is obtained from bank overdrafts, short term loans, etc.

The benefits obtains by utilization of security deposits of its customers as its working capital by CEB. That is saving in interest on bank overdraft is distributed among all its customers by way of reduced tariff. In other word CEB has distributed more than Rs.1,163 million among all its customers for the year 2017 which is the estimated value given in audit report based on if the security deposits is deposited in a bank the interest that would have been earned.

As per this clause if DL's going to pay the interest on security deposits it will be an added financial burden for DL's and additional cost to the industry.

Hence it is recommended deletion of clause No 28 (3) from Sri Lanka Electricity Act No 20 of 2009 to Ministry and requested Ministry to take further action on this regard.

(c) An amount of Rs.7,088 million relating to the Insurance Reserve Fund as at 31 December 2017 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 agreed. Insurance Reserve Fund balance was Rs. 12,131,102 as at 2017-12-31 whereas Investment of Reserve Fund balance was Rs. 7,246,250,818. This is due to non - investment in the Insurance Reserve Fund as a result of adverse financial situation and continuous loss making situation of CEB during past few years. However, the interest received for this investment is reinvested. Further with the approval of the Board of Directors, the shortfall will be invested in Insurance Reserve Fund once the CEB liquidity position is improved.

3. Financial Review

3.1 Financial Results

Informative.

3.2 Analytical Financial Review

3.2.1 Working Capital Management

Informative.

3.2.2 Debt to Equity

Informative.

3.2.3 Profitability

Informative.

4. Operating Review

4.1 Performance

4.1.1 Power Generation and Cost of Generation (Excluding Distribution and Transmission Cost)

(a) Power Generation

Informative

(b) Direct Cost

Informative

4.2 Management Activities

(a) Two transformers with useful economic lifetime of 35 years purchased for Rs.18,254,550 in 2005 had been decommissioned.

These transformers were installed in Sri Jayawardhanapura Grid Substation through Greater Colombo Grid Substation Project in 2006. Procurement was also carried out by the Project.

After failing the transformer No. 01 in 2011 the possibility of repairing it through the Original Equipment Manufacturer (OEM), ABB was initiated. After going through the site test reports, OEM had offered an inspection of the failed transformer to be done at ABB Thailand. As the cost of inspection was very high, trading-in of the failed transformer had been attempted. But it was failed and OEM had offered a quotation for a new transformer, instead of the trade-off. The cost involvement for repair work was too high and thus, it was decided to replace the transformer.

The other transformer (No. 01) in Sri Jayawardhanapura Grid Substation also had failed due to a similar fault in year 2013.

An investigation had been done in 2013 by a group of senior expert Engineers of CEB and a report was submitted. According to the report, the failure was analyzed and found that tripping of No. 02 transformer had happened due to an earth fault in a 33kV feeder. It was noted that both transformers had equally shared the fault current and but only transformer 01 had got isolated by operation of protection. Transformer No. 02 has continued to feed the fault. This had eventually tripped by Buchholz protection. Due to prolonged feeding of fault current, Transformer had failed since it could not withstand the short circuit.

No. 01 Transformer also had failed in 2013, in similar fashion. Though protection had functioned, the Transformer had failed to withstand the fault current of short duration.

The committee had concluded the reason for the failures was the inability of the Transformers to meet the short circuit fault current for short duration. Further they had recommended that emphasis should be given in ensuring the transformers to be procured are capable of withstanding the short circuit fault condition. These Committee recommendations are already included in the technical specification used for the Transformer procurement.

- (b) Three thousand insulators (Pin 33KV) procured at a cost of Rs.7,221,707 on 11 September 2014 had not been used due to quality issue.

After negotiations with the supplier, the supplier has agreed to supply the new items to replace the defective items. Accordingly, supplier has supplied the required quantity in order to replace the defective items on 2018-09-27 to the Central Stores Kolonnawa and a sample of these items have been sent to the University of Moratuwa for testing purpose.

- (c) Special Investigation carried out by Internal Audit Branch on stock shortage of Rs.52,550,929 identified in 2014 under project of Uthuruwasanthaya.

This court case is handled by the CID and relevant file has handed over to the Attorney General's Department by the CID.

- (d) The prompt action had not been taken by the Board up to 16 August 2018 against the person who is liable for stock shortages of Rs.3, 674,861 which had been occurred during the period from 20 November 2006 to 20 February 2012, in Asset management Division.

A formal disciplinary inquiry was carried out in this regard and, due to his retirement, the shortage value could not be recovered from his final retirement payments. As a result, this matter was referred to Chief Legal Officer (CLO) of CEB requesting her to institute legal action against the store keeper, by DGM (AM) in order to recover the shortage.

Eventually, the legal opinion was received on 18 October 2018 from CLO together with the Attorney General's observations stating that due to the absence of some of the important documents relating to the disciplinary inquiry, a case cannot be filed.

As a last resort, action will be taken to submit a Board Paper requesting a write off of the stock shortage value of Rs. 3,674,861.50 from books of accounts.

- (e) An officer who liable for the stock shortage of Rs.3,789,893 had been allowed to be retired on 15 October 2011 without being recovered the loss.

Before submission of the committee report, the Store Keeper had retired on 15th October 2011 by reaching the age limit of 60 years. A formal disciplinary inquiry had not been carried out with regard to his shortage value of Rs.3, 789,893.03, and on the basis of Attorney General's observations, action will be taken to submit a Board Paper requesting a write off of the shortage value from books of accounts.

- (f) The staff loans such as distress, transport, festival advance and special advance to the value of Rs.4, 860,885 had remained outstanding without being taking any recovery action.

Most of the outstanding loan balances are mainly due to non-finalization of terminal dues to the employees who were under VOP (vacation of post), dismissed, interdicted. Once the inquiries are finalized these dues will be recovered from their terminal benefit.

Other balances due to leaving of employees from CEB without notice and non-settling of their dues. Details were obtained from payroll unit, personnel branch and Provident Fund branch. Necessary actions will be taken to recover such loans from relevant employees.

4.3 Operating Inefficiencies

A sum of Rs.2,051,605,881 which comprised of 11 per cent of the total consumable stock of Rs. 17,936,845,512 had been shown in financial statements as slow moving, non-moving and damaged stock as at 31 December 2017.

The breakdown of the percentage of slow moving, non - moving and damaged consists as follows ;

	Percentage
	%
Nonmoving	5
Slow moving	4
Damaged	2
	<u>11</u>

Most of the stocks are non-perishable nature, these stock items of CEB are spare parts and material items used for electricity generation, transmission and distribution. These slow or non-moving items are to be kept in stock for any emergency situation due to the nature of the business and to avoid stock out situation. Therefore, out of 11%, 9% of stock is non-moving and slow moving those stock items may not dispose though it is slow or non-moving. Action on the disposal of damaged stock (as 2% of stock value) is an annual activity carried out by respective head of the unit/branch.

4.4 Irregular Transactions

(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.

The PAYE Tax liability of CEB employees has 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 on several times and discussions were also held with Trade Unions. However, no consensus was reached regarding reverting it back to employees. The Collective Agreement signed on 2018-01-04 has been published by the Extra Ordinary Gazette No. 2068/5 dated 2018-04-23. It appears now a violation of the collective agreement to change the agreed remuneration and would create further legal repercussions.

(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 Management services circular no. 39. of 26 May 2009.

Cabinet approval has been received on 2008-04-09 for the payment of Allowances to the CEB employees as per the recommendations of the salaries and cadre Commission. However, it is not clear which allowances are referred under this item, and therefore a comprehensive answer is not possible. Moreover a reply has been sent to the Auditor General regarding the same query. Management Services Circulars are generally not used in CEB unless they are adopted by the Board. However, Board approval has been obtained for payment of each and every allowance.

(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.

Vehicle loans for CEB employees were granted as per terms and conditions stipulated by the Board Decisions at concessionary rate of interest. Further, CEB has not adopted the Public Enterprise Circular issued under this topic. Moreover, the staff loans have been paid as a benefit for the employees of CEB. Without such reward management scheme, CEB cannot maintain the employees' morale towards their works.

4.5 Transactions of Contentious Nature

(a) Even though the Board had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation (CPC) 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 and CPC. For instance 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.

A committee with the participation of high ranking officers of both CEB and LECO has prepared a draft agreement and has sought Attorney General's (AG) opinion on the same. This committee has made required amendments as per AG's opinion and has submitted "final power sales agreement" to AGM (Transmission). General Manager, CEB has written to General Manager, LECO regarding some endorsement made by 3 officers of LECO on the report furnished by the committee. GM CEB suggested to take this matter at a Board meeting of LECO.

However, CEB has not been able to get any feedback from LECO as of now, regarding the process within LECO that has taken place regarding this matter though a reminder has been sent on 2017-08-29. LECO has written to PUCSL. Letter dated 2018-07-24 stating that Regulation on Electricity Trading Arrangement is required to formulate the power purchase agreement between LECO and CEB.

- (b) The CEB had not paid and made provisions in the accounts for the interest amount of Rs.2,171,027,353 which is liable to pay for the General Treasury as per the sub loan agreement and an additional interest amount (1% to 2% per annum) should pay for the delay payment.

CEB could not find the interest method of calculation stated in Audit report which was mentioned as liable to pay for the General Treasury as per the Sub Loans Agreements signed by the CEB and General Treasury.

It is noted that considering the liquidity constrains of the CEB, the Government of Sri Lanka (GOSL) had taken the steps to support CEB through the conversion of all the project lending loans made to CEB through the General Treasury in to GOSL's equity with approval of the Cabinet of Ministers.

If any provision has to be made in the books of CEB, the concurrence of the Department of Public Enterprises would be obtained in line with the outstanding balances of sub loans payable to General Treasury.

Evidences such as sub-loan agreements had not been available for four loans of the balance payable to the General Treasury Rs.13,090,107,000 in the financial statements could not be verified.

The sub loan agreements had not been completed due to following reasons;

1. Habarana Veyangoda Transmission Line Project (JICA) - SLP 106

A draft sub loan agreement for above loan was submitted to Department of External Resource Department (ERD) on 21st January 2014. Later, the ERD had made a request to amend and resubmit the said sub loan agreement as per the comments made by Attorney General on his letter dated 23 December 2014.

2. Greater Colombo Transmission & Distribution Loss Reduction Project (JICA)-SLP 107

The disbursement of above loan has been utilized from 19 June 2014 and during the construction period, all the disbursements has been accounted in the books of CEB in line with exchange rate published by the ERD as payable to Treasury.

3. Green Power Development & Energy Efficiency Improvement Project (ADB)-3146 & 3147 and (AFD)

The draft Subsidiary Loan Agreements had been forwarded to ERD on 26th November 2015 to comply with request made by ERD on 15 October 2015. On 6 May 2016, the Treasury Operation Department had informed that there was no provision to consider these loans as sub loans. Therefore, it was not required for signing of sub loan agreements.

It is noted that the Government of Sri Lanka decided to support on strengthen the Balance Sheet of the CEB. The Treasury granted approval in par with the approval of Cabinet of Ministers to convert all the outstanding loans as at 31 December 2013 and 31 December 2014 except the loan given to Puttalam Coal Power Plant. The disbursements of above loans from 2015 have been accounted by CEB payable to General Treasury.

At the meeting held on 11 January 2018 by the Department of Public Enterprises, it was decided to convert on-lending loans made to the CEB through the General Treasury after 31 December 2014 which were not converted by the Cabinet decision taken on 18 March 2015 into the GOSL's equity with the approval of the Cabinet of Ministers.

4.6 Identified Losses

A sum of Rs.41,829,697 had been deducted by the lending agency in 2017 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.

2733 SRI (SF) Sustainable Power Sector Support Project

Even though the initial scope of the project was completed well ahead of the project completion date, utilization of the balance fund under package 4 lot 7C was delayed in the process of procurement due to appeals made by the bidders and obtaining Cabinet decision.

2518 SRI Clean Energy and Access Improvement Project

Originally the bidding was initiated as a turnkey project and subsequently procurement method was changed and materials were procured part wise. In year 2015, utilization of balance funds was started. But delay in obtaining Cabinet approval, some awarding was done in the latter part of year 2016.

2892 SRI Clean Energy and Network Efficiency Improvement Project

Contract effectiveness has been declared on 2016-02-29 and detailed survey, material delivery, tower erection work and revised gantry design work taken considerable time period.

Project disbursements by end of December 2017 are as follows.

Contract	Contract Cost (a) (Rs. Mn)	Cumulative (By end of December 2017) (Rs. Mn)		Percentage (c) / (a)
		Target (b)	Actual (c)	
Lot A	2,500.92	1,549.87	871.13	35%
Lot B1	2,716.68	1,140.70	979.24	36%
Lot B2	682.16	161.70	107.43	16%
Total	5,899.76	2,852.27	1,957.80	33%

Lot A contract

Civil works progress at Kappalturei site is affected due to restrictions imposed on transportation of filling materials by the Local Government bodies which is beyond the control of projects. Accordingly, overall physical progress was affected as 42% against target of 98% by 2017-12-31. Expected completion date of the Contract is 2018-03-15

Lot B1 Contract

Civil works progress at Kasbawa, Anuradhapura and Kalutara sites are affected due to restrictions imposed on transportation of filling materials by the Local Government bodies which is beyond the control of Project. Accordingly, overall physical progress was affected as 30% against target of 51% by 2017-12-31. Expected completion date of the Contract is 2018-11-04.

Lot B2 Contract

No significant delay was observed by end of 2017.12.31, Since actual physical progress was 34% against target of 38%. Expected completion date of Contract is 2018-11-10.

Clean Energy & Network Efficiency Improvement Project – Package 1 Project

Lot A: Mannar Grid Substation Project

The scope of the project has been revised and taken time to finalize it. Hence, the contract period of the project was extended to accommodate the new project scope.

Lot B: Transmission Lines Project

There was a variation order submitted by the Contractor for the tower foundations at Mannar end. Since the submitted prices were very high, it taken time to negotiate and finalize the variation order, hence, it affected the foundation construction work. Also the construction work was affected due to adverse weather conditions. Therefore, the project completion time was extended.

4.7 Human Recourses Management

(a) Scheme of Recruitments and Promotions (SOR) of the CEB 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. However, again Board has requested the Management to review this SORP and a Committee was appointed accordingly. This situation remains the same to date.

(b) The Key post in the HR Division

This matter was taken at the COPE and the Committee appointed by Secretary, Ministry of Power & Renewable Energy on the COPE recommendations have revealed that it is effective the DGM (Personnel) position be held by a senior Electrical Engineer of 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.

Since CEB is a fully engineering based organization, it is vital to hold the key positions by engineers who can understand the pulse of the organization and workforce. Therefore the two highest positions of Personnel Branch are hold by engineers because they are entrusted with the responsibilities of managing the organizational HR functions according to work delegated by GM, CEB. These two engineers perform the tasks and duties entrusted by GM. Therefore, these posts have not been a hindrance for the promotions of the officers those who are in HR Field. Further considering the significance of these two posts, GM CEB has recently appointed an engineer for one of these posts who has obtained a post graduate qualification in HRM.

- (d) Experience required for direct recruitment of Human Resource Manager (HRM) and Human Resource Officer (HRO).

This issue was addressed in the revised draft SORP which was submitted to the Board

5. Achievement of Sustainable Development Goals

CEB is committed to “Ensure access to affordable reliable, sustainable and modern energy for all”

1. Access to Electricity:

CEB has developed the Electricity Network to all corners of the country and we have already reached the almost 100 % electrification level. New houses are coming up all the time and CEB is supplying electricity to new houses when the request comes to CEB.

2. Reliability:

The reliability of electricity of the country is looked into under following three studies.

- 2.1. Medium Voltage Distribution System Development Plan and System Augmentation Plan (10 year rolling plan)
- 2.2. Preparation of Least Cost Long Term Generation Expansion Plan. (20 year rolling plan) for assured adequate generation capacity.
- 2.3. Transmission Network Development Plan. (20 year rolling plan) for assured adequate Grid and Transmission Network capacity.

3. Affordable and Sustainable:

The affordable and sustainable aspects are studied while preparation of Least Cost Long Term Generation Expansion Plan. (20 year rolling plan updated in every two years)

The affordable aspect of electricity supply is ensured by analyzing all the available electricity energy supply sources for Sri Lanka and by developing the energy supply source with least cost.

The sustainability aspect is addressed by giving priority for development of renewable energy resources available in the country i.e.

1. Solar
2. Wind
3. Hydro
4. Biomass

4. Modern facilities

CEB is committed to modernize its generation, transmission and distribution assets in order to give a better service to its consumers. In parallel the continuous education and training is provided for its staff and systems are updated to accommodate modern facilities.

Presently CEB is preparing the Cooperate Plan and Action Plan for next 5 years and targets, baseline data as well as milestones to be reached will be provided in these documents after a careful study of all relevant aspects.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL [CONTD.]

6. Accountability and Good Governance

6.1 Social Responsibilities

Environmental Protection License (EPL) had not been issued by the Provincial Environmental Protection Authority since July 2017 for Lakvijaya Power Station.

The Environment Protection License (EPL) received for the period of 2018-10-26 to 2019-10-25

6.2 Unresolved Audit Paragraphs

There were some Audit Queries cannot be resolved by CEB along, Government intervention to mitigate and address the Trade Union protest related to the issues in respect of PAYE, Allowance, etc. Resolving some Audit Queries needs direction of Government such as making provision as per the requirement of Act and corrective measure in some audit queries needs implementation time.

7. Systems and Controls

(a) Assets Management

i. Long delay in completing the capital works in the Distribution Divisions.

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. Expedite to survey, valuation and protection of lands of the CEB scattered Island wide

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. Maintenance of updated data base for vehicles.

All the division maintains CEB own vehicle details in their fixed asset register. In addition to that Assets Management Division of CEB maintains central database for the vehicle belong to CEB and hired vehicle. Instructions have been issued to submit relevant information to update this data base regularly by AGM (Assets Management) by his letter ref no. AGM (AM)/CC/24 dated 2017-01-18

(b) Receivables and Payables

Timely recover the 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.492594, 178.70 as at 31 December 2015 has been reduced to Rs. 208,915,885.92 as at 31 December 2017.

(c) **Human Resources Management**

Management of human resources according to the role and the extent for achievement of the objectives of the entity

The entire human resource has been effectively managed in such a way that it will ultimately fulfil the strategic HR alignment within the organization. Every possible steps have been taken by the organization to stick to this. CEB prepares a Corporate Plan, which is based on the Balanced Score Card concept and consultancy and advice of the university professors are obtained. Therefore, these systems and controls are embedded in the organizational learning and growth perspective.

(d) **Inventory Control**

i **Maintenance of stock records properly**

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 maintained through the inventory module in the MITFIN System.

ii. **Establishment and maintenance of appropriate controls over the coal stock handling to avoid stock shortage and excess.**

Regarding the subject matter, the Electronic Weigh Scale at Conveyor "0" has been refurbished as below:

1. All worn out/damaged mechanical components were replaced.
2. Necessary Electrical/I &C parts were replaced.
3. Dynamic calibration with I & C section is in progress.
4. The Instrumentation & Control Section is in progress.

(e) **Project Management and Control**

- i. Completion of the project within the time frame.
- ii. Preparation of engineering estimate realistically.

All the project activities and reporting requirements are being monitored by the AGM Project division.

(f) **Accounting System**

The financial statements of the board had continuously restated since the year 2013 due to weaknesses in the internal control of remaining accounting system.

Action will be taken to strengthen the internal control system to avoid the restatement due to weaknesses in the internal control of remaining accounting system




Eng. S.D.W.Gunawardana
General Manager
Ceylon Electricity Board

ABBREVIATIONS

ABB	ASEA Brown Boveri	MCPC	Ministry Consultancy Procurement Committee
ADB	Asian Development Bank	MLKR	Million Sri Lankan Rupees
AFD	Agence Francaise De Developement	MOPRE	Ministry of Power & Renewable Energy
AGM	Additional General Manager	MRV	Measurement, Reporting and Verification
BIQ	Basic Information Questionnaire	MV	Medium Voltage
BSC	Breaker Switched Capacitor	NCP	National Project Concept
BSF	Board Special Fund	NCRE	Non-Conventional Renewable Energy
CB	Circuit Breaker	NEDO	New Energy and Industrial Technology Development Organization
C&P	Control and Protection	NN	Negenahira Nawodaya
CCEM	Cabinet Committee on Economic Management	NSCC	National System Control Centre
CCTV	Closed Circuit TV	NWP	North Western Province
CE	Chief Engineer	OEM	Original Equipment Manufacture
CEB	Ceylon Electricity Board	OLTC	On Load Tap Changer
CP	Central Province	O&M	Operation & Maintenance
CMMS	Computerized Maintenance Management System	OPGW	Optical Fiber Ground Wire
CPF	Carbon Partnership Facility	ORE	Other Renewable Energy
CPCM	Ministry Consultancy Procurement Committee	PABX	Private Automatic Branch Exchange
CSC	Consumer Service Center	PBX	Private Branch Exchange
CT	Current Transformer	PCB	Provincial Council Budget
CVT	Current Voltage Transformer	PD	Partial Discharge
DC	Direct Current	PHM	Projects & Heavy Maintenance
DC	Double Circuit	PLC	Power Line Carrier
DCB	Decentralized Budget	PLTS	Party Line Telephone System
DCN	Digital Communication Network	POS	Point of Sales
DD1	Distribution Division 1	PRV	Pressure Relief Valve
DD2	Distribution Division 2	PS	Power Station
DD3	Distribution Division 3	PSS	Primary Substations
DD4	Distribution Division 4	PT	Potential Transformer
DGA	Dissolved Gas Analysis	PTI	Power Technologies International
DGM	Deputy General Manager	PUCSL	Public Utilities Commission of Sri Lanka
EIA	Environmental Impact Assessment	RE	Rural Electrification
EP	Eastern Province	RTU	Remote Terminal Unit
ERD	External Resource Department		SAIDI System Average Interruption Duration Index
ERP	Enterprise Resource Planning		SAIFI System Average Interruption Frequency Index
ESMP	Electricity Sector Master Plan	SAS	Substation Automation Systems
FOX	Fiber Optic eXchange	SC	Single Circuit
GCB	Generator Circuit Breakers	SCADA	Supervisory Control & Data Acquisition
GHG	Green House Gas	SCCMP	System Control Centre Modernization Project
GIS	Gas Insulated Switchgear	SFRA	Sweep Frequency Response Analysis
GSS	Grid Substation	SIP	Signal Interface Panel
GT	Gas Turbine	SP	Southern Province
HMI	Human Machine Interface	SPP	Small Power Producers
HVDC	High Voltage Direct Current	SPPA	Standardized Power Purchase Agreements
IAEA	International Atomic Energy Agency	SVC	Static Var Compensator
IEC	International Electrotechnical Commission	SVS	Static Var System
IED	Intelligent Electronic Device	TEPCO	Tokyo Electric Power Company
IPP	Independent Power Producers	UG	Under Ground
JICA	Japan International Cooperation Agency	UU	Uva Udanaya
LAN	Local Area Network	UHF	Ultra High Frequency
LBS	Load break Switch	USD	United States Dollar
LKR	Lankan Rupees	VHF	Very High Frequency
LNG	Liquefied Natural Gas	VoIP	Voice over Internet Protocol.
LOI	Letter of Intent	VRE	Variable Renewable Energy
LSE	Lighting Sri Lanka East	VT	Voltage Transformer
LTGEP	Long Term Generation Expansion Plan	WPN	Western Province North
LTDP	Long Term Transmission Development Plan	WPSI	Western Province South I
LV	Low Voltage		

